MINUTES OF THE VIRTUAL MEETING OF THE BOARD OF DIRECTORS
OF THE REGIONAL TRANSPORTATION AUTHORITY

The Board of Directors of the Regional Transportation Authority met in virtual session on Thursday, November 19, 2020 pursuant to notice.

Chairman Dillard called the meeting to order at 9:05 a.m.

The pledge of allegiance was recited by the Chairman.

ROLL CALL

Board members present (16): Andalcio, Canty, Carey, Coulson, Frega, Fuentes, Gathing, Groven, Holt, Kotel, Lewis, Melvin, Pang, Ross, Sager, Chairman Dillard

Approval of minutes from the meetings held on October 15, 2020
Director Canty moved, and Director Frega seconded that the minutes from the public meeting and Executive Session held on October 15, 2020 be approved as submitted. The motion carried on the following roll call vote:

16 Ayes: Andalcio, Canty, Carey, Coulson, Frega, Fuentes, Gathing, Groven, Holt, Kotel, Lewis, Melvin, Pang, Ross, Sager, Chairman Dillard

Public Comment
There were no public comments submitted for this meeting.

Executive Director's Report
Ms. Leanne Redden described how all four transit agencies collaborate annual to develop the proposed regional Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program. The 2021 proposal was posted to the RTA website on November 10th which began a public comment period that will include a virtual public hearing on December 3rd and will culminate when the RTA Board considers it for adoption at the December 17th board meeting.

The Service Boards themselves have also collected public comments and held virtual public hearings on their respective budgets, she said, which are easy to find from the RTA home page at rtachicago.org. To comment on the proposal and sign up for the December 3rd hearing, anyone may email communications@rtachicago.org.

As stated in the budget proposal's introduction, Ms. Redden said, this is "anything but a normal budget year" for our regional transit system and virtually every other across the U.S.

Nationwide, public transportation has suffered dramatic decreases in ridership and revenues due to the unprecedented effects of COVID-19. Here in northeastern Illinois, the staff of CTA, Metra, and Pace have heroically kept transporting workers to hospitals, police stations, firehouses, groceries, and other essential workplaces. But as of November 6th ridership is down 69% systemwide compared to 2019.

She said that continued operations have been made possible by $1.4 billion from the federal CARES Act, which passed in March. As those funds run out in 2021, our transit system will face a potential shortfall of more than $500 million. The Proposed 2021 Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program assumes further financial relief, without which a reckoning will come in early 2021 when this budget would need to be revisited to enact painful service cuts.

Due to decreased ridership, Ms. Redden said, farebox revenues for all three Service Boards reached their low point in May, followed by slow increases. Without additional federal relief for transit, farebox revenue will not likely rebound quickly enough in 2021 to avoid potentially painful service cuts. The RTA will therefore continue working with the American Public Transportation Association (APTA), she said, to call for an additional federal relief package containing $32 billion for transit systems nationwide. But that new relief remains very much in doubt, and in times like these, it is important for all levels of government to step up with additional support to sustain transit beyond the pandemic, because severe cuts will have negative effects not only for essential riders in the short term but also for our region's economy in the longer term.

Overall, the proposed 2021 regional operating budget totals $3.02 billion which Ms. Redden said is decrease of $157.4 million or 5% from the pre-COVID 2021 budget plan. The proposed five-year capital program totals $6.351 billion.

She called Board members' attention to the 2021 proposal's capital section, which is dramatically more detailed than in prior budgets. This reflects several years of teamwork between the RTA and the Service Boards, with whom we have been collaborating to articulate and advance a regional transit capital strategy based on our *Invest in Transit* regional plan. The significantly enhanced 2021-2025 capital program proposal is among the improvements that were cited in the draft Framework for Transit Capital Investments. Ms. Redden mentioned that staff are reaching out to the civic groups who had provided comment on the Framework in October about the capital proposal, and input from them and other stakeholders will be significant in three-step recovery strategy, details of which she recapped as follows.

Adoption of the proposed budget that reflects the realities of this current crisis will complete Step 1, she said. Next, from January to June 2021, Step 2 will be execute that budget and make decisions as needed to sustain transit during this time of uncertainty. And Step 3 will be to plan boldly and strategically for long-term recovery, seeking to reinvent transit in our region with an outlook of 2023 and beyond.

Among our greatest challenges, Ms. Redden said, is to anticipate a variety of potential outcomes and plan carefully so riders, especially the most vulnerable who rely on transit can continue to count on public transportation. She said that, as a transit system with three different but interdependent providers, we have collectively developed this Proposed 2021 Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program to protect transit from the uncertainties of COVID-19 while also speaking frankly about possible ramifications if additional funding doesn't emerge.

Ms. Redden then provided a quick update in the aftermath of local, state and federal elections that were held on November 3rd. The Illinois General Assembly had been scheduled to meet starting on November 17th for a two week fall veto session, but that was cancelled due to resurgence of the virus, and the General Assembly will try again to convene early in the new year before the new House and Senate are sworn in on January 13. The November 3rd defeat of the graduated income tax proposal means the Legislature will have serious budget challenges to address, she said the Governor's Office of Management and Budget had estimated that an additional $1.3 billion of revenue would have been made available in fiscal year 2021 had the proposal passed. She said that, much like the region's transit system, the State is facing a major deficit in this year's budget. When the FY 21 budget was passed last May, it contained a $5 billion shortfall. At that time, the legislature authorized the state to borrow up to $5 billion from the Federal Reserve's loan program to address the deficit, but the State has not done so yet. If a federal relief bill with aid for state governments does not materialize, she said, the State will choose to address its revenue shortfall for Fiscal Year 2021 through a combination of federal borrowing and state spending reductions. The Governor's administration has already advised state agency directors to identify 5 percent of appropriated Fiscal Year 2021 spending to potentially hold in reserve in case budget cuts are needed.

Ms. Redden concluded by announcing the current state delinquency figures. Through the end of October, the State owes the RTA $190.8 million of ASA, AFA, and PTF. The State is four months behind on ASA, four months behind on AFA , and the equivalent of 5.2 months behind on PTF. The year-to-date cost of short-term debt is $4.3 million.

Presentations and discussion of 2021 agency budgets with the CTA, Metra, Pace and RTA
Presentation and discussion of the 2021 agency budgets with the CTA, Metra, Pace, and the RTA

Ms. Bea Reyna-Hickey thanked the Service Boards' capital and finance teams for another collaborative process especially during these challenging times. Ms. Reyna Hickey reminded us that these projections and budgets are not forever because this is a changing environment, and the RTA will come to the Board as needed to amend budgets or funding estimates in the future. The good news is that 2020 sales tax has not been as bad as feared, however fare revenue and ridership continue to struggle.

Pace

Mr. Rocky Donahue, Executive Director of Pace, presented first. Mr. Donahue introduced two members of his finance team: Dominick Cuomo, CFO, and Renaldo Dixon, Budget Manager. Mr. Donahue thanked Chairman Dillard and the RTA Board for their leadership, and Leanne Redden and RTA staff for their guidance through these unprecedented times. One of the things that this pandemic has reinforced is that Pace, and public transit, is an essential service. The effects of the pandemic have been devastating to Pace's revenue streams, and expenses have risen due to extra cleaning-related costs. Initially, Pace's estimated spend was $20 thousand per day just on PPE and additional cleanings. At its worst, Pace's ridership dropped to about 30% of normal in the spring. After the summer and fall, ridership recovered to about 45-50% of normal levels. Pace's 2021 operating budget is balanced with no additional fare increases; however, it does include service suspensions on 73 routes and service modifications on another 25 routes. Federal CARES Act funds are also being utilized to balance the 2021 budget. Mr. Donahue expressed his hope to return service to normal levels once the demand for ridership is there, which is dependent on many variables including when a vaccine will become widely available. Pace's 2021 budget is balanced due to the inclusion of Federal CARES Act funding. Mr. Donahue emphasized that Pace faces serious budget challenges at the end of 2021 and into 2022 in the absence of additional federal relief funding.

