Transcript of Finance, Audit & Budget Committee Meeting

**Date:** December 13, 2023

**Case:** Chicago Transit Authority Citizens Advisory Board Meeting, In Re:

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BEFORE THE CHICAGO TRANSIT AUTHORITY BOARD

COMMITTEE ON FINANCE, AUDIT AND BUDGET

Chicago, Illinois

Wednesday, December 13, 2023

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Reported By: Courtney Petros, RPR, CSR
Committee on Finance, Audit, and Budget

Meeting, held at:

CHICAGO TRANSIT AUTHORITY
567 West Lake Street
Chicago, Illinois 60661
312.681.3137

Before Courtney Petros, a Certified Shorthand Reporter and Registered Professional Reporter in and for the State of Illinois.
Appeances

Board Members:

Lester L. Barclay, Chairman
Rev. Dr. L. Bernard Jakes, Vice Chairman
Neema Jha
Michele Lee
Rev. Johnny L. Miller
Rosa Y. Ortiz

Also Present:

Dorval R. Carter, Jr., CTA President
Kent Ray, General Counsel
Georgette Greenlee, Secretary
PROCEEDINGS

MS. GREENLEE: Good morning. My name is Georgette Greenlee. I’m the secretary of the CTA Transit Board. And we are now moving into our Finance, Audit, and Budget Committee meeting.

Chairman Jakes.

DIRECTOR JAKES: Good morning. I would like to call to order the December 13th, 2023, meeting of the Committee on Finance, Audit, and Budget.

Georgette, would you please call the roll.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: Here.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: Here.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: Here.

MS. GREENLEE: Director Jakes.

DIRECTOR JAKES: Here.

Director Miller is suffering from a personal illness but wishes to participate in this meeting remotely. Is there a motion to permit Director Miller to participate in the Finance, Audit, and Budget Committee remotely?
DIRECTOR LEE: So moved.

DIRECTOR ORTIZ: Second.

MS. GREENLEE: It's been moved a Director Lee and seconded by Director Ortiz that Director Miller be allowed to participate in the Finance, Audit, and Budget Committee meeting remotely.

We'll take the roll call vote.

Director Jha.

DIRECTOR JHA: Yes.

MS. GREENLEE: Director Miller -- I'm sorry -- Director Ortiz.

DIRECTOR ORTIZ: Yes.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: Yes.

MS. GREENLEE: Director Jakes.

DIRECTOR JAKES: Yes.

MS. GREENLEE: The motion to allow Director Miller to participate in the meeting remotely passes. Director Jakes, you do have a quorum.

DIRECTOR JAKES: Thank you. Director Miller, you've been authorized to attend the meeting remotely.

DIRECTOR MILLER: Thank you.
DIRECTOR JAKES: Our first order of business is the approval of the committee minutes of November 15th, 2023. May I have a motion to approve?

DIRECTOR LEE: So moved.

DIRECTOR ORTIZ: Second.

MS. GREENLEE: It's been moved by Director Lee and seconded by Director Ortiz that the minutes from the committee meeting of November 15th, 2023 be approved. We'll take a roll call vote.

Director Miller.

DIRECTOR MILLER: Yes.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: Yes.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: Yes.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: Yes.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: Yes.

MS. GREENLEE: Director Jakes.

DIRECTOR JAKES: Yes.

MS. GREENLEE: The motion to approve the
minutes of November 15th, 2023, passes. You may
now move to agenda item No. 3.

DIRECTOR JAKES: Our next order of
business is the finance report. Jeremy Fine.

MR. FINE: Good morning. I'm Jeremy Fine,
your chief financial officer, and I'll present the
October results today as well as year-to-date
numbers.

I'll get the presentation popped up here.

Sorry. There we go. All right.

So for -- on the next page, you can see
the October revenue numbers. You see here fare
and pass totals coming in about $600,000 better
than budget for the month. You see reduced fare
subsidy coming in as expected and nonfarebox
totals coming in about $400,000 better than
budgeted expectation. So, overall, for the month
of October, we see about a million dollars in
positive variance on the budget.

With regard to year-to-date revenue
numbers, they follow a somewhat similar form on
the next page. And you see fare and pass totals
coming in about $10.4 million better than
budgeted. Reduced fare subsidy coming in as
expected. And nonfarebox totals coming in about $4 million to the positive, which leaves us on the year-to-date basis through October at about $14.4 million better than budget. And we're about $31.2 million better than this time last year.

On the next page, you see -- and then flipping one more to the October expenses. You see labor coming in favorable to budget by about $3.6 million. Again, this is coming down -- still positive but coming down as we continue to ramp up hiring efforts.

Materials coming in essentially flat, slightly positive for the month. Fuel coming in positive as well as power. And then provisions for injuries and damages coming in as expected.

And purchases of security services, as we've ramped up our security efforts, we see a higher unfavorable budget -- unfavorable to budget expectations for the month of about $3.4 million. Other expenses coming in positive by about $6.6 million. So, overall, for the month of October, we see about $9 million in favorability for the month.

