

RTAChicago.org

# MEETING OF THE RTA BOARD OF DIRECTORS JUNE 18, 2020

Welcome!

Meeting Starts at 9 a.m.

Meeting Agenda

@ [RTAChicago.org/about-us/boardmeetings](https://RTAChicago.org/about-us/boardmeetings)



# MOVING YOU

# RTA BOARD OF DIRECTORS MEETING

## 1. CALL TO ORDER

*Please feel free to listen to the meeting and view slides related to it here.*

*The meeting agenda can be found at  
[rtachicago.org/about-us/boardmeetings](https://rtachicago.org/about-us/boardmeetings)*

# PLEDGE OF ALLEGIANCE



6/18/2020

Meeting of the RTA Board of Directors

# RTA BOARD OF DIRECTORS MEETING

## 2. ROLL CALL

## 3. APPROVAL OF MINUTES

**3a:** From the Board of Directors Meeting  
held on May 21, 2020

## 4. PUBLIC COMMENT

Public comments were accepted online in advance of this meeting.

# 5. EXECUTIVE DIRECTOR'S REPORT

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# PROTESTS FOR RACIAL EQUALITY









# STATE DELINQUENCY FIGURES

Month	Amount Delinquent
June	\$235.5 million
May	\$234.7 million
2020 Cost of Short Term Borrowing YTD	\$2.6 million
2019 Cost of Short Term Borrowing YTD	\$5.2 million
Short-Term Borrowing Authority	\$400 million
Outstanding Short-Term Borrowing	\$150 million

# GOVERNMENT AFFAIRS UPDATES



# 6. INFORMATION ITEMS



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# 6a. REPORT ON MONTHLY FINANCIAL RESULTS – YTD THRU APRIL 2020 (IN MILLIONS)

RIDERSHIP				
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Variance</u>
CTA	103.2	145.5	(42.3)	(29.1%)
Metra	14.9	23.9	(9.0)	(37.7%)
Pace	6.7	9.0	(2.3)	(25.8%)
<u>Pace ADA</u>	<u>1.1</u>	<u>1.4</u>	<u>(0.3)</u>	<u>(19.4%)</u>
<b>Total</b>	<b>126.0</b>	<b>179.8</b>	<b>(53.9)</b>	<b>(30.0%)</b>



## 6a. REPORT ON MONTHLY FINANCIAL RESULTS – YTD THRU APRIL 2020 (IN MILLIONS)

<b>OPERATING REVENUE</b>				
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Variance</u>
CTA	\$158.2	\$221.2	(\$63.0)	(28.5%)
Metra	\$99.8	\$131.9	(\$32.1)	(24.3%)
Pace	\$14.5	\$18.2	(\$3.7)	(20.4%)
<u>Pace ADA</u>	<u>\$4.3</u>	<u>\$4.7</u>	<u>(\$0.4)</u>	<u>(8.4%)</u>
<b>Total</b>	<b>\$276.8</b>	<b>\$376.0</b>	<b>(\$99.2)</b>	<b>(26.4%)</b>

# 6a. REPORT ON MONTHLY FINANCIAL RESULTS – YTD THRU APRIL 2020 (IN MILLIONS)

<b>PUBLIC FUNDING</b>				
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Variance</u>
CTA	\$221.6	\$263.1	(\$41.5)	(15.8%)
Metra	\$100.2	\$122.3	(\$22.1)	(18.1%)
Pace	\$44.0	\$50.9	(\$6.9)	(13.6%)
<u>Pace ADA</u>	<u>\$60.4</u>	<u>\$60.4</u>	<u>(\$0.0)</u>	<u>(0.0%)</u>
<b>Total</b>	<b>\$426.1</b>	<b>\$496.7</b>	<b>(\$70.6)</b>	<b>(14.2%)</b>

# 6a. REPORT ON MONTHLY FINANCIAL RESULTS – YTD THRU APRIL 2020 (IN MILLIONS)

<b>EXPENSES</b>				
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Variance</u>
CTA	\$531.2	\$535.3	\$4.0	0.8%
Metra	\$256.3	\$278.6	\$22.2	8.0%
Pace	\$70.1	\$78.9	\$8.8	11.2%
<u>Pace ADA</u>	<u>\$61.2</u>	<u>\$62.6</u>	<u>\$1.4</u>	<u>2.3%</u>
<b>Total</b>	<b>\$918.9</b>	<b>\$955.4</b>	<b>\$36.5</b>	<b>3.8%</b>



