MEETING OF THE RTA BOARD OF DIRECTORS JUNE 16, 2022

Welcome!

Meeting Starts at 9 a.m.

Meeting Agenda

@ RTAChicago.org/about-us/board-meetings

RTA BOARD OF DIRECTORS MEETING

1. CALL TO ORDER

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

The meeting agenda can be found at www.rtachicago.org/about-us/board-meetings

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PLEDGE OF ALLEGIANCE

RTA BOARD OF DIRECTORS MEETING

2. ROLL CALL

3. APPROVAL OF MINUTES

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4.
PUBLIC COMMENT

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5. EXECUTIVE DIRECTOR'S REPORT

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GOVERNMENT AFFAIRS UPDATES

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ATTEND A FOUR-PART WEBINAR SERIES

TRANSPORTATION TUESDAY

June 21

The Future of the Curb – How Curb Management Strategies are Changing and Who's Leading the Charge

June 28

Accessing Transportation Data in the Chicagoland Region – CMAP's Data Hub and the RTA's RTAMS Website

#TransportationTuesday

TODAY’S AGENDA

6.
INFORMATION ITEMS

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6a.
PRESENTATION OF THE SEMI-ANNUAL PROJECT MANAGEMENT OVERSIGHT REPORT

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PMO PROGRAM

- Project Implementation and Delivery
- RTA Strategic Plan Goals and Priorities
- Transparency
- RTA website and RTAMS

STATE PROJECT LIFE CYCLE

Grant Application and Award → Service Board Planning and Procurement → PMO Process

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PMO PROJECTS

Funding Source	Budget	Total Number of Projects	New Projects
State Projects	$2,349,051,291	72	15
Total Projects $\geq$ $10M	$7,339,731,184	68	9

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STATE FUNDED PROJECT STATUS

Funding Source	Total Awarded	Expended	Active Projects	Completed Projects	Total Projects
Rebuild Illinois	$2,600,000,000	$216,012,763	42	4	76
PAYGO	$454,000,000	$275,142,997	22	8	34

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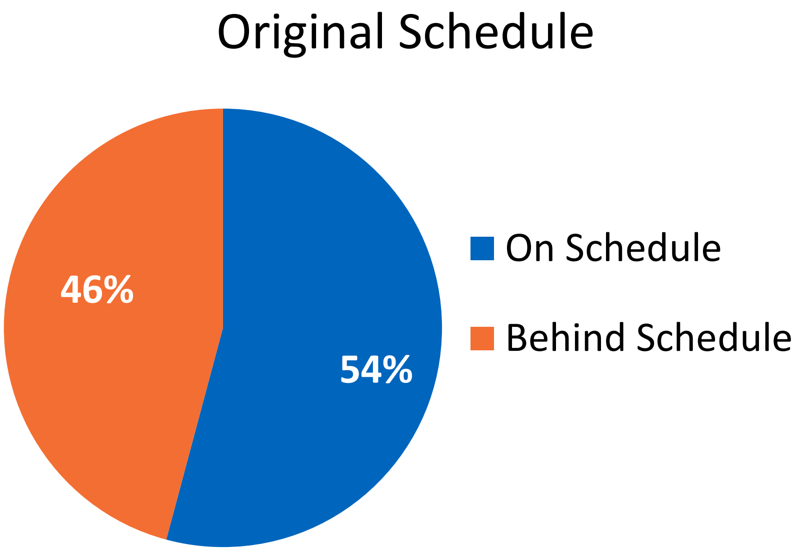
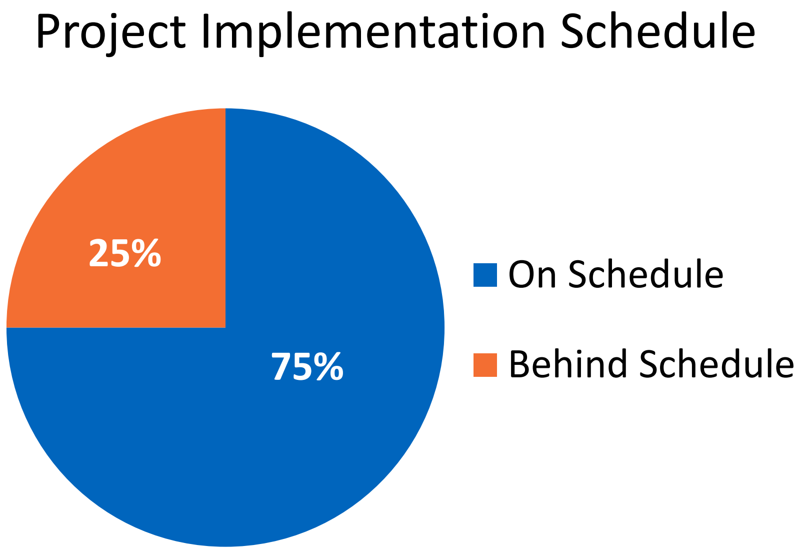
PROJECT SCOPE PERFORMANCE

