Meeting of the RTA Board of Directors

June 12, 2025

Welcome! Meeting Starts at 9 a.m.

Meeting Agenda: rtachicago.org

Regional
Transportation
Authority

1. Call to order

Pledge of allegiance

RTA Board of Directors meeting

- Roll call
- Approval of minutes

4. Public comment

5. Executive Director’s report

Legislative update

Section 5310
Public Comment Period

- Runs from July 1-30, 2025
- Comments may be submitted via the website: https://www.rtachicago.org/region/section-5310
- Recommended Program of Projects will be presented to the Board in August for adoption consideration

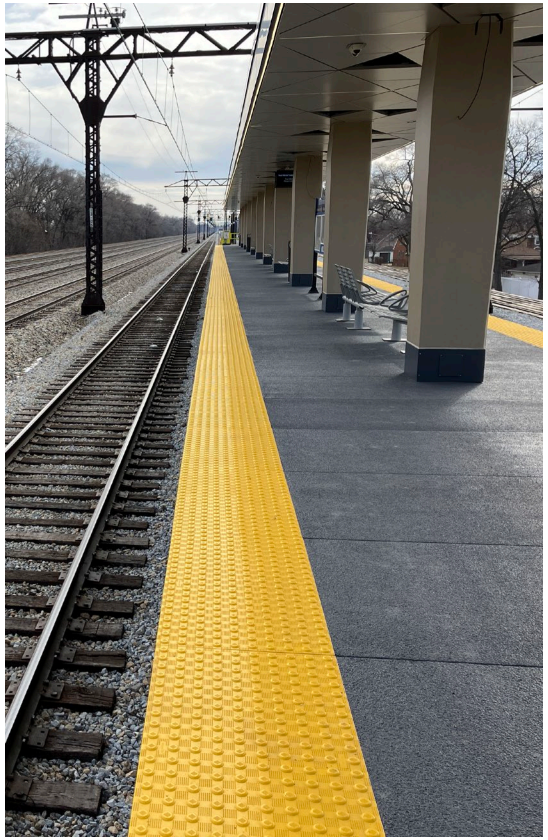
Today’s agenda

6. Information items

6a. Presentation of the Semi-Annual Project Management Oversight Report

PMO Program process

- Project implementation areas of focus
- Regular site visits & reporting
- Monthly meetings with stakeholders
- PMO team

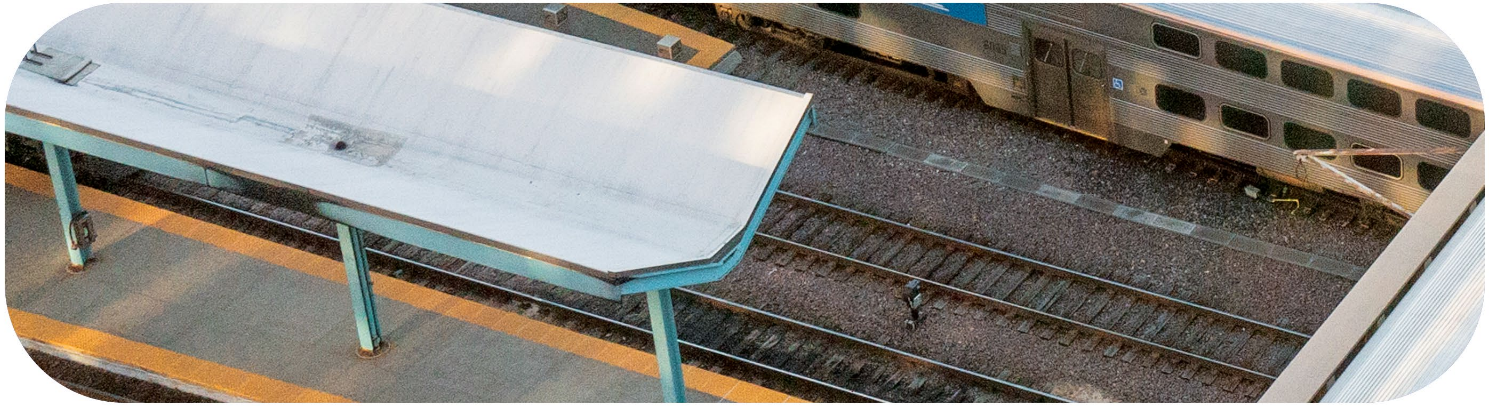


PMO report

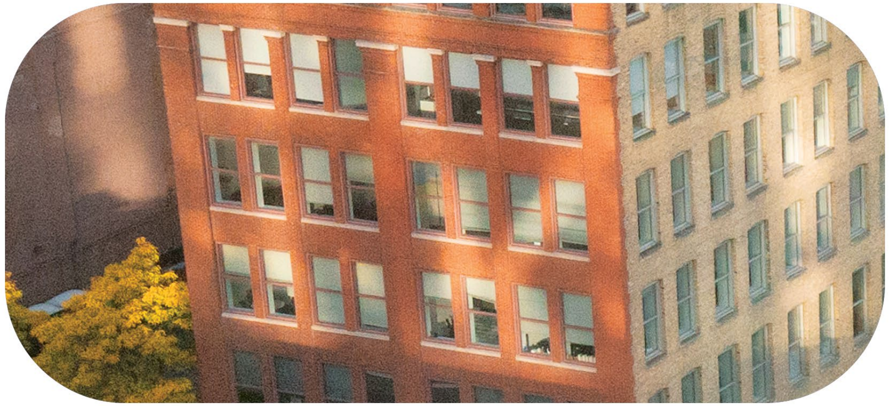
- Transparency
- 114 projects total
- 58% projects on schedule
- 81% of projects without Change Orders