## 6a. REPORT ON MONTHLY FINANCIAL RESULTS – YTD THRU APRIL 2020 (IN MILLIONS)

NET RESULTS			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
CTA	(\$151.5)	(\$51.0)	(\$100.5)
Metra	(\$56.3)	(\$24.3)	(\$32.0)
Pace	(\$11.7)	(\$9.9)	(\$1.8)
<u>Pace ADA</u>	<u>\$3.5</u>	<u>\$2.5</u>	<u>\$1.0</u>
<b>Total</b>	<b>(\$216.0)</b>	<b>(\$82.7)</b>	<b>(\$133.3)</b>

# 6a. REPORT ON MONTHLY FINANCIAL RESULTS – YTD THRU APRIL 2020

RECOVERY RATIO			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
CTA	37.6%	51.4%	(13.8)
Metra	42.0%	50.5%	(8.5)
Pace	28.2%	29.7%	(1.6)
<u>Pace ADA</u>	<u>10.1%</u>	<u>10.5%</u>	<u>(0.4)</u>
<b>System (excl ADA)</b>	<b>36.8%</b>	<b>47.5%</b>	<b>(10.8)</b>



# 6b. REPORT ON PROJECT MANAGEMENT OVERSIGHT

June 18, 2020



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An aerial photograph of an industrial facility, likely a steel mill or manufacturing plant. The scene is dominated by a complex network of tracks and rail lines that run parallel to each other, extending into the distance. Several large, multi-story industrial buildings with flat roofs are visible, some with signs. The sky is clear and blue. In the foreground, there are more tracks and a large, dark, rectangular structure, possibly a water tank or a large container. The overall impression is one of a busy, large-scale industrial operation.

1

DELIVER  
VALUE  
ON OUR  
INVESTMENT

# PMO PROJECTS

FUNDING SOURCE	BUDGET	NUMBER OF PROJECTS
State Bond Projects	\$308,619,553	12
Total Projects >\$10M	\$5,138,253,387	40





# PROJECT PERFORMANCE

- 67% of projects without Change Orders
- 75% of projects are on schedule
- 3 projects are behind schedule
- Construction continues during COVID 19



An aerial photograph of a transit station at dusk. A train is stopped at the platform on the left. To the right, several buses are parked under a large, modern, white canopy structure. The scene is illuminated by streetlights and the station's lights, creating a warm glow against the twilight sky. A large green circular graphic is overlaid on the left side of the image, containing the number '2' and the text 'BUILD ON THE STRENGTHS OF OUR NETWORK'.

