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, March 21, 2019** at 9:15 a.m., in Suite 1650, 175 W. Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Magalis presided.

ROLL CALL

Committee members present (8): Coulson, Groven, Holt, Kotel, Lewis (@ #4a), Magalis (phone), Melvin, Troiani (phone)

Other Board members present: Durante, Frega, Fuentes, Higgins, Pang, Ross, Sager, Chairman Dillard

Approval of minutes from the meeting held on February 21, 2019

Director Holt moved, and Director Coulson seconded that the minutes from the meeting held on February 21, 2019 be approved as submitted. The motion carried on the following roll call vote:

7 Ayes: Coulson, Groven, Holt, Kotel, Magalis, Melvin, Troiani

1 Absent: Lewis

Report on monthly financial results – January 2019

Ms. Bea Reyna-Hickey, CFO, opened by following-up on a question from Director Lewis at the February Board meeting regarding how Pace's Compressed Natural Gas (CNG) operation impacted overall fuel expense. Ms. Reyna-Hickey said that CNG costs about 60 cents per gallon versus $2.09 per gallon of diesel for the rest of Pace's bus fleet. There are 99 CNG vehicles operating at the South Division only, which, while sizable, is still less than 15% of Pace's total bus fleet. So while the CNG component of Pace's overall fuel expense did provide price stability and operational savings, it was not large enough to prevent Pace's overall 2018 fuel expense from an unfavorable result, as diesel fuel prices rose above the budgeted assumption.

Ms. Reyna-Hickey then briefed the board on the January Service Board results coming up short on ridership and operating revenue, given the historically cold weather over the closing days of the month, which essentially shut down the school system and many businesses as well. She mentioned that January's cold weather had a similar impact during the last severe cold outbreak of January 2014.

Mr. Tim McGowan stated that the snow and severe cold led to service disruptions and closings which greatly impacted ridership and, in turn, revenue, for the month. However, the Service Boards were able to control their expenses, which helped mitigate the overall financial results. RTA system ridership in January was 9.1% lower than prior year and 7.9% lower than budget.

Extreme temperatures at the end of the month causes riders to stay home, as well as some reduced and/or cancelled service, which is reflected in the large year-over-year ridership decrease. The polar vortex of 2014 had a very similar ridership loss versus prior year of 9.4%. CTA had the least unfavorable ridership performance, and ADA Paratransit the largest. In total, the system fell 3.6 million rides short of budget, essentially two days' worth of normal January ridership.

Operating revenue suffered as a result, and was $5.8 million, or 6.1% unfavorable to budget. While most of the revenue impact was caused by the ridership shortfall, the Service Boards have also begun to reflect a 50% reduction in the assumed reduced fare reimbursement from the State, contributing to lower revenue.

Public funding is essentially at budget as the RTA has not yet received any 2019 sales tax. The latest sales tax results, December, were essentially flat to prior year. However, 2018 finished with healthy, 4.1% overall growth in pre-surcharge RTA sales tax receipts. System-wide operating expenses in January were $4.3 million, or 1.8% favorable to budget, with Metra, Pace, and Pace ADA reporting favorable to budget results, and CTA essentially at budget. Lower service levels resulting from the severe weather contributed to the Metra, Pace, and Pace ADA expense results, and each of the Service Boards benefitted from lower-than budgeted diesel fuel prices.

At the regional level, favorable expenses did not fully offset the unfavorable revenue and public funding, producing a net result was $2.0 million unfavorable to budget. Pace and Pace ADA each recorded a net result favorable by more than 3%, driven by strong expense performance. Through January, the regional recovery ratio of 44.9% was unfavorable to budget by 2.0 percentage points. In addition to the historically cold weather, it is normal to begin the year low, due to revenue and expense seasonality, and thus the system can generally be expected to strengthen back toward the 50% level as the year progresses. The Fare Revenue recovery ratio of 31.7% and the All Revenue recovery ratio of 37.8% were both significantly lower than prior year, reflecting the weather-related ridership impact on fare revenue. CTA and Metra reported unfavorable results, driven by unfavorable revenue, with Metra's exceeding 3%. Pace and Pace ADA both reported favorable results, due to expense performance.

In summary, the Service Boards' expense performance in January was surprisingly good, helping to offset the effects of ridership and revenue losses. The RTA fully expects financial results to stabilize as we move beyond this extraordinarily bad weather month. Nonetheless, the Service Boards have begun the year with a significant operating revenue deficit, which will be monitored closely in future results to confirm an improving trend.