Questions

6b. Transit is the Answer update



LEGISLATIVE



UPDATE

Session ends with no action on transit funding or reform

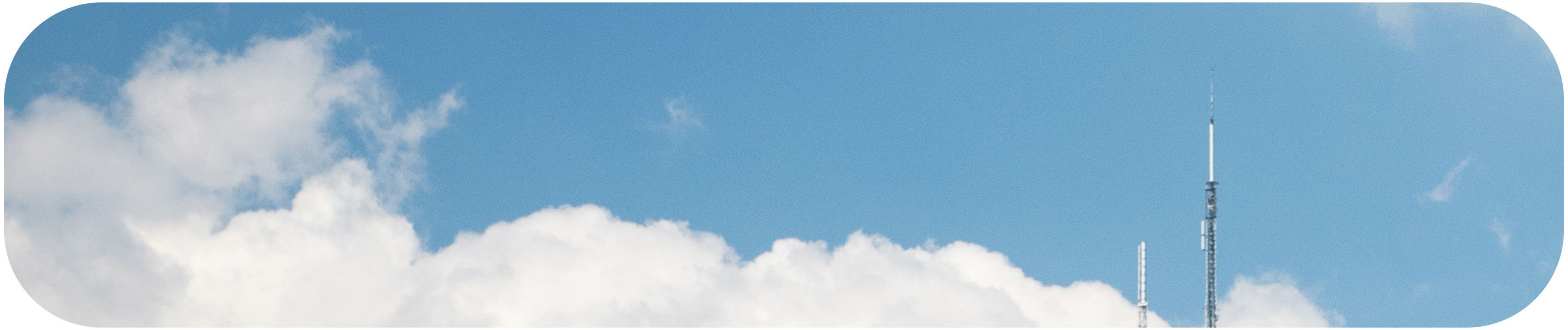
- Final Senate proposal included an estimated $1B+ for transit operations
- Chambers could not reach consensus on funding or reform
- Key issues with proposed reform
  - New short-term funding formula
  - Costs and resources for regional authority
  - Additional departments and entities
- SFY 26 budget includes small increases for ADA Paratransit and free and reduced fares
  - $11.5 million for ADA Paratransit, $23 million for Free and Reduced Fares
- State revenue omnibus clarifies RTA sales tax on groceries

State leaders consider path forward to fund, reform transit

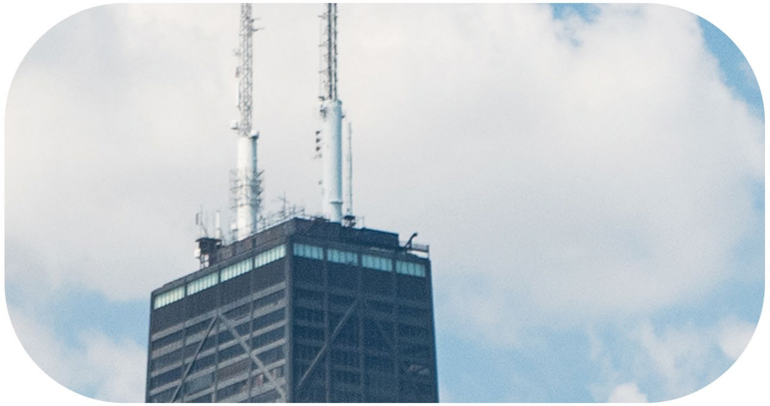
- 3/5 supermajority needed for immediate effective date for remainder of 2025
  - Fall Veto Session – October 14-16 and October 28-30
  - Potential for special session
- New revenue sources could require time to implement
- Briefing Governor and state leaders on RTA budget process
- RTA advocating for swift, transparent, inclusive process

