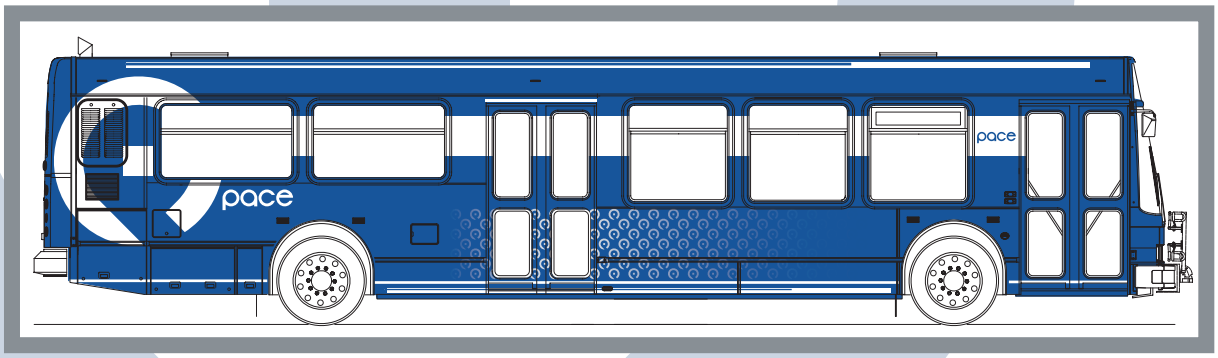

2005 Operating and Capital Program

2005–2007 Financial Plan for Operations, and

2005–2009 Capital Plan

Final Program • November 2004

pace

A Fresh Approach To Public Transportation

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Pace 2005 Budget—November, 2004

Chairman's Message

Dear Stakeholders:

We face a unique challenge for 2005. The RTA has directed Pace, CTA and Metra to prepare two budgets, one based on the receipt of $134 million in new funding and one without. The shortfall to Pace is $17 million for 2005 and we have identified a short-term strategy to address it should new funding for transit not materialize. Without additional funding of $17 million for operations, our choices are to either drastically reduce services (such as CTA is proposing) or shift federal funds typically used for capital purposes to the operating budget. We have chosen the latter strategy as the lesser of two evils. This means that Pace will defer $17 million in capital needs, mostly the replacement of retiring buses. Due to our diligent maintenance program, we believe we can extend the useful lives of some of our vehicles in order to buy time for a funding solution. Our alternative budget, therefore, restores these capital projects should new funding become available.

The Pace Board believes this strategy represents the best interests of our constituents as it minimizes the negative impact of large scale immediate service reductions. The 2005 budget proposed does not rely on any fare increases or service reductions. Rather, it provides time for a careful evaluation of the regional transit funding situation and the identification of a long-term solution.

While it is our hope that new funding for transit is forthcoming, we recognize as always that we need to manage through this crisis. Our planning efforts include a systematic evaluation of the restructuring of all of our services to increase long-term ridership potential while reducing vehicle miles by 7% to 10%. Pace is already the most cost efficient bus operator amongst its peers and in the State, and we will continue to provide the lowest cost solution to the region's bus transit market.

As the service restructurings are implemented, we will restore the capital investment program. This strategy, combined with economic recovery and improved sales tax performance, should put Pace on the stable ground needed for the future. After addressing the challenges facing us at this time, we will direct our resources to carrying out our Vision 2020 plan to develop and expand the suburban transit system.

Our ridership has stabilized in 2004. We have recently reached agreement with RTA and CTA which will allow us to accept the CTA 7-Day, U-Pass and Visitor/Fun Passes without financial harm. This is possible due to the leadership and cooperation of the RTA and CTA.

Please take a moment to review our 2005 budget and provide us with your input. We rely on your trust and support as we move forward to address the challenges that face transit in the region.

Sincerely,

John Case
Chairman
Pace 2004 Budget—November, 2003

Table of Contents

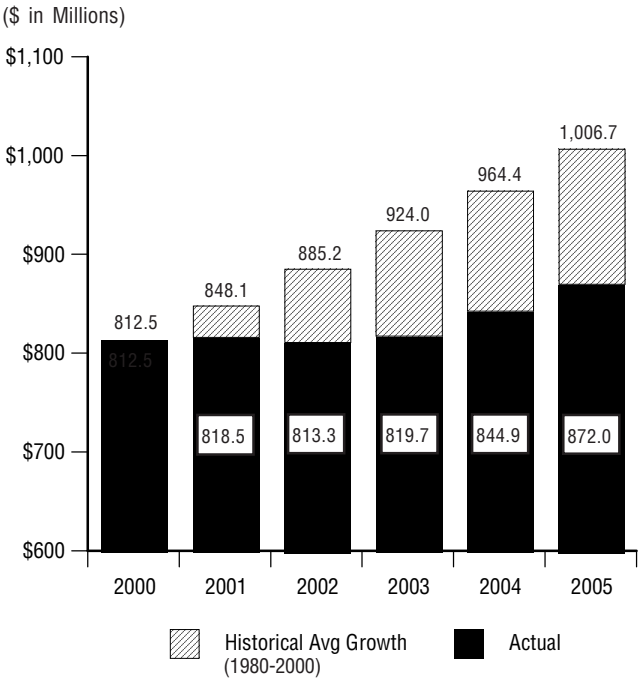
Introduction

Budget Issues

Adequate funding for operations continues to present a major problem for Pace and the region. The RTA's sole sources of operating income (the regional sales tax and State PTF) have hardly increased since the year 2000. RTA's assumption is that Pace will not experience any growth from these funding sources until 2007.

RTA has exhausted its emergency reserves to finance the Service Boards through 2004. Pace has raised fares twice since 2000, reduced administrative personnel and poorly performing services in an effort to serve as many passengers as possible during this stagnant economic period. As depicted on the following chart, it is estimated that the lack of normal economic and sales tax growth since 2000 will result in a regional loss of over $134 million by 2005.

Chart A. RTA Sales Tax & PTF (2000-2005)
Actual/Forecast Growth vs Historical Growth Rate



This shortfall has reached crisis proportions. The CTA estimates it will have to make dramatic service reductions in the near future in order to address their projected funding shortfall of $55 million for 2005.

The RTA budget marks for the Service Boards indicate that $134 million in new or additional funding is needed for 2005, $16.9 million of which is needed by Pace to maintain stable operations.

We have been directed by RTA to propose two budgets, one based on the receipt of the $16.9 million in new funding and one without it.

The options available to us are limited—we either get additional funding, reduce services as CTA is proposing or, as is proposed in this budget, redirect federal funding from capital project purposes to cover the shortfall. This last option is recommended as an interim solution, but it will require the deferral of a number of capital improvement needs, mostly the replacement of retiring buses. Due to our diligent maintenance program, we believe we can extend the useful lives of some of our vehicles in order to buy time for a funding solution. Our alternate budget, therefore, identifies the restoration of these capital projects deferred for 2005.

Concurrent with the near term use of federal funds for operations, Pace is undertaking an extensive systemwide service restructuring initiative. Sub-regional studies will identify opportunities to improve service effectiveness and reduce costs. Among the study objectives will be the identification of cost reduction opportunities of 7% to 10%. System performance, ridership and funding requirements will be optimized at varying levels of funding. If there is no improvement in public funding, those scenarios which reduce costs to balance available funding will be implemented over the next two years.

We believe our approach to the funding shortfall is in the best interests of our constituents as it addresses the shock and adverse impact that would result from an immediate service reduction. It also provides time for the policymakers to carefully evaluate the situation, determine economic resources and hopefully propose and implement a long-term solution.

Operating Program and Budget

The 2005 operating and capital program and budget contained in this document is summarized as follows:

The 2005 Operating program summarized in the table below shows total operating expenditures of $156.253 million. These expenses will be offset by $53.899 million in operating revenue, including $2.0 million in reimbursements from the RTA. The remaining funding requirement will be covered by $79.052 million in RTA sales tax funding, $0.330 million in Federal Congestion Mitigation Air Quality (CMAQ) and Job Access Reverse Commute (JARC) funding, $7.783 million in Capital Cost of Contract funding, and $16.942 million in Federal 5307 funding transferred from the Capital program. Pace will realize $1.753 million in net available funds which will be used to offset part of an $8.3 million funding shortfall that Pace will absorb in 2004.

On September 10th, the RTA set Pace's funding level at $106,107,000—$104,107,000 to fund operations, and $2,000,000 to reimburse Pace for the loss in estimated farebox revenue from accepting CTA fare instruments (i.e., The CTA 7-Day Pass, U-Pass, and Visitor/Fun Passes). Pace's 2005 farebox recovery ratio was also set at 40.0%.

Table 1. 2005 Operating Budget Summary (000's)

		2005 Budget
Total Operating Expense		$ 156,253
Less: System Generated Revenue*		53,899
Funding Requirement		$ 102,354
Less:	RTA Funding for Operations	79,052
	Federal CMAQ/JARC Funds	330
	Capital Cost of Contracting	7,783
	Federal 5307 Funding	16,942
Net Funding Available		$ 1,753
System Recovery Ratio**		40.0%

**Includes $2.0 million in reimbursement from the RTA to cover estimated loss from accepting CTA fare instruments.*
***Pace will apply a sufficient amount of ADvAntage and Capital Cost of Contracting credits in order to reach the 40% recovery requirement.*

As part of their actions of September 10th, the RTA set funding levels for CTA, Metra and Pace that included $134 million from unidentified new funding sources—the amount for Pace was set at $16.9 million. The RTA further advised the Service Boards that they would be required to submit two budgets—one based on the receipt of the new funding, and one that addressed an equivalent shortfall in the event that no new subsidy was obtained. The RTA did acknowledge that in the event that no new subsidy was received, they would consider budget proposals which reduced operating expenditures or transferred funds from the Capital Program to fund operations.

Pace welcomes all initiatives that result in new funding. And, Pace is also relieved to know that the RTA has given the Service Boards the flexibility to use Capital Program subsidies to fund operations. These options have allowed Pace to avoid significant operating expense reductions that have been forecasted to occur in last year's three year plan. The 2005 Operating Budget presented in this document is balanced using the transfer of Capital Program funds. However, Pace intends to restore these funds to the Capital Program should new subsidies become available.

Pace has also been required to maintain a 40% recovery ratio for all three years of this plan. This remains a burden, given rising costs and static ridership levels. The base recovery rate remains well below 40%, and the only way Pace can achieve the 40% requirement is by using ADvAntage and Capital Cost of Contracting credits allowed by the RTA. As we continue to move forward into the outlying years of the plan, Pace hopes that the issue of a 40% recovery ratio can be resolved.

In addition to avoiding service reductions for next year, the budget does not include a general fare increase. Further details of the operating program are provided throughout this document. A complete list of Pace fares are provided on Page 7 of this document.

Capital Program and Budget

Pace has developed two budgets as directed by the RTA. One budget shifts Federal 5307 funding to operations in the event that no new subsidies are received. Specifically, Pace will shift $16.9 million from its capital budget to support operations. This includes $14.2 million for Bus Maintenance/Overhaul expenses and $2.7 million for ADA Complementary Services expenses. Additionally, Pace will continue to use $7.8 million in Capital Cost of Contracting for paratransit services to support operations.

The alternative budget that was developed restores the Capital Program to a full funding level in the event that new subsidies are received.

Table 2 depicts by asset category the amount of federal and local funding available for capital in 2005. This is referred to as the "Limited Funding Budget" and assumes that no new subsidies are received.

Table 2. 2005 Capital Program (000's) - Limited Funding Budget

Asset Category	Federal	Local	Total
Rolling Stock	$11,620	$9,326	$ 20,946
Support Facilities & Equipment	0	8,400	8,400
Stations & Passenger Facilities	0	1,500	1,500
Contingencies/Project Administration	410	533	943
Total for Capital	$12,030	$19,759	$ 31,789

The Limited Funding Capital Budget for 2005 is $31.8 million. The Federal Transit Administration (FTA) is expected to provide $12.0 million and the Regional Transportation Authority (RTA) and the Illinois Department of Transportation (IDOT) are expected to provide $19.8 million.

The program contains $20.9 million for 27 fixed route replacement buses, 51 paratransit buses, 165 vanpool vehicles, and associated capital.

Support Facilities and Equipment totaling $8.4 million are included in the 2005 program. Projects include Phase 2 funding for the replacement of a farebox system, improvements to garages and facilities, computer systems, office and maintenance equipment.

The program also includes $1.5 million for the engineering and construction of a transportation center at Yorktown Mall in Lombard. Lastly, $1.0 million is programmed for Contingencies and Project Administration.

Table 3 provides a list of capital projects Pace will restore to the Capital Program in the event that we do receive additional subsidies. This is referred to as the "Full Funding Budget."

Table 3. 2005 Capital Program - Full Funding Budget - Additional Projects (000's)

Asset Category	Amount
Purchase 10 Fixed Route Replacement Buses	$ 4,200
Completion Funding for Farebox System	700
Purchase Systemwide Radio System—Phase I	6,700
Purchase Additional Computer Systems	900
Improvements to Garages	4,000
Purchase Additional Maintenance Equipment	300
Contingencies/Project Administration	100
Total Additional Capital Projects	$ 16,900

The projects identified in Table 3 will have to be deferred if additional subsidies are not received. In addition to the obvious need for bus replacement, Pace will have to defer the replacement of a 10 year old radio system. The antiquated system does not provide adequate communication coverage throughout our service area. Lastly, many Pace garages are nearly 20 years old and in need of mechanical system replacements and building infrastructure improvements (i.e., HVAC, bus washers, roofs, etc.).

System Overview

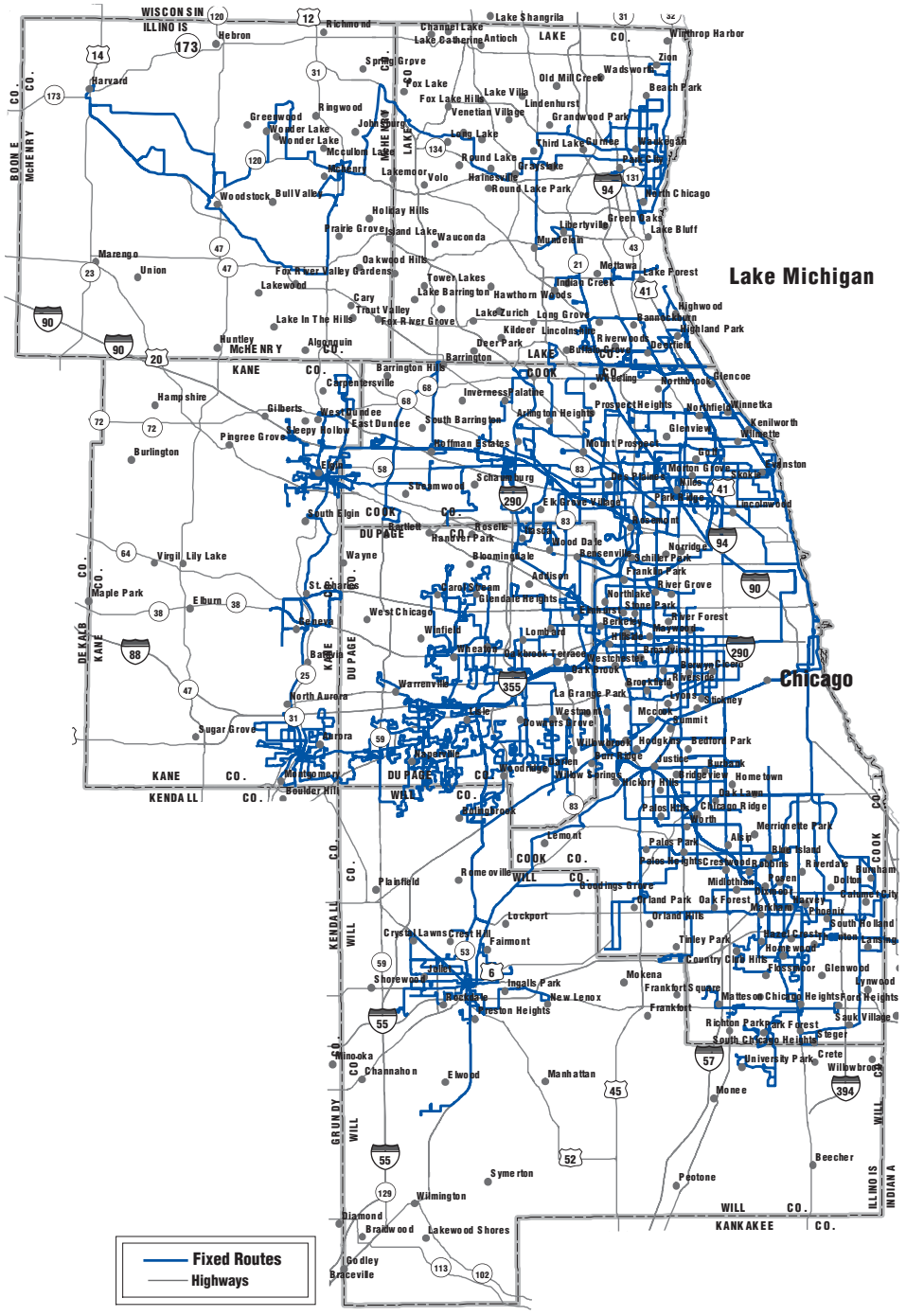
Fixed Route Characteristics

The following map and description summarizes the operating characteristics of the Fixed Route system.

Fixed Route Service

162 regular, 60 feeder routes, 14 shuttle routes, 4 subscription services, numerous special event services, and 3 seasonal routes are operated by Pace. These routes service 193 communities and carry over 2.6 million riders per month utilizing 601 vehicles during peak periods.

Map 1. Fixed Route Service Characteristics



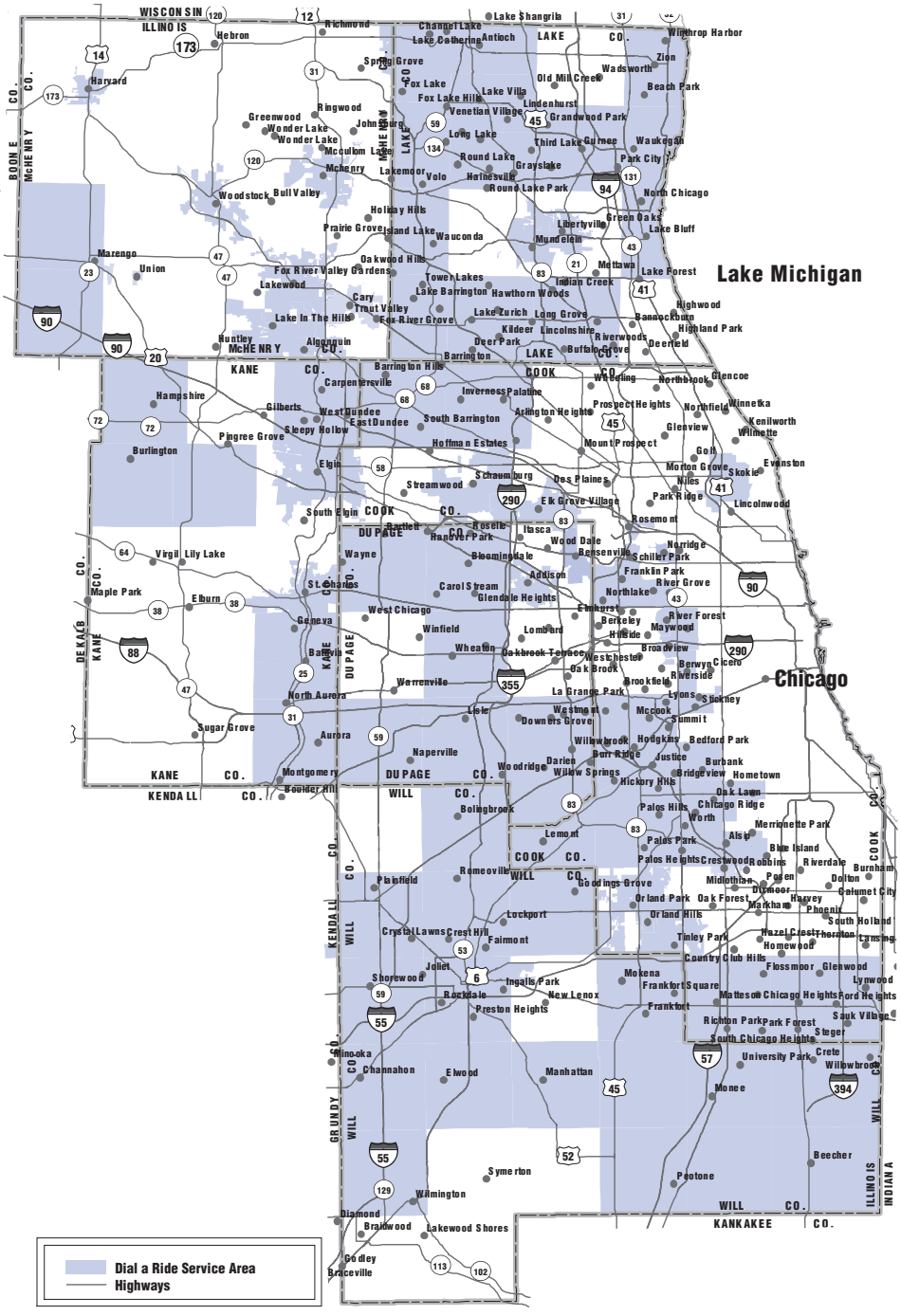
Dial-A-Ride Service Characteristics

The following map and description summarizes the operating characteristics of the Dial-a-Ride system.

Dial-a -Ride

204 Pace-owned lift-equipped vehicles are utilized to provide curb-to-curb service to approximately 99,500 riders each month. The majority are elderly and/or have disabilities. Pace contracts directly with private providers for the operation of 30 dial-a-ride projects and has grant agreements with villages and townships for the operation of 30 other dial-a-ride projects. Also, three other projects are operated by Pace River Division. These 63 projects provide services to over 210 communities throughout the six county area.

Map 2. Dial-A-Ride Service Characteristics



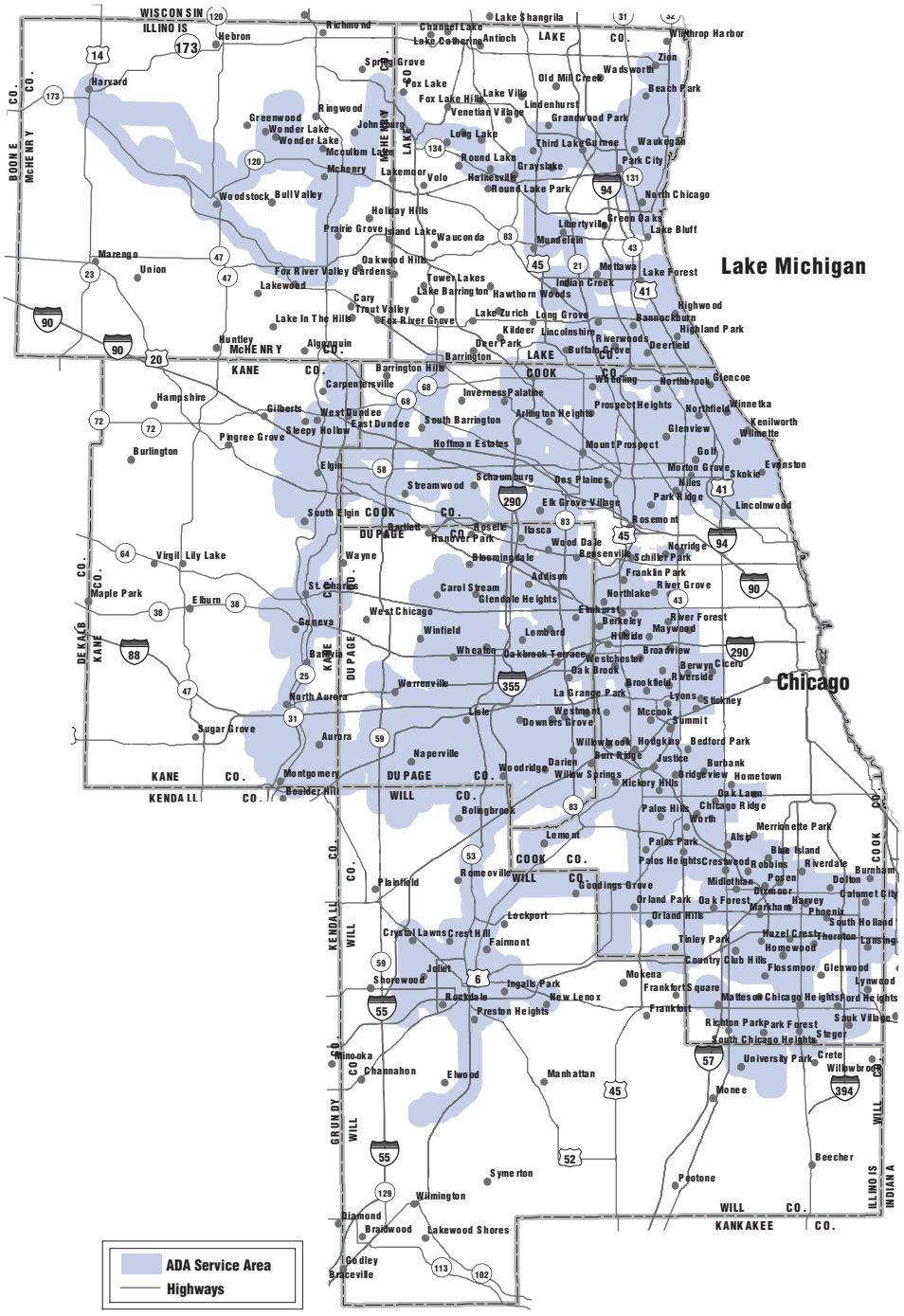
ADA Paratransit Characteristics

The following map and description summarizes the operating characteristics of the ADA Paratransit Service Program, as it exists in 2004.

