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, May 17, 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): Coulson, DeWitte, Lewis, Maglis, Melvin, Troiani (phone)
Committee members absent (2): Anderson, Kotel
Other Board members present: Durante, Frega, Fuentes, Higgins, Pang, Ross, Sager, Chairman Dillard

Approval of minutes from the meeting held on April 19, 2018

Director Lewis moved, and Director Melvin seconded that the minutes from the meeting held on April 19, 2018 be approved as submitted. The motion carried on the following roll call vote:

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

Presentation of the Quarterly Performance Report

Ms. Jill Leary presented the first quarter performance report for 2018 in comparison to same period results in 2017. Compared to the first quarter of 2017, ridership for the first quarter of 2018 was 4.0% lower, a difference of 5.6 million trips. Compared to 2017, CTA bus ridership is down 4.7%, and CTA rail ridership is down 3.5%. Each of the bus and heavy rail peer agencies reported ridership losses for first quarter 2018. Metra ridership was down 3.1%, about one percentage point lower than the peer average. Pace bus showed a 4.2% ridership decrease from first quarter 2017, which was better than the peer average loss of 5.6%. Vanpool experienced a ridership drop of 1.9%, whereas its peer average loss was 8.2%. ADA Paratransit ridership increased by 3.6%, compared to a peer average decrease of 2.7. The Chicago region ranked third of the ten regions, with a 4.0% ridership decrease versus the average regional peer ridership loss of 7.2%.

Vehicle revenue hours, vehicle revenue miles, and operating cost per vehicle revenue hour were roughly equal to the prior year. Regional operating costs, after inflation, were held to a 0.7% increase. Ridership was a full 4.0% lower compared to the first quarter of 2017. The operating cost per passenger trip of $4.94 was 3.4% (or $0.16) higher compared to 2017.

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 for the first quarter, an 8.2% improvement over the first quarter of 2017. The fare recovery ratio reflects the ratio of fare revenue to operating expense, without any credits or exclusions. A recovery ratio of 34.5% is one percentage point higher compared to 2017, resulting from improvement for fare revenue and cost containment on the expenditure side.

Director Lewis asked if there were any commonalities in terms of reduction that other markets are suffering. Ms. Leary responded that since ridership is down nationwide, the factors might be the same, including cost of gas, car ownership, and increase in TNC's.

Director Lewis then asked if there are any lessons to be learned from what other markets may be doing to combat the issues we are facing. Ms. Leary responded with an example of Houston's revamping of their entire bus system. Los Angeles is increasing their transit, especially their heavy rail. Along with peers, there is lack of investment in infrastructure, specifically in capital. That is evident between the bigger systems. We are using the Strategic Plan push to try and invest more in the system to bring back the ridership throughout the system.

Chairman Dillard pointed out both New York & Los Angeles have had a major influx of new cash. These two systems faired the best. The governor of New York put lots of money into the system recently. Los Angeles has passed a referendum and Sacramento has a special public transportation fund in their state budget.

Chairman Dillard also commented that ridership is impacted by lower gas prices. Now that gas prices are over $3 a gallon, it will be interesting to test the assumptions that lower gas prices impact ridership.

Director Ross mentioned that Pace ADA was the only ridership with an increase and asked whether it was a good number. He stated that the goal is to make people self-sufficient to use fixed routes. He asked how is the effectiveness measured in order to get people on fixed routes. Ms. Leary responded that last year Pace ADA remained stable, and that it is the most expensive service to provide and they are trying to control cost. There is a need to provide and make this service available to the demographics that qualify for it. Mr. Michael VanDekreke added that there are initiatives to get people to shift to the fixed route system. He mentioned the travel training program and Pace's initiative Hop-on-the-Bus program, get youth interested in riding the buses. The Travel Trainers will be are working with Pace to implement conditional eligibility, which is something they are trying to encourage.

Chairman Dillard commented that there is a new company that announced they are specifically tailored to take people to their doctors' offices. This new company may be trying to be eligible for Medicaid or Medicare reimbursement. He mentioned that the Strategic Plan mentions the need to be competitive because the landscape changes rapidly.

Resolutions certifying financial results – First Quarter 2018

Ms. Bea Reyna-Hickey opened by stating that the financial results through the first quarter were satisfactory, with unfavorable ridership and operating revenue, but favorable operating expenses. 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 through March was 0.2% unfavorable to budget, and 4% lower than prior year. Ridership was lower than prior year in each of the first three months of 2018, but this was expected due to the fare increases. Operating revenue was $3.2 million, or 1.2%, unfavorable to budget, primarily due to the lower level of reduced fare reimbursement (RFR) funding from the State. The Service Boards are accruing the RFR at half the budgeted level. Pace had the largest operating revenue shortfall due to unfavorable fare revenue, while ADA Paratransit had a favorable variance of 3.2% due to increased ancillary revenue.

Public funding was $7.8 million unfavorable to budget, as February sales tax results were up only about 1% from prior year, not as strong as the January results. CTA's public funding was $6.9 million under budget due to unfavorable PTF and RETT results. System-wide operating expenses were $10.6 million or 1.5% favorable to budget, despite unfavorable fuel expense results at each Service Board, totaling $2.0 million. Metra and ADA Paratransit had the most favorable expense results, at 3.3% and 5.1%, respectively.

