CHICAGO TRANSIT AUTHORITY

MEETING of the

CHICAGO TRANSIT BOARD

COMMITTEE ON FINANCE, AUDIT & BUDGET

Held on

July 15, 2020

Via Webex Teleconference

9:34 o'clock a.m.

STENOGRAPHIC REPORT OF PROCEEDINGS had

in the above-entitled cause held remotely via

Webex, Alejandro Silva, Committee Chair,

presiding.

Reported by: Tracy Jones, CSR, RPR, CLR

License No.: 084-004553
ATTENDEES:

PRESIDENT: DORVAL CARTER
CHAIRMAN: MR. TERRY PETERSON
SECRETARY: MR. GREG LONGHINI
GEN. COUNSEL: MS. KAREN SEIMETZ

BOARD MEMBERS:

MS. ARABEL ALVA ROSALES
JUDGE GLORIA CHEVERE
MR. KEVIN IRVINE
REV. DR. L. BERNARD JAKES
REV. JOHNNY L. MILLER
MR. KEVIN IRVINE
MR. ALEJANDRO SILVA
MR. LONGHINI: Good morning. This is Gregory Longhini, Secretary to the Chicago Transit Board.

On July 8 of this year, the Chicago Transit Board office noticed a changed format for its July 15th, 2020, Chicago Transit Board and committee meetings due to the COVID-19 pandemic. Governor J.B. Pritzker's Executive Order prohibiting public gatherings in excess of ten individuals means that Chicago Transit Authority Board meetings occurring on January 15, 2020, will take place only electronically.

We will now begin the Committee on Finance, Audit and Budget. Chairman Silva, you may begin.

CTTEE. CHAIR SILVA: Good morning. I would like to call to order the July 15, 2020, meeting of the Committee on Finance, Audit and Budget.

Will the secretary call the roll.

MR. LONGHINI: Yes.

Director Peterson?

CHAIRMAN PETERSON: Here.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: Present.
MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: Here.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: Here.

MR. LONGHINI: Judge Chevere?

DIRECTOR J. CHEVERE: Here.

MR. LONGHINI: Director Irvine?

DIRECTOR IRVINE: Here.

MR. LONGHINI: Chairman Silva?

CTTEE. CHAIR SILVA: Present.

MR. LONGHINI: We have a quorum of the committee with all seven members present. And let the record show that President Carter and General Counsel Karen Seimetz have also joined this meeting.

Director Silva, you may proceed to Agenda Item 2.

CTTEE. CHAIR SILVA: Our first order of business is approval of the committee minutes of June 10th, 2020.

Will the secretary call the roll.

MR. LONGHINI: Yes.

Director Peterson?

CHAIRMAN PETERSON: Yes.
MR. LONGHINI: Director Alva Rosales?
DIRECTOR ALVA ROSALES: Yes.
MR. LONGHINI: Director Miller?
DIRECTOR REV. MILLER: Yes.
MR. LONGHINI: Director Jakes?
DIRECTOR REV. JAKES: Yes.
MR. LONGHINI: Director Chevere?
DIRECTOR J. CHEVERE: Yes.
MR. LONGHINI: Director Irvine?
DIRECTOR IRVINE: Yes.
MR. LONGHINI: Chairman Silva?
CTTEE. CHAIR SILVA: Yes.
MR. LONGHINI: The minutes are approved with seven yes votes.

Director Silva, you may proceed to Agenda Item No. 3.

CTTEE. CHAIR SILVA: Our next order of business is the finance report.

Jeremy Fine, good morning, Jeremy.

MR. FINE: Good morning. I'm Jeremy Fine, your chief financial officer, and I want to give you a rundown of May results.

May is also the first full month of rear door boarding. For May revenues, farebox was down
to budget by $28 million. Passes were down due to budget spread by almost $16 million. And the overall fare and pass totals were down $44 million or 89 percent, again driven by the fact that we had the first full month of rear door boarding.

Reduced fare subsidy was at budget. I'm also excited to announce that we just received the final installment from the State of $2 million, so we now have the entire $14.6 million allocation already for this year. We typically receive that final allocation in August or September, so we received it a little bit ahead of schedule.

Non farebox totals were down 3.5 million due to the COVID impacts on our advertising, parking, and concession revenues. And total revenues were down $47.5 million, which compares to the $43 million last month. But again, it was a full month of rear door boarding.

Free rides were up 1.3 million due to the same effect.

Year-to-date revenues, we see the vectors relatively the same across the categories, and we see year-to-date total revenues down by 110.6 million to budget.
With regard to the -- With regard to May expenses, we see those favorable in aggregate by $4.5 million. We see labor down slightly to budget by about $700,000 due to COVID related costs, including higher fringe and overhead costs, but offset partially by the higher than expected position salvage.