ADA Paratransit

159 Pace-owned lift-equipped vehicles are utilized to provide curb-to-curb service to approximately 33,200 riders each month. Individuals that are not able to use Pace's fixed routes can register to utilize Pace's ADA paratransit service. The RTA is administering a regional certification program which determines eligibility for this service. Once eligible, passengers can make travel arrangements for trips within the shaded service area. This area represents a corridor of 3/4 mile to either side of Pace's regular fixed routes in the suburban areas as called for by federal regulations. Pace contracts with private operators strategically located throughout the service area to provide this service.

Map 3. ADA Paratransit Service Characteristics



Fare Structure

The following table shows the Pace fare structures for fixed route and paratransit services. There are no fare changes proposed for the 2005 Budget. Vanpool fares are described in the vanpool section of the operating budget.

In September 2004, Pace began accepting CTA 7-Day, U-Pass and Visitor/Fun Passes. These instruments are sold by CTA. Pricing information is available on the CTA's website, www.yourcta.com.

Table 4. Fare Structure

	Current Fares	
	Full Fare	**Reduced Fare**
REGULAR FARES		
Full Fare	$ 1.50	$ .75
Transfer to Pace/CTA	$ .25	$ .10
PASSES		
Pace/CTA (30-Day)	$ 75.00	$ 35.00
Commuter Club Card (CCC)(Pace Only)	$ 50.00	$ 25.00
Link-Up Ticket	$ 36.00	
Plus Bus	$ 30.00	
Regular 10 Ride Plus Ticket	$ 15.00	$ 7.50
Student (Haul Pass)		$ 25.00
Student Summer Pass		$ 40.00
Subscription Bus (Monthly)	$110.00	
LOCAL FARES		
Full Fare	$ 1.25	$ .60
Transfer to Pace/CTA*	$ .50	$ .25
Local 10 Ride Plus Ticket	$ 12.50	$ 6.00
*Local transfers are free of charge		
EXPRESS FARES		
Premium (Routes 210, 355 and 855)	$ 3.00	$ 1.50
Route 835 (Zone Fares)	$ 4.10	$ 2.05
Special Express Fare (891 and 892)	$ 2.00	$ 1.00
Premium 10 Ride Plus Ticket (210, 355 and 855)	$ 30.00	$ 15.00
OTHER		
Dial-a-Ride	$ 1.60	$ .80
ADA Paratransit Services/Regular/Local Fare	$ 3.00 / 2.50	
Special Services (Non-ADA)	$ 5.00	
Subscription Bus (1000 series)	$ 3.00	

Pace System Infrastructure

Over the past 20 years, the focus of Pace's capital improvement program has primarily been on the replacement of its fleet and equipment as well as its garage facilities. Additionally, Pace has constructed numerous passenger facilities. Specifically, Pace has a current investment of more than $180.0 million in rolling stock and equipment, in addition to more than $125.0 million in the construction of 11 bus garages, its administrative headquarters, 9 passenger transportation and transfer facilities, 15 bus turnarounds and 8 park and ride lots.

Pace's garages provide inside bus storage for nearly 600 buses with a building size totaling approximately 1.0 million square feet.

Fixed Facilities Owned or Operated by Pace

Pace Garages

A. Pace River Division
   975 S. State, Elgin
   63,000 square feet, 1989
B. Pace Fox Valley Division
   400 Overland Dr., N. Aurora
   56,800 square feet, 1994
C. Pace Heritage Division
   9 Osgood St., Joliet
   55,000 square feet, 1985
D. Pace North Division
   1400 W. Tenth St., Waukegan
   57,800 square feet, 1987
E. Pace West Division
   3500 W. Lake St., Melrose Park
   221,570 square feet, 1986
F. Pace Southwest Division
   9889 Industrial Dr., Bridgeview
   81,500 square feet, 1994
G Pace South Division
   2101 W. 163rd Place, Markham
   191,000 square feet, 1988
H. Pace Northwest Division
   900 E. Northwest Hwy.,
   Des Plaines
   82,700 square feet, 1962
J. City of Highland Park*
   1150 Half Day Road,
   Highland Park
K. Village of Niles*
   7104 Touhy Ave., Niles
L. Pace North Shore Division
   2330 Oakton St., Evanston
   81,500 square feet, 1995
M. Pace Administrative
   Headquarters
   550 W. Algonquin Rd.,
   Arlington Heights
   46,500 square feet
N. South Holland
   Acceptance Facility
   405 W. Taft Dr., South Holland
   44,700 square feet, 1984
O. Pace Paratransit Garage
   5007 Prime Parkway
   McHenry
   27,097 square feet, 2001

**Municipal Garages*

▲ Transportation and Transfer Centers

Aurora Transportation Center
Aurora
Buffalo Grove Transportation Center
Buffalo Grove
Chicago Heights Transfer Center
Chicago Heights
Elgin Transportation Center
Elgin
Gurnee Mills Transfer Facility
Gurnee
Harvey Transportation Center
Harvey
Northwest Transportation Center/Charles Zettek Facility
Schaumburg
Prairie Stone Transportation Center
Hoffman Estates
United Parcel Service Transfer Facility
Hodgkins

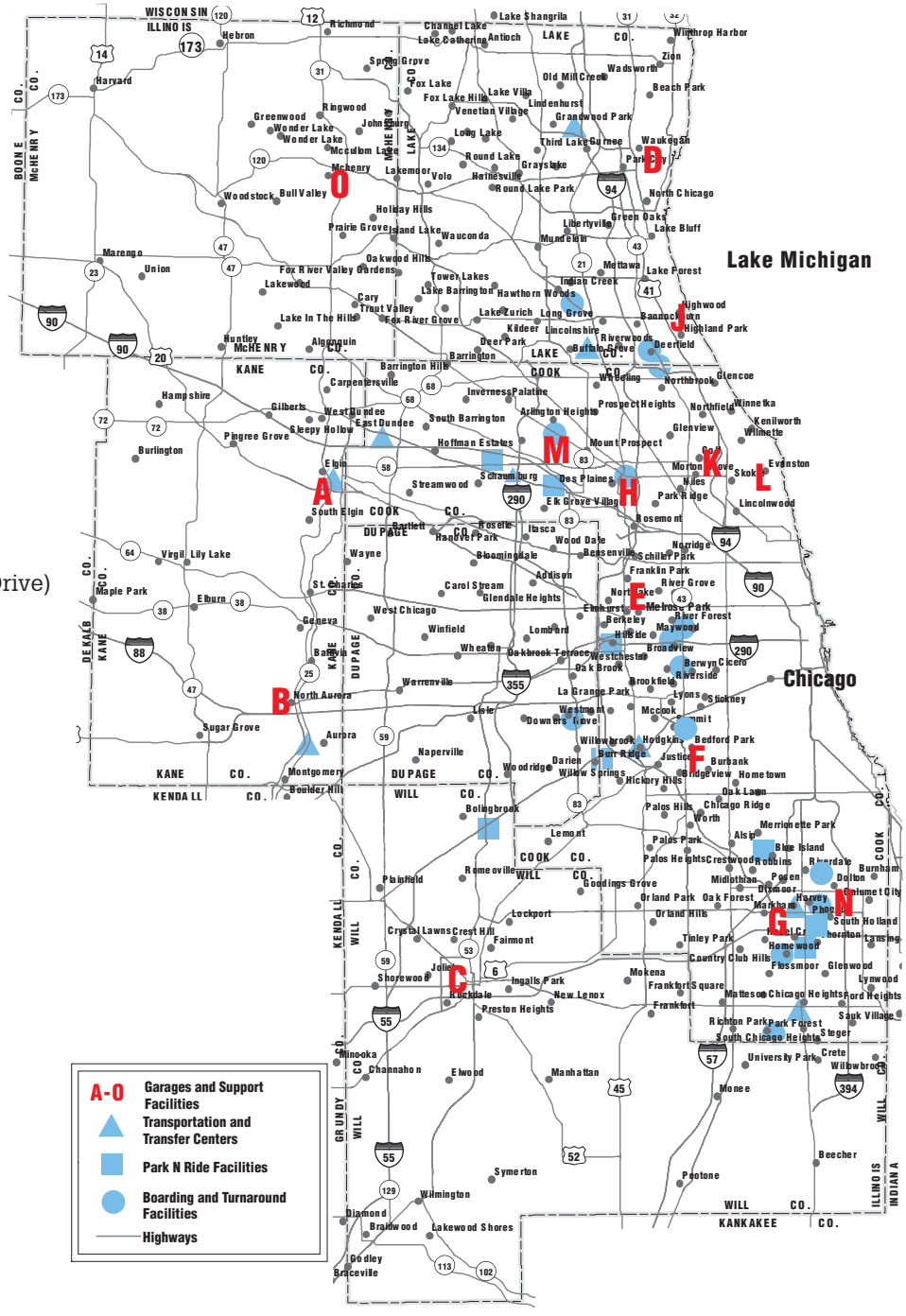
Boarding and Turnaround Facilities

Arlington Heights Metra
Clarendon Hills Metra
Deerfield Metra
Des Plaines Metra
Forest Park CTA Station
Highland Park Metra
Homewood Metra
Lake Cook Road Metra
North Riverside Park Turnaround
Oak Park CTA/Metra
Palatine Metra
Park Forest Bus Turnaround
Riverdale Bus Turnaround
South Suburban College (South Holland)
Summit CTA/Pace

Park and Ride Facilities

Blue Island Park-n-Ride
Bolingbrook Park-n-Ride (Old Chicago Drive)
Bolingbrook Park-n-Ride (Town Center)
Burr Ridge Park-n-Ride
Elk Grove Village Park-n-Ride
Hillside Park-n-Ride
Homewood Park-n-Ride
South Holland Park-n-Ride

Map 4. Pace System Garage and Support Facilities



Pace Rolling Stock—Active Fleet

Table 5. Pace Rolling Stock Active Fleet

Fixed Route (Fully Accessible)

Manufacturer	Year	No. of Vehicles	Age	Length
Ikarus	1992	68	12	40'
Orion I	1993	21	11	35'
Orion I	1993	83	11	40'
Chance	1995	15	9	26'
Nova	1996	22	8	40'
Eldorado	1997	54	7	29'
NABI	1999	30	5	35'
NABI	1999	22	5	40'
Chance Trolleys	2000	7	4	25'
Orion VI	2000	88	4	40'
Orion VI	2001	66	3	40'
MCI	2002	8	2	40'
NABI	2003	98	1	40'
NABI	2003	84	1	35'
Orion	2004	6	0	40'
Total		672		
Average Age			5.5 years	

Paratransit (Fully Accessible)

Manufacturer	Year	No. of Vehicles	Age	Length
Chance Buses	1995	3	8	26'
Eldorado Vans	2000	2	4	19'
Eldorado Vans	2001	83	3	19'
Eldorado Buses	2001	117	3	23'
Eldorado Buses	2002	50	2	23'
Eldorado Vans	2002	18	2	19'
Eldorado Buses	2003	31	1	23'
Eldorado Vans	2003	15	1	19'
Eldorado Buses	2004	36	0	23'
Eldorado Vans	2004	8	0	19'
Total		363		
Average Age			2.2 years	

Vanpool

Manufacturer	Year	No. of Vehicles	Age	Length
Vans	1995	1	9	Various
Vans	1996	8	8	Various
Vans	1997	13	7	Various
Vans	1998	31	6	Various
Vans	1999	17	5	Various
Vans	2000	130	4	Various
Vans	2001	71	3	Various
Vans	2002	99	2	Various
Vans	2003	177	1	Various
Vans	2004	20	0	Various
Total		567		
Average Age			2.7 years	

Ridership

The following table identifies projected ridership changes by operating element for years 2003 through 2007.

Table 6. Pace 2005-2007 Ridership Projections

(000's)	2003 Actual	2004 Estimated	% Change	2005 Projected	% Change	2006 Projected	% Change	2007 Projected	% Change
Pace Owned Carriers	27,885	27,918	0.1%	27,918	0.0%	28,197	1.0%	28,479	1.0%
CMAQ Service	149	45	-69.8%	45	0.0%	45	1.0%	46	1.0%
Public Carriers	968	979	1.1%	986	0.7%	996	1.0%	1,006	1.0%
Private Carriers	1,976	1,998	1.1%	1,998	0.0%	2,018	1.0%	2,038	1.0%
Total Fixed Route	30,978	30,940	-0.1%	30,947	0.0%	31,256	1.0%	31,569	1.0%
Dial-a-Ride	1,066	1,066	0.0%	1,102	3.4%	1,113	1.0%	1,124	1.0%
ADA Paratransit	382	417	9.2%	420	0.7%	424	1.0%	428	1.0%
Ride DuPage	0	8	100.0%	48	500.0%	48	1.0%	49	1.0%
Vanpool	1,209	1,292	6.9%	1,343	3.9%	1,397	4.0%	1,453	4.0%
Municipal Vanpool	72	73	1.4%	76	4.1%	79	4.0%	82	4.0%
Grand Total	33,707	33,796	0.3%	33,936	0.4%	34,318	1.1%	34,706	1.1%

Pace ridership is expected to finish 2004, up slightly at 0.3% or 89,000 trips above 2003 levels. This estimate is consistent with the 2004 mid-year trend which shows ridership to be essentially constant with prior year levels. If this trend remains in place, 2004 will be the year where ridership levels will have plateaued after four consecutive years of decline. Pace has had to deal with numerous issues, including fare increases and service/expense reductions, as well as a faltering economy, all of which have negatively affected ridership. Specifically for 2004, fixed route ridership is estimated to finish down slightly from last year's level at -0.1% or 38,000 less trips. Dial-a-Ride will finish the year flat to last year's levels, however, demand for ADA Paratransit ridership is up significantly and is estimated to finish the year up 9.2% or 35,000 additional trips. Vanpool and municipal ridership, combined, are estimated to rise by 84,000 trips or 6.5% for 2004. And, the start of the new Ride DuPage service is expected to add 8,000 trips to total ridership in 2004.

Ridership is projected to grow a modest 0.4% or 140,000 trips next year (2005). After four years of declines, and with no sign of a significant upward momentum in the economy, the forecast for ridership remains conservative. Fixed route ridership is projected to remain essentially constant at 2004 levels next year. The Dial-a-Ride and ADA Paratransit ridership, combined, are projected to grow by 2.6% or provide 39,000 added trips. Vanpool and municipal vanpool ridership is expected to rise by 3.9% or 54,000 trips. And, 40,000 additional trips will be generated through the Ride DuPage effort.

A modest resumption in ridership growth is projected for the outlying years—2006 and 2007 as the economy is forecasted to improve. Annual growth rates of 1.0% in base ridership are forecasted for the outlying years. Continued expansion of the vanpool and municipal vanpool programs are anticipated for the outlying years, with a combined average ridership growth of 58,000 annually.

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Planning Initiatives

Vision 2020

Purpose of Vision 2020

Pace's vision for the future is to provide a publicly acceptable level of efficient suburban mobility. The Vision 2020 plan represents the blueprint for Pace's future, and describes how Pace intends to achieve this objective. It calls for a network of new services, infrastructure improvements, and a decrease in travel times. Although challenging, this plan will bring Pace into the future, making viable public transportation available to the region.

The Northeastern Illinois Planning Commission (NIPC) estimates the population of Pace's service area to be approximately 5.2 million and expects it to grow to more than 6.2 million by 2020. As jobs and housing have increasingly relocated to the suburbs in the last several decades, the physical separation of residential and employment locations has increased. Commuters experience this as longer work trips. Growing population and longer trips lead to more traffic congestion. The Chicago Area Transportation Study (CATS) estimates that traffic congestion in the Chicago region has increased by more than 100% in the past two decades. The percent of lane-miles congested in the Chicago region grew from 32% in 1982 to 65% in 1999. Miles traveled on congested roadways are forecast to grow by 60% between 1996 and 2020, and time spent traveling is forecasted to jump 44% between 1996 and 2020.

Likewise, the growing suburban job market and the national welfare-to-work initiative have created demand for transit services that connect locations in the City of Chicago with widely distributed suburban employers. The last two decades have seen a shift in employment to the suburbs and more various work hours. Pace's success depends on how effectively it serves these changing travel needs.

The region's growth in population and jobs has mostly been occurring in the suburban "ring," rather than the Chicago central area. The net result of these factors has been an increase in single-occupant automobile use and a decline in air quality. At the same time, there has been less public support of new, large highway improvement projects, and more support for the concept of "smart growth" concepts. These concepts include environmentally sensitive land development, minimizing dependence on private automobile transportation, reducing air pollution, and making infrastructure investments more efficient. In light of these factors, Pace must enhance its transit services to meet the needs of suburban economic development and travel markets.

Enhanced mobility requires services that are cost- and time-competitive with the private automobile, and that contribute to the community development objectives of each county and municipality. One objective is to provide the all important "last mile" of service which makes public transportation available to most of the region. These objectives, combined with an analysis of the current Pace routes, services, markets, and the future land use and population projections have led to the preparation of a long-range plan for Pace. Building the kind of suburban transit system needed to meet the long-range needs of Northeastern Illinois will take both considerable time and resources. The program is called "Vision 2020– The Blueprint for the Future."

The Proposed Suburban Mobility Network

In the future, Pace must be a well-integrated system of public transportation services designed and operated to serve the suburban and urban travel needs of a growing and changing metropolitan region. Effectively providing suburban mobility means providing access to widely distributed trip origins and destinations while providing a time-competitive, long-distance line-haul service between suburban centers. This includes an evaluation of the present fixed-route structure, the creation of community-based services, the implementation of line-haul routes, and the development of transportation centers and other passenger facilities.

Community-Based Services

Pace's success depends on how well it brings customers to its network: the "first and last mile" of the passenger trip. Pace's service area includes a range of conditions from walkable neighborhoods in the inner-ring suburbs and satellite cities to dispersed, automobile-oriented development in the outer suburbs. Pace currently operates a variety of fixed route, commuter rail feeder, employer

shuttle, route-deviation, and other services to provide access to widespread trip origins and destinations. The plan envisions a continuation and expansion of delivering flexible services tailored to the travel patterns of the local community.

Community-based services include a full gamut of service types from demand-response in some markets to fixed routes in others, with a customized mix of service types in each community. Current connections such as fixed-routes, employer shuttles, historic trolleys, and community circulators will expand. New community services will provide short-distance mobility within communities and include: flexible routes that can deviate to provide curb-to-curb service within a defined corridor; van services that provide curb-to-curb service on request within a defined service area; and subscription routes that allow customers to make arrangements for rides on a regular basis.

These services will use recent advances in communications technology to ensure connections with other services, respond to real-time customer requests for service, and communicate service status with customers. The specific mix of service types, service levels, and other parameters will be based on detailed studies of travel markets and local interests and conditions in each community-based service area.

The plan identifies more than 90 such service areas for further study in partnership with communities. Three service levels are envisioned, based on the primary types of services most likely to be provided, as determined by expected ridership: (1) "Low" service areas have the least population and employment density and are best served by vanpools, subscription services, demand-response vans and flexible bus routes; (2) "Medium" service areas have higher population and employment densities and represent the majority of the region in terms of activity centers. A wide range of services may be considered in these areas including vanpools, subscription services, demand response vans, flexible bus routes, and traditional fixed bus routes; (3) "High" service areas contain dense urban centers that may be suitable for historic trolley and/or circulator services, in addition to other services under consideration for "Medium" service areas.

Passenger Facilities

Community-based services originate from transportation centers. These facilities provide comfortable, convenient locations for customers to make connections between various transit services. Transportation centers are typically located at and integrated with rail stations, community downtowns, shopping centers, and other major activity centers, and offer community transit-oriented development opportunities. The design of these facilities typically includes: off-street bus bays, sheltered boarding areas and heated waiting areas, electronic passenger information systems, facilities for driver breaks and layover facilities, access enhancements such as improved sidewalks, bikeways, bicycle storage, kiss-and-ride areas, and park-and-ride lots.

The plan identifies 16 regional transportation centers and 150 community transportation centers. Regional transportation centers typically serve more routes than community transportation centers, and are located at activity centers of greatest regional significance.

Line-Haul Bus Routes

Line-haul routes provide a backbone of high-speed inter-suburban transit service connecting transportation centers. Bus Rapid Transit (BRT) techniques will be used to achieve a high service level at a low cost. Pace's BRT routes will feature: limited stops, simple routes typically associated with a single street, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority to provide green lights at intersections, and bus lanes where appropriate to avoid congestion. Upgraded bus stops will offer raised platforms with level boarding, heated waiting areas and sheltered boarding areas, countdown signs displaying how long until the next bus arrives, bike racks, and improved pedestrian access.

The plan identifies two types of line-haul routes based on their primary operating environment: Expressway/Tollway Routes and Arterial Routes. Expressway/tollway services use comfortable over-the-road coaches, provide

frequent service, connect major regional activity centers with few stops in between, and operate in a high-occupancy vehicle lane or dedicated right-of-way where appropriate to avoid traffic delays. Line-Haul Arterial Routes use specially marked low-floor transit buses to enhance system identity and increase boarding speed. They will also use Pace's new Intelligent Bus System to improve on-time performance, communicate with customers, coordinate transfers with other bus services, and reduce operating costs.

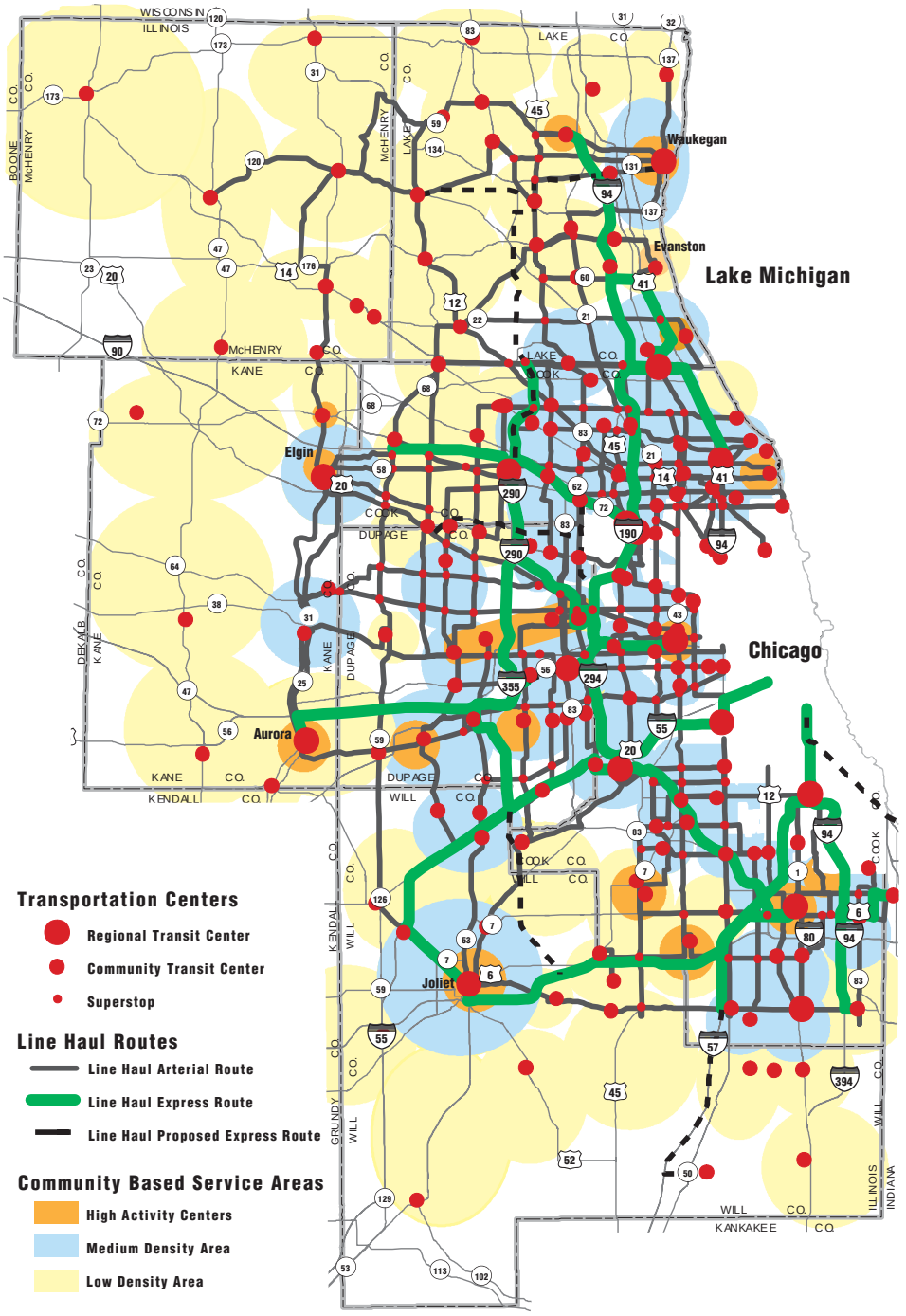
Implementing the Vision

Implementing Vision 2020 will require considerable resources, community participation, and cooperation among public agencies.

