

ITEM II

**MINUTES OF A PUBLIC MEETING OF THE PACE FINANCE COMMITTEE
SUBURBAN BUS DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY**

Pace, the Suburban Bus Division of the Regional Transportation Authority, Finance Committee Members met in public session on Wednesday, August 12, 2009, at 1:30 p.m. at Pace corporate headquarters, 550 West Algonquin Road, Arlington Heights, Illinois, pursuant to notice.

Chairman Vernon Squires called the meeting to order at 1:41 p.m.

ROLL CALL

Present:

Vernon Squires, Committee Chairman
Frank Mitchell, Director (arr. 1:47pm)
Terrance Brannon, Deputy Executive Director,
Internal Services

Absent:

Richard Welton, Director

APPROVAL OF FINANCE COMMITTEE MINUTES

Director Squires moved, and Terrance Brannon seconded, a motion to approve the minutes of the June 3, 2009 Finance Committee open session meeting. The motion carried by acclamation.

2 Ayes Chairman Squires, Terrance Brannon

0 Nays

2009 BUDGET AMENDMENT

Terrance Brannon reviewed the 2009 Budget Amendment with the Committee. Mr. Brannon explained that on June 25th the RTA adopted a second amendment reducing 2009 operating funding for both Suburban Services and ADA due to the economy and continued decline in sales tax revenues.

The Suburban Services reduction totals \$7.3 million and is addressed by further reductions to the fuel budget (\$5 million) and 2009 new initiatives budget (\$2.3 million). Mr. Brannon highlighted the fact that RTA's first round of reductions cut the Suburban Services budget by \$16 million. For 2009, Pace's Suburban Services budget has been cut by a total of \$23.3 million.

On the ADA paratransit services side, the RTA has reduced the budget by \$6.1 million, which increases the funding shortfall for the program in 2009. Mr. Brannon noted that the original budget (from last fall) for ADA required \$98.6 million in funding, but was based on the assumption that productivity would be 1.8 trips per hour. Once it was verified that productivity was running closer to 1.4 trips per hour, the budget was revised to require \$119.5 million in funding. During RTA's June meeting, they adopted a \$119.5 million funding budget and identified \$30.5 million in deficit reduction actions, appropriating \$89 million. In the process of developing the 2010 ADA budget, our latest estimate for 2009 is \$108.6 million, leaving us with a funding shortfall of \$19.7 million for this year.

2009 BUDGET AMENDMENT (continued)

The Committee members discussed which number should be submitted to the RTA, \$30.5 million or \$19.7 million. The Committee was in agreement that the budget submittal should reflect the \$30.5 million shortfall that is consistent with the June 25th ordinance, but explain the revised estimate in the cover letter. The budget will be amended again once the shortfall is addressed.

Lastly, the Committee discussed clean up on the capital side, including the Hastus project and Homeland security program.

REGIONAL ADA WORKING CASH AND FUNDING

Mr. Brannon noted that the combination of reduced funding from RTA and an expense over-run for the City ADA contracts has precipitated a cash flow problem for the ADA paratransit fund.

Based on current projections and assumptions, the fund will lack adequate cash to pay a significant portion of expenses by October, and by December would fall nearly one month behind in payments to contractors.

The bigger problem is on the funding side, even with the revised estimate we are \$19.7 million over budget. In terms of a timeline, based on a daily rate of expenditure, the 2009 annual appropriation will be exhausted by October of 2009. Any expenses after that point would not be funded. As it stands today, their appropriation runs out in late October. We're waiting for RTA to take action.

The Committee discussed the potential implications of the ADA shortfall on Pace's services as a whole.

2010 BUDGET

Mr. Brannon briefed the Committee on the 2010 proposed budget submittal. The RTA requires that the Service Boards submit preliminary 2010 budget information to them by August 15th.

Suburban Services

On the Suburban Services side, the preliminary outlook for 2010 indicates we will most likely experience a \$6.9 million shortfall in RTA funding and we will need to identify revenue enhancements and/or expense reductions to balance the 2010 budget. Similar to 2009, this shortfall is primarily due to the weak economy which has severely undercut sales tax and PTF sources as well as advertising revenues. In addition, based on previous information from RTA, Pace may lose RTA discretionary funding for operations in 2010. All told, the loss in funding for 2010 compared to pre-recession estimates accumulates to \$27.5 million. In light of this magnitude of funding loss, the projection for a shortfall of \$6.9 million is quite remarkable and due to exceptional cost control.

The proposed 2010 budget summary shows that operating revenue is projected to be \$5.7 million unfavorable to budget. Most of that is due to a few factors, including a reduction in investment income and a turn down in advertising revenue. On the plus side, the fare increase did result in over \$6.0 million in increased farebox revenue and exceeded expectations.

Overall, Pace will come in \$5.5 million favorable for the 2009 budget.

Mr. Brannon reviewed the 2010 Suburban Services budget issues with the Committee. These included the RTA operating funding, how Pace's Suburban Community Mobility Funds are used, the drop in advertising revenues, the possibility that Pace may not reach the 36% mandated recovery ratio, and the risk that the ADA over-budget condition will essentially deplete Pace's fund balance by year end.

Regional ADA Paratransit

Mr. Brannon explained that the ADA Paratransit Program is in a serious financial crisis in 2009. Current budget projections indicate the program will run \$19.7 million over budget by year end. Further, the cash flow and funding situation for 2009 will result in a complete loss of Pace's fund balance unless additional funding sources are identified. Depending on how the remainder of the year is financed (or not), services are at risk of discontinuance. The situation is untenable and requires immediate attention.

In 2009, the RTA has reduced funding for the ADA program by \$9.6 million. This loss, combined with budget over-runs by the City ADA contract services are the cause of this crisis. For 2010, the projections indicate the funding shortfall for the program will reach \$29.4 million.

Capital Business Plan

Mr. Brannon noted that this is the largest capital program that Pace has had in several years, due largely to state funding through two programs. Pace's Suburban Services will receive funding under two separate State funding bills--\$90 million from one and \$68.4 million from the other, using it over four years.

Mr. Brannon reviewed the \$75.6 million 2010 capital program budget which includes the following categories: rolling stock (\$40.6 million), electrical/signal/communications (\$20 million), support facilities and equipment (\$10.9 million), stations and passenger facilities (\$3 million), unanticipated capital/project administration, and the J Route BRT Alternative Analysis (\$1.1 million), if federal discretionary earmarks are approved.

The Five Year Program totals \$380 million and incorporates all of the IDOT money. This is constrained to RTA marks. It is not our total need, but what we expect to receive.

There is a Five Year ADA Capital Program included in the package. The program relies on \$45 million in State funding to replace City ADA contractor owned vehicles with Pace owned vehicles. The program, however, is underfunded by \$40.6 million for the five year period as there is no other source of ADA capital funding identified to construct garages, passenger facilities and for a continued vehicle replacement program.

The Committee discussed funding, costs, productivity, fares, contract renewals, and the TAP program.

ADJOURNMENT

There was no further business or questions for the Finance Committee, therefore, Director Squires moved, and Director Mitchell seconded a motion to adjourn the meeting at 3:16 p.m. The motion carried by acclamation.

The next meeting is scheduled for September 22, 2009 at 10:00 a.m. at the Pace Corporate Headquarters facility, 550 West Algonquin Road, Arlington Heights, Illinois.

Chelsea Jensen
Stenographer

Date