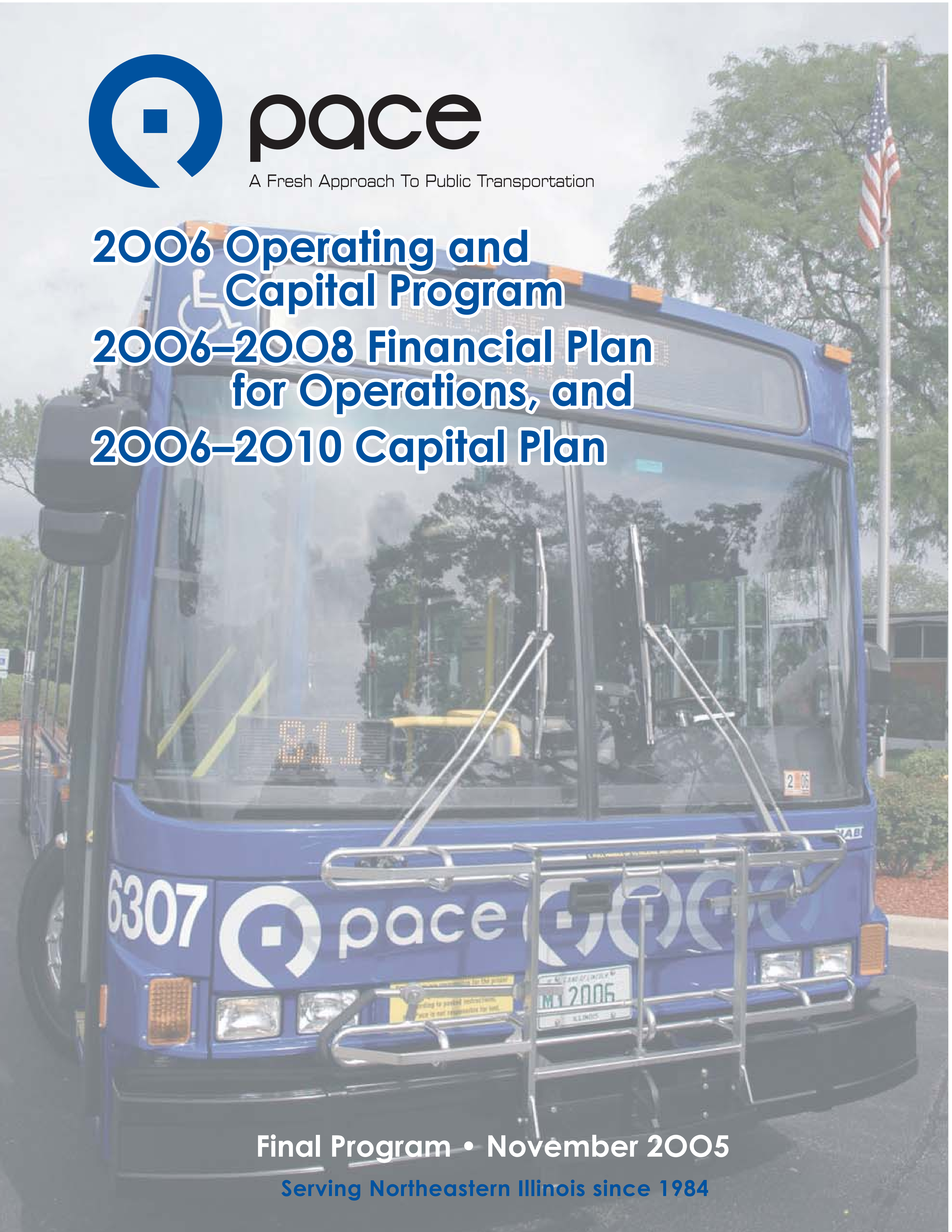
pace

A Fresh Approach To Public Transportation

2006 Operating and Capital Program
2006–2008 Financial Plan for Operations, and
2006–2010 Capital Plan



Final Program • November 2005

Serving Northeastern Illinois since 1984

Chairman's Message

Dear Stakeholders:

As we move into 2006, our Agency leaves behind a year that has embraced change like no other in our recent history. The tone was set in January, 2005, with the unveiling of the redesigned exteriors of our transit buses. The buses feature the new Pace logo which symbolizes our goal of a comprehensive and efficient suburban transit network. To that end, following the principles of Vision 2020, our long range plan for the future, restructuring initiatives were completed or started throughout our service area—the North Shore, Fox Valley/Southwest DuPage and South and Southwest Cook and Will counties. Other highlights of the year included:

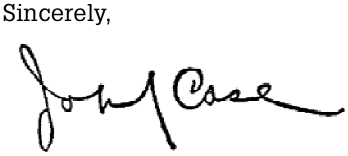
- The introduction of WebWatch on the Pace website to give riders real time information about how soon their bus will arrive. Also added to the site was a vanpool finder to link people to existing vanpools. The 500th vanpool was put on the road in April and nearly 50 more have been added since then.
- Two new members joined the Pace Board, Richard F. Pellegrino, Village President of Indian Head Park, and Terry R. Wells, President of Phoenix, and new leaders were welcomed at the RTA (Regional Transportation Authority).
- Ridership climbed, every month exceeding the previous year. The number of visitors to our website also saw unprecedented growth. We expect to reach 38.9 million riders in 2006, the highest level in over 5 years.
- Governor Blagojevich's signing of House Bill 1663 which made Pace the sole provider for all ADA service in the region showed a vote of confidence in the quality of Pace service.

In the face of rising fuel costs, we are continuing to provide viable alternatives to the private vehicle. Therefore, we are once again balancing our budget with capital funds and reserves. The Pace 2006 Operating Budget totals $202.3 million. We are keeping service levels and fares stable, with only a $3 per month increase in vanpool fares. More details about the budget are found in this document.

The coming year is a watershed year for Pace, the RTA, CTA and Metra. The Region still struggles through a financial crisis. Our Agency also faces a new challenge for 2006 as it assumes operation of the CTA ADA Paratransit Services, effective July 1st. We must work together with our constituents and legislators to obtain the resources vital to maintain the transit system that so critically supports the Region's economy and that of the State.

Within our means Pace has made real strides in modernizing and expanding our family of services. It remains our hope that new funding is found to create a regional transportation system that addresses our changing lifestyles, our growing communities, and new economic realities. Visit our website—www.pacebus.com— to see what we've done and what we hope to do to assure mobility for all residents of Northeastern Illinois. Review this budget, try our services, and continue to share your thoughts and ideas with us.

Sincerely,



John Case
Chairman

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Introduction

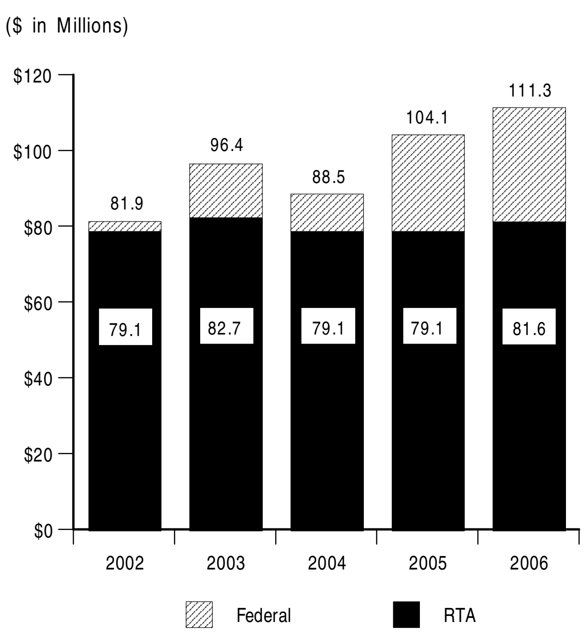
Budget Issues

Operating Funding

The Region continues to struggle financially. As people come to have a greater dependence on public transportation, the existing need for transit operating funds grows stronger. Pace is dependent on a statutory allocation of RTA sales tax income and RTA's discretionary allocation of Public Transportation Funding (PTF) as its operating budget funding sources. In 2006, RTA plans to provide Pace $81.582 million from these sources—this represents an increase of 3.2% from the RTA funding level originally set for Pace in 2002. Pace's funding for operations from RTA has been essentially flat for the past five years.

In the meantime, costs for providing services have increased due to rising costs for labor, health care, insurance and fuel. The cost growth combined with flat funding has resulted in a substantial funding gap, which has been closed by the use of federal funding historically used to fund capital improvements. The end result has been the deferral of capital projects while these resources have been directed to make up the operating shortfall. The following chart illustrates this.

Chart A. RTA & Federal Funding for Operations 2002-2006



Capital Funding

The redirection of federal funds to the operating budget leaves Pace with a minimal capital improvement program. The 2006 Capital Budget is $29.1 million and is comprised chiefly of RTA Bond funds which are being reprogrammed from a prior year. In order to purchase critically needed buses in 2006, Pace will defer the replacement of its aging farebox system and redirect the $12.7 million to the 2006 Capital Budget.

The capital budget also contains an assumption from RTA that Pace will obtain $8.9 million in "new" capital funding in 2006. This requires State legislative action. It is clear that Pace cannot continue to shift all federal funding to support operations without adverse impact on the system's infrastructure, equipment and vehicles.

Based on this, the three year financial plan assumes that beginning in 2007 there will be new funding from the RTA to support operations and that the federal funds will return to the capital program.

Regional ADA Paratransit

The most significant change in the Pace 2006 budget year is the inclusion of funding to carry out the Agency's new role as the Regional ADA Paratransit provider. Beginning July 1, 2006, Pace assumes the management of the three CTA contracts with private companies to provide ADA service in the City of Chicago and close in suburbs. Consequently, 2006 is a transitional year for the funding of ADA Paratransit Services. The ADA Paratransit budget shows that the RTA has provided Pace with $27.1 million in funding to cover the costs of these three CTA contracts for the second half of 2006. RTA estimates that this should be sufficient to fund the services being transferred to Pace management.

Pace's funding requirement for its ADA paratransit in the Pace service area is $14.8 million for 2006. Of this, $13.5 million is being provided from Pace's own sources. RTA is required to provide a financial and funding plan to the State Legislature no later than April of 2007. It is reasonable that the RTA should have a transitional year as they perform their due diligence responsibilities to identify ADA paratransit costs, revenues and funding sources in preparation of a financial and funding plan.

2006 Operating Budget Summary

For 2006, Pace will expend $202.330 million in operating expenditures for both Suburban Service and Regional ADA Paratransit Service. These expenses will be offset by $61.574 million in operating revenue, which includes $2.0 million in reimbursements from the RTA. This reimbursement replaces lost operating revenue resulting from the acceptance of CTA fare instruments. The remaining funding requirement will be covered by $81.582 million in RTA funding; $27.126 million in RTA funding for Regional ADA Paratransit Service; $1.741 million in Federal Congestion Mitigation Air Quality (CMAQ)/Job Access Reverse Commute (JARC), and Other funding; $8.351 million in Federal Capital Cost of Contract funding; and $19.637 million in Federal 5307 funding transferred from the capital program. Pace will realize $4.211 million in net available funds from Suburban Service operations, however, these funds and $2.319 million of Pace retained earnings will be used to continue to fund the Pace portion of the Regional ADA Paratransit Service. The 2006 Operating Budget is summarized in the table below.

Pace's 2006 Operating Budget is compliant with the funding and recovery rate marks set by the RTA on September 15, 2005. Pace's funding level was set at $142.756 million—$140.756 million to fund operations, and $2.0 million to reimburse Pace for the estimated loss in farebox operating revenue from accepting the CTA fare instruments (i.e., CTA 7-day Pass, U-Pass, and Visitor/Fun Passes). Pace's 2006 farebox recovery ratio was set at 35% for the combined total system.

In regards to recovery performance, the Suburban Service component is estimated to reach 40% during 2006, however, this is achieved only through the use of credits and allowances authorized by the RTA. The Regional ADA Paratransit recovery ratio reaches 20.67% in 2006 and the combined total system ratio is 35%.

Table 1. 2006 Operating Budget Summary (000's)

	Suburban Service	Regional ADA (1) Paratransit Service	Total Pace Service
Total Operating Expense	$156,374	$ 45,956	$202,330
Less: System Generated Revenue	56,232 (2)	5,342	61,574
Funding Requirement	$100,142	$ 40,614	$140,756
Less: RTA Funding for Operations	81,582	0	81,582
RTA Regional ADA Funding	0	27,126	27,126
Federal CMAQ/JARC/Other Funding	1,741	0	1,741
Federal Capital Cost of Contracting	4,192	4,159	8,351
Federal 5307 Funding	16,838	2,799	19,637
Surplus/(Deficit) Funds Available	$ 4,211	$ (6,530)	$ (2,319)
Use of Pace Fund Balance (3)			$ 2,319
Net Funding Available			$ 0
System Recovery Ratio (4)	40.00%	20.67%	35.00%

(1) *Regional ADA Service includes both Pace and CTA service components.*

(2) *Includes $2.0 million in reimbursement from the RTA to cover estimated losses in operating revenue from accepting CTA fare instruments.*

(3) *RTA has programmed the use of Pace reserves in order to balance funding needs for 2006.*

(4) *Pace will need to apply ADvAntage and Capital Cost of Contracting credits in order to reach the 35.00% recovery requirement.*

The 2006 Budget and three year financial plan presented in this document is balanced based on the assumption that new transit funding will be available in 2007. To this extent, there are no service reductions included in this plan, and with the exception of a fare adjustment to the Vanpool program, there is no general fare increase proposed for 2006 at this time. Further details of the operating program are provided throughout this document. A complete list of Pace fares are provided in Appendix D of this document.

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2006 Suburban Service Operating Budget

Summary

Consistent with the RTA's need during this transitional year to identify the funding requirements for the Regional ADA Paratransit Service, Pace has separated the operating program into two components. This section presents Pace's operating program for Suburban Service.

The 2006 Suburban Service program summarized below and in the accompanying table shows total operating expenditures of $156.374 million, which will be offset by $56.232 million in operating revenue, including $2.0 million in reimbursements from the RTA. The remaining funding requirement will be covered by $81.582 million in RTA sales tax funding; $1.741 million in Federal Congestion Mitigation Air Quality (CMAQ)/ Job Access Reverse Commute (JARC), and Other funding; $4.192 million in Federal Capital Cost of Contract funding; and $16.838 million in Federal 5307 funding. Pace will realize $4.211 in net available funds which will be used to continue to fund the Pace portion of the Regional ADA Paratransit Service during the transitional year of 2006.

The Suburban Service component will achieve a 40% recovery ratio in 2006, using credits from costs incurred by our AdvAntage contracts, and funds received for Capital Cost of Contracting which are both allowable in the calculation of the annual recovery ratio per RTA.

For 2006, Pace will again be required to transfer Federal 5307 funds from the capital program to fund the operating budget. This will leave Pace without a significant capital program for the second year in a row. As presented in the outlying years of the three year plan, Pace assumes new transit funding to begin in 2007, and is restoring federal funds back to the capital program.

Pace's goal for the Suburban Service component of the operating budget is to continue to make every effort to maximize revenue and control expense growth to whatever extent possible in order to achieve the RTA funding and recovery requirements for 2006. Revenue growth is ambitious and is tied to the continuation of ridership growth. Uncertainties in fuel costs and other volatile expenditures, including liability claims costs and health care will place added pressures on cost control.

A detailed review of the 2006 Suburban Service operating program is presented in this section.

Please Note: When viewing the table below, the 2006 budget does not include Pace's ADA Paratransit revenues, expenses, and funding requirements that are included in prior year results—2004 and 2005.

Table 2. 2006 Suburban Service Operating Budget Summary (000's)

	2004 Actual	2005 Estimate	2006 (1) Budget
Total Operating Expense	$147,222	$162,097	$156,374
Less: System-Generated Revenue	51,864	55,510	56,232 (2)
Funding Requirement	$ 95,358	$106,587	$100,142
Less: RTA Funding for Operations	$ 79,052	$ 79,052	$ 81,582
Federal CMAQ/JARC/Other Funds	1,063	196	1,741
Federal Capital Cost of Contracting	7,213	7,783	4,192
Federal 5307 Funding	1,188	16,942	16,838
RTA Regional ADA Funding	0	1,000	0
Net Funding Available	$ (6,842)	$ (1,614)	$ 4,211
System Recovery (3)	40.00%	40.00%	40.00%

(1) Note: Results for 2004 and 2005 include Pace's ADA Paratransit revenues, expenses and funding requirements which have been removed from the 2006 Suburban Service budget.

(2) Includes $2.0 million in reimbursements from the RTA to cover estimated loss from accepting CTA fare instruments.

(3) Sufficient amounts of ADvAntage and Capital Cost of Contracting credits have been applied in order to reach the 40% recovery ratio.

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 F. 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% 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 3.

The RTA established a sales tax funding mark of $78,552,000 for Pace for 2006. This represents approximately 10.9% of the total RTA region's estimate of $719,900,000. The RTA estimate for sales tax growth is 3.2% for next year. This funding level is consistent with last year's three year plan. The proposed 3.2% sales tax growth for next year remains down from the long term historical average of 4.2%. Table 4 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 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

Table 3. 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 4. Regional Sales Tax and Public Transportation Fund (PTF) Trends (000's)

	2002 Actual	2003 Actual	2004 Actual	2005 Budget	2006 Plan
REGIONAL FUNDS					
Sales Tax	$647,685	$654,988	$675,629	$697,600	$719,900
PTF	165,665	164,739	168,907	174,400	179,975
Total Regional Receipts	$813,340	$819,727	$844,536	$872,000	$899,875
PACE FUNDS					
Sales Tax	$ 70,194	$ 70,995	$ 73,536	$ 75,691	$ 78,552
PTF	8,858	11,752	5,516	3,361	3,030
Total Pace Receipts	$ 79,052	$ 82,747	$ 79,052	$ 79,052	$ 81,582
PACE FUNDING AS PERCENT OF REGIONAL					
Sales Tax	10.8%	10.8%	10.8%	10.8%	10.9%
PTF	5.4%	7.1%	3.3%	1.9%	1.7%
Total Receipts	9.7%	10.1%	9.4%	9.1%	9.1%

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. RTA has reduced PTF allocations to Pace. Since 2003, RTA has cut Pace from 7.1% of Regional PTF to 1.7% for 2006, a funding loss of nearly $10 million.

For 2006, the RTA will allocate an estimated $3,030,000 in PTF funds to Pace, which represents 1.7% of total PTF. As noted in Table 4, Pace's percentage share of regional PTF will decline in 2006.

Federal Funds

Pace will receive federal funding from several programs in 2006.

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 2006.

Job Access and Reverse Commute (JARC) Program

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 2006.

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 $4.2 million in 2006.

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 2006, 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 $16.838 million of Federal 5307 funds to cover vehicle maintenance.

Operating Revenues

Pace is budgeting for $56.232 million in Suburban Service operating revenue in 2006, a $.722 million or 1.3% increase over estimated 2005 levels. The growth is minimized as 2006 revenues are net of ADA Paratransit revenues that are included in prior year (2004 and 2005) results. Select revenue components continue to show sizeable growth. Specifically, Pace's Vanpool program is projected to grow 12% and will contribute $.346 million in additional revenue. Additional revenue will also come from the successful Ride DuPage program. Increases in local share contributions are forecasted, contributing an additional $.896 million in revenue. Farebox revenue is estimated to increase based on the forecasted growth in ridership. Advertising income is projected to contribute $.278 million in additional revenue under the terms of the multi-year contract. For 2006, RTA will continue to reimburse Pace up to $2.0 million to offset the losses associated with accepting CTA fare instruments.

Regarding fares, there is no plan for a general fare increase for fixed route services at this time, however, fares for the Vanpool program will rise next year. Pace may have to revisit changes to the fare structure, pending any independent action by the CTA to raise fares as part of their 2006 budget.

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

Use of Funds

All funds received in 2006 will be used to provide, expand and support Pace services. The components of the 2006 Suburban Service operating program are fixed route carriers (Pace-owned, public/municipal contract and private contract carriers), dial-a-ride services, the vanpool program, the new Ride DuPage program, and centralized support expenses which include insurance, fuel and health care, and costs for administration. All sources and uses of funds related to ADA have been allocated to the Regional ADA Paratransit budget.

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 $62,265,000 for expenses to these carriers in 2006. Pace carriers will also provide all of the Federal Congestion Mitigation/Air Quality (CMAQ) and Job Access and Reverse Commute (JARC) program services in 2006 totaling $775,000. Further information on the Pace-owned services budget can be found on page II-8.

Public/Municipal Contracted Services

Pace will contract directly with two municipalities (Niles and Highland Park) and maintain agreements with other municipalities/providers for additional fixed route services. These services are expected to cost an estimated $3,640,000 in 2006. Further information on the public/municipal contracted services budget can be found on page II-9.

Private Contract Services

Pace provides service to more than 39 communities by directly contracting with five private transit companies. Pace expects to fund a total cost of $8,598,000 for these services in 2006. Further information on the private contract services can be found on page II-10.

Dial-a-Ride Services

Pace participates in 62 dial-a-ride service projects throughout the six county region. Services are operated by townships or local municipalities under contract with Pace or directly by private carriers. 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 2006, Pace plans to expend $12,770,000 for these services. Further information on the dial-a-ride services budget can be found on page II-11.

Vanpool

The 2006 budget for vanpool services contains $2,977,000. 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 636 vans in service by the end of 2006. Further information on the vanpool services budget can be found on page II-12.

Ride DuPage

On July 1, 2004, the Ride DuPage initiative was implemented. The Ride DuPage program coordinates paratransit operations which were previously operated and dispatched by numerous private and public organizations. Pace coordinates service dispatching and provides service through a mix of transportation providers. Second year (2006) expenditures for the program are $1.478 million with funding to be coordinated through DuPage County.

Centralized Support, Insurance, Fuel and Health Care

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 will spend $47.292 million to provide fuel, insurance, health care and other support items in 2006. Further detail on the centralized support program budget is contained on page II-14.