Before discussing the 2021 budget, Mr. Donahue provided an overview of 2020. At the start of the pandemic, Pace projected an $83.1 million budget deficit in 2020, consisting of fare revenue and public funding losses. Pace is currently projecting to utilize a total of $31.7 million of federal CARES Act funding by the end of 2020. Operating revenue is projected slightly higher than originally anticipated due to increased ridership. Pace has continued to tighten belts on the operating expenses with significant cost savings resulting from reduced service levels, hiring freezes on administrative positions, and favorable fuel usage and price.

Mr. Donahue referred to Pace's proposed 2021 operating budget as a "status quo" budget since it is essentially a continuation of current operations. Pace is projecting a $54.2 million funding deficit in 2021, which will be offset by CARES Act funds. Mr. Donahue noted that the funding deficit grows to $55.6 million in 2022 and to almost $60 million in 2023, at which point Pace will no longer have CARES Act funds to fill the hole. The good news is that Pace can survive on their remaining CARES Act funding in 2021. The bad news is that without any additional stimulus money coming from the federal government, without the economy improving, and without ridership returning Pace will have a big cliff to face. For context, a $60 million deficit is 25% of the entire Suburban Service operating budget. The truth is that there are only 2 levers to pull: revenues and expenses. Raising fares to $8 would be unrealistic, so the only option left is to reduce expenses by further pulling back service and labor. To put the 2023 projected deficit of $60 million into perspective, the modifications/reduction to the current 98 routes has saved Pace $19 million in operating costs. In the absence of additional federal relief, Pace will face huge challenges.

Mr. Donahue noted that the Pace Board of Directors has requested regular budget balancing plan updates to address the potential $60 million deficit in 2023, as a “hope for the best, but plan for the worst” approach. Pace will continue their efforts to advocate for additional federal relief funding for public transit. Mr. Donahue explained that these potential budget balancing actions could include further service reductions, administrative expense cuts, and potential fare increases.

ADA Paratransit’s operating revenue is almost $6.0 million below the original 2020 budget, as Pace is carrying about 45% of passenger loads compared to pre-pandemic levels. Operating expenses are projected to finish lower than the original 2020 budget, but not as favorable as they should be relative to the ridership decline. Out of concern for safety, Pace implemented single rides on ADA since many of their ADA Passengers are of the vulnerable population, and for the protection of their own employees. These mitigation efforts essentially took the efficiency out of grouped rides resulting in less savings. Mr. Donahue explained that Pace is projecting a $31 million shortfall in 2020 for ADA Paratransit operations. Thankfully, over the past 5 years Pace has had positive budget variances on the ADA Paratransit operations with the leadership of the RTA. Mr. Donahue called this a “rainy day account”, or RTA ADA Paratransit Reserve fund, which will be used to offset the projected funding deficit in 2020. In 2021, Pace is proposing no fare increase on ADA Paratransit as well as sufficient public funding to support operations. The 2021 ADA Paratransit budget requires $165.7 million of funding.

Mr. Donahue stated that Pace refuses to let 2020 darken their vision of 2021 and beyond. The proposed capital budget shows that Pace is moving forward with several important projects. He thanked the RTA, state, and federal governments for the contributions. The 2021 suburban capital program totals a robust $106 million, much of the funding comes from the Rebuild Illinois package. Mr. Donahue said the following: Capital projects include a new multipurpose facility in Markham which will consolidate Pace’s customer relations, bus acceptance, central maintenance, and a bus garage. We hope to have that project bid this year with completion by the summer of 2022. Pace is also building facilities in Wheeling, which is an all compressed natural gas facility and will take over for our aging garage in Des Plaines. We are building a new facility in Plainfield which will take over for our aging facility in Joliet and also allow us to enhance our I 55 Bus on Shoulder operations. Now that COVID is here we get lots of questions like, "How do you know you need all of these projects?" "How do you know you're moving in the right direction?" About 18 months ago we engaged in a strategic planning effort called Driving Innovation. Quite honestly our hope was to have that out in the spring of 2020 and start releasing it for public comment and getting feedback. Obviously COVID hit and what it did was bring Driving Innovation back in house to continue work on it based on what we believe the world may look like we on the other side of COVID. We believe it's going to be a bright future for Pace and public transit. As Chairman Dillard said, we also believe that we are part of the solution and part of what is going to make our area and our region strong again. We need to be here, and we need to plan for it and these projects that we're proposing are critically important to ensuring that we are here when the public is ready to come back.

He pointed out that Pace is anticipating spending about $20 million over the next five years on improvements to ADA. Most of these are technology improvements, upgrades to the scheduling system, the best way to describe it is if any of you take Uber trips now you can see when your vehicle is coming. Customers will be able to do that on their computer, their smart phone, their iPads. They're literally going to see the vehicle on its way coming to pick them up and we are also going to be upgrading a number of transfer locations throughout the region. So, we're planning to spend $20 million on ADA capital.

He concluded by showing slides of some of the people who keep our region moving. These are Pace's frontline employees. They're out there every day making sure our passengers have the critical access they need to do essential jobs, medical care, necessities, etc. They are truly heroes moving heroes and I cannot thank them enough. I've never been prouder of our employees in my 38 years at Pace. I tell everybody, I have the easy job and it's easy because of the men and women that you see on your screen and all 1800 Pace employees be it those out on the road every day or those still telecommuting from home are working really hard to ensure those 50,000 people that get on our buses every day have that critical access to jobs, medical care, essential services like the grocery store. As we enter the winter months and navigate through the current surge of COVID-19 our top priority is to keep our passengers and personnel safe. We move forward with the guidance of the three principles we established back in March, which is safety, service, and transparency. Our vehicles are clean, our services are safe, and we will continue to communicate openly and honestly with the people we serve. I thank you for the time today and I would be happy to answer any questions that anyone may have or if you wanted us to wait until everybody got done and do questions. But again, I thank you for this opportunity.

Director Cary thanked Mr. Donahue and stated it was a great presentation and was happy to hear some cutbacks on the administrative end. She stated she was sure all that is quite painful, but Pace has taken it very seriously and has done what it needed to do. Her one question regarded the suspended 73 routes and modified 25 and Pace may have to do more depending on what happens in 2021 and the years beyond. She then asked what was Pace's process in the decision-making regarding which routes to suspend or affect and how has Pace communicated that to their customers. Mr. Donahue thanked Director Cary and explained that as for a lot of the routes that were suspended, the decision was made for them. When Metra reduced some of their service there was no need to run Metra feeder buses to meet trains that were not running anymore. When schools went all virtual, a lot of our school trip services went away since the schools weren't open anymore. It's never easy to take service off the street, but those decisions were made for us. The others were a combination of low ridership, but also trying to ensure that there was at least a regional footprint. But even if we reduce a route there will potentially, hopefully be another option. It may not be the most convenient option. It may mean you have to walk a little bit further to catch a different bus or you wait a little bit longer. But our goal was to try to minimize the impact on the least amount of people possible. So those were the real drivers of how we did that. Quite honestly to suspend 73 routes and modify another 25 under normal circumstances, even if you could do it without the community uproar and the political realities, it would've taken 5 to 6 years and they literally did it in five weeks. We communicated that with passengers in a whole host of ways. Our website. We have what we call text blasts where people sign up to get messages. We tried to use the free media. Ms. Redden talked about her COVID-19 updates and we got help from the RTA and their forms of communication. The good news, and this isn't good, but I guess what made it easier was a lot of people were not riding the bus because school was closed or they were not communing downtown because they were telecommuting. Obviously, there were some people negatively impacted and those are always the hard ones to deal with.