- 3 Change Orders this reporting period
- 89% of projects without change orders

PROJECT SCHEDULE PERFORMANCE





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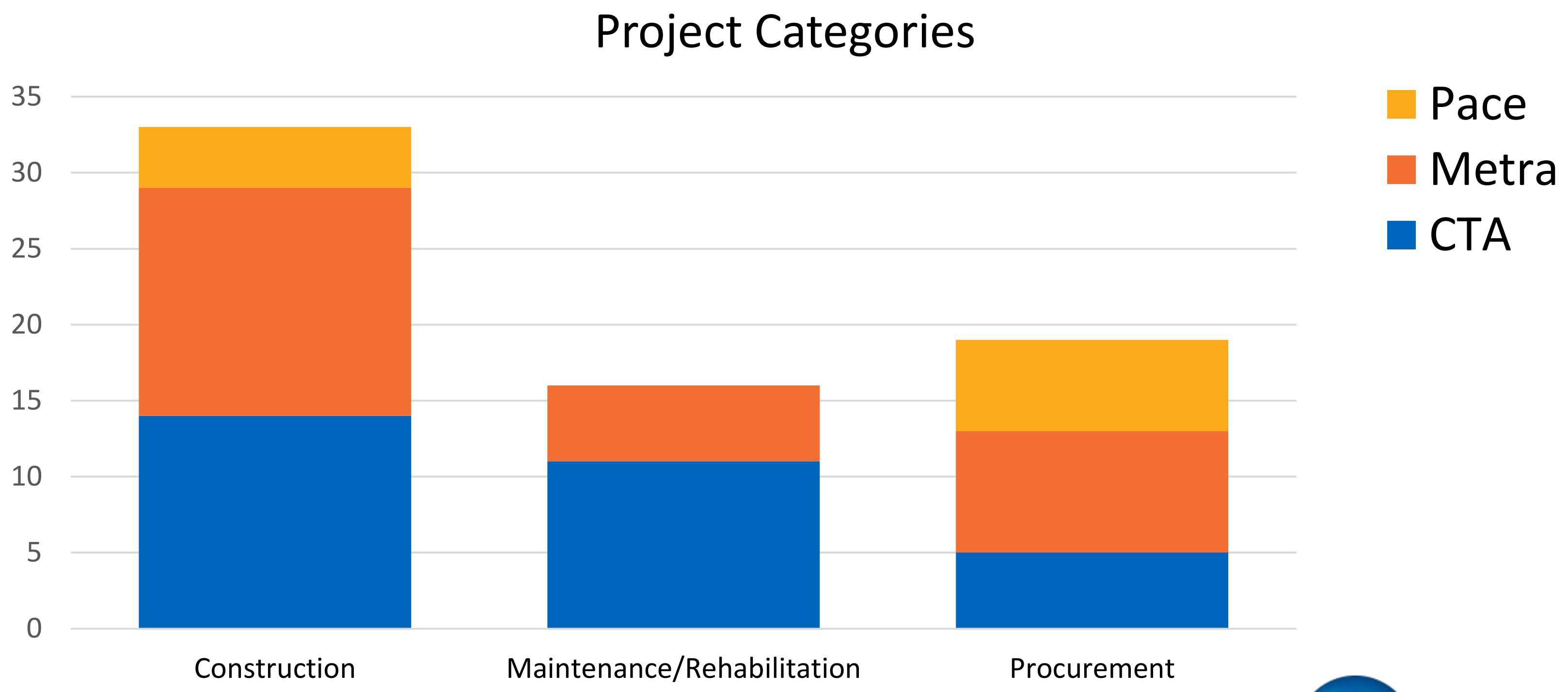
PROJECT TYPES



REBUILD ILLINOIS PROJECT HIGHLIGHTS

Project	Highlights
CTA – 5000-Series Rail Car Rehabilitation	This project will provide for the quarter-life overhaul of the 5000-series rail cars, which is performed at six to seven year intervals.
Metra – Sibley Station	This project is for the rehabilitation of various elements of the 147th Street, Sibley Boulevard Station on the Metra Electric District line. As part of this rehabilitation the station will be made 100% ADA accessible.
Pace – Bus Stop Improvements – Joliet Gateway Center	This project is for construction of a new bus turnaround facility to serve the nine Pace routes that connect with the upgraded transportation center in downtown Joliet.

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COMPLETED PROJECTS

Project	Highlights
Metra – Clarendon Hills Station	Metra and the Village of Clarendon Hills completed the redevelopment of the station. The station improvements include new platform canopies, enclosed shelters, benches, and covered bike parking.
Metra – Seeger Interlocking	Metra completed the replacement of Seeger Interlocking on Metra's UP Northwest Line. This replacement allows for increased train speeds and upgrades the switch layouts to meet current railroad design specifications.

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QUESTIONS?