Director Melvin reiterated Director Magalis' past comments about the value riders receive from fares versus public funding, and the idea of showing that value on a Ventra card or placard.

Director Holt asked what portion of the operating revenue variances were attributable from fares due to the cold weather versus Reduced Fare Reimbursement. Ms. Reyna-Hickey said staff will need to look into this specific month to identify the breakout, but said that the Reduced Fare Reimbursement is being funded at half of the traditional $34 million, and that the Service Boards do account for bad weather months in their budget spreads. Following the meeting staff researched the $5.8 million revenue variance. Lower accrual of the Reduced Fare Reimbursement accounted for $1.3 million, or 23%, and weather impacts on fare revenue accounted for $4.5 million, or 77% of the total revenue variance.

Director Holt asked what the assumption is regarding what is going to happen with the Reduced Fare Reimbursement. Ms. Reyna-Hickey replied that the Reduced Fare Reimbursement is included in the funding negotiations with the Service Boards, and the consensus was to not self-cut. Ms. Reyna-Hickey mentioned that the full funding has not been received in two years, so the question is how long should the full amount be budgeted. Ms. Reyna-Hickey said the full amount was budgeted in 2019 and will be re-visited during the 2020 budget development. She further stated that the Service Boards deserve to receive the full amount, given that the free rides impact, depending on how they are viewed, could be as high as $100 million. She said that the desire is for either an equivalent amount of credits, or funding at a higher level.

Director Higgins asked when the next quarterly certification was due. Ms. Reyna-Hickey said that the first quarter certification take place in May. Director Higgins followed by commenting that Metra experienced a rough day of delays with the Amtrak issue at Union Station in March. Ms. Reyna-Hickey mentioned that while the expenses are good for January, she feels there is a timing lag which may carry over to the February or March results. Chairman Dillard interjected that it won't be pretty when then the Amtrak related Metra ridership impacts are reported in the upcoming months.

Chairman Dillard said he had reviewed a task force report from the Mayor's commission on mobility, led by Ray LaHood, which implied that transportation network providers carry the annual equivalent of three days of RTA system ridership. The Chairman then mentioned that Dorval Carter, CTA President, said it would take about 14-hours to unload passengers in front of the Willis tower, if all the employees there took a rideshare option to work, evidence that public transit is still of vital importance and relevance to the region. He also said that Dorval Carter believes most of the TNP impact is on the weekend. The Chairman asked staff to zero in on the amount of TNP rider volume compared to the RTA system.

<u>Ordinances amending the 2019-2023 Capital Program, amending the Strategic Capital Improvement Plan (SCIP), and extending spending deadlines for Innovation, Coordination and Enhancement (ICE) projects</u>

Ms. Lorri Newson delivered a presentation to provide justification and need for the ordinances to 1) amend the 2019-2023 Capital Program incorporating changes in program revenue and expenses for CTA, Metra and pace; 2) approve 12 month extensions for CTA, Metra and Pace's Innovation, Coordination and Enhancement (referred to as "ICE") funded projects; and 3) amend the Strategic Capital Improvement Program (referred to as "SCIP") that will be submitted to the Governor for approval. Each quarter RTA staff seeks board approval to amend changes to the 5-Year Capital Plan for changes in revenue and expenses for CTA, Metra and Pace as well as time extensions for expenditure of funds for CTA, Metra and Pace under the ICE Program. Additionally, Board approval is required for amendments to the SCIP Plan to be submitted to the Governor for approval. In this case, cost savings from other SCIP funded projects were realized and proposed to be allocated to other projects.

Director Melvin asked if the SCIP amendment has to be made to apply cost savings from other projects to future project. Ms. Newson responded by saying that program rules and regulations require any change to the SCIP plan to be approved by the Governor. Since the cost savings will be result in a change then it must be submitted and approved by the Governor.

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

8 Ayes: Directors Coulson, Groven, Holt, Kotel, Lewis, Magalis, Melvin, Troiani

<u>ADJOURNMENT</u>

There being no further business to come before the meeting of the Finance Committee, Director Groven moved, and Director Holt seconded that the meeting adjourn. The motion carried on the following leave for last unanimous roll call vote.

8 Ayes: Directors Coulson, Groven, Holt, Kotel, Lewis, Magalis, Melvin, Troiani

The meeting ended at 9:20 a.m.

Audrey Maclennan

AUDREY MACLENNAN
Secretary of the Authority