Community Transit Partnerships

The most effective local transit services are created through a working partnership of the affected community and the transit provider(s). Pace already works with 210 communities on the planning, design, and delivery of services. Pace envisions a broad and comprehensive program that involves a joint determination of local needs, goals, and objectives–all translated into tailored service plans. Pace will work with these community partners to develop the strongest funding possible through innovative financing and leveraging traditional transit funding.

Map 5. Vision 2020



The success of a transit service in attracting riders, especially in a traditional automobile-oriented suburban context, requires coordination of infrastructure, service, information, and travel demand. Pace will need to focus efforts on: (1) gaining consensus among the many stakeholders, communities, and organizations with interests in transportation and smart growth; (2) creating viable community and regional partnerships; (3) developing service plans for specific communities and groups of communities; and (4) gaining funding approvals from local, regional, state, and federal agencies. There are three main types of studies, each involving outreach activities: Community Transit Needs Assessment Studies, Line-Haul Corridor Studies; and Transportation Center Design Studies.

Benefits of Vision 2020

Suburban transportation has lagged behind the shifts in population and employment throughout the region. Service enhancements are needed to address the growth and new travel patterns that have emerged in the past and will be prevalent in the future. Between 1970 and 1990, the region's population and employment grew by 4% and 21% respectively. Older communities experienced declines in population and jobs, while new suburban areas grew rapidly. The 2020 forecasts show renewed growth in the City of Chicago and many of the older suburbs. Substantial new suburban development will be sustained not by abandonment of mature areas but by area-wide expansion in which all parts of the region share.

Over the next 20 years, this plan will provide Pace with the strategy to reshape its system by using new technology and methods to meet market needs and demands.

By providing time- and access-competitive transit services throughout Pace's suburban service area, this plan is expected to substantially improve mobility for all segments of the suburban population, assist communities in their pursuit of improved quality of life, and promote regional smart growth goals. Implementation of Vision 2020 will provide customers with a high level of suburban mobility, pedestrian and bicycle facilities, improved passenger facilities, community based service, greater public safety, faster service and improved service connections. Vision 2020 also benefits the environment through improved air quality, livable communities, reduced reliance on the automobile. In addition, the Region will experience a positive effect on development patterns, less congestion, roadway improvements, strong economic development. Vision 2020 provides access to a wealth of opportunities including employment, affordable housing and recreation.

Vision 2020 is the blueprint for the future of suburban transit.

Restructuring Studies

Pace began its restructuring initiatives in 2000. The goal of these initiatives is to develop an effective regional arterial and community based transit system making service faster, more effective, and more efficient enhancing the image of transit as an alternative to the automobile. This goal is consistent with Pace's Vision 2020. The following are the completed and in-progress Pace restructuring Initiatives:

159th St. (2000/2001)

Pace's first restructuring project. Results included: Improving headways to Orland Square Mall, improved on-time performance, rerouting service around rail crossings to eliminate delays, additional service on weekdays and Saturdays, expanded shelters and passenger amenities and identification of signal priority locations.

Elgin Initiative (2002/2003)

Pace worked with Elgin, South Elgin, Carpentersville, East Dundee, and West Dundee to develop a detailed plan that accurately addressed the current commuting patterns. Results included adjusting service on 10 of the 15 existing routes, discontinuing two underutilized routes, adding one new route, serving new areas such as Randall Road, and adding Saturday service on some routes.

South Halsted Restructuring (2002/2003)

Pace conducted this study concurrently with the Elgin Initiative. Pace was looking to provide efficiencies to its service on South Halsted. Results included operation of a greater number of Route 352 express services, increased Sunday service frequency between Harvey and CTA 95th Street Station, close coordination between Route 370, 352 express and local services, a single seat trip along Halsted north and south of the Harvey TC, a changed stopping pattern on route 352 along Halsted within the Chicago city limits, the elimination of route 352 segments with poor productivity, and streamlined routing for route 352 through Chicago Heights.

North Shore Restructuring Initiative (2003/2004)

Pace is currently engaging in community-based marketing to improve and maximize the use of several bus routes in the North Shore Communities of Evanston, Skokie, Lincolnwood, Wilmette and surrounding communities. The study is ongoing, although some preliminary recommendations have been made. Key elements of the study include the evaluation of 16 Pace routes, improved passenger amenities, signal priority to speed up buses, strong community involvement and a comprehensive service design.

Fox Valley/SW DuPage Initiative (2004)

Pace has targeted the communities of Naperville, Aurora, Lisle, Bolingbrook and Warrenville for a restructuring initiative. The purpose of the study is to comprehensively reevaluate our current service and identify demand in determining where people are and where they need to go. Specifically, input and direction from stakeholders, extensive public outreach, focus groups and community input will yield funding alternatives and a comprehensive service design. Implementation is scheduled beginning in spring 2005.

North Central Shuttle Service Initiative (2004/2005)

This study currently underway will focus on Metra's North Central Rail Service. The 11 existing stations along the line from O'Hare to Antioch will be targeted, along with three future stations currently in future stages of development. Specifically, the feasibility of providing shuttle bus service from Metra stations to nearby employment, service to coincide with the completion of Metra's double tracking project, input from employers and employees within the corridor, as well as a survey to determine current and future travel patterns within the corridor.

Future Restructuring Initiatives

The following initiatives are planned:

- South/Southwest Cook/Will County Initiative (2004/2005). This initiative will begin in late fall 2004.
- West Cook/Elgin (2005)
- North/NW Cook (2005/2006)
- North Lake/McHenry (2005/2006)

Future Support Initiatives

The following support initiatives are also forthcoming.

Harvey Transportation Center Transit Signal Priority (TSP) (2004/2006)

This initiative will implement TSP in the vicinity of the Harvey Transportation Center. The project will determine the appropriate approach to upgrade and modernize 15-20 existing traffic signals along 154th Street, Park Avenue and Halsted Street to facilitate TSP. Implementation of TSP in this vicinity will greatly improve the service reliability of Pace routes and enhance the terminal transit operation.

Regionwide Transit Signal Priority (TSP) (2004/2006)

Pace is aggressively pursuing a regional TSP program for implementation of TSP along major arterial routes. The project will include an inventory of signals, locational analysis, equipment needs, demonstration and implementation along an arterial system. An implementation schedule will be prepared based on highest return of investment of TSP.

Queue Jump Study (2004-2006)

This project will evaluate and determine a concept design for a bus "Q-Jump" lane at intersections with existing dedicated right-turn bays. The project will address geometric design as well as the need for the signal modifications. A queue jump lane is a short stretch of bus lane combined with TSP. The idea is to enable buses to bypass waiting queues of traffic. This project will significantly increase the speed of the buses and increase service efficiency.

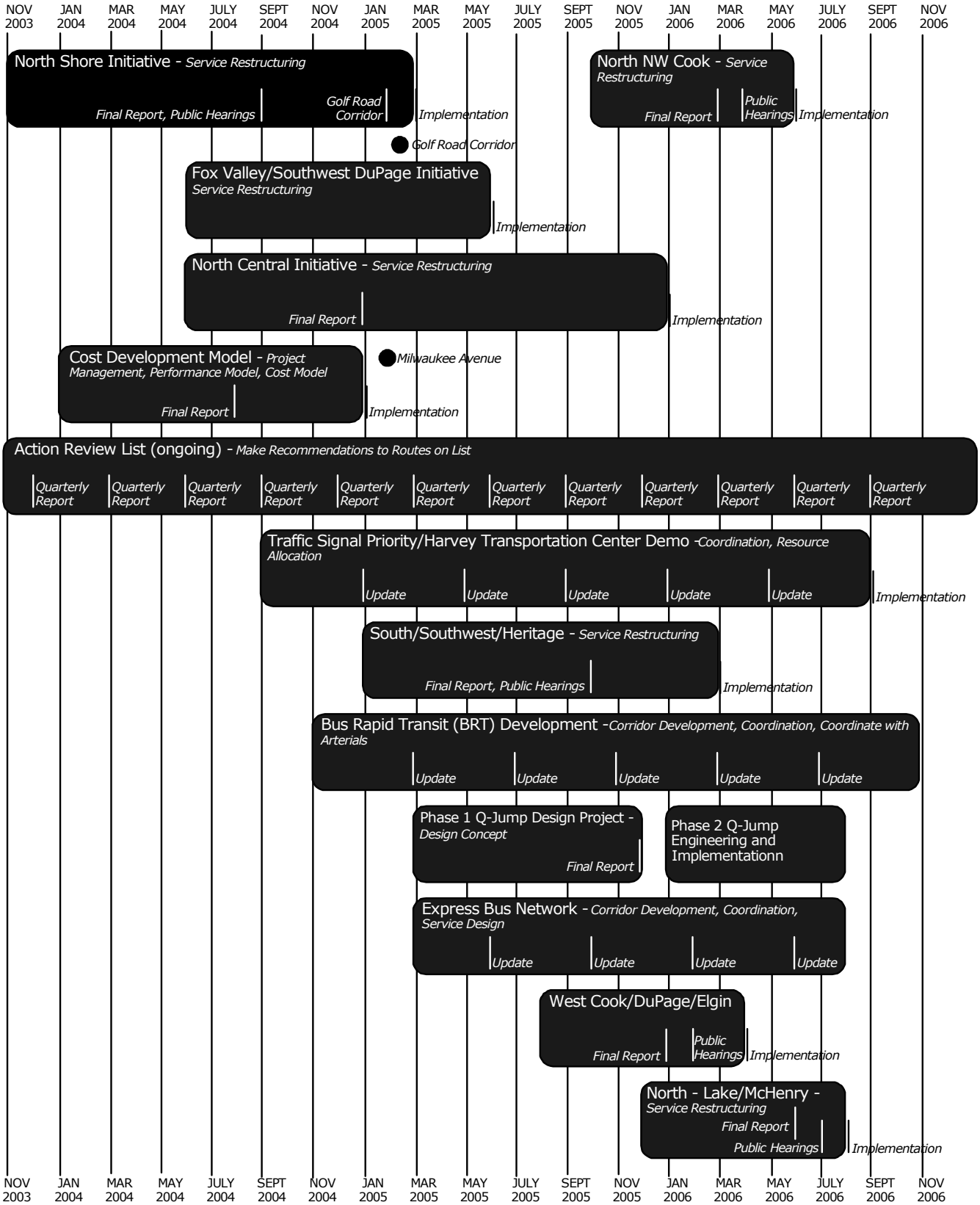
Express Bus Network (2005/2006)

The suburban express bus network is an expressway/tollway service connecting major regional activity centers and park-n-ride lots. The characteristics of this network will include comfortable over-the-road coaches, frequent service levels, dedicated access to on-line park-n-ride lots, limited stops, operate in high-occupancy vehicle lanes or dedicated right-of-way where appropriate to avoid traffic delays. Objectives to continue this initiative include: support for suburban transit, create suburban to suburban solutions, address congestion and air quality, and improve mobility, safety and security. Implementation will focus initially on expanding Pace's existing rush hour service along such routes as Pace Route 855.

Bus Rapid Transit (BRT) Corridor Implementation (2004/2006)

BRT is a combination of technologies, design features, operating practices and marketing approaches that allow rubber-tired vehicles to approach the speed and service quality of light rail transit. BRT utilizes the concepts of TSP, Queue jump, off-board fare payment, automated message signs, as well as improved passenger amenities. This initiative will look at the implementation of an arterial based BRT along ten corridors.

Chart B. Restructuring Studies Calendar



Marketing Plan

Pace's 2004 Marketing Plan represents our latest effort at preparing a comprehensive plan designed to achieve the identified ridership goals within each major commute market. The plan primarily focuses on work commute trips which comprise 76% of Pace's customer base. The three major commute markets in which Pace provides service are defined as being the suburb-to-city, suburb-to-suburb, and city-to-suburb (or reverse) commute markets. The following summarizes each major chapter contained in the plan:

The Market

Seventy-six percent of Pace's customers use the service to get to work. Population and employment trends in our region have seen large shifts toward job and housing growth in the suburbs compared to the city of Chicago. The shift in population and employment has resulted in changes in commute patterns which present challenges for Pace as our system has been primarily designed to transport employees from the suburbs toward the city. In order to meet the growing demand for suburb-to-suburb travel, Pace is undergoing several major restructuring studies designed to create a transportation system with a mix of community-based services, and non-traditional services to meet these needs.

The Customer

Recent market research reveals marketable differences between Pace customers in each major commute market. Customers in the suburb-to-city market are less transit dependent, earn higher incomes, are more likely to own a home and be married, and have been a Pace customer longer than customers in the suburb-to-suburb or city-to-suburb markets. Our customer base is 56% female, 44% male, with little variance by market. Our largest minority population market (39% African American) is in the city-to-suburb market. Our city-to-suburb customers commute the longest distances (20 miles) and have the longest travel times (55 minutes) of any Pace commuter group. A large proportion of our customers also use the CTA (48%) and Metra (21%) on a regular basis. A significant number (9%) also use autos or vans in addition to using Pace.

Our customers are very loyal with an average retention period of 5.5 years. The main reasons for leaving Pace are related to the purchase of a car and moving or switching jobs. Pace receives high overall marks for its service, with 80% of daily riders indicating they are satisfied or very satisfied with Pace service.

The Competition

Automobiles command 90% of the journey-to-work commute market. Auto commute costs are perceived to be about equal to transit costs by auto commuters. Auto commuters typically underestimate their commute costs considering only fuel and parking; they often view ownership costs as being fixed and independent of their commute cost. Auto travel times are significantly shorter (30%-40% less) than that of transit users. Ninety four percent (94%) of suburban households own at least one car, 78% two or more. Less than half (37%) of Pace customers do not have a car available (captive), while the remainder does have a car and chooses Pace for other reasons. Our highest captive market relating to car ownership is in the city-to-suburb market where 45% cite having no car; our lowest captive share is in the suburb-to-city market at 27%.

The Service

The majority (75%) of Pace's fixed route ridership is carried by our CTA Connector route service classification. The CTA Connector route group is our best performing with many routes serving all three markets. The CTA Connector group carries more passengers in each market than any other route category. Evaluated in terms of subsidy per trip and average daily ridership, our CTA Connector routes are Pace's best performers, while Metra feeders are our poorest performers. Our top 25 fixed routes carry 50% of our ridership.

Eight-five percent (85%) of our vanpools are in the suburb-to-suburb market, and the remaining 15% are divided between city-to-suburb market (10%) and the suburb-to-city market (5%). Vanpool performs well in all markets and does not appear to be dependent on employer relocations.

Marketing Strategies

An assessment of Pace's position in each market reveals our strongest competitive position is in the suburb-to-city market. While the suburb-to-suburb and city-to-suburb markets exhibit greater growth potential, they are more difficult to serve cost effectively. The guiding strategy for each market is identified as follows:

Suburb-to-City

Become more focused on efficient elements, eliminate low productivity elements, reinvest in high-potential services.

Suburb-to-Suburb

Extend and develop suburb-to-suburb commute options where productivity is good, lower the cost of service via capital investment or private sector involvement, heavily promote low cost, high recovery services such as vanpool.

City-to-Suburb

Build reverse commute elements of inner suburb, multiple market routes. Market fixed route (reverse connections) to CTA and Metra. Identify more efficient service opportunities such as express bus, subscription bus and vanpools with City origins.

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2005 Operating Budget

Summary

The RTA Board adopted 2005 budget marks for the Service Boards on Friday, September 10, 2004. Pace's funding level was established at $106,107,000, consisting of $104,107,000 to fund operations and $2,000,000 to reimburse Pace for the loss in estimated farebox revenue from accepting CTA fare instruments (i.e., The CTA 7-day pass, The U-Pass, and the Visitor/Fun Passes). Pace's 2005 farebox recovery ratio was also set at 40.0%. The table below summarizes Pace's 2005 funding requirement and how subsidies will be applied to meet these needs.

As part of their actions on September 10th, the RTA also qualified that the funding marks that they established presumed the receipt of additional public subsidy, however, at that time the source of these funds remained unidentified. Therefore, the Service Boards were advised that they would be required to submit two budgets in November—one based on the receipt of the new funding, and one that addressed an equivalent shortfall in the event that no new subsidy was obtained. The RTA did acknowledge that in the event that no new subsidy was received, they would consider budget proposals which reduced operating expenditures or transferred funds from the Capital Program to fund operations.

Pace recognizes the importance of obtaining additional subsidies and welcomes all initiatives that result in new funding. Pace is also relieved to know that the RTA has given the Service Boards the alternative and flexibility to use Capital Program subsidies to fund operations. In the interim, this option has allowed Pace to avoid significant operating expense reductions that had been forecasted to occur in last year's three year plan. The 2005 Operating Budget presented in this document is balanced utilizing the transfer of Capital Program funds. However, Pace intends to restore these funds to the Capital Program should new subsidies become available.

The 2005 Operating Program summarized below shows total operating expenditures of $156.253 million, which will be offset by $53.899 million in operating revenue, including $2.0 million in reimbursements from the RTA. The remaining funding requirement will be covered by $79.052 million in RTA sales tax funding, $0.330 million in Federal Congestion Mitigation Air Quality (CMAQ) and Job Access Reverse Commute (JARC) funding, $7.783 million in Capital Cost of Contract funding, and $16.942 million in Federal 5307 funding transferred from the Capital program. Pace will realize $1.753 million in net available funds which will be used to offset part of the $8.3 million funding shortfall that Pace will absorb in 2004. These funds will be retained to manage operating needs over the three year plan.

In an effort to continue to meet the 40% recovery requirement, Pace will use credits from costs incurred by our ADvAntage contracts and funds received for Capital Cost of Contracting to be included in calculating the 2005 recovery ratio.

In summary, Pace will make every effort to continue to maximize revenue and limit expenses as necessary to achieve RTA funding and recovery requirements for 2005.

A detailed review of the 2005 Operating Program is presented in this section.

Table 7. 2005 Operating Budget Summary (000's)

	2003 Actual	2004 Estimate	2005 Budget
Total Operating Expense	$138,928	$149,089	$156,253
Less: System-Generated Revenue	52,495	52,182	53,899*
Funding Requirement	$ 86,433	$ 96,907	$102,354
Less: RTA Funding for Operations	$ 82,747	$ 79,052	$ 79,052
Federal CMAQ/JARC Funds	1,295	1,054	330
Capital Cost of Contracting	10,155	7,546	7,783
Federal 5307 Funding	2,247	976	16,942
Net Funding Available	$ 10,011	$ (8,279)	$ 1,753
System Recovery**	40.00%	40.00%	40.00%

* Includes $2.0 million in reimbursements from the RTA to cover estimated loss from accepting CTA fare instruments.
** Pace will apply a sufficient amount of ADvAntage and Capital Cost of Contracting credits in order to reach the 40% recovery requirement.

Source of Funds

Pace relies on two sources to fund operations—funds classified as "public" which come from the State of Illinois and the Federal Government, and revenues directly associated with operations. By September 15th, the RTA is required to advise Pace and the other Service Boards of the amounts and timing of public funds that will be provided for the coming and two following fiscal years. The RTA is also required to establish a recovery ratio at this time which indirectly sets the levels of operating revenues that each of the Service Boards will need to achieve in order to meet the RTA "marks." Further discussion of the RTA "marks" and the budget process can be found in Appendix C. A detailed look at the funding sources are provided below.

Sales Tax

Section 4.03(e) of the Amended RTA Act allows the RTA to impose a 1% sales tax in Cook County and a 1/4 percent sales tax in Will, Kane, Lake, DuPage and McHenry Counties. Section 4.01(d) of the Act specifies the distribution of sales tax receipts to the Service Boards and RTA as shown on Table 8.

The RTA established a sales tax funding mark of $75,691,000 for Pace for 2005. This represents approximately 10.8% of the total RTA region's estimate of $697,600,000. The RTA estimate for sales tax growth is 3.2% for next year and the two outlying years—2006 and 2007. This is down from the long term historical average of 4.2%, but up from the most recent down turn in 2002. Table 9 highlights recent and upcoming estimates for sales tax revenues for both the region and Pace.

Public Transportation Fund (PTF)

Section 4.09 of the Amended RTA Act establishes a Public Transportation Fund in the State Treasury. The PTF is to be funded by transfers from the General Revenue Fund, and all funds in the PTF are to be allocated and paid to the RTA, provided it meets the budgeting and financial requirements as set forth in the Act. The amount

Table 8. Allocation of Sales Tax Receipts

	RTA	CTA	Metra	Pace
Chicago	15%	85%	—	—
Suburban Cook	15%	(30%	55%	15% of remaining 85%)
Collar Counties	15%	(—	70%	30% of remaining 85%)

Table 9. Regional Sales Tax and Public Transportation Fund (PTF) Trends (000's)

	2002 Actual	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
REGIONAL FUNDS						
Sales Tax	$647,685	$654,988	$675,950	$697,600	$719,900	$742,930
PTF	165,665	164,739	168,988	174,400	179,975	185,733
Total Regional Receipts	$813,340	$819,727	$844,938	$872,000	$899,875	$928,663
PACE FUNDS						
Sales Tax	$ 70,194	$ 70,995	$ 73,050	$ 75,691	$ 78,161	$ 80,719
PTF	8,858	11,752	6,002	3,361	891	656
Total Pace Receipts	$ 79,052	$ 82,747	$ 79,052	$ 79,052	$ 79,052	$ 81,375
PACE FUNDING AS PERCENT OF REGIONAL						
Sales Tax	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
PTF	5.4%	7.1%	3.6%	1.9%	0.5%	0.4%
Total Receipts	9.7%	10.1%	9.4%	9.1%	8.8%	8.7%

transferred to the fund equals 25% of the net revenue realized from the sales tax. The RTA is required by law to allocate all PTF revenues to the Service Boards on the basis of need for both capital and operating purposes. However, unlike the sales tax allocation which is established by the RTA Act, PTF is allocated at the discretion of the RTA. In general, RTA has reduced PTF allocations to Pace over time and has concurrently increased PTF allocations to the CTA.

In 1985, the RTA allocated $8.7 million or 10.3% of regional PTF to Pace. For 2005, the RTA will allocate an estimated $3,361,000 in PTF funds to Pace, which represents 1.9% of total PTF. As noted in Table 9, Pace's percentage share of regional PTF will decline in 2005, and continue to erode into the outlying years of the plan. By 2007, Pace has been allocated a scant $656,000 or 0.4% of the region's total PTF. This reduced allocation will cause Pace's total share of regional operating funding to decline to 8.7%, despite the forecasted growth in sales tax.

Federal Funds

Pace will receive federal funding from several programs in 2005.

Congestion Mitigation/Air Quality (CMAQ) Program

Since 1996, Pace has benefited from the federal Congestion Mitigation/Air Quality (CMAQ) Program which awards funds to implement and maintain various new services that support program objectives. Continued funding from this source is included in 2005.

Job Access and Reverse Commute Program (JARC)

Since 2001, Pace has qualified for funds under the JARC Program. Funding is provided for transportation services designed to increase access to jobs and employment-related activities. JARC projects are those that transport welfare recipients and low-income individuals in urban, suburban, or rural areas to and from jobs and activities related to their employment. Funding via this program will continue in 2005.

Capital Cost of Contracting (CCC)

The federal government allows transit operators to utilize a portion of formula 5307 grant funds to reimburse the cost of private sector capital consumed in public transit service, commonly referred to as capital cost of contracting (CCC). In 2003, the RTA agreed to allow both the CTA and Pace to access these federal funds to cover the capital-related portion of operating costs of providing paratransit services. Pace will continue to access these funds utilizing $7.8 million in 2005.

Federal 5307 Funding

The federal government allows transit providers to access formula 5307 funds to maintain their operating vehicles—*Bus Overhaul/Maintenance*, and to help fund the costs of providing ADA services—*ADA Complementary Paratransit*. For 2005, the RTA has allowed the Service Boards' the flexibility to access these Federal funds to cover portions of their operating costs. The budget presented in this section applies $16.942 million of federal 5307 funds to cover operating costs.

Operating Revenues

Pace is budgeting for $53,899,000 in operating revenue in 2005, a $1.717 million or 3.3% increase over estimated 2004 levels. The growth is coming from advertising income, continued growth in the vanpool program, a projected increase in local share contributions, and additional revenue from the new Ride DuPage program. Advertising income is projected to contribute $.521 million in additional revenue under the terms of the multi-year contract. Vanpool revenue will contribute $.105 million of the growth due to continued program expansion. Increases in local share contributions will account for $.577 million of the growth. And, the first full year of the new Ride DuPage program will generate an additional $.561 million. Farebox revenue is projected to remain essentially at 2004 levels, consistent with estimates for ridership. Pace will begin accepting CTA fare instruments that previously were excluded because of lost revenue, however, beginning in 2005, RTA will reimburse Pace up to $2.0 million to offset these losses.

Pace has no plans at this time to raise fares in 2005. However, Pace may have to adjust the fare structure, pending the independent decision by the CTA to raise fares as part of an effort to balance their budget.

Further trends for operating revenues are discussed in the three year financial plan section.

Use of Funds

All funds received by Pace are used to provide, expand and support suburban bus services. The components of the 2005 Operating Program are fixed route carriers (Pace-owned, public contract and private contract carriers), dial-a-ride services, ADA paratransit services, the vanpool program, other services, the new Ride DuPage program, centralized support expenses which include insurance and fuel, and costs for administration.

Pace-Owned Services

Pace is responsible for the direct operation of nine carriers in the six county region. Together, these divisions—North, North Shore, Northwest, South, Southwest, West, Fox Valley, River, and Heritage—carry 82% of the total suburban bus ridership. Pace expects to provide $71,382,000 for expenses to these carriers in 2005. Further information on the Pace-owned services budget can be found on page 30.