Materials were essentially flat while down $9,000 primarily due to COVID related cleaning costs and supplies. And then fuel was favorable to budget by about $750,000 due to lower spot pricing and consumption. And then a similar impact on power, which was also positive by about $750,000.

Injuries and damages and security services were essentially flat to budget, and other expenses were favorable by about 3.6 million with contract controls.

March totals were favorable by 4.5 million, and net against revenues, we were down $43 million, which was offset by the federal CARES funding, which has proven to be a critical lifeline to offset lower than expected revenues. And also they cover any additional COVID related
expenses.

On a year-to-date basis, vectors again remain relatively the same across the categories. We see total expenses favorable by $8.5 million, which help offset the shortfall that we see on system generated revenues. So we have a net against revenues where we're down $102 million. Again, to put that into context, we received $817 million of federal CARES funding, and I'll talk about that a little bit more in a moment.

Public funding for the month was down $15 million, and on a year-to-date basis, we're down 30 million. Sales tax was down 8 million for March. Sales tax for April, which should be received in the coming days, will give us a better insight into the larger effect of the pandemic and the related stay-at-home orders. On a year-to-date basis, we're down 11 million with regard to sales taxes.

PTF was down about 4 million for the month and 6.5 on a year-to-date basis. Rent was down about 2 million for the month and almost 11 million on a year-to-date basis. And PTF on rent was down about half a million for the month
and about 2 million on a year-to-date basis.

Again, the CARES funding has proven to be very successful on offsetting the lower than expected revenues. We see that the CTA has drawn down approximately $120 million of the $817 million federal CARES funding. So far, this represents about 15 percent of the total.

We will also be bringing to the Board in August an amendment to the 2020 budget that will add in the CARES funding that we expect to use for the 2020 calendar year as part of the budget amendment.

But again, that federal funding stream from the CARES funding helps us offset the lower than expected revenues and, as I said, with regard to any additional cleaning costs or anything with regard to expenses from COVID.

With regard to the commodities that we purchase, we were able to lock in an additional 15 percent of fuel need for 2022 at a very low rate of $1.85. We'll be looking to buy outer year allotments after we complete an RFP this fall and winter for both fuel and natural gas.

This concludes my report, and I'm glad to
answer any questions.

MR. LONGHINI: Thank you, Jeremy.

Chairman Silva, do you have any questions?

CTTEE. CHAIR SILVA: Yes. Jeremy, the applying of the Code of Conduct will reduce the capacity of trains and buses. Is that something that we're taking into an account for the future?

MR. FINE: Yes. So I would ask Mike Connelly to give some input with regard to overall ridership, and I can comment on revenues.

CTTEE. CHAIR SILVA: And basically, is the capacity going to be lower than it was? And how that is going to affect the results?

MR. CONNELLY: So this is Mike Connelly, the Chief Planning Officer. Yes. Certainly, Director, just as you've pointed out, the load factors that we're using on our rail and bus system right now allow for social distancing and do lower the total capacity of the system. Given the current ridership levels, we're not seeing any problems with that, particularly as we move into the early stages here of Phase 3 into Phase 4 here in Chicago.
CTTEE. CHAIR SILVA: So we can live with it?

MR. CONNELLY: Yes. We certainly can. The lower ridership levels allow for us to continue operating the service that we're operating, our full service, with the social distancing that allows for spacing on the buses and the trains. Our total system ridership for the month of May is down 77 percent, buses down 67 percent, and rail is down by 88 percent. And those ridership levels are what allow us to maintain that adequate social distancing on all the buses and trains.

CTTEE. CHAIR SILVA: Okay. Thank you.

PRESIDENT CARTER: Greg, before you go on, this is Dorval. I want to clarify some staff response to Director Silva's question.

As I understood it, Director Silva, you're really trying to understand how does our lower capacity impact our anticipated revenues for the rest of the year relative to our budget. And I think what we're really saying is that we anticipate our revenues to remain well below budget for the entire year. We don't anticipate under any scenario of the City's and State's opening of the city itself that there's a scenario
that would have CTA at a point where were allowed
to start carrying, for lack of a better word,
crush loads without fear of social distancing. So
the trend that you're seeing now, or that you will
start to see as Jeremy pointed out from this month
going forward, are going to reflect the capacity
limitations that are in place as well as the lower
ridership that we know is going to remain at some
level throughout the entire year.

While we're seeing increases in our
ridership since the city went into Phase 4, it has
been a very gradual increase, and it is nowhere
near anything close to what we would normally
anticipate carrying. I think that's the point
that Mike Connelly was making, which is why the
capacity limits itself has not created a major
issue for us. But I don't have any expectation
that any of that's going to change over the course
of the year.