On the next page, you see year-to-date
numbers. Again, positive favorability here on labor. Materials essentially flat but slightly down to budget expectations. Fuel and power have been strong performers for us throughout the year.

And provisions for injuries and damages coming in as expected. And security services, again, this will be -- as we talked about last month with regard to the budget -- will be incorporated into the 2024 budget based on our '23 experience here.

Other expenses continue to come in positive over the course of the year. So, overall, on a year-to-date basis, our expenses are $94 million to the positive and favorable to budget.

On the next page, we start diving into the public funding for the month. We see positive favorability to sales tax and PTF, the public transportation funding. We see a negative variance for the real estate transfer tax and the PTF on RET. As interest rates have increased, that's obviously had a dampening effect on the sales of real estate throughout the city. But, overall, for the month, we still see about $3.6
million in favorability to budget.

And if you flip to the next page, you see this on the year-to-date basis. Again, positive favorability on sales tax and PTF and negative variance on RET and PTF on RET. But, again, we're still about $6 million better than budgeted expectations on a year-to-date basis.

On the next page, you see our Federal funding draws. As you may recall, a couple months ago, we drew down a little bit extra in anticipation of a potential Federal shutdown. Thankfully, that did not happen. And, as such, we've been utilizing those excess draws over the course of the last two months.

We're using a portion of it here. But because of the fact that we needed about 11 million in total, we still need to draw down an additional 4.5, which means now that we've drawn down about 52.7 percent of the total allocation, but we still have over a billion dollars remaining.

So as per our budget '24 conversations, we expect that these funds will last us through '24, deep into '25, and we'll continue to keep the
Board apprised on a monthly basis as to how that continues to pan out. But, again, all efforts are geared towards looking at solving that fiscal cliff that we'll face definitely in '26 but potentially there in the last month or two of '25.

On the next page, you see our commodity purchases. We're where we need to be locked in for the foreseeable future, but we continue to look for selective opportunities for additional fuel purchases. You know, price has been bouncing around quite a bit lately, so we continue to look at additional purchases there.

We'll be bringing, you know, an authorization for additional power purchases to the Board early next year and look for additional purchases in that commodity. And then natural gas we're locked in for where we need to be for the foreseeable future through '26.

So that concludes the report for October and year-to-date numbers. I'm glad to answer any questions.

DIRECTOR JAKES: Jeremy, under the fuel and power, in the future, will they flip-flop as far as numbers are concerned?
MR. FINE: Yeah. That's a great question.

As we continue to novate to an electric bus fleet, we do anticipate, you know, obviously, the needs that we have with regard to fuel and the fuel purchases to continue to wind down. That will obviously have an affect on our electric purchases.

So as we move forward with our power purchasing, that is something that we're taking into consideration, not just with regard to the additional power purchases, but what kind of power are we actually purchasing and looking at green alternatives within that space as well.

DIRECTOR JAKES: And regarding the fiscal cliff, end of 2025, you all are working on that now. But, now, so I can understand, are we able to use CARES funding to help in 2026 so it's not a use it or lose it type of deal?

MR. FINE: Correct. We will still have -- you know, potentially, if the stars align, if there's additional positive budget variance through the end of '23 going into '24, if that money does, you know, kind of go into '26, we are still fully able to use those funds in that '26
period as well.

But we do realize that this is a finite amount of money that we have at our disposal. We have been very prudent about utilization of those funds, and we are, you know, frankly, lasting longer than a lot of other transit agencies around the country because of the efficiencies that we've been able to effectuate over the last eight years.

But we do realize that that is a finite bucket of funds. And once you use it, there's nothing, you know, replenishing that bucket. So that's why it is very critical for us to continue to lobby the State for additional funding to help solve that fiscal cliff on a going forward basis. Because, again, once those funds are used, there's nothing behind it unless there's an additional package passed, you know, for additional funding from the State level.

DIRECTOR JAKES: Okay. And then my last question is with RET, with RET being unfavorable. Is that really affecting budget? Because, you know, the guess is that next year we're supposed to be in a bad financial way. And I'm not talking about CTA. I'm talking about the country. And I
know that history says that, you know, it has to fall before it can rebound. Will that affect us with RET being unfavorable?

MR. FINE: So we keep a very close eye on that. You know, obviously, we've had some negative variance. That's been offset, as you're kind of alluding to, by the other -- the sales tax and the PTF funding that are economically sensitive. That's been a big tailwind for us lately. And, you know, knock on wood, we continue to hope that that continues to play out that way.

You know, we'll continue to keep a very close eye on that. And, you know, I think that we've tamped down some of our expectations with regard to both, you know, continued growth. There is some growth, but some, you know, kind of tamping down of potential growth for public funding, we're trying to be conservative with our budgeting efforts, as well as, you know, what our RET expectations are. But, again, we'll keep a very close eye on that. We'll be, obviously, reporting on that on a monthly basis.

But, again, those two in '23 have kind of netted and washed out. The negative variance on
the RET has been, you know, kind of overcome by
the positive variance on the sales tax and PTF.
But it is something that we talk about not only
here at CTA but also with the RTA and the other
service boards.