Public Contracted Services

Pace will contract directly with two municipalities (Niles and Highland Park) for additional fixed route services. These services are expected to cost an estimated $2,250,000 in 2005. Further information on the public contracted services budget can be found on page 31.

Private Contract Services

Pace provides service to more than 39 communities by directly contracting with six private transit companies. Pace expects to fund a total cost of $8,540,000 for these services in 2005. Further information on the private contract services can be found on page 32.

Dial-a-Ride Services

Pace participates in 63 dial-a-ride service projects throughout the six county region. Generally, these services are operated by townships or local municipalities under contract with Pace. Pace provides partial funding to these services, requiring the local government to support a portion of the net service cost based upon a formula applied to the total service cost. In 2005, Pace plans to expend $12,624,000 for these services. Further information on the dial-a-ride services budget can be found on page 33.

ADA Paratransit Services

In compliance with Pace's ADA plan to serve persons with disabilities, the program continues to grow. Pace's cost for these services is expected to reach $12,530,000 in 2005. Further information on the ADA paratransit services budget can be found on page 34.

Vanpool

The 2005 budget for vanpool services contains $3,032,000. This program is targeted specifically at the short and intermediate range work-trip market where the majority of peak period travel occurs. The program has been expanded several times since inception. In 1994, the ADvAntage element was added with the intent to provide a transit alternative to individuals with disabilities who commute on a regular basis to work sites or rehabilitative workshops. In 1997, the Corporate Shuttle element was created to allow suburban employers to shuttle employees to and from nearby transit connections. And, most recently (2001), the municipal vanpool element was introduced. The formation of vanpools has been very popular and the demand continues to grow. Pace expects continued expansion of this program to 520 vans in service by the end of 2005. Further information on the vanpool services budget can be found on page 36.

Other Services

Pace will provide $2.261 million in 2005 to fund several service initiatives. Detailed information on these other services can be found on page 35.

Ride DuPage

On July 1, 2004, the Ride DuPage initiative was implemented. The Ride DuPage program will coordinate paratransit operations which were previously operated and dispatched by numerous private and public organizations. Pace will coordinate service dispatching and provide service through a mix of transportation providers. First year (2005) expenditures for the program are $1.108 million with funding to be coordinated through DuPage County.

Centralized Support, Insurance and Fuel

Pace provides a variety of direct operational support items through a centralized support program. Pace has been able to save money by buying in bulk and consolidating services. In total, Pace plans to spend $25,567,000 to provide fuel, insurance and other support items in 2005. Further detail on the centralized support program budget is contained on page 38.

Administration

In order to accomplish the duties of direct operational support, service planning, capital planning, financial control and MIS support, Pace's 2005 administrative budget is set at $16,959,000. Further information on the administration budget can be found on page 39.

Table 10. 2005 Revenue Summary (000's)

	2003 Actual	2004 Estimate	2005 Budget
OPERATING REVENUES			
Pace-Owned Services	$ 26,351	$ 26,237	$ 24,260
Public Contracted Services	842	915	938
Private Contracted Services	2,626	2,713	2,713
Dial-A-Ride Services	7,067	7,195	7,830
ADA Paratransit Services	1,281	1,372	1,384
Vanpool Program	2,486	2,631	2,736
Other Services	1,582	1,433	1,334
Half-Fare Reimbursement	3,408	3,485	3,478
RTA 7-Day Pass Reimbursement	0	0	2,000
Investment/Other Revenue	1,080	2,104	2,047
Advertising Revenue	3,346	3,550	4,071
Ride DuPage Services	0	547	1,108
Lease Back Revenue	2,424	0	0
Total Operating Revenue	$ 52,495	$ 52,182	$ 53,899
PUBLIC FUNDING			
Sales Tax	$ 70,995	$ 73,050	$ 75,691
Public Transportation Fund	11,752	6,002	3,361
Federal—CMAQ and JARC	1,295	1,054	330
Capital Cost of Contracting	10,155	7,546	7,783
Federal 5307 Funding	2,247	976	16,942
Total Public Funding	$ 96,444	$ 88,628	$ 104,107
Total Source of Funds	$148,939	$140,810	$ 158,006

Chart C. Sources of Funds

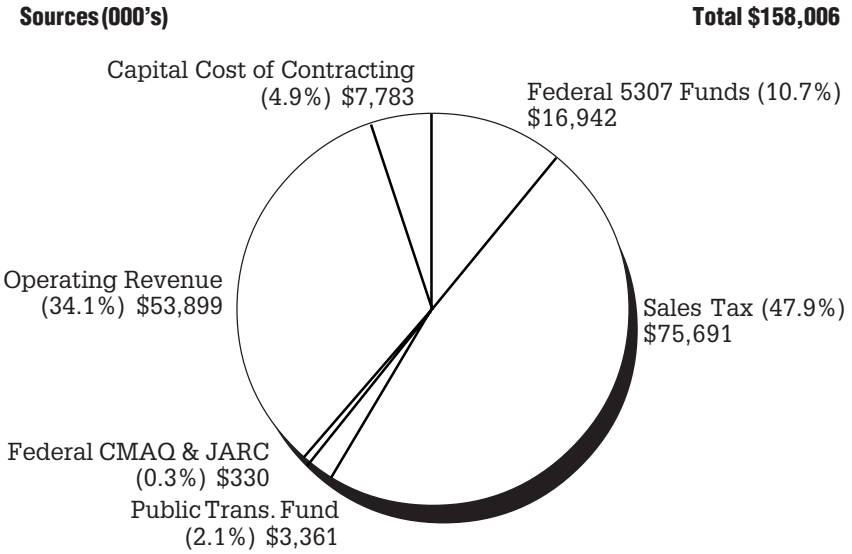
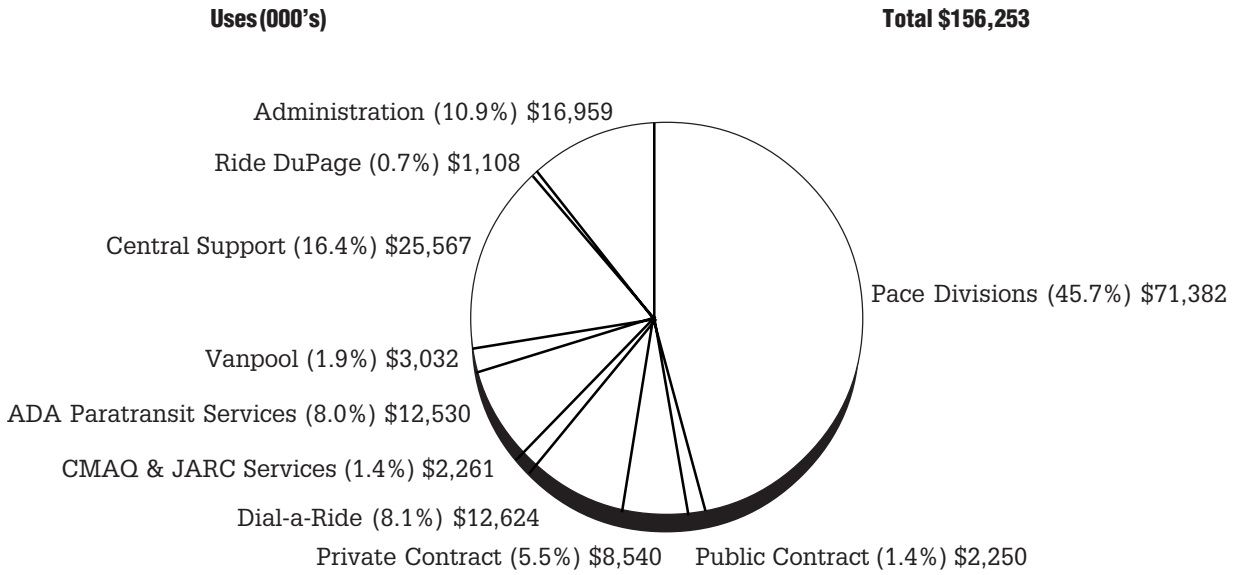


Table 11. 2005 Expense Summary (000's)

	2003 Actual	2004 Estimate	2005 Budget
EXPENSES			
Pace-Owned Services	$ 64,363	$ 69,256	$ 71,382
Public Contracted Services	2,035	2,182	2,250
Private Contracted Services	7,608	8,112	8,540
Dial-A-Ride Services	11,464	11,750	12,624
ADA-Paratransit Services	10,978	11,629	12,530
Vanpool Program	2,431	2,868	3,032
Other Services	4,249	2,606	2,261
Centralized Operations	9,731	11,438	11,727
Insurance	7,238	7,350	7,162
Fuel	5,397	6,465	6,678
Administration	13,434	14,886	16,959
Ride-DuPage Service	0	547	1,108
Total Expenses	$138,928	$149,089	$156,253
Net Funding Available	$ 10,011	$ (8,279)	$ 1,753
Recovery Rate	40.00%	40.00%	40.00% *
FUND BALANCE			
Beginning Balance	$ 3,292	$ 12,198	$ 3,919
Net Funding Available	10,011	(8,279)	1,753
Less: Obligations/Other	1,105	0	0
Ending Balance	$ 12,198	$ 3,919	$ 5,672

**Pace will apply a sufficient amount of ADvAntage and Capital Cost of Contracting credits in order to reach the 40% recovery requirement.*

Chart D. Uses of Funds



2005 Pace-Owned Carrier Budget

Pace directly operates fixed route service from nine facilities located throughout the six county region. Pace facilities include: Pace Fox Valley in North Aurora, Pace Southwest in Bridgeview, Pace Northwest in Des Plaines, Pace River in Elgin, Pace North Shore in Evanston, Pace Heritage in Joliet, Pace South in Markham, Pace West in Melrose Park and Pace North in Waukegan. Together these facilities provide service to approximately 90% of the system's fixed route riders and account for 82% of total system ridership.

In 2005, Pace will spend $47.1 million to provide service at these locations. This represents a 9.5% increase over estimated 2004 levels.

System revenue is projected to decline by 7.5% or $2.0 million over the 2004 estimate. The revenue loss reflects a new agreement between RTA, CTA and Pace to accept CTA's 7-Day Pass, U-Pass and Visitor/Fun Passes. The agreement also provides Pace with reimbursement for this loss by the RTA (shown on a separate line). Adjusting for the reimbursement, Pace division revenue is projected to remain flat for 2005.

Total operating expenses will grow 3.1% over 2004 levels. Labor, fringe benefit costs including pension, and utility costs are the primary factors affecting the rising costs in 2005.

Recovery performance will decline at the divisions for 2005 as expenses will grow while revenue will decline.

The budget for Pace carriers is summarized on the table below.

Pace's efforts for 2005 include providing 28.0 million rides with a minimum recovery ratio of 33.99%.

Additional information on the Pace Operating Division budget is provided in Appendix A.

Table 12. Budget Summary—Pace Owned Carriers (000's)

	2003 Actual	2004 Estimate	2005 Budget
Revenue	$ 26,351	$ 26,237	$ 24,260
Expenses			
Operations	$ 46,953	$ 50,326	$ 51,639
Maintenance	12,389	13,345	13,739
Non-Vehicle Maintenance	1,582	1,676	1,762
General Administration	3,439	3,909	4,242
Total Expenses	$ 64,363	$ 69,256	$ 71,382
Funding Requirement	$ 38,012	$ 43,019	$ 47,122
Recovery Rate	40.94%	37.88%	33.99%
Ridership	27,885	27,918	27,918
Vehicle Miles	21,791	21,640	21,640
Vehicle Hours	1,430	1,422	1,422
Full Time Equivalents (FTE's)	1,172	1,172	1,165

2005 Public Contracted Service Budget

Pace will contract with two municipalities—Highland Park and Niles to provide fixed route bus service in their areas in 2005.

Total public contract revenue is projected to rise 2.5% over the 2004 estimate. The growth will come from increasing local share contributions as well as fare revenues, which is estimated to increase slightly. The local share requirement was imposed on these services in 2001 in order to maintain a systemwide recovery performance of 40%.

Total expenses are projected to grow by $68,000 or 3.1% over the estimate for 2004. This increase reflects estimated growth for labor and fringe benefit costs, including rising health care.

Pace's 2005 efforts for this area of the budget include achieving a 40.0% recovery ratio, while increasing ridership levels to 804,000 riders.

Detailed information for the Public Contract Service budget is provided in Appendix A.

Table 13. Budget Summary—Public Contracted Carriers (000's)

	2003 Actual	2004 Estimate	2005 Budget
Revenue			
Fares	$ 662	$ 661	$ 673
Local Share	179	254	265
Total Revenue	$ 841	$ 915	$ 938
Expenses			
Operations	$ 1,399	$ 1,433	$ 1,487
Maintenance	489	492	496
Non-Vehicle Maintenance	0	0	0
General Administration	147	257	267
Total Expenses	$ 2,035	$ 2,182	$ 2,250
Funding Requirement	$ 1,194	$ 1,267	$ 1,312
Recovery Rate	41.32%	41.94%	41.69%
Ridership	790	797	804
Vehicle Miles	509	521	521
Vehicle Hours	43	44	44

2005 Private Contract Carrier Budget

In 2005, Pace will contract directly with six private transit providers for fixed route service in 39 different communities.

Private contractors doing business with Pace include:

- Academy Coach Lines
- Colonial Coach Lines
- Laidlaw
- Mid-American Coach Lines
- Cook County School Bus
- M.V. Transportation

The net cost of providing fixed route contracted service will rise $428,000 in 2005. This represents a 7.9% increase from estimated 2004 levels and is directly attributed to rising costs as service levels will remain unchanged next year. Contractor's renewal rates have been growing significantly over the past several years as labor and fringe benefit costs, specifically healthcare, have been rising at rates well above the standard CPI-rate of inflation.

Operating revenues are projected to remain constant in 2005 in conjunction with ridership which is estimated to stay at 2004 levels.

Recovery performance will decline due to rising costs.

The budget for private contracted services is summarized on the following table. The general outlook for this program in 2005 is to achieve nearly 2.0 million riders while achieving a minimum recovery ratio of 31.77%.

Table 14. Budget Summary—Private Contract Carriers (000's)

	2003 Actual	2004 Estimate	2005 Budget
Revenue	$ 2,626	$ 2,713	$ 2,713
Operating Expenses	7,608	8,112	8,540
Funding Requirement	$ 4,982	$ 5,399	$ 5,827
Recovery Rate	34.52%	33.44%	31.77%
Ridership	1,976	1,998	1,998
Vehicle Miles	2,454	2,218	2,218
Vehicle Hours	142	136	136

2005 Dial-a-Ride Services Budget

Dial-a-ride service is available in a large portion of the Pace service area. Nearly all service is provided with Pace-owned paratransit vehicles.

Pace contracts directly with private providers for the operation of 30 dial-a-ride projects. The communities served continue to provide financial support for these projects through "local share agreements" with Pace. Pace continues to receive funding to help cover a portion of dial-a-ride service costs through 41 local share agreements.

Pace has service agreements with villages and townships for the operation of 33 other dial-a-ride projects. In most cases, the local community operates the service. For 2005, Pace's funding formula for service agreements is based on providing a subsidy of $2.25 per trip or 75% of deficit, whichever is less ($2.25/75%). As in past years, individual project funding will also be limited to the inflationary growth rate for 2005.

The budget shown in Table 15 is based on the $2.25/75% subsidy formula and will provide $12.6 million for dial-a-ride service throughout the six county region. Total costs are up 7.4% in 2005, as costs of renewal for several private contracts are expected to exceed the 2.2% rate of inflation. Service expansion is also contributing to part of the growth next year. Dial-a-ride ridership is projected to increase 3.4% in 2005.

Dial-a-ride efforts in 2005 will include carrying 1.1 million riders while maintaining recovery performance to a level of 62.03%.

Table 15. Budget Summary—Dial-a-Ride Services (000's)

	2003 Actual	2004 Estimate	2005 Budget
Revenue			
Fares	$ 1,035	$ 1,057	$ 1,135
Local Share	6,032	6,138	6,695
Total Revenue	$ 7,067	$ 7,195	$ 7,830
Expenses			
Operations	$ 10,278	$ 10,465	$ 10,983
Maintenance	464	451	471
Non-Vehicle Maintenance	21	31	32
Administration	701	803	1,138
Total Expenses	$ 11,464	$ 11,750	$ 12,624
Funding Requirement	4,397	4,555	4,794
Recovery Ratio	61.64%	61.23%	62.03%
Ridership	1,066	1,066	1,102
Vehicle Miles	4,234	4,234	4,234
Vehicle Hours	270	270	276

2005 ADA Paratransit Services Budget

In compliance with the Americans with Disabilities Act (ADA), Pace submitted a plan for the provision of complementary paratransit service to the Federal Transit Administration (FTA) in January, 1992. The plan was updated annually in accordance with FTA requirements each January until Pace achieved compliance in January, 1997. For 2005, Pace's program reflects continued growth.

Pace will expend $11.6 million in ADA service in 2004. This represents a 5.9% or $.651 million increase and reflects the rising cost of doing business as well as increased demand/ridership for 2004. ADA ridership is one of the few areas in Pace's budget reflecting growth in ridership.

In 2005, the ADA budget will continue to expand at a rate of 7.7%, or an additional $.901 million to $12.5 million. Ridership is projected to grow 0.5% or an additional 2,000 riders. Costs will grow 7.7% as contractor renewal rates continue to rise at a much higher level than the 2.2% inflation rate. ADA recovery performance will reach 11.04% in 2005 as the high cost of service will continue to negatively affect this area of the budget.

Details of the ADA budget are summarized in the table below. Pace's efforts for the ADA Paratransit program in 2005 will focus on continued productivity gains through cost containment. Ridership is projected to reach 419,000 passengers in 2005.

Table 16. Budget Summary—ADA Paratransit Services (000's)

	2003 Actual	2004 Estimate	2005 Budget
Revenue	$ 1,281	$ 1,372	$ 1,384
Expenses	10,978	11,629	12,530
Funding Requirement	$ 9,697	$ 10,257	$ 11,146
Recovery Ratio	11.67%	11.80%	11.04%
Ridership	382	417	419
Vehicle Miles	3,468	3,790	3,831
Vehicle Hours	266	276	276

2005 Other Services

Pace will provide and continue to fund several ongoing service initiatives in 2005. The services included in this category are identified below with detailed information provided in Table 17.

CMAQ Services

Pace has continued to initiate new fixed route services in accordance with the federal Congestion Mitigation/ Air Quality (CMAQ) program which began in 1996. Pace will receive only $179,000 in CMAQ funding in 2005. The balance of these costs will be absorbed into the base budget next year.

JARC Service

Pace has continued to apply and receive funding under the Job Access and Reverse Commute Program (JARC). This program provides limited (one to two year) funding for new services designed to transport welfare recipients and low-income individuals to and from jobs. During the past several years, Pace has maximized the use of this program; however, Pace continues to receive only a portion of the required funding ($151,000 next year) and, therefore, will continue to absorb these costs into the base budget.

Downers Grove

The Village of Downers Grove operates the Grove Commuter Shuttle, feeding passengers to the Metra/ Burlington Northern rail station in Downers Grove. This service will continue to be included in Pace's budget for 2005 at a cost of $690,000, with offsetting revenue of $622,000 which includes local subsidy.

Schaumburg

A trolley service was implemented in the Woodfield area in 2001 and continues in 2005. The cost of this service is estimated at $401,000 and will continue to be funded at 100% by the Village of Schaumburg.

Northwest University Shuttle

Northwest University offers shuttle service between the Evanston campus and several transit stops throughout Evanston. This service operates during the academic school year. This service will be included in Pace's budget for 2005 at a cost of $102,000 with offsetting revenue of $92,000 which includes local subsidy.

Table 17. Budget Summary—Other Services (000's)

	2003 Actual	2004 Estimate	2005 Budget
REVENUE			
CMAQ	$ 132	$ 66	$ 66
JARC	408	280	153
Schaumburg	434	380	401
Downers Grove	575	620	622
Northwestern	33	87	92
Total Revenue	$ 1,582	$ 1,433	$ 1,334
EXPENSES			
CMAQ	$ 892	$ 794	$ 818
JARC	2,262	666	250
Schaumburg	434	380	401
Downers Grove	624	669	690
Northwestern	37	97	102
Total Expenses	$ 4,249	$ 2,606	$ 2,261
Funding Requirement	$ 2,667	$ 1,173	$ 927
Recovery Ratio	37.2%	55.0%	59.0%
Ridership	328	227	227
Vehicle Miles	446	360	360
Vehicle Hours	35	29	29

2005 Vanpool

The Vanpool program is a commuting option which provides passenger vans to small groups, 5 to 15 people, allowing them to commute to and from work together. The program continues to grow and Pace estimates to have 520 vans in service by year-end 2005, carrying 1.42 million riders. Revenue and expenses are projected to increase 4% and 5.7%, respectively, over 2004 levels.

Pace's Vanpool program is comprised of four elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle, the ADvAntage program and the municipal vanpool program, all of which are detailed on Table 18.

The budget for the total Vanpool program is also summarized in the table.

Vanpool Incentive Program (VIP)

The VIP service is the core element of the program and is projected to achieve a ridership level of 664,000 with 208 vans in service by the end of 2005. The 2005 budgeted revenue and expenses are projected to increase 4.0% and 5.7%, respectively, over 2004 levels. Recovery performance is budgeted at 91.9% for 2005.

Table 18. Vanpool Budget (000's)

	2003 Actual	2004 Estimate	2005 Budget
REVENUE			
VIP	$ 1,103	$ 1,205	$ 1,254
Corporate Shuttle	337	260	270
ADvAntage	884	978	1,017
Municipal	162	187	195
Total Revenue	$ 2,486	$ 2,630	$ 2,736
EXPENSE			
VIP	$ 1071	$ 1,291	$ 1,364
Corporate Shuttle	206	178	188
ADvAntage	1,154	1,399	1,480
Total Expenses	$ 2,431	$ 2,868	$ 3,032
Funding Requirement	$ 55	$ (238)	$ (296)
RECOVERY RATE			
VIP	102.9%	93.4%	91.9%
Corporate Shuttle	164.1%	145.9%	143.6%
ADvAntage	76.6%	69.9%	68.7%
Total Recovery Rate	102.3%	91.7%	90.2%
RIDERSHIP			
VIP	602	638	664
Corporate Shuttle	83	93	97
ADvAntage	524	560	582
Municipal	72	73	76
Total Ridership	1,281	1,364	1,419
VEHICLE MILES			
VIP	4,471	4,635	4,820
Corporate Shuttle	587	369	383
ADvAntage	2,816	2,976	3,095
Municipal	370	360	375
Total Vehicle Miles	8,244	8,340	8,673
Vans in Service (year-end) - VIP	177	200	208
Vans in Service (year-end) - Corporate Shuttle	34	25	26
Vans in Service (year-end) - ADvAntage	193	215	224
Vans in Service (year-end) - Municipal	53	60	62
Total Vans in Service	457	500	520

Corporate Shuttle Program

The Corporate Shuttle Program provides vans to suburban employers to shuttle employees to and from nearby transit connections with CTA, Metra and Pace facilities. Pace estimates to have 26 shuttle vans in service by the end of 2005. The 2005 budgeted recovery rate for this program is 143.6%.

ADvAntage Program

In 1994, Pace expanded the vanpool program to include the ADvAntage element. ADvAntage is intended to provide a transit alternative to individuals with disabilities that commute on a regular basis to work sites or rehabilitative workshops. It is an alternative to those unable to use the regular ADA paratransit service or those living outside the 3/4 mile service area.

In 2005, this program reflects a respective 4% and 5.7% increase in revenue and expense. Pace projects to have 224 vans in service by 2005 year-end. The recovery rate for the ADvAntage program is budgeted at 68.7% in 2005.

Municipal Vanpool Program

The Municipal Vanpool Program was initiated in the middle of 2001 and allows local municipalities to provide public transportation in their communities. This program will provide $195,000 in operating revenue with 62 vans in service in 2005.

Pace's efforts for the entire Vanpool Program in 2005 will include growing the overall program by 5.7%, carrying 1,419,000 passengers, maintaining a recovery ratio of 90.2%, and increasing the number of vans in service to 520 by the end of 2005.

Table 19. Monthly VIP and Other Vanpool Services Fare Schedule

Current

Daily Round Trip Van Miles	4 Pass*	5-6 Pass*	7-8 Pass*	9-10 Pass*	11-12 Pass*	13-14 Pass*
1-20 Miles	$ 87	$ 76	$ 64	$ 54	$ 54	$ 54
21-30 Miles	$ 91	$ 80	$ 68	$ 56	$ 54	$ 54
31-40 Miles	$ 95	$ 84	$ 73	$ 59	$ 54	$ 54
41-50 Miles	$100	$ 89	$ 76	$ 62	$ 54	$ 54
51-60 Miles	$104	$ 93	$ 80	$ 65	$ 56	$ 54
61-70 Miles	$108	$ 97	$ 83	$ 68	$ 58	$ 54
71-80 Miles	$112	$102	$ 87	$ 71	$ 60	$ 54
81-90 Miles	$115	$105	$ 90	$ 74	$ 62	$ 54
91-100 Miles	$118	$108	$ 93	$ 77	$ 64	$ 56
101-110 Miles	$121	$111	$ 96	$ 80	$ 66	$ 58
111-120 Miles	$126	$114	$ 99	$ 83	$ 68	$ 60
121-130 Miles	$129	$117	$102	$ 87	$ 70	$ 62
131-140 Miles	$132	$121	$105	$ 90	$ 72	$ 64
141-150 Miles	$135	$124	$108	$ 93	$ 74	$ 66
151-160 Miles	$138	$127	$111	$ 96	$ 76	$ 68

** The van driver is excluded from this passenger/van count.*

Other Vanpool Services	Monthly Fees
ADVANTAGE	
ADA Eligible	$345
Non-ADA	$690
SHUTTLE/FEEDER	
Private (For Profit)	$800
Not-For-Profit	$595
Metra Feeder	$42/passenger
MUNICIPAL PROGRAM	$260

2005 Centralized Support Budget

The 2005 centralized support budget of $25.6 million provides for a total support staff of 89 positions in the bus operations, materials management and facility maintenance areas. The budget includes expenses relating to the procurement of commonly used goods and services by all Pace carriers, including fuel.