So as we're monitoring our revenue
against budget, you will continue to see us
underperform under that particular line item
through this entire year.

Obviously, for next year, we will be
adjusting our budget to reflect the implications of revenue and ridership loss consistent with the RTA mark they will give us later on this year. But for now, what you're going to see is an underperformance of that particular budget line item.

MR. FINE: And those will -- This is Jeremy Fine again.

Those will be incorporated in the 2020 amendment. As I mentioned, we'll be presenting that next month.

And as Dorval indicated, that will be incorporated in the 2021 budget that will come later this year.

CTTEE. CHAIR SILVA: Thank you.

MR. LONGHINI: Any further questions, Chairman Silva?

CTTEE. CHAIR SILVA: Yes. Thank you.

MR. LONGHINI: You're finished. Okay.

Director Peterson, any questions?

CHAIRMAN PETERSON: Yeah. A couple of questions. Dorval -- And this could be for Dorval and Mike. Just to kind of follow-up, I think Mike stated right now in the month of May, we're at about 77 percent ridership -- ridership being
down. Just thinking, you know, out loudly with the capacity limitations, what would we consider an acceptable, 50 percent -- you know, percentage of ridership both on the bus and train in light of the capacity and social distancing we're trying to see? So if it moves from -- ridership down to -- from 77 percent to 50 percent or 40 percent, do we have an idea what that percentage would look like as ridership starts to come back, but also understanding that as we try to comply with social distancing and all of that, what that percentage will look like.

PRESIDENT CARTER: So Terry, I think that -- Let me respond, and Mike can put more detail to this.

I think the issue for CTA is not just overall ridership, but it's when the ridership is occurring.

So it's not -- Even at 70 -- You know, even at, you know, a diminishment of 77 percent, we still have challenges anecdotally and periodically during certain points of the day based on the way people use the system. That's one of the reasons why we have been encouraging
our customers to spread their trips throughout the
day and not just ride in the morning or afternoon.
It's one of the reasons why we created things like
the ridership tool to allow our customers to have
a better understanding of when you're likely to
find the system more crowded versus there being at
capacity.

While we're at -- you know, ridership has
gradually increased, given the capacity
constraints that we have in place, we're starting
to get close to what that capacity would be. But
like I said, to me, it's not -- it's not a
question of how many people we're carrying. It's
more of a question of when we're carrying them.
That's the bigger challenge for CTA.

CHAIRMAN PETERSON: Okay. That makes sense.
You're absolutely right.

And this is a Jeremy question. One, in
light of the fact that, as you said, this is sort
of going to be the new normal probably for the
rest of the year, because as Dorval stated as
well, we're probably not going to be able to get
into Stage 5 where the City is opened back up and
everything is back to normal.
The question I have for you, Jeremy, I know the Senate is back next week. And I think everyone is believing that there's going to be another CARES Act funding round or piece of legislation.

Do we have any insight into if there's additional transit funding being considered? And my reason for that, I think we talked at the last board meeting or so that we thought with the 800 million, that could get us through the end of the year with the revenue losses and some of the COVID expenses. And so it could get us through the end of December, maybe into the first quarter of 2021. But do we have any intel about additional transit funding maybe being considered for this next piece of legislation?

PRESIDENT CARTER: So Chairman, I'll respond to that, because I'm actually more involved with that issue than Jeremy is.

And the answer, I think the short answer to your question is we are optimistic that there will be another trench of emergency relief funding. In fact, just yesterday afternoon, I signed on to a letter that was sent by a number of
transit agencies to Congress -- excuse me, to the
Senate reemphasizing the fact that while the CARES
Act provided around $25 billion worth of emergency
relief funding to the industry, that there is a
desperate need for additional funding in order to
keep the industry from really hitting a wall.

And it was estimated in the letter that I
just signed that need for additional funding could
get us through the rest of next year somewhere in
the range of $32 billion. So we're continuing to
press for that.

I also know that AFTA, our industry
group, is also present for the same thing.
Certainly the House has passed a fairly robust
Heroes Act bill. The Senate still has yet to take
up any action on that. And the intel that I'm
hearing is that there is going to be discussion
about that when the Senate comes back into
session.

But as you know, Terry, and as the rest
of the Board understands, predicting what Congress
will or will not do is a very risky proposition.

We continue to forcefully make the case
that the money that we receive, it will not be
enough to get us through this crisis and that
there needs to be some additional federal funding
provided to allow us to basically maintain the
service levels at the fares as we've established
them going forward. And without it, we would be
having a very difficult conversation about transit
in the city of Chicago, just like every other
transit agency will face next year.

CHAIRMAN PETERSON: Dorval, just to follow up
to that, I don't expect the Senate bill to mirror
what passed out of the House, that $3 trillion
bill.

Did the House bill that passed have any
transit money in it?