Because the RTA -- and that was a big part
of our conversation in the '24 budgeting process
is talking about those sales tax and PTF
expectations because RTA sets those marks for the
three service boards as part of the budget
process. So that was something that we did
highlight and our concerns were incorporated in
those '24 budgeted expectations about the fact
that, you know, we are concerned about where the
larger economy could potentially head.

That all being said, you know, I think
there's been, you know, folks out there talking
about a downturn in sales tax receipts or just
kind of, you know, larger economic impacts for a
while, and, thankfully, that has not manifested
itself yet. We continue to see a strong economy
kind of outstripping what a lot of folks may be
out there saying. So, again, knock on wood,
hopefully that continues. But we'll continue to
incorporate some of that into our '24 expectations.

DIRECTOR JAKES: Okay. And then my last question is when does RTA get back to CTA regarding the budget, the proposed budget for 2024?

MR. FINE: So that will be approved -- it was heard and there was a public hearing where all three service boards, you know, presented our budgets to the RTA, you know, finance committee and the board at large last month. It will be approved by the board this month at their hearing.

DIRECTOR JAKES: Thank you, Jeremy. No further questions.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: No further questions.

Thank you.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: Just one question. Maybe this is directed at Dorval as well. But given that we are still looking at this fiscal cliff, at some point or another, you know, perhaps we could get a legislative update to just see -- so the public will know and understand the urgency
of it, but also -- the Board will also be informed
all the steps that are needed in order to be
mindful of this. So that might be a good idea to
go over next month as we get an update.

PRESIDENT CARTER: Sure. We're happy to
do it. As you may be aware -- well, actually, no.
CMAP presented to this Board the PART report,
which is really the first step in the process.
The state legislature had asked CMAP to do an
analysis of the financial situation here in the
region and make a number of recommendations
regarding how that should be addressed by the
state legislature.

That report was finalized about a month
and a half ago and it's been presented to the
transportation leadership that sponsored the bill
at a press event just last week. And that is sort
of the, quote, official kickoff of the
conversations down in Springfield.

Having said that, our team was down in
Springfield during the veto session, already
started the conversations with the leadership and
others about what CTA's financial condition looks
like. I anticipate that there will be a lot of
traveling back and forth to Springfield over the course of the next year.

The general discussion that's occurring down in Springfield right now is that next year is going to be an education year for the general assembly, really getting them up to speed on what the challenges are, what the approaches may be to solve these challenges, understanding sort of what the opportunities are to sort of reimagine public transportation in this region. All of us, RTA, CTA, Metra, Pace, CMAP will be down there sort of having those conversations. Certainly, we welcome the Board participation in that as well.

That will then lead to some sort of definitive action taking place in 2025 that would allow us to basically address this problem before we would face the budgetary impacts of hitting that fiscal cliff.

Personally, I'd like to see that timeline moved up a little bit more and not wait till the last second, but, in my experience, the legislative process rarely tends to move faster than the need to address a problem.

And so the good news is that we're aligned
for that conversation right now. You know, everyone knows in advance when the crisis hits. No one is talking about no one told us, you know, we didn't know this was a problem, or anything like that.

And so I think that we should be able to have a very productive conversation next year that should hopefully lead to a real strategy for execution of what we're going to do to fix this problem and really put us in a strong financial condition not just for 2025 but also for the long-term future.

If we get what I hope we get out of this, we get to have financial stability that doesn't put us in a situation where every six or seven years we're having the same conversation over and over again about the fact that we need to reallocate the funding to basically support the ongoing operations of CTA, Metra, and Pace.

CHAIRMAN BARCLAY: Okay. Yeah. I mean, so they could come month, the legislative team, and just kind of update us. Thank you.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: Yeah. I agree. I think
-- thank you for bringing that up. I think it will be really helpful to just continue to stay on top of where conversations are and perhaps even alignment with any other groups that might need to kind of come on board to help advocate for us and with us on these issues. Thank you.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: Thank you. No questions.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: No questions. Thank you.

MS. GREENLEE: Director Jakes, there are no further questions. You may proceed to agenda item No. 4.

DIRECTOR JAKES: Our next order of business is an ordinance authorizing the first amendment to the sublease with the Community and Economic Development Association of Cook County, Incorporated of the 12th floor located at 567 West Lake Street, Chicago.

Bill Mooney.

MR. MOONEY: Good morning. Bill Mooney, your chief infrastructure officer.

Staff recommends approval of an ordinance
On September 10th, 2014, the Transit Board approved a 10-year sublease with CEDA for 35,000 square feet on the 12th Floor of the CTA-owned headquarters at 567 West Lake. CEDA has requested a first amendment to the sublease seeking an extension of the initial term from April 1st, 2025, through March 31st, 2035, at the current rental rate plus an annual escalation rate of 75 cents per square foot.

CEDA will be responsible for paying its proportionate share of operating expenses. All other terms and conditions of the sublease will remain in full force and effect.

I'll be happy to take any questions on this subject.

DIRECTOR JAKES: I have no questions, Bill.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: No questions.