Administration

In order to accomplish the duties of direct operational support, service planning, capital planning, financial control and MIS support, Pace's 2006 administrative budget is set at $15,358,000. Pace will also continue with the restructuring initiative that started in 2005. For 2006, Pace will expend $1.2 million completing restructuring analyses. Further information on the administration budget can be found on page II-15.

Table 5. 2006 Revenue Summary (000's)

	2004 Actual	2005 Estimate	2006 Budget
OPERATING REVENUES			
Pace-Owned Services	$ 26,037	$ 25,857	$ 26,586
CMAQ/JARC Services	250	255	218
Public/Municipal Contracted Services	1,898	2,041	2,126
Private Contracted Services	2,653	2,605	2,680
Dial-A-Ride Services	7,262	7,531	7,973
Ride DuPage Services	528	1,395	1,478
Pace ADA Paratransit Services	1,371	1,482	0*
Vanpool Program	2,519	2,830	3,176
Half-Fare Reimbursement	3,266	3,485	3,170
RTA 7-Day Pass Reimbursement	387	2,000	2,000
Investment/Other Revenue	2,019	2,057	2,575
Advertising Revenue	3,674	3,972	4,250
Total Operating Revenue	$ 51,864	$ 55,510	$ 56,232
PUBLIC FUNDING			
Sales Tax	$ 73,536	$ 75,691	$ 78,552
Public Transportation Fund	5,516	3,361	3,030
Federal CMAQ/JARC/Other Funding	1,063	196	1,741
Capital Cost of Contracting	7,213	7,783	4,192
Federal 5307 Funding	1,188	16,942	16,838
RTA Regional ADA Funding	0	1,000	0
Total Public Funding	$ 88,516	$104,973	$104,352
Total Source of Funds	$140,380	$160,483	$160,584

** Beginning in 2006, Pace's ADA Paratransit service has been consolidated in the Regional ADA Paratransit section of this document.*

Chart B. Sources of Funds

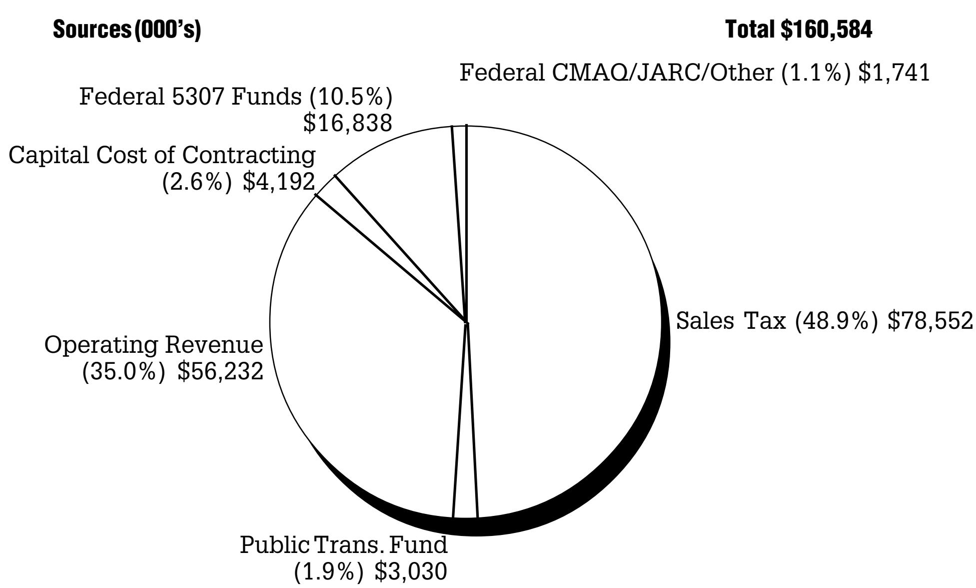


Table 6. 2006 Expense Summary (000's)

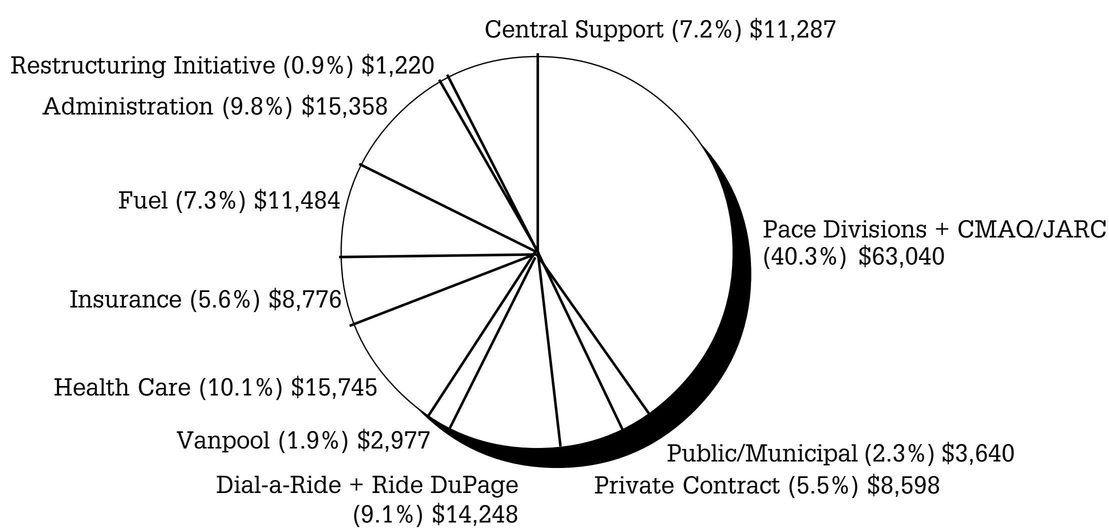
	2004 Actual	2005 Estimate	2006 Budget
EXPENSES			
Pace-Owned Services	$ 56,953	$ 60,320	$ 62,265
CMAQ/JARC Services	1,219	956	775
Public/Municipal Contracted Services	3,196	3,499	3,640
Private Contracted Services	8,143	8,168	8,598
Dial-A-Ride Services	11,680	12,161	12,770
Ride-DuPage Service	521	1,395	1,478
Pace ADA-Paratransit Services	11,679	13,233	0*
Vanpool Program	2,083	2,688	2,977
Centralized Operations	9,882	10,660	11,287
Insurance	7,834	9,062	8,776
Health Care	13,025	14,183	15,745
Fuel	7,745	10,524	11,484
Administration	13,201	14,249	15,358
Restructuring Initiative	61	1,000	1,220
Total Expenses	$147,222	$162,097	$156,373
Net Funding Available	$ (6,842)	$ (1,614)	$ 4,211
Recovery Rate	40.00%	40.00%	40.00%**
PACE FUND BALANCE			
Beginning Balance	$ 12,198	$ 5,356	$ 3,742
Net Funding Available	(6,842)	(1,614)	4,211
Less: Obligations/Other	0	0	0
Ending Balance	$ 5,356	$ 3,742	$ 7,953

** Beginning in 2006, Pace's ADA Paratransit service has been consolidated in the Regional ADA Paratransit section of this document.*

***Pace's base suburban service is planned to achieve a 40% recovery ratio using ADvAntage and Capital Cost of Contracting credits.*

Chart C. Uses of Funds

Uses (000's) **Total $156,373**



2006 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. Pace also operates CMAQ and/or JARC services out of four of its nine facilities. CMAQ/JARC program information is included in the table below. Together these facilities provide service to approximately 91% of the system's fixed route riders and account for 82% of total system ridership.

In 2006, Pace will spend $36.2 million to provide service at these locations. This represents a 3.1% increase over estimated 2005 levels.

Total revenues are projected to rise 2.7% or $.692 million over the 2005 estimate, consistent with the growth in ridership.

Total operating expenses will grow 2.9% over 2005 levels. Labor, fringe benefit costs, bus parts and supplies, and utility costs, are the primary factors affecting the rising costs in 2006. (Note: Carrier costs have been adjusted for all three years to move health care to the centralized support budget.)

The significant increase in bus parts and supplies has occurred in 2005 and reflects an aging fleet and reduction of the capital program due to transfer of Federal 5307 funds to the operating budget.

Recovery performance will remain relatively constant at the divisions for 2006 as expenses and revenues will grow at a similar rate.

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

2006 Goals

Pace's efforts for 2006 include providing 31.2 million rides with a minimum recovery ratio of 42.52%.

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

Table 7. Budget Summary—Pace Owned Carriers (000's)

	2004 Actual	2005 Estimate	2006 Budget
REVENUE			
Pace Owned Carriers	$ 26,037	$ 25,857	$ 26,586
CMAQ/JARC Service Revenue	250	255	218
Total Revenues	$ 26,287	$ 26,112	$ 26,804
EXPENSES			
Operations	$ 40,265	$ 41,998	$ 43,183
CMAQ/JARC	1,219	956	775
Maintenance	9,383	9,777	10,193
Bus Parts/Supplies	2,298	3,016	3,112
Non-Vehicle Maintenance	1,484	1,600	1,668
General Administration	3,523	3,929	4,109
Total Expenses	$ 58,172	$ 61,276	$ 63,040
Funding Requirement	$ 31,886	$ 35,164	$ 36,236
Recovery Rate	45.19%	42.61%	42.52%
Ridership	28,452	30,334	31,244
Vehicle Miles	21,850	21,906	21,906
Vehicle Hours	1,444	1,445	1,445
Full Time Equivalents (FTE's)	1,165	1,165	1,165

2006 Public/Municipal Contracted Service Budget

Pace will contract with two municipalities—Highland Park and Niles to provide fixed route bus service in these communities in 2006. Pace will also continue to maintain other ongoing service initiatives as detailed below. The services included in this category are identified below with detailed information provided in Table 8.

Municipal Fixed Route Services

The City of Highland Park and the Village of Niles will continue to contract with Pace in order to provide fixed route services in their areas in 2006. Combined, these services will provide .817 million rides, and generate $.954 million in revenue via the farebox or through local share contributions. Service expenditures will reach $2.386 million, in total, in 2006, and net required funding will rise to $1.432 million. The goal for these two providers in 2006 includes increasing ridership by nearly 2.8% and achieving a minimum 40% recovery ratio.

Downers Grove

The Village of Downers Grove operates the Grove Commuter Shuttle, transporting passengers to the Metra/ Burlington Northern rail station in Downers Grove. This service will continue to be included in Pace's budget for 2006 at a cost of $716,000, with offsetting revenue of $645,000 which includes local subsidy.

Schaumburg

A trolley service was implemented in the Woodfield area in 2001 and continues in 2006. The cost of this service is estimated at $432,000 and will continue to be funded at 100% by the Village of Schaumburg.

Northwestern University Shuttle

Northwestern 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 2006 at a cost of $106,000 with offsetting revenue of $95,000 which includes local subsidy.

Table 8. Budget Summary—Public/Municipal (000's)

	2004 Actual	2005 Estimate	2006 Budget
REVENUE			
Highland Park	$ 369	$ 407	$ 427
Niles	486	513	527
Schaumburg	392	407	432
Downers Grove	564	622	645
Northwestern	87	92	95
Total Revenue	$ 1,898	$ 2,041	$ 2,126
EXPENSES			
Highland Park	$ 904	$ 1,017	$ 1,069
Niles	1,189	1,283	1,317
Schaumburg	392	407	432
Downers Grove	614	690	716
Northwestern	97	102	106
Total Expenses	$ 3,196	$ 3,499	$ 3,640
Funding Requirement	$ 1,298	$ 1,458	$ 1,514
Recovery Ratio	59.4%	58.3%	58.4%
Ridership	985	1,079	1,101
Vehicle Miles	696	723	723
Vehicle Hours	62	63	63

2006 Private Contract Carrier Budget

In 2006, Pace will contract directly with five 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
Cook County School Bus
M.V. Transportation

The net cost of providing fixed route contracted service will rise $355,000 in 2006. This represents a 6.4% increase from estimated 2005 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 increase by 2.9% in 2006 in conjunction with ridership which is also estimated to rise 2.9%.

Recovery performance will decline due to rising costs.

The budget for private contracted services is summarized on the following table.

2006 Goals

2006 goals include reaching just over 2.0 million riders while achieving a minimum recovery ratio of 31.17%.

Table 9. Budget Summary—Private Contract Carriers (000's)

	2004 Actual	2005 Estimate	2006 Budget
Revenue	$ 2,653	$ 2,605	$ 2,680
Operating Expenses	8,143	8,168	8,598
Funding Requirement	$ 5,490	$ 5,563	$ 5,918
Recovery Rate	32.58%	31.89%	31.17%
Ridership	1,993	1,947	2,005
Vehicle Miles	2,206	2,224	2,224
Vehicle Hours	134	132	132

2006 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 31 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 31 other dial-a-ride projects. In most cases, the local community operates the service. For 2006, 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 2006.

The budget shown in Table 10 is based on the $2.25/75% subsidy formula and will provide $12.8 million for dial-a-ride service throughout the six county region. Total costs are up 5.0% in 2006, as costs of renewal for several private contracts are expected to exceed the 2.5% rate of inflation. Service levels are estimated to remain constant next year. Dial-a-ride ridership is projected to increase 0.6% in 2006.

2006 Goals

Dial-a-ride efforts in 2006 will include carrying 1.1 million riders while maintaining recovery performance to a level of 62.43%.

Table 10. Budget Summary—Dial-a-Ride Services (000's)

	2004 Actual	2005 Estimate	2006 Budget
Revenue			
Fares	$ 1,025	$ 1,090	$ 1,096
Local Share	6,237	6,441	6,877
Total Revenue	$ 7,262	$ 7,531	$ 7,973
Expenses			
Operations	$ 10,442	$ 10,801	$ 11,375
Maintenance	419	474	485
Non-Vehicle Maintenance	32	32	33
Administration	787	854	877
Total Expenses	$ 11,680	$ 12,161	$ 12,770
Funding Requirement	4,418	4,630	4,797
Recovery Ratio	62.17%	61.92%	62.43%
Ridership	1,073	1,087	1,093
Vehicle Miles	3,968	4,065	4,065
Vehicle Hours	256	258	258

2006 Vanpool Program

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 636 vans in service by year-end 2006, carrying 1.73 million riders. Revenue and expenses are projected to increase 12.2% and 10.8%, respectively, over 2005 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 11. The budget for the total Vanpool program is also summarized in the table.

Beginning January 1, 2006, Pace will raise fares for all four elements of the Vanpool program in order to partially offset the rising cost for fuel. Reference the appendix of this document for changes in fares.

Vanpool Incentive Program (VIP)

The VIP service is the core element of the program and is projected to achieve a ridership level of 796,365 with 229 vans in service by the end of 2006. The 2006 budgeted revenue and expenses are projected to increase 11.2% and 11.8%, respectively, over 2005 levels. Recovery performance is budgeted at 107.1% for 2006.

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 25 shuttle vans in service by the end of 2006. The 2006 budgeted recovery rate for this program is 167.8%.

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 2006, this program reflects a respective 11.2% and 10.0% increase in revenue and expense. Pace projects to have 287 vans in service by 2006 year-end. The recovery rate for the ADvAntage program is budgeted at 81.6% in 2006.

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 $281,511 in operating revenue with 95 vans in service in 2006.

2006 Goals

Pace's efforts for the entire Vanpool program in 2006 will include growing the overall program by 10.8%, carrying 1,733,000 passengers, maintaining a recovery ratio of 106.7%, and increasing the number of vans in service to 636 by the end of 2006.

Table 11. Vanpool Budget (000's)

	2004 Actual	2005 Estimate	2006 Budget
REVENUE			
VIP	$ 1,145	$ 1,246	$ 1,386
Corporate Shuttle	249	238	265
ADvAntage	941	1,118	1,244
Municipal	184	228	281
Total Revenue	$ 2,519	$ 2,830	$ 3,176
EXPENSE			
VIP	$ 917	1,158	1,295
Corporate Shuttle	125	144	158
ADvAntage	1,041	1,386	1,525
Total Expenses	$ 2,083	$ 2,688	$ 2,977
Funding Requirement	$ (436)	$ (142)	$ (199)
RECOVERY RATE			
VIP	124.9%	107.6%	107.1%
Corporate Shuttle	199.0%	165.9%	167.8%
ADvAntage	90.4%	80.7%	81.6%
Total Recovery Rate	120.9%	105.3%	106.7%
RIDERSHIP			
VIP	647	737	796
Corporate Shuttle	80	69	75
ADvAntage	597	682	737
Municipal	92	105	125
Total Ridership	1,416	1,593	1,733
VEHICLE MILES			
VIP	4,601	4,800	5,184
Corporate Shuttle	370	405	437
ADvAntage	2,991	3,200	3,456
Municipal	430	550	660
Total Vehicle Miles	8,392	8,955	9,737
Vans in Service (year-end) - VIP	188	212	229
Vans in Service (year-end) - Corporate Shuttle	27	23	25
Vans in Service (year-end) - ADvAntage	212	266	287
Vans in Service (year-end) - Municipal	63	79	95
Total Vans in Service	490	580	636

2006 Centralized Support Budget

Pace manages numerous functions and expenditures "centrally" on behalf of the entire Agency. The centralized support budget will reach $47.3 million in 2006 and will provide for a total support staff of 88 positions in the bus operations, materials management and facility maintenance areas. The budget also includes expenses for fuel, liability insurance and health care.

In 2005, Pace's centralized support expense is estimated to end the year up $5.9 million or 15.4% over 2004 levels. A majority of the growth will come from the three components—fuel, liability insurance and health care.

The 2006 centralized support budget will grow 6.4% over estimated 2005 levels.

Operations expense is expected to grow 7.3% over 2005 levels. The operations component is comprised entirely of labor and fringe benefit expense for 35 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 7.5% over 2005 levels, with most of this growth attributed to increased fringe benefit and vehicle repair costs.

Fuel expenses are projected to grow 9.1% for 2006. Fuel consumption is budgeted at 6.1 million gallons. The budget assumes an average price of $1.87 per gallon, a twenty-five cent increase from estimated 2005 levels. Fuel is one of the most volatile components of our budget that continues to affect total operating costs.

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 fringe benefit costs, are causing expenses to rise 10.5% over 2005 levels.

The administration portion of the centralized support budget is comprised of numerous items including liability insurance, and health care. In 2006, health care expenses are forecasted to rise 11%. The decline in liability insurance expenses reflect an allocation to the ADA Regional Paratransit program.

2006 Goals

Pace's 2006 budgetary efforts for centralized support will include holding non-labor expenditures to a minimum while maintaining a staffing level of 88 positions.

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

Table 12. Centralized Support Budget (000's)

	2004 Actual	2005 Estimate	2006 Budget
Operations	$ 2,254	$ 2,333	$ 2,505
Maintenance	3,753	4,059	4,365
Fuel	7,745	10,524	11,484
Non-Vehicle Maintenance	809	873	965
Administration	3,066	3,395	3,452
Liability Insurance	7,834	9,062	8,776
Health Care	13,025	14,183	15,745
Total	$ 38,486	$ 44,429	$ 47,292
Full Time Equivalents (FTE's)	89	89	88
Fuel			
# of Gallons	6.602 mil	6.514 mil	6.144 mil
$/Gallon	$1.17	$1.62	$1.87

2006 Administrative Budget

The 2006 administrative budget is estimated to reach $16.6 million in 2006. Pace will utilize 158 positions to manage 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 2005, administrative expenses are estimated to end the year up $1.9 million or 15% over 2004 levels. A large part of the growth is attributed to Pace's restructuring efforts.

The 2006 administrative budget will increase 8.7% over 2005 levels and includes $1.2 million for continuation of the restructuring effort. Adjusting for these costs, administrative expenses will rise 7.8%.

The service restructuring initiative will continue to look at service in the region and revise service delivery plans 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 8.7% next year, following one-time expenditures that were incurred in 2005. Pace continues to maximize cost saving efforts wherever possible.

Labor and fringe benefit costs will grow 6.3% in 2006 due, in part, to rising pension costs. Administrative staffing levels are up by six full-time equivalents (FTE's) in 2006, however, an equal allocation of six positions to the ADA Paratransit Service results in no change to administrative staffing levels at 158 full-time equivalents (FTE's).

Parts and supplies are expected to grow 1.8% due largely to inflation. Utility costs are expected to grow 3.1% from 2005 levels.

The expense category "Other" will rise 13.3% next year with added expenses associated with planning studies. These costs are in addition to Pace's restructuring initiative, which will continue into 2006. Additional information on Pace's planned restructuring efforts are provided in the planning section in this document.

2006 Goals

Pace's 2006 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 13. Administrative Budget (000's)

	2004 Actual	2005 Estimate	2006 Budget
Non-Vehicle Maintenance	$ 150	$ 173	$ 158
General Administration			
Labor/Fringe benefits	9,524	10,086	10,721
Parts/Supplies	176	220	224
Utilities	153	162	167
Other	3,198	3,608	4,088
Restructuring Initiatives	61	1,000	1,220
Total Expenses	$ 13,262	$ 15,249	$ 16,578
Full Time Equivalents (FTE's)	160	158	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 2006 remains constant at 158 filled full-time equivalents (FTE's). Six additional positions are budgeted for in 2006, however, these six have been offset by an equivalent FTE allocation to the Regional ADA Paratransit Service program.

The central support element is budgeted at 88 filled FTE positions for 2006, down one position from 2005 estimated levels. One position has been transferred to administration for 2006.

The Pace division element is comprised of nine garages and is budgeted at 1,165 filled FTE positions for 2006. There is no change from 2005 estimated levels.

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 and construction, 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, contracted services, 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 II-17.