PRESIDENT CARTER: Yes, it did. I can get you
the exact number. I just don't know it off the
top of my head.

CHAIRMAN PETERSON: Yeah. I was just
wondering because I know Mitch McConnell has said
that, you know, whatever they pass won't be
$3 trillion bill.

PRESIDENT CARTER: Right.

CHAIRMAN PETERSON: But both of these bills
will end up in conference. And while nobody might
get a full loaf of bread, they might get half.

So I was just wondering what was the

 dollar amount that maybe the House had included in

this bill that could be negotiated in conference,
you know, some part of it. Again, that's why I

was asking.

PRESIDENT CARTER: Yeah. There is funding

identified in the House bill for transit.

You know, what ultimately happens one way

or another I think is anyone's guess. I agree

with you that in conference, there would need to

be some sort of compromise.

The question of how big the Senate bill

will ultimately be is also still, I think, a point

of conversation.

I will remind everyone that when the

CARES Act was first being discussed, the

expectation was that it would be a multibillion

dollar bill. It ended up being $3 trillion. So I

think a lot depends on a lot of other factors that

are going to influence how the Senate perceives

the need going forward, which is one of the

reasons why it's been really important for us to

put a marker down with the Senate about our
ongoing needs, which we have done.

And I also know that the City and the
State are doing the same thing as it relates to
City and State relief.

So, you know, we're all going to have to
wait and see how this plays out over the next --
you know, next month or so. But clearly everyone
is making the point that unless the federal
government steps up and provides additional
revenue or subsidy to local governments, then
there will be a lot of challenges going forward.

CHAIRMAN PETERSON: Now, Dorval, you're right,
because one of the things I was just thinking
about is the fact that probably three weeks, four
weeks ago, you didn't have the implosion of cases
now in the south that you've got. So while --
You're right. While the Senate might have said a
month ago that that bill would not amount to
3 trillion, that was prior to what you're seeing
in Florida, Texas, you know, Alabama, Idaho, and
some of these other states. So you're absolutely
right. This thing is changing.

And then this morning, I only heard this
this morning, 81 percent of individuals
interviewed said that they would love to see another round of checks that would go out to individuals who have lost their jobs or been laid off, sort of the PPP money.

So you're absolutely right. This thing could change just based upon what's happening.

Greg, I have no additional questions.

PRESIDENT CARTER: Terry, just to close the loop on you, the number in the House bill for transit was 15 billion.

CHAIRMAN PETERSON: Okay. Got it. And you thought you needed 32 billion?

PRESIDENT CARTER: Yeah.

CHAIRMAN PETERSON: Okay.

PRESIDENT CARTER: The numbers, obviously, as we're all starting to see how we spend the money, that's impacting the conversation. But there's been a discussion now about a number around 32 billion. I believe AFTA put out a number in mid to upper 20 billions during the House conversation. So as you can see, it's become sort of a moving target as we all start to understand both how much money was allocated to each individual agency and how quickly we're going to
be able to spend it.

CHAIRMAN PETERSON: Got it. Okay. Thanks.

MR. LONGHINI: Thank you. Let's proceed, then.

Director Alva Rosales, any questions?

DIRECTOR ALVA ROSALES: No further questions, no.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: Yes. Jeremy, you were saying that May is the first full month of the back door entrance, and you were saying that was part of the deficit?

MR. FINE: That's correct. So we saw that manifest itself to a large degree in the April results. But May was the first full month of rear door boarding.

DIRECTOR REV. MILLER: Okay. So the continuing month, how do we see that playing out? Would it be --

MR. FINE: We're still closing the books for June. But you know, you would expect a similar type of result for June numbers.

DIRECTOR REV. MILLER: Thank you.

Thank you, Greg.
MR. LONGHINI: Director Jakes, any questions?

DIRECTOR REV. JAKES: No questions.

MR. LONGHINI: Director Chevere.

DIRECTOR J. CHEVERE: No questions. Thanks.

MR. LONGHINI: Chairman Silva, since there are no further questions, you may proceed to Agenda Item No. 4.

CTTEE. CHAIR SILVA: Our next order of business is the review of an ordinance authorizing a short-term extension of two lease agreements with Clear Channel Outdoor, Inc., for the operation and maintenance of billboards on Chicago Transit Authority property.

Jeremy.

MR. FINE: Thank you. And good morning. I'm Jeremy Fine, your chief financial officer, and I'm also joined by Stina Fish. Today I present for your consideration an ordinance authorizing an up to five-month extension of two lease agreements with Clear Channel Outdoor. CTA is in the process of soliciting responses to an RFP for billboard operations on our property. This extension to the existing Clear Channel agreements gives us time to complete the RFP and negotiation process while
continuing to generate revenue from the existing billboards.