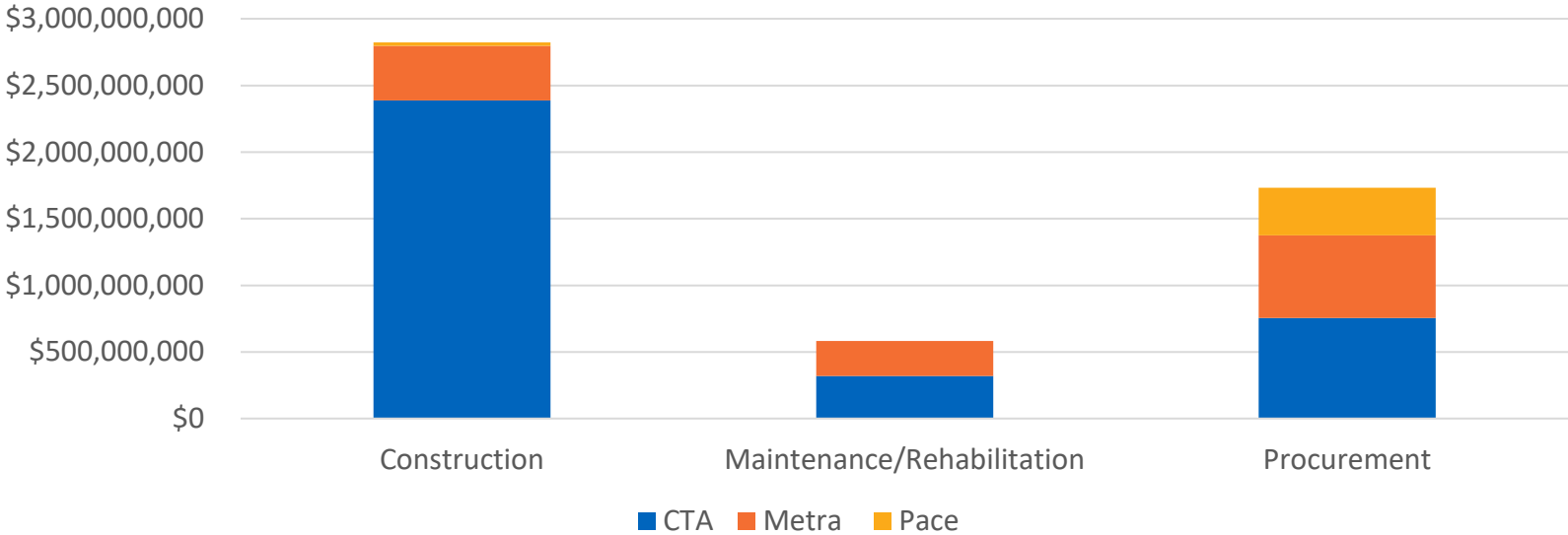
2

BUILD ON THE  
STRENGTHS  
OF OUR  
NETWORK



# PROJECT TYPES

Project Categories



# PMO PROJECT HIGHLIGHTS

PROJECT	HIGHLIGHTS
CTA - 98 <sup>TH</sup> Rail Shop Bridge Replacement	This project will provide for the replacement and repair of CTA's 98 <sup>th</sup> Street Shop Bridge and canopy structure as well as restoration of deteriorated elements in the CTA 98 <sup>th</sup> Street Rail Shop.
Metra - Union Pacific North Line Bridges	This project replaces eleven bridges on the inbound track of the UP North Line.
Pace - Transit Signal Priority (TSP)	This project includes TSP equipment purchase and installation services.

# COMPLETED PROJECTS

PROJECT	HIGHLIGHT
CTA - Dearborn Subway Improvements	CTA's project for improvements at the Chicago, Grand and Division stations has reached substantial completion in May.
CTA - Rail Car Washer Design	The final design for a new rail car washer at Harlem Shop.
Metra - Hazel Crest Station	Metra's project for the rehabilitation of Hazel Crest Station making it ADA accessible by adding an elevator has reached substantial completion.

An aerial night photograph of a city, likely a university campus, featuring a large purple circular graphic overlay. The background shows illuminated buildings, a road with light trails, and a train. The purple circle contains the number '3' and the text 'STAY COMPETITIVE' with a horizontal line underneath.

3

STAY  
COMPETITIVE

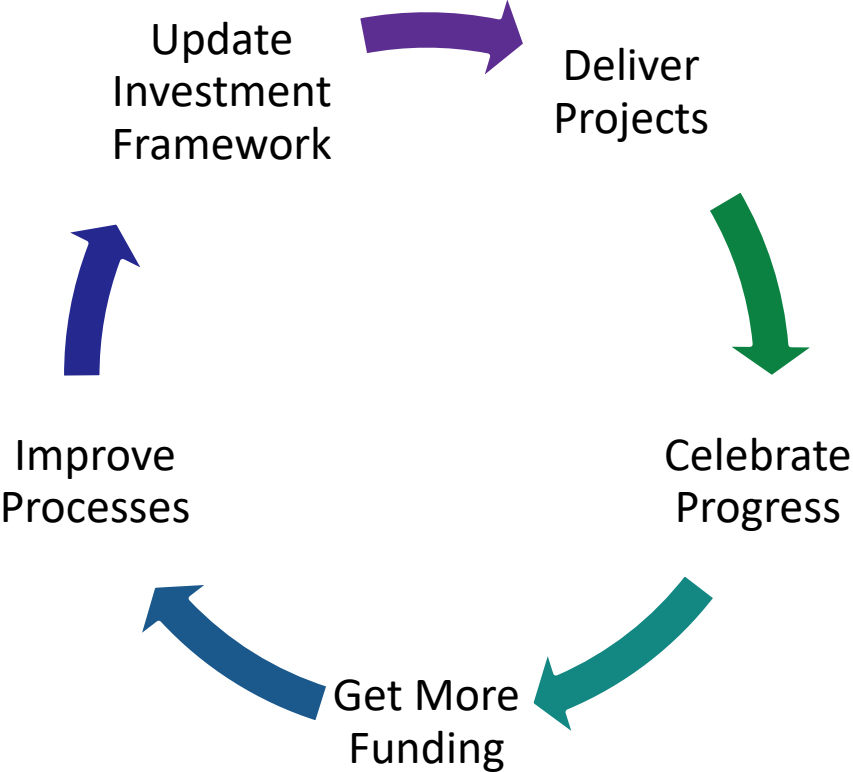
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# STAYING COMPETITIVE