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6b. STRATEGIC PLAN UPDATE

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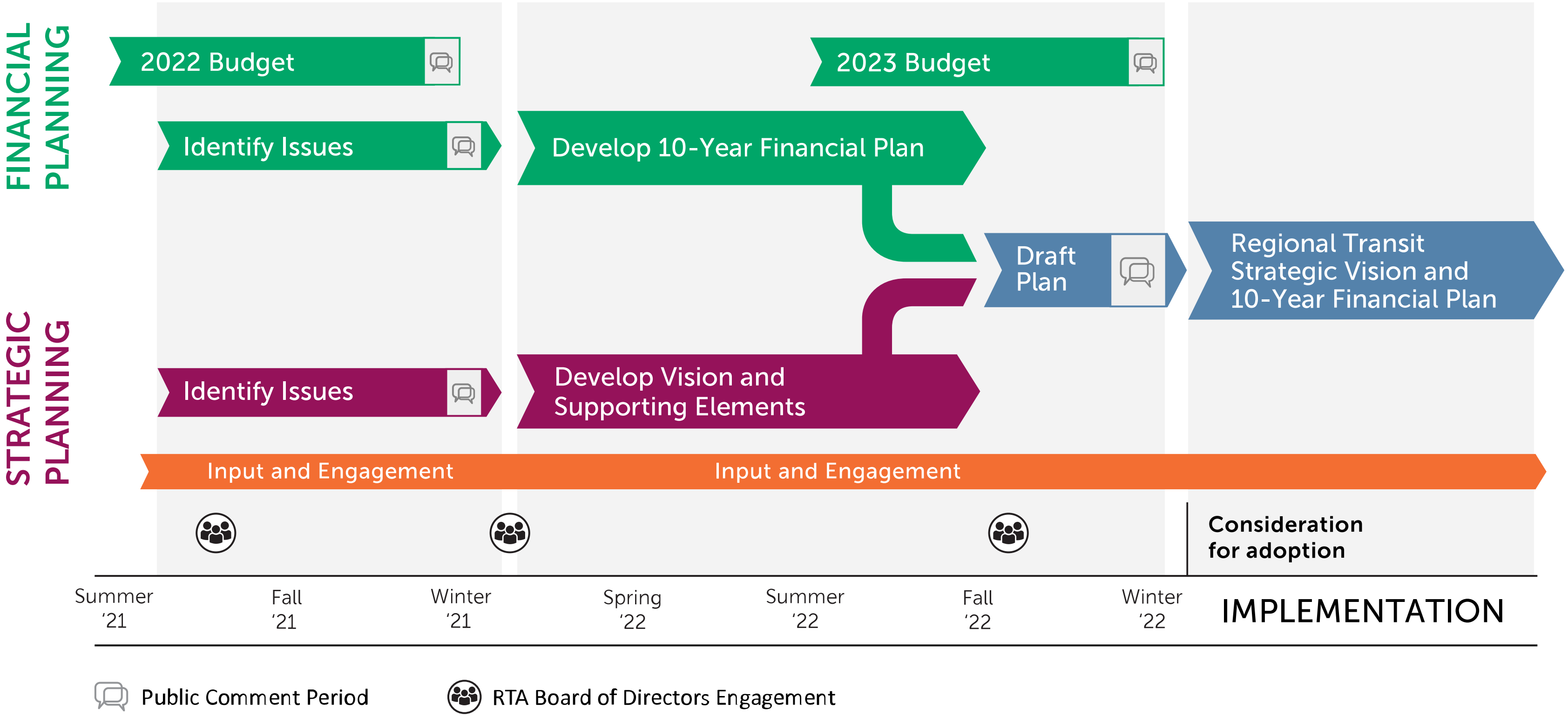
Regional Transit Strategic Plan Timeline

Collaborative development of a new strategic direction for the region's transit system will occur along three tracks and consist of multiple overlapping activities.



VISION

Safe, reliable, accessible public transportation that connects people to opportunity, advances equity, and combats climate change.

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PRINCIPLES

- Equity
- Stewardship
- Committed to Change

OUTCOMES

Our transit system will be…

- Safe, accessible, reliable, and useful for riders
- In a state of good repair
- Financially stable

Our region will be…

- Connected
- Winning the fight against climate change
- Thriving

WORKING GROUPS

- Stakeholder Groups
  - Transit Service
  - Infrastructure Investment
  - Financial Responsibility
- Technical Groups
  - 10-Year Financial Plan
  - Priority Projects

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STAKEHOLDER GROUP PROCESS

Meeting #1 — **Setting The Stage**
Understand strategic planning framework and current conditions

Meeting #2 — **Goal Development**
Brainstorm potential goals for strategic plan outcomes

Meeting #3 — **Goal Refinement**
Refine potential ideas into final list of plan goals

Meeting #4 — **Strategy Development**
Brainstorm potential strategies to achieve goals

Meeting #5 — **Strategy Refinement**
Refine and prioritize potential strategies into final list

Meeting #6 — **Performance Measures**
Identify strengths/weaknesses of existing measures and set direction

April | May | June | Today

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TRANSIT SERVICE STAKEHOLDER GROUP

- Includes 30 members from 20 organizations
- Focusing on:
  - Quality of transit service and the rider experience and
  - Related implications for the transit system to be used as a tool to impact regional climate change

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TRANSIT SERVICE STAKEHOLDER GROUP

- Discussing goals and strategies for topics like:
  - Increasing quality of passenger information
  - Improving service coordination
  - Simplifying fare payments
  - Improving reliability of transit
  - Reducing emissions, and increasing safety

INFRASTRUCTURE INVESTMENT STAKEHOLDER GROUP

- Includes 35 members from 29 organizations
- Focusing on:
  - Infrastructure investments needed on the transit system
  - Investment in communities around stations and stops to make transit more accessible and appealing

INFRASTRUCTURE INVESTMENT STAKEHOLDER GROUP

- Discussing goals and strategies for topics like:
  - Diversifying capital funding sources
  - Prioritizing high-need communities in capital work
  - Increasing community engagement in projects
  - Reducing first/last miles barriers to transit
  - Supporting communities pursuing equitable TOD

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FINANCIAL RESPONSIBILITY STAKEHOLDER GROUP

- Includes 33 members from 23 organizations
- Focusing on balance between
  - Financial efficiency and stability
  - Transit system coverage and effectiveness in connecting people to opportunity.

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FINANCIAL RESPONSIBILITY STAKEHOLDER GROUP

- Discussing goals and strategies for topics like:
  - Planning for cost growth to meet region's needs
  - Communicating value of transit
  - Increasing and diversifying operating funding
  - Improving responsiveness of transit to new needs
  - Increasing access to opportunities via transit

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PRIORITY PROJECT TECHNICAL GROUP PROGRESS

- Experts from RTA, Service Boards, CMAP
- Goals:
  - Determine criteria used to define and advance priority projects
  - Draft guidelines to be included in Strategic Plan
  - Create a list of high-level regional priorities
- Currently discussing methods for evaluating projects

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10-YEAR FINANCIAL PLAN TECHNICAL GROUP PROGRESS

- Composition
  - RTA, Service Board Finance and Planning, CMAP
- Goals and Products
  - Predict longevity of federal relief funding
  - Establish "official" post-relief-funding budget shortfall
  - Produce menu of options for re-achieving balance
  - Recommendations for permanent recovery ratio reform