Clear Channel currently operates 24 billboard structures with 34 display faces on CTA property. The billboards are divided into two contracts based on the value of the locations.

Lease No. 1 covers 11 outdoor advertising structures consisting of 21 billboard faces, and Lease 2 covers 13 individual billboard structures with 13 faces.

CTA has generated an average of just under 900,000 annually from these locations over the life of the contract.

The existing lease agreements commenced on August 1st, 2010, and expire on July 31st, 2020. This ordinance will extend the expiration dates and allow for them to renew on a month-to-month basis from August 1st, 2020, until December 31st, 2020, a maximum of five months. CTA may choose to stop the monthly renewal with 30 days notice if we have a new contract ready before December 31st.

During the extension period, Clear Channel will continue to pay the same percentage of revenue required by the lease agreements which
is 32.5 percent for Lease 1 and 58.5 percent for Lease 2, but the minimum rent guarantee will not apply.

All other terms of the agreements shall remain in full force and effect, and staff estimates that CTA will receive approximately $363,000 in new revenue during the five-month extension, subject to changing economic continues.

I'm glad to answer any questions about this extension, and then the actual new contract would come to the Board under a future month.

MR. LONGHINI: Thank you, Jeremy.

Chairman Silva, any questions?

CTTEE. CHAIR SILVA: Are we doing an RFP in this ...

MR. FINE: Yes.

CTTEE. CHAIR SILVA: Yeah. Go ahead.

MR. FINE: Excellent question. You know, obviously the market right now and economic conditions, you know, are not kind of optimal. That being said, we are going to go out, you know, there's a little bit of stabilization in the overall COVID situation here, at least in Illinois, so we think it's beneficial to at least
go out, test the market, get the bids back in. We may have to come back to the Board, you know, if there's -- if the bids are less than optimal. But you run the risk of delaying this too much longer. And if there's a second big COVID outbreak in the fall and winter, the numbers could be impacted by that as well.

The other thing to keep in mind is that this is a long-term contract. So while impacts from a COVID outbreak for the next X number of months may have a short-term effect, you know, again, and these are long-term contracts, and the vendors would be looking out years into the future as well as just the near term impact.

Still, again, we're just going to test the market, see what kind of bids we get back, and we may have to revisit if they're not what we're hoping for.

CTTEE. CHAIR SILVA: Thank you.

MR. LONGHINI: Director Peterson, any questions?

CHAIRMAN PETERSON: No questions.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: No questions.
MR. LONGHINI:  Director Miller?
DIRECTOR REV. MILLER:  No questions.
MR. LONGHINI:  Director Jakes?
DIRECTOR REV. JAKES:  No questions.
MR. LONGHINI:  Director Chevere?
DIRECTOR J. CHEVERE:  No questions.
MR. LONGHINI:  Director Irvine?
DIRECTOR IRVINE:  No questions.
MR. LONGHINI:  There are no further questions,
Chairman Silva, on this item.
CTTEE. CHAIR SILVA:  Thank you.
   Our next order of --
MR. LONGHINI:  Chairman Silva, there's no
further questions, but we need leave to place this
item on the omnibus for approval.
CTTEE. CHAIR SILVA:  Okay.  If there are no
further questions, may I have leave to place this
item on the omnibus for Board approval?
DIRECTOR IRVINE:  So moved.
DIRECTOR REV. JAKES:  Second.
MR. LONGHINI:  Chairman Silva, we may now --
the item was moved and seconded, so we may now
proceed to Agenda Item No. 5.
CTTEE. CHAIR SILVA:  Our next order of
business is the review of an ordinance authorizing
a five-year payment agreement with Northwestern
University for Bus Route 201 Central Ridge.

Mike Connelly.

MR. CONNELLY: Good morning. This is Mike
Connelly, your Chief Planning Officer.

The ordinance that's before you today
would authorize a five-year agreement with
Northwestern University for payment of fares on
the bus Route No. 201, Central Ridge. This
agreement will compensate CTA for the fares of
university designated individuals using this bus
route. It is a regular public CTA route with a
published schedule. Under this new agreement, CTA
will issue Ventra cards to the university that
charge a regular fare on all other CTA services
but are pre-programmed to provide rides on the 201
without registering an initial fare.

The rides made on Route 201 with these
cards will be tracked in the Ventra system, and
the university will reimburse CTA based on the
regular fare structure for all of these fares and
all of these taps that are made on the 201 by
university affiliated riders.
The Ventra cards are also able to be used as any other Ventra card on all other CTA or PACE services and will be registering a regular fare for those trips.

Upon Board approval, this new agreement will be effective September 1, 2020, and will remain in effect through August 31, 2025.

This agreement continues CTA's partnership with the university to serve university and community mobility needs. And it encourages ridership not only on the 201 but on the entire CTA system. This partnership has been in place since 2015.