MS. GREENLEE: Chairman Barclay.
CHAIRMAN BARCLAY: No questions.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: No questions. Thank you.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: No questions. Thanks.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: No questions. Thank you.

MS. GREENLEE: Director Jakes, there are no further questions. You may proceed to agenda item No. 5.

DIRECTOR JAKES: We will now review an ordinance authorizing the Chicago Transit Authority's Innovation Studio program to pilot innovative solutions in new technology in an expedited manner.

Molly Poppe.

MS. POPPE: Okay. Good morning, Director Jakes. I'm Molly Poppe. I am the chief innovation officer for the CTA.

I am here to discuss the Innovation Studio. Specifically, the Innovation Studio arose out of conversations that we've been having at an agency level of how do we look at incorporating
cutting-edge technology and process improvements at CTA.

As many of you know, existing public sector procurement processes oftentimes take a very long time. They can take a year, 18 months, sometimes longer. They also require the particular public sector to know what type of product or solution we're trying to procure.

And what we are looking to do for the Innovation Studio is create an agile, quick process for prototyping solutions and piloting tools in a way that can allow us to assess is this going to solve some of our biggest challenges that we're facing, some of our pain points that our customers have, so that then we can have the discussions about how we potentially scale that for full implementation at the CTA.

A couple key points on the project and what we will be doing and seeking authorization on. There's going to be a multi-phased approach to how we're going to be doing the Innovation Studio.

We will be having problem statements released on an annual basis that will be developed
with the public and our riders, many on our boards, including you all, as well as our Citizens Advisory Board, who we actually heard from yesterday, as well as our incoming advisory board, to come up with the problem statements that help to address some of the challenges and what they want to see us addressing as an agency.

We will also have some internal input as well. Because part of this also looking for how do we improve internal processes at CTA and help to support our employees.

Once we develop those problem statements, we will actually -- I'm actually going to scroll ahead. Why not?

Once we develop those problem statements, we will go through and have an engagement process with the private sector. So that engagement process will include the Department of Diversity, the Department of Procurement, and the Department of Communications.

And what we will be looking to do is engage a diverse set of public sector partners. This could be organizations. This could be businesses. This could even be not-for-profits
who believe that they have a solution or a tool
that should be submitted to the Innovation Studio
that they want to see piloted on the system in
hopes of addressing some of the challenges that we
put out.

From there, there will be an evaluation
process. The evaluation process will be a
multi-phased evaluation process. It will involve
engagement with the Innovation Department, who
will do an initial review of the proposals really
for feasibility, making sure that what's getting
submitted is reliable, is something that is
feasible, and is responsive to the problem
statement.

From there, the Innovation Department is
going to partner with our various user departments
in IT, in safety and security, law, operations
across the agency to then review these proposals
in depth. There will be an in-depth evaluation
process where we will sit down with the
submissions, with the proposers -- we call them
innovators -- with those innovators to discuss
their proposed pilot or proof of concept. And
then we will make some decisions of what pilots or
proof of concepts we want to move forward with the individual challenge statements that we put out.

From there, we will develop a professional services agreement or a contract, some type of agreement to make sure that both the agency as well as whoever the innovator is, the pilots that are selected, we have a strong foundation for what are you going to be doing for CTA, what is the pilot going to do, what is the expectations of the innovator, frankly, what are the expectations that CTA needs to also follow in order to achieve this pilot and support its implementation. And then what are those KPIs? What are those metrics that we want to see come out of this pilot so we can determine feasibility?

One thing that I do want to note that we -- based on some prior discussions. We are amending the Innovation Studio. So, initially, we had anticipated there would be a budget tied to the Innovation Studio. How we will fund pilots going forward, we will look for pilots to be initially on a pro bono basis. If, for any reason, we feel that funding is needed in order to support the pilots, we will come back to the Board
and seek funding specific to those pilots.

One thing and just to give everyone a little bit more background on the Innovation Studio and how it sort of compares to what we see out in the world today, there are two sort of peer agency comparisons. There's other agencies that have similar concepts as well, but we really spoke with Boston and New York specifically about some of their solutions and how they run their innovation proposals in Boston and the Transit Tech Lab in New York and we really took some of those learnings from them.

And what we found most powerful in what we learned from Boston and New York is it's important to put out a challenge statement, it's important to direct the private sector, and so that's why we do have the challenge statements that we'll be putting out. And that's what we learned from New York.

And what we learned from Boston is it needs to be an open invitation process. It needs to be available to a diverse set of companies. You don't want to limit yourself to only companies that have previously worked in the transit space.
or only companies that are very large and sort of have set aside budgets for pilots. You want to make sure that you really do try to recruit that diverse set of innovators.

And then the last piece, as we continue to think about, okay, we started the pilot, now what happens, how are you going to continue to make sure that it's successful?