Director Melvin commended Pace for a really excellent report. We're all thinking about all of these things. In your report you did a really good job of juxtaposing the needs of the different actors in the process and describing the hardships. And then to come up with optimism and determination on top of that is quite good. He thanked Pace for a series of very tough choices and a clear report that did not just touch on the numbers but also touched on the human aspect of it.

Director Sager stated he appreciated Pace's humble approach and wanted to extend his sincere and true appreciation to the many employees in the Pace system. He asked what Pace is perceiving to be the public response to these difficult choices that they have made? Mr. Donahue responded all our systems' employees, including CTA and Metr, are really working hard, and I appreciate that you've recognized that. To your question, the best way to answer is we held budget hearings like all the service boards to say that we are continuing the suspension of 73 routes and 25 modifications. Pace received roughly 120 individual comments during the public hearings. These services are very important to the people who need them. The one thing about Pace riders is they are much more dependent on Pace than our sister agencies. That is just the reality of the make-up of our ridership. Those that have to ride the bus in the suburbs, are not doing it because it's cool or sexy or fun, they are doing it because they have no other option. This is how they get to work, how our senior citizens get to a pharmacy, or a person with a disability is just as able to participate in all the things we take for granted being a part of the community. If we are not there for them that community gets shut out and that door closes on them. So, it is very painful for them. I think the reality is, people understand this pandemic, and it has had a very traumatic effect on transit, and they get it, but they are hopeful, just as I am, that we will get a vaccine widely distributed. We will get confidence to come back to the system. We will get the economy improved, and we will bring the vast majority of these services back online.

Director Lewis also thanked Pace and then asked with all the initiatives where Pace was the connecting link to job deserts, how are those initiatives being impacted under the reductions you enacted? Are those taking a priority, or are they being deferred until after the pandemic? That was an important part of trying to connect people with jobs and resources. I would be interested in your response on that. Mr. Donahue responded, Pace kept most of those services operating and running because of the need. It's connecting people where economic opportunities, for whatever reason, don't exist. This pandemic had good things, I don't know if that's the right term, related to some Pace services. Amazon and UPS were hiring people, they could not get enough people, and all of a sudden where we used to get 40 people a day wanting to take a bus out of Harvey to Joliet now a hundred people were showing up, and we had to put extra service out. Same thing for the CTA 95th Street where we would be collecting riders to go to UPS and Hodgkins. We were having to put 2-3 buses out so those individuals would be able to get to work. Part of our capital program will be working with the tollway as they widen and reconstruct the central tri-state from 95th Street to Rosemont. Part of it will allow us to put a flex lane, a bus only lane, and the idea is again to get a skilled workforce up to locations where there are more job opportunities. So, we are still moving those forward because this is eventually going to be behind us. Our region is going to recover. As Chairman Dillard has said, we are part of the solution and we are part of what allows Chicago to be so economically viable, and we will need to be there when these opportunities return. We have every intent to continue to do that and we are preparing for it.

Director Ross asked what percentage of the total number of routes offered is represented by the 98 suspended routes? Mr. Donahue answered that pre-pandemic Pace had basically 220 routes. So, it was less than 50% of our entire system. What is interesting though is even though we offer 220 routes, our top 25 routes account for 50% of our ridership. We have a number of routes, but like I said earlier, a lot of these were chosen to minimize impact on ridership."

Director Ross followed by asking if we can assume that some of those 98 routes were among Pace's top producers and not necessarily cut because of low ridership, at least not low ridership prior to the pandemic. Mr. Donahue replied there is no real magical formula. There's a lot of factors that play into when you have to look at service reductions. It is not just ridership. It is also regional connectivity. There are also the political realities. There's also Title VI implications and all sorts of issues that play into it, and the short answer is yes, it wasn't necessarily all the worst routes that were reduced. Quite honestly because you had to try to be fair but ensure there was still that regional connectivity.

CTA

CTA President, Dorval Carter, began by giving introductory remarks. He stated the COVID-19 pandemic has created an unprecedented level of challenges for transit agencies across the country. It has also been made clear that the bus and rail services that are provided are absolutely essential to Chicago and suburban communities that we serve. Over the last seven months, the CTA has seen unprecedented loss of ridership and revenue including a precipitous drop in ridership at the beginning of the pandemic that was as high as 80% of normal. We also experienced financial losses of over $1 million per day, and as a result of that our 2020 revenues were down approximately $565 million. However, even at our lowest point we still carried more than a quarter million people each day, and even now we are carrying almost a half million people per day, which represents about 90% of the current public transit ridership in the region. To put that in perspective, we normally would carry 1.5 million people per day, but even at half a million we are carrying what would be considered a good day in a normal year for well over 90% of the transit systems in this country. Our surveys have indicated that many of the people who are riding CTA are medical personnel, emergency responders, and other essential workers who are dependent on CTA to make their necessary trips. It has been our desire to focus on providing safe and affordable transit service for these essential workers as we continue to provide normal service to help promote social distancing aboard vehicles. I think it is important for me to point this out. There've been a lot of questions why CTA is running normal service. One of the reasons is that we are carrying a lot of people. Not only are we carrying a lot of people, but we are carrying them in an environment where we are trying to maximize the social distancing that they have to use to take CTA safely throughout our system. In order to do that, especially given the capacity limits we put in place based on guidance we got from local and state health officials, we basically had to run full-service. And as we will explain to you when we go through our presentation, that service wasn't the same throughout the entire city. There are certain areas of the city that certainly saw a lesser decline in ridership than others. Not surprisingly, those areas of the city tend to be those areas that serve minority and low-income communities. This sort of reemphasizes the point you just heard Mr. Donahue make about the people who use public transit and the needs and dependency that they have on public transit as a vital lifeline to carry out their every day essential duties. Our 2021 proposed spending plan is unlike any other I have experienced in my entire career. We are in unprecedented territory here and it’s largely dependent upon receiving additional federal funds. It is an operating budget of $1.64 billion, but also anticipates a projected shortfall of approximately $375 million as a direct result of the impacts of the pandemic. Now, I have been around a while and I am sure for those of you who have been around a while you can remember what we would call a ‘doomsday budget’ for the CTA. Just to put this in context for you, in the previous doomsday budgets I had to be a part of, the budget deficit we were talking about was somewhere in the neighborhood of $100 million, maybe a little more. I have never in my entire career seen a budget deficit the size of what we are talking about for next year. It is unsustainable, which is why we need to get the federal relief necessary to keep our system running. Fortunately, Congress is considering a new emergency relief bill that includes public transit as part of the additional COVID-19 relief, and I am optimistic that Congress will once again be supportive of our industry in whatever relief bill ultimately gets passed. As Ms. Redden indicated, we are also working closely with our transit partners and elected officials to ensure that transit continues to receive the support it desperately needs. Unfortunately, we must also consider our future in the absence of that funding which will include hard but potentially necessary decisions. These decisions will undoubtedly include service adjustments and result in significant employee layoffs. Despite these issues we continue to put our customers and employees first, and I also want to make a note of how much appreciation I have for our front-line employees who continue to work during this pandemic in spite of their personal concerns for their own health and safety. CTA and our workforce have been devastated by this pandemic just like everybody else, and in spite of that they continue to come to work every day and provide the services we know are vital to keeping the city operating. Their sacrifice, dedication, and commitment to public service should be applauded and rewarded for everything that they have done. I personally am very proud of the work that they have done and acknowledge the fact that if it were not for their hard work, we would not be in a position to provide a level of service anywhere near what we provide today. I want to thank the Board in advance for your continued support and partnership during one of the most challenging times in the history of public transit. Ms. Redden and her staff have been unbelievably supportive and cooperative to find solutions that none of us thought we would have to figure out in our lifetime. As Mr. Donahue indicated, we are sort of building the plane as we fly it and that is not easy. It is not easy for anyone involved in this, and I expect and hope to have a continued level of support from RTA staff as well as all the members of the Board as we continue to navigate our way through these difficult times.