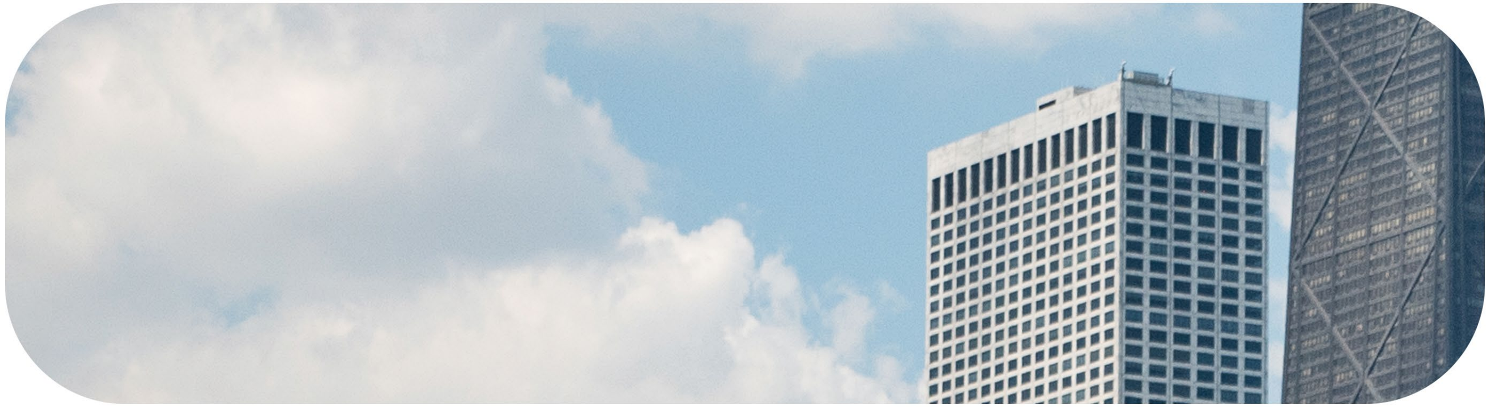
2025 Unified Federal Legislative Agenda

- Capital Funding: Preserve and grow the federal transit program
    - Formula programs key to enabling flexible, predictable funding streams
- Regulatory Reform: Streamline policies to expedite project delivery and enable innovation
- Discretionary Grants: Maintain and enhance existing grant programs
- Operating Funding: Re-establish an ongoing program to deliver federal operating assistance to the nation’s largest transit systems

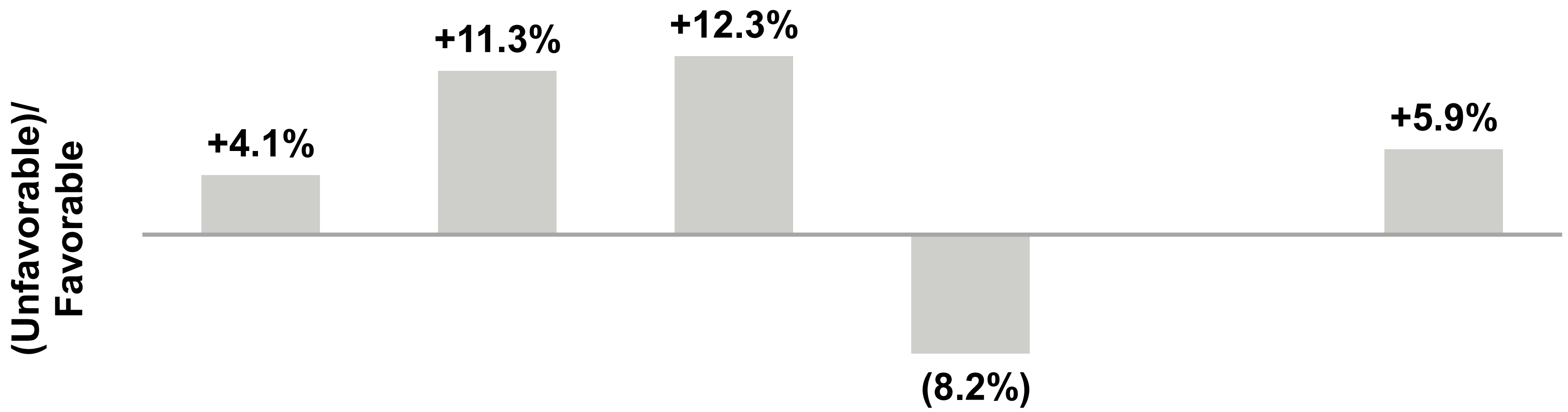


FINANCE





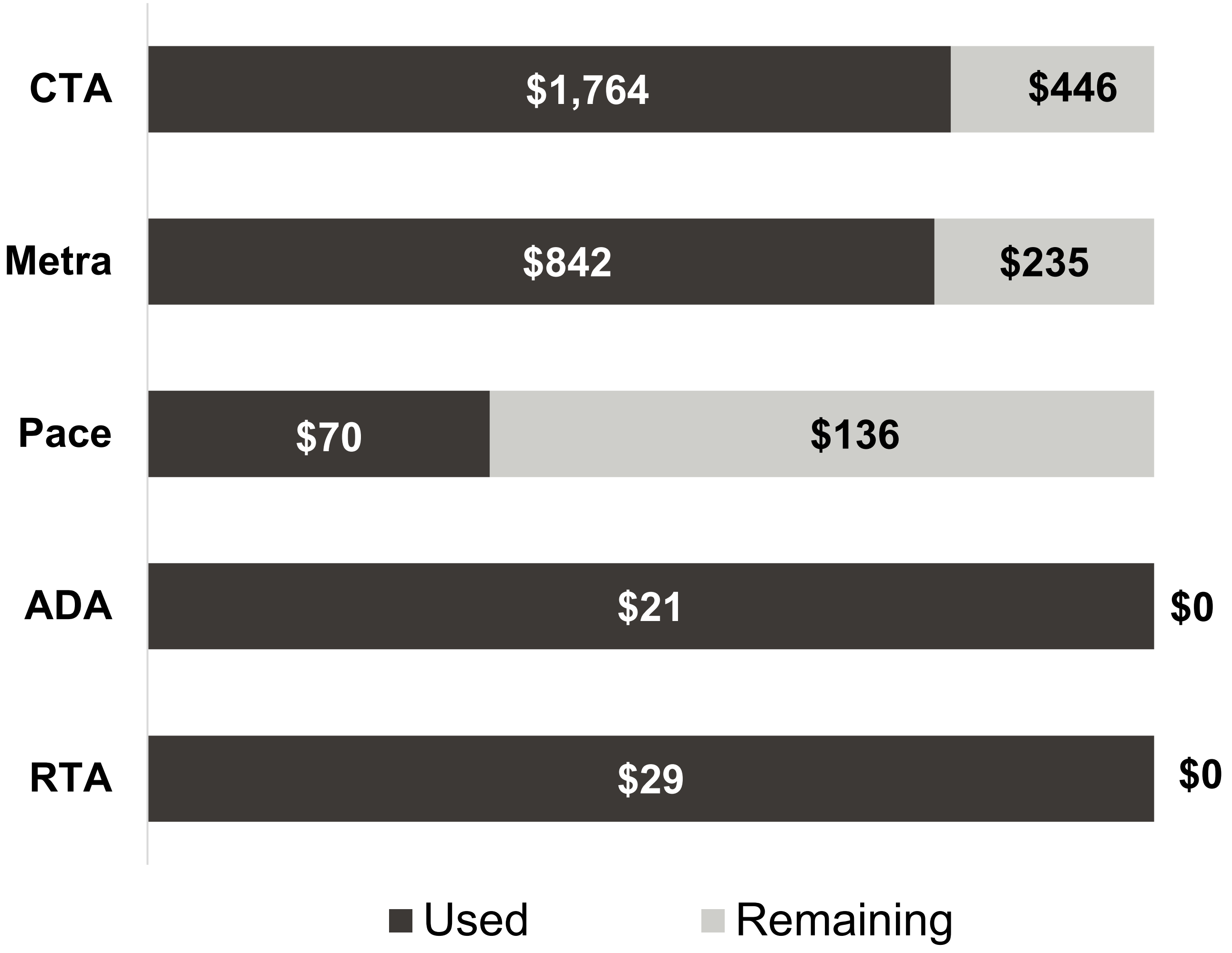
Operating deficit variances from budget YTD through April 2025