The Innovation Department is going to be working with the user departments. You can kind of think of the Innovation Department as the PMs, the user departments as the SMEs who will then work to implement the pilots. And then as we move forward in the pilots -- we'll be piloted for no longer than 12 months on the system -- those same groups will come together, they will evaluate the effectiveness of the pilot or the proof of concept, and then ultimately prepare a memo with a narrative evaluating design and setup of the pilot, the value of the pilot to the agency, and, most importantly, the opportunity for scalability.

From there, we will make a decision as an agency of if we are going to move forward with this pilot or POC at scale. And we will follow
our standard policies for purchasing.

And just to be very clear, just because we participate in a pilot, it does not require the CTA to purchase the technology or solution that's identified in the pilot. This is very important because the pilots are about learning. The pilots are about testing out problems. It is really meant to be a learning exercise for us, how do we look to address our challenges with what's available in the market and continue to look at the evolving technology space that we find ourselves in.

And being willing to fail, I think that's really important. Any time you think about innovation or you think about a pilot, you need to go in sort of clear-eyed knowing that you might fail and that's okay and taking the learnings from the failures and then applying them going forward.

The last piece that I just want to talk about before I take any questions from the Board is the problem statements. This is something that I think is really critically important as we think about the Innovation Studio are those problem statements. How are we going to make sure that we
put out the right challenges, the right problem statements?

As I mentioned, we had a conversation with the Citizens Advisory Board yesterday. They were very supportive of the idea and really had a lot of very good ideas about the types of problem statements they would like to see.

And it was very important for us to also talk -- and we talked with the Citizens Advisory Board about the Innovation Studio is just one tool in our toolbox. It is not meant to address all the challenges that the agency is facing. It is meant to address specific problem statements, specific challenges that we would like to highlight different technology solutions for.

And so just as a reminder, you know, Mike Connelly, the chief planning officer, talked about Better Streets for Bus. We've also announced the chatbot that will go live in early 2024. We've discussed expanded partnerships with DFSS.

So I just want to note that the Innovation Studio is one tool. There's a lot of other ways that we are looking to address the challenges that we have as an agency.
And in the discussion with the CAB and also in discussions with this Board and discussions with CTA employees, we have narrowed our problem statement topics down to three key areas, the first being safety and security.

And we heard a lot from folks of the type of safety and security investments that they'd like to see. Some of it can be around some of those traditional safety investments about right-of-way intrusion, preventing and detecting individuals from entering our rail right-of-way. We also heard some conversations about smart camera technology, how can we use our vast camera network in order to monitor safety outcomes in a more proactive way.

From process improvements, we talked a lot with CTA employees because that really is the customer, if you will, on this problem statement. It will have impacts to the public sector -- or to the public because we will be looking at the inefficiencies.

But we started to discuss, you know, there's lots of new ways to charge e-buses. Can we look at potentially piloting different e-bus
charging? There's a lot of opportunities to try to use our cameras, not just for safety and security, but for asset monitoring.

And then we also talked about elevator and escalator uptimes and what are the potential solutions to try to improve those escalator and elevator uptimes.

And then the last piece is really important. It's that customer experience. What are those pain points that the customers are experiencing on a day-to-day basis and what are the potential solutions that can make that customer experience better?

And, really, at the heart of that discussion that we had with the CAB and that we've been having with others it is that reliability, it is that realtime information. And so we started to discuss what are some of those problem statements that may target those solutions.

So I'll just leave this up here. These are just the next steps. If the Board does approve the Innovation Studio to move forward, we will start the process of soliciting additional external feedback on the problem statements and
refining those problem statements.

We would anticipate launching the
Innovation Studio early next year in January. And
then, from there, we'll do outreach solicitation
for participation from the private sector. And
then we actually hope to launch the first pilot or
POC in June of 2024.

And just to remind everyone, the goal is
really that's a six-month process for development
of the agreements and development of what the
pilots will actually do. And then we will have a
12-month -- up to a 12-month process for piloting
or testing the solutions on the system.

So, with that, I will take any questions
from the Board.

DIRECTOR JAKES: Molly, thank you for your
presentation. And I'll say this for the sake of
the public, that I asked -- for those that don't
know, we get briefed, so when we don't ask a lot
of questions, a lot of times we asked 20 million
questions between Monday and Tuesday. But one
question I did not ask.

Is there a DBE requirement on this?

MS. POPPE: There is not a DBE
requirement. I don't know if JP wants to come up and address this. JP and I have lots of conversations about the opportunities here. And we think that this is a really good opportunity for diverse and small businesses to participate with CTA.

MR. PRIETO: Thanks, Molly.

Good morning, Directors. JuanPablo Prieto, director of diversity programs. Good morning.

Like Molly said, we spoke before putting this together. We have a lot of DBEs come to us a lot and say, hey, I've got a solution for you, you know, I saw this on the news and I've got a solution proposed for you. And we really had no avenue of bringing those DBEs in to test those solutions that they proposed.

So this is a great step in giving those DBEs an opportunity to actually come forward with those solutions and test them if they're accepted into the pilot, whereas, before, we'd have to say thanks for the idea, we'll see if we need it, and we develop an RRP, and then you have to compete for the RRP for it.
CHAIRMAN BARCLAY: So the question that I thought Director Jakes asked was is there a component that you will at least invite DBEs to participate?