Mr. Jeremy Fine, the CTA's Chief Financial Officer provided information on the CTA operating budget of $1.645 billion. The proposed budget is dependent upon additional federal stimulus funding due to the shortfalls in revenue we saw on both system-generated revenues, as well as public funding. It is also critical to continue to deliver public transit to ensure that there is a seamless economic recovery, because again we want to see a quick recovery and transit must be there immediately to allow that recovery to happen. The CTA continues to deliver critical, normal service despite the impact we have seen on ridership and revenue. Again, this is allowing us to continue to deliver service to essential service workers and customers that need to get to those essential services. We continue to tighten our belts as we have over the last 5-10 years to drive efficiency on various line items in the 2021 budget. To put a finer point on that, we've been able to achieve over $170 million of budgetary savings over the last five years and over $330 million over the last 10 years. We continue to operate within our budgeted expense levels through the pandemic, and we expect to end 2020 with a slight positive variance on expenses. We do see a slight increase in 2021 due to various factors including COVID-related cost, contractual wage increases, pension increases, and vehicles coming off of warranty. We will continue to look for efficiencies to continue to control costs as we continue to move through 2021 as we have in prior years. This is a brief overview of the 2020 budget versus the forecast and, again, we expect as you can see in the second column at the bottom, we expect to have a deficit of $550 million in 2020 which is driven by impacts from COVID-19. The CARES funding which we received was a historic allocation from the federal government with support on both sides of the aisle. Because of the integral and essential service that public transit provides, we were able to obtain that $817 million. We expect to use $550 million this year with a carry over into 2021. CTA's forecasted revenues are about $565 million unfavorable to the 2020 budget. That's driven by both lagging system-generated from fares as well as public funding. It is important to note that fare revenue is lagging budget almost $400 million of that $565 million total. While cities, states, and governmental entities wrestle with the public funding shortfalls we also see, we have a highly economically sensitive revenue stream on public funding but particularly on the fare revenues. So, we are seeing fare revenues down in 2020 and 2021 almost 60% from 2019 levels. Public funding is down about 20%, so again you see fare revenue down in multiples of that of public funding. Regarding CTA's expenses, we have done a very good job with the help of the departments to control our expenses, and we expect to see a favorability at the end of 2020. This is quite remarkable based on other public transit agencies in the country where you're seeing exploding operating expenses due to ramping up of cleaning procedures. Because CTA always had best in class cleaning procedures, we have not seen those explosive costs that have eaten up a lot of that CARES funding in 2020 for a lot of transit agencies around the country.

He continued by moving on to 2021 revenues and expenses. The CTA revenues are diverse but all economically sensitive. We received $817 million of CARES Act funding, which will be exhausted in the 2021 budget and calendar year. That helps us close a portion of the gap that we were seeing, but we still have a gap of about $372 million in 2021 which, again, is reliant upon future budget balancing actions to close that gap. In addition, we may see additional State cuts. It's important to note that since 2015 we've seen various cuts implemented by the State to our various funding streams to the tune of about $38 million a year in the form of haircuts on sales tax, PTF and reduced fare reimbursement. The latter two, 80% of that is borne by CTA. Again, we may see additional cuts which were not included in our budget because those have not materialized, but due to the fair tax not passing there may be additional haircuts imposed by the State.

With regard to CTA expenses, it is hard to bend our expense curve dramatically without impacting service levels. We've done a great job of tightening our belts, about $170 million over the last five years, and we will continue to look for those opportunities as we move forward. Most of our expenses are directly tied to service levels whether through labor, fuel, power or materials. It is important to note that only 5% of our overall budget is related to administrative labor. That is very lean if you look across the industry and other governmental industries, you will see ratios of 10% or more so it's an indication of CTA's continued commitment to control expenses. I have mentioned we have done a very good job of creating budget efficiencies, in fact, if it weren't for those budget efficiencies over the last 5-10 years our budget would be about 20% higher than it currently is. So, we have done a very good job controlling those expenses. In addition, we've done a good job of trying to identify additional budget efficiencies in our 2021 budget and we will continue to look for efficiencies as we move through the year. We've restricted hiring on vacant positions, we've locked in power costs at historically low prices, we've aligned our capital uses with capital funding sources, and we were also able to achieve $25 million of cost savings in years 2020 and 2021 through refinancing of existing bonds. We will continue to work with unions regarding additional concessions in 2021. The two historic levers we have as a service board are fare increases. Unfortunately, based on ridership levels, fare increases only generate about $5 million per year versus the $20-25 million per year we would have received pre-COVID. With regard to service adjustments, there would need to be dramatic reductions to close the gap of almost $400 million.

Mr. Mike Connelly, Chief Planning Officer, explained that CTA's ridership peaked in 2012 and has dropped a little each year since. Mostly due to competition from other entities including the ridesharing industry that developed so rapidly in the mid-teens. He shared a chart that lays out our ridership from 2012 through our 2020 projection. The chart showed the CTA is projecting a rebound of about 8% in 2021.

The average ridership has increased in phases three and four of the reopening. The chart starts in January of 2020 and runs through the end of September or first week of October. It shows the precipitous drop during the stay-at-home order, and then the slight rebounds after phases 3 and 4 when the city reopened. We have not seen even ridership across the city. It has been mentioned before, but bus routes on the south and west sides of the city have retained almost two thirds of ridership, while those in the downtown have only retained about one third of their ridership. We have done a recent ridership survey looking at people who are riding the system during the pandemic period, and for those folks transit service was critical for healthcare workers and to access food and essential items during the stay-at-home order. Throughout the pandemic, as President Carter mentioned, CTA has maintained the highest levels of service to minimize crowding and optimize social distancing. We've added extra buses to address crowding on specific routes where ridership either increased or maintained. We are running longer buses and longer trains wherever possible to allow for social distancing. We set a limit of 15 passengers for a 40-foot bus and 22 for articulated buses and for each train car. The diagram at the bottom of a slide showed a poster on the buses encouraging people to spread out through the entire length and width of the bus, and to not congregate in the doors to block access.