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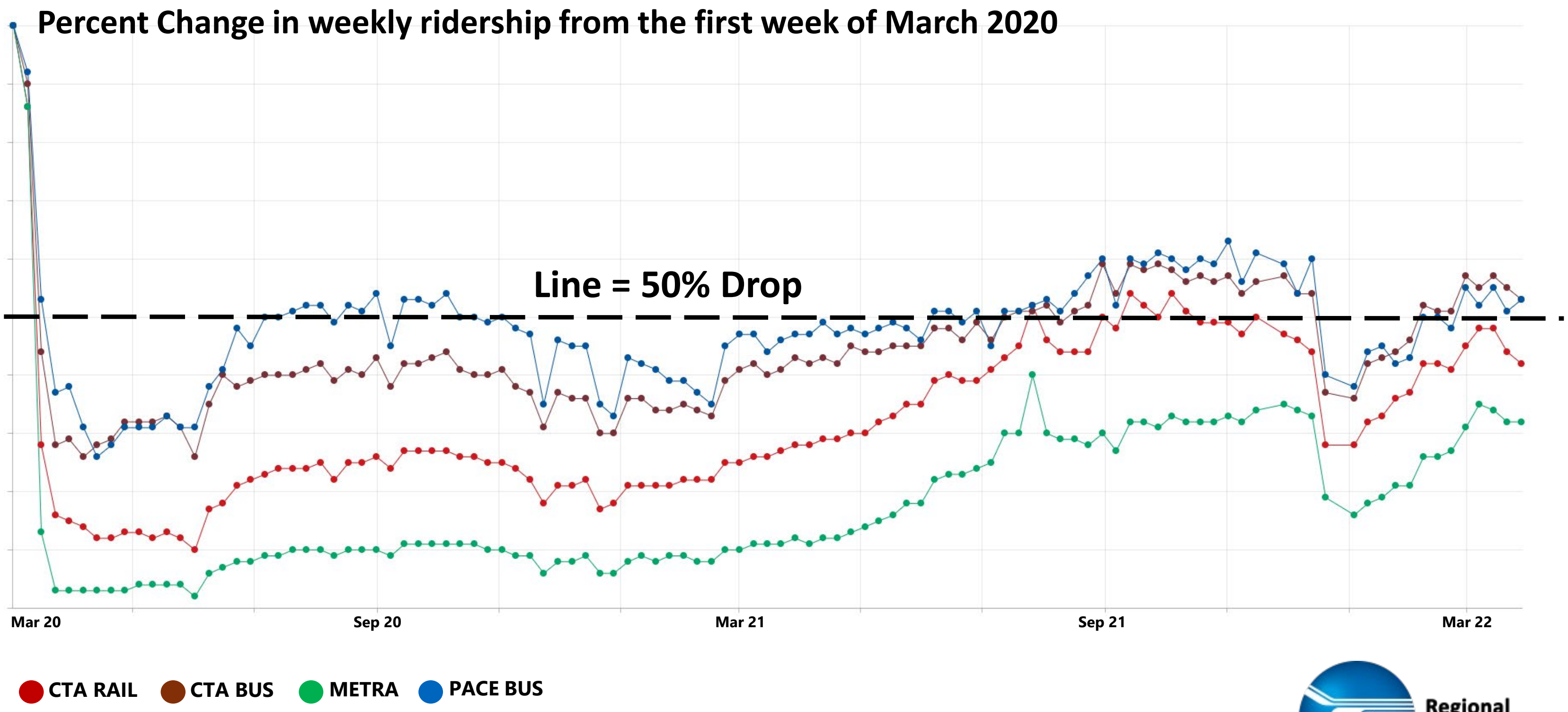
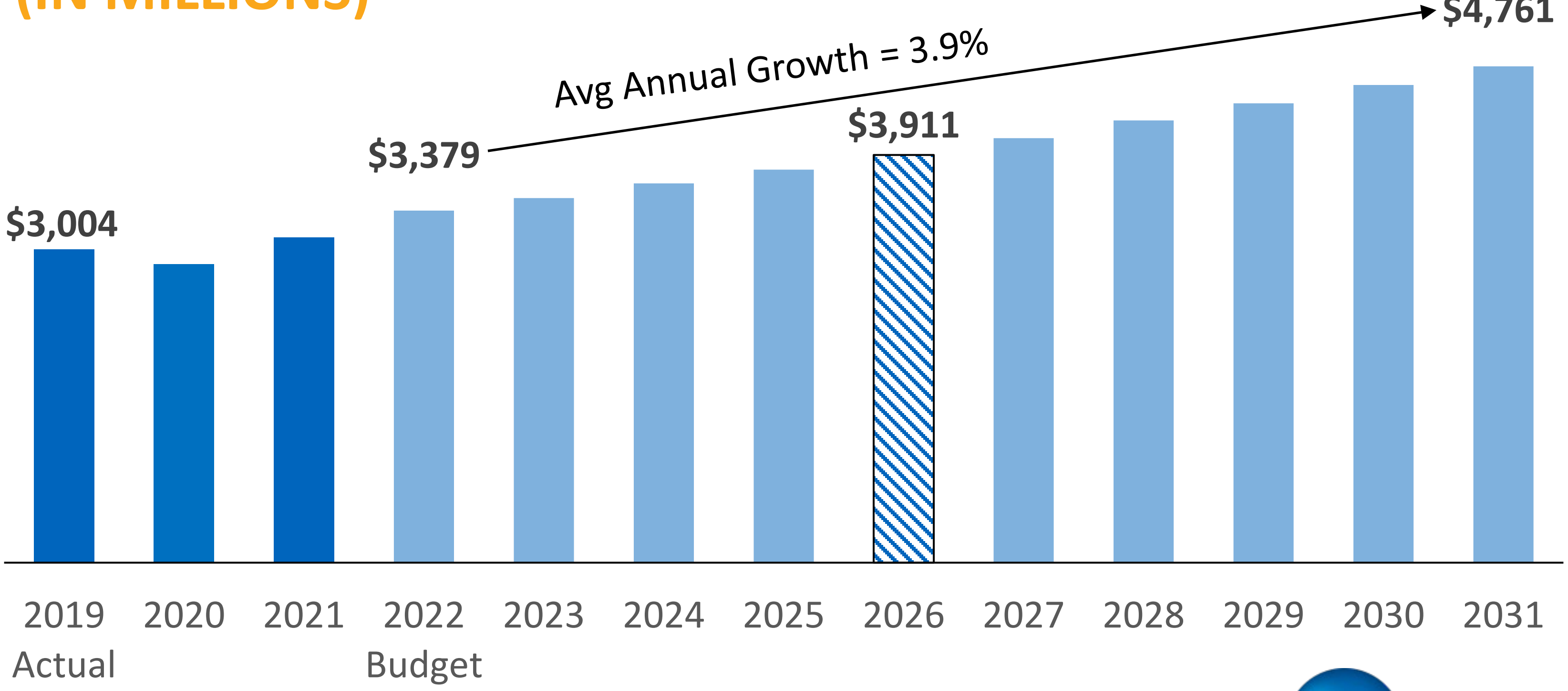
TRANSIT SYSTEM SUPPORTED BY