- Technology
- Customer Experience
- ADA Accessibility
- Safety and Security
- Innovation



# PMO – PROJECT DELIVERY



# 7. ACTION ITEMS



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## ACTION REQUESTED: APPROVAL

**7a:** Ordinance approving the Combining Financial Report and certifying compliance with the RTA Act recovery ratio requirement for 2019

**7b:** Ordinance approving and releasing the RTA 2019 Comprehensive Annual Financial Report (CAFR)

# THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



# AUDITOR'S PRESENTATION TO THE RTA BOARD OF DIRECTORS YEAR ENDED DECEMBER 31, 2019

June 18, 2020

This report is intended solely for the information and use of management and the Board of Directors of the Regional Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

# Client Service Team

- RSM US LLP
  - Joe Evans - Lead Client Service Partner
  - Bill Sarb - Senior Manager
  - Katie Rodriguez – Supervisor
- Disadvantaged Business Enterprise (DBE)
  - In 2019 the DBE Goal was 15%.
  - RSM worked with Prado & Renteria to ensure the 15% goal was achieved
  - Following are some of the areas that staff members provided by Prado & Renteria focused their attention:
    - Performed the Single Audit testing in accordance with the Uniform Guidance under the supervision and review of RSM
    - Provided assistance with CAFR audit including cash and investment testing and policy compliance procedures

# COVID-19

- The World Health Organization declared COVID-19 a pandemic on March 11, 2020
- Estimated impact on RTA to date is difficult to determine at this time
- All employees transitioned to working from home except for a select small group of essential individuals
- Finance team worked to close the books remotely in the midst of the pandemic
- The RSM audit team, including our DBE subcontractor auditors collaborated with RTA management to perform the majority of audit fieldwork remotely

# Scope of Services

- RTA Comprehensive Annual Financial Report (CAFR)
- Combining Financial Statements (“Statutory Basis” Compilation Report of RTA and 3 Service Boards)
- RTA Joint Self-Insurance Fund (JSIF)
- RTA Pension Plan (Non-union)
  - Plan Financial Statements
  - Plan Allocation Report for RTA, Metra and Pace
- RTA Single Audit (Uniform Grant Guidance)

# Overall Audit Result Communications

- Auditor Reports:
  - Unmodified “Clean” Opinions
    - RTA CAFR
    - RTA JSIF
    - RTA Pension Plan
- Significant judgments or accounting estimates by management
  - Fair value of investments
  - Net pension liability



# CAFR Highlights

- RTA awarded GFOA Certificate for excellence in financial reporting for the 25th straight year
- Cash flows from the State of IL improved significantly in FY 2019 compared to prior periods, but with COVID-19 new concerns exist in FY 2020 which will be addressed with CARES Act replacement funding
- General Fund Budgetary highlights
  - Revenues were under budget by \$3.4 million
    - State shared revenues such as PTF and Sales Tax, came in under budget by \$8.7 million, which was offset by Investment income returns of \$5.0 million over budget
  - Expenditures were under budget by \$9.4 million
    - Financial assistance to the service boards were under by \$4.9 million (pass through State shared revenues)
    - Regional technical assistance program \$3.5 million (pass through federally funded program)

# Special-Purpose Compilation

- Independent Accountant's Compilation Report
  - Report to be submitted to the State
  - Each Service Board received an independent audit and submit their audited financial statements to RTA
  - Each Service Board certified their recovery ratio to the RTA
- Recovery ratios for the region and paratransit have met statutory requirements for FY 2019
  - Region-wide 51.7%
  - ADA Paratransit 10.4%