The CTA is also doing continuous monitoring. We are looking at our ridership trends on a daily basis, talking with our operations folks about where the system was most crowded, we scheduled extra service and heavier bus routes. We are doing real-time monitoring of the rail stations cameras to look for crowding or social distancing issues. We have marked the platforms with little discs that say, 'spread out' and spread them 6 feet apart on the ground. We are watching for that so we can make an announcement if we see crowding in any stations.

We also implemented a pilot program for two pop-up, essential bus lanes on 79th Street and Chicago Avenue. These are intended to provide a quicker travel for buses operating on those routes to help us with potential crowding, and to provide better reliability so the buses will be able to make their schedules in a more reliable and regular time. We are using some ICE funding to address these COVID-19 mitigation efforts. It's been mentioned before, but CTA already had an aggressive vehicle and station cleaning protocol, and we have upped that another notch. That will continue throughout the duration of the pandemic. We have a requirement that all riders wear masks on the system, and all bus operators are protected by a plexiglass shield. There is signage and messaging on vehicles and in stations to reinforce the masking and distancing requirement there. We have a bus and rail ridership dashboard to allow customers to look up information that will predict how crowded each individual route or individual run will be by time of day, so that the customers can look ahead to see and maybe adjust their pattern to travel at a time when it's less likely to be crowded.

Mr. Fine then reported that the 2021-2025 Capital Improvement Program (CIP) is a $3.4 billion program. The largest source of funding is federal funds followed by state bond funds, and the recurring PAYGO funds passed by the state last year. CTA will also continue to invest in its capital program through the issuance of bonds, and those bond issuances have been included in prior CIPs. The fiscal year 2025 federal formula and State PAYGO funds have not been allocated to the Service Boards, and we continue to work with RTA staff on the Invest in Transit framework, which will provide guidance on how the funding will be allocated in 2025 and beyond. The total five-year CIP is lower than it would be if that figure had been allocated. The CIP continues to fund transformative projects such as major rail line projects including the Red Purple Modernization, the Red Line Extension to the south, and Your New Blue. We are also investing in bus and rail fleet modernization, the All Stations Accessibility program, and the state of good repair project. As we talked about in the past, investing in the capital program drives economic development in the city and the region and it is important for economic recovery. Per APTA, every dollar invested in transit generates four dollars in economic benefit. It is very important for us to continue to invest in capital assets.

We outlined three major rail projects and much of the work for Your New Blue is completed. Going into 2021, we will continue work on the O'Hare to Jefferson Park signal upgrade and the Harlem station bus bridge reconstruction. The five-year CIP provides for final allotment of funding to complete the project development for the Red Line Extension, and RPM is also continuing its design and staged construction work for the new structure, tracks, and station in the Lawrence to Bryn Mawr area. On the bus side, we continue to purchase new standard buses as well as electric buses and continue overhauling a portion of our existing fleet. On the rail side, we have funded the purchase of new 7000 series railcars, overhaul work for the existing 5000 railcars, and the purchase of four new diesel locomotives. We also continue to invest in capital maintenance to target needs between overhaul cycles for both bus and rail.

Phase 1 of the All Stations Accessibility Project, or ASAP, is funded through the five-year CIP. ASAP is a 20-year plan to make all stations vertically accessible. Phase 1 includes nine stations to be fully accessible including four stations as part of the Red Purple Modernization program. The Austin Green Line station, California, Montrose, and Racine Blue Line stations, elevated State/Lake stations and upgrades or replacements to up to 20 existing elevators. Transit must be a part of the region's economic recovery, and indeed we cannot wait until recovery occurs. If we want a quick recovery, transit must be available immediately. This is the guiding principle we've used with regard to new station construction in the past, but again transit is an integral part of the economic recovery that we'll see in the region. He concluded by thanking Ms. Reyna Hickey and her staff on behalf of the CTA with regard to their assistance through the budget process. It is always a challenge, but this year in particular the RTA's assistance has been much appreciated .

Director Coulson asked, "Thank you, President Carter. Particularly this crisis reminds us how absolutely essential the CTA is to the very life of the city. I agree with you that your operators are absolutely heroic. When I see your bus drivers particularly, I'm just in awe of their skills and their courage. President Carter explained the full-service model and I understand the reasons for it, but it inevitably results in expenses going up as ridership remains low and is not sustainable long-term. Since none of us really knows how much the federal government can or will keep on printing money to deal with this pandemic, is there a process in place for assessing service cuts? It seems to me that if the public knew what they faced they might have an incentive to contact their representatives in Washington. Is there some low hanging fruit in terms of service that we would end up cutting first, or is it too early to talk about that?"

Dorval responded, "A couple comments to that: 1) Yes, there is a process we will go through to identify service cuts, but I think it's also important to understand the magnitude of what we are talking about. I hinted to that a little bit when I discussed previous doomsday scenario budgets compared to this one. For $375 million worth of service cuts, I have to cut about $550 million with the service. That's because with every service cut, I lose revenue which means I need to cut deeper. One of the things you may recall is that we have had previous rounds of service cuts and adjustments to CTA based on prior budget challenges we have faced. So, the low hanging fruit disappeared a long time ago. What I'm doing now, if I really have to, is cutting into the bone which is why I loathe to engage in that exercise. Clearly, if we do not get relief, we are going to have to begin a very difficult public discussion about what those cuts are going to look like. Internally we are working on that right now, but I can tell you just in broad strokes it will be painful, and it will be throughout the entire system. There is no way to engage in the level of service cuts we are talking about without basically devastating everything we are doing today which is why it is such an untenable solution to this problem."

Director Coulson responded, “Right, maybe some of your riders can contact their representatives in Washington.”

President Carter added, “I think it is safe to say one of the things we are happy about, and I think it has a lot to do with the cost savings and other things we have done throughout the year, is we have been able to extend our CARES Act money into next year, but we expect to run out of that money early next year. We are nowhere near in the position that Pace is in with regards to how long our money will last. So, the conversation around service cuts is going to start fairly soon if we don't start to see some expectation of some sort of relief from Congress. So, to your point, yes, when we start talking more about what this will mean I expect there will be a tremendous outcry not only from our customers but also from elected officials who also expect CTA to continue to provide service especially during a pandemic. I mean, I can’t imagine a worse time for CTA to cut service than where we are right now. It runs counter to everything that we are trying to do as a city and as a country in terms of supporting people during these difficult times and allowing them to social distance and move around in a way that makes sense. You don't need to worry. I personally am going to be very vocal about what we need to do here, and I know I have a lot of support with all the members of the Board here. I expect it will span very quickly throughout the community when we must start talking about what we are doing.”

Director Coulson responded, “Once more. You and I talk about this every year. 25% of your capital budget goes to debt service. We have talked about that, and I applaud your efforts to refinance some bonds and get that number down, but in light of all this do you have plans to borrow more money short-term to deal with this crisis, or do you have any plans to transfer capital to operating to deal with this?”

President Carter replied, “We do not have any more plans to transfer any additional capital to operating. The question of whether we need to borrow money to deal with this crisis is still an unanswered question for us. We certainly plan to borrow next year as part of our capital program, which is something we always anticipated doing particularly considering the $13 billion of capital needs we are trying to deal with. I think it's safe to say that all options are on the table and all solutions that could provide us with flexibility to deal with the pandemic have to be considered at this point in time. However, we have not made any decisions on that yet.”