- Public Funding – sales tax receipts have been very strong
- Operating Revenue – total fare revenue paid by riders is down due to lower ridership

RIDERSHIP DECLINE PERSISTS



10-YEAR REGIONAL OPERATING EXPENSES
(IN MILLIONS)



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OTHER BASELINE SCENARIO ASSUMPTIONS

- Ridership recovery will continue, slowly
- ADA Paratransit fully funded each year
- Funding distribution by current statute / agreement
- Relief funding projected to exhaust in 2025 for all
- Use 2026 to isolate annual shortfall – “the gap”

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BASELINE SCENARIO – 2026 VS 2022

	2022 Budget	2026 Projection
Ridership (% of 2019)	51%	68%
Operating Revenue	$550M	$780M
+ Public Funding	$2,190M	$2,400M
- Operating Expense	$3,380M	$3,910M
= Budget Shortfall	($640M)	($730M)
Shortfall as % of Total Operating Expense:		18.7%

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NEXT STEPS FOR THE 10-YEAR GROUP

- Define additional scenarios
  - Adjust "levers" which include ridership assumption, fare initiatives, economic outlook
- Compile and quantify list of funding ideas
  - Expansion of existing mechanisms
  - Totally new sources / peer region funding sources
  - Produce menu of solutions for the gap

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NEXT STEPS FOR STRATEGIC PLAN

- Stakeholder groups finish in June, write memos
- Opportunities for more public input planned for summer
- Staff will provide update on both types of input at August meeting

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THANK YOU!

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6c.
REPORT ON MONTHLY FINANCIAL RESULTS - APRIL 2022

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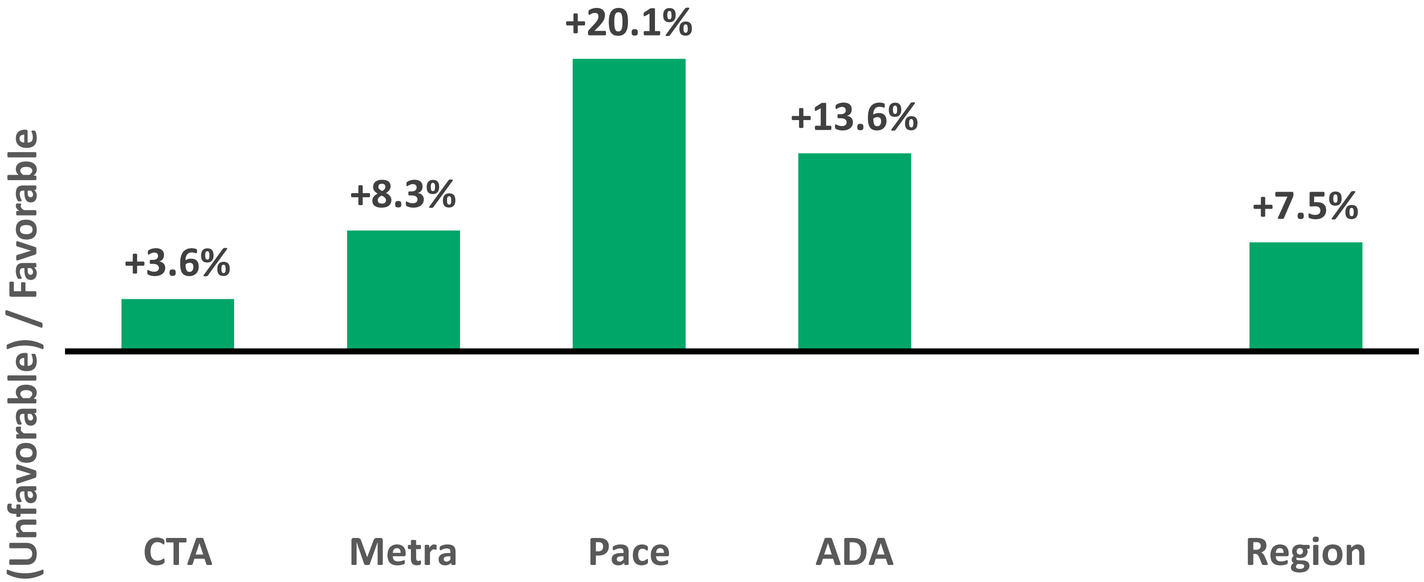
OPERATING DEFICIT VARIANCES FROM BUDGET – YTD THROUGH APRIL