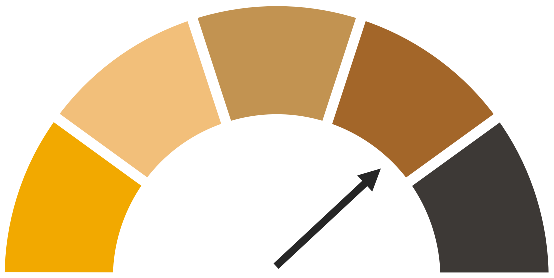


(in millions)	CTA	Metra	Pace	ADA	Region
Budget	($566.9)	($287.6)	($94.8)	($86.2)	($1,035.5)
Actual	($543.5)	($255.0)	($83.1)	($93.2)	($974.9)
Variance	$23.3	$32.6	$11.7	($7.0)*	$60.6

*may increase due to accruals and delays in invoicing

Relief funding used (in millions)





Region Total Used = 77.0%

$2.725B of $3.540B

7. Action items

7a. Approval of Letters of Understanding with Indiana and Wisconsin for the 2025 Federal Funding Allocations and Amendment of the 2025-2029 Capital Program

2025 Regional federal formula allocations (in millions)

2025 Regional Federal Formula Funds	Funding	Percent
Regional Transportation Authority	$754.50	95.9%
Northwestern Indiana Regional Planning Commission	$31.98	4.2%
Southeastern Wisconsin Regional Planning Commission	$0.13	0.4%
Total 2025 Full Regional Federal Formula Funds	**$786.61**	**100%**

2025 Regional federal formula allocations (in millions)

2025 Regional Federal Formula Funds	2025 Estimate	2025 Actual	Change
CTA	$441.09	$444.44	$3.35
Metra	$242.34	$244.18	$1.84
Pace	$55.41	$55.83	$0.42
Total 2025 Full Regional Federal Formula Funds	**$738.84**	**$744.46**	**$5.62**

2025-2029 Funding changes (in millions)

2025-2029 Funding Changes	Current	Change	Proposed
CTA	$5,997.05	$34.62	$6,031.67
Metra	$2,253.95	$1.84	$2,255.79
Pace	$415.22	$0.42	$415.64
2025-2029 Total Available	**$8,666.22**	**$36.88**	**$8,703.10**

Illinois Environmental Protection Agency (IEPA) Funds

- $31.3M awarded to purchase electric buses
- RTA applied on behalf of the CTA
- Largest IEPA VW Grant to Date
- Planned to fund 30 buses

Proposed ordinances for approval

- Attachments to the Letters of Understanding with Indiana and Wisconsin
- Amendment of the 2025-2029 Capital Program