In 2004, Pace's centralized support expense is estimated to end the year up $2.8 million or 12.9% over 2003 levels. A significant increase in fuel expenditures and a resumption of pension contributions will account for a majority of the growth in 2004.

The 2005 centralized support budget will grow by only 1.2% over estimated 2004 levels. Continued efforts to minimize insurance expenses will help offset the growth in fuel and labor costs.

Looking at the individual components of the central support budget, operations expense is expected to grow 3.3% over 2004 levels. The operations component is comprised entirely of labor and fringe benefit expense for 36 positions that provide support to all operating areas at Pace. Rising labor and fringe benefit costs, specifically higher pension costs, account for the growth in this area.

The maintenance area is comprised of 45 positions and includes both maintenance and materials management personnel. Total maintenance expense is projected to increase 3.6% over 2004 levels, with most of this growth attributed to increased labor and fringe benefit costs.

Fuel expenses are projected to grow 3.3% for 2005. Fuel consumption is budgeted at 6.2 million gallons, an increase of 77,000 gallons over 2004 levels. The budget assumes an average price of $1.08 per gallon, a two and one-half cent increase from estimated 2004 levels.

The non-vehicle maintenance area consists of eight positions which provide support to all building maintenance and bus shelter functions. Additional expenses associated with passenger facility maintenance, along with increased building maintenance costs, are causing expenses to rise 3.9% over 2004 levels.

The administration portion of the centralized support budget is comprised of numerous items including liability insurance, marketing, revenue collection, farebox maintenance, and Pace's acceptance facility. Cost growth in this area continues to be constrained whenever possible for 2005, including liability insurance. Liability insurance costs are estimated to decline 2.6% next year.

Pace's 2005 budgetary efforts for centralized support will include holding non-labor expenditures to a minimum while maintaining a staffing level of 89 positions.

Further detail of the following table is provided in Appendix A.

Table 20. Centralized Support Budget (000's)

	2003 Actual	2004 Estimate	2005 Budget
Operations	$ 2,423	$ 2,581	$ 2,667
Maintenance	3,742	4,512	4,672
Fuel	5,397	6,465	6,678
Non-Vehicle Maintenance	836	929	965
Administration	2,730	3,417	3,424
Insurance	7,237	7,349	7,162
Total	$ 22,365	$ 25,253	$ 25,568
Full Time Equivalents (FTE's)	89	89	89

2005 Administrative Budget

The 2005 administrative budget provides for 158 positions at an estimated total cost of $17.0 million. Pace administration is responsible for managing all of the agency's administrative responsibilities, including accounting, financial and capital assistance programs, marketing, information systems, legal services and risk management.

The following table summarizes the two major categories of the administrative budget: Non-Vehicle Maintenance which represents the operating costs for the headquarters facility and the Administration category. Administration costs include labor, parts and supplies, utilities and other expenses.

In 2004, administrative expenses are estimated to end the year up $1.4 million or 10.8% over 2003 levels. The growth is attributed to increased labor and fringe benefit costs as well as added costs associated with Pace's restructuring efforts. Fewer vacancies, or an increase in the number of filled positions, are contributing to the higher labor costs, and a resumption in pension contributions are causing a significant rise in fringe benefit costs in 2004.

The 2005 administrative budget will increase 13.9% over 2004 levels and includes the one-time expenditure of $1.5 million for continuation of the restructuring effort. Adjusting for the one-time cost, administrative expenses will rise 3.8%. Pace's current restructuring efforts have focused on selected areas of service. As Pace moves forward into next year, the plan is to look at all areas of the region and revise service delivery efforts to maximize efficiency while minimizing the impact to our riders.

Looking at the individual components of the administrative budget—non-vehicle maintenance expenses are projected to decline next year, following one-time expenditures that were incurred in 2004. Pace continues to maximize cost saving efforts wherever possible.

Labor and fringe benefit costs will grow 5.2% in 2005. Administrative staffing will rise by three Full Time Equivalents (FTE's) to handle program growth in Pace's Vanpool Program, the Legal Department, and administration of the new Ride DuPage program. A rise in pension costs are also causing fringe benefit expenses to rise.

Parts and supplies are expected to grow 1.7% due largely to inflation. Utility costs are expected to decline slightly (0.7%) from 2004 levels. The decline in utility costs are the result of savings that will be expected from a newly negotiated cell phone contract.

The expense category "Other" will rise 42.6% next year due to $1.5 million in one-time expenditures for restructuring, so noted above.

Pace's 2005 budgetary efforts for administration include constraining non-labor expense growth while maintaining a staffing level of 158 positions.

Further detail on the administrative budget is provided in the following table.

Table 21. Administrative Budget (000's)

	2003 Actual	2004 Estimate	2005 Budget
Non-Vehicle Maintenance	$ 169	$ 182	$ 173
General Administration			
Labor/Fringe benefits	9,603	10,777	11,339
Parts/Supplies	202	216	220
Utilities	147	152	151
Other	3,313	3,559	5,076
Total Expenses	$ 13,434	$ 14,886	$ 16,959
Full Time Equivalents (FTE's)	153	155	158

Organizational Overview

The Pace organization is comprised of three primary elements: administration, central support, and Pace-Owned divisions. Within each element, employees are classified into four activity areas: operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the National Transit Database reporting requirements which apply to all public transit operators.

The administration element for 2005 is budgeted at 158 filled full-time equivalents (FTE's) and represents an increase of three positions over 2004. The growth in administrative FTE's for 2005 can be attributed to three added positions in Legal, Vanpool and Ride DuPage.

The central support element is budgeted at 89 filled FTE positions for 2005 and reflects no increase from estimated 2004 levels.

The Pace division element is comprised of nine Pace division garages and is budgeted at 1,165 filled FTE positions for 2005. The decline in FTE's from 2004 levels reflects a reduction in overtime and acquired savings through attrition.

Pace's administration is organized into three main areas: Internal Services, Revenue Services, and Strategic Services. Each area is headed by a Deputy Executive Director who reports to the Executive Director. General Counsel, Internal Audit, Government Affairs and Organization Development also report directly to the Executive Director.

Internal Services encompasses all functional areas of administration, human resources, risk management, capital financing, budget planning, finance, information technology, as well as purchasing and facility management.

Revenue Services oversees the operational and maintenance functions of Pace. These functions include the Pace divisions, safety, vehicle maintenance, vanpool and paratransit service areas.

Strategic Services is responsible for marketing, communications, and planning and strategic functions of the company.

These areas are indicated in detail on the organization chart on page 41.

Table 22. Full-Time Equivalent Personnel (FTE's)

2003 ACTUAL

Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	37	917	954
Maintenance	0	44	204	248
Non-Vehicle Maintenance	0	8	15	23
Administration	153	0	36	189
Total	153	89	1,172	1,414

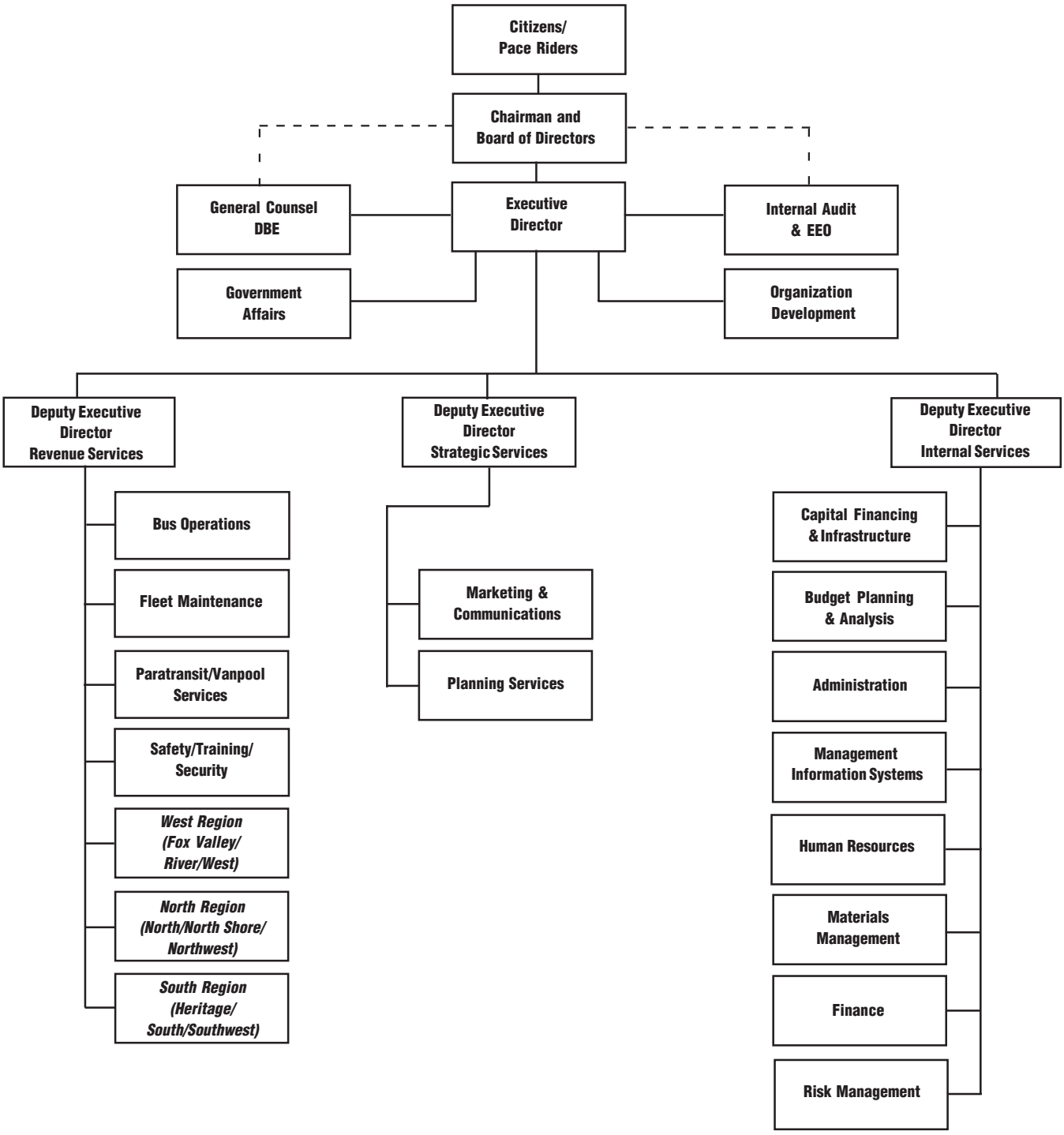
2004 ESTIMATED

Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	37	917	954
Maintenance	0	44	204	248
Non-Vehicle Maintenance	0	8	15	23
Administration	155	0	36	191
Total	155	89	1,172	1,416

2005 BUDGET

Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	36	910	946
Maintenance	0	45	204	249
Non-Vehicle Maintenance	0	8	15	23
Administration	158	0	36	194
Total	158	89	1,165	1,412

Chart E. Pace Organizational Chart



2005 Capital Program Budget

Summary

Pace has developed two budgets as directed by the RTA. One budget shifts Federal 5307 funding to operations in the event that no new subsidies are received. Specifically, Pace will shift $16.9 million from its capital budget to support operations. This includes $14.2 million for Bus Maintenance/Overhaul expenses and $2.7 million for ADA Complementary Services expenses. Additionally, Pace will continue to use $7.8 million in Capital Cost of Contracting for paratransit services to support operations.

The alternative budget that was developed restores the Capital Program to a full funding level in the event that new subsidies are received.

Table 23 depicts by asset category the amount of federal and local funding available for capital in 2005. This is referred to as the "Limited Funding Budget" and assumes that no new subsidies are received.

Table 23. 2005 Capital Program (000's) - Limited Funding Budget

Asset Category	Federal	Local	Total
Rolling Stock	$11,620	$9,326	$ 20,946
Support Facilities & Equipment	0	8,400	8,400
Stations & Passenger Facilities	0	1,500	1,500
Contingencies/Project Administration	410	533	943
Total for Capital	$12,030	$19,759	$ 31,789

The Limited Funding Capital Budget for 2005 is $31.8 million. The Federal Transit Administration (FTA) is expected to provide $12.0 million and the Regional Transportation Authority (RTA) and the Illinois Department of Transportation (IDOT) are expected to provide $19.8 million.

The program contains $20.9 million for 27 fixed route replacement buses, 51 paratransit buses, 165 vanpool vehicles, and associated capital.

Support Facilities and Equipment totaling $8.4 million are included in the 2005 program. Projects include Phase 2 funding for the replacement of a farebox system, improvements to garages and facilities, computer systems, office and maintenance equipment.

The program also includes $1.5 million for the engineering and construction of a transportation center at Yorktown Mall in Lombard. Lastly, $1.0 million is programmed for Contingencies and Project Administration.

Table 24 provides a list of capital projects Pace will restore to the Capital Program in the event that we do receive additional subsidies. This is referred to as the "Full Funding Budget."

Table 24. 2005 Capital Program - Full Funding Budget - Additional Projects (000's)

Asset Category	Amount
Purchase 10 Fixed Route Replacement Buses	$ 4,200
Completion Funding for Farebox System	700
Purchase Systemwide Radio System—Phase I	6,700
Purchase Additional Computer Systems	900
Improvements to Garages	4,000
Purchase Additional Maintenance Equipment	300
Contingencies/Project Administration	100
Total Additional Capital Projects	$ 16,900

The projects identified in Table 24 will have to be deferred if additional subsidies are not received. In addition to the obvious need for bus replacement, Pace will have to defer the replacement of a 10 year old radio system. The antiquated system does not provide adequate communication coverage throughout our service area. Lastly, many Pace garages are nearly 20 years old and in need of mechanical system replacements and building infrastructure improvements (i.e., HVAC, bus washers, roofs, etc.).

Capital Funding Issues

This section discusses a significant issue which will affect the future funding of our Capital program needs over the next five years.

Each year, the RTA is required to issue capital program marks by September 15th, which are used to guide the development of the upcoming fiscal years' capital program. On September 10, 2004, the RTA passed marks for 2005-2009 and, as part of their actions, also qualified that the funding marks that they established presumed the receipt of additional public subsidies not yet identified. Therefore, the Service Boards were advised that they would be required to submit two budgets in November—one based on the receipt of new funding and one that addressed an equivalent operating shortfall in the event no new subsidy was obtained. Pace's proposed budget assumes the use of Federal 5307 funding to support its operating shortfall. The Federal Transportation Administration has recognized that transit systems need the flexibility to use Federal 5307 apportionment funds for various uses (i.e., capital, planning and operating needs) and, therefore, subject to RTA approval, this will allow Pace to secure this funding for expenses incurred in capital consumed by private operators (Capital Cost of Contracting); bus maintenance expenses and costs associated with providing ADA complementary services.

As explained in the Operating Budget Issues, Pace is assuming the use of Federal 5307 funding to support its operations in the short term if no new subsidies are received. However, in doing this, Pace will need to defer numerous capital projects, including fleet replacements, garage renovations and enhancements to passenger facilities. The use of federal funding for operations, coupled with the uncertainty of new State and RTA bond funding, could have a devastating effect on the capital needs of Pace. Listed below is a current status of the capital funding sources.

Federal Program

The Transportation Equity Act for the 21st Century (TEA-21) provided federal transit funding authorization for federal fiscal years 1998-2003. The TEA-21 expired on September 30, 2003 and was extended through September 30, 2004. The extension continued federal funding at FFY2004 levels and made no programmatic changes. The House/Senate Conference Committee on TEA-21 Reauthorization continues their work to reach an agreement on an overall six-year funding level covering 2005-2010; however, as of this writing no agreement has been reached. For planning purposes, the RTA's preliminary marks assume the reauthorization of the TEA-21 legislation using the Senate's proposed six-year funding level.

State and RTA Bond Programs

At this time, no legislation is pending in Springfield covering the continuation of the next five year bond authorizations for transit. The RTA assumed in their 2005-2009 marks that the annual IDOT B-Bond appropriation will equal $76.0 million for 2005-2009. Additionally, RTA assumed that other IDOT Bonds will be available at a level of $4.0 million annually. Whether the IDOT Bonds will be available in 2005 will be considered in the upcoming legislative veto session scheduled in November.

The RTA's marks also assume that an additional RTA bond authorization will be available and the State will continue to issue SCIP bonds at the current level of capital investment. Their plan presupposes an amount of $260 million each year from 2005 through 2009. The RTA General Obligation (GO) bonds, on the other hand, are assumed at zero because RTA claims that they do not have sufficient funds to pay the debt service for these GO bonds. The State of Illinois pays the debt services on the SCIP bonds.

The capital funding sources on the next page describe the capital funding programs as we know them today. The outcome of actions by the Federal and State governments in the months to come will likely result in changes to the funding levels and it will drive the number of capital projects Pace can undertake.

Capital Funding Sources

The description of these funding sources represents the programs which are in place as of this writing. Reauthorizations of these funding sources may also mean programmatic changes.

Federal Funding

There are currently three federal sources: (1) Discretionary funds, commonly referred to as Section 5309, which Pace is eligible to receive primarily for bus procurements; (2) Apportionment funds, commonly referred to as Section 5307, which Pace can use for its overall capital needs, planning and certain operating expenses; and (3) Flexible funds, such as Surface Transportation Program (STP) and Congestion Mitigation and Air Quality (CMAQ) funds, which can be used for qualifying transit projects like Pace's Vanpool Program with a focus on transportation for work trips. In addition to the STP and CMAQ funds, TEA-21 also established two other competitive transit grant programs: the Clean Fuels Formula (CFF) Program and the Job Access and Reverse Commute (JARC) Program. The CFF Program will finance the purchase or lease of clean fuel buses and facilities, as well as the improvements to existing facilities to accommodate clean fuel buses. The JARC Program is designed to transport welfare recipients and eligible low-income individuals to and from jobs.

The Section 5307 and the Section 5309 Fixed Guideway Modernization funds are allocated to the Service Boards on a percentage basis allocation by the RTA. Presently, the allocation is 58% to CTA, 34% to Metra, and 8% to Pace. This percentage basis allocation has been in place since 1985. The Section 5309 Bus Funds are discretionary and CTA and Pace compete for a portion of a statewide earmark. It has been RTA's practice that these funds are considered to be outside the 58%-34%-8% allocation.

State Funding

Through the Illinois *First* Program, IDOT "B" Bonds were used for projects with a useful life of more than twelve years. In general, IDOT does not allocate funds to the Service Boards by formula. Rather, they prefer to make funding decisions on the merits of individual projects.

IDOT is also proposing to make available other types of bonds in 2005 that are not as strict as B-Bonds for projects with a useful life of less than twelve years. This funding is very critical to Pace since the State eliminated General Revenue Funding in recent years. These appropriations will be taken up in the upcoming State Legislative veto session in November.

RTA Funding

Through the Illinois *First* Program, RTA issued $1.6 billion in bonds for capital improvements during the period 2000–2004. These funds were allocated by the formula of 50% to CTA, 45% to Metra and 5% to Pace. This included $1.3 billion in authorization for Strategic Capital Improvement Program (SCIP) bonds which the State of Illinois reimburses the principal and interest expense to the RTA. RTA has assumed that the SCIP Bonds will continue, however, there is no appropriation or pending legislation before the State Legislature to accomplish this.

Pace Funds

Each year Pace is required to use some portion of its own funds to meet its capital needs. In 2005, Pace needs approximately $58,000 in Pace restricted sales tax revenue to match Project Administration.

2005 Capital Program Description

The 2005 Capital Program total is expected to be approximately $31.8 million. Pace has developed two capital budgets as RTA has directed. In the event that new public subsidies are received to support its operations, $16.9 million in Federal 5307 funding will be restored to the Capital Program. The list of projects that will be restored is detailed in a separate section below.

Rolling Stock ($20.9 Million)

- *27 Fixed Route Replacement Buses ($9.4 million)* - The program contains funds for the replacement of 27 fixed route buses which have exceeded their useful life. The replacement vehicles will be a mix of 30, 35 and 40 foot traditional transit buses. The program also includes power packs, inspection services, etc.
- *51 Paratransit Replacement Buses ($3.5 million)* - The program contains funds for the replacement of paratransit buses which have exceeded their useful life.
- *165 Vanpool Vehicles ($6.5 million)* - The program contains funds for the replacement of vanpool vehicles which have exceeded their useful life and for expansion vans. The number of vehicles Pace can purchase is driven by the amount of federal CMAQ funds Pace expects to receive in 2005. Pace will compete for $6.5 million through the CATS, CMAQ selection process and the amount Pace receives will determine the number of vehicles Pace will be able to purchase.
- *Associated Capital ($1.5 million)* - The program contains funds for the purchase of engines, transmissions, axle assemblies, seats, etc.

Support Facilities & Equipment ($8.4 Million)

- *Purchase Systemwide Farebox System - Phase 2 ($4.6 million)* - The program contains Phase 2 funding for the replacement of a systemwide farebox system. The current system is ten years old and in need of replacement.
- *Maintenance Equipment/Support Equipment ($.4 million)* - The program contains funds for the purchase of miscellaneous maintenance equipment for Pace garages.
- *Computer Systems ($1.1 million)* - The program contains funds for the purchase of miscellaneous computer hardware and software, and provides continuation funding for the HP3000 Migration project.
- *Office Furniture/Equipment ($.3 million)* - The program contains funds for the purchase of office furniture for our garage facilities and the purchase of copiers.
- *Improvements to Garages/Facilities ($2.0 million)* - The program contains funds for the purchase of garage equipment, steel restoration at the Northwest Transportation Center, and the replacement of two fire protection systems at West and South Divisions.

Stations and Passenger Facilities ($1.5 million)

- *Stations and Passenger Facilities ($1.5 million)* - The program contains funds to engineer and construct a transportation center at Yorktown Mall in Lombard, Illinois. The facility will accommodate four bus bays, a canopied open air passenger waiting area, and a drivers' washroom.

Contingencies/Project Administration ($1.0 Million)

- *Contingencies/Project Administration ($1.0 million)* - The program contains funds to cover contingencies and project administration. Contingencies are used to cover costs over the budgeted amounts and project administration covers the in-house staff salaries associated with undertaking and completing a capital project. Examples include staff hours associated with preparing bid documents and specifications and staff hours associated with the administration of the capital grants.

Additional Capital Projects

In the event that Pace receives additional funding from the State Legislature, $16.9 million in Federal 5307 funding will be freed up and reallocated to the following capital projects.

- Purchase an additional ten fixed route buses to replace vehicles that have exceeded their useful life, power packs and inspection services - *($4.2 million).*

Additional Capital Projects (continued)

- Completion funding for a Systemwide Farebox System - *($.7 million).*
- Purchase a Systemwide Radio System—Phase 1 - *($6.7 million).*
- Purchase of additional computer systems - (*$.9 million).*
- Purchase of additional replacement equipment and systems at our Pace garages. This includes the purchase of fire and security systems at all Pace garages, building tuckpointing, concrete and asphalt pavement replacements, etc - *($4.0 million).*

Table 25. 2005 Capital Program - Limited Funding Budget (000's)

Project Description	Amount
ROLLING STOCK	
Purchase 27 Fixed Route Buses	$ 9,416
Purchase 51 Paratransit Buses	3,570
Purchase 165 Vanpool Vehicles	6,460
Associated Capital	1,500
Subtotal Rolling Stock	$ 20,946
SUPPORT FACILITIES & EQUIPMENT	
Purchase Systemwide Farebox System—Phase 2	$ 4,600
Purchase Maintenance/Support Equipment	400
Purchase Computer Systems	1,100
Purchase Office Furniture and Equipment	300
Improvements to Garages/Facilities	2,000
Subtotal Support Facilities and Equipment	$ 8,400
STATIONS & PASSENGER FACILITIES	
Yorktown Transfer Facility	$ 1,500
Subtotal Stations & Passenger Facilities	$ 1,500
CONTINGENCIES & PROJECT ADMINISTRATION	
Contingencies & Project Administration	$ 943
Total Capital Program - Limited Funding	$ 31,789

- Purchase of additional maintenance equipment for Pace garages *($.3 million).*
- Increased funding for contingencies and project administration (*$.1 million).*

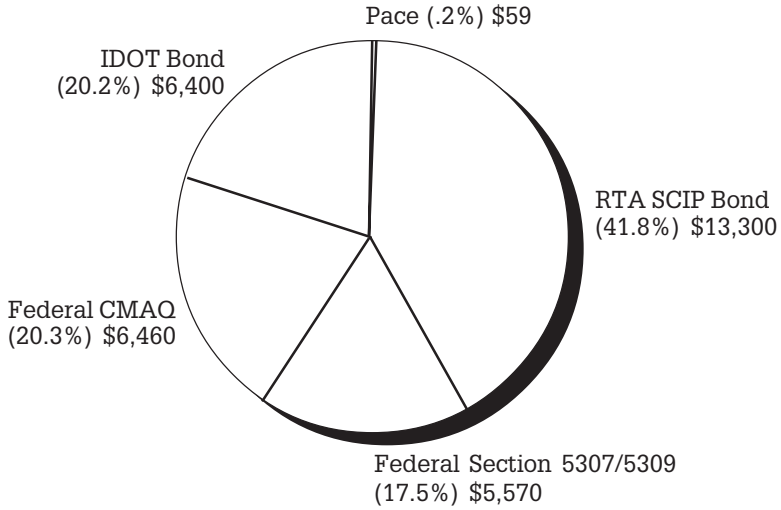
In accordance with the marks established by the RTA and its directive to prepare two budgets, Table 25 depicts a list of capital projects Pace can fund if no new subsidies are forthcoming from the State Legislature. This is described as the "Limited Funding Budget." In the event that we do receive new subsidies, certain capital projects will be restored to the capital program. This is described in Table 26 as the "Full Funding Budget."