Table 14. Full-Time Equivalent Personnel (FTE's)

2004 ACTUAL

Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	37	910	947
Maintenance	0	44	204	248
Non-Vehicle Maintenance	0	8	15	23
Administration	160	0	36	196
Total	160	89	1,165	1,414

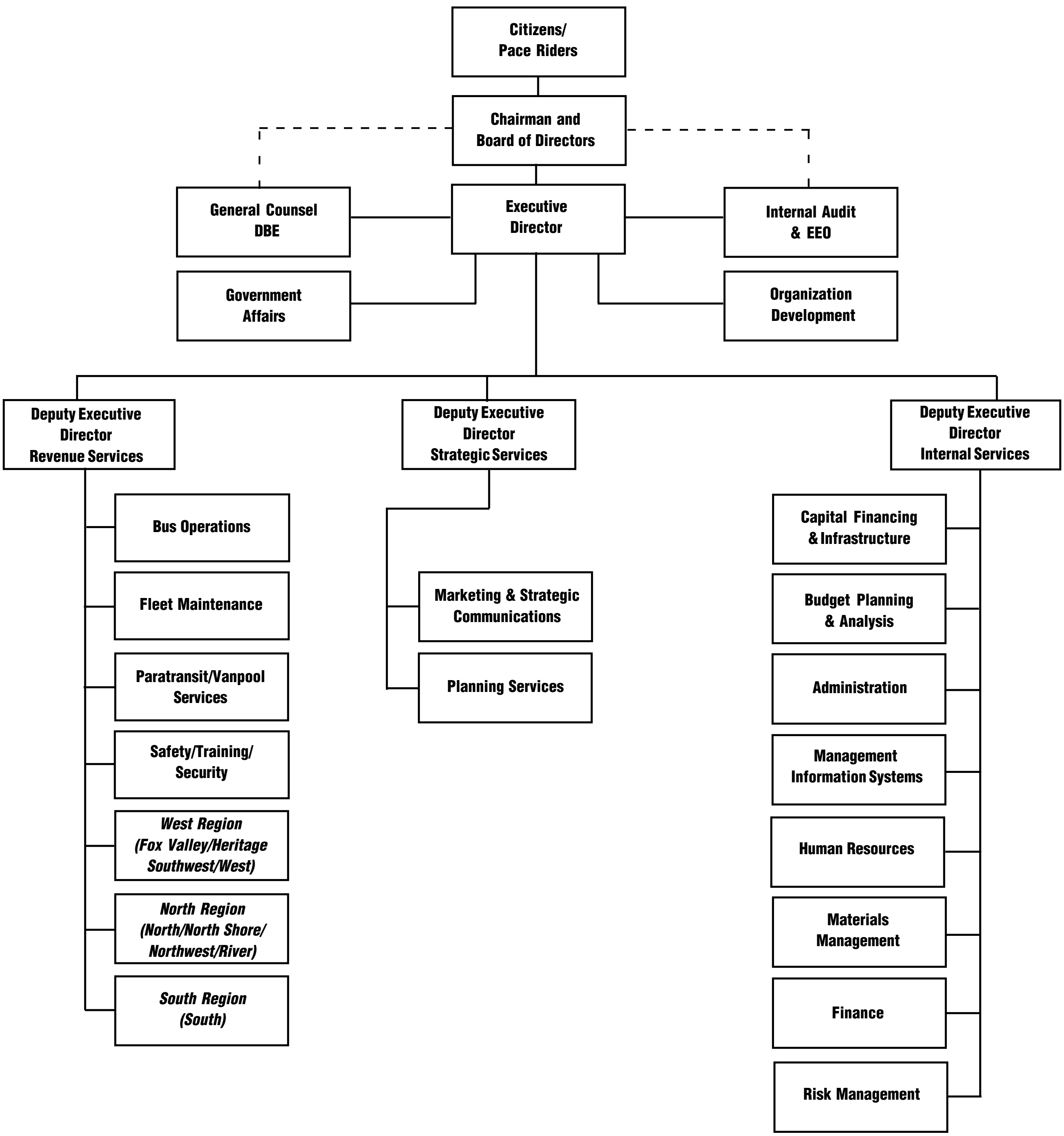
2005 ESTIMATED

Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	37	910	947
Maintenance	0	44	204	248
Non-Vehicle Maintenance	0	8	15	23
Administration	158	0	36	194
Total	158	89	1,165	1,412

2006 BUDGET

Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	35	910	945
Maintenance	0	45	204	249
Non-Vehicle Maintenance	0	8	15	23
Administration	158	0	36	194
Total	158	88	1,165	1,411

Chart D. Pace Organizational Chart



Regional ADA Paratransit Service Operating Budget

Summary

On July 29, 2005, Governor Blagojevich signed into law House Bill 1663. Under the new Bill, beginning July 1, 2005, the RTA became responsible for the funding, financial review and oversight of all ADA Paratransit services that are provided by the Authority, or by any of the Service Boards. Effective July 1, 2006, Pace is scheduled to become the official provider of all Regional ADA Paratransit Services in the City of Chicago, and the six county region.

On September 15, 2005, the RTA set 2006 operating budget funding and recovery marks for the Service Boards. Included in these marks, were separate funding levels for the delivery of Regional ADA Paratransit Service called for under the new legislation. In order to set these marks, the RTA reviewed the operating expenditures for both Pace and the CTA, and set appropriate funding levels based on their review. The impact of these marks on Pace's operating budget are summarized below and illustrated in Table 15.

The 2006 budget year is a transitional year as service operation responsibilities are transferred from CTA to Pace. For the 2006 transitional year of the Regional ADA Paratransit Service Program, Pace will expend $45.956 million in operating expenses inclusive of the estimated costs for CTA services, as determined by the RTA. The CTA costs identified by the RTA are for the second half of 2006 as CTA will be responsible for operating these services until July 1, 2006. Total expenses will be offset by an estimated $5.342 million in operating revenue. The remaining funding requirement will be covered by $27.126 million in regional ADA funding which has been identified by the RTA; $4.159 million in Federal 5307 Capital Cost of Contract funding; and $2.799 million in Federal 5307 ADA Paratransit funding which will be transferred from Pace's Capital program. Pace will realize a $6.530 million funding shortfall relating to the Regional ADA program for 2006. The shortfall will be balanced using $4.211 million in net available funds from the Suburban Service budget, plus the RTA has programmed Pace to use $2.319 million in retained earnings to achieve a balanced budget. While Pace continues to fund Pace service area ADA Paratransit Services, the funding requirement is $1.3 million less ($13.5 million vs. $14.8 million) than would have been required if the regional services had not been transferred to Pace operations and management.

Table 15. Regional ADA Paratransit Budget Summary (000's)

	2006 Budget
Total Operating Expenses	$ 45,956
Less: System General Revenue	5,342
Funding Requirement	$ 40,614
Less: RTA Regional ADA Funding	$ 27,126
Capital Cost of Contracting	4,159
Federal 5307 Funding	2,799
Surplus/(Deficit) Funds Available	$ (6,530)
Use of Surplus Funds-Suburban Service	$ 4,211
Use of Pace Fund Balance	2,319
Net Funds Available	$ 0
System Recovery Ratio*	20.67%

** Recovery Rate calculation includes the use of Capital Cost of Contracting as allowed by RTA.*

In regards to recovery performance, the Regional ADA Paratransit service will reach 20.67% in 2006. This will only be accomplished using credits and allowances similar to the base Suburban Service which includes counting federal capital funds as operating revenues. First year expenses are also only reflective of half year costs for CTA service. Once full year costs are factored in, recovery performance will decline.

While there are numerous tasks and issues to be addressed with the initiation of a Regional ADA Paratransit Service, one problem arising immediately is the lack of adequate funding for ADA Partransit Service in the Pace service area. The 2006 budget identifies a $14.8 million funding need for ADA service in the Pace service area. During this transitional year, Pace continues to provide $13.5 million of this requirement. As RTA develops its funding and financial plan for submittal to the state legislature, funding for all Regional ADA Paratransit Services must be identified.

Regional ADA Paratransit Service

Pace's proposed first year revenue, expenses and funding requirements for the Regional ADA Paratransit services are detailed in Table 16 below. The information identified for Pace only reflects direct operating costs associated with service delivery. The costs listed for CTA have been provided by RTA. Pace has requested that RTA perform a due diligence for the ADA Paratransit Services to establish a baseline budget as part of the State required financial and funding plan.

Pace will spend $14.8 million in 2006 to deliver existing ADA services in the suburban region. These funds will provide 460,000 rides which reflect a near 3% increase in demand over estimated 2005 levels. The estimated net cost to deliver a half year of existing CTA services next year is $25.7 million. This will provide 1,188,000 rides. Combined, Pace will expend $40.6 million on regional ADA Paratransit service.

The 2006 recovery rate of 20.67% is inflated through the use of federal capital cost of contract allowances. Recovery performance will decline as full year costs are included for the CTA service. Recovery rate performance will further decline as federal funds are restored back to the Capital program and no longer available for use in the calculation of the recovery ratio. See the affects on outlying year recovery ratios for 2007 and 2008 in the three year financial plan section of this document.

The information/data provided by the RTA with regard to the CTA service has not been verified at this time. Further details are expected to be forthcoming as the RTA moves closer to completion of the regional transition plan due to the FTA by January 1, 2006.

Table 16. 2006 Regional ADA Paratransit Service Budget—Pace and CTA Details (000's)

	Pace	CTA	Total Region
Revenue	$ 1,522	$ 3,820	$ 5,342
Expenses			
Operations	$ 14,287	$ 29,582	$ 43,869
Maintenance	-	-	-
Fuel	853	-	853
Non-Vehicle Maintenance	-	-	-
Administration	1,234	-	1,234
Total Expenses	$ 16,374	$ 29,582	$ 45,956
Funding Requirement	$ 14,852	$ 25,762	$ 40,614
Recovery Ratio(1)	34.69%	12.91%	20.67%
Ridership	460	1,188	1,648
Full Time Equivalents (FTE's)	10 (2)	N/A(3)	10

(1) *Recovery Ratio includes allowances for Federal Capital Cost of Contracting funds.*

(2) *Reflects four additional positions required to handle transition/takeover of CTA service.*

(3) *The number of personnel required to deliver CTA service has not been identified at this time.*

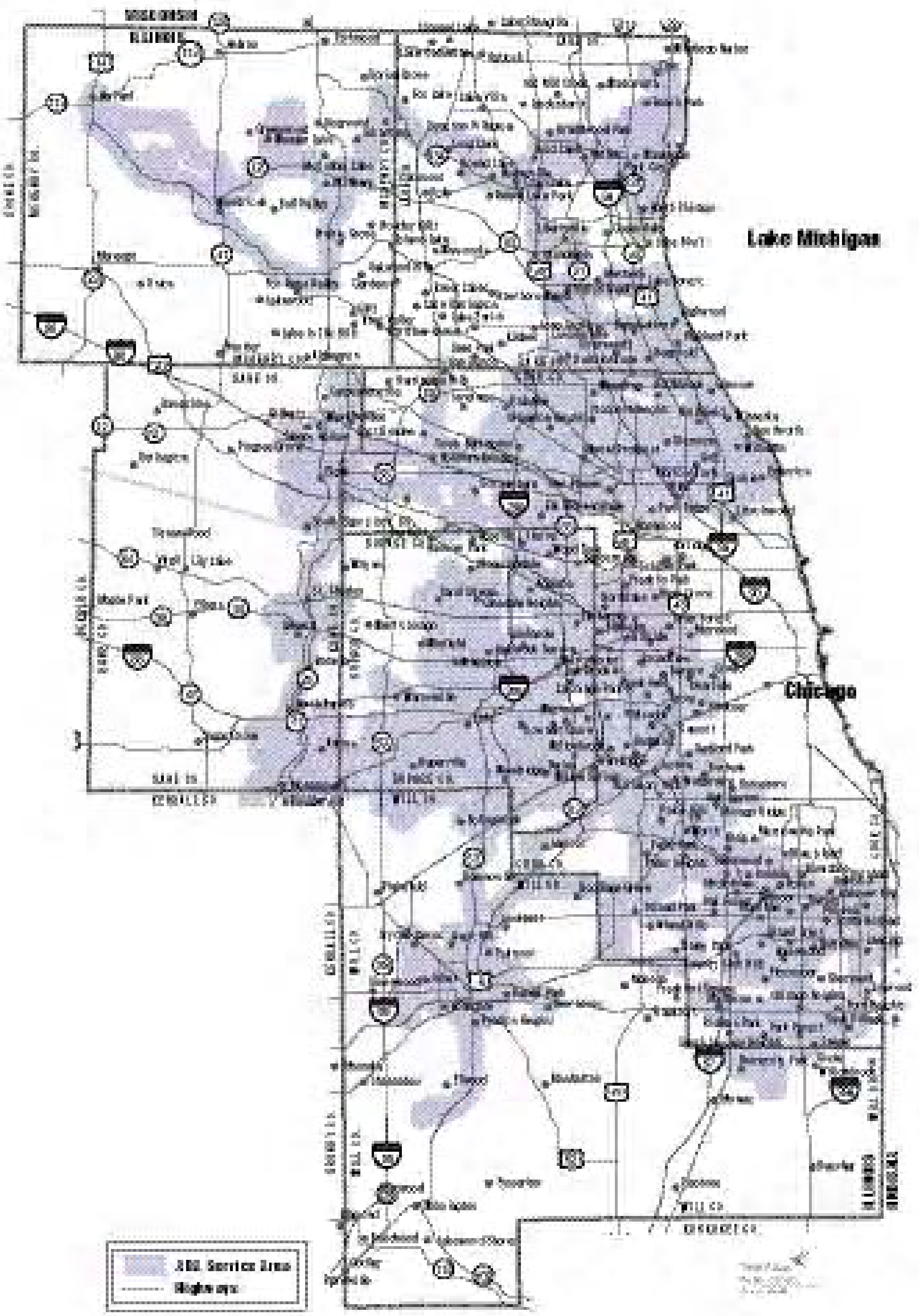
Pace ADA Paratransit Characteristics

The following map and description summarizes the operating characteristics of the Pace ADA Paratransit Service program, as it exists in 2005.

Pace ADA Paratransit

163 Pace-owned lift-equipped vehicles are utilized to provide curb-to-curb service to approximately 37,950 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 1. Pace ADA Paratransit Service Characteristics



CTA ADA Paratransit Characteristics

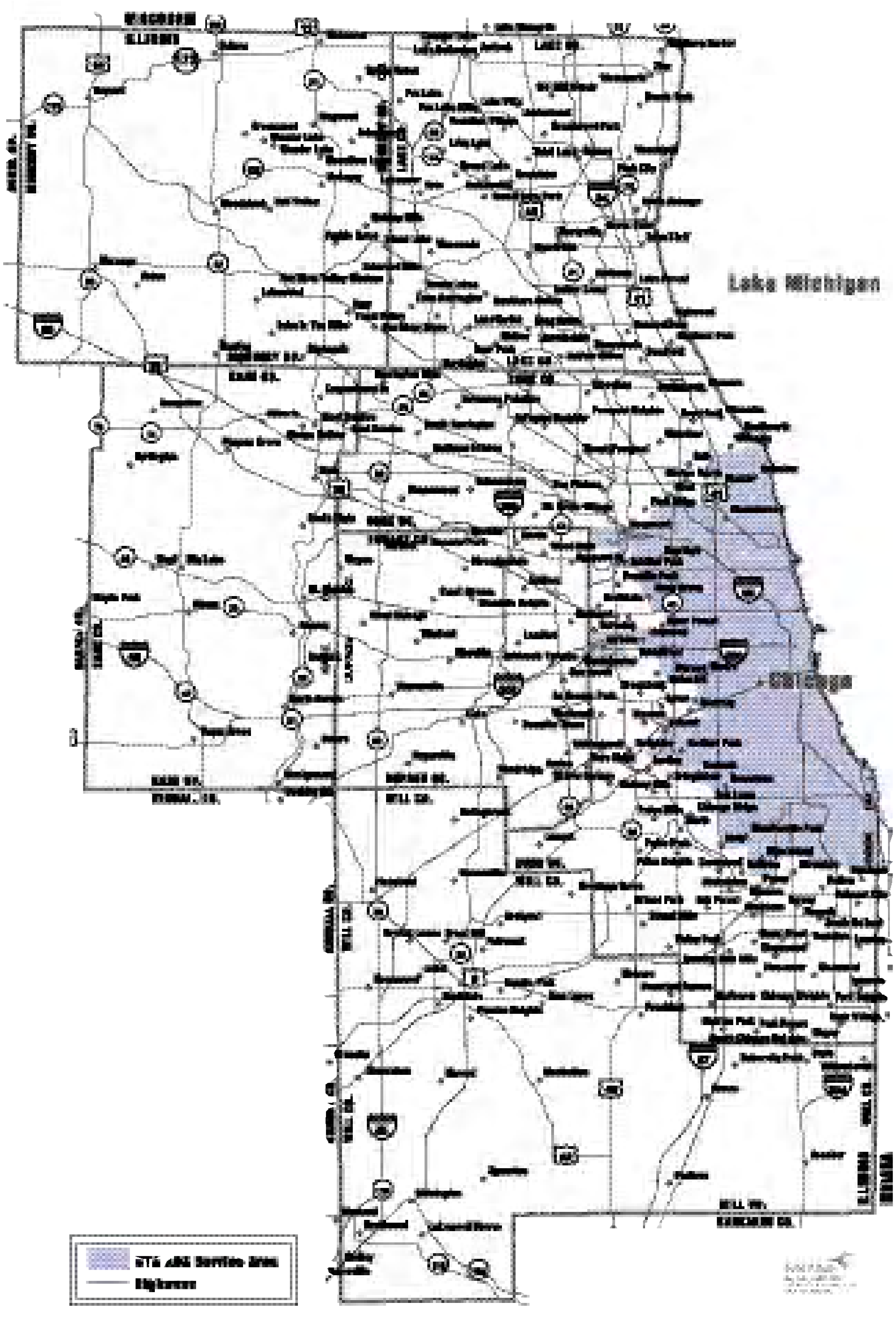
The following map and description summarizes the operating characteristics of the CTA ADA Paratransit Service program, as it exists in 2005.

CTA ADA Paratransit

Three ADA Paratransit Service contractors provide ADA Paratransit services to locations within 3/4 mile of CTA bus routes and up to a 3/4 mile radius of each CTA rail station.

The area served essentially covers the City of Chicago and close-in suburban communities served by regular CTA services.

Map 2. CTA ADA Paratransit Service Characteristics



2006–2008 Financial Plan and Fund Balance

General

The following section presents Pace's financial plan and fund balance for 2006 through 2008. 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 2006-2008 achieves this balance.

Two prominent issues face Pace in this three year plan. The first, and most noteworthy is the lack of sufficient public funding available to sustain operations over the three year horizon. The second is the assumption of all ADA Paratransit service in the six county region, however, the issue here, again, gets back to the level of adequate funding available for the regional service.

In the first year of the three year plan – 2006, the RTA has established a funding mark of $142.756 million for Pace. This level of funding is earmarked to fund both Pace's existing services as well as the addition of the Regional ADA Service. The problem with this mark is that it includes the use of nearly $28 million of federal funds which would typically be used for capital needs, thereby leaving Pace with a minimal capital improvement program for the second year in a row. The mark provides $27 million in new funding to Pace for the Regional ADA Service, however, this funding level is insufficient, as there is not sufficient money to cover Pace's existing ADA Paratransit services.

Looking at the outlying years of this plan, RTA's funding marks for Pace, again assume continued use of federal funds. Under their thinking, Pace would go with a severely diminished capital program over a four year horizon. Furthermore, the marks for the new ADA funding are flat – there is no assumed growth in this source of funding even though it is inadequate from the beginning to fund ADA service needs. It is clear that there has to be additional transit funding for operations by 2007 in order for the Region's three year plan to work. Along this line, Pace has assumed new transit funds by 2007 in order to balance the outlying years of this three year plan. Without this assumption, RTA marks are inadequate to fund Pace's transit service

The RTA has set a recovery ratio of 35% for Pace for 2006. This ratio applies to the combined Pace operation – Suburban Service and Regional ADA Paratransit Service. The reduced recovery rate takes into consideration the low recovery performance for ADA service. Even at 35%, the recovery ratio can only be met using credits and allowances authorized by the RTA. In the outlying years of this plan recovery performance drops off

Table 17. Baseline Economic Assumptions

	2005	2006	2007	2008	Where Applied
CPI-U (National)	2.5%	2.5%	2.1%	2.2%	Note 1
T-Bill Rate (3 Month)	3.2%	4.1%	4.6%	4.6%	Investment Income 2005-2008
#2 Diesel (Estimated Price)	$1.616	$1.869	$1.990	$1.990	Note 2
Number of Gallons (Estimate)	6.514 mil	6.600 mil	6.715 mil	6.826 mil	
Fuel Costs	$10.524 mil	$12.337 mil	$13.363 mil	$13.594 mil	

Note 1—The Blue Chip Economic Indicator Report was the source for CPI data for years 2005 and 2006. The Congressional Budget Office (CBO) was the source for outlying year (2007 and 2008) 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 2007 and 2008 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.

significantly as federal capital funds currently used in the calculation of the recovery ratio will not be available as they are planned to be restored to Pace's capital program. As part of the new ADA legislation, the RTA will be required to set a separate recovery ratio for the Regional ADA Paratransit Service beginning in 2007. It is reasonable to believe that RTA will adjust Pace's base recovery ratio again in 2007.

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 17.

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 17. The outcome of applying these assumptions to known or anticipated conditions for major expense categories is reflected on Table 18.

Pace's three year plan presented in Table 20 is balanced and meets the 2006 recovery mark. The proposed plan uses federal funds and Pace's retained earnings in order to meet operating funding needs for the first year (2006) of the plan. In the outlying years, Pace applies future new transit funding, unidentified at this time, which allows Pace to restore federal funds to the capital program and avoid fare increases and/or service reductions in 2007 and 2008.

Highlights of the three year plan include—total revenue is projected to grow at an aggressive annual compound rate of 7.4%, however, this is due largely to the addition of the Regional ADA Paratransit Service. Total expenses are estimated to grow at an annual compound rate of 16.4%. This growth is also due to the addition of ADA service, however, there are a number of volatile items which are contributing to the sizeable growth in baseline expenditures. Specific items like fuel, insurance, utilities and health care all continue to present problems in managing expense growth.

Table 18. Major Expense Category Growth Over Prior Year

	2006	2007	2008
Labor/Fringes	4.5%	4.1%	3.2%
Parts/Supplies	2.9%	3.1%	2.5%
Utilities	4.6%	2.1%	2.2%
Fuel	17.2%	8.3%	1.7%
($/Gallon)	$(1.869)	$(1.990)	$(1.990)
Insurance	(0.7%)	(3.3%)	2.2%
Health Care	11.5%	10.0%	10.0%

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 $9.8 million to fund one-time operating expenses.