MR. PRIETO: Yes. So we will -- like Molly said, when we put out the problem statements, we're going to go out -- cast as wide a net as possible, and that includes the DBE community.

So we'll be intentional about how we get it out to the DBE community. We normally e-mail out all of our contracting opportunities, so we'll do that with the problem statements as well. And then we'll get them to our technical assistance agencies. They can get it out to their memberships. And it will be something that we talk about in our presentations as well to be on the lookout for.

DIRECTOR ORTIZ: On that note -- and, also, just thinking about the sequencing of how this grows out, particularly around the problem statements, I understand, for logistical purposes, it may be easier to just do one round, but that means a whole year.
And so I just wonder if you have assessed and/or if we can incorporate a primary one-year roll out but then a six-month other, you know, incentives or other problems that can be sent out so it's not a full year that organizations, particularly, I'm thinking about DBEs as well -- or other partners, right, waiting a whole year to come up with a solution for another problem might be a little bit long. But if we incorporate a secondary problem-solving approach halfway, that could also kind of keep generating more solutions throughout.

MS. POPPE: Yeah. We really thought of this as an iterative process. So we're going to have some information sessions to hear not just from the public with input on the problem statements but to hear from the business community on input on what we're proposing.

And what we do intend is we start this process and we may decide we need to continue to have these problem statements go live. We may decide we're going to go maybe only go with one to start and then we'll do two more, maybe one in April and one in June, for example.
So, yes, so our thought process right now is we put out the three problem statements but then we listen. We hear what people are saying and hear what the private sector is responding to and start to make some changes from there.

So I would anticipate, Director, that there will be changes in how we do this going forward because this is something very new for us. We haven't done this before. And I wouldn't be surprised if some of the feedback is, you know, in the middle of the year, we all look at each other and there's a new problem statement, a new challenge and we want to put that out.

So we're not limiting ourself to three. We're sort of starting with this concept of three and then saying, you know, we may go forward with five more, maybe we don't get a lot of feedback on one and we go to two.

DIRECTOR JAKES: Molly, this may be jumping the gun, but how would these companies' intellectual property be protected?

MS. POPPE: So there will be -- I'm going to play my own lawyer, Kent. So there will be protections within the contracts that we have. We
will have agreements with them.

Typically, how our contracts are written is companies that have their intellectual property that they bring to a project, that intellectual property is protected. And intellectual property that is developed as part of the pilot, right, so we work together and we come up with our own sort of combined CTA and company A intellectual property, typically, that is considered the intellectual property of CTA. But we've had negotiations and conversations with companies about how to protect that.

DIRECTOR JAKES: Okay. So if company A submits a solution to problem A and CTA does not accept it but then two years down the road it becomes a great idea and CTA implements it but doesn't use company A but it's their idea, how do we make sure that we don't run into a problem there?

CHAIRMAN BARCLAY: Kent's going to have a nightmare.

MR. RAY: Yeah. I agree with Molly that we're going to have to look at the proposals and the terms of our solicitation for these proposals
to make sure that that's addressed.

DIRECTOR JAKES: Okay.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: Thanks, Molly. I'm really excited about this, honestly. I love the idea of fast-tracking innovation as much as possible and cutting through red tape. So looking forward to this and also looking forward to incorporating the public and everyone for the problem statement. And keep us updated.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: I'll try not to be longwinded because I know you and I have had a long conversation around this.

As we move forward, key things that I remember from kind of how we've gone back and forth on this is being grounded in reality and knowing that infrastructure is ready for, if the idea really hits through, that there is a potential for you to scale because, otherwise, it's a waste of resources, it's a waste of everything.

And just being aware of where we stand from a currency standpoint in terms of are we able
to scale this, right? That's number one, no matter what case you bring to the table.

   Number two is let's stay really tight to our big rocks. And I think we already know a number of issues that we've heard through public comment, internal discussions, that there are things that we are already working on.

   Let's make sure these are used as building blocks to solve for that and they're not being created in a silo where this is a great, exciting idea, let's just do it.

   And then number three, I know this is -- this is hard for any company or organization -- is do we have the muscle memory of being able to accept failure? Being able to fail fast in a situation like this, the idea of six months and a year scares me. Innovation should not take a whole year for one idea. But I understand, we're in a different space.

   So how are you going to build a culture in the studio for folks who are supporting external parties that are coming in that are empowered to come up with bold mistakes and not be penalized for it.
And that needs to be well thought out and needs to be documented. Because it's one thing to say, hey, we are okay with failure, but actually accepting that, internalizing that, and then moving forward to make another mistake is what I think the biggest challenge of this is going to be. So let's just make sure that that infrastructure and that support system is created through this.

And let's hear more, right? I love the continuous process of innovation where we're not looking and locked down on one problem and then we're not looking at -- when information changes and new technologies comes, how are you keeping up to speed? How are you using generative AI to keep you informed -- your team informed in terms of what's the breaking news?