Ms. Reyna-Hickey explained that the good expense performance did not quite offset the unfavorable public funding and operating revenue, and the year-to-date system net result was $0.4 million unfavorable to budget. The regional recovery ratio of 48.0% was 0.1 points favorable to budget, and the fare recovery ratio and all revenue recovery ratio were a full point higher than prior year due to the favorable impact of the Service Board fare increases. Metra, Pace, and ADA Paratransit had favorable operating deficit variances, while CTA's operating deficit variance was 0.8% unfavorable, well within the substantial accordance guidelines. As a result, Bea recommended that each of the Service Boards and the region as a whole be found in substantial accordance with budget through the first quarter.

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

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

Discussion and Ordinance releasing the 2019 Budget Call

Mr. Doug Anderson presented an ordinance releasing the 2019 Budget and Capital Program Call. He stated that the annual budget process begins in May and culminates with Board adoption of the regional budget and capital program in December. The RTA and Service Boards will face many of the same challenges that were faced during development of the 2018 budget: uncertain State funding levels, declining ridership, and insufficient capital funding. The 2% sales tax surcharge and potential 10% PTF cut could result in a total funding reduction of $64 million from traditional levels. Mr. Anderson said that the fare increases undertaken by the Service Boards in 2018 have strengthened regional operating revenue, but expenses are expected to increase as well.

Mr. Anderson highlighted some changes for 2019. The budget initiation process name is being changed from Business Plan Call to Budget Call. The January 2018 Regional Transit Strategic Plan, *Invest in Transit*, set forth new goals that provide the backdrop of this year's budget and capital process. Finally, the Service Boards are required to submit a draft of their Transit Asset Management (TAM) plans with their proposed capital programs.

The Budget Call document itself is very similar to last year's. The Service Boards will be required to submit their revenues and expenses by category, recovery ratios, staffing levels, service plans, operating statistics, and details on any planned bond issuances. The capital submittals must outline the scope, justification, and cost of each new project to be undertaken in the 2019-2023 program. The Service Boards are also asked to identify any capital funding from local sources and Service Board bond proceeds. RTA staff will consolidate the operating and capital submittals into a proposed regional budget, providing sufficient information to the Board to ensure that the budgets allocate resources effectively.

Mr. Anderson reviewed some important milestones on the 2019 budget calendar. The preliminary funding levels will be sent to the Service Boards in July for further discussion, and the resulting proposed funding levels will be presented to the RTA Board for consideration at the August 23rd Board meeting. Proposed Service Board budgets and capital program submittals are due to the RTA staff on October 11th, in advance of the Service Board public hearing and County Board presentations. After the Service Boards submit their adopted 2019 budgets by November 15th, the RTA will conduct our required public hearings and County Board presentations in late November and early December. A special Finance Committee meeting will be held on November 28th, at which the Service Boards will present their budgets and capital programs and field questions from the RTA Board. Finally, the regional budget and five-year capital program will be considered for adoption at the December 13th RTA Board meeting.

Finance Chairman Magalis noted that the State budget cuts last year disrupted the 2018 RTA budget process, and asked when and how staff intends to account for potential funding adjustments during this year's process. Ms. Reyna-Hickey noted that a funding amendment was required for 2017 due to the magnitude and timing of the State budget actions. Since the 2019 funding allocations are not adopted until August, we hope to have a State FY19 budget by then, and as a result, more certainty on the assumptions underlying the 2019 funding levels. Staff will make adjustments right up until the August Board meeting if necessary. Mr. LaMarche said that the expectation in Springfield is that there will be a budget deal before the end of June. He pointed out that if there is no budget deal, the 10% PTF cut won't continue, because the reduction was for SFY2018 only.

Chairman Dillard noted that the CTA should be engaged with Senate President Cullerton and the appropriations staff on these issues, and that Metra should be engaged with House Minority Leader Durkin. Downstate transit executives also need to meet with the legislative leaders. Mr. LaMarche assured the Chairman that those engagements have been occurring.

Director Lewis asked about alternative funding sources and if those will be included in the 2019 budget process. Ms. Reyna-Hickey responded that the RTA is always looking at alternative funding sources, including expansion of the sales tax base. She noted that the Automobile Rental Tax (ART) was considered last year and did not have enough votes to move forward, but would have produced only about $6 million annually. Ms. Reyna-Hickey said that as part of the 2019 funding framework, a source needs to be identified for Metra non-statutory funding. Ms. Redden stated that she frequently discusses funding alternatives with the CEOs at the Service Boards.

Director Lewis noted that many of the public hearings are sparsely attended and asked if they could be reduced or modified. Ms. Redden noted that the hearings are statutorily required, but, the RTA is looking at ways to increase participation through the use of technology and online options.

Director Magalis asked staff to apply the same requirements for the Service Board budgets to the Agency budget process, specifically, to do more financial analysis and planning up front. He cited the recent debate on the ERP replacement as an example of a situation that could have been mitigated with that approach. He recommended a financial impact statement for major line items in the proposed RTA Agency budget. Leanne responded that the Agency Budget is based on an extensive Work Plan process, and that staff would share the Work Plan with the Board as a first step toward improving the financial analysis aspect of our budget development.

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

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

ADJOURNMENT

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

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

The meeting ended at 9:20 a.m.

Audrey Maclennan
AUDREY MACLENNAN
Secretary of the Authority