I'll be glad to try to answer any questions you might have.

MR. LONGHINI: Thank you, Mike.

Director Silva?

CTTEE. CHAIR SILVA: Is that the same one that we used to have with the University of Chicago?

MR. CONNELLY: It is different than the arrangement with the University of Chicago in that it's tied to just one single route, the 201, that operates in the Evanston area.

CTTEE. CHAIR SILVA: Thank you.
Mr. Longhini: Director Peterson?

Chairman Peterson: No questions.

Mr. Longhini: Director Alva Rosales?

Director Alva Rosales: No questions.

Mr. Longhini: Director Miller?

Director Rev. Miller: No questions.

Mr. Longhini: Director Jakes?

Director Rev. Jakes: No questions.

Mr. Longhini: Director Chevere?

Director J. Chevere: No questions.

Mr. Longhini: Director Irvine?

Director Irvine: No questions.

Mr. Longhini: There are no further questions,

Chairman Silva.

CTTEE. Chair Silva: Since there are no further questions, may I have leave to place this item on the omnibus for Board approval?

Director Irvine: So moved.

Director Rev. Jakes: Second.

Mr. Longhini: The motion has been moved and seconded, Chairman Silva. So we may proceed to Agenda Item No. 6.

CTTEE. Chair Silva: The next order of business is the review of an ordinance authorizing
the purchase of primary and excess property insurance coverage for policy year 2020-2021.

Steve, good morning, Steve Wood.

MR. WOOD: Good morning. This is Steve Wood, Deputy General Counsel in the CTA's Law Department.

This is an ordinance authorizing the 2020-2021 property insurance policy. The policy runs from July to July and is renewed every year.

Our insurance broker at Mesirow Alliant and our DBE Paradigm marketed the renewal to both the domestic and international insurance markets, and a consortium of international and domestic providers provided the best combination of coverage and price.

The proposed premium for next year's policy along with taxes and fees is approximately $4,687,323, which is an increase of about 21 percent from this year's rate.

Rate increases are typically based on increases in asset value, claim history of the insured, and the state of the insurance market. The CTA's asset values were essentially flat, raising less than 1 percent from 7.157 billion to
7.22 billion, and the CTA had another clean year of claims. But the market for rail insurance was hardening due to catastrophic losses related to wildfires and storms. And then the addition of COVID-19 pandemic has introduced substantial uncertainty in the market, causing some insurers to withdraw capacity and limit their exposure.

To offset the initial proposed increase, which was a 38 percent increase, we agreed to adjust our deductible levels on primary claims from 250,000 to 1 million, and that increase actually aligns us with more standard deductibles in the industry rather than the lower deductibles we had been enjoying.

We believe the proposed program is in the best interest of the Authority, and we recommend renewal with this consortium for the 2020-2021 policy year.

I'm happy to answer any questions.

MR. LONGHINI: Thank you, Steve.

Chairman Silva?

CTTEE. CHAIR SILVA: No questions.

MR. LONGHINI: Director Peterson?

CHAIRMAN PETERSON: Yeah. More of a comment.
Steve, that's a huge increase, 21 percent. And what's interesting, I think you noted that our asset value only went up around 1 percent. But as I just kind of read through the explanation of why it was 30-some percent, you eventually went from a $250,000 deductible to a $1 million deductible. But it seems as though too a lot of this stuff in terms of the increases are not things that we can control when you talk about COVID, fire, storms.

I just -- I don't even know how you budget for this every year in terms of Jeremy. Do you put in a 5 percent escalator -- escalation cost or 10 percent? Because I don't think anyone ever imagines that you're going to have something that's going to go up over 20 percent annually. It would be different if we were saying this is over a two-, three-year period. That's a huge increase annually. I just think I would be interested, I don't know if it's going to get any better next year. But again, I just wanted to raise that point that I think that increase -- I don't know if we've ever had one, Steve. I know you've been doing this for a while. But have we ever seen an increase on an annual basis that
large, that high?

MR. WOOD: No. This is the first time we've ever had an increase in the range of 20 percent. 10, 12 percent have been some of our higher years in prior policies. But, you know, the insurance market is risk transfer, and I think we would all agree that the level of risk in the economy and in the market is huge, and many insurers are simply not interested or capable of providing capacity. And so with fewer participants in the market, the prices do go up.

CHAIRMAN PETERSON: Yeah. I know we're experiencing the same thing in health care.

Okay. Thanks, Steve.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: I guess my only question was going to be I'm assuming we're seeing this across the board with other transit systems, that they're getting the same types of increases?

MR. WOOD: I can say anecdotally, that's true. We do plan later this year to survey the other transit agencies to find out where we landed and to have more ammunition for negotiating prices next year.
DIRECTOR ALVA ROSALES: Thank you.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: No questions.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: No questions.