Director Lewis commented that there's a differentiation between bus and train in terms of when you look at some of the impact of COVID-19 and where you might look to have to make adjustments. He asked if there is a substantial difference between the bus routes versus the train routes, particularly given the essential worker services and the need to make sure they have adequate transportation? Is that an area of differentiation for one versus the other, or is it pretty much the same across the board when you look to try to figure out how to tighten up the expenses? Mr. Carter responded the short answer is yes. Cutting rail lines is a much more impactful action than cutting bus routes, but it's the connectivity between bus and rail that actually makes the whole system work. As you noted, our rail ridership has declined more than our bus ridership, so there is certainly a greater dependence on bus than rail. Having said that, our surveys have indicated that the essential workforce that is using CTA is using both modes, not just exclusively bus or rail. So, I think when you're talking about the magnitude of what we are facing in terms of service reduction, it will certainly impact both bus and rail. To what extent the rail is impacted, I think up to a great degree is going to be driven by what we are doing at the bus service itself. Where we can still establish some level of appropriate connectivity between our entire system to allow people to move around the city and the suburbs."

Director Sager asked that towards the end the rolling stock anticipated investments, if someone could provide some indication of the 600 series bus versus an electric bus. What are the costs of a given unit for that and what is the cost of a 7000 series railcar? Mr. Carter replied that in general, electric buses are more expensive to purchase than regular diesel buses. What we have seen over the lifecycle, costs of an electric bus are recovered in savings related to fuel efficiency. Mr. Connelly added generally a diesel bus runs about $450,000 a piece, and an electric bus is about $800,000 a piece right now. Railcars are about $1 million apiece; $1.1 million I think was the last order.

Director Sager followed by asking if whether the investment in the electric buses, which are almost double the price is the correct pathway to be going down. He added he was not judging, but was just curious. Mr. Carter pointed out that CTA is doing a study to determine the best approach to integrating electric buses into our overall fleet, and we made a commitment to go to zero emission fleet in the next 20 or 30 years. So, this is all part of that broader strategy. He added that he expected the prices of these vehicles are going to start to drop as more and more transit systems start to acquire them, which is certainly the trend that's occurring in general. These buses that are $800,000 now used to be over $1 million when electric buses first started coming onto the market. We expect those prices to go down just as you are seeing with your personal vehicles and the cost of electric cars these days. Certainly, all that is factored into an overall plan, which we hope to have early next year that would form the basis for the roadmap on how we are going to do all of this."

Director Gathing asked if there was estimated date or month by which we would have to start that conversation and communicating what the service cuts would be if the $300 million does not materialize? Mr. Carter replied there are a lot of unknowns in that statement because a lot of this is dependent on the burn rate of our remaining CARES Act funding and that could be impacted by a number of things including whether or not there's another stay-at-home order. Currently, we think the funding will last us into the early second quarter of next year. Under that scenario, we'll probably have to start identifying employing layoffs and/or service cuts probably sometime in the middle of the first quarter, so that would be the timeframe barring other factors that come into play which I cannot list all that may impact us at this time.

Director Andalcio commented with regard to employees from an operations standpoint. We are talking about cutting services to meet the budget constraints, but from a pure personnel standpoint are you looking at that as well? Will some of these capital projects be on hold because of this budget shortfall? Mr. Carter responded that the capital and operate funding are two different pots, so they are not necessarily impacted one against the other. We have not made any plans at this point to cut back on our capital program mainly because we have such a desperate need to repair our infrastructure. At least in the short term, it is our intended plan to continue to move forward as our budget lays out. None of us can predict where we are going to be a year from now or what the impact will be, but we don't have any immediate plans at this point to cut back on our capital plans."

Chairman Dillard commented that he read of the brutal cuts that New York is making, especially with respect to their subway operation. While you hate to point out here in Chicago, for purposes of panic, the kinds of cuts that might have to be made after the first of the year, I would clearly use the New York example. You could say this is what happens in New York if you don't get the appropriate funding from Washington, and for that matter even the state. I would use New York as an example that way you don't have to panic people here, but you could show them how dire this is if we don't get the appropriate funding. He stated he would be sending letters to newly elected officials and point out to them that we have seen cuts on operations from the State. He wants to give them those kinds of numbers because he always gets them from State legislatures. Most legislators have no clue that they have been cutting our operation funding. Then he reminds them of the sales tax skim now, where they take a percentage of our sales tax for doing an operation that is really a State service. He wants to remind State officials that they are cutting back our State operations funding, while we are greatly appreciative of the capital monies. You know, we've got to remind them of no more State cuts. This is going to be a very contentious budget year in Springfield. I want to make sure we don't get cut operationally any further from Springfield.

President Carter responded by stating the CTA is certainly appreciative for Chairman Dillard's leadership for the region in terms of advocating for funding. With regard to New York's MTA I think you are right in that New York's MTA is a good model to look at. From a percentage of budget perspective, New York is looking at billions of dollars of deficit, but from a percentage of budget perspective New York and CTAs deficit are almost identical, so that should give you some indication of what type of service adjustments we would be facing if we have to implement $550 million worth of service cuts. He concurred this is a good place to look to see the potential impact. Hopefully, with Chairman Dillard's leadership and with the support of the Board and elected officials here in the city and in the region, as well as our downstate legislators and congressional representatives, we can find a solution to this problem.

Chairman Dillard asked if the CTA will at some point in time, have specific kinds of cuts to show us similar to New York? I know you walk this fine line, and you may have it internally, but if you could at some point in time at least work with our staff to show us the kinds of cuts we have to make like New York, and what they really mean to Chicagoland would be useful to us.

Director Canty asked if Chairman Dillard's comments to work with RTA staff on what specific cuts they may have to make applied to CTA only, or all three Service Boards. Chairman Dillard responded that all three Service Boards would need to figure out internally what painful actions they may need to take to maintain balanced budgets in the absence of additional relief funding.

Metra

Mr. Jim Derwinski, Metra CEO and Executive Director, stated that Metra's operating budget of $700 million is balanced with no fare increases, but with a $70 million hole to be resolved with as yet unspecified cuts or further relief funding. Current lines with highest ridership are those serving areas of the region where residents are most dependent on transit. As ridership returns, Metra may need to increase service to maintain social distancing. Mr. Derwinski gave a recap of the 2020 budget and forecast and noted that Metra expects to finish $92 million under the original expense budget due to service reductions and will use $222 million of CARES Act funding to balance the 2020 results. Metra reduced service levels by almost 50% after the onset of COVID-19 by using a "snow schedule" and has only added back a few trains where demand has increased. He said that the budget and two-year plan assume that ridership will recover to 80% in 2023, but that is just an educated guess, and CARES Act funding is programmed into 2022. Jim noted that Metra has a three-year shortfall of $570 million to the full-service schedule that it may have to run as the economy recovers. Mr. Derwinski said that Metra was in a better position than CTA with respect to its glide path for CARES Act funding, but that Metra would need additional federal assistance to get through the current crisis.

Mr. Derwinski discussed fare options including a new Saturday or Sunday pass for $7, the full weekend pass will remain at $10 but on the mobile app only, and some other fare pilots that Metra is considering. He discussed the My Metra campaign to restore customer confidence on the safety and cleanliness of trains and showed a commercial video of that campaign. He also presented the Fair Transit South Cook project which will reduce fares on the Electric District and Rock Island lines.