In 2005, Pace estimates to finish the year with an $1.614 million funding shortfall, and proposes to use the fund balance to cover the one-time shortfall. Then for 2006, Pace will need to use $2.319 million in retained earnings to balance the budget to the marks set by the RTA. The use of these funds will significantly reduce Pace's retained earnings by the end of 2006. The following (Table 19) highlights the levels of historical and proposed uses of Pace's funds, and the remaining uncommitted balance after use of these funds.

Table 19. 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 2004)	$ (9,822)
Less: One-Time Funding for 2005 Shortfall	$ (1,614)
Balance - Uncommitted Pace Funds thru 2005	$ 3,742
Less: One-time Funding for 2006 Operations Shortfall	$ (2,319)
Balance - Uncommitted Pace Funds at Year-End 2006	$ 1,423

Three Year Plan

Table 20. 2006–2008 Three Year Plan and Fund Balance (000's)

	2005 Estimated	2006 Budget Suburban Services	2006 Budget Regional ADA Services	2006 Budget Total Pace	2007 Estimate Suburban Services	2007 Estimate Regional ADA Services	2007 Estimate Total Pace	2008 Estimate Suburban Services	2008 Estimate Regional ADA Services	2008 Estimate Total Pace
OPERATING REVENUE										
Farebox	$ 31,280	$ 32,304	$ -	$ 32,304	$ 32,865	$ -	$ 32,865	$ 33,428	$ -	$ 33,428
Local Share/Other	12,680	13,576	131	13,707	13,759	133	$ 13,892	13,799	134	13,933
Advertising/Investment	4,715	5,182	-	5,182	5,549	-	5,549	5,770	-	5,770
Reduced Fare Reimbursement	3,485	3,170	-	3,170	3,170	-	3,170	3,170	-	3,170
RTA Pass Reimbursement	2,000	2,000	-	2,000	2,000	-	2,000	2,000	-	2,000
PACE-ADA Paratransit Service	1,350	-	1,391	1,391	-	1,405	1,405	-	1,419	1,419
CTA-ADA Paratransit Service	-	-	3,820	3,820	-	8,198	8,198	-	9,018	9,018
Total Revenue	$ 55,510	$ 56,232	$ 5,342	$ 61,574	$ 57,341	$9,736	$ 67,077	$ 58,166	$ 10,571	$ 68,737
OPERATING EXPENSES										
Labor/Fringes	$ 73,070	$ 75,749	$ 600	$ 76,349	$ 78,873	$ 621	$ 79,494	$ 81,364	$ 645	$ 82,009
Health Insurance	14,183	15,745	65	15,810	17,319	71	17,390	19,051	78	19,129
Parts/Supplies	4,802	4,939	-	4,939	5,092	-	5,092	5,219	-	5,219
Utilities	1,638	1,713	-	1,713	1,749	-	1,749	1,787	-	1,787
Fuel	10,524	11,484	853	12,337	12,439	924	13,363	12,644	940	13,584
Insurance	9,062	8,777	224	9,001	8,482	217	8,699	8,670	220	8,890
Other	8,974	9,669	345	10,015	9,890	356	10,246	10,319	367	10,686
Public/Private Contract	9,367	9,852	-	9,852	10,162	-	10,162	10,498	-	10,498
Dial-A-Ride	12,161	12,770	-	12,770	13,172	-	13,172	13,607	-	13,607
Van Pool	2,688	2,977	-	2,977	3,275	-	3,275	3,560	-	3,560
Ride DuPage	1,395	1,478	-	1,478	1,525	-	1,525	1,576	-	1,576
Restructuring Initiative	1,000	1,220	-	1,220	-	-	-	-	-	-
PACE-ADA Paratransit Service	13,232	-	14,287	14,287	-	14,737	14,737	-	15,224	15,224
CTA-ADA Paratransit Service	-	-	29,582	29,582	-	63,492	63,492	-	69,842	69,842
Total Expenses	$162,097	$156,374	$ 45,956	$202,330	$161,979	$80,418	$242,398	$168,296	$ 87,316	$255,612
Funding Requirement	$106,587	$100,142	$ 40,614	$140,756	$104,638	$70,682	$175,321	$110,130	$ 76,745	$186,875
Recovery Ratio	40.00%	40.00%	20.67%	35.00%	37.13%	12.11%	28.98%	36.25%	12.11%	28.14%
PUBLIC FUNDING										
RTA Funding	$ 79,052	$ 81,582	$ 0	$ 81,582	$ 84,193	$ 0	$ 84,193	$ 86,886	$ 0	$ 86,886
RTA Regional ADA Funds	1,000	0	27,126	27,126	0	54,252	54,252	0	54,252	54,252
CMAQ/JARC/Other Funding	196	1,741	0	1,741	1,094	0	1,094	514	0	514
Capital Cost of Contracting	7,783	4,192	4,159	8,351	-	-	-	-	-	-
Federal 5307 Funding	16,942	16,838	2,799	19,637	-	-	-	-	-	-
New Transit Funding	0	0	0	0	19,352	16,430	35,782	22,730	22,493	45,223
Total Public Funding	$104,973	$104,353	$ 34,084	$138,437	$104,638	$70,682	$175,321	$110,130	$ 76,745	$186,875
Net Funding Available	(1,614)	4,211	(6,530)	(2,319)	0	0	0	0	0	0
PACE FUND BALANCE										
Beginning Balance	$ 5,356	$ -	$ -	$ 3,742	$ -	$ -	$ 1,423	$ -	$ -	$ 1,423
Surplus/(Deficit)	(1,614)	4,211	(6,530)	(2,319)	0	0	0	0	0	0
Ending Balance	$ 3,742	$ -	$ -	$ 1,423	$ -	$ -	$ 1,423	$ -	$ -	$ 1,423

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 21 and discussed below.

Pace's funding requirement rises significantly – 33% and 58% for plan years 2006 and 2007, as compared to the existing RTA plan. The change in the plan is directly attributed to Pace's assumption of ADA Paratransit Service for the entire six county region. In the first year of the new plan, funding needs grow by $34.7 million as Pace assumes CTA's ADA service for only the latter half of the year. In the second year, funding requirements nearly double to $64.2 million due to the first full year of operating the CTA services. There are also changes in several key line-items that are discussed below and highlighted in Table 21.

For 2006, the assumption of a half year of CTA's ADA service accounts for $29.1 million of the $34.7 million increased funding need. However, base system revenues are showing an improvement from original plan levels. Growth in farebox and service revenues are providing $2.2 million in additional revenue. Investment income is also up significantly over plan due to improving interest rates and projected investment yields. Revenue from the recently added Ride DuPage service is projected to be $.348 million greater than planned. However, on the downside state reduced-fare reimbursement revenues are projected to be off by $.308 million to plan.

On the expense side, in addition to the $33.2 million increase attributed to ADA service, fuel expenditures have skyrocketed and are projected up $4.4 million in 2006, compared to original planned levels. Fuel and petroleum costs are affecting every segment of the economy, and there appears to be no immediate relief in sight, thus causing a significant increase in fuel costs for Pace and the other Service Boards for this three year planning horizon. Liability insurance costs are also up compared to original plan levels accounting for $1.3 million of the increase in total costs. Parts and supply costs have taken a significant jump compared to the original plan. The rise in this line-item appears to be the by-product of a diminished capital program. As equipment replacement becomes more difficult due to the loss in capital dollars, operating maintenance costs are expected to rise. This is why Pace is anxious to restore federal monies back to the capital program. On a positive note, health care costs are down from original plan levels, however, due to the volatile nature of these costs this can change very suddenly.

In 2007, Pace will provide CTA's ADA service for the full year. This service accounts for $58.9 million of the $64.2 million in increased funding needs. The balance of the increase over the original plan is largely explained by the same changes that are noted for 2006.

The RTA has reduced Pace's recovery ratio to 35% for 2006. This change is reflective of the assumption of the CTA's ADA Paratransit service, however, specific credits and allowances have been included to achieve the 35% recovery ratio. Pace's recovery ratio is projected to decline over the life of this plan, as allowances, specifically the use of Federal Capital Cost of Contracting will not be available beginning in 2007, as Pace plans to restore these funds back to the capital program.

Table 21. 2006–2008 Three Year Financial Plan Variance From Existing RTA Plan (000's)

	2006	2007	2008
FUNDING REQUIREMENT (ALL SOURCES)			
RTA Plan (2005–2007)	$ 106,100	$111,139	*
Pace Plan (2006–2008)	140,756	175,321	186,875
Variance	$ 34,656	$ 64,182	N/A
FACTORS CONTRIBUTING TO THE CHANGE			
REVENUE			
Regional ADA Paratransit Service	$ 4,114	$ 8,496	
Farebox/Service Changes	2,278	2,524	
Investment/Other Income	633	756	
Reduced Fare Reimbursement	(308)	(308)	
Ride DuPage	348	370	
Total Change in System Revenue	$ 7,065	$ 11,838	
EXPENSE			
Regional ADA Paratransit Service	$ 33,176	$ 67,358	
Labor/Fringe Benefits (Including Pension)	$ 1,648	$ 1,997	
Health Care	(1,202)	(1,340)	
Insurance	1,297	675	
Fuel	4,365	5,320	
Parts/Supplies	869	1,640	
Ride DuPage	348	370	
Restructuring Study	1,220	0	
Total Changes in Expenses	$ 41,721	$ 76,020	
Total Change in Required Funding	$ 34,656	$ 64,182	N/A
RECOVERY RATIO			
RTA Plan (2004–2006)	40.00%	40.00%	*
Pace Plan (2005–2007)	35.00%	28.98%	28.14%

**Note: The current RTA plan does not contain projected funding levels for FY2008, thereby, eliminating comparability between plans. The current RTA plan (issued December, 2004) identified funding estimates for only 2005–2007.*

Pace Cash Flow—2006

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 2006 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 22. Projected Cash Flow*—2006 (000's)

	Beginning Balance	Revenues	Expenses	Net Results	Ending Balance
January	$ 3,742	$ 13,721	$14,383	$ (662)	$ 3,080
February	3,080	14,102	14,385	(283)	2,797
March	2,797	15,283	14,388	895	3,692
April	3,692	14,068	14,390	(322)	3,370
May	3,370	13,333	14,392	(1,059)	2,311
June	2,311	13,798	14,395	(597)	1,714
July	1,714	14,774	19,327	(4,553)	(2,839)
August	(2,839)	20,370	19,330	1,040	(1,799)
September	(1,799)	20,085	19,332	753	(1,046)
October	(1,046)	19,848	19,334	514	(532)
November	(532)	19,923	19,335	588	56
December	56	22,238	19,337	2,901	2,957

*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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2006 Capital Program Budget

Summary

The 2006 Capital Program totals $29.1 million. It is important to point out that since all of Pace's Federal 5307 capital funding will be redirected to support our operating needs, there are no 5307 funds used for capital in 2006. Therefore, in order to ensure that critical capital projects are funded in 2006, we have redirected our own previously granted RTA SCIP funding totaling $12.7 million to fund capital projects that are now critical.

In light of the need to use Federal 5307 for operations, capital funding for 2006 is at its lowest level in Pace's history after taking into account that the $12.7 million was previously awarded and the $8.9 million is from an unestablished source proposed by RTA. In order to purchase critically needed buses, equipment and replace certain garage infrastructure, Pace will defer the purchase of an aging systemwide farebox system and reprogram $12.7 million from RTA SCIP Bonds for projects which cannot be deferred any longer.

The program contains $18.8 million for the purchase of 18 fixed route buses, 60 paratransit vehicles and 119 vanpool/community vehicles. Additionally, we have programmed funds for Associated Capital which purchases engines and transmissions, etc.

The program contains Support Facilities and Equipment projects totaling $6.8 million and includes funds for Phase 2 of Pace's HPe3000 Migration Project and other critical computer hardware and software, the purchase of miscellaneous garage equipment, office/printing equipment and improvements to garages.

The program contains Stations and Passenger Facilities projects totaling $1.5 million for the replacement and upgrading of passenger facility infrastructure. Lastly, $2.0 million is programmed for support engineering and environmental study activities to advance Pace's congressional earmarked projects contained in the new Federal SAFETEA-LU Legislation for Transit Signal Priority (TSP) and Bus Rapid Transit (BRT) projects. In order for Pace to secure these federal funds, it must conduct cost analysis, define the project and ensure that it is ready to be implemented.

Table 23 depicts the 2006 capital needs and expected funding. In the event that the RTA New Initiative funds are not available, Pace's capital program will be limited to the projects funded from Pace's reprogrammed RTA SCIP funds totaling $12.7 million and Federal CMAQ and 5309 totaling another $7.4 million.

Specifically, the following projects will be deferred if this RTA New Initiative funding does not materialize:

- 10 Fixed Route Buses
- 10 Paratransit Buses
- Computer Equipment
- Improvements to Passenger Facilities
- BRT/TSP Project Development

Table 23. 2006 Capital Program (000's)

Project Description	Amount
ROLLING STOCK	
Purchase 18 Fixed Route Buses	$ 5,190
Purchase 60 Paratransit Buses	4,450
Purchase 119 Vanpool Vehicles	8,170
Associated Capital	1,000
Subtotal Rolling Stock	$ 18,810
SUPPORT FACILITIES & EQUIPMENT	
Purchase Maintenance/Support Equipment	300
Purchase Computer Systems	3,752
Purchase Office Furniture, Printing Equipment	300
Improvements to Garages/Facilities	2,400
Subtotal Support Facilities and Equipment	$ 6,752
STATIONS & PASSENGER FACILITIES	$ 1,500
Subtotal Stations & Passenger Facilities	$ 1,500
MISCELLANEOUS	
BRT/TSP Project Development	$ 2,000
Total Capital Needs	$ 29,062
TOTAL FUNDING	
Federal CMAQ/5309	$ 7,412
RTA SCIP	12,700
RTA New Initiative	8,950
Total Funding	$ 29,062

Capital Funding Issues

This section discusses a significant issue which continues to 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 15, 2005, the RTA Board met and passed marks for 2006-2010, which make certain assumptions that will affect the capital program needs of Pace.

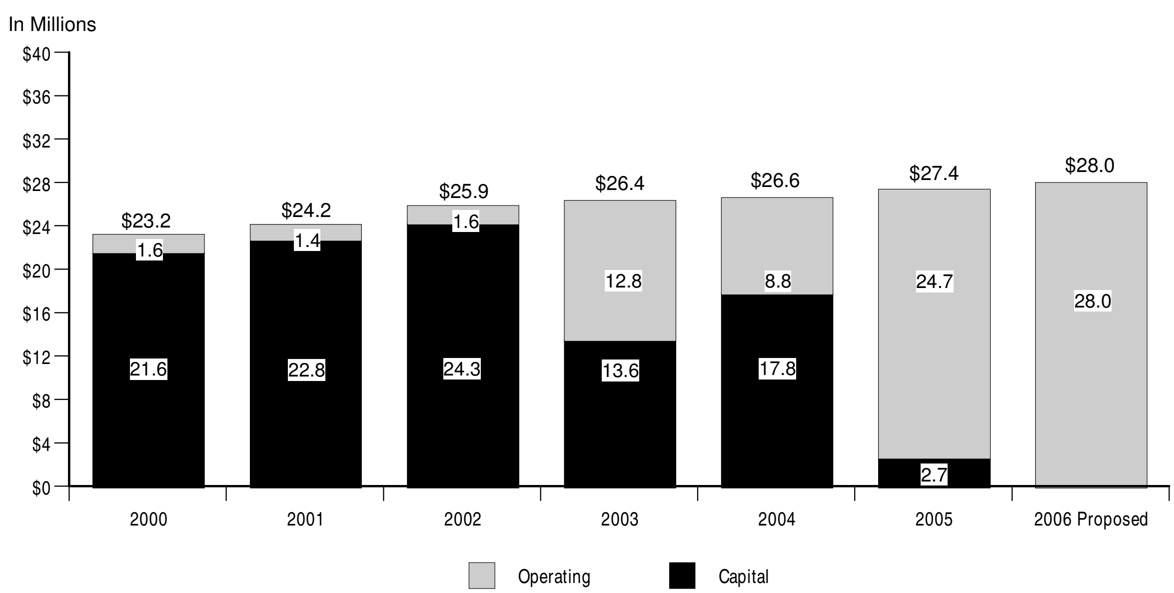
As explained in the Budget Issues section, Pace must use its Federal 5307 capital funding to support operations in 2006. Pace has done this for the last several years to avoid service cuts. In 2007 and 2008, the RTA marks assume continued use of all Pace 5307 funds to support operations. However, Pace cannot continue this practice for such an extended period without detrimental effects to our system infrastructure and vehicles. Therefore, Pace is not proposing to use 5307 for operations in the out-years. This action is not consistent with RTA marks as their marks assume the use of 5307 in 2007 and 2008, but is an action critical to Pace's long-term capital needs.

The history of the amounts redirected from capital to support operations is shown on Chart E below. This chart shows that from 2000 to 2005, Pace redirected nearly $51 million in Federal 5307 capital to support its operations. In 2006, the proposal is to use the entire Federal 5307 capital allocation ($28.0 million) for operating, essentially leaving a minimal capital program. Pace believes it made the right decision over the years to use Federal 5307 for operations. We took measures to extend the life of our buses and used the federal money to preserve our service. We never, however, intended to continue this practice for the long term. Therefore, we are shifting our 5307 funding back to capital starting in 2007, assuming that a long term transit funding solution will be implemented by RTA.

State of Illinois Transportation Funds

State Funds historically are awarded to the Service Boards on a discretionary basis and are used primarily for federal capital match purposes to ensure that sufficient local funds are made available for critical transit projects. Since no state funds for capital were included in the State Fiscal Year (SFY) 2006 appropriation, the RTA did not include any funding from the State in its 2006

Chart E. 2006 Capital Program—Use of 5307 Funds for Operating and Capital



capital marks. However, since historically the State has provided match to the federal program, RTA did assume funding in the out-year marks for IDOT funding set equal to the federal match requirements. In the absence of this money starting in 2007, the Region will likely lose its ability to secure federal capital funding established in the new SAFETEA-LU program. It is important to point out that because of the IDOT requirement that they will only match federal funds, Pace would lose nearly $16 million dollars in 2007 and 2008 if we are forced to use the entire Federal 5307 funding for operations.

RTA Capital Funds

The RTA capital marks assumes no new RTA SCIP funding for 2006-2010 since the State of Illinois did not pass new legislation authorizing new funding.

However, the RTA establishes in their marks that $113.0 million is needed in 2006 for Regional Capital from the State and/or local sources. The RTA has indicated that these amounts were established based on input from the Service Boards and represents monies necessary to match available federal funds and undertake critical projects. Even assuming the receipt of these funds from sources unestablished by the RTA, the Regional Capital Program will total only $508 million in 2006. This would be the lowest level of funding since 1998.

For the out-years 2007-2010, New Initiative funds from sources unestablished, are programmed by the RTA at a level that will bring funding for regional system maintenance and preservation up to $1.0 billion per year. This is the amount of annual investment necessary to support the Northeastern Illinois public transit infrastructure conservatively valued at over $27 billion. The RTA did not allocate any of these funds to the Service Boards at this time.

The uncertainty of long term local capital funding and the need to use Federal 5307 Capital Formula funding for operations will have a long term impact on Pace and its ability to provide reliable public transportation.

The capital funding sources on the next page describe the capital funding programs as we know them today. The newly passed federal transportation bill, which was passed in August, 2005, contains some changes that are subject to subsequent federal rulemaking process and may change the funding marks.

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

On August 10, 2005, President Bush signed the surface transportation reauthorization bill into law. This legislation—entitled the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA- LU) authorized federal funding through Federal Fiscal Year (FFY) 2009. Many of the programs remain the same, however, the bill does contain new programs that are subject to rule making and it will be many months before the Federal Transit Administration (FTA) issues regulations and guidelines for these new programs.

The *Section 5307 Urbanized Area Formula Program and the Section 5309 Fixed Guideway Modernization and Bus and Bus Facilities Discretionary programs* remain essentially unchanged. These funds have been distributed by the RTA according to the historical distribution of 58% to CTA, 34% to Metra and 8% to Pace. The Job Access and Reverse Commute (JARC) program will now be administered as a formula program starting in FFY 2006.

Other federal funds are available to the Region on a competitive basis. The RTA, with substantial input from the Service Boards, estimates annual funding levels based on analysis of national funding levels, past performance, project readiness and existing legislative or contractual commitments. Pace has received congressional earmark funding in 2006-2009 under the *Bus and Bus Facilities Discretionary Program* and starting in 2006 will proceed with certain support engineering and environmental study activities necessary to meet FTA's criteria to advance these projects for approval. Specifically, Pace is pursuing local funding for planning of Transit Signal Priority (TSP) and Bus Rapid Transit (BRT) projects in 2006.

Federal Flexible funds, such as Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds, are also discretionary programs that Pace has been very successful in competing for to purchase vehicles for its vanpool program. These programs also remain unchanged.

Additionally, the SAFETEA-LU provides new discretionary funding under a *Small New Starts Program* beginning in 2007. This new program will provide funding for smaller projects with a Federal New Starts share of less than $75 million. The FTA is expected to develop regulations and guidance to implement these new legislative provisions and it may be several months before we know the priorities of the program and the criteria by which project funding will be awarded.

Lastly, the SAFETEA-LU provides for a new program entitled *"New Freedom Program" under Section 5317*. This program will provide formula funding for new transportation services and public transportation alternatives beyond those required by ADA to assist persons with disabilities. The New Freedom Program will be apportioned by FTA using a formula based on the disabled population in a state, with 60% of the funds apportioned to urbanized areas with populations larger than 200,000 and 20% to states for use in urbanized areas of fewer than 200,000 and 20% to states for use in rural areas. The program contains language mandating coordination of transportation services with other federal human service programs. FTA is expected to develop regulations and guidance to implement this new legislative provision in the upcoming months.