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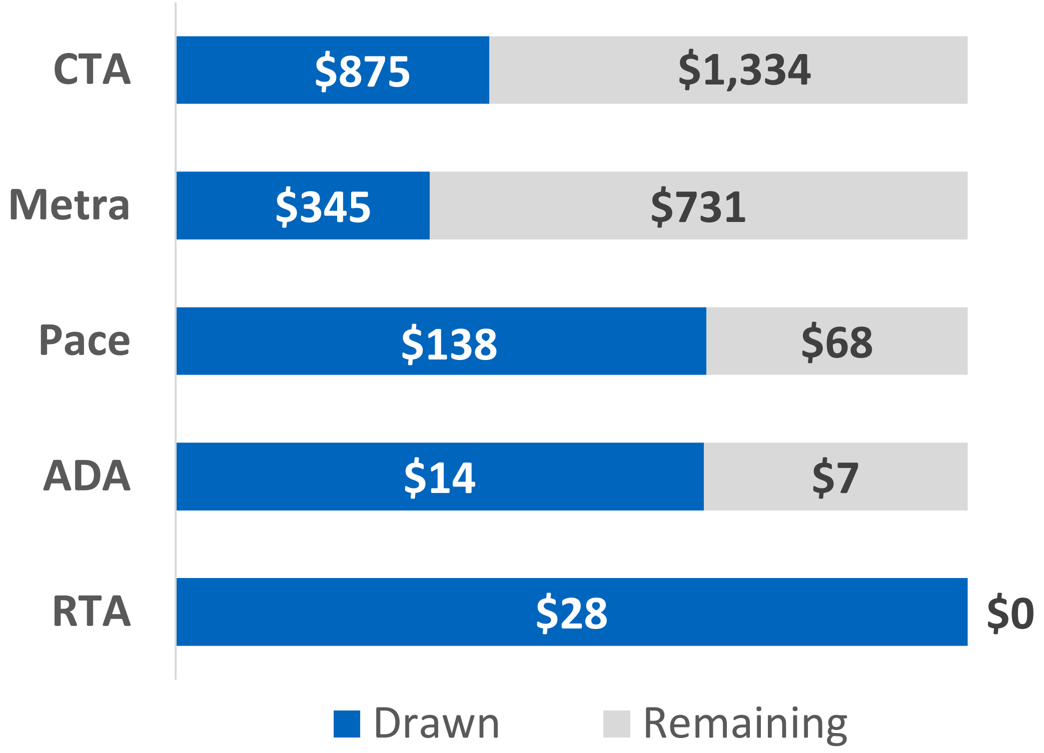
RELIEF FUNDING DRAWN (IN MILLIONS)



Region Total Drawn = 39.6%

$1.401B of $3.540B

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RECOVERY RATIOS – 2022 AMENDED BUDGET

(in millions)	Fare Revenue Recovery Ratio	All Revenue Recovery Ratio	Statutory Recovery Ratio
Fare Revenue	$437	$437	$437
RFR + Ancillary Revenue	---	$117	$117
Federal Relief Funding	---	---	$633
Revenue Adjustments	---	---	+$41
Operating Expense	$3,119	$3,119	$3,119
Expense Adjustments	---	---	($402)
Revenue ÷ Expense =	14.0%	17.8%	45.2%

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CURRENT RECOVERY RATIO RELIEF

- Granted in December 2021 by P.A. 102-0678 and extends only through RTA Fiscal Year 2023
- Allows RTA Region to budget below 50%
- Waives financial penalty for year-end actual result below 50%

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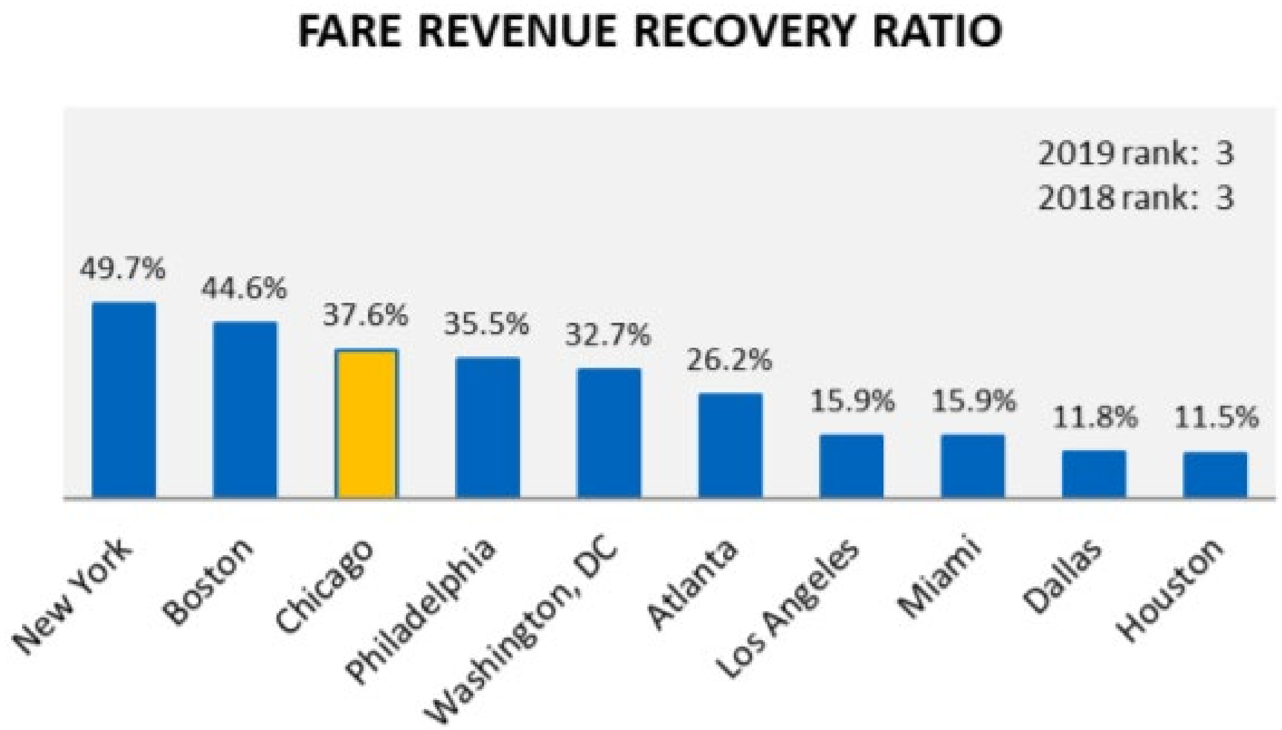
2019 FARE RECOVERY RATIO VS PEERS