We don't want to read the news; we want to make the news, right? And I love saying that because I think if you instill that culture, the force multiplier of that in terms of solving the big rocks in the future -- so think about it long-term. Let's not think about new and shiny object, let's just do this. What is the outcome?
And so let's work backwards from that. And let's iterate on that.

And, you know, if you need help, obviously, I'm here. Any resource -- this is an amazing idea if we're able to break it down and put that structure, especially around foundation and infrastructure. That's my biggest concern in terms of how we define success criteria coming out of this program.

You know, I know we've talked about this, but I want to make sure that that's really internalized and documented and we look at the progress from start to end.

MS. POPPE: Thank you, Director Jha. I appreciate your partnership in helping us make this the strongest sort of solution and studio we can.

And I do anticipate coming back to you all probably many times talking about how we move this forward, the challenges we're facing, and how we -- to your point, how do we adapt. How do we not sort of say, this is -- you know, we thought about this in December and not be well into it if it doesn't work in January. Make sure that we are
creating that ability to adjust in the moment. So
I appreciate it.

PRESIDENT CARTER: Mr. Chairman, let me
just add a little bit more to the comments
Director Jha made. I think she made a number of
very good points.

When Molly and I talked about this
concept, it was intended to create exactly the
kind of space that you're talking about. The
challenge that we have in our organization is that
when you are basically an organization that is
basically trying to run a system 24 hours a day, 7
days a week, there isn't a lot of capacity for
creating the type of environment where you can
have this type of engagement with companies who
want to bring ideas to you but for which you don't
have the time, energy, or resources to necessarily
engage in correctly.

And we have a lot of examples of failed
opportunities that are the result of that. That's
the reason why I chuckled when you said you have
to be prepared to fail. I think we know what
failing is like. And, many times, that failure
occurs not because the product itself wasn't a
good idea but because our ability to both spend
time with, understand, and work with the company
that was developing that product wasn't available
to make it happen.

And so I agree 100 percent with what we
have to put in place to make this work. And I
think you articulated that very well. And, as a
staff, we have to make sure we are coming back to
you and really giving you the understanding of how
we're going to do that.

But I think when I have looked at these
types of portals, I'll say, for lack of a better
word, that have been set up in other agencies,
that's the reason they do them.

The ability to figure out how to deal with
these types of, for lack of a better word, oddball
ideas that come in and knowing where to go with
them and, more importantly, to be able to
externalize out to the business community and
others that, you know, we are open for business to
have these kind of conversations. It's exactly
how you get to the point of the end result, which
is, as you indicated, is we want to be making the
news around what we're doing, not basically
following the news.

    And I think this is going to create the
opportunity for us to do that, albeit in a very
limited way. And I think it's important to
recognize that there is innovation happening
elsewhere within the organization.

    But this is really trying to address a
unique set of circumstances that is really hard
for us to get our hands around and gives us the
space to do what we need to do with a group of
people who will be dedicated to this, not
dedicated to, you know, repairing the right-of-way
and, in their spare time, look at things we can do
to address right-of-way intrusions, things of that
nature.

    So it's intended to really create the
opportunity where innovation can really flourish
within our organization. And it, obviously, has
to work very close with the departments who
ultimately will be the beneficiaries of this work.
But it's not putting it on that department to have
to manage all of this.

    So I'm excited about the concept. I agree
that there's a lot that we still have to flush out
about how this is going to work and there's a lot
that we want to make sure that we are keeping the
Board engaged in around this. I particularly
welcome your involvement in this because of your
experience and background in this area.

But I think that we have the opportunity
to really be an industry leader around this type
of work within our industry and, ultimately, come
forward with ideas that we can implement that are
really going to address, to your point, the big
boulders that we constantly are trying to push and
for which there is always a desire to make it a
little bit easier.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: No questions. Ditto to
all that's been said. Thank you.

MS. GREENLEE: Director Jakes, there are
no further questions.

DIRECTOR JAKES: May I now have leave to
place this item on the omnibus for Board approval?

DIRECTOR ORTIZ: So moved.

DIRECTOR JHA: Second.

MS. GREENLEE: It's been moved by Director
Ortiz and seconded by Director Jha that this item
be placed on the omnibus for Board approval.

We'll take a roll call vote. Director Jha.

    DIRECTOR JHA: Yes.

    MS. GREENLEE: Director Ortiz.

    DIRECTOR ORTIZ: Yes.

    MS. GREENLEE: Director Jakes.

    DIRECTOR JAKES: Yes.

    MS. GREENLEE: Chairman Barclay.

    CHAIRMAN BARCLAY: Yes.

    MS. GREENLEE: Director Lee.

    DIRECTOR LEE: Yes.

    MS. GREENLEE: Director Miller.

    DIRECTOR MILLER: Yes.

    MS. GREENLEE: The motion passes.

    Director Jakes, you may now proceed to agenda item No. 6.

    DIRECTOR JAKES: Our next order of business today is the review of contracts numbered A1 through A2, transit operations. I have no questions.

    MS. GREENLEE: Director Jakes, you may now proceed to contracts No. F1 and F2 -- I'm sorry -- B1 through B3.