# Additional Financial Audit Reports

- RTA Joint Self-Insurance Fund
  - Net position of \$21.1 million
  - RTA distributed \$3.0 million from the General Fund
  - Insurance premiums were \$5.5 million
- RTA Pension Plan
  - Includes non-union employees of RTA, PACE & METRA
  - Combined employer contributions of \$13.9 million were made during 2019
  - The upturn in the markets in 2019 lead to the RTA investment portfolio reporting a market value gain of \$44.0 million in 2019.
  - Market funded ratio as of 12/31/19 is 86%

# Compliance Audit

- Single Audit - Done by Prado & Renteria (DBE)
  - The RTA reported total federal expenditures of \$7.2 million for fiscal year 2019 across five federal programs
  - Federal Programs
    - Federal Transit Formula Grants (\$1.8 million)
    - Transit Services Programs (\$4.6 million)
    - Highway and Planning Construction (\$105 thousand)
    - Metropolitan, Statewide & Non-Metropolitan Planning (\$247 thousand)
    - Public Transportation Research Programs (\$432 thousand)
  - Based on the results of our testing of federal expenditures, there were no instances of noncompliance noted.

# Audit Findings

- No material weaknesses or significant deficiencies noted during the fiscal year 2019 audit.
- Other matters:
  - RTA Pension Plan Financial Statements
    - Due to increased activities in alternative investment funds (such as private equities and real estate funds) additional time is needed to obtain fiscal year end valuation results.
    - The 2019 GASB 67/68 actuarial valuation report was done using a salary scale assumption which is not consistent with the historical actuarial experience study performed by GRS in 2019. Management confirmed the variance is based on discussion of various Plan leaders.

# Future Audit Considerations

- ERP System Implementation
  - System data conversion testing
  - New system control testing
- Future accounting pronouncements
  - GASB Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*
    - In light of COVID-19 this postpones the effective dates for most pending GASB Statements, including the two most significant ones relating to the RTA and the Service Boards.
  - GASB Statement No. 84 *Fiduciary Activities*
    - Significant change impacting the RTA CAFR relating to the reporting of the Sales Tax Agency Fund
    - Potential change to the RTA CAFR related to the presentation of the Pension Trust Fund
  - GASB Statement No. 87 *Leases*

# Summary of Required Communications

Area	Comment
<b>Significant or unusual transactions</b>	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatement – Passed Adjustments</b>	There were no uncorrected misstatements or passed adjustments noted.
<b>Preferability of Accounting Policies and Practices</b>	Under GAAP, in certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.
<b>Alternative Treatments Discussed With Management</b>	We noted no alternative treatments within GAAP for accounting policies and practices related to material items that were discussed with management during the current period.

# Summary of Required Communications

Area	Comment
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	Management did not have any consultations with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	<ul style="list-style-type: none"><li>• Arrangement Letter</li><li>• Management Representation Letter</li></ul>



# Concluding Thoughts

- Worked closely with John Yu, Lalaine Alvarez and the rest of the Controller Division team to complete our understandings and procedures over the financial statements
- Strong communication on both sides (including regular status Microsoft Teams meetings and WebEx meetings) proved to be key to getting to this point
- Thank you to everyone involved, we look forward to continuing our relationship in the future

THANK YOU FOR  
YOUR TIME AND  
ATTENTION



## RSM US LLP

One South Wacker Drive, Suite 800  
Chicago, IL 60606

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Joseph Evans  
312 634 4540  
[joseph.evans@rsmus.com](mailto:joseph.evans@rsmus.com)

Bill Sarb  
847 413 4709  
[bill.sarb@rsmus.com](mailto:bill.sarb@rsmus.com)



# 8. CONTRACT/ EXPENDITURE ITEMS

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# ACTION REQUESTED: APPROVAL

**8a:** Ordinance authorizing an Intergovernmental Agreement Between RTA and the Village of Bedford Park regarding the Connect2Work First/Last Mile Pilot Program

**8b:** Ordinance authorizing a contract for zoning code updates for the Town of Cicero and the Village of Riverside

**8c:** Travel Expense Reimbursements

# 9. NEW BUSINESS

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## NEXT MEETING AND ADJOURNMENT

The next meeting of the RTA Board of Directors is scheduled for Thursday, July 16.

We will advise you of the location or virtual nature of this meeting as the date approaches and the status of the COVID-19 situation is updated.

# STAY CONNECTED



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