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FINANCE TERMS AND EQUATIONS

Operating Deficit = Operating Revenue – Operating Expense

- Also known as "Funding Requirement"
- Primary metric for quarterly certifications

Recovery Ratio = Operating Revenue / Operating Expense

- Types include "Fare Recovery Ratio" and "Statutory Recovery Ratio"

Net Result = Operating Revenue + Public Funding – Operating Expense

- Also known as "Surplus / (Deficit)"

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7.
ACTION ITEMS

7a.
ORDINANCES AUTHORIZING AN AMENDMENT OF THE 2022-2026 CAPITAL PROGRAM AND FUNDING CHANGES FOR CTA, METRA, AND PACE ICE FUNDED PROJECTS

CTA CHANGE HIGHLIGHTS:

2022-2026 Capital Program Revenue Changes	Current	Change	Proposed
Chicago Transit Authority	$2,493M	$40M	$2,533M

June Project Highlights ($153M)

- All Stations Accessible Program
- Electric Bus Infrastructure Program

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METRA PROJECT CHANGE HIGHLIGHTS:

2022-2026 Capital Program Revenue Changes	Current	Change	Proposed
Metra	$1,564M	$10M	$1,574M

June Project Highlights ($66M)

– Zero Emission Trainsets

– 95th Street Station Chicago State University

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PACE PROJECT CHANGE HIGHLIGHTS:

2022-2026 Capital Program Revenue Changes	Current	Change	Proposed
Pace	$305M	$3M	$308M

June Project Highlights ($18M):

- Harvey Transportation Center improvement project
- North Division Garage Electrification Improvements

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2022-2026 CAPITAL PROGRAM CHANGES

2022-2026 Capital Program Revenue Changes	Current	Change	Proposed
Chicago Transit Authority	$2,493	$40	$2,533
Metra	$1,564	$10	$1,574
Pace	$305	$3	$308
2022-2026 Capital Program Total	$4,362	$53	$4,415

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BUDGET CHANGES TO ICE PROGRAM:

- Adjust annual estimates of ICE funding to the actuals based on sales tax receipts
- Authorize related changes to the funding allocated to certain projects found in the memo

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PROPOSED ORDINANCES FOR APPROVAL

- Approval of the Amendment to the 2022-2026 Capital Program
- Approval of Budget changes to the ICE Program

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7b.
ORDINANCE APPROVING THE COMBINING FINANCIAL REPORT AND CERTIFYING COMPLIANCE WITH THE RTA ACT RECOVERY RATIO REQUIREMENT FOR 2021

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7c.
ORDINANCE APPROVING AND RELEASING THE RTA 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

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REGIONAL TRANSPORTATION AUTHORITY (RTA)

External Auditor Presentation to Audit Committee

June 16, 2022

Presenting Today

William (Bill) Sarb

Partner

Lead Partner over the entire RTA audit process

Maria Prado

Partner – Prado & Renteria

DBE Firm Partner and leader of DBE staff assigned to RTA audits

Katie Rodriguez

Manager

Manager on Pension and the Annual Comprehensive Financial Report and assists with the Special Purpose Combining Report

Ronnie Christopher

Manager

Manager on the JSIF, the Federal Compliance Audit and the Special Purpose Combining Report

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The New Way of Doing Business

- Remote audit
  - External audit procedures performed largely remote in 2021
  - DBE goal of 12% is currently on track to be achieved
  - Audit assistance provided by Prado and Renteria which included assistance with the single audit, pension audit and overall financial statement audit
  - Future assistance to be provided by Prado and Renteria on the 401k audit

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Audit Process and Innovation

The external audit process is a significant effort which takes strong communication between all involved, we worked with management to perform our audits by using our audit tools and technology to achieve our common goals.

Scope of Services

- Annual Comprehensive Financial Report (ACFR)
- Special Purpose Combining Financial Report
  - Statutory Basis Compilation of RTA and three service boards
- Joint Self-Insurance Fund (JSIF)
- RTA, Metra and Pace Pension Plan
  - Plan Financial Statements
  - Plan Allocation Schedules (GASB 68)
- Single Audit (Uniform Guidance Report)
- 401k Plan – RTA, Metra & Pace – audit was previously administered by Pace but for 2021 and forward it has been added to scope of RTA audit contract, audit will be performed in Fall 2022 and results will be reported to 401k Plan Committee

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Annual Comprehensive Financial Report

- Financial Highlights
  - RTA awarded GFOA Certificate for excellence in financial reporting for the 27th straight year
  - Cash flows timing from the State of IL remained consistent for sales tax and ASA/AFA, and have improved for PTF
  - Net Position (Deficit) remained relatively consistent with the prior year, the overall deficit is driven by the bonded debt of the RTA for which proceeds were passed to the service boards
  - General Fund Budgetary Highlights
    - The regional operating budget was amended in May 2021 due to unanticipated increases in RTA sales tax receipts and associated PTF match of sales tax from the State. Actual sales tax receipts continued to overperform throughout 2021 and finished the year $36.2 million higher than the amended budget.