State Funding

State funds, known as IDOT B-Bonds were historically awarded to the Service Boards on a discretionary basis and were used to match the federal program. No State funds are included in the State Fiscal Year (SFY) 2006 appropriation, therefore, the RTA has not included any State IDOT B-Bond funding in 2006. However, RTA has made the assumption that starting in 2007, Illinois Department of Transportation (IDOT) funding will be included in the marks equal to the federal match requirements. These funds will be very critical to Pace and are used to purchase buses, repair garages, etc.

RTA Funding

In 1999, the RTA was authorized to issue $1.3 billion of Strategic Capital Improvement Program (SCIP) Bonds. The State of Illinois reimburses debt service expense on these bonds to the RTA. These funds were allocated by the formula of 50% to CTA, 45% to Metra and 5% to Pace. Since no legislation authorizing new funding in 2006 was passed by the State legislature, no new RTA SCIP funding is available to the Service Boards for programming in 2006-2010. Pace's 2006 program relies on $12.7 million in previously authorized RTA SCIP bonds to fund critically needed projects.

New Initiative Funding

The RTA has determined that for 2006, capital funding from state and/or local sources of $113 million is needed for match to federal capital funds or other critical projects. Even if RTA is successful in this pursuit of new funding from the State, the Region's Capital Program will total only $508 million in 2006—the lowest level since 1998. In 2006, Pace would receive $8.9 million which represents roughly 8% of the total.

The RTA in their marks for the out-years 2007-2010 has programmed what they refer to as "New Initiatives Funds" from sources unestablished at this time. Funding levels totaling $2.4 billion for the four years are necessary for infrastructure preservation. These marks are not allocated to the Service Boards; rather, they are simply programmed in the marks as necessary funding in total for the Region.

Pace Funding

Each year Pace is required to use some portion of its own funds to meet its capital needs. Due to funding limitations in 2006, no Pace funds are necessary to match any capital projects.

2006 Capital Program Project Descriptions

The following projects are included in the 2006 program as based on expected funding.

Rolling Stock ($18.8 Million)

▪ *18 Fixed Route Replacement Buses ($5.2 million)* - The program contains funds for the replacement of 18 fixed route buses which have exceeded their useful life. All vehicles will be 30 foot.

▪ *60 Paratransit Replacement Buses ($4.4 million)* - The program contains funds for the replacement of paratransit buses operated in Pace's services which have exceeded their useful life. These vehicles will be a combination of buses and vans.

▪ *119 Vanpool and Community Vehicles ($8.2 million)* - The program contains fund for the replacement and expansion of our existing vanpool program and the purchase of community buses for municipalities.

▪ *Associated Capital ($1.0 million)* - The program contains funds for the purchase of engines, transmissions, axle assemblies, etc. for fixed route and paratransit buses.

Operating Cost Impacts

In general, Pace will avoid operating cost increases by replacing outdated equipment. If Pace does not secure funding under RTA's New Initiative funding, the replacement of 10 fixed route and 10 paratransit buses will need to be deferred to the future. Continued use of outdated equipment will have a negative cost impact on our operating budget.

Support Facilities & Equipment ($6.8 Million)

▪ *Improvements to Garages/Facilities ($2.4 million)* - The program contains funds to make critical improvements to our garage facilities. Projects include concrete replacement at Pace Southwest Division, fire sprinkler system replacement at Pace South Division, replacement of overhead doors, and various renovation work at Pace Heritage and South Holland garages.

▪ *Maintenance/Support/Office Equipment ($.6 million)* - The program contains funds to purchase miscellaneous garage and office equipment. Pace has not programmed funds in this category for nearly 3 years and it is imperative that we replace certain garage tools, copiers, fax machines and office furniture at our garage facilities. Many of these items are over 10 years old and in desperate need of replacement. Additionally, we are in need of replacing printing presses and other print shop equipment that have exceeded their useful life.

▪ *Computer Equipment/Systems ($3.8 million)* - The program contains funds to purchase hardware and software for our headquarters and operating garages. Additionally, funds are programmed for Phase 2 of our HPe3000 Migration Project.

Operating Cost Impacts

In general, Pace will avoid operating cost increases by replacing outdated equipment. If Pace does not secure funding under RTA's New Initiative funding, the purchase of some computer equipment will have to be deferred to the out-years. Continued use of outdated equipment will have a negative cost impact on our operating budget.

Stations and Passenger Facilities ($1.5 million)

▪ *Stations and Passenger Facilities ($1.5 million)* - The program contains funds for structural steel renovation at the Northwest Transportation Center, asphalt and concrete replacement at various park and ride lots, and masonry/tuckpointing improvements, etc.

Operating Cost Impacts

The improvements to facilities will generally serve to minimize operating cost growth by replacing equipment and infrastructure before it becomes obsolete requiring increased maintenance. It is important to note that if RTA does not provide funds under their New Initiative funding source, Pace will have to defer some improvements to its passenger facilities.

Miscellaneous($2.0 Million)

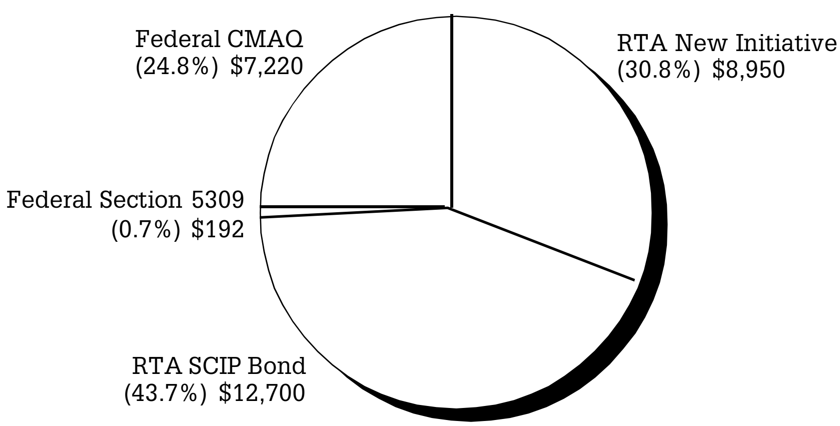
▪ *Miscellaneous ($2.0 million)* - The program contains funds for support engineering and environmental study activities leading to the development of Pace's federal capital discretionary projects. Before the FTA will provide federal funding for discretionary projects, grantees must perform certain due diligence study work to ensure the projects are well defined and ready to go. Pace intends to use the RTA New Initiative funding for its Transit Signal Priority (TSP) and Bus Rapid Transit (BRT) projects contained in the new federal SAFETEA-LU legislation.

Table 24. 2006 Capital Program (000's)

Project Description	Amount
ROLLING STOCK	
Purchase 18 Fixed Route Buses	$ 5,190
Purchase 60 Paratransit Buses	4,450
Purchase 119 Vanpool/Community Vehicles	8,170
Associated Capital	1,000
Subtotal Rolling Stock	$ 18,810
SUPPORT FACILITIES & EQUIPMENT	
Improvements to Garages/Facilities	2,400
Purchase Maintenance/Support Equipment	300
Purchase Computer Systems	3,752
Purchase Office Furniture, Printing Equipment	300
Subtotal Support Facilities and Equipment	$ 6,752
STATIONS & PASSENGER FACILITIES	
Improvements to Passenger Facilities	$ 1,500
Subtotal Stations & Passenger Facilities	$ 1,500
MISCELLANEOUS	
BRT/TSP Project Development	$ 2,000
Total Capital Program	$ 29,062

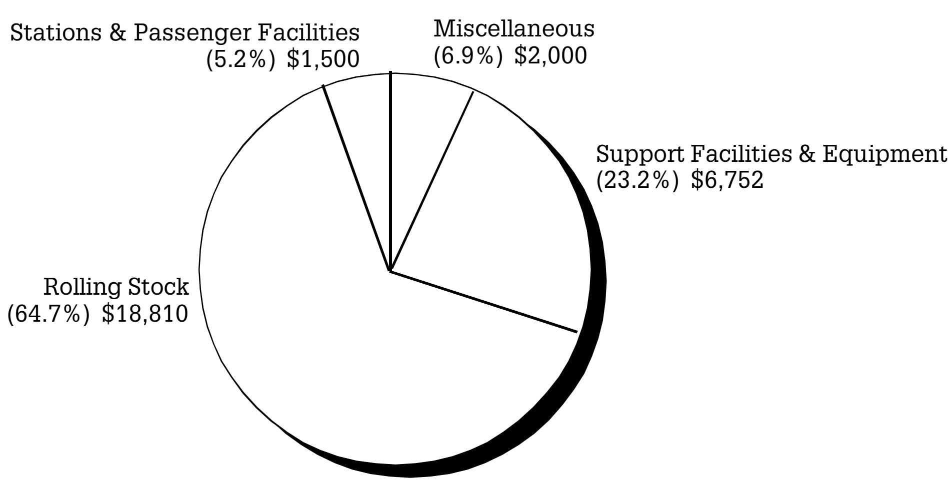
Chart F. 2006 Capital Program—Sources and Uses of Funds

Sources (000's) **Total $29,062**



44% of Pace's program is from reprogrammed RTA SCIP Funding

Uses (000's) **Total $29,062**



Major focus of the 2006 program will be on the replacement of rolling stock

2006–2010 Capital Plan

2006–2010 Capital Plan Description—Constrained Budget

Pace's capital needs for the five year period 2006–2010 are depicted by asset category on Table 25. This totals $229.1 million and represents a constrained capital budget. The program is not consistent with the RTA marks from 2007-2010 in that Pace does not show a continued use of Federal 5307 for operations beyond 2006.

Rolling Stock

Pace needs $122.3 million to purchase rolling stock. The program contains 135 fixed route buses, 362 paratransit buses, and 719 vanpool vehicles. Additionally, the program contains funds for associated capital.

Electrical/Signal/Communications

Pace needs $13 million to replace the systemwide fixed route radio system.

Support Facilities and Equipment

Pace needs $70 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 purchase of major computer systems. Additionally, funds are programmed for the construction of expanded garage facilities to meet our existing system needs. Lastly, Pace needs funds to purchase maintenance equipment, non-revenue vehicles, office equipment, furniture, and other miscellaneous equipment.

Stations and Passenger Facilities

Pace needs $4.3 million to construct transportation facilities, upgrade numerous passenger facilities, as well as purchase bus stop signs, shelters, and other passenger amenities.

Miscellaneous/Project Administration

Pace needs $19.5 million for support engineering, environmental study activities and the implementation of Transit Signal Priority (TSP) and Bus Rapid Transit (BRT) projects as well as project administration.

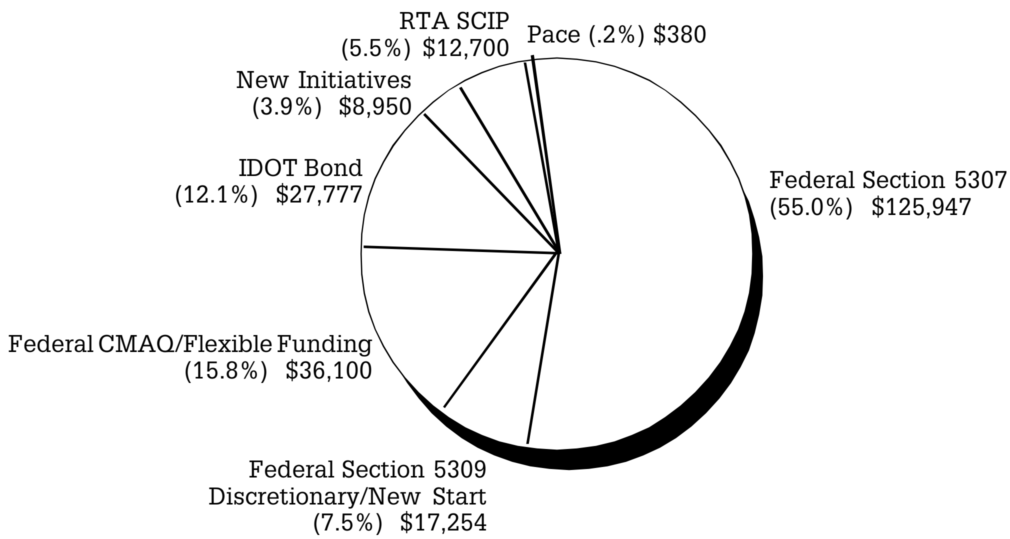
Table 25. Capital Plan 2006–2010 (000's)—Constrained

Capital Portion

Project Description		2006 Amount	Quantity		2007–2010 Total	Quantity		Total 2006–10
ROLLING STOCK								
Purchase 135 Fixed Route Buses	$	5,190	18	$	42,450	117	$	47,640
Purchase 362 Paratransit Vehicles		4,450	60		24,160	302		28,610
Purchase 719 Vanpool/Community Vehicles		8,170	119		26,100	600		34,270
Associated Capital		1,000			10,800			11,800
Subtotal - Rolling Stock	$	18,810		$	103,510		$	122,320
ELECTRICAL/SIGNAL/COMMUNICATIONS								
Systemwide Radio System Replacement	$	0		$	13,000		$	13,000
Subtotal - Electrical/Signal/Communications	$	0		$	13,000		$	13,000
SUPPORT FACILITIES & EQUIPMENT								
Systemwide Farebox System Replacement	$	0		$	13,000		$	13,000
Maintenance/Support Equipment/Support Vehicles		300			7,000			7,300
Computers/Databases/Computer Systems		3,752			16,600			20,352
Office Equipment/Furniture/Printing Equipment		300			3,000			3,300
Improvements to Garages/Facilities		2,400			19,600			22,000
Expansion of Facilities—Existing System		0			4,000			4,000
Subtotal - Support Facilities & Equipment	$	6,752		$	63,200		$	69,952
STATIONS & PASSENGER FACILITIES								
Transportation Centers/Transfer Facilities	$	1,500		$	1,200		$	2,700
Bus Stop Signs and Shelters/Passenger Amenities		0			1,600			1,600
Subtotal - Stations & Passenger Facilities	$	1,500		$	2,800		$	4,300
MISCELLANEOUS								
TSP/BRT Project Development/Implementation	$	2,000		$	15,173		$	17,173
Subtotal - Miscellaneous	$	2,000		$	15,173		$	17,173
PROJECT ADMINISTRATION	$	0		$	2,363		$	2,363
Total Capital—Constrained	$	29,062		$	200,046		$	229,108

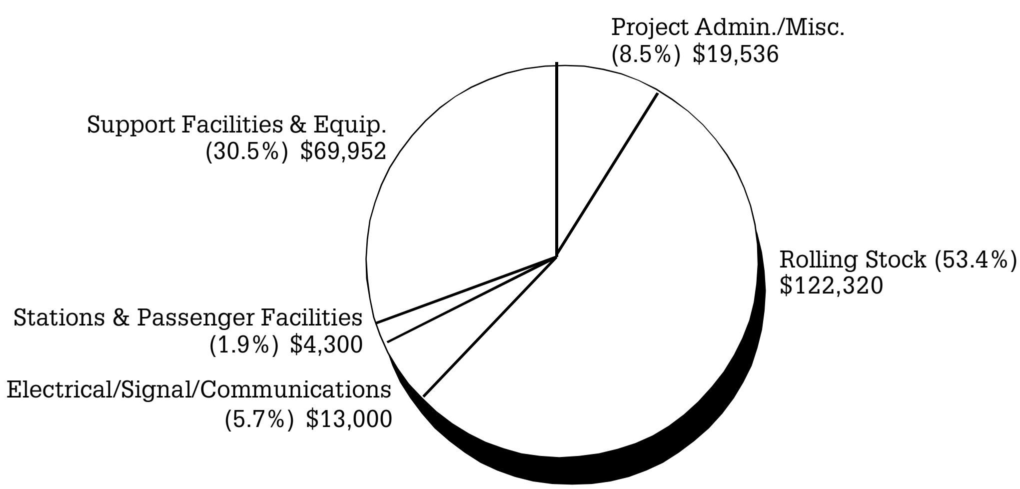
Chart G. 2006–2010 Capital Plan—Sources and Uses of Funds—Constrained

Sources (000's) **Total $229,108**



Approximately 78.3% of Pace's Program is funded with federal sources

Uses (000's) **Total $229,108**



Approximately 53% of Pace's Program is for the purchase of rolling stock

2006–2010 Capital Plan Description—Unconstrained Budget

The capital funding marks as set forth by RTA will have a major negative financial impact on Pace unless a new long term funding package is forthcoming in the near future. RTA is assuming that Pace will continue to use 5307 capital to support operations totaling $60.1 million in 2007 and 2008. This dependency on 5307 for operating cannot continue. Table 26 depicts Pace's capital needs as compared to the funding levels. Even if we use the $60.1 million from 5307 for capital, Pace has a capital shortfall of $180.5 million over the next five years. Specifically, Pace's five year capital needs total $400 million versus the anticipated funding of $219.6 million.

It is further important to point out that the IDOT funding level in 2007 and 2008 is $2.5 million each year because RTA assumes the Federal 5307 for these years will be used for operations. As a result, the IDOT funding marks will not be available to Pace because of the requirement that they must match the federal program.

For the subsequent years of 2009 and 2010, RTA does assume 5307 will be returned to the capital program and, therefore, the IDOT funding level is increased by over $8.0 million each year. In the upcoming months, we expect that the RTA will be asking the Service Boards for their detailed capital needs in order to develop a legislative initiative that addresses the Region's capital funding shortfalls.

Highlights of our unconstrained budget include:

- 170 fixed route buses
- 386 paratransit buses
- 724 vanpool vehicles
- Transit Signal Priority (TSP)/Bus Rapid Transit (BRT)
- Improvements to garages and passenger facilities
- Expansion of garages to meet existing system needs
- Passenger amenities including display cases, shelters, etc.

Table 26. 2006–2010 Capital Funding Summary (000's)—Unconstrained

Capital Portion

Description	2006	2007	2008	2009	2010	Total 2006–10
Total Pace Needs	$ 82,694	$ 83,944	$ 72,626	$ 76,951	$ 83,977	$ 400,192
FUNDING						
Federal 5307/5309/CMAQ	$ 8,054	$ 39,119	$ 41,389	$ 43,369	$ 47,369	$ 179,300
IDOT		2,533	2,559	10,842	11,842	27,776
New Initiative	8,950					8,950
Pace	2,502	100	344	344	343	3,633
Total	$ 19,506	$ 41,752	$ 44,292	$ 54,555	$ 59,554	$ 219,659
Shortfall	$(63,188)	$(42,192)	$(28,334)	$(22,396)	$(24,423)	$(180,533)

Appendix A: 2004-2006 Budget Detail

2004 Actual Results

2004 Actual Program, Activity and Object Matrix

	Pace (1) Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride (2)
REVENUE				
Farebox	$ 24,134,740	$ 903,576	$ 2,498,651	$ 1,086,611
Half-Fare Reimbursment	0	0	0	0
RTA Pass Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Investment Income	0	0	0	0
Local Share/Other	2,152,294	994,750	153,965	6,702,995
Total Revenue	$ 26,287,034	$ 1,898,326	$ 2,652,616	$ 7,789,606
OPERATING EXPENSES				
Operations				
Labor/Fringes	$ 41,303,761	$ 1,427,563	$ 0	$ 0
Parts/Supplies	23,278	98	0	0
Purchased Transportation	0	1,102,554	8,142,552	10,961,910
Other	156,506	10,712	0	0
Total Operations	$ 41,483,545	$ 2,540,927	$ 8,142,552	$10,961,910
Vehicle Maintenance				
Labor/Fringes	$ 9,458,689	$ 294,450	$ 0	$ 0
Parts/Supplies	2,298,232	100,670	0	0
Fuel	0	0	0	0
Other	(76,019)	40,260	0	419,399
Total Vehicle Maintenance	$ 11,680,902	$ 435,380	$ 0	$ 419,399
Non - Vehicle Maintenance				
Labor/Fringes	$ 704,847	$ 0	$ 0	$ 0
Parts/Supplies	320,682	0	0	0
Other	458,181	0	0	31,743
Total Non-Vehicle Maint	$ 1,483,710	$ 0	$ 0	$ 31,743
General Administration				
Labor/Fringes	$ 1,929,722	$ 241,410	$ 0	$ 0
Parts/Supplies	50,052	310	0	0
Utilities	1,335,498	654	0	57,989
Insurance	0	0	0	0
Health Insurance	0	0	0	0
Other	208,150	(23,215)	0	729,718
Total Administration	$ 3,523,422	$ 219,159	$ 0	$ 787,707
Total Expenses	$ 58,171,579	$ 3,195,466	$ 8,142,552	$12,200,759
Funding Requirement	$ 31,884,545	$ 1,297,140	$ 5,489,936	$ 4,411,153
Recovery Ratio	45.19%	59.41%	32.58%	63.85%

(1) Includes CMAQ/JARC Service

(2) Includes Ride DuPage

ADA Paratransit Services	Vanpool	Administration	Centralized Support	Total 2004 Actual
$ 1,196,217	$ 2,518,963	$ 0	$ 0	$ 32,338,758
0	0	3,265,564	0	3,265,564
0	0	387,203	0	387,203
0	0	3,674,162	0	3,674,162
0	0	438,173	0	438,173
175,263	0	1,581,236	0	11,760,503
$ 1,371,480	$ 2,518,963	$ 9,346,338	$ 0	$ 51,864,363
$ 0	$ 0	$ 0	$ 2,253,541	$ 44,984,865
0	0	0	0	23,376
11,528,226	0	0	0	31,735,242
0	2,083,010	0	0	2,250,228
$11,528,226	$ 2,083,010	$ 0	$ 2,253,541	$ 78,993,711
$ 0	$ 0	$ 0	$ 2,565,686	$ 12,318,825
0	0	0	888,781	3,287,683
0	0	0	7,745,204	7,745,204
0	0	0	298,050	681,690
$ 0	$ 0	$ 0	$11,497,721	$ 24,033,402
$ 0	$ 0	$ 0	$ 482,878	$ 1,187,725
0	0	0	0	320,682
0	0	150,921	326,471	967,316
$ 0	$ 0	$ 150,921	$ 809,349	$ 2,475,723
$ 0	$ 0	$ 9,524,437	$ 0	$ 11,695,569
0	0	175,805	0	226,167
0	0	152,695	0	1,546,836
0	0	0	7,833,885	7,833,885
0	0	0	13,024,797	13,024,797
151,908	0	3,258,068	3,066,276	7,390,905
$ 151,908	$ 0	$13,111,005	$23,924,958	$ 41,718,159
$11,680,134	$ 2,083,010	$13,261,926	$38,485,569	$147,220,995
$10,308,654	$ (435,953)	$ 3,915,588	$38,485,569	$ 95,356,632
11.74%	120.93%	70.47%	0.00%	40.00%