Mr. Derwinski then turned to the capital program which he said looks bright due to Rebuild Illinois. Metra has brought on project management oversight firm WSP to ensure efficient utilization of funds and investments where most needed and equitable, and that firm has a DBE commitment of 34%. He used bridge replacement as an example for Metra's ongoing need for capital investment. Metra uses 800 bridges, and many are over 100 years old. Even if Metra replaces 10 bridges per year, the average age of all bridges will continue to increase. This means Metra needs long-term sustainable funding. Mr. Derwinski emphasized that Metra's bridges are safe, but expensive to maintain. Jim discussed some other aging infrastructure which needs to be replaced such as interlockers, towers, and old uninviting stations. He listed stations to be worked on in the next 5 years. Jim said that Metra is analyzing responses to the new railcar RFP issued last year. He said that without replacement, current old railcars will just continue to age and turn off customers. New cars should begin to arrive in 2024, to replace all railcars built from 1953 to 1980. Work on locomotives will include DC to AC conversion to improve fuel efficiency.

Mr. Derwinski said that one of Metra's goals is to implement express service to O'Hare from downtown. He showed a slide with DBE participation of $106 million last year. He said that the suburban housing market has improved in recent months and Metra views this as an opportunity for new customers. Mr. Derwinski closed by saying that Metra will do whatever it takes to move the region forward and will have to make adjustments every single month. Transit cannot fail, it is too important to the country.

Director Andalcio thanked Mr. Derwinski and complimented Metra on efforts to restore confidence, and its DBE efforts.

Director Carey asked if a 50% ridership level at the end of 2021 was realistic given the state of the COVID-19 pandemic. Mr. Derwinski responded that Metra is making a calculated guess, and actually lowered its assumption from 80% to 50% because of this latest COVID wave. He said Metra talks to business leaders, and believes that face to face business will return, it's just a question of when. He said the 50% assumption may need to be revised downward which would increase the current $70 million hole.

Director Carey asked how and when Metra plans to fill the $70 million hole without giving specifics, because the Board is being asked to adopt what is effectively an unbalanced budget. Mr. Derwinski responded that Metra is working hard to save expense wherever possible. Metra has to balance the budget and still provide a sustainable service to the public.

Director Sager said the presentation was exceptional, and that he also appreciates all of Metra's outreach and marketing efforts, and positive outlook for post-COVID recovery. He noted that housing starts have increased in McHenry County and may indicate a resumption of the outward growth which paused after the 2008 financial crisis.

Director Canty thanked Metra and the other Service Boards for their very useful presentations. She is not as optimistic about the prospects for additional federal funding and worries that by February or March of next year deep cuts will have to be made. She recognizes that transit is a public good and cannot be done in a profitable way. She asked if Metra has looked at any big options which could consolidate funding and service, allowing the Service Boards to complement each other? Mr. Derwinski agreed and said that while he couldn't answer that question with anything specific, the RTA has been leading those types of conversations resulting in the success of Rebuild Illinois. The operating side is the next challenge, and a good start would be for Springfield to restore the cuts to operating funding that it has made in recent years.

Director Canty asked what the RTA Board could do to facilitate conversations between the Service Boards to increase cooperation. Mr. Derwinski said that education is the key and that the more the Board can learn about the operational differences between the Service Boards and their different customer bases, the more effective they will be as Board members.

Director Frega thanked all of the Service Boards for their responsible efforts to reduce expenses and not just ask for more funding.

Director Coulson asked if the Metra budget proposal to reduce expenses by about $155 million is based on the assumption that the reduced alternate schedule will continue to run throughout the year. Mr. Derwinski said that the proposed expense level would allow Metra to add back about a dozen trains to the reduced schedule if demand warrants, and Metra would use data analytics to make those decisions.

Director Coulson asked if Metra has any plans to borrow money or use capital money for operating. He also noted that he is currently riding Metra into the CBD once per week and that it is a safe and smooth ride and Metra is doing a lot of things right. Mr. Derwinski said that Metra has no plans for short-term borrowing and would only issue bonds in the context of a long-term capital plan but that there are no current plans to do so. He said that Metra does not want to use capital funds for operating but could do so as a last resort if needed to sustain some minimum level of service.

Chairman Dillard noted that he is also a regular Metra rider and that Metra has an extremely complex operating environment. He added that mass transit will not be the same even after COVID and the region must use this opportunity to innovate and improve.

Director Lewis noted that Metra has the most discretionary riders who can work from home and asked how frequently the analytics are being done so Metra can be responsive but not over-responsive to market changes. Mr. Derwinski said that Metra CFO Tom Farmer is the architect of Metra's analytics and Metra has experimented with some service restoration. The analytics look at all aspects of cost versus benefit. Metra has also hired a firm to examine all service at Union Station to maximize crew efficiency.

RTA Agency
Ms. Reyna Hickey Reyna-Hickey thanked the Service Boards for their hard work during this challenging budget year. She began by addressing the Chairman's question concerning the cost of RTA sales tax administrative fee and PTF reduction since inception in 2017. The sales tax administrative fee and PTF reduction began in mid-2017 at 2% and 10%, respectively, and were

lowered in mid-2018 to 1.5% and 5%, respectively. Since inception these measures have reduced funding to the RTA and Service Boards by approximately $143 million, with the greatest impact on the CTA.

Ms. Reyna Hickey began her overview of the proposed 2021 RTA Agency budget by explaining on December 17th, the Board will consider the 2021 RTA Agency budget for adoption as part of the proposed 2021 RTA consolidated regional budget and capital program.

The proposed 2021 RTA Agency operating budget continues to focus on the three-step recovery strategy in order to proactively respond to the financial and social crisis caused by the COVID-19 pandemic and to prepare for potential challenges ahead. The RTA is focused on the following policy priorities for near- and longer- term recovery planning: identify immediate funding solutions, sustain critical transit service, and take an increasingly transparent and collaborative approach to communicating with stakeholders and the public.

The proposed 2021 RTA Agency operating budget contains a gross expense level of $38.1 million, a decrease of $3.8 million or 9% from RTA's pre-COVID 2021 Plan. The May 2020 RTA funding amendment reduced the amount of sales tax available for RTA requirements. In response, $3.5 million of Agency budget savings was identified, and a revised 2020 Agency budget was adopted in August 2020. The amended 2020 Agency budget was funded at $31.7 million, a reduction of 10% from the original 2020 budget. The proposed 2021 Agency budget has zero growth, as it maintains this $31.7 million funding level. This was achieved for the 2021 budget in part using prior year positive budget variances to fund contractually obligated regional programs costs.

In 2021, budgeted funding and revenue total $38.1 million. Of that amount, 50.0% or $19.0 million represents regional public funding from the RTA sales Tax. To offset lower regional sales tax receipts, the 2021 budget utilizes $12.7 million of CARES Act funding, which comprises 33.3% of total revenues. The remaining 16.7% or $6.4 million includes grants and other revenue. Budgeted Agency expenses also total $38.1 million. The proposed RTA Agency budget is developed in two parts: Administration and Regional Programs.

Administrative costs account for 42.3% or $16.1 million, which is more than 40% below the 2021 $29.0 million statutory administrative cap allowed by the RTA Act. The administrative budget includes expenses for personnel, professional services, information technology, facilities, and office services that support the funding, planning, and oversight mission of the RTA. The proposed Regional Programs budget accounts for the remaining 57.7% or $22.0 million of 2021 Agency expenses. Regional Programs include Regional Services and Grant- and RTA-funded projects.