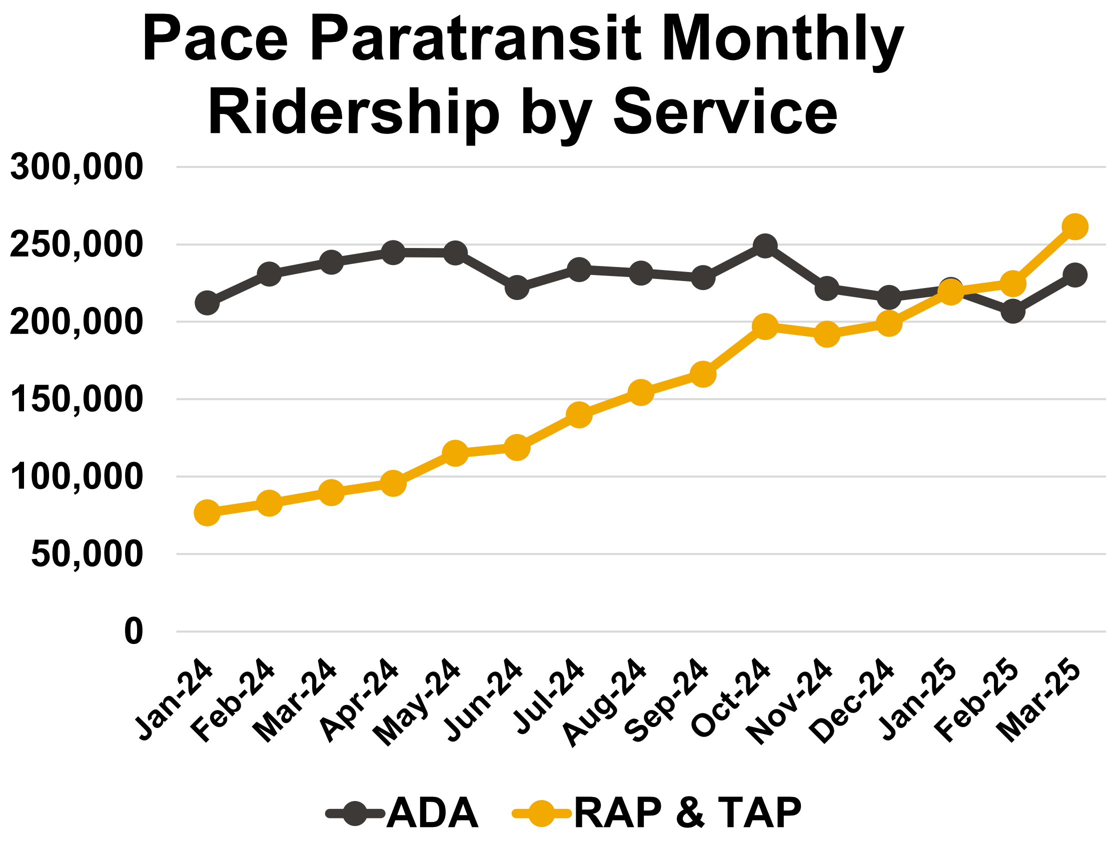
7b. ADA Paratransit Action Plan and 2025 Funding Options

Background

- Collective goal is to ensure paratransit riders have access to quality transit services while managing costs in a challenging budget year
- Board action last month:
  - $25.5 million approved for 2024 shortfall from ADA Reserve
  - Action Plan required to address expense growth
- Proposed ordinance approves Action Plan and delineates potential 2025 funding solutions

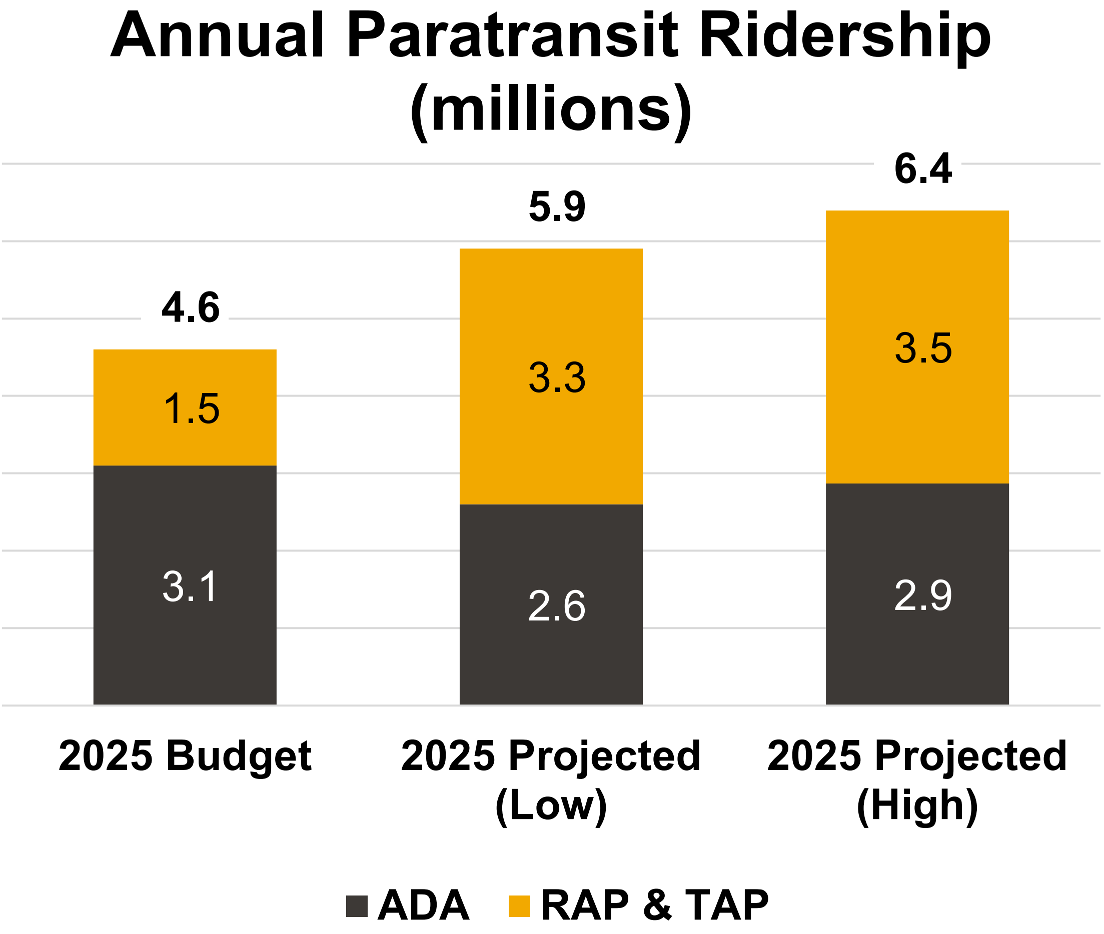
Ridership continues to grow rapidly

- Ridership continues to grow faster than anticipated
- As of Q1 2025 RAP and TAP are now serving more trips each month than traditional ADA service
- 2025 Budget forecasted traditional ADA ridership would be twice that of RAP/TAP