2005 Estimated Results

2005 Estimated Program, Activity and Object Matrix

	Pace[1] Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride[2]
REVENUE				
Farebox	$ 23,758,709	985,683	2,452,672	1,253,355
Half-Fare Reimbursment	0	0	0	0
RTA Pass Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Investment Income	0	0	0	0
Local Share/Other	2,353,901	1,055,000	152,584	7,672,501
Total Revenue	$ 26,112,610	2,040,683	2,605,256	8,925,856
OPERATING EXPENSES				
Operations				
Labor/Fringes	$ 42,699,047	1,493,819	0	0
Parts/Supplies	24,708	1,250	0	0
Purchased Transportation	0	1,199,000	8,168,001	12,196,757
Other	230,182	23,447	0	0
Total Operations	$ 42,953,937	2,717,516	8,168,001	12,196,757
Vehicle Maintenance				
Labor/Fringes	$ 9,875,171	343,310	0	0
Parts/Supplies	3,015,793	111,482	0	0
Fuel	0	0	0	0
Other	(98,098)	47,699	0	473,685
Total Vehicle Maintenance	$ 12,792,866	502,491	0	473,685
Non - Vehicle Maintenance				
Labor/Fringes	$ 734,104	0	0	0
Parts/Supplies	334,931	0	0	0
Other	530,530	0	0	31,911
Total Non-Vehicle Maint	$ 1,599,565	0	0	31,911
General Administration				
Labor/Fringes	$ 2,108,851	276,028	0	0
Parts/Supplies	77,970	400	0	0
Utilities	1,475,648	48	0	0
Insurance	0	0	0	0
Health Insurance	0	0	0	0
Other	266,833	2,094	0	854,199
Total Administration	$ 3,929,302	278,570	0	854,199
Total Expenses	$ 61,275,670	3,498,577	8,168,001	13,556,552
Funding Requirement	$ 35,163,060	1,457,894	5,562,745	4,630,696
Recovery Ratio	42.61%	58.33%	31.90%	65.84%

(1) Includes CMAQ/JARC Service

(2) Includes Ride DuPage

ADA Paratransit Services	Vanpool	Administration(3)	Centralized Support	Total 2005 Estimate
$ 1,350,324	$ 2,830,000	$ 0	$ 0	$ 32,630,743
0	0	3,485,000	0	3,485,000
0	0	2,000,000	0	2,000,000
0	0	3,972,000	0	3,972,000
0	0	742,917	0	742,917
131,366	0	1,313,749	0	12,679,101
$ 1,481,690	$ 2,830,000	$11,513,666	$ 0	$ 55,509,761
$ 0	$ 0	$ 0	$ 2,334,385	$ 46,527,251
0	0	0	0	25,958
12,975,000	0	0	0	34,538,758
0	2,687,700	0	0	2,941,329
$12,975,000	$ 2,687,700	$ 0	$ 2,334,385	$ 84,033,296
$ 0	$ 0	$ 0	$ 2,641,738	$ 12,860,219
0	0	0	1,015,988	4,143,263
0	0	0	10,523,984	10,523,984
0	0	0	400,000	823,286
$ 0	$ 0	$ 0	$14,581,710	$ 28,350,752
$ 0	$ 0	$ 0	$ 476,795	$ 1,210,899
0	0	0	0	334,931
0	0	172,505	396,000	1,130,946
$ 0	$ 0	$ 172,505	$ 872,795	$ 2,676,776
$ 0	$ 0	$10,086,251	$ 0	$ 12,471,130
0	0	219,843	0	298,213
0	0	161,870	0	1,637,566
0	0	0	9,062,032	9,062,032
0	0	0	14,183,273	14,183,273
257,366	0	4,608,163	3,394,808	9,383,463
$ 257,366	$ 0	$15,076,127	$26,640,113	$ 47,035,677
$13,232,366	$ 2,687,700	$15,248,632	$44,429,003	$162,096,501
$11,750,676	$ (142,300)	$ 3,734,966	$44,429,003	$106,586,740
11.20%	105.29%	75.51%	0.00%	40.00%

(3) Includes Restructuring Initiative

2006 Program, Activity and Object Matrix

	Pace(1) Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride(2)
REVENUE				
Farebox	$ 24,312,255	$ 1,002,021	$ 2,526,252	$ 1,286,127
Half-Fare Reimbursment	0	0	0	0
RTA 7 Day Pass Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Investment Income	0	0	0	0
Local Share/Other	2,492,044	1,123,824	154,110	8,164,896
Total Revenue	$ 26,804,299	$ 2,125,845	$ 2,680,362	$ 9,451,023
OPERATING EXPENSES				
Operations				
Labor/Fringes	$ 43,690,269	$ 1,541,909	$ 0	$ 0
Parts/Supplies	27,647	1,300	0	0
Purchased Transportation	0	1,253,827	8,597,500	12,852,434
Other	240,299	16,870	0	0
Total Operations	$ 43,958,215	$ 2,813,906	$ 8,597,500	$12,852,434
Vehicle Maintenance				
Labor/Fringes	$ 10,293,501	$ 371,208	$ 0	$ 0
Parts/Supplies	3,112,292	115,631	0	0
Fuel	0	0	0	0
Other	(100,380)	39,527	0	485,298
Total Vehicle Maintenance	$ 13,305,413	$ 526,366	$ 0	$ 485,298
Non - Vehicle Maintenance				
Labor/Fringes	$ 800,076	$ 0	$ 0	$ 0
Parts/Supplies	336,721	0	0	0
Other	531,174	0	0	33,507
Total Non-Vehicle Maintenance	$ 1,667,971	$ 0	$ 0	$ 33,507
General Administration				
Labor/Fringes	$ 2,197,952	$ 296,200	$ 0	$ 0
Parts/Supplies	78,730	400	0	0
Utilities	1,546,076	48	0	0
Insurance	0	0	0	0
Health Insurance	0	0	0	0
Other	285,947	2,094	0	877,167
Total Administration	$ 4,108,705	$ 298,742	$ 0	$ 877,167
Total Expenses	$ 63,040,304	$ 3,639,014	$ 8,597,500	$14,248,406
Funding Requirement	$ 36,236,005	$ 1,513,169	$ 5,917,138	$ 4,797,383
Recovery Ratio	42.52%	58.42%	31.18%	66.33%

(1) Includes CMAQ/JARC Service

(2) Includes Ride DuPage

Vanpool	Administration(3)	Centralized Support	Sub Total Suburban Svc	Regional ADA Paratransit Service	Total 2006 Budget
$ 3,176,243	$ 0	$ 0	$ 32,302,898	$ 5,210,834	$ 37,513,732
0	3,169,900	0	3,169,900	0	3,169,900
0	2,000,000	0	2,000,000	0	2,000,000
0	4,250,000	0	4,250,000	0	4,250,000
0	932,176	0	932,176	0	932,176
0	1,642,725	0	13,577,599	131,366	13,708,965
$ 3,176,243	$11,994,801	$ 0	$ 56,232,573	$ 5,342,200	$ 61,574,773
$ 0	$ 0	$ 2,503,544	$ 47,735,722	$ 0	$ 47,735,722
0	0	0	28,947	0	28,947
0	0	0	22,703,761	43,868,812	66,572,573
2,977,289	0	0	3,234,458	0	3,234,458
$ 2,977,289	$ 0	$ 2,503,544	$ 73,702,888	$ 43,868,812	$117,571,700
$ 0	$ 0	$ 2,823,988	$ 13,488,697	$ 0	$ 13,488,697
0	0	1,041,892	4,269,815	0	4,269,815
0	0	11,483,538	11,483,538	853,000	12,336,538
0	0	500,000	924,445	0	924,445
$ 0	$ 0	$15,849,418	$ 30,166,495	$ 853,000	$ 31,019,495
$ 0	$ 0	$ 509,317	$ 1,309,393	$ 0	$ 1,309,393
0	0	0	336,721	0	336,721
0	158,005	455,647	1,178,333	0	1,178,333
$ 0	$ 158,005	$ 964,964	$ 2,824,447	$ 0	$ 2,824,447
$ 0	$10,721,393	$ 0	$ 13,215,545	$ 600,000	$ 13,815,545
0	224,463	0	303,593	0	303,593
0	166,541	0	1,712,665	0	1,712,665
0	0	8,776,229	8,776,229	224,000	9,000,229
0	0	15,744,962	15,744,962	65,000	15,809,962
0	5,307,825	3,452,370	9,925,403	345,366	10,270,769
$ 0	$16,420,222	$27,973,561	$ 49,678,397	$ 1,234,366	$ 50,912,763
$ 2,977,289	$16,578,227	$47,291,487	$156,372,227	$ 45,956,178	$202,328,405
$ (198,954)	$ 4,583,426	$47,291,487	$100,139,654	$ 40,613,978	$140,753,632
106.68%	72.35%	0.00%	40.00%	20.67%	35.00%

(3) Includes Restructuring Initiative

Appendix B: System Overview

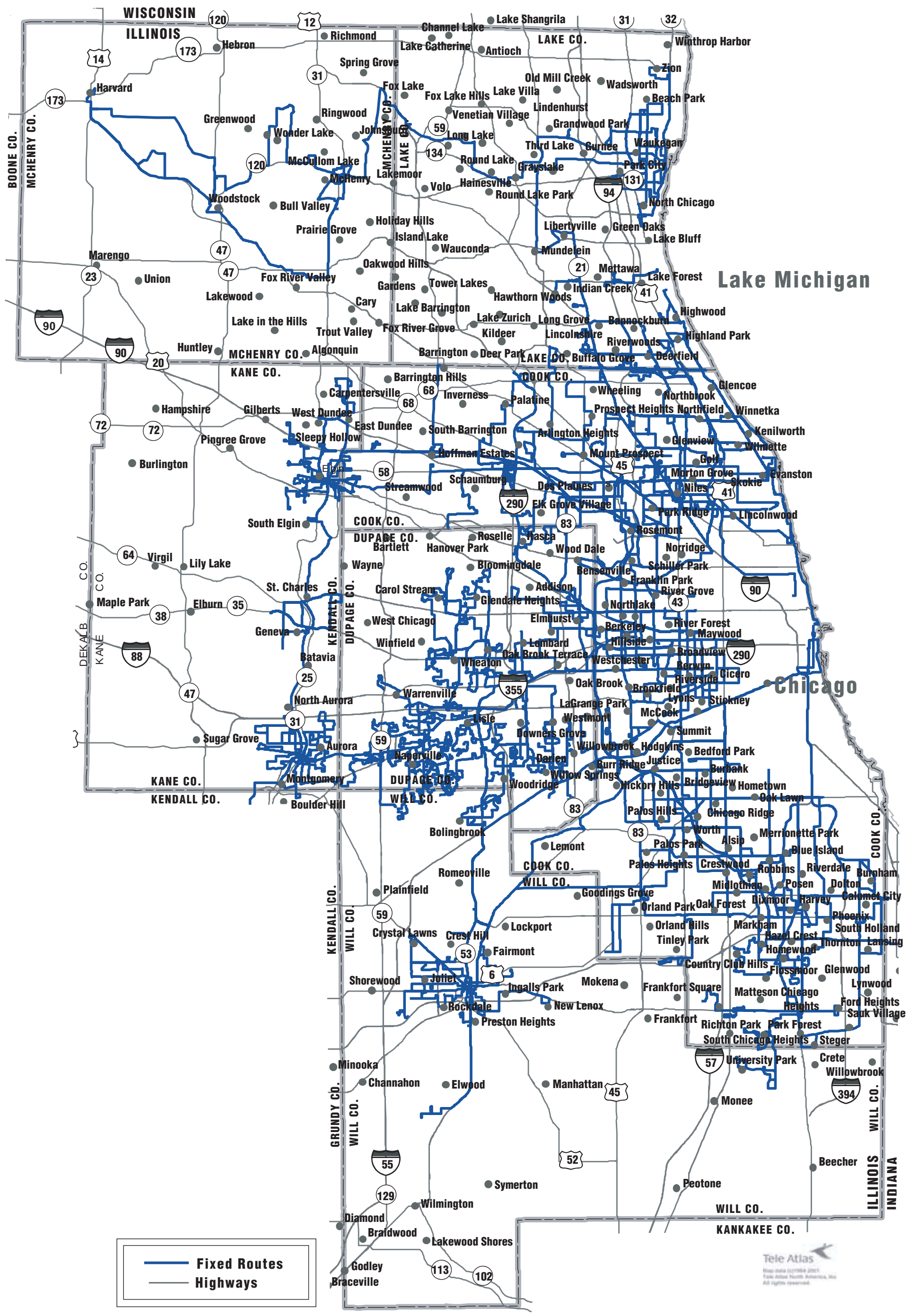
Fixed Route Characteristics

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

Fixed Route Service

163 regular, 60 feeder routes, 14 shuttle routes, 2 subscription services, numerous special event services, and 3 seasonal routes are operated by Pace. These routes service 203 communities and carry over 2.6 million riders per month utilizing 604 vehicles during peak periods.

Map 3. Fixed Route Service Characteristics



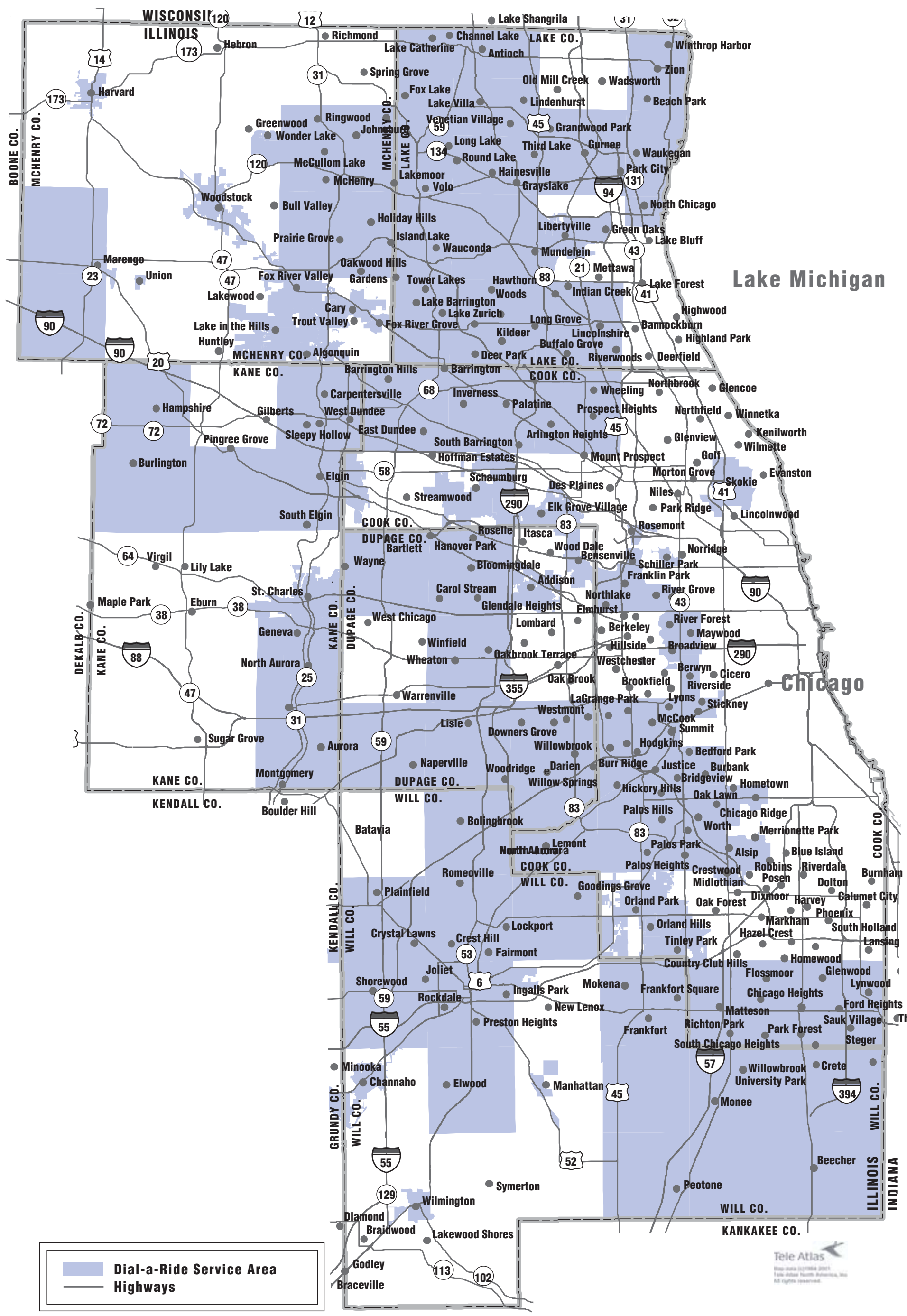
Dial-A-Ride Service Characteristics

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 31 dial-a-ride projects and has grant agreements with villages and townships for the operation of 31 other dial-a-ride projects. Also, three other projects are operated by Pace River Division. These 65 projects provide services to over 210 communities throughout the six county area.

Map 4. Dial-A-Ride Service Characteristics



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 $210.0 million in rolling stock and equipment, in addition to more than $136.6 million in the construction of 11 bus garages, its administrative headquarters, 9 passenger transportation and transfer facilities, 18 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

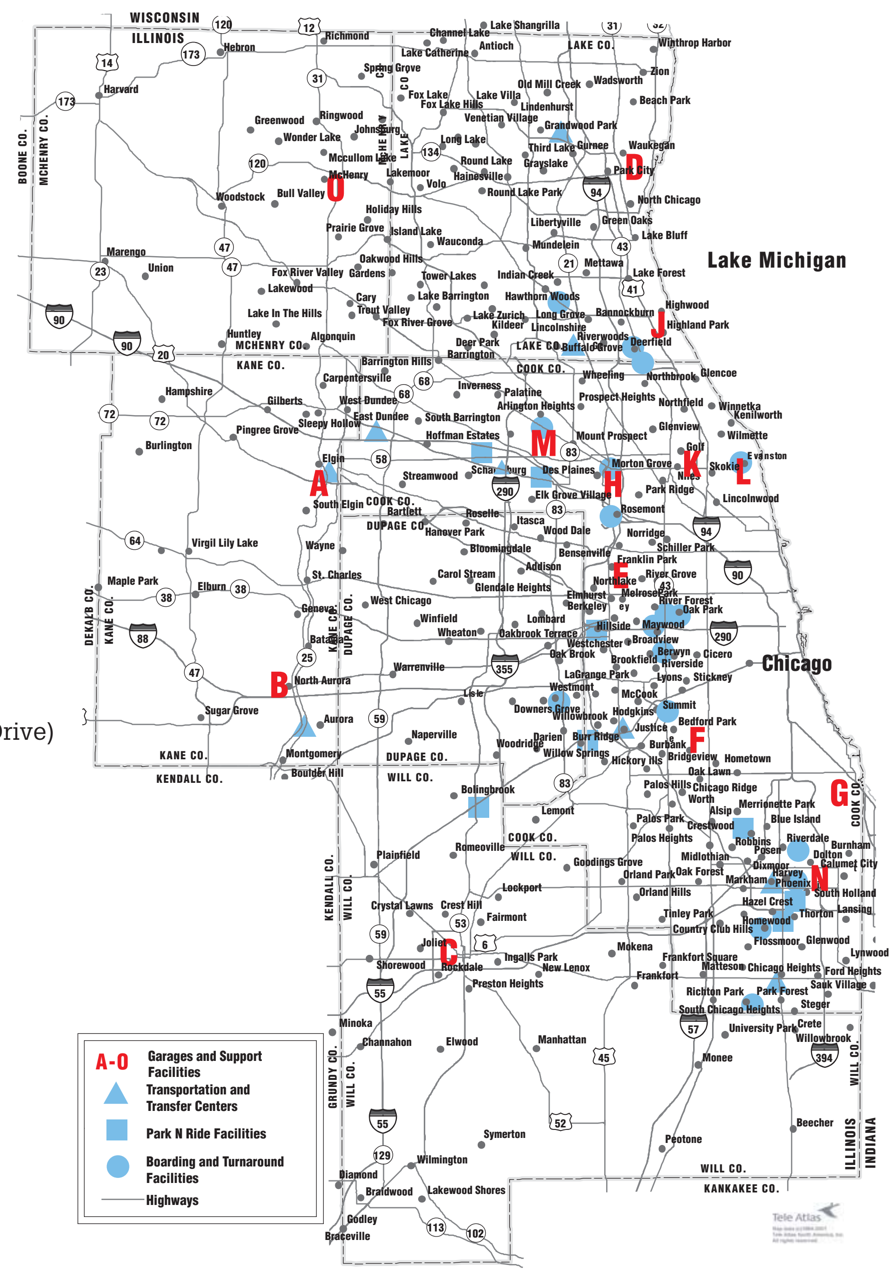
Boarding and Turnaround Facilities

Arlington Heights Metra
Clarendon Hills Metra
Deerfield Metra
Des Plaines Metra
Elmwood Park
Evanston-CTA Davis Street
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
River Road CTA
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 5. Pace System Garage and Support Facilities



Pace Rolling Stock—Active Fleet

Table 27. Pace Rolling Stock Active Fleet

Fixed Route (Fully Accessible)

Manufacturer	Year	No. of Vehicles	Age	Length
Ikarus	1992	15	13	40'
Orion	1992	21	13	35'
Orion	1993	83	12	40'
Chance	1995	15	10	26'
Nova	1996	22	9	40'
Eldorado	1997	56	8	29'
NABI	1999	30	6	35'
NABI	1999	22	6	40'
Chance Trolleys	2000	7	5	25'
Orion	2000	32	5	40'
Orion	2001	121	4	40'
MCI	2002	8	3	40'
NABI	2003	84	2	40’
NABI	2003	98	2	35’
Orion	2004	6	1	40’
NABI	2005	60	0	40’
Total		680		
Average Age			5.4 years	

Paratransit (Fully Accessible)

Manufacturer	Year	No. of Vehicles	Age	Length
Chance Buses	1995	3	10	26'
Eldorado Vans	2000	2	5	19'
Eldorado Vans	2001	83	4	19'
Eldorado Buses	2001	117	4	23'
Eldorado Buses	2002	50	3	23'
Eldorado Vans	2002	18	3	19’
Eldorado Buses	2003	31	2	23'
Eldorado Buses	2004	37	1	23'
Eldorado Vans	2004	23	1	19’
Total		364		
Average Age			3.2 years	

Vanpool

Manufacturer	Year	No. of Vehicles	Age	Length
Vans	1995	1	10	Various
Vans	1996	6	9	Various
Vans	1997	12	8	Various
Vans	1998	26	7	Various
Vans	1999	16	6	Various
Vans	2000	115	5	Various
Vans	2001	64	4	Various
Vans	2002	94	3	Various
Vans	2003	177	2	Various
Vans	2004	30	1	Various
Vans	2005	29	0	Various
Total		570		
Average Age			3.4 years	

Ridership

The following table identifies projected ridership changes by operating element for years 2004 through 2008.