Table 26. 2005 Capital Program - Full Funding Budget - Additional Projects (000's)

Project Description	Amount
Purchase 10 Fixed Route Replacement Buses	$ 4,200
Completion Funding for Farebox System	700
Purchase Systemwide Radio System—Phase 1	6,700
Purchase Additional Computer Systems	900
Improvements to Garages	4,000
Purchase Additional Maintenance Equipment	300
Contingencies/Project Administration	100
Total Additional Capital Projects	$ 16,900

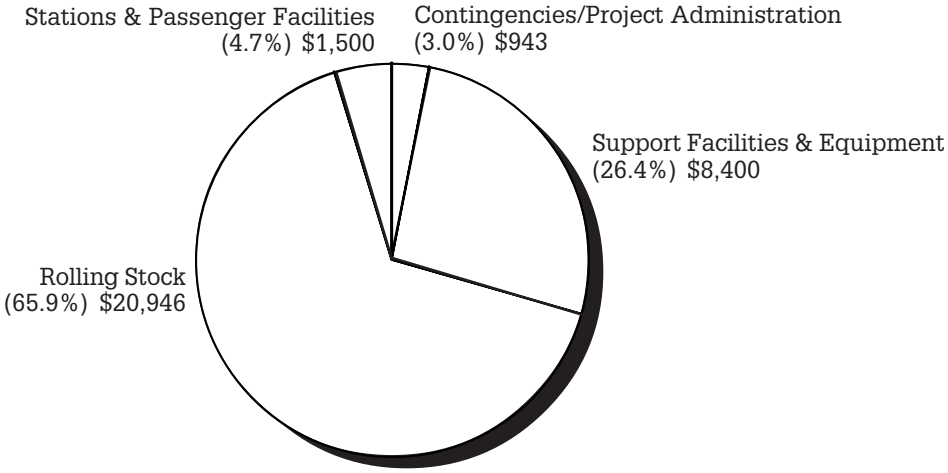
Chart F. 2005 Capital Program—Sources and Uses of Funds

Sources (000's) **Total $31,789**



42% of Pace's program is relying on new RTA SCIP bond funding

Uses (000's) **Total $31,789**



Major focus of the 2005 program will be on the replacement of rolling stock

2005–2009 Capital Plan

2005–2009 Capital Plan Description

Pace's capital needs for the five year period 2005–2009 are depicted by asset category on Table 27. This totals $182.14 million. The five year capital plan assumes the continued use of Federal 5307 to support its operations and the deferral of certain capital projects during this time period. The plan assumes that for 2005, 2006 and 2007, 5307 funding will be used for operations to the maximum allowed by the RTA.

In 2008 and 2009, Pace will reduce the amount of 5307 funding for operations in order to restore capital funding for critically needed rolling stock replacements and infrastructure improvements.

Rolling Stock

Pace needs $114.53 million to purchase rolling stock. The program contains 132 fixed route buses, 363 paratransit buses, and 832 vanpool vehicles. Additionally, the program contains funds for associated capital.

Electrical/Signal/Communications

Pace needs $15.0 million to replace the systemwide fixed route radio system and to fund Traffic Signal Priority (TSP) devices.

Support Facilities and Equipment

Pace needs $45.47 million to support its system with facilities and equipment. This includes replacement of its systemwide farebox system, the construction of general improvements and upgrades to garages and passenger facilities, and purchase of major computer systems. Additionally, funds are programmed for the construction of expanded facilities which might be identified as part of Vision 2020. Lastly, Pace needs funds to purchase maintenance equipment, non-revenue vehicles, office equipment, furniture, and other miscellaneous equipment.

Stations and Passenger Facilities

Pace needs $3.7 million to construct transportation facilities and purchase bus stop signs, shelters, and other passenger amenities.

Miscellaneous/Contingencies/Project Administration

Pace needs $3.44 million for contingencies and project administration, as well as unanticipated capital.

Table 27. Capital Plan 2005–2009 (000's)

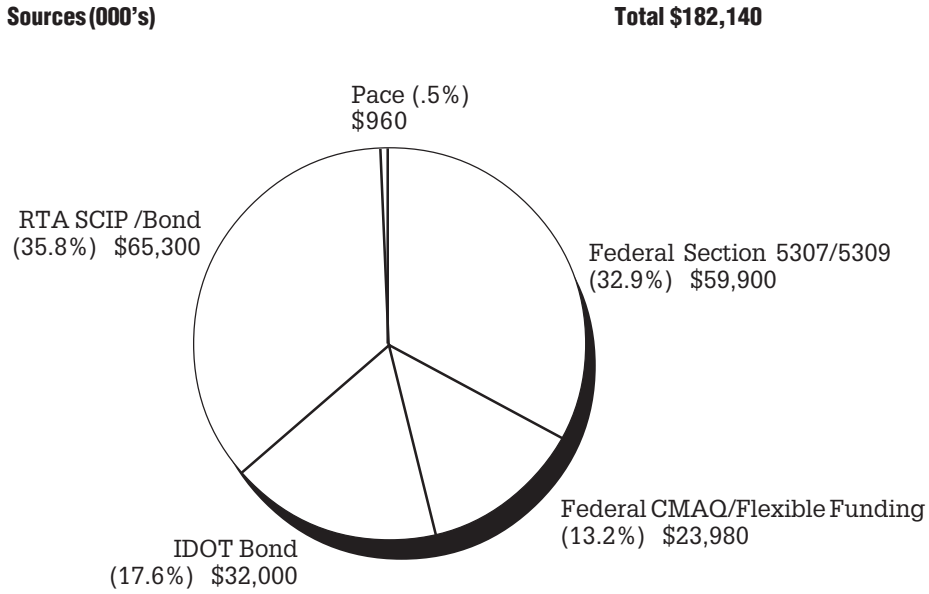
Capital Portion

Project Description	2005 Amount	Quantity	2006–2009 Total	Quantity	Total 2005–09
ROLLING STOCK					
Purchase 132 Fixed Route Buses	$ 9,410	27	$ 36,750	105	$ 46,160
Purchase 363 Paratransit Vehicles	3,570	51	24,960	312	28,530
Purchase 832 Vanpool Vehicles	6,460	165	25,880	667	32,340
Associated Capital	1,500		6,000		7,500
Subtotal - Rolling Stock	$ 20,940		$ 93,590		$ 114,530
ELECTRICAL/SIGNAL/COMMUNICATIONS					
Traffic Signal Priority (TSP) Devices	$ 0		$ 2,000		$ 2,000
Purchase Systemwide Radio System	0		13,000		13,000
Subtotal - Electrical/Signal/Communications	$ 0		$ 15,000		$ 15,000
SUPPORT FACILITIES & EQUIPMENT					
Purchase Systemwide Farebox System - Phase 2	$ 4,600		$ 0		$ 4,600
Maintenance/Support Equipment/Support Vehicles	400		3,500		3,900
Office Equipment/Furniture/Printing Equipment	300		1,750		2,050
Computers/Databases/Computer Systems	1,100		12,690		13,790
Improvements to Garages/Facilities	2,000		15,130		17,130
Expansion of Facilities	0		4,000		4,000
Subtotal - Support Facilities & Equipment	$ 8,400		$ 37,070		$ 45,470
STATIONS & PASSENGER FACILITIES					
Transportation Centers/Transfer Facilities	$ 1,500		$ 1,000		$ 2,500
Bus Stop Signs and Shelters/Passenger Amenities	0		1,200		1,200
Subtotal - Stations & Passenger Facilities	$ 1,500		$ 2,200		$ 3,700
MISCELLANEOUS					
Unanticipated Capital	0		500		500
Subtotal - Miscellaneous	$ 0		$ 500		$ 500
CONTINGENCIES/PROJECT ADMINISTRATION	$ 940		$ 2,000		$ 2,940
Total Capital	$ 31,780		$ 150,360		$ 182,140

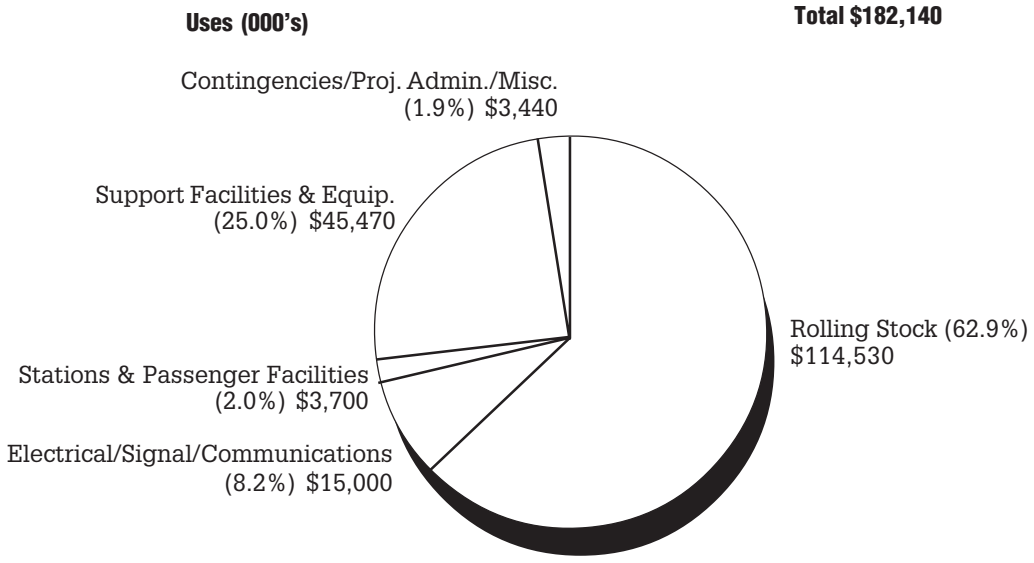
Operating Portion

Capital Cost of Contracting	$ 9,730		$ 30,810		$ 40,540
ADA Service/Bus Maintenance Expense	21,180		79,260		100,440
Total Operating	30,910		110,070		140,980
Total Pace Program	$ 62,690		$ 260,430		$ 323,120

Chart G. 2005–2009 Capital Plan—Sources and Uses of Funds



Approximately 53% of Pace's Program is funded with local funding sources



Approximately 63% of Pace's Program is for the purchase of rolling stock

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2005–2007 Financial Plan and Fund Balance

General

The following section presents Pace's financial plan and fund balance for 2005 through 2007. The amended RTA Act requires the Service Boards to submit such a plan in addition to their annual programs and budgets. The final plan is required to show a balance between the funding estimates provided by the RTA and the anticipated cost of providing services for the forthcoming and two following fiscal years. Pace's plan for 2005–2007 achieves this balance.

As noted throughout this document, the major issue facing Pace and the other Service Boards is a flat source of funding. The sluggish economy has impaired the growth of RTA funding sources. For the first year of Pace's three year plan—2005, the RTA has established $106,107,000 in funding—$104,107,000 to fund operations, and $2,000,000 in reimbursements to offset lost farebox revenue resulting from acceptance of CTA pass fare instruments.

The most noteworthy point relating to the $104.1 million in funding is that it includes $16.9 million of Federal 5307 funding that the RTA has given Pace and the other Service Boards the flexibility to redirect to fund operations. Without this flexibility, the Service Boards would be left with the decision to reduce operating costs, thereby placing current service levels in jeopardy. Under this funding plan, Pace will finish 2005 with net funding of $1.7 million. However, these funds will only partially offset an $8.3 million funding shortfall affecting Pace in 2004. Pace will be required to use retained earnings to cover the operating shortfall in 2004, leaving reserves significantly drained compared to prior levels.

Moving forward into 2006 and 2007, continued use of Federal 5307 funds will allow Pace to cover operating needs while completing a service restructuring study. Projected funding for 2006 and 2007 will also help restore retained earnings, help ensure operational funding and help cover any shock losses that appear to be looming, given the uncertainty of several economic variables—i.e., the continued rise in oil prices; the instability in natural gas/utility costs, the unstable direction of pension costs, and of course, the continued double digit inflationary growth in health care costs.

Pace has also been required to maintain a 40% recovery ratio for all three years of this plan. This remains a burden, given rising costs and static ridership levels. The base recovery rate remains well below 40%, and the only way Pace can achieve the artificially high 40% requirement is by using ADvAntage and Capital Cost of Contracting credits allowed by the RTA. As we continue to move forward into the outlying years of the plan, Pace hopes that the issues surrounding the 40% recovery ratio can be resolved.

Table 28. Baseline Economic Assumptions

	2004	2005	2006	2007	Where Applied
CPI-U (National)	2.3%	2.2%	2.0%	2.2%	Note 1
T-Bill Rate (3 Month)	1.3%	2.7%	4.0%	4.6%	Investment Income 2004-2007
#2 Diesel (Estimated Price)	$1.056	$1.080	$1.148	$1.148	Note 2
Number of Gallons (Estimate)	6.123 mil	6.200 mil	6.200 mil	6.200 mil	
Fuel Costs	$6.465 mil	$6.678 mil	$7.119 mil	$7.119 mil	

Note 1—The Blue Chip Economic Indicator Report was the source for CPI data for years 2004 and 2005. The Congressional Budget Office (CBO) was the source for outlying year (2006 and 2007) CPI data. The general inflation rate was used in all cases where a more specific rate of growth was not known or available. These rates were used more in the out years 2006 and 2007 as they are beyond the range of most current labor agreements.

Note 2—We used current year prices and oil futures contract pricing to develop the fuel price estimates. Outlying years reflect the added cost for low sulphur fuel.

Assumptions

Numerous sources were referenced in order to identify appropriate economic assumptions to be used in developing the budget. Several key sources referenced for information included: The Blue Chip Economic Indicator Report (provides a consensus outlook by 52 economists on the trends of several key economic indicators—including inflation as measured by the consumer price index—CPI); The Congressional Budget Office–CBO (a source for outlying year inflation forecasts); The Blue Chip Financial Forecast (a report on the trend for interest rates); The Wall Street Journal (source for indicators for PPI, Oil Futures, Interest Rates and general economic information); Bureau of Labor Statistics-BLS (source of key inflation indicators); Bloomberg Financial (a web site providing numerous indicators including energy trends) and The Oil Daily (an oil industry newsletter providing up-to-the-minute activities in the oil market).

The baseline economic assumptions used to develop the Pace three year plan are summarized on Table 28.

Individual projections and assumptions are made in order to develop the annual budget and outlying year forecasts. In general, these estimates are based on the economic data shown on Table 28. The outcome of applying these assumptions to known or anticipated conditions for major expense categories is reflected on Table 29.

Pace's three year plan (Table 31) is balanced to meet funding and recovery marks. The proposed plan redirects surplus funding to retained earnings to restore operating reserves which will be severely depleted by the beginning of 2005. Over the three year period, Pace will complete a restructuring study and will move forward to implement the recommendations in order to return federal funds back to the Capital Program.

Looking at the components of the three year plan—total revenue is projected to grow at a modest annual compound rate of 1.9%. This is consistent with the conservative estimate for ridership, given the most recent downturn in ridership over the past several years. Total expenses are estimated to grow at an annual compound rate of 3.7%. This growth is also conservative, and assumes that many of the volatile economic variables will begin to stabilize.

Table 29. Major Expense Category Growth Over Prior Year

	2005	2006	2007
Labor/Fringes	3.2%	4.4%	4.2%
Parts/Supplies	6.5%	1.7%	2.4%
Utilities	3.9%	1.8%	2.2%
Fuel	3.3%	6.6%	0.0%
($/Gallon)	(1.080)	(1.148)	(1.148)

Fund Balance

Since inception, Pace has been successful at establishing savings from the annual operating budgets through cost containment efforts and good management. By the end of 2003, Pace had accumulated nearly $51.0 million in savings. In accordance with RTA policy on the use of budget savings, Pace has used these accumulated savings to fund capital projects, and one-time operating expenses. Between 1986 to the present, Pace has committed $35.7 million toward capital projects. During this same time period, Pace has also used $2.9 million to fund one-time operating expenses.

In 2004, Pace estimates to finish the year with an $8.279 million funding shortfall, and proposes to use the fund balance to cover the one-time shortfall. The use of these funds will significantly reduce Pace's retained earnings for the beginning of 2005. The following (Table 30) highlights the levels of historical and proposed uses of Pace's funds, and the remaining uncommitted balance after use of these funds.

Table 30. Historical and Proposed Use of Pace Funds (000's)

Accumulated Operating Budget Savings (1986-2003)	$ 50,913
Less: Capital Project Commitments (thru 2004)	$ (35,735)
Less: One-Time Funding for Operations (thru 2003)	$ (2,980)
Less: One-Time Funding for 2004 Shortfall	$ (8,279)
Balance - Uncommitted Pace Funds	$ 3,919

Table 31. 2005–2007 Three Year Plan and Fund Balance (000's)

	2003 Actual	2004 Estimate	2005 Budget	2006 Estimate	2007 Estimate
REVENUES					
Farebox	$ 35,328	$ 35,484	$ 34,140	$ 34,501	$ 34,867
Fare Reimbursement	3,408	3,485	3,478	3,478	3,478
Investment/Other	3,921	5,053	5,032	4,969	5,028
Advertising	3,346	3,550	4,071	4,298	4,523
Van Pool	2,486	2,631	2,736	2,845	2,959
Other Services	1,582	1,432	1,334	1,290	1,230
Lease Back Transaction	2,424	0	0	0	0
Ride DuPage	0	547	1,108	1,130	1,155
RTA 7-Day Pass Reimbursement	0	0	2,000	2,000	2,000
Total Revenue	$ 52,495	$ 52,182	$ 53,899	$ 54,511	$ 55,240
OPERATING EXPENSES					
Labor/Fringes	$ 77,473	$ 83,779	$ 86,459	$ 90,273	$ 94,064
Parts/Supplies	3,346	3,647	3,884	3,950	4,044
Utilities	1,486	1,582	1,643	1,673	1,709
Fuel	5,397	6,465	6,678	7,120	7,120
Insurance	7,238	7,350	7,162	7,479	7,807
Other	7,258	8,754	10,332	9,018	9,428
Dial A Ride	11,464	11,750	12,624	12,876	13,159
Private Contract	7,608	8,112	8,540	8,711	8,902
ADA Paratransit	10,978	11,629	12,530	12,780	13,061
Van Pool	2,431	2,868	3,032	3,274	3,536
Other Services	4,249	2,606	2,261	2,327	2,395
Ride DuPage	0	547	1,108	1,130	1,155
Total Expenses	$138,928	$ 149,089	$156,253	$ 160,611	$166,380
Funding Requirement	$ 86,433	$ 96,907	$102,354	$ 106,100	$111,140
Recovery Ratio*	40.00%	40.00%	40.00%	40.00%	40.00%
PUBLIC FUNDING					
RTA Operating	$ 82,747	$ 79,052	$ 79,052	$ 79,052	$ 81,375
Capital Cost of Contracting	10,155	7,546	7,783	8,042	8,300
Federal CMAQ and JARC	1,295	1,054	330	80	4
Federal 5307 Funding	2,247	976	16,942	20,459	21,481
Total Public Funding	$ 96,444	$ 88,628	$104,107	$ 107,633	$111,160
Net Funding Available	$ 10,011	$ (8,279)	$ 1,753	$ 1,533	$ 20
FUND BALANCE					
Beginning Balance	$ 3,292	$ 12,198	$ 3,919	$ 5,672	$ 7,205
Net Funding Available	10,011	(8,279)	1,753	1,533	20
Less: Obligations/Other	1,105				
Ending Balance	$ 12,198	$ 3,919	$ 5,672	$ 7,205	$ 7,225

**Pace will apply a sufficient amount of ADvAntage and Capital Cost of Contracting credits in order to reach the 40% recovery requirement.*

Financial Plan Variance

Pace is required (by statute) to perform a comparison of its budget and Three Year Plan to the existing RTA Three Year Plan. Explanations of the variances between these two plans are highlighted in Table 32 and discussed below.

Pace's total funding requirement for 2005 is up $14.4 million compared to the existing RTA plan level, however, the new funding need is balanced within the 2005 funding marks set for Pace by the RTA, and most importantly, without the need to implement service reductions called for in the existing plan. Pace's proposed plan will utilize $79.0 million in RTA funding, continued use of Capital Cost of Contracting funds in the amount of $7.8 million , $.330 million in Federal CMAQ and JARC funding, and $16.9 million in Federal 5307 funding. The RTA will allow Pace and the Service Boards to use new subsidies or the Federal 5307 funds to fund operations in 2005. The following discussion highlights some of the line-item differences between the original and new plans.

The proposed plan reflects an increase of $1.2 million in system generated revenue for 2005. Farebox revenues are declining from original plan levels, however, a significant part of the decline is offset by $2.0 million of additional funds coming from the RTA to reimburse Pace for losses estimated from accepting CTA fare instruments. Investment and other miscellaneous income are up significantly from the prior plan, with investment yields suggested to rise throughout the coming years of this plan. Service revenue will also rise from the added new Ride DuPage service that was initiated in 2004.

Total expenses are up $15.6 million under the new plan, however, this increase is largely attributed to the avoidance of $12.0 million in service reductions. Projected labor and fringe benefit costs, specifically, pension contribution levels are up from the original plan. However, on a positive note, health care costs are down from original plan levels. Fuel costs are up significantly due to the volatile activity of oil / fuel prices. Insurance liability costs are down from original plan, partially offsetting the rise in fuel costs. ADA Paratransit costs are up over plan levels, reflecting continued growth in demand, however, CMAQ / JARC service levels are down offsetting the rise in ADA Paratansit costs. Continuation of Pace's service restructuring plans will cost $1.5 million which has been incorporated into the new plan. The addition of the new Ride DuPage service also carries an increase in costs of $1.1 million. However, the avoidance of service reductions keeps $12.0 million of expense in place for 2005.

While there is a $18.2 million increase in the funding requirements for the second year (2006) of this three year plan, like the first year (2005), the plan is within the established RTA marks. And, the avoidance of service reductions keeps $17.5 million of expense in place for 2006. Pace's restructuring study should be complete by this time and potential efficiencies should begin to bring total expenses within funding levels that will allow Pace to redirect Federal funds back to the Capital Program.

Consistent with the original plan, the recovery rate remains fixed at 40% for all three years—2005 through 2007. Pace will apply a sufficient amount of AdvAntage and Capital Cost of Contracting credits in order to reach the 40% recovery requirement. The following table highlights the plan variance.

Table 32. 2005–2007 Three Year Financial Plan Variance From Existing RTA Plan (000's)

	2005	2006	2007
FUNDING REQUIREMENT (ALL SOURCES)			
RTA Plan (2004–2006)	$ 88,003	$ 87,860	*
Pace Plan (2005–2007)	102,354	106,100	111,140
Variance	$ 14,351	$ 18,240	N/A
FACTORS CONTRIBUTING TO THE CHANGE			
REVENUE			
Farebox Changes	$ (2,719)	$ (2,994)	
Investment/Other Income	1,013	882	
Advertising	(129)	(102)	
Reduced Fare Reimbursement	(32)	(32)	
RTA 7-Day Pass Reimbursement	2,000	2,000	
Ride DuPage (new)	1,108	1,130	
Total Change in System Revenue	$ 1,241	$ 884	
EXPENSE			
Labor/Fringe Benefits (Including Pension)	$ 1,451	$ 1,762	
Health Care	(2,278)	(3,339)	
Insurance	(421)	(294)	
Fuel	1,691	2,132	
ADA Paratransit	1,170	1,073	
CMAQ/JARC	(2,205)	(2,246)	
Other/Service	1,556	1,394	
Ride DuPage (new)	1,108	1,130	
Restructuring Study	1,500	0	
Service/Expense Reductions	12,020	17,512	
Total Changes in Expenses	$ 15,592	$ 19,124	
Total Change in Required Funding	$ 14,351	$ 18,240	N/A
RECOVERY RATIO			
RTA Plan (2004–2006)	40.00%	40.00%	*
Pace Plan (2005–2007)	40.00%	40.00%	40.0%

**Note: The current RTA plan does not contain projected funding levels for FY2007, thereby, eliminating comparability between plans. The current RTA plan (issued December 2003) identified funding estimates for only 2004–2006.*

Pace Cash Flow—2005

The following provides an estimate of Pace's revenues, expenses and cash position for operations on a monthly basis. Cash flow estimates for public operating funding are included in total revenues and are based on information provided by the RTA.

The amount of cash remaining at year-end will differ from Pace's projected 2005 fund balance as a result of timing differences in the disbursement of public funds from the RTA.