    DIRECTOR JAKES: Okay. Our next order of
business today is the review of contract No. B1 and B3, contract award for infrastructure. I have no questions.

MS. GREENLEE: Are there any questions from any of the other Board members?

Director Lee.

DIRECTOR LEE: No questions.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: No questions.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: No questions.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: No questions.

MS. GREENLEE: Director Miller.

(No response.)

MS. GREENLEE: Director Jakes, we may now proceed to contract No. D1.

DIRECTOR JAKES: Our next order of business is the review of contracts numbered D1, contract award for planning. No questions.

MS. GREENLEE: Director Lee, any questions?

DIRECTOR LEE: No questions.

MS. GREENLEE: Chairman Barclay.
CHAIRMAN BARCLAY: No questions.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: No.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: No questions.

MS. GREENLEE: Director Miller.

DIRECTOR JAKES: He's muted.

MS. GREENLEE: Director Miller, you're muted. Director Miller, you're muted.

DIRECTOR MILLER: No questions. I'm sorry.

MS. GREENLEE: Thank you.

Director Jakes, you may now proceed to contracts No. F1 and F2.

DIRECTOR JAKES: Our next order of business is the review of contracts numbered F1 and F2, contract award for administration. No questions.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: No questions.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: No questions.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: None.
MS. GREENLEE: Director Jha.

DIRECTOR JHA: No questions.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: No questions.

MS. GREENLEE: Director Jakes, you may now proceed to contract No. G1.

DIRECTOR JAKES: Our next order of business is the review of contracts numbered G1, contract award for technology. No questions.

MS. GREENLEE: Director Lee, do you have any questions?

DIRECTOR LEE: No questions.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: No questions.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: None.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: No questions.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: No questions.

MS. GREENLEE: Chairman Jakes, you may now proceed to H1.

DIRECTOR JAKES: Our next order of business is the review of contracts numbered H1,
contract award for safety. No questions.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: None.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: None.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: No.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: No questions.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: No questions.

MS. GREENLEE: Director Jakes, there are no further contracts.

DIRECTOR JAKES: Since there are no further questions on the contracts, may I have leave to place the ten contracts on the omnibus?

DIRECTOR LEE: So moved.

DIRECTOR ORTIZ: Second.

MS. GREENLEE: It's been moved by Director Lee and seconded by Director Ortiz that the ten contracts be placed on the omnibus. We'll take a roll call vote.

Director Lee.

DIRECTOR LEE: Yes.
MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: Yes.

MS. GREENLEE: Director Jakes.

DIRECTOR JAKES: Yes.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: Yes.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: Yes.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: Yes.

MS. GREENLEE: The motion passes.

DIRECTOR JAKES: Since there's no further business to come before the committee, may I have a motion to approve the omnibus and recommend the omnibus for Board approval?

DIRECTOR LEE: So moved.

DIRECTOR ORTIZ: Second.

MS. GREENLEE: It's been moved by Director Lee, seconded by Director Ortiz that the omnibus be placed before the Board for approval. We'll take a roll call vote.

Director Jha.

DIRECTOR JHA: Yes.

MS. GREENLEE: Director Ortiz.
DIRECTOR ORTIZ: Yes.

MS. GREENLEE: Director Jakes.

DIRECTOR JAKES: Yes.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: Yes.

MS. GREENLEE: Director Lee.

DIRECTOR LEE: Yes.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: Yes.

MS. GREENLEE: Director Jakes, the motion passes. You may now proceed to committee agenda item No. 7.

DIRECTOR JAKES: And, finally, may I have a motion to adjourn the last Committee on Finance, Audit, and Budget for 2023?

DIRECTOR LEE: So moved.

DIRECTOR ORTIZ: Second.

MS. GREENLEE: It's been moved by Director Lee, seconded by Director Ortiz that the last Finance, Audit, and Budget Committee meeting of the Transportation Board for the Chicago Transit Authority be adjourned. The motion -- well, we'll take a roll call vote.

Director Lee.
DIRECTOR LEE: Yes.

MS. GREENLEE: Chairman Barclay.

CHAIRMAN BARCLAY: Yes.

MS. GREENLEE: Chairman Jakes.

DIRECTOR JAKES: Yes.

MS. GREENLEE: Director Ortiz.

DIRECTOR ORTIZ: Yes.

MS. GREENLEE: Director Jha.

DIRECTOR JHA: Yes.

MS. GREENLEE: Director Miller.

DIRECTOR MILLER: Yes.

MS. GREENLEE: The motion passes.

DIRECTOR JAKES: Thank you.

(Off the record at 10:26 a.m.)
CERTIFICATE OF SHORTHAND REPORTER

I, Courtney Petros, Registered Professional Reporter and Certified Shorthand Reporter, the officer before whom the foregoing proceeding was taken, do hereby certify that the foregoing transcript is a true and correct record of the testimony given; that said testimony was taken by me and thereafter reduced to typewriting under my direction; that reading and signing was not requested; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

IN WITNESS WHEREOF, I have hereunto signed this 14th day of December, 2023

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