MR. LONGHINI: Director Chevere?

DIRECTOR J. CHEVERE: No questions.

MR. LONGHINI: Director Irvine?

DIRECTOR IRVINE: No questions.

MR. LONGHINI: Thank you.

There are no further questions on this item, Chairman Silva.

CTTEE. CHAIR SILVA: If there are no further questions, may I have leave to place this item on the omnibus for Board approval?

DIRECTOR IRVINE: So moved.

DIRECTOR REV. JAKES: Second.

MR. LONGHINI: That motion has been moved and seconded.

Chairman Silva, let the record show that Ellen McCormack and Juan Pablo Prieto are now joining the proceedings.

And, Chairman Silva, we may now proceed to Contract No. B as in boy 1.
CTTEE. CHAIR SILVA: Our next order of business is Contract B-1, property management services providers, CTA properties.

MR. LONGHINI: Any questions, Chairman Silva, on this item?

CTTEE. CHAIR SILVA: No questions.

MR. LONGHINI: Director Peterson?

CHAIRMAN PETERSON: No questions.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: No questions.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: No questions.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: No questions.

MR. LONGHINI: Director Chevere?

DIRECTOR J. CHEVERE: No questions.

MR. LONGHINI: Director Irvine?

MR. NITZ: Actually, Greg, this is Herb. I think Director Irvine just dropped off.

MR. LONGHINI: Okay. Tell me when he's back on.

MR. NITZ: Director Irvine is back in the session, Greg.

MR. LONGHINI: Thank you.
Director Irvine, you had no questions, correct?

DIRECTOR IRVINE: Correct. Thank you.

MR. LONGHINI: Thank you.

And Juan Pablo is in, Ellen is in.

And with B-2, Director Silva, proceed with B-2.

CTTEE. CHAIR SILVA: Our next order of business is Contract B-2, a change order for package delivery services.

MR. LONGHINI: Chairman Silva, any questions on this item?

CTTEE. CHAIR SILVA: No, no questions.

MR. LONGHINI: Director Peterson?

CHAIRMAN PETERSON: No questions.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: No questions.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: No questions.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: No questions.

MR. LONGHINI: Director Chevere.

DIRECTOR J. CHEVERE: No questions.

MR. LONGHINI: Director Irvine?
DIRECTOR IRVINE: No questions.

MR. LONGHINI: Chairman Silva, there are no further questions on this item, so you may proceed to Contract D as in dog, 1.

CTTEE. CHAIR SILVA: Our next order of business is Contract D-1, transit support and development, comprehensive plan for the Red Line Extension Project.

MR. LONGHINI: Any questions on this, Chairman Silva?

CTTEE. CHAIR SILVA: No questions.

MR. LONGHINI: Director Peterson?

CHAIRMAN PETERSON: No questions.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: None.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: No questions.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: No questions.

MR. LONGHINI: Director Chevere.

DIRECTOR J. CHEVERE: No questions.

MR. LONGHINI: Director Irvine?

DIRECTOR IRVINE: No questions.

MR. LONGHINI: Since there are no further
questions, Chairman Silva, you may proceed to Contract G as in girl 1.

CTTEE. CHAIR SILVA: Our final order of business is Contract G-1, a contract for technology support services.

MR. LONGHINI: Chairman Silva, do you have any questions?

CTTEE. CHAIR SILVA: No questions.

MR. LONGHINI: Chairman Peterson?

CHAIRMAN PETERSON: No questions.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: No questions.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: No questions.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: No questions.

MR. LONGHINI: Director Chevere?

DIRECTOR J. CHEVERE: No questions.

MR. LONGHINI: Director Irvine?

DIRECTOR IRVINE: No questions.

MR. LONGHINI: There are no further questions on this item, Chairman Silva; thus, there are no further items for consideration by the Committee.

CTTEE. CHAIR SILVA: May I have a motion to
adjourn?

MR. LONGHINI: No. Not yet, Chairman. Go back to -- We need a motion on the contracts. They're all right below G-1.

CTTEE. CHAIR SILVA: Okay. Let me see.

MR. LONGHINI: It's since we have no further questions on contracts, Director Silva, we need leave to place contracts B as in boy 1, B as in boy 2, and D as in dog 1 on the omnibus for Board approval.

CTTEE. CHAIR SILVA: Since there is no further business --

MR. LONGHINI: Chairman Silva, I apologize. I think I confused you when I said there was no further items for consideration. I apologize. I phrased that incorrectly, because it sounded like there was no further business before the Committee.

So if we can just have a motion on the omnibus and a second, then we should be all set.

So, Director Irvine, do you want to move that motion?