Capital grant expenditures are funded on a draw down basis from the grantors and are not held by Pace for more than a few days. They are, therefore, excluded from this cash flow.

Table 33. Projected Cash Flow*—2005 (000's)

	Beginning Balance	Revenues	Expenses	Net Results	Ending Balance
January	$ 3,919	$ 12,976	$13,008	$ (32)	$ 3,887
February	3,887	13,354	13,011	343	4,230
March	4,230	14,528	13,013	1,515	5,745
April	5,745	12,220	13,015	(795)	4,950
May	4,950	12,393	13,018	(625)	4,325
June	4,325	12,745	13,020	(275)	4,050
July	4,050	13,223	13,023	200	4,250
August	4,250	13,116	13,025	91	4,341
September	4,341	13,529	13,027	502	4,843
October	4,843	13,300	13,030	270	5,113
November	5,113	13,114	13,031	83	5,196
December	5,196	13,080	13,032	48	5,244

**Excludes restricted fund cash reserves held for insurance claims and capital commitments, as well as payouts for capital obligations funded with positive budget variance (PBV).*

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Appendix A

2003 Actual Results

2003 Actual Program, Activity and Object Matrix

	Pace Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride
REVENUE				
Farebox	$ 24,089,283	$ 661,564	$ 2,380,190	$ 1,034,556
Municipal Van Pool	0	0	0	0
Half-Fare Reimbursment	0	0	0	0
Advertising Revenue	0	0	0	0
Leaseback Revenue	0	0	0	0
Other	2,261,597	179,569	246,038	6,032,287
Total Revenue	$ 26,350,880	$ 841,133	$ 2,626,228	$ 7,066,843
OPERATING EXPENSES				
Operations				$
Labor/Fringes	$ 46,780,664	$ 1,376,828	$ 0	0
Parts/Supplies	25,461	0	0	0
Purchased Transportation	0	0	7,608,372	10,277,893
Other	146,353	22,014	0	0
Total Operations	$ 46,952,478	$ 1,398,842	$ 7,608,372	$10,277,893
Vehicle Maintenance				
Labor/Fringes	$ 10,626,217	$ 331,300	$ 0	$ 0
Parts/Supplies	1,838,387	111,075	0	0
Fuel	0	0	0	0
Other	(75,168)	46,580	0	463,510
Total Vehicle Maintenance	$ 12,389,436	$ 488,955	$ 0	$463,510
Non - Vehicle Maintenance				
Labor/Fringes	$ 779,204	$ 0	$ 0	$ 0
Parts/Supplies	312,203	0	0	0
Other	490,239	0	0	21,565
Total Non-Vehicle Maint	$ 1,581,646	$ 0	$ 0	$ 21,565
General Administration				
Labor/Fringes	$ 2,075,195	$ 243,767	$ 0	$ 0
Parts/Supplies	78,369	689	0	0
Utilities	1,339,331	497	0	49,659
Insurance	0	0	0	0
Other	(53,612)	(97,298)	0	651,454
Total Administration	$ 3,439,283	$ 147,655	$ 0	$ 701,113
Total Expenses	$ 64,362,843	$ 2,035,452	$ 7,608,372	$11,464,081
Funding Requirement	$ 38,011,963	$ 1,194,319	$ 4,982,144	$ 4,397,238
Recovery Ratio	40.94%	41.32%	34.52%	61.64%

ADA Paratransit Services	Vanpool	Other Services	CMAQ/JARC	Administration	Centralized Support	2003 Actual Total
$ 1,127,067	$ 2,324,248	$ 336,299	$ 308,479	$ 0	$ 0	$ 32,261,686
0	162,123	0		0	0	162,123
0	0	0	0	3,408,426	0	3,408,426
0	0	0	0	3,346,493	0	3,346,493
0	0	0	0	2,424,487	0	2,424,487
153,912	0	706,247	232,064	1,080,196	0	10,891,910
$ 1,280,979	$ 2,486,371	$ 1,042,546	$ 540,543	$ 10,259,602	$ 0	$ 52,495,125
$ 0	$ 0	$ 0	$ 3,154,329	$ 0	$ 2,423,227	$ 53,735,048
0	0	0	0	0	0	25,461
10,844,625	0	1,094,451	0	0	0	29,825,341
0	2,430,843	0	0	0	0	2,599,210
$10,844,625	$ 2,430,843	$ 1,094,451	$ 3,154,329	$ 0	$ 2,423,227	$ 86,185,060
$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,737,748	$ 13,695,265
0	0	0	0	0	777,720	2,727,182
0	0	0	0	0	5,396,595	5,396,595
0	0	0	0	0	227,182	662,104
$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,139,245	$ 22,481,146
$ 0	$ 0	$ 0	$ 0	$ 0	$ 496,292	$ 1,275,496
0	0	0	0	0	0	312,203
0	0	0	0	169,364	339,224	1,020,392
$ 0	$ 0	$ 0	$ 0	$ 169,364	$ 835,516	$ 2,608,091
$ 0	$ 0	$ 0	$ 0	$ 9,603,305	$ 0	$ 11,922,267
0	0	0	0	202,144	0	281,202
0	0	0	0	146,566	0	1,536,053
0	0	0	0	0	7,237,581	7,237,581
133,338	0	0	0	3,312,896	2,729,842	6,676,620
$ 133,338	$ 0	$ 0	$ 0	$ 13,264,911	$ 9,967,423	$ 27,653,723
$10,977,963	$ 2,430,843	$ 1,094,451	$ 3,154,329	$ 13,434,275	$ 22,365,411	$ 138,928,020
$ 9,696,984	$ (55,528)	$ 51,905	$ 2,613,786	$ 3,174,673	$ 22,365,411	$ 86,432,895
11.67%	102.28%	95.26%	17.14%	76.37%	0.00%	40.00%

2004 Estimated Results

2004 Estimated Program, Activity and Object Matrix

	Pace Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride
REVENUE				
Farebox	$ 23,954,000	$ 660,772	$ 2,467,290	$ 1,056,611
Municipal VanPool	0	0	0	0
Half-Fare Reimbursment	0	0	0	0
Advertising Revenue	0	0	0	0
Other	2,283,000	254,465	246,038	6,138,171
Total Revenue	$ 26,237,000	$ 915,237	$ 2,713,328	$ 7,194,782
OPERATING EXPENSES				
Operations				
Labor/Fringes	$ 50,142,421	$ 1,413,389	$ 0	$ 0
Parts/Supplies	27,077	1,250	0	0
Purchased Transportation	0	0	8,112,383	10,464,628
Other	156,218	18,789		
Total Operations	$ 50,325,716	$ 1,433,428	$ 8,112,383	$10,464,628
Vehicle Maintenance				
Labor/Fringes	$ 11,551,519	$ 328,893	$ 0	$ 0
Parts/Supplies	1,908,922	44,389	0	0
Fuel	0	0	0	0
Other	(115,541)	118,835	0	450,531
Total Vehicle Maintenance	$ 13,344,900	$ 492,117	$ 0	$ 450,531
Non - Vehicle Maintenance				
Labor/Fringes	$ 871,416	$ 0	$ 0	$ 0
Parts/Supplies	312,100	0	0	0
Other	492,867	0	0	31,224
Total Non-Vehicle Maint	$ 1,676,383	$ 0	$ 0	$ 31,224
General Administration				
Labor/Fringes	$ 2,255,147	$ 253,931	$ 0	$ 0
Parts/Supplies	76,229	400	0	0
Utilities	1,429,488	48	0	58,687
Insurance	0	0	0	0
Other	148,584	2,094	0	744,633
Total Administration	$ 3,909,448	$ 256,473	$ 0	$ 803,320
Total Expenses	$ 69,256,447	$ 2,182,018	$ 8,112,383	$11,749,703
Funding Requirement	$ 43,019,447	$ 1,266,781	$ 5,399,055	$ 4,554,921
Recovery Ratio	37.88%	41.94%	33.45%	61.23%

ADA Paratransit Services	Vanpool	Other Services	CMAQ/JARC	Administration	Centralized Support	2004 Actual Total
$ 1,207,224	$ 2,442,825	$ 314,000	$ 151,057	$ 0	$ 0	$ 32,253,779
0	187,508	0	0	0	0	187,508
0	0	0	0	3,485,000	0	3,485,000
0	0	0	0	3,550,000	0	3,550,000
165,244	0	1,320,000	194,836	2,103,878	0	12,705,632
$ 1,372,468	$ 2,630,333	$ 1,634,000	$ 345,893	$ 9,138,878	$ 0	$ 52,181,919
$ 0	$ 0	$ 0	$ 1,459,198	$ 0	$ 2,581,762	$ 55,596,770
0	0	0	0	0	0	28,327
11,497,700	0	1,693,000	0	0	0	31,767,711
0	2,868,288	0	0	0	0	3,043,295
$11,497,700	$ 2,868,288	$ 1,693,000	$ 1,459,198	$ 0	$ 2,581,762	$ 90,436,103
$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,051,026	$ 14,931,438
0	0	0	0	0	1,060,312	3,013,623
0	0	0	0	0	6,465,429	6,465,429
0	0	0	0	0	400,000	853,825
$ 0	$ 0	$ 0	$ 0	$ 0	$ 10,976,767	$ 25,264,315
$ 0	$ 0	$ 0	$ 0	$ 0	$ 553,804	$ 1,425,220
0	0	0	0	0	0	312,100
0	0	0	0	182,405	374,500	1,080,996
$ 0	$ 0	$ 0	$ 0	$ 182,405	$ 928,304	$ 2,818,316
$ 0	$ 0	$ 0	$ 0	$ 10,776,811	$ 0	$ 13,285,889
0	0	0	0	216,220	0	292,849
0	0	0	0	152,245	0	1,640,468
0	0	0	0	0	7,349,545	7,349,545
131,366	0	0	0	3,558,515	3,416,637	8,001,829
$ 131,366	$ 0	$ 0	$ 0	$ 14,703,791	$ 10,766,182	$ 30,570,580
$11,629,066	$ 2,868,288	$ 1,693,000	$ 1,459,198	$ 14,886,196	$ 25,253,015	$ 149,089,314
$10,256,598	$ 237,955	$ 59,000	$ 1,113,305	$ 5,747,318	$ 25,253,015	$ 96,907,395
11.80%	91.70%	96.52%	23.70%	61.39%	0.00%	40.00%

2005 Budget

2005 Program, Activity and Object Matrix

	Pace Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride
REVENUE				
Farebox	$ 21,954,000	$ 672,598	$ 2,467,290	$ 1,134,967
Municipal Vanpool	0	0	0	0
Half-Fare Reimbursment	0	0	0	0
Advertising Revenue	0	0	0	0
Other	2,306,000	265,084	246,038	6,695,089
RTA 7 Day Pass Reimbursement	0	0	0	0
Total Revenue	$ 24,260,000	$ 937,682	$ 2,713,328	$ 7,830,056
OPERATING EXPENSES				
Operations				
Labor/Fringes	$ 51,442,901	$ 1,469,248	$ 0	$ 0
Parts/Supplies	24,708	1,250	0	0
Purchased Transportation			8,539,800	10,982,471
Other	171,347	16,637		0
Total Operations	$ 51,638,956	$ 1,487,135	$ 8,539,800	$10,982,471
Vehicle Maintenance				
Labor/Fringes	$ 11,834,815	$ 346,116	$ 0	$ 0
Parts/Supplies	2,017,642	111,131	0	0
Fuel	0	0	0	0
Other	(113,891)	38,581	0	471,162
Total Vehicle Maintenance	$ 13,738,566	$ 495,828	$ 0	$ 471,162
Non - Vehicle Maintenance				
Labor/Fringes	$ 968,616	$ 0	$ 0	$ 0
Parts/Supplies	309,030	0	0	0
Other	484,697	0	0	31,911
Total Non-Vehicle Maint	$ 1,762,343	$ 0	$ 0	$ 31,911
General Administration				
Labor/Fringes	$ 2,405,456	$ 263,954	$ 0	$ 0
Parts/Supplies	77,970	400	0	0
Utilities	1,491,750	48	0	63,925
Insurance	0	0	0	0
Other	266,833	2,094	0	1,074,261
Total Administration	$ 4,242,009	$ 266,496	$ 0	$ 1,138,186
Total Expenses	$ 71,381,874	$ 2,249,459	$ 8,539,800	$12,623,730
Funding Requirement	$ 49,427,874	$ 1,311,777	$ 5,826,472	$ 4,793,674
Recovery Ratio	30.76%	41.68%	31.77%	62.03%

ADA Paratransit Services	Vanpool	Other Services	CMAQ/JARC	Administration	Centralized Support	2005 Budget Total
$ 1,215,786	$ 2,540,538	$ 314,000	$ 67,587	$ 0	$ 0	$ 30,366,766
0	195,008	0		0	0	195,008
0	0	0	0	3,478,000	0	3,478,000
0	0	0	0	4,071,000	0	4,071,000
167,829	0	1,909,000	151,000	2,047,158	0	13,787,198
0	0	0	0	2,000,000	0	2,000,000
$ 1,383,615	$ 2,735,546	$ 2,223,000	$ 218,587	$ 11,596,158	$ 0	$ 53,897,972
$ 0	$ 0	$ 0	$ 1,068,278	$ 0	$ 2,666,869	$ 56,647,296
0	0	0	0	0	0	25,958
12,304,370	0	2,301,000	0	0	0	34,127,641
0	3,031,751	0	0	0	0	3,219,735
$12,304,370	$ 3,031,751	$ 2,301,000	$ 1,068,278	$ 0	$ 2,666,869	$ 94,020,630
$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,150,625	$ 15,331,556
0	0	0	0	0	1,121,608	3,250,381
0	0	0	0	0	6,678,485	6,678,485
0	0	0	0	0	400,000	795,852
$ 0	$ 0	$ 0	$ 0	$ 0	$ 11,350,718	$ 26,056,274
$ 0	$ 0	$ 0	$ 0	$ 0	$ 571,786	$ 1,540,402
0	0	0	0	0	0	309,030
0	0	0	0	172,905	393,107	1,082,620
$ 0	$ 0	$ 0	$ 0	$ 172,905	$ 964,893	$ 2,932,052
$ 0	$ 0	$ 0	$ 0	$ 11,339,504	$ 0	$ 14,008,914
0	0	0	0	219,943	0	298,313
0	0	0	0	150,781	0	1,706,504
0	0	0	0	0	7,161,785	7,161,785
225,206	0	0	0	5,075,579	3,424,144	10,068,117
$ 225,206	$ 0	$ 0	$ 0	$ 16,785,807	$ 10,585,929	$ 33,243,633
$12,529,576	$ 3,031,751	$ 2,301,000	$ 1,068,278	$ 16,958,712	$ 25,568,409	$ 156,252,589
$11,145,961	$ 296,205	$ 78,000	$ 849,691	$ 5,362,554	$ 25,568,409	$ 102,354,617
11.04%	90.23%	96.61%	20.46%	68.38%	0.00%	40.00%

Appendix B

Characteristics

Background data on the Pace market is provided below:

Fixed Route Service

Number of Fixed Routes (August, 2004)		240
• Regular Routes	162	
• Feeder Routes	60	
• Shuttle Routes	14	
• Subscription Services	4	
Number of Accessible Routes		240
Peak Period Vehicle Requirements		601
Pace-owned Fleet Size		672
Number Accessible		672
Average Vehicle Age		5.5 years
Contractor Owned Vehicles in Pace service		50
Number of Private Contractors		6
Number of Pace-owned Garages		11
Number of Pace Municipal Contractors		3

Paratransit

Number of Communities Served	210
Number of Local Dial-A-Ride Projects	63
Number of ADA Service Projects	8
Pace-owned Fleet Size	363
Average Vehicle Age	2.2 years

Vanpool

Vans in Service (August, 2004)—VIP	187
Vans in Service (August, 2004)—Corporate Shuttle	29
Vans in Service (August, 2004)—ADvAntage	205
Vans in Service (August, 2004)—Municipal	59
Total Vans in Service	480
Average Vehicle Age	2.7 years

Other

Number of Pace Employees (August, 2004)	1,416

Ridership (000's)

	2003 Actual	2004 Estimate	2005 Budget
Fixed Route	30,978	30,940	30,947
Paratransit	1,448	1,491	1,570
Vanpool	1,281	1,365	1,419
Total	33,707	33,796	33,936

Vehicle Miles

	2003 Actual	2004 Estimate	2005 Budget
Fixed Route	25,199	24,739	24,739
Paratransit	7,702	8,024	8,065
Vanpool	8,244	8,340	8,673
Total	41,145	41,103	41,477

Vehicle Hours

	2003 Actual	2004 Estimate	2005 Budget
Fixed Route	1,650	1,631	1,631
Paratransit	535	558	576
Vanpool	N/A	N/A	N/A
Total	2,185	2,189	2,207

Trends

Ridership (000's)

	Fixed Route	DAR/ADA	Vanpool	Total	% Change
1995	34,787	1,616	774	37,177	-3.6%
1996	34,919	1,629	966	37,514	0.9%
1997	35,159	1,583	1,117	37,859	0.9%
1998	36,544	1,607	1,130	39,281	3.8%
1999	37,365	1,585	1,223	40,173	2.3%
2000	36,024	1,548	1,081	38,653	-3.8%
2001	34,323	1,487	1,106	36,916	-4.5%
2002	32,245	1,461	1,193	34,899	-5.5%
2003	30,978	1,448	1,281	33,707	-3.4%
2004 Est.	30,940	1,491	1,365	33,796	0.3%

Vehicle Miles (000's)

	Fixed Route	DAR/ADA	Vanpool	Total	% Change
1995	22,519	7,965	3,579	34,064	6.0%
1996	22,907	8,007	4,711	35,625	4.6%
1997	23,692	7,813	5,277	36,782	3.2%
1998	23,932	7,932	5,995	37,859	2.9%
1999	24,495	7,468	6,857	38,820	2.5%
2000	24,437	7,326	6,534	38,297	-1.3%
2001	25,405	7,441	7,165	40,011	4.5%
2002	25,289	7,478	7,815	40,582	1.4%
2003	25,199	7,702	8,244	41,145	1.4%
2004 Est.	24,739	8,024	8,340	41,103	-0.1%

Recovery Ratio

	Fixed Route	DAR/ADA	Vanpool	Total	% Change
1995	43.29%	38.70%	86.85%	36.07%	-0.7%
1996	43.35%	32.56%	105.62%	36.04%	-0.1%
1997	43.85%	35.30%	84.30%	37.53%	4.1%
1998	44.57%	34.69%	98.06%	38.37%	2.2%
1999	43.55%	34.55%	105.34%	37.10%	-3.3%
2000*	43.09%	35.23%	99.47%	39.75%	7.1%
2001*	45.80%	37.27%	99.41%	40.71%	2.4%
2002*	45.02%	37.82%	104.50%	38.83%	-4.6%
2003*	40.13%	37.20%	102.27%	36.04%	-7.2%
2004 Est*	38.10%	36.64%	91.74%	35.00%	-2.9%

**Recovery rate excludes ADvAntage contributions*

Cost Per Mile

	Fixed Route	DAR/ADA	Vanpool	Total	% Change
1995	$2.70	$1.75	$0.33	$3.00	0.3%
1996	$2.74	$1.88	$0.25	$2.96	-1.3%
1997	$2.73	$1.95	$0.33	$2.95	-0.3%
1998	$2.70	$2.11	$0.28	$2.93	-0.7%
1999	$2.72	$2.36	$0.24	$2.93	0.0%
2000	$2.87	$2.53	$0.27	$3.16	7.9%
2001	$2.90	$2.69	$0.29	$3.18	0.6%
2002	$2.92	$2.78	$0.27	$3.22	1.3%
2003	$3.11	$2.91	$0.29	$3.38	5.0%
2004 Est.	$3.32	$2.91	$0.34	$3.63	7.4%

Cost Per Passenger

	Fixed Route	DAR/ADA	Vanpool	Total	% Change
1995	$1.75	$8.61	$1.52	$2.74	10.0%
1996	$1.79	$9.26	$1.22	$2.81	2.6%
1997	$1.84	$9.62	$1.55	$2.87	2.1%
1998	$1.82	$10.41	$1.51	$2.82	-1.6%
1999	$1.78	$11.10	$1.36	$2.83	0.4%
2000	$1.94	$11.98	$1.65	$3.13	10.4%
2001	$2.14	$13.48	$1.85	$3.44	9.9%
2002	$2.29	$14.24	$1.79	$3.75	9.0%
2003	$2.53	$15.50	$1.90	$4.12	9.9%
2004 Est.	$2.66	$15.68	$2.10	$4.41	7.0%

Subsidy Per Trip

	Fixed Route	DAR/ADA	Vanpool	Total	% Change
1995	$0.99	$5.28	$0.20	$1.76	10.7%
1996	$1.02	$6.25	($0.07)	$1.80	2.3%
1997	$1.03	$6.23	$0.24	$1.79	-0.6%
1998	$1.01	$6.80	$0.03	$1.74	-2.8%
1999	$1.01	$7.27	($0.07)	$1.78	2.3%
2000	$1.11	$7.76	$0.01	$1.89	6.2%
2001	$1.16	$8.46	$0.01	$2.04	7.9%
2002	$1.26	$8.86	($0.08)	$2.29	12.3%
2003	$1.51	$9.73	($0.04)	$2.56	11.8%
2004 Est.	$1.64	$9.94	$0.17	$2.87	12.1%

Appendix C

Budget Process, Basis and Debt

The RTA Act which governs Pace's existence contains specific language describing both the budget process and RTA review criteria.

The Budget Process

By September 15, the RTA is to advise Pace and the other Service Boards (CTA and Metra) of the amounts and timing for the provision of public funding via the RTA for the coming and two following fiscal years. At the same time, the RTA is to advise Pace, CTA and Metra of their required system generated recovery ratio for the coming fiscal year. In establishing the recovery ratio requirement, the RTA is to take into consideration the historical system generated recovery ratio for the services subject to each Service Board. The RTA is not to increase the recovery ratio for a Service Board disproportionately or prejudicially to increases in the ratio for the other Service Boards.

To facilitate the RTA action by September 15, Pace and the other Service Boards submit a draft budget and financial plan to the RTA for their review in August. The August submittal is not required by law but serves to improve the budget process by allowing the RTA to consider up-to-date forecasts and projections prior to making their September 15 decision on funding levels and recovery rate requirements.

By November 15, Pace is required to submit a budget proposal to the RTA for the coming fiscal year and a financial plan for the two following years which is consistent with the recovery ratio and funding marks established by the RTA in September.

Prior to submitting a budget and financial plan to the RTA, Pace is required to prepare and publish a comprehensive budget and program document (as represented by this document) and hold at least one public hearing on the budget in each of the six counties. Due to its large size, Pace typically holds three public hearings in Cook County. Public notice of the hearings is run in several widely distributed newspapers throughout the service area. In addition, Pace is to meet with each of the six county boards to review the proposed budget and program. Above and beyond these required meetings, Pace participates in numerous meetings of local government organizations and councils such as CATS (Chicago Area Transportation Study) and various transportation committees (TMA's, business chambers) to inform the public of the proposed budget and program. Nearly 1,000 copies of this proposed budget document are printed and distributed to elected officials, local governments, transportation interests, public libraries and citizens. A copy is also available on Pace's website.

At the conclusion of these meetings and hearings, the Pace Board meets to evaluate the input gained, make recommendations for changes to the proposed budget as necessary, and then adopts a final program and budget by ordinance. This action is taken prior to the submittal of the budget and program to RTA by November 15.

RTA Review Criteria

Once the final program and budget is submitted to the RTA, the RTA is required to evaluate it in accordance with six key criteria as established in the RTA Act.

- The budget plan must show a balance between (a) anticipated revenues from all sources including operating subsidies and (b) the costs of providing the services specified and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness.
- The budget and plan must show cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenses as incurred.
- The budget and plan must provide for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the jurisdiction of the Service Board sufficient to allow the Service Board to meet its required system-generated recovery ratio.

- The budget and plan are based upon and employ assumptions and projections which are reasonable and prudent.
- The budget and plan must have been prepared in accordance with sound financial practices as determined by the Board.
- The budget and financial plan must meet such other financial, budgetary, or fiscal requirements that the Board may by rule or regulation establish.

If the RTA finds a Service Board budget submittal does not meet these criteria, it can withhold public funding (other than formula sales tax proceeds) from the Service Board. The RTA Act further requires that the RTA adopt a budget for the Service Board within five days of the start of the fiscal year should the Service Board fail to submit a budget which meets the criteria.

Once the RTA has evaluated the budget submittals of Pace and the Service Boards, they then consolidate the information along with their own regional budget and plan information.

The consolidated regional budget must also achieve certain criteria. Chief among them is the requirement for the consolidated budget to cover 50% of its operating costs from fares and other operating revenues. This is considered the regional recovery rate requirements. The RTA also meets with each county board and holds public hearings in each county on the consolidated regional budget and plan. At the conclusion of these meetings and hearings, the RTA adopts a final budget and plan which requires the approval of nine of the RTA's thirteen directors. The RTA Act requires that the RTA is to adopt the consolidated regional budget no later than December 31 for presentation to the Governor and General Assembly.

Budget Amendment Process

The Pace Board may make additional appropriations, transfers between line items and other changes to its budget at any time as long as the changes do not alter the basis upon which the RTA made its balanced budget determination. Budget amendments are made from time to time by the Pace Board and are generally accomplished by revision to the annual appropriations ordinance. In the event a budget revision results in a general increase or a significant reduction of service, the Pace Board will also conduct public hearings in the affected areas.