Estimating the 2025 shortfall

- Ridership projected to exceed budgeted levels by 1.3 million to 1.8 million rides, more than 30%
  - Up to $65M budget shortfall
- Projection reflects leveling-off of RAP growth into 2025
- Immediate actions could decrease overage by $7.5M-$12M



Action Plan

Immediate Actions

- 30 ride per month cap for RAP/TAP
- Fare restoration for RAP/TAP to $3.25
- Ride free fixed route for ADA certified riders
- RTA ADA Paratransit Certification Program review
  - Review of the RTA process
  - Accuracy of certification determinations
  - Comparison of peer system models and outcomes

Future Actions

- 2026 Budget call to include ADA Paratransit fare increase
  - Improved ridership and cost projection
- Future adjustments to RAP/TAP program parameters
- Align county RAP services with ADA RAP to standardize fares

ADA Paratransit fund structure and 2025 funding options

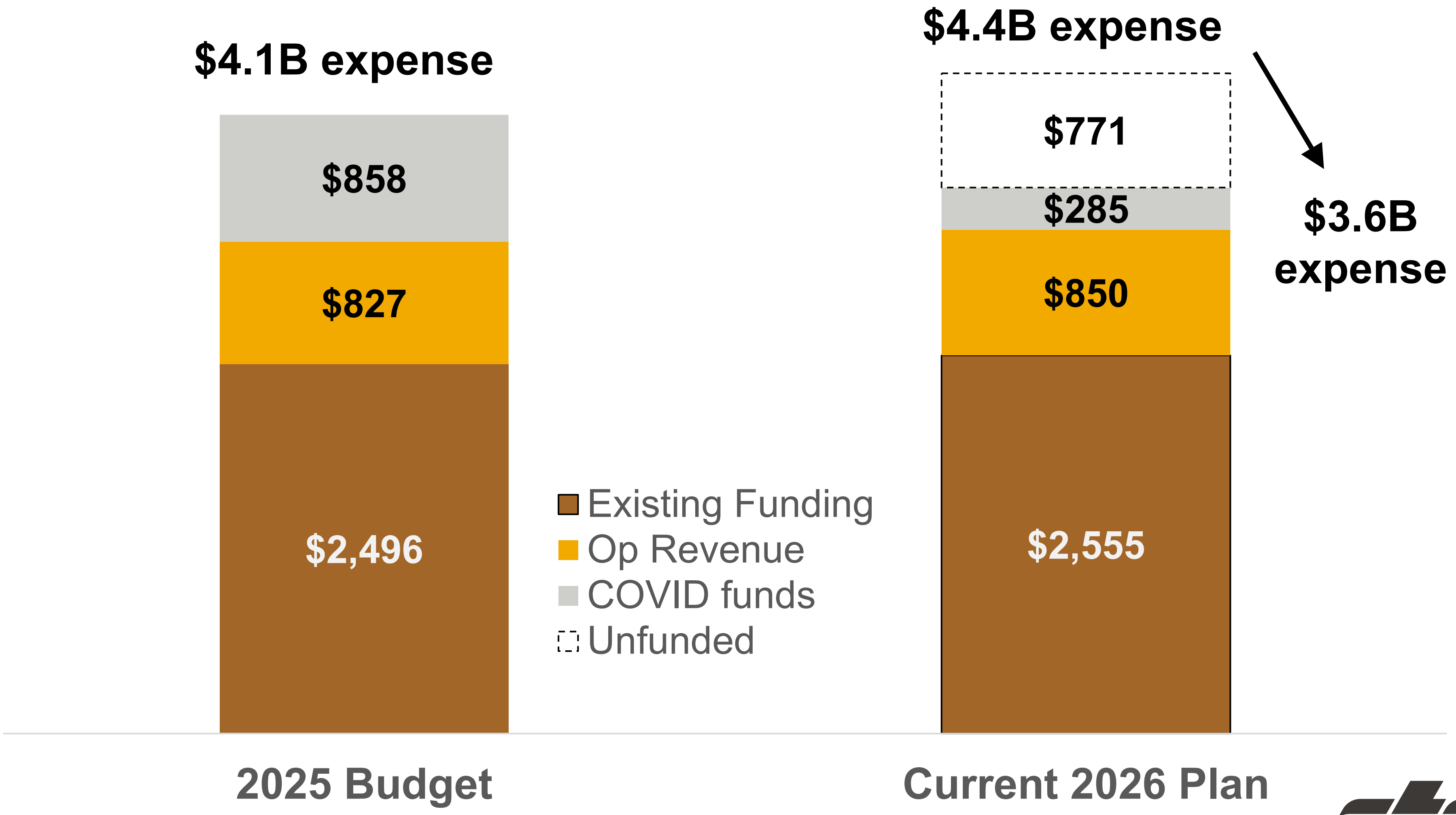
- Creation of formal ADA Paratransit fund
  - Special Revenue Fund per GASB 54
  - Transfer existing General Fund reserve of $8.3 million
- Options for additional 2025 funding need
  - Existing reserve of $8.3 million
  - Incremental Sales Tax II / Public Transportation Fund (PTF) II: approx. $44M
  - RTA's 15% share of incremental Sales Tax (ST) I: approx. $13M

