MINUTES OF A PUBLIC MEETING OF THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY

The Finance Committee of the Board of Directors of the Regional Transportation Authority met in public session on **Thursday, August 23, 2018** at 8:35 a.m., in Suite 1650, 175 W. Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

Committee members present (6): Anderson, DeWitte, Kotel, Lewis, Maglis, Troiani
Committee members absent (2): Coulson, Melvin
Other Board members present: Durante, Frega, Fuentes, Higgins, Pang, Ross, Sager (phone), Chairman Dillard

Approval of minutes from the meeting held on June 21, 2018

Director Lewis moved, and Director Troiani seconded that the minutes from the meeting held on June 21, 2018 be approved as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, DeWitte, Kotel, Lewis, Maglis, Troiani
2 Absent: Directors Coulson, Melvin

Presentation of the Quarterly Performance Report

Ms. Jill Leary presented year-to-date quarterly performance results through the second quarter of 2018 in comparison to 2017. The following is a summary:

Compared to the first half of last year (2017), ridership for the first half of 2018 was 3.1% lower, a difference of 9.1 million trips. Service Boards' performance was favorable to peer averages for four of six modes. Compared to 2017, CTA bus ridership is down 3.4%, and CTA rail ridership is down 2.9%. Metra ridership was down 3.2%, about 2½ percentage points lower than the peer average. Pace bus showed a 3.5% ridership decrease from first half 2017, which was about half a percentage point worse compared to its peers. Vanpool experienced a ridership gain of 2.5%, whereas its peer average loss was 5.4%. ADA Paratransit ridership increased by 0.9%, compared to a peer average decrease of 1.7%.

The Chicago region ranks second of the ten regions, with a 3.1% ridership decrease versus the average regional peer ridership loss of 5.7%. Regional operating costs, after being adjusted for inflation, decreased 1.4%. Ridership was 3.1% lower compared to 2017. The resulting operating cost per passenger trip of $4.71 was 8 cents higher, an unfavorable difference of 1.8%.

Following fare increases at all three Service Boards in the first quarter, each reported improved fare revenues. Region-wide, the fare revenue per passenger trip, or average fare, was $1.74, which was 12 cents higher, a 7.4% improvement, over the first half of 2017. The fare recovery ratio as shown here reflects the ratio of fare revenue to operating expense, without any credits or exclusions. A recovery ratio of 36.3% is 1.2 percentage points higher compared to 2017, primarily due to the improvement in fare revenue.

Director Anderson asked how much work has been done to understand the ridership loss and if any studies been done to figure out where people are going? Ms. Leary responded that loss in ridership was highlighted in the five-year strategic plan that was presented and adopted in the beginning of the year. Nationally, ridership is going down. Factors include lower gas prices, competition with Uber and Lyft, a non-traditional work week, and congestion on streets that slow down buses significantly as factors in reduction. Within the region, RTA is working with the Service Boards, the City of Chicago and all the suburban municipalities to address this issue.

Resolutions Certifying Financial Results – Second Quarter 2018

Ms. Bea Reyna-Hickey opened by stating that the financial results through the second quarter were satisfactory with ridership essentially at budget, operating revenue slightly unfavorable, and solid expense performance despite higher fuel prices, resulting in a recovery ratio above budget at 50.5%. Ms. Reyna-Hickey pointed out that the lack of red highlights in the ridership section of the dashboard indicates that the Service Boards based their 2018 budgets on reasonable ridership assumptions, something the RTA staff and Board had encouraged during budget development.

RTA system ridership though June was 0.2% favorable to budget and 3.2% lower than prior year. Operating revenue was $8.6 million or 1.5% unfavorable to budget, primarily due to the lower level of reduced fare reimbursement funding from the State. Pace had the largest operating revenue shortfall due to unfavorable fare revenue and reduced fare funding, while ADA Paratransit had a favorable variance of 6.7% due to favorable fare and ancillary revenue.

Public funding was $3.4 million or 0.5% unfavorable to budget. Sales tax continues to show strength, with the latest results, May, about 6% higher than 2017, prior to the 1.5% state surcharge. The Real Estate Transfer Tax (RETT) has swung favorable to budget after strong April results related to the sale of the Prudential Plaza. System-wide operating expenses were $23.0 million or 1.7% favorable to budget. All Service Boards reported favorable results, despite unfavorable fuel expense results totaling $4.2 million. Metra and Pace had the most favorable expense results at 3.2% and 3.4%, respectively.

Ms. Reyna-Hickey explained that the good expense performance more than offset the unfavorable operating revenue and public funding, producing a system-wide net result that was $11.0 million favorable to budget. The regional recovery ratio of 50.5% was 0.3 points favorable to budget. The fare recovery ratio and all revenue recovery ratio were 1.2 and 1.8 points higher than prior year, respectively, due to the favorable impact of the Service Board fare increases. Metra, Pace, and ADA Paratransit had favorable operating deficit variances. CTA's operating deficit variance was 0.9% unfavorable to budget, well within the substantial accordance guidelines. As a result, staff recommended that each of the Service Boards and the region as a whole be found in substantial accordance with budget through the second quarter.