Special Purpose Combining Financial Report

- Independent Accountant’s Compilation Report
  - Report to be submitted to the State
  - Each Service Board received an independent audit and submit their audited financial statements to RTA
  - Each Service Board certified their final recovery ratio to the RTA
- The 2021 regional recovery ratio did not meet the 50% statutory requirement
  - Higher than anticipated sales tax funding which limited the amount of federal relief funding that the Service Boards could requisition.
  - The Region wide recovery ratio of 40.32% did not meet the 50% requirement, however the financial penalty has been waived by P.A. 102-0678 for RTA fiscal years 2021, 2022, and 2023.
  - The ADA Paratransit recovery ratio of 10.6% achieved the 10% statutory requirement.

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Additional Financial Audit Reports

- Joint Self-Insurance Fund (JSIF)
  - Net position of $20.1 million
  - RTA distributed $7.0 million from the General Fund
  - Insurance premiums were $9.2 million
- RTA, Metra and Pace Pension Plan
  - Includes non-union employees of RTA, Metra and Pace
  - Combined employer contributions of $23.8 million were made during 2021
  - The overall investment markets were very positive for the year with a reported net investment income of $40.4 million which results in an annual money weighted rate of return of 12.2% on plan assets
  - Market funded ratio as of 12/31/21 is 82.2%

Responsibility of External Auditor

- Our responsibilities under auditing standards generally accepted in the United States of America, have been described to you in our arrangement letters dated March 28, 2022
  - Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks;
  - Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the RTA's internal control;
  - Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures;
  - Concluded, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the RTA's ability to continue as a going concern for a reasonable period of time.

Changes to Applicable GAAS (SAS 134 – 140 Financial Reporting)

- SAS No. 134 significantly changes the form and content of the auditor's report issued after auditing a set of financial statements. The SAS also addresses the auditor's responsibility to form an opinion on the financial statements.
- SAS No. 137 provides transparency related to the auditor's responsibility for other information included in an annual report when the auditor has obtained all the other information at the date of the auditor's report on the financial statements.
- SAS No. 138 and SSAE No. 20 amend various AU-C and AT-C sections, respectively, in AICPA *Professional Standards*, to align the materiality concepts discussed in AICPA *Professional Standards* with the description of materiality used by the U.S. judicial system, the auditing standards of the PCAOB, the SEC, and the FASB.
- SAS No. 140 completes the ASB's yearlong effort to conform GAAS with the reporting provisions of SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, and other recently issued SASs

Audit Results

- We anticipate the issuance of or have issued an unmodified “clean” opinions over the following:
  - JSIF – Completed in March as required by Statute
  - RTA, Metra and Pace Pension Plan
  - Annual Comprehensive Financial Report
- No material weaknesses were identified during our audit
- Results associated with the audit team’s specifically identified audit risks – tested, no material exceptions noted
  - Management Override of Controls
  - Fraudulent Revenue Recognition
  - Actuarial valuation of net pension liability
  - Valuation of investments

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Federal Compliance Audit

- Single Audit
  - The RTA reported total federal expenditures of $28.9 million in 2021
  - Federal Programs
    - $24.9 million related to the Federal Transit Cluster, of which $22.6 million was passed through this program providing CARES Act funding that was expended in 2021
    - $3.9 million related to the Transit Services Programs Cluster
    - $112 thousand in remaining federal expenditures were spread across several other programs, which are consistent with prior years
    - Based on the results of the expenditures in 2021, we determined that both clusters identified above were determined to be major programs and detail testing was required for both
  - We performed detailed testing procedures over both major programs and to date, we have not identified any instances of noncompliance.

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Accounting Standards

- Implemented in the current year
  - GASB Statement No. 98 *The Annual Comprehensive Financial Report (ACFR)*
- Upcoming accounting pronouncements
  - GASB Statement No. 87 *Leases* (2022)
  - GASB Statement No. 93 *Replacement of Interbank Offered Rates* (2022)
  - GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (2023)
  - GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans* (Multiple effective dates, next is 2022)
  - GASB Statement No. 99 *Omnibus 2022* (Multiple effective dates, next is 2023)

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Summary of Required Communications

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

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Summary of Required Communications

Area	Comment
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	Management did not have any consultations with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	• Arrangement Letter • Management Representation Letter

Concluding Thoughts

- We worked closely with Bea Reyna-Hickey, John Yu, Celestine Thornhill and the rest of the Finance team to complete our understandings and procedures over the financial statements.
- Strong communication on both sides (including regular status Microsoft Teams meetings and WebEx meetings) proved to be key to getting to this point.
- This concludes our presentation, we are happy to address any questions or concerns that any of the Directors may have.

QUESTIONS AND ANSWERS

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7d.
ORDINANCE AUTHORIZING A CONTRACT AMENDMENT FOR PRINT FULFILLMENT SERVICES

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7e.
ORDINANCE AUTHORIZING CONTRACT FOR PRINTING AND MAILING RTA MAPS

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7f.
ORDINANCE AUTHORIZING A CONTRACT AMENDMENT FOR ENERGY MANAGEMENT AND DATA HOSTING

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7g.
APPROVAL OF TRAVEL EXPENSES REIMBURSEMENT(S)

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8.
NEW BUSINESS

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NEXT MEETING AND ADJOURNMENT

The next meeting of the RTA Board of Directors is scheduled for Thursday, August 18, 2022. We will advise you of the location or virtual nature of this meeting as the date approaches and the status of the COVID-19 situation is updated.

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