Next steps

- Implement Action Plan
  - Staff to partner with Pace to determine feasibility of implementation
  - Estimated cost savings
- 2Q results in August expected to trigger 2025 budget amendment
- August funding amendment to identify incremental funding
- September ADA Paratransit 2025 budget amendment to incorporate funding solution
- 2026 Budget Call to recommend a permanent fare increase and other actions

7c. Ordinance approving the 2026 Budget Call for the Annual Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program

Operating budget support has evolved (in millions)



A challenging budget cycle

- Lack of transit funding action necessitates two distinct 2026-2028 scenarios:
    1. No new funding, i.e., hitting the cliff
    2. Stopgap solution passed in 2025
- Scenario 1 requires service reductions to be initiated in 2026
- Both scenarios require initiation of efficiencies in 2025 and fare increases in 2026
- Temporary recovery ratio relief only through 2025 further complicates the process

Specific new requirements for 2026-2028 operating plan

- Establish 2026 Budget task force
  - Revenue enhancement and cost control opportunities, year-end 2025 Positive Budget Variance and relief funding estimates
  - Report remaining COVID-relief fund balances at each Service Board
  - ADA Paratransit Action Plan, region-wide efficiencies and 2026 fare increase proposal
  - Evaluate and manage 2025 spending
- Propose 2026 service cuts
  - Detail by bus route and train line with associated cost savings
  - Title VI process and implementation timeline
  - Impact on employee headcount

Many key requirements are unchanged for 2026-2028

- To be provided for both scenarios
  - Statement of revenues and expenses
  - Relief funding (reserve) utilization plan
  - Operating statistics
  - Recovery ratio calculations
- Budget timeline and milestones
- Alignment with RTA's Strategic Plan
- Seven RTA Act criteria for adoption

2026-2030 Capital Program Call

- State PAYGO and FTA formula funds will be allocated based on the performance-based capital allocation process
    - Withholding and distribution of 2030 funds still to be determined
- Two key priorities for programming 20% of funds in 2030 are:
    - Projects Reduce Operating Expenses
    - Projects Reduce/Improves Climate Impact
- Projects continue to be evaluated using measures included in *Transit is the Answer*
- *Updated Guidance on:*
    - *Access to Key Destinations*
    - *Equity*
    - *Operating Cost*

Proposed Budget Calendar

- June 12 Board Adoption of Budget Call
- Early July Release of Preparatory Funding Amounts
- Jul 11 Service Board Submittals of Capital Funding Estimates
- Sep 11 RTA Board Considers Adoption of 2026-2030 Funding Amounts
- Sep 26 Deadline for Capital Evaluations to RTA
- Oct 3 Deadline for Capital Budgets to RTA
- Oct 10 Deadline for Service Board Budget Submittals to RTA
- Oct/Nov Service Board Budget and Capital Program Public Hearings
- Nov 20 Service Boards Present Budgets at RTA Board Meeting
- Early Dec RTA Regional Budget and Capital Program Public Hearing
- Dec 18 Budget and Capital Program Considered for Adoption

7d. Ordinance approving and releasing the RTA 2024 Annual Comprehensive Financial Report (ACFR)

7e. Ordinance approving the Combining Financial Report and certifying compliance with the RTA Act recovery ratio requirement for 2024

Regional Transportation Authority

Presentation of Audit Results to the Board of Trustees

June 12, 2025

Agenda

1	Executive Summary
2	RSM Audit Scope
3	Audit Process and Methodology
4	Audit Results
5	ACFR, JSIF, and Pension Audit
6	Federal Compliance Audit (Single Audit)
7	Required Communications, Independence and Questions

Executive summary

Audit status

The 2024 audit is nearing completion.

We expect the Authority to be able to issue the financial statements as planned the week of June 23rd.

After completing our remaining procedures, we expect to issue an unqualified opinion on the basic financial statements.

Significant changes to the planned audit strategy

There were no significant changes to the planned audit strategy communicated to the Board of Trustees in our report dated May 29, 2025.

Significant risks

As previously reported, we identified significant risks related to management override of controls, fraudulent revenue recognition (which are two of the presumed risks on all audits we perform), the estimation uncertainty around valuation defined benefit pension plan obligations, the evaluation of eligibility requirements associated with grant programs, and the fiscal cliff's impact on the Authority's ability to satisfy debt service obligations, debt covenants and other debt compliance requirements.

Adoption of new accounting policy

In 2025, the Authority adopted GASB 101 *Compensated Absences*.

Audit adjustments or uncorrected misstatements

To date, there were no audit adjustments made to the original trial balance presented to us to begin our audit.

To date, we are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Deficiencies in internal control

We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

- Understand the client
- Risk assessment
- Further audit procedures
- Evaluation
- Delivery

Scope of RTA's External Audit and Compilation

- Audits:
  - Annual Comprehensive Financial Report (ACFR)
  - Joint Self-Insurance Fund (JSIF)
  - RTA Pension Plan (includes non-union RTA, Metra and PACE)
    - Plan Financial Statements
    - Plan Allocation Schedules (GASB 68)
  - Single Audit (Uniform Guidance Report)
  - RTA 401k Plan (includes non-union RTA, Metra and PACE)
- Compilation:
  - Special Purpose Combining Financial Report
    - Statutory Basis Compilation of RTA and three service boards

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 27, 2025:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, based on an understanding of the RTA and its environment, the applicable financial reporting framework, and the RTA's system of internal control, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- Considered RTA's system of internal control 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 RTA's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit;
- 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, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Concluded, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RTA's ability to continue as a going concern for a reasonable period of time.