Table 28. Pace 2006-2008 Ridership Projections

(000's)	2004 Actual	2005 Estimated	% Change	2006 Projected	% Change	2007 Projected	% Change	2008 Projected	% Change
Pace Owned Carriers	28,308	30,158	6.5%	31,063	3.0%	31,374	1.0%	31,687	1.0%
CMAQ Service	143	176	23.1%	181	2.8%	183	1.0%	185	1.0%
Public Carriers	985	1,080	9.6%	1,102	2.0%	1,113	1.0%	1,124	1.0%
Private Carriers	1,993	1,947	-2.3%	2,005	3.0%	2,025	1.0%	2,045	1.0%
Total Fixed Route	31,429	33,361	6.1%	34,351	3.0%	34,695	1.0%	35,041	1.0%
Dial-a-Ride	1,073	1,087	1.3%	1,093	0.6%	1,104	1.0%	1,115	1.0%
ADA Paratransit	420	447	6.4%	-	-	-	-	-	-
Ride DuPage	21	57	171.4%	70	22.8%	71	1.0%	71	1.0%
Vanpool	1,416	1,594	12.5%	1,734	8.8%	1,888	8.9%	2,056	8.9%
Suburban Service Total	34,359	36,546	6.4%	37,248	1.9%	37,757	1.4%	38,284	1.4%
Pace ADA Paratransit Service	-	-	-	460	2.9%	465	1.0%	469	1.0%
CTA ADA Paratransit Service	-	-	-	1,188	-	2,550	114.6%	2,804	10.0%
Regional ADA Paratransit Service	-	-	-	1,648	-	3,015	82.9%	3,273	8.6%
Consolidated Pace Service	-	-	-	38,896	6.4%	40,772	4.8%	41,557	1.9%

For 2005, Pace ridership is on the rise, and will finish up for the second consecutive year. Growth is estimated at 6.4%, up 2,186,000 trips over 2004 levels. This follows a 1.9% growth in ridership reported last year (2004). The largest share of the growth is occurring in the fixed route component which is estimated to account for 1.932 million or 5.6% of the growth. Acceptance of the CTA's 7-day pass and resumption of providing service for the Waukegan School Program are significant factors contributing to the growth in fixed route ridership for 2005. Increases in both Dial-a-Ride and ADA/Paratransit ridership will account for 0.1% of the growth or 41,000 additional riders. Vanpool and municipal ridership, combined, are estimated to rise by 177,000 trips or 0.6% of the 2005 growth. And, popularity of the new Ride-DuPage service is expected to add 36,000 trips to total ridership in 2005.

Beginning in 2006, reported ridership takes on a new look, with services separated into two categories – Suburban Service and Regional ADA Paratransit Service. Pace's base ridership—Suburban Service is projected to continue to grow at 3.2% or 1,149,000 trips next year (2006) after adjusting for changes in reporting. Fixed route ridership is projected to grow at 3.0% and will account for 990,000, or 2.7% of the total growth. The Vanpool program will continue to grow next year and will account for 0.4% of total growth or 140,000 additional trips. And, 13,000 additional trips will be generated through the Ride-DuPage effort. Pace will provide 1.6 million ADA Paratransit trips in 2006 – 460,000 in existing Pace service and 1.188 million trips previously provided by CTA. Combined, total Pace ridership will climb 6.4% or 2.350 million trips for 2006.

Ridership is projected to continue to grow for the outlying years – 2007 and 2008. Annual growth rates of 4.8% and 1.9%, respectively, are forecasted for the outlying years raising total ridership to 40.8 million in 2007 and 41.6 million in 2008. The jump in 2007 ridership reflects the first full year of CTA's ADA Paratransit service operated by Pace.

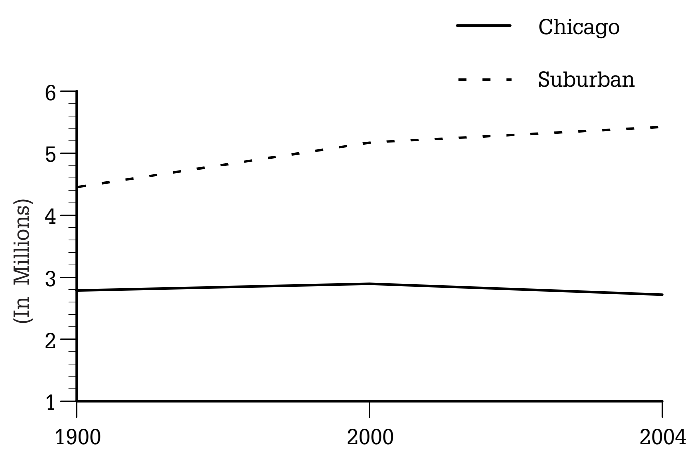
Operating Environment

The Pace service area measures 3,446 square miles, nearly the size of the state of Connecticut. The suburban area is divided among six counties and includes 284 municipalities. The transportation needs in this region are as unique as the individual communities that comprise it. The suburb-to-suburb commute trip remains the dominant travel market in the region and is primarily served by the automobile. Pace provides over 1,500 vehicles to meet suburban commuting needs every day.

Population

The suburban population increased 16% between 1990 and 2000, from 4.5 million residents to 5.2 million residents. In the years since the 2000 census, the suburban population continued to grow, reaching an estimated 5.4 million in 2004. By contrast, Chicago's population reversed a 40 year decline between 1990 and 2000, increasing approximately 4% to 2.9 million. Chicago's population decreased to 2.7 million by 2004, a loss of 6%, leaving Chicago with fewer people in 2004 than in 1990 (or any time since 1920). The following graphs depict the recent population trends in the metropolitan Chicago region from 1990 through 2004.

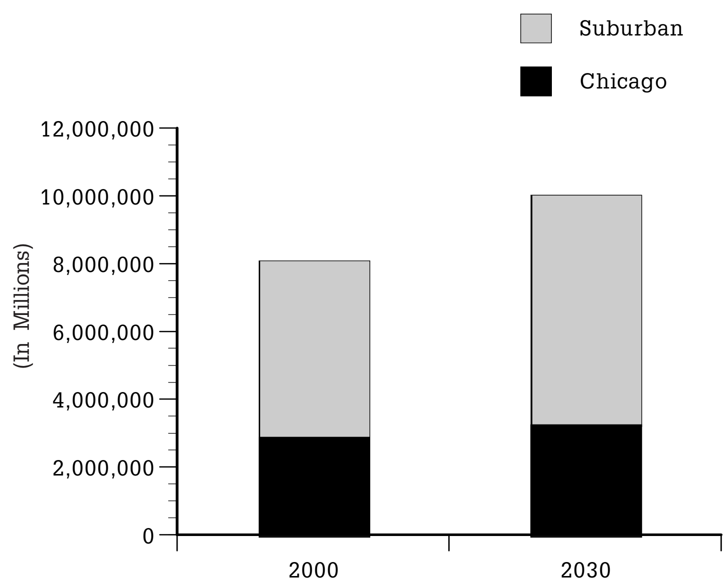
Chart H. 1990 to 2004 Regional Population



Regional Population Change 2000 to 2030

The Northeastern Illinois Planning Commission (NIPC) provides official 30 year population forecasts for the region. These forecasts project population growth rates and patterns. According to NIPC, the regional population is expected to increase by 1.9 million people between 2000 and 2030 to 10 million. Subsequently, 1.5 million new residents will accrue to Pace's service region while Chicago's population will increase by 0.4 million new residents.

Chart I. 2000 to 2030 Regional Population Projection

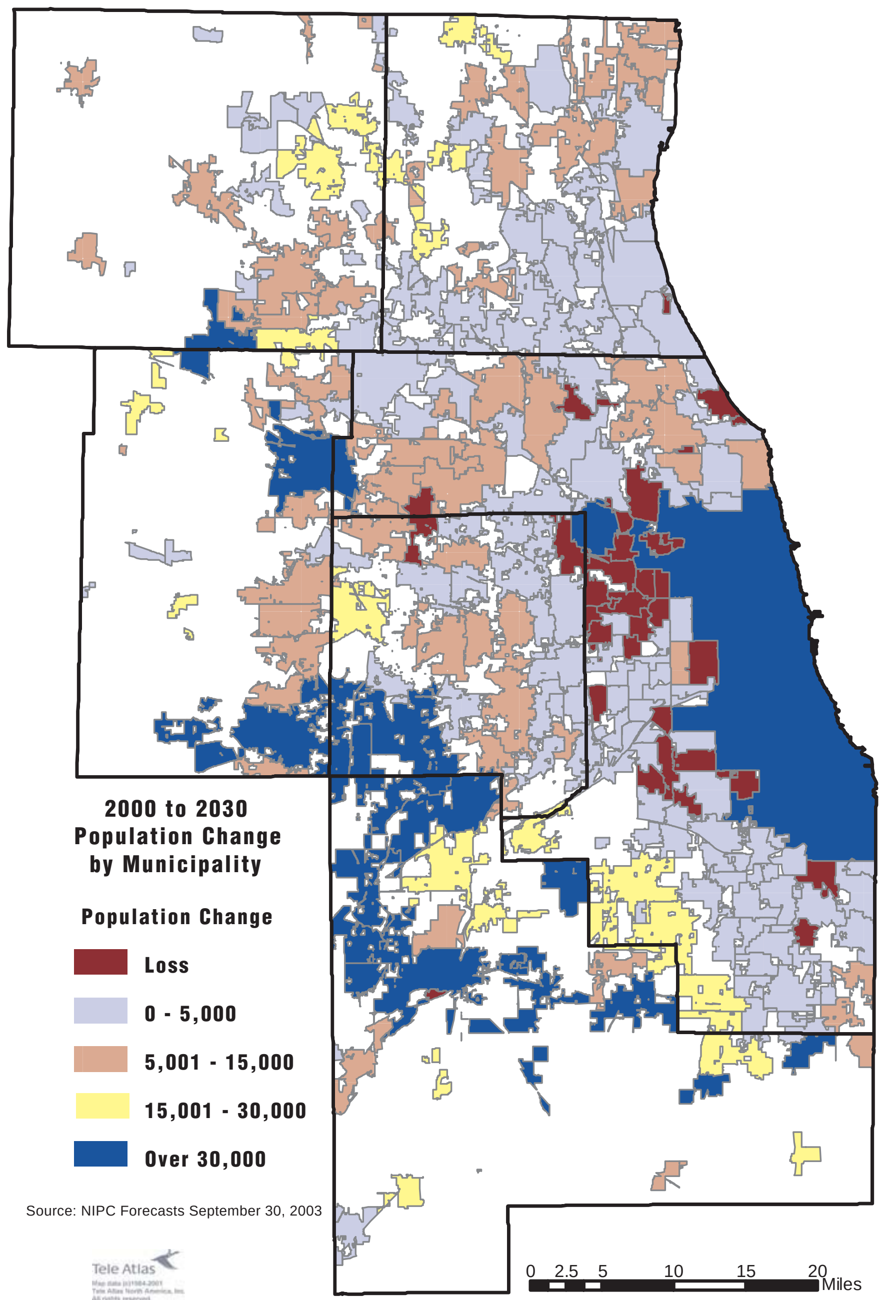


Regional Population Change 2000 to 2030

Regional Population Change 2000 to 2030. Almost half of the suburban population increase (43%) will be concentrated in the 14 fastest growing suburban municipalities. Most of these municipalities are located to the southwest of Chicago, in Will, DuPage and Kane counties.

Additionally, NIPC forecasts population losses for a number of communities to the northwest and west of Chicago, in the vicinity of O'Hare airport, and in a smaller number of communities to the south and southwest of Chicago.

Map 6. Regional Population Change

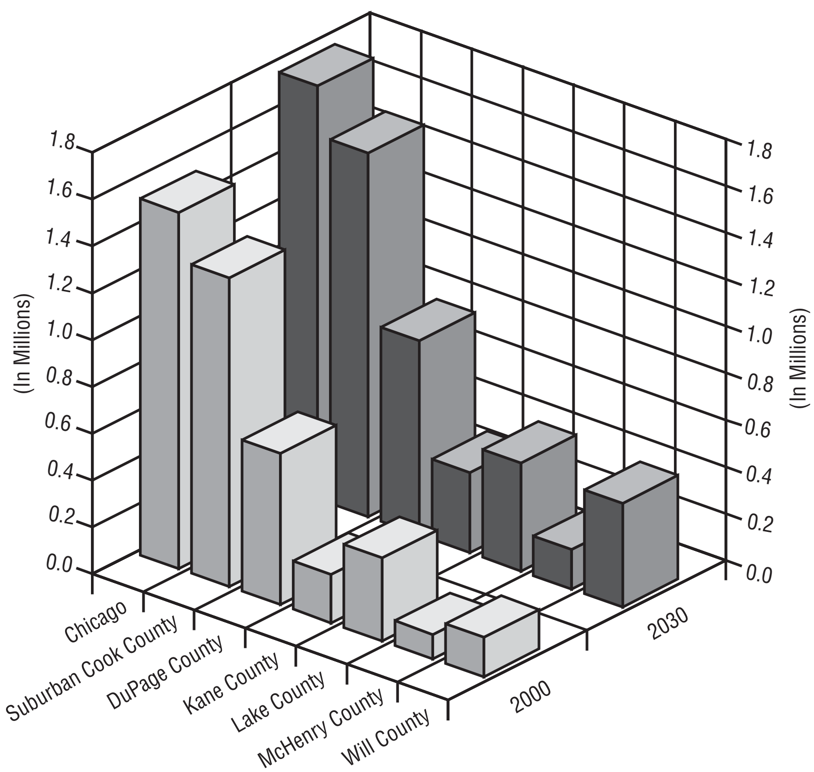


Employment

In the decade between 1990 and 2000, the Chicago region gained over 836,000 jobs, over a half million of those jobs (59%) occurred in the suburbs. It is anticipated that future job growth will continue to concentrate in the suburban portion of the region.

NIPC's forecast anticipates an increase of 1.2 million jobs in the region by 2030, of which one million will accrue to the suburban areas. As a percentage of 2000 employment, Will County's increase is projected to be the greatest (162%), followed by Kane County (66%) and McHenry County (60%), representing an increase of 274,000, 137,000 and 63,000 jobs, respectively. Will County's projected employment growth is also the largest in absolute terms, followed by growth in Chicago (241,000), Suburban Cook County (236,000) and DuPage County (184,000).

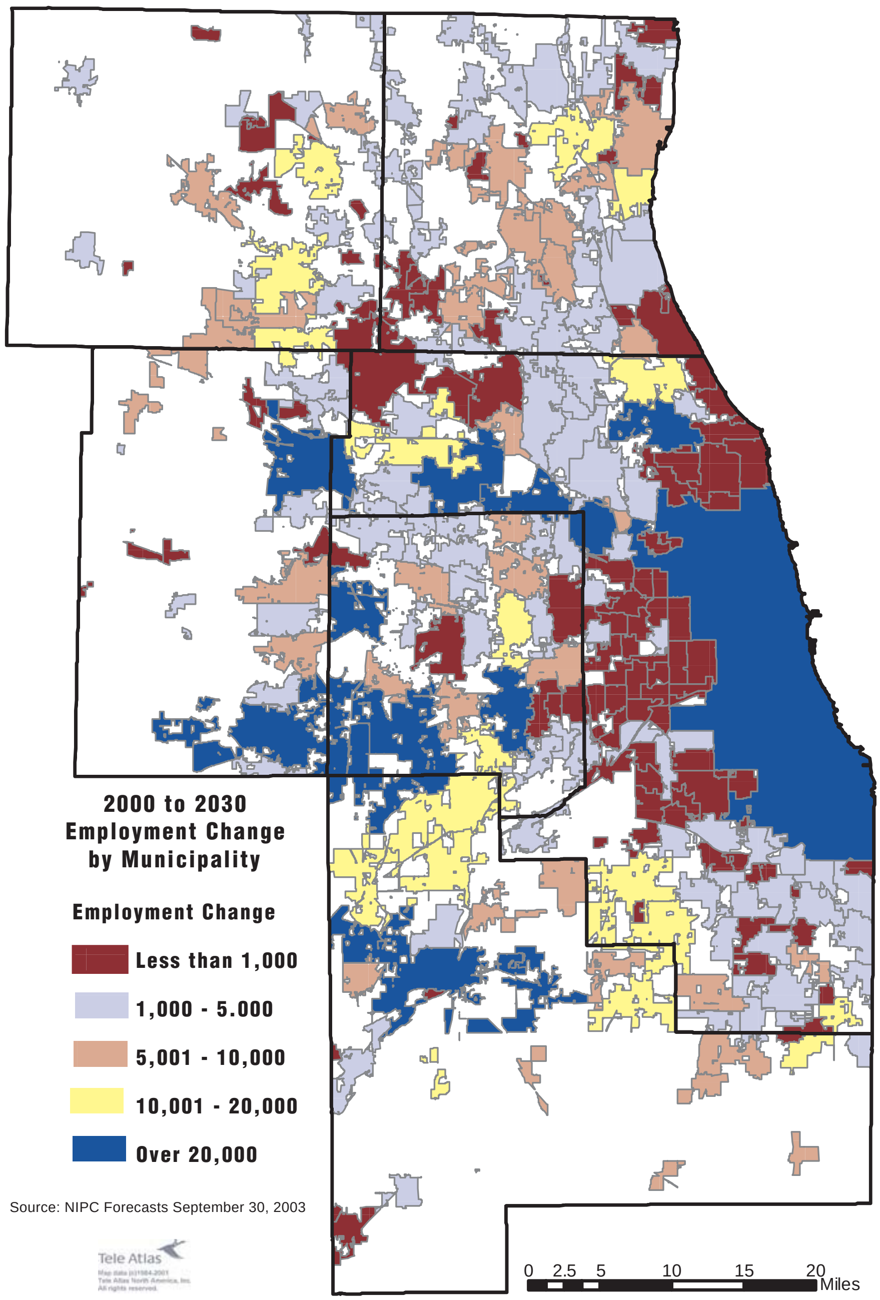
Chart J. 2000 to 2030 Employment Projection



Regional Employment Change 2000 to 2030

Similar to the trends observed in population growth, increases in employment growth are projected to be concentrated in a number of areas southwest of the City. The 14 municipalities projected to experience the largest employment growth are expected to gain 42% of the total new suburban employment. Employment growth is expected to be concentrated in the vicinity of Joliet, Aurora/Naperville, Elgin, and along the Interstate 90 corridor from O'Hare Airport to Schaumburg.

Map 7. Regional Employment Change



Suburban Office Space

In 1979, 35 million square feet of office space, 28% of office space in the metropolitan area, was located in the suburbs, the remaining 90 million square feet, (72%), was located in Chicago. The increased suburbanization of office employment during the 1980's and 1990's led to an increase of suburban office space. Suburban office space more than doubled between 1979 and 1989 to 86 million square feet, or 40% of the total available office space in the region. During the 1990's, another 20 million square feet of suburban office space was constructed, making over 106 million square feet of suburban office space available for business; this represents 43% of all office space in the region. The total amount of suburban office space more than tripled in the past 20 years.

The majority of these new office buildings are not accessible to traditional transit patrons. Large building setbacks and a lack of sidewalks and pedestrian crossings are typical of the suburban environment.

To ensure that future development is transit accessible, Pace works closely with interested municipalities and developers to assist them in incorporating transit planning into their projects. By becoming part of the plan review process, transit amenities can be incorporated into the development from the outset.

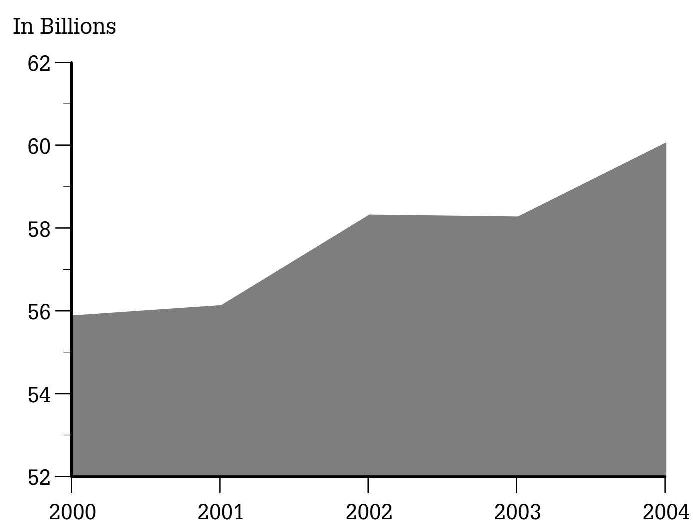
In 2004, Pace conducted technical reviews on 28 proposed development plans and 32 roadway improvement projects and provided input as needed. Cooperatively working with village and city municipal planning entities and development in the region, Pace has been able to highlight the need for transit and pedestrian friendly suburban sprawl in the design and planning stage. By working with IDOT, Pace has been able to incorporate transit needs, such as bus turnouts, shelters, turn lanes and signal modifications into the road improvement needed to provide faster, more effective service.