Budget amendments which do not impact the RTA balanced budget determination basis are provided to the RTA for information purposes. The RTA may also initiate the need for a budget amendment by Pace or another Service Board if it determines such an amendment is necessary. Generally this would only occur if a Service Board failed to achieve its budgeted recovery ratio and/or exceeded its public funding allocation, in which case the RTA can direct the Service Board to submit an amended budget within a specified time frame. Additionally, the RTA may require the Service Boards to submit amended budgets to reflect a revision to public funding or the recovery ratio as deemed necessary by the RTA. The Service Boards have thirty days from date of notice to submit a revision. There are no public hearing requirements for budget amendments which do not affect fares or services.

Basis of Budgeting

Pace's operating budget is prepared in a manner consistent with Pace's financial statements which are prepared on the accrual basis of accounting for a proprietary (enterprise) fund type.

Pace maintains a chart of accounts consistent with the Federal Transit Administration's Section 15 based financial reporting requirements. In general, these accounts are established by activity type (i.e., labor, materials and other) for four main expense object areas—operations, maintenance, non-vehicle maintenance and administration. Further segregation of accounts is used to identify activities by object class for individual service programs (i.e., vanpool, Dial-a-Ride, etc.).

Debt

Pace has no outstanding debt. Pace does not have statutory authority to independently issue debt, but may direct the RTA to issue up to $5.0 million in working cash notes on its behalf. Pace has never exercised this option.

Appendix D

Peer Performance Comparison

The following analysis compares Pace's performance to a select group of peers. Peers include a group of transit agencies selected by the RTA and a set of statistics representing the national average for transit bus service. The RTA selected their peer group for Pace based on what they identified as similar service characteristics – operating in suburban areas; providing comparable amounts of service levels; and contracting with private providers for some of the service.

RTA's peer group includes the following systems:

Long Island Bus (MTA) – New York, NY

Orange County Transportation Authority (OCTA) – Los Angeles, CA

San Mateo County Transit District (samTrans) – San Francisco, CA

Alameda-Contra Costa Transit District (AC Transit) – Oakland, CA

Performance was measured against six performance criteria as reported by the Federal Transit Administration (FTA) in their National Transit Database (NTD). The following performance measures were reviewed:

Service Efficiency
Operating Expense per Revenue Hour
Operating Expense per Revenue Mile

Cost Effectiveness
Operating Expense per Passenger
Operating Expense per Passenger Mile

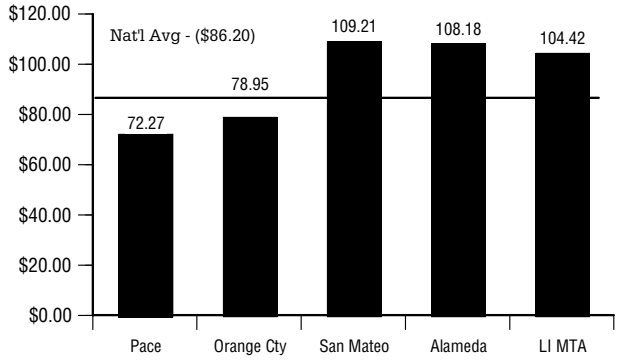
Service Effectiveness
Passengers per Revenue Hour
Passengers per Revenue Mile

The following charts are prepared using 2002 National Transit Database (NTD) data.

Peers

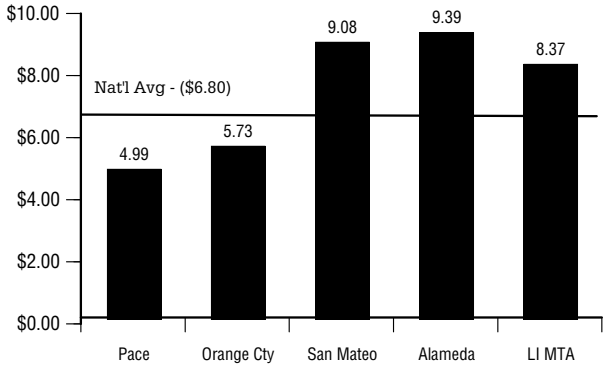
Service Efficiency

Chart L. Operating Expense per Revenue Hour



Service efficiency, as measured by the performance ratios operating expense per total revenue hour and revenue mile shows Pace to be the most efficient compared to all peers in this group. Pace is also outperforming the marks for the national average. At $72.27, Pace's cost per hour is 8.5% less than the nearest peer – Orange County (LA). Pace's costs are also $13.93 per hour or 16.2% less than the national average for this performance measuring category.

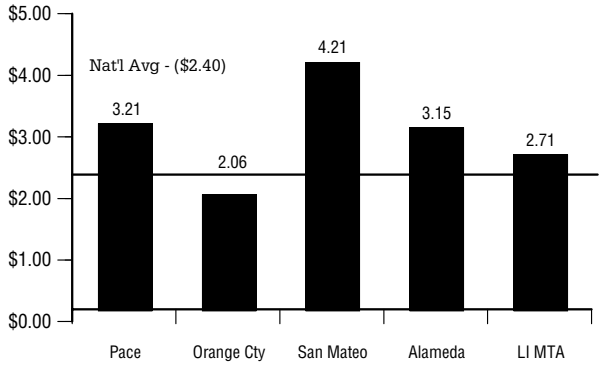
Chart M. Operating Expense per Revenue Mile



Pace's operating expense per mile is also well below everyone in this peer group. At $4.99 per mile, Pace's cost is $0.74 per mile or 12.9% below Orange County (LA) and $1.81 per mile or 26.6% below the national average.

Cost Effectiveness

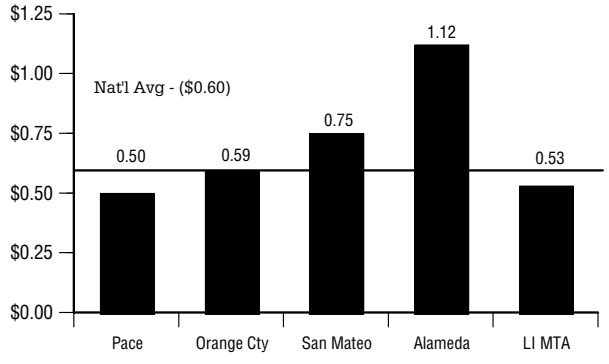
Chart N. Operating Expense per Passenger



Cost effectiveness, as measured by the performance ratios operating expense per passenger and passenger mile shows Pace to be consistent with the agencies within this peer group.

At $3.21, Pace's operating expense per passenger is the second highest next to San Mateo (SF). Excluding

Chart O. Operating Expense per Passenger Mile

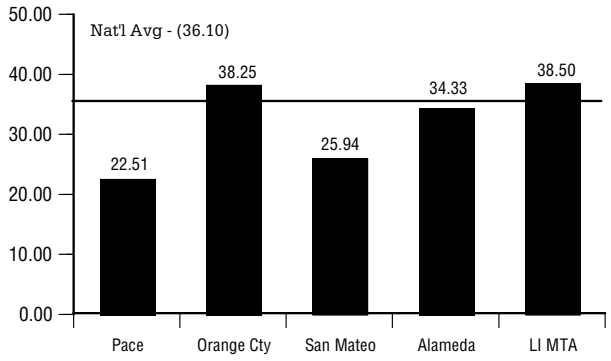


Orange County (LA), Pace and all suburban bus peers exceeded the 2002 average national expense per passenger of $2.40.

At $0.50, Pace's expense per passenger mile is consistent with two other suburban peers – Orange County (LA) and LI MTA (NY). All three agencies are below the national transit average of $0.60.

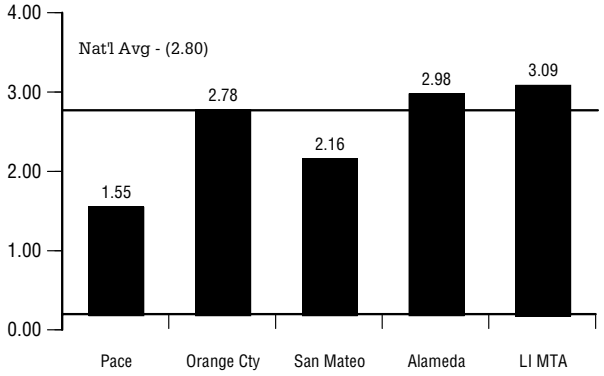
Service Effectiveness

Chart P. Passengers per Revenue Hour



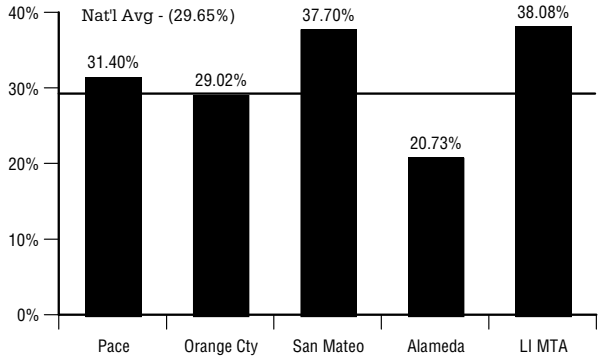
Service effectiveness, as measured by the performance ratios passengers per total revenue hour and passenger miles per total revenue mile show Pace to have the lowest performance ratios compared to everyone in this group, including the mark for the national average. The size of the service area directly affects this performance indicator, at nearly 3500 square miles, Pace has the largest service area of all the suburban bus peers in this group.

Chart Q. Passengers per Revenue Mile



Pace ranks with the lowest number of passengers per total revenue mile compared to the peer group. Pace's large service area, combined with lower population densities (than our peers) contributes to this result.

Chart R. Farebox Recovery Ratio

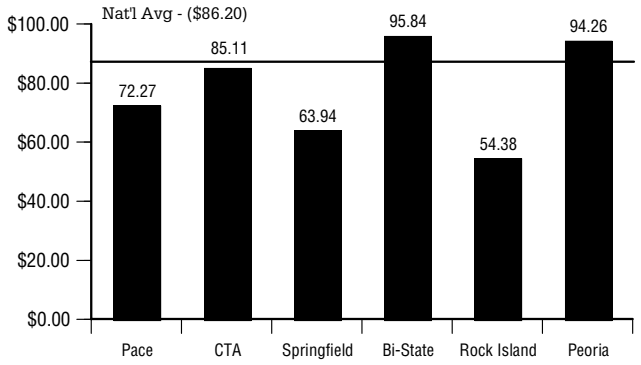


Pace's bus only farebox recovery rate of 31.4% exceeds the national average bus ratio of 29.6%. Pace also outperformed Orange County and Alameda (AC Transit/ Oakland).

State/Local Government Performance Comparison

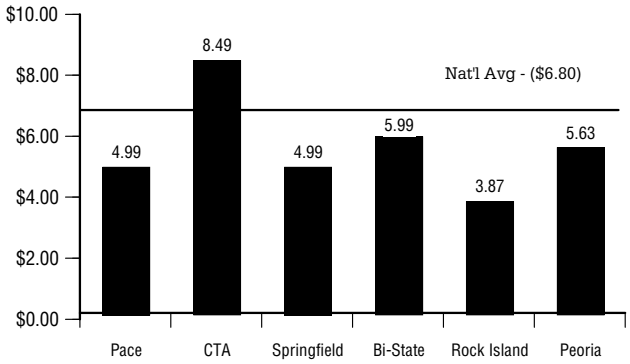
Service Efficiency

Chart S. Operating Expense per Revenue Hour



Pace's service efficiency, as measured by operating expense per revenue hour and mile, compares favorably to CTA, Bi-State Development Agency (St. Louis), Peoria and the national average.

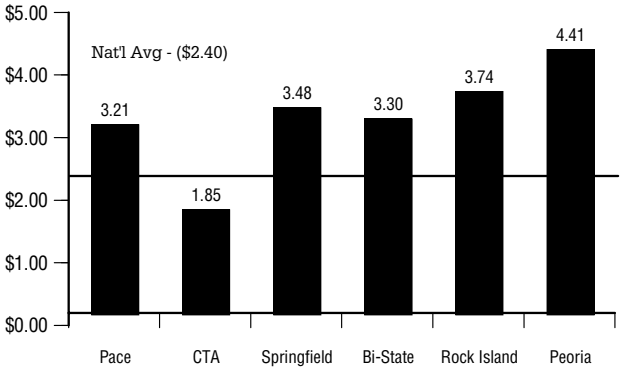
Chart T. Operating Expense per Revenue Mile



Only one other Illinois transit operator, Rock Island, has a lower cost per revenue mile. CTA's cost per revenue mile exceeds Pace's by $3.50 per mile.

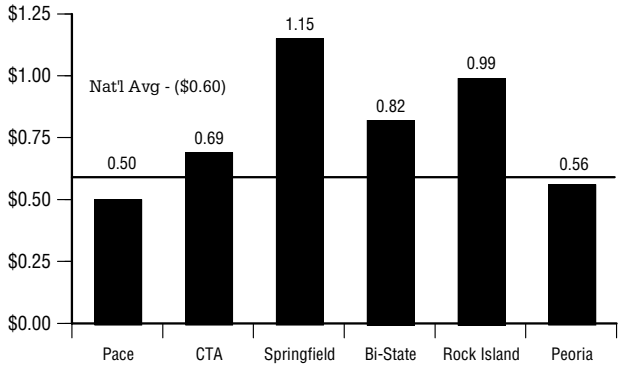
Cost Effectiveness

Chart U. Operating Expense per Passenger



Pace's operating expense per passenger and per passenger mile is lower than all of the other Illinois transit operators with exception of CTA.

Chart V. Operating Expense per Passenger Mile



On a passenger mile basis, Pace's costs were 16.7% lower than the national bus average.

Service Effectiveness

Chart W. Passengers per Revenue Hour

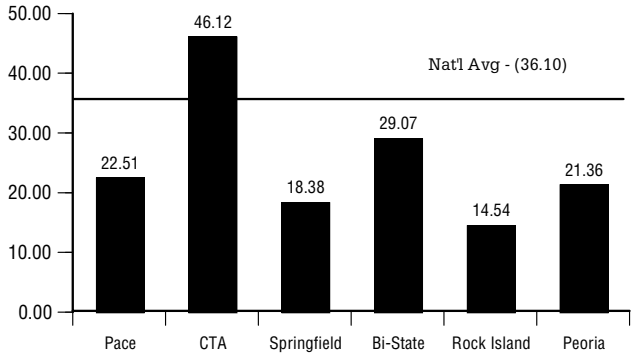
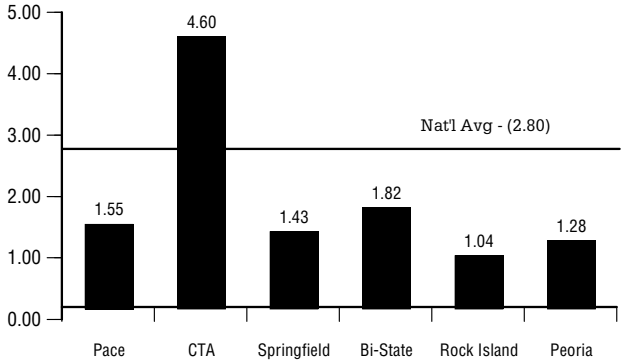
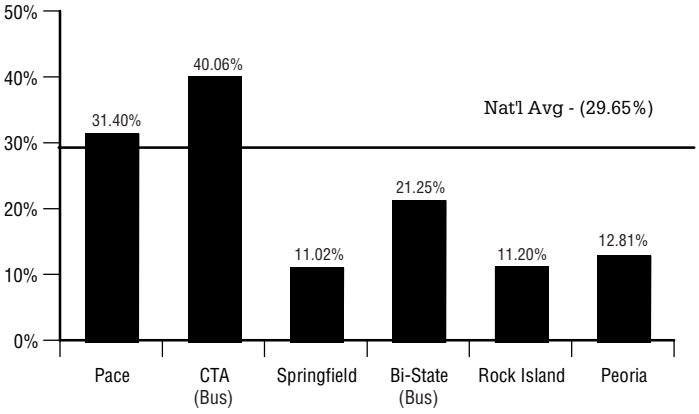


Chart X. Passengers per Revenue Mile



When compared to other Illinois transit operators, Pace's severe effectiveness, as measured by passengers per revenue hour and per revenue miles, is comparable. At 22.5 passengers per revenue hour, Pace service outperforms Springfield, Rock Island and Peoria. Higher density markets, such as St. Louis (Bi-State) and Chicago (CTA) performed better.

Chart Y. Farebox Recovery Ratio



Only CTA outperformed Pace in terms of recovery rate among the Illinois operators. It is interesting to note that CTA's bus recovery rate is 40%—it is CTA's rail system which puts CTA's overall recovery rate above 50%. The reason rail recovery rates are higher than bus recovery rates is that much of the rail system cost is capital in nature and capital costs are excluded from the recovery rate calculation.

Appendix E

Glossary

Budget Terms

administration expense Expense of labor, materials, and fees associated with general office functions, insurance, MIS, legal services, and customer services.

capital budget The appropriation of State and Federal grants for the purchase of vehicles and for improvements to facilities and other infrastructure.

cost per mile Operating expense divided by vehicle miles for a particular program or in total.

cost per passenger Operating expense divided by ridership for a particular program or in total.

deficit The excess of expense over revenue.

farebox revenue Revenues gained from passengers and local, employer and other fare subsidies exclusive of the State Half-fare subsidy program. Also excludes interest income and advertising revenues.

fares The amount charged to passengers for use of various services.

fringes (fringe benefit expense) Pay or expense to or on behalf of employees not for performance of their work, including sick pay, vacation pay, pension contributions, life and health insurance, unemployment and workmen's compensation, social security costs and other allowances.

full-time equivalent position (FTE) A position (or positions) that total 2,080 hours of annual service.

funding formula A specific formula used to determine a subsidy level.

labor expense The cost of wages and salaries (including overtime) to employees for performance of their work.

maintenance expense Expense of labor, materials, services, and equipment used to repair and service transit vehicles and service vehicles including all fuels for vehicle propulsion.

non-vehicle maintenance expense Expense of labor, materials, services, and equipment used to repair and service way and structures, vehicle movement control systems, fare collection equipment, communication systems, buildings and grounds and equipment other than transit vehicles.

operating assistance Financial assistance for transit operations (not capital expenditures). Such aid may originate with federal, local or state governments.

operating budget The planning of revenues and expenses for a given period of time to maintain daily operations.

operations expense Expense for labor, materials, fees and rents required for operating transit vehicles and passenger stations except electric propulsion power.

performance measure Information collected to determine how efficient a route is operating.

private contract services Expense of labor, materials, and fees paid to companies or organizations providing transit service under contract to Pace. Also known as purchased transportation.

program (noun) Refers to groupings of expense accounts of similar activities or objects of expenditures (i.e., operations, maintenance, administration, or vanpool, dial-a-ride, as well as capital programs).

Glossary (Continued)

program (verb) To commit funds, for a given capital purpose, without necessarily appropriating these funds for expenditure. When the RTA approves Pace's capital budget, certain funds will be "programmed" so that they may be obligated (i.e., contracts signed) during the upcoming year, these funds may be expended during future years, not necessarily in the upcoming year.

purchased transportation Expense of labor, materials, and fees paid to companies or organizations providing transit service under contract to Pace.

recovery ratio (recovery rate) In total, equals system generated revenues divided by total operating expenses or can be calculated for a particular program. This ratio is calculated for each of the Service Boards and for the RTA region as a whole. The RTA Act mandates that the RTA region must attain a recovery ratio of at least 50% for a given year.

services (purchased service) Services performed by outside organizations for a fee. Purchased transportation is considered a purchased service.

subsidy Funds received from another source which are used to cover the cost of a service or program that is not self-supporting.

system generated revenue (total operating revenue) The total revenue generated from operations includes farebox revenues, local subsidies, state fare subsidies, advertising, interest and all other income. Excludes RTA and Federal subsidies.

total operating expense The sum of "vehicle operations," "vehicle maintenance," "non-vehicle maintenance," and "general administration" expense categories.

Transit Service Terms

ADA The Americans with Disabilities Act of 1990. Transit systems are required to offer accessible mainline services and complementary ADA paratransit services by the Act and were given until January, 1997 to achieve full compliance.

ADA paratransit service Non-fixed route (paratransit) service utilizing vans and small buses to provide pre-arranged trips to and from specific locations within the ADA service area to certified participants in the program.

CTA The Chicago Transit Authority, created by state legislation, began operations in 1947. Operates bus and Rapid Transit service in the City and several suburbs.

Dial-a-Ride service (D-A-R) Non-fixed route (paratransit) service utilizing vans and small buses to provide pre-arranged trips to and from specific locations within the Dial-a-Ride service area to individuals deemed eligible based on local requirements.

express bus (or route) A suburban or intercity bus that operates a portion of the route without stops or with a limited number of stops.

fixed route service Pace service provided on a regularly scheduled basis along a specific route with vehicles stopping to pick up and discharge passengers along the route.

full size bus A bus from 35 to 41 feet in length.

medium size bus A bus from 29 to 34 feet in length.

Metra The Commuter Rail Division of the RTA. Created in 1983 by amendment to the RTA Act to operate and oversee commuter rail operations in Northeastern Illinois.

Pace The Suburban Bus Division of the RTA. Created in 1983 by amendment to the RTA Act, responsible for all non-rail suburban public transit service with the exception of those services provided by CTA.

paratransit service A generic term used to describe non-fixed route service utilizing vans or buses to provide pre-arranged trips within the system service area.

ridership (unlinked passenger trips) The number of transit vehicle boardings. Each passenger counted each time that person boards a vehicle.

rolling stock Public transportation vehicles which, for Pace, include all buses and vans.

service board A reference to the region's transit operators—CTA, Metra and Pace.

small bus A bus 28 feet or less in length.

subscription bus A Pace service program which provides regular daily express bus service to 30 or more individuals with guaranteed seating that is open to the general public.

total vehicle miles Sum of all miles operated by passenger vehicles, including mileage when no passengers are carried.

van A 20-foot long or shorter vehicle, usually with an automotive-type engine and limited seating normally entered directly through side or rear doors rather than from a central aisle, used for demand response and vanpool service.

vanpool Pace's VIP (Vanpool Incentive Program) - a group of 5 to 15 people who commute to and from work together in a Pace-owned van.

wheelchair accessible vehicle (accessible vehicle) A vehicle that a person utilizing a mobility aid, such as a wheelchair, may enter either via an on-board retractable lift or ramp or directly from a station platform reached by an elevator or a ramp that is either level with the vehicle floor or can be raised to floor level.

Glossary (Continued)

Funding Terms

ADA Complementary Service The Federal Transit Administration reimburses transit operators for eligible capital costs of providing ADA complementary paratransit services. The maximum amount allowable is limited to 10% of the annual formula apportionment under Section 5307.

Bus Overhaul/Maintenance Expense The Federal Transit Administration reimburses transit operators for operating expenses for bus maintenance under Section 5307.

Capital Cost of Contracting The Federal Transit Administration reimburses transit operators for capital consumed in the course of a private operated contractor service. The program is designed to encourage and support service privatization and is funded with Section 5307 urbanized area formula grant funds.

CMAQ (Congestion Mitigation/Air Quality Grant) A federal grant program designed to support transportation projects which reduce traffic congestion and improve air quality.

Discretionary funds Funds which the RTA allocates, at its discretion, to the service boards. These funds include the 15% of the RTA sales tax and PTF.

Federal TEA-21 Program The Transportation Equity Act of the 21st Century (TEA-21) provides federal capital funding from three sources. They are: (1) Section 5307 formula funds, (2) Section 5309, discretionary funds, and (3) flexible funds (i.e., Congestion Mitigation and Air Quality funds (CMAQ).

FTA (Federal Transit Administration) FTA provides capital assistance under Sections 5307 and 5309. Operating assistance is no longer available for urbanized areas over 200,000.

fund balance The excess of funding over deficit for a given period of time.

grants Monies received from local, Federal and State governments to provide capital or operating assistance.

IDOT State of Illinois, Illinois Department of Transportation provides capital and student reduced fare funding.

Illinois FIRST A fund passed by the Illinois legislature for Infrastructure, Roads, Schools and Transit.

JARC (Job Access and Reverse Commute Program) A federal program which provides funding for the provision of transportation services designed to increase access to jobs and employment-related activities.

Positive Budget Variance (PBV) The amount by which a Service Board comes in favorable to available funding from RTA in a given budget year. RTA policy allows the service boards to retain these funds in an unrestricted fund balance which can be used for capital projects or one time operating expenses.

Public Transportation Fund (PTF) An operating subsidy from the State of Illinois equivalent to 25% of the RTA sales tax collected. RTA is required to allocate these funds to the service boards, although the basis is at their discretion. (Also known along with 15% sales tax, as discretionary funds.)

RTA sales tax A sales tax of 1% in Cook County and 1/4% in the collar counties of DuPage, Kane, Lake, McHenry and Will.

- 85% of the sales tax is fully distributed to the service boards by the RTA according to formulas established by the RTA Act (also known as formula funds or 85% funds).
- 15% of the sales tax is retained by the RTA and distributed to the service boards at its discretion (also known as discretionary funds).

RTA Bond Funding Through the Illinois First Program, RTA was authorized to secure bonds for capital needs. The RTA authorized $1.6 billion ($1.3 billion for Strategic Capital Improvement Program (SCIP) and $300.0 million for General Obligation Bonds (GO)). The State of Illinois reimburses the RTA for principal and interest expenses incurred on SCIP bonds.

unreserved fund balance The portion of fund balance that is not already programmed into the budget and is available for appropriation.