DBE Partnership

- DBE goal for the contract is 12%
  - Currently on track
- Direct assistance provided by Prado and Renteria staffing resources performing work on the pension audit, ACFR financial statement audit and the federal compliance audit (single audit)
- RSM and Prado and Renteria are committed to our DBE partnership and continuing to work on a goal to expand their role on the RTA 401k audits in the summer of 2025

Audit methodology

UNDERSTAND THE CLIENT

- Business objectives
- Financial performance
- Accounting policies
- Internal control

RISK ASSESSMENT

- Risk of material misstatement (error or fraud)
- Significant risks
- Control deficiencies

FURTHER AUDIT PROCEDURES

- Tests of controls
- Substantive analytical procedures
- Substantive tests of details

EVALUATION

- Audit evidence
- Uncorrected misstatements

DELIVERY

- Issue reports
- Governance communication

Audit Reports

- Annual Comprehensive Financial Report (ACFR)
  - RTA awarded GFOA Certificate for excellence in financial reporting for the 30th consecutive year
  - No new debt was issued in 2024, new debt issued in 2025
- Joint Self-Insurance Fund (JSIF)
- RTA Pension Plan (non-union employees RTA, Metra and PACE)
  - Combined employer contributions of $41.4 million
  - Investment returns of $22.7 million or 6.7% on plan assets
  - Market funded ratio increased from 80.0 % in 2023 to 85.5% during 2024

Federal Compliance Audit

- Single Audit
  - The RTA reported total federal expenditures of $10.0 million in 2024
  - Significant Federal Programs by Assistance Living Number
    - 20.507 – Federal Transit Formula Grants – Part of Federal Transit Cluster
    - 20.513 – Enhanced Mobility of Senior and Individuals with Disability – Transit Services Cluster
    - 20.516 – Job Access Reverse Commute (JARC) – Transit Services Cluster
    - Based on the results of the expenditures in 2024, we determined that the Transit Services Cluster was the only required major program needing to be tested
  - We performed detailed testing procedures over the major program and to date, we have not identified any instances of noncompliance, procedures are ongoing

Region-Wide Special Purpose Combining Financial Report Attestation

- Independent Accountant's Compilation Report
  - Report to be submitted to the State
  - Each Service Board has their own independent audit firm and submits their financial statements to the RTA
  - Each Service Board certifies their final recovery ratio to the RTA
- Recovery Ratios for 2024
  - The financial penalties for not meeting the region-wide statutory requirements have been waived by Public Act 103-0281 due to the continued recovery from the COVID-19 pandemic
  - The region-wide recovery ratio of 46.92%
  - The ADA Paratransit recovery ratio of 10.95%

RSM

Accounting policies and practices

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Matter to Report	Yes	No	
Our responsibilities		✓	We described our responsibilities under auditing standards generally accepted in the United States of America in our engagement letter dated March 27, 2025. Our audit of the combined financial statements does not relieve management or you of your responsibilities, which are also described in that letter.
Planned scope and timing of the audit		✓	We previously issued presented our audit plan in our planning letter dated May 29, 2025, including the planned scope and timing of our audit and identified significant risks.
Accounting policies and practices			
Preferability of accounting policies and practices		✓	Under accounting principles generally accepted in the United States of America, management may select among alternative accounting practices in certain circumstances. In our view, in such circumstances, management has selected the preferable accounting practice.
Adoption of, or change in, accounting policies		✓	Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. The RTA adopted the requirements of GASB Statement No. 101 *Compensated Absences* during the year this modified the way the liability was valued compared to prior periods, the overall impact was not material to the RTA as a whole.
Significant accounting policies		✓	We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Significant unusual transactions		✓	We did not identify any significant unusual transactions.

Observations about the audit process

Matter to Report	Yes	No	
Observations about the audit process			
Significant issues discussed with management		✓	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Disagreements with management		✓	There were no disagreements with management.
Significant difficulties encountered in performing the audit		✓	We did not encounter any significant difficulties in dealing with management during the audit.
Consultations with other accountants		✓	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant matters that required consultation		✓	We did not encounter any difficult or contentious matters that required consultation outside our engagement team and that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

Independence

Shared responsibilities: AICPA and GAO independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors, and RSM each play an important role.

Our responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

Your responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, potential component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Organization and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decisions on behalf of the Organization
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Organization.

Concluding Thoughts

- We worked closely with Kevin Bueso, John Yu, Olivia Yoon and the rest of the Finance team to work through our understandings and procedures over the financial statements
- Strong communication on both sides (including regular status meetings both in-person and via Microsoft Teams) proved to be key to getting to this point

Audit team contacts

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Thank you for your time and attention

Questions and Answers

THE POWER OF BEING UNDERSTOOD
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7f. Ordinance Authorizing a Contract for RTA Joint Development Study

7g. Ordinance authorizing a contract for professional services for Human Services Transportation Plan Update

7h. Approval of travel expense reimbursement(s)

8. New business

9. Executive Session

IOMA Sections 2(c)(21)

Adjournment

The next meeting of the RTA Board of Directors is scheduled for Thursday, July 24.

Stay connected

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