Regional services account for 39.5% or $15.0 million. The proposed 2021 Regional Services budget supports services provided to the public, including ADA paratransit certification, mobility management and travel training, the RTA customer service centers, free and reduced fare programs, and the RTA transit benefit program. RTA's grant-funded projects and RTA-funded regional studies and initiatives include interagency signage maintenance, Rebuild Illinois project management oversight, community planning assistance, and 5310 federally funded projects. These projects account for the remaining 18.2% or $6.9 million. For many of these projects, the RTA acts as an advocate and granting agency, receiving funds for the region and then administering grants to the Service Boards, municipalities, and counties for planning projects.

Next, Ms. Reyna Hickey displayed a chart that depicts the portion of the Agency budget supported by regional funding from the RTA sales tax. She explained that this is also called the net operating budget because it reflects expenses less associated revenue and outside funding. Ms. Reyna Hickey explained that the chart compares the 2021 administrative and regional programs proposed budgets to the 2020 budget.

The 2021 Administrative budget is 7.4% lower than the 2020 budget due to lower personnel expenses as a result of lower budgeted headcount. Total Agency headcount is budgeted at 105 positions, two fewer than in 2020. In addition, professional services are 36% lower than the 2020 budget with expected savings in legal fees, legislative consulting, Project Management Oversight, and IT consulting services. The 2021 Regional Programs budget decreases by 12.5% or $2.2M due to lower overall regional services expenses and fewer budgeted regional projects. Thus, the total proposed 2021 RTA Agency net operating budget of $31.7 million is expected to decrease by 10.0% or $3.5M from the 2020 budget.

The RTA is meeting its DBE participation goal of 16% for federally funded contracts, and we exceeded the goal by 3% in Federal Fiscal Year 2019 ending 9/30/2019. Additionally, the Agency met the RTA DBE participation goal of 12% on non-federally funded contracts in both 2019 and 2020. RTA's efforts to grow the Agency's DBE program have continued despite the COVID-19 pandemic. In-person outreach events and Government Procurement Compliance or GPC forums were held until mid-March of 2020. Starting in April the monthly GPC forums have been virtual via WebEx and Zoom. Vendor fairs and pre-bid meetings have also gone virtual.

Director Canty urged the RTA to be as innovative as possible and to work with the Service Boards as much as possible to create the necessary changes in the event that we need to make some tough choices.

Director Groven praised the presentations by each of the agencies. He expressed pride in the public transit service maintained and the on-going front-line work performed by the Service Boards during the pandemic. As for envisioning the future, the RTA has done some very good work around the scenario planning. The recurring theme across all of the presentations was the level of uncertainty we are experiencing. Although it does not give us clarity, the scenario planning does help us navigate through the uncertainty. Collaboration in the scenario planning could be very powerful with the analytical resources we have at each of the Agencies and across the region.

Resolutions certifying financial results - Third Quarter 2020

Mr. Doug Anderson presented the year-to-date financial results for the third quarter of 2020, which are subject to certification. As directed by the September 2020 funding amendment, the Service Boards each submitted revised 2020 financial estimates on October 16 which will provide the basis for a third 2020 regional budget amendment to be considered for adoption by the RTA Board in December. However, today we are comparing the Service Boards' actual third quarter financial results to the current RTA-adopted budgets submitted by CTA, Metra, and Pace Suburban Service in August, and submitted for ADA Paratransit last month.

Mr. Anderson stated that at the end of the presentation, he will be recommending that the Board certify that the results of operations of each Service Board, and the region as a whole, are in substantial accordance with the amended budget established on October 15, 2020. If we were to instead use the more recent 2020 estimates of the Service Boards as the budget for certification, the recommendation of substantial accordance would not change.

The Service Boards are beginning to run into a constraint with respect to CARES Act requisitions which is impacting operating revenue results, as you can see by the unfavorable red variances on the operating revenue slide. Because CARES Act funding may only be used to bring financial results to a break-even condition, and the Service Boards' have been good stewards of the CARES act monies by reducing their expenses which we'll show in a moment, this is actually working against them and limiting the amount of CARES Act funding they can requisition for fare revenue replacement. This is not enough to cause a problem with the overall third quarter results, but it could create a substantial accordance issue as we approach year-end.

Total operating revenue of $814.7 million was $43.1 million, or 5.0%, unfavorable to budget through the third quarter. With the exception of Metra, ridership has actually been a little stronger than anticipated in the revised budgets. Metra has stated that they now expect ridership to finish 2020 at no more than 20% of normal, whereas their August budget assumed they might finish the year at 30% of normal, contributing to the 6.5% unfavorable variance in operating revenue. For CTA, Metra, and Pace, favorable expense performance is more than offsetting these red revenue variances.

The following slide showed that good expense performance. System-wide operating expenses through September were $90.9 million, or 4.4%, favorable to budget, despite increased cleaning costs related to the pandemic. Each Service Board had favorable results, with Metra and Pace Suburban Service savings driven by reduced service levels. ADA Paratransit's overall expenses were $2.6 million unfavorable to budget through the third quarter as ridership has begun to exceed the revised budget adopted just last month.

Focusing on the certification of year-to-date financial results through the third quarter, Mr. Anderson showed the variances of each Service Board's operating deficit from budget. Operating deficit is simply operating revenue minus operating expense. CTA's operating deficit was essentially at budget, while Metra and Pace Suburban Service reported significantly favorable variances. The combined regional operating deficit was $47.7 million or 3.9% favorable to budget.

With $412.2 million of CARES Act funding included in operating revenue, the regional recovery ratio has improved to 50.4% through September, now 0.3 percentage points above budget. Each Service Board's recovery ratio variance was within acceptable levels. The left side of the table showed that, in the absence of CARES Act funding, recovery ratios would be less than 30%.

Mr. Anderson concluded by stating that the results of operations of each Service Board, and the region taken as a whole, through the third quarter, be found in substantial accordance with the currently adopted budget.

Director Carey moved, and Director Groven seconded the adoption of the following resolutions:

2020-50
2020-51
2020-52
2020-53
2020-54

Resolutions certifying that the operating financial results of each Service Board and the region as a whole, through the third quarter of 2020, are substantially in accordance with budget. The system-wide operating deficit of the Service Boards, including Pace ADA Paratransit, was $1.180 billion. This result is $47.7 million, or 3.9%, favorable to the amended budget. The regional system-generated revenue recovery ratio of 50.4%, which excludes ADA Paratransit, was 0.3 percentage points favorable to the amended budget. A total of $412.1 million of federal CARES Act funding was included in operating revenue and counted towards the Service Board and regional recovery ratio requirements, as authorized by the May funding amendment ordinance.

The motion carried on the following roll call vote:

16 Ayes: Andalcio, Canty, Carey, Coulson, Frega, Fuentes, Gathing, Groven, Holt, Kotel, Lewis, Melvin, Pang, Ross, Sager, Chairman Dillard

Travel Expense Reimbursements

Director Ross moved, and Director Kotel seconded the travel expenses be approved as submitted.

The motion carried on the following roll call vote:

16 Ayes: Andalcio, Canty, Carey, Coulson, Frega, Fuentes, Gathing, Groven, Holt, Kotel, Lewis, Melvin, Pang, Ross, Sager, Chairman Dillard

ADJOURNMENT

There being no further business to come before the public portion of Board of Directors meeting, Director Canty moved and Director Gathing seconded that the meeting adjourn. The motion carried on the following voice vote:

16 Ayes: Andalcio, Canty, Carey, Coulson, Frega, Fuentes, Gathing, Groven, Holt, Kotel, Lewis, Melvin, Pang, Ross, Sager, Chairman Dillard

The Board meeting ended at 12:15 a.m.

AUDREY MACLENNAN
Secretary of the Authority