CTTEE. CHAIR SILVA: Yes, I move it.

DIRECTOR IRVINE: So moved.
MR. LONGHINI: So the motion has been moved and seconded on the omnibus.

I'm sorry. I might be confused. I'm sorry, that was leave to place those contracts on the omnibus. Let me get this straight.

So let's do that again.

Can we have leave to place those three contracts on the omnibus for approval?

DIRECTOR IRVINE: So moved.

DIRECTOR REV. JAKES: Second.

MR. LONGHINI: Seconded by Director Jakes.

So, Chairman Silva, now there's no further business to come before the Committee. But we do now need that roll call vote on the -- we need a motion for the omnibus.

DIRECTOR IRVINE: This is Kevin. So moved.

MR. LONGHINI: Why don't I just say that. Since there is no further business to come before the Committee, let's have a motion to approve the omnibus and recommend the omnibus for Board approval.

DIRECTOR IRVINE: So moved.

MR. LONGHINI: So moved.

DIRECTOR REV. JAKES: Second.
MR. LONGHINI: And Director Jakes seconds it.

This is the motion to approve the omnibus. I'm going to take a roll call vote right now.

Director Peterson?

CHAIRMAN PETERSON: Yes.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: Yes.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: Yes.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: Yes.

MR. LONGHINI: Director Chevere?

DIRECTOR J. CHEVERE: Yes.

MR. LONGHINI: Director Irvine?

DIRECTOR IRVINE: Yes.

MR. LONGHINI: Chairman Silva?

CTTEE. CHAIR SILVA: Yes.

MR. LONGHINI: The motion to approve the omnibus passes with seven yes votes.

So now, Chairman Silva, we need a motion regarding G-1.

CTTEE. CHAIR SILVA: May I have a motion to adjourn?
MR. LONGHINI: Not yet. We're almost there.

We just need a motion -- That's why I knew this was going to get complicated with G-1 being pulled out. We need a motion to recommend Board approval for contract G as in girl 1.

CTTEE. CHAIR SILVA: Our final order of business is a contract, G-1, a contract for technology support services.

MR. LONGHINI: Right. So we just need a motion to approve and second that.

DIRECTOR IRVINE: So moved.

DIRECTOR REV. JAKES: Second.

MR. LONGHINI: Thank you.

So the motion to approve Contract G as in girl 1 has been moved and seconded.

I'm now going to take a roll call vote.

Director Peterson?

CHAIRMAN PETERSON: Yes.

MR. LONGHINI: Director Alva Rosales?

DIRECTOR ALVA ROSALES: I'll abstain.

MR. LONGHINI: Director Miller?

DIRECTOR REV. MILLER: Yes.

MR. LONGHINI: Director Jakes?

DIRECTOR REV. JAKES: Yes.
MR. LONGHINI: Director Chevere?
DIRECTOR J. CHEVERE: Yes.
MR. LONGHINI: Director Irvine?
DIRECTOR IRVINE: Yes.
MR. LONGHINI: Chairman Silva?
CTTEE. CHAIR SILVA: Yes.
MR. LONGHINI: That motion is approved with six yes votes and one abstention by Director Alva Rosales.

Now we're ready to move to Agenda Item No. 8, Chairman Silva.

CTTEE. CHAIR SILVA: May I have a motion to adjourn?
DIRECTOR IRVINE: So moved.
DIRECTOR REV. JAKES: Second.
MR. LONGHINI: That motion has been moved and seconded.

Director Peterson?
CHAIRMAN PETERSON: Yes.
MR. LONGHINI: Director Alva Rosales?
DIRECTOR ALVA ROSALES: Yes.
MR. LONGHINI: Director Miller?
DIRECTOR REV. MILLER: Yes.
MR. LONGHINI: Director Jakes?
DIRECTOR REV. JAKES: Yes.

MR. LONGHINI: Director Chevere?

DIRECTOR J. CHEVERE: Yes.

MR. LONGHINI: Director Irvine?

DIRECTOR IRVINE: Yes.

MR. LONGHINI: Chairman Silva?

CTTEE. CHAIR SILVA: Yes.

MR. LONGHINI: The motion to adjourn has been approved with seven yes votes. And we'll start up the Board meeting in approximately one minute.

(Whereupon, the Meeting of the Committee on Finance, Audit and Budget adjourned at 10:20 a.m.)
STATE OF ILLINOIS
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COUNTY OF COOK
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I, TRACY JONES, being first duly sworn, on oath says that she is a court reporter doing business in the State of Illinois; and that she reported in shorthand the proceedings of said meeting, and that the foregoing is a true and correct transcript of her shorthand notes so taken as aforesaid, and contains the proceedings given at said meeting.

Tracy Jones

______________________________
TRACY JONES, CSR, RPR, CLR
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