Travel Patterns

According to the Texas Transportation Institute's congestion data in the metropolitan Chicago area (including portions of Indiana), the congested travel time (% of Peak Vehicle Miles Traveled) was 76% in 1996 and 85% in 2003, a 9 percentage point (11.8%) increase. During the same period of time, the percentage of congested lanes increased from 68% to 73%. Public transportation saved 58,132,000 person hours in 1996 and 94,448,000 person hours in 2003, a 62% increase in delay savings. This equates with an increase of annual savings of 22 hours per peak traveler per year in 2003 compared with 16 hours saved per peak traveler in 1996. Public transportation led to a cost savings of $1.577 billion in 2003, compared with a savings of $838 million in 1996. (http://mobility.tamu.edu/ums/)

The increased congestion is the result of a significant increase in the number of vehicle miles traveled in Northeastern Illinois. In 2000, vehicles using Cook County highways and major arterial roads logged 33 billion vehicle miles compared with 23 billion vehicle miles on similar roads in the collar counties. By 2004, the number of annual vehicle miles traveled increased by 1.8 billion in Cook County and 2.4 billion in the collar counties, an increase of 5.4% and 10.5%, respectively. During this four year period, no additional interstate mileage was added and only 2.5 additional miles of arterial roads were constructed.

Chart K. Annual Vehicle Miles



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Appendix C: Planning Initiatives

Vision 2020—The Blueprint for the Future

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 forecasted 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 8. 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 initiatives, each involving outreach activities: Community Transit Needs Assessment Initiatives, Line-Haul Corridor Initiatives, and Transportation Center Design Initiatives.

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, and 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 Initiatives

Pace began restructuring service incrementally throughout its six-county service area in 2000. The goals of these restructuring initiatives echo those of Pace's Vision 2020 plan: by developing a regional arterial route network augmented by locally-based services, Pace will create a faster, more effective, and more efficient transit system that will provide a viable alternative to the automobile. Pace will reach these goals by building relationships with communities and stakeholders and through advanced market research and service planning tools. The following are the completed and in-progress Pace restructuring initiatives:

159th Street (2000/2001)

Pace first restructured service along the busy 159th Street corridor between Harvey and Orland Park. Results included additional service to Orland Square Mall, improved on-time performance, diversions around rail crossings to eliminate delays, additional service on weekdays and Saturdays, expanded shelters and passenger amenities and identification of signal priority locations.

Elgin Area Restructuring (2002/2003)

Pace worked with Elgin, South Elgin, Carpentersville, East Dundee, and West Dundee to redesign service to address current commuting patterns. Results included adjusting service on 10 of the 15 existing routes, discontinuing two underutilized routes, adding one new route, serving rapidly-growing areas such as Randall Road, and adding Saturday service on some routes.

South Halsted Restructuring (2002/2003)

Pace sought to improve service efficiency along South Halsted Street, one of its busiest corridors. Results included additional Route 352 weekday express trips and Sunday trips between Harvey and CTA 95th Street Station, improved transfer coordination between Routes 352 and 370 at the Harvey Transportation Center, 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 (2003-2005)

Pace recently implemented service changes in Evanston, Skokie, Lincolnwood, Wilmette and surrounding communities. Eleven routes were restructured to serve new generators, reduce transfers, and eliminate unproductive segments and route duplication. Pace now serves The Glen of Glenview and offers direct service from Evanston to O'Hare and Woodfield Mall, for instance, while operating more efficient service. Throughout this Initiative, Pace worked closely with area communities and stakeholders through a Community Advisory Committee and numerous public forums.

Fox Valley/Southwest DuPage Initiative (2004/2005)

Over the last year, Pace has reviewed current service, surveyed riders and nonriders, and worked closely with stakeholders in Naperville, Aurora, Lisle, Bolingbrook, Warrenville and surrounding communities to redesign area service in accordance with customer needs and current travel patterns and demographics. Pace will implement an initial round of service changes in the Aurora area in the fall of 2005; service will reach rapidly-growing areas such as the southern portion of the Randall Road corridor while a Westfield Fox Valley shuttle service will be added. Because Pace's current financial resources are insufficient to meet travel needs in the area, Pace will follow a staged implementation plan that will guide service expansion as Pace secures additional funding. Ultimately, arterial, circulator and dial-a-ride services that meet at new transfer centers will provide convenient all-day transit options throughout the Fox Valley/Southwest DuPage area.

North Central Shuttle Service Initiative (2004-2006)

Pace, in cooperation with Metra and the Lake Cook Transportation Management Association, is investigating shuttle service options for employment sites located near Metra's North Central Service stations. Metra's upcoming increase in service on the North Central Service line (including trips that could serve a city-to-suburb commute) combined with shuttle bus connections would provide a convenient transportation option for employees in the corridor. Twelve conceptual routes have been developed based on employer and employee input; implementation of some service could begin in early 2006.

South Cook – Will County Initiative (2005-2007)

In the fall of 2005, Pace will begin to redesign service in 81 suburban communities in southern and southwestern Cook County and all of Will County. The area accounts for roughly one-third of all of Pace's service; however, while Pace has considerable service and strong demand in the inner-ring Cook County communities, no service currently operates in most Will County communities. Due to the area's size and diversity, outreach and planning activities will be subdivided into three sectors, namely South Cook, Southwest Cook and Will. As in the Fox Valley/Southwest DuPage Initiative, a long-term implementation plan will provide Pace with a blueprint for service expansion in the area based on additional funding. Additionally, Pace will take delivery of a PC-based planning tool for its overall six-county service area that will allow staff to identify areas most conducive to transit and generate ridership estimates based on service characteristics; this tool will be supported by Census data and extensive regionwide market research.

Future Restructuring Initiatives

The following initiatives are planned:

- West Cook/DuPage/Elgin (2006/2007)
- North/NW Cook (2007/2008)
- North Lake/McHenry (2007/2008)

Future Support Initiatives

The following support initiatives are also forthcoming.

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.

Harvey Transportation Center Transit Signal Priority (TSP) (2005/2006)

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.

Express Bus Network (2005/2007)

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 and expressway priority for buses (i.e., high-occupancy vehicle lanes, shoulder riding 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 express bus service.

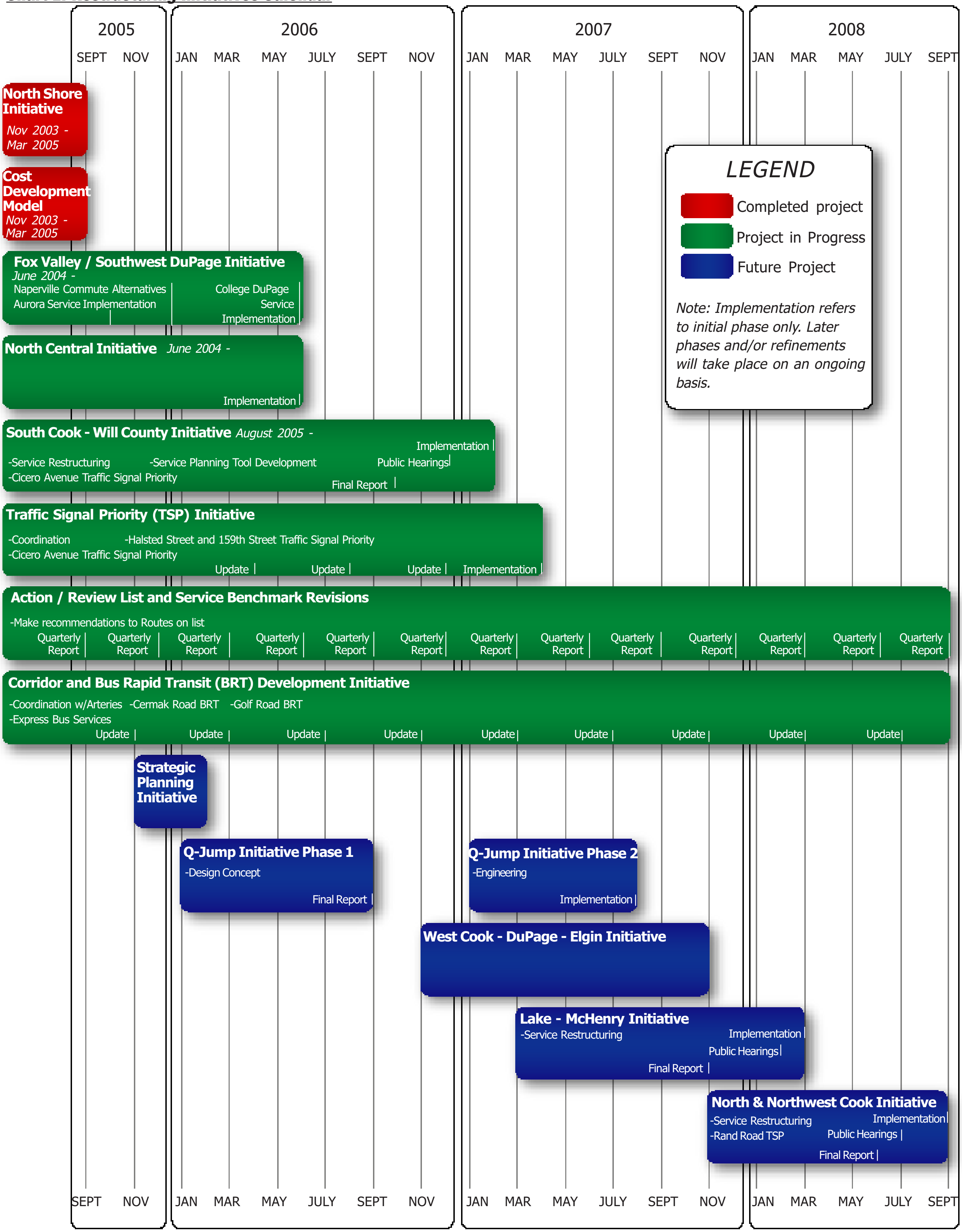
Bus Rapid Transit (BRT) Corridor Implementation (2005/2007)

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 develop an implementation program for a regional arterial-based network.

Queue Jump Initiative (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.

Chart L. Restructuring Initiatives Calendar



Marketing Plan

Pace's 2005 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 initiatives 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 transit reliant market relating to car ownership is in the city-to-suburb market where 45% cite having no car; our lowest transit reliant 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

Pace's 2006 marketing focus will change from a primarily regionwide image campaign, to a more tactical local awareness campaign. Marketing initiatives will focus upon educating the public about using Pace's services and the availability of Pace services. There will be an emphasis upon identifying and communicating the value of public transportation to both riders and non-riders.

There will be less emphasis upon regional marketing based on the traditional commute markets of suburb-to-suburb, city-to-suburb and suburb-to-city. The emphasis will instead be on identifying sub-groups of riders and potential riders and their commute patterns while defining their demographic and psychographic characteristics. Marketing campaigns will address these sub-groups in localized sections of Pace's region, particularly at the county level, instead of regionwide messaging.

Campaigns, including a variety of media and promotional elements, will be developed to promote services within these smaller geographic regions with a focus on features and benefits.

Broad general categories of activity which marketing will support or champion are:

Restructuring Initiatives
Vanpool Program
ADA Paratransit Transition
Spanish-Language Outreach
Student
Event/Festival Participation

Appendix D: Fares

Pace Fare Structure

The following tables present the fare structures for the entire Pace system. There are no fare changes proposed in the 2006 Budget for fixed route, paratransit and Pace ADA services. Vanpool fares will increase in 2006. Proposed changes are presented in the Vanpool Fare schedule—Table 30.

Pace will continue to accept 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 29. Pace 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, 426 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	

Table 30. 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	$ 87	$ 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	$ 98	$ 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 Related	$345
Base Fee	$690
SHUTTLE/FEEDER	
Private (For Profit)	$800
Not-For-Profit	$595
Metra Feeder	$42/passenger
MUNICIPAL PROGRAM	$260

Proposed (Effective January 1, 2006)

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	$ 90	$ 79	$ 67	$ 57	$ 57	$ 57
21-30 Miles	$ 94	$ 83	$ 71	$ 59	$ 57	$ 57
31-40 Miles	$ 98	$ 87	$ 76	$ 62	$ 57	$ 57
41-50 Miles	$103	$ 92	$ 79	$ 65	$ 57	$ 57
51-60 Miles	$107	$ 96	$ 83	$ 68	$ 59	$ 57
61-70 Miles	$111	$100	$ 86	$ 71	$ 61	$ 57
71-80 Miles	$115	$105	$ 90	$ 74	$ 63	$ 57
81-90 Miles	$118	$108	$ 93	$ 77	$ 65	$ 57
91-100 Miles	$121	$111	$ 96	$ 80	$ 67	$ 59
101-110 Miles	$124	$114	$ 99	$ 83	$ 69	$ 61
111-120 Miles	$129	$117	$102	$ 86	$ 71	$ 63
121-130 Miles	$132	$120	$105	$ 90	$ 73	$ 65
131-140 Miles	$135	$124	$108	$ 93	$ 75	$ 67
141-150 Miles	$138	$127	$111	$ 96	$ 77	$ 69
151-160 Miles	$141	$130	$114	$ 99	$ 79	$ 71

Mini van fare amounts. Maxi or Conversion vans in this range require a monthly surcharge per passenger of $15.00.

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

Other Vanpool Services	Monthly Fees
ADVANTAGE	
ADA Related	$355
Base Fee	$710
SHUTTLE/FEEDER	
Private (For Profit)	$825
Not-For-Profit	$615
Metra Feeder	$45/passenger
MUNICIPAL PROGRAM	$270

Appendix E: Characteristics and Trends

Characteristics

Background data on the Pace market is provided below:

Fixed Route Service

Number of Fixed Routes (August, 2005)		239
• Regular Routes	163	
• Feeder Routes	60	
• Shuttle Routes	14	
• Subscription Services	2	
Number of Accessible Routes		239
Peak Period Vehicle Requirements		604
Pace-owned Fleet Size		680
Number Accessible		680
Average Vehicle Age		5.4 years
Contractor Owned Vehicles in Pace service		40
Number of Private Contractors		5
Number of Pace-owned Garages		11
Number of Pace Municipal Contractors		2

Paratransit

Number of Communities Served	210
Number of Local Dial-A-Ride Projects	62
Number of ADA Service Projects	8
Pace-owned Fleet Size	364
Average Vehicle Age	3.2 years

Vanpool

Vans in Service (August, 2005)—VIP	203
Vans in Service (August, 2005)—Corporate Shuttle	21
Vans in Service (August, 2005)—ADvAntage	243
Vans in Service (August, 2005)—Municipal	73
Total Vans in Service	540
Average Vehicle Age	2.8 years

Other

Number of Pace Employees (August, 2005)	1,411

Ridership (000's)

	2004 Actual	2005 Estimate	2006 Budget
Fixed Route	31,429	33,361	34,351
ADA	420	447	*
DAR/Ride DuPage	1,094	1,144	1,163
Vanpool	1,416	1,594	1,734
Total	34,359	36,546	37,248

Vehicle Miles

	2004 Actual	2005 Estimate	2006 Budget
Fixed Route	24,752	24,854	24,854
ADA	3,881	4,254	*
DAR/Ride DuPage	3,999	4,212	4,487
Vanpool	8,392	8,955	9,737
Total	41,024	42,275	39,078

Vehicle Hours

	2004 Actual	2005 Estimate	2006 Budget
Fixed Route	1,639	1,641	1,641
ADA	280	292	*
DAR/Ride DuPage	258	266	277
Vanpool	N/A	N/A	N/A
Total	2,177	2,199	1,918

*Included in Regional ADA Paratransit Budget.

Trends

Ridership (000's)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1996	34,919	1,296	333	966	37,514	0.9%
1997	34,159	1,246	337	1,117	37,859	0.9%
1998	35,544	1,238	369	1,130	39,281	3.8%
1999	37,365	1,189	390	1,169	40,113	2.1%
2000	36,049	1,163	385	1,047	38,644	-3.7%
2001	34,323	1,094	393	1,106	36,916	-4.5%
2002	32,245	1,095	366	1,193	34,899	-5.5%
2003	30,978	1,067	381	1,281	33,707	-3.4%
2004	31,429	1,094	420	1,416	34,359	1.9%
2005 Est.	33,361	1,144	447	1,594	36,546	6.4%

Vehicle Miles (000's)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1996	22,907	4,391	3,616	4,711	35,625	4.6%
1997	23,692	4,205	3,608	5,277	36,782	3.2%
1998	23,932	4,166	3,766	5,995	37,859	2.9%
1999	24,495	4,072	3,396	6,857	38,820	2.5%
2000	24,437	4,068	3,258	6,534	38,297	-1.3%
2001	25,405	4,084	3,357	7,165	40,011	4.5%
2002	25,289	4,198	3,280	7,815	40,582	1.4%
2003	25,199	4,234	3,468	8,244	41,145	1.4%
2004	24,752	3,999	3,881	8,392	41,024	-0.4%
2005 Est.	24,854	4,212	4,254	8.955	42,275	3.1%

Recovery Ratio

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1996	43.29%	53.36%	7.01%	105.62%	36.04%	-0.1%
1997	43.35%	55.49%	9.59%	84.30%	37.53%	4.1%
1998	43.85%	55.48%	9.39%	98.06%	38.37%	2.2%
1999	44.57%	56.19%	9.24%	105.34%	37.10%	-3.3%
2000*	43.55%	57.09%	9.24%	99.47%	39.75%	7.1%
2001*	43.09%	59.80%	11.85%	99.41%	40.71%	2.4%
2002*	45.80%	60.62%	11.89%	104.50%	38.83%	-4.6%
2003*	45.02%	61.65%	11.67%	102.27%	36.04%	-7.2%
2004*	38.47%	63.85%	11.74%	120.93%	35.23%	-2.2%
2005 Est*	36.27%	65.85%	11.20%	105.28%	34.24%	-2.8%

**Recovery rate excludes ADvAntage contributions*

Cost Per Mile

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1996	$2.74	$1.89	$1.87	$0.25	$2.96	-1.3%
1997	$2.73	$2.03	$1.86	$0.33	$2.95	-0.3%
1998	$2.70	$2.20	$2.00	$0.28	$2.93	-0.7%
1999	$2.72	$2.33	$2.39	$0.24	$2.93	0.0%
2000	$2.87	$2.48	$2.60	$0.27	$3.16	7.9%
2001	$2.90	$2.60	$2.81	$0.29	$3.18	0.6%
2002	$2.92	$2.64	$2.97	$0.27	$3.22	1.3%
2003	$3.11	$2.71	$3.17	$0.29	$3.38	5.0%
2004	$3.24	$3.07	$3.01	$0.25	$3.59	6.2%
2005 Est.	$3.41	$3.33	$3.11	$0.30	$3.85	7.2%

Cost Per Passenger

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1996	$1.79	$6.42	$20.34	$1.22	$2.81	2.6%
1997	$1.84	$6.85	$19.89	$1.55	$2.87	2.1%
1998	$1.82	$7.42	$20.44	$1.51	$2.82	-1.6%
1999	$1.78	$7.97	$20.79	$1.36	$2.83	0.4%
2000	$1.94	$8.66	$22.00	$1.65	$3.13	10.6%
2001	$2.14	$9.71	$23.97	$1.85	$3.44	9.9%
2002	$2.29	$10.11	$26.61	$1.79	$3.75	9.0%
2003	$2.53	$10.75	$28.74	$1.90	$4.12	9.9%
2004	$2.55	$11.37	$27.81	$1.47	$4.29	4.1%
2005 Est.	$2.54	$12.47	$29.60	$1.69	$4.44	3.5%

Subsidy Per Trip

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1996	$1.02	$2.99	$18.92	($0.07)	$1.80	2.3%
1997	$1.03	$3.05	$17.98	$0.24	$1.79	-0.6%
1998	$1.01	$3.30	$18.52	$0.03	$1.74	-2.8%
1999	$1.01	$3.49	$18.87	($0.07)	$1.78	2.3%
2000	$1.11	$3.72	$19.97	$0.01	$1.89	6.2%
2001	$1.16	$3.91	$21.13	$0.01	$2.04	7.9%
2002	$1.26	$3.98	$23.44	($0.08)	$2.29	12.3%
2003	$1.51	$4.12	$25.38	($0.04)	$2.56	11.8%
2004	$1.57	$4.11	$24.54	($0.31)	$2.78	8.6%
2005 Est.	$1.62	$4.26	$26.29	($0.09)	$2.92	5.0%

Appendix F: Budget Process

Budget Process and Calendar

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 15th, 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 15th, 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 15th decision on funding levels and recovery rate requirements.

By November 15th, 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 the 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 15th.

Once the RTA has evaluated the budget submittals of Pace and the other 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 requirement. 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 31st 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 fare 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.

Budget Calendar

Below are key dates and events in the Pace FY06 budget development cycle. The annual capital budget and five year program as well as the three year financial plan for operations are also developed in accordance with this schedule.

Chart M. 2006 Budget Development Calendar

Date (2005)	**Event**
May 20	Release budget call to Agency management
June 17	Budget call response due from management
July	Staff develops a preliminary budget
August 3	Review Preliminary 2006 Budget with Pace Board
August 12	Submit Preliminary 2006 Budget to RTA
September 15	RTA scheduled to set 2006 Funding and Recovery Marks
September 16	Staff develops Proposed 2006 Budget per Board directives
October 11	Pace Board releases Proposed 2006 Budget for Public Hearing
October 25-27	Public Hearings on Pace's Proposed 2006 Budget
November 9	Pace Board adopts Final 2006 Budget
November 15	Submit Final 2006 Budget to RTA
November 16	RTA evaluates Pace budget for compliance
December 16	RTA scheduled to approve/adopt 2006 Budget for Pace

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Appendix G: Financial Policies

Budget and Financial Policies

Budget Policies Overview

Pace is one of three Service Boards (Pace, CTA and Metra) subject to the budgetary control provisions of the Regional Transportation