Director Magalis noted that the recovery ratio is close to not meeting the 50.0% requirement, and asked Bea how the Service Boards are planning to meet that requirement. Ms. Reyna-Hickey noted that the while the current recovery ratio is close to budget, all Service Boards exceeded their recovery ratio requirement in 2017, and they are fully expected to exceed the 2018 requirement. Ms. Reyna-Hickey also mentioned that the legislative agenda includes a plan to seek additional recovery ratio relief for reduced fare funding that does not cover the full amount of lost revenue from those rides.

Director Lewis asked if the Service Boards use different variables as part of a budget model during budget development. Ms. Reyna-Hickey explained that the RTA has developed a ten-year budget model that allows for the adjustment of several variables, including fares, sales tax growth rates, sales tax surcharge, and PTF reductions, that the Service Boards can use to help develop a balanced budget prior to the Service Board's adopting their budgets and the RTA adopting the consolidated regional budget.

Director Troiani moved, and Director Lewis seconded that the proposed ordinances be recommended for Board approval as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, DeWitte, Kotel, Lewis, Maglis, Troiani
2 Absent: Directors Coulson, Melvin

Ordinance establishing estimates of amounts available to the Service Boards for their 2019-2021 operating budgets, the required recovery ratios for 2019, and preliminary 2019-2023 capital program funds

Mr. Bill Lachman presented the 2019 operating funding and capital amounts, noting that for the fourth consecutive year the RTA Board is poised to adopt the funding amounts nearly a month in advance of the September 15th statutory deadline. To develop the sales tax forecast, economic conditions were examined in collaboration with the Service Boards. The unemployment rate has improved for the region, and tourism continues to be strong. Sales tax growth has increased, and the SFY 2019 budget actions are less onerous than those of SFY 2018. The sales tax growth assumption for 2019 is 3.8%, between the Moody's and Chicago Federal Reserve custom forecasts.

The resulting 2019 funding amounts adhere to the funding framework established in 2014 and reflect an overall increase from the 2018 budget of 4.1%. However, the overall increase from the original 2017 budget, adopted prior to the SFY 2018 reductions in transit funding, is less than 1%. As a share of total operating funding to the Service Boards, CTA is proposed to receive 52.4%, Metra 26.1%, and Pace Suburban Service and ADA Paratransit 10.7% each, shares that are little changed from the 2018 budget. The Service Board recovery ratios are proposed to remain unchanged at 54.75% for CTA, 52.5% for Metra, and 30.3% for Pace Suburban Service.

Mr. Lachman then reviewed the preliminary capital funding for 2019. A total of $718.3 million is anticipated, with 71% coming from federal formula funds. Service Board funds comprise 11% of the 2019 capital funding, with Pace planning to issue bonds. Regarding the allocation of capital funding, CTA is expected to receive 57.3%, Metra 29.3%, and Pace 13.4% due to the bond issuance. Mr. Lachman closed by reviewing the 2019 business plan calendar and noted that Service Board budgets are due to the RTA seven weeks from today.

Director Magalis asked about the estimate of additional RTA use tax expected from on-line sales as a result of the Wayfair decision by the U.S. Supreme Court. Mr. Lachman explained that the RTA's annual estimate of $4 million to $5 million is based on the State's annual estimate of $150 million of additional State use tax. The RTA does not have any information about who is paying the use tax.

Director DeWitte asked about the impact of the sale of Prudential Plaza and the Hancock Building on 2018 RETT collections. Ms. Reyna-Hickey explained that the 2019 RETT estimate is based on the estimate provided by the City of Chicago.

RTA Chairman Dillard noted that Indiana is prepared to invest more than $1 billion to improve the South Shore Rail Line and compared that amount to the RTA's 2019 Capital Program of $718.3 million. He noted that the State of Illinois does not seem to realize to the extent that other states do how important public transportation is to attracting and retaining a labor force.

Director Higgins asked what drives the increase in ADA funding. Mr. Lachman explained that the two factors are ridership and contracts with service providers. Ms. Reyna-Hickey noted that Pace has successfully negotiated these contracts yielding significant savings in recent years, but the contracts do have built-in increases and the costs are also volume-driven.

Director Magalis noted that the capital funding projections fall short in large part due the lack of a state capital budget. Mr. LaMarche explained that the State last passed a five-year capital program in 2009. Chairman Dillard noted that the RTA must be able to secure matching funds in case Congress pass

Director Lewis moved, and Director DeWitte seconded that the proposed ordinances be recommended for Board approval as submitted. The motion carried on the following roll call vote:

6 Ayes: Directors Anderson, DeWitte, Kotel, Lewis, Maglis, Troiani
2 Absent: Directors Coulson, Melvin

ADJOURNMENT
There being no further business to come before the meeting of the Finance Committee, Director Troiani moved, and Director Lewis seconded that the meeting adjourn. The motion carried on the following voice vote.

6 Ayes: Directors Anderson, DeWitte, Kotel, Lewis, Maglis, Troiani
2 Absent: Directors Coulson, Melvin

The meeting ended at 9:15 a.m.

AUDREY MACLENNAN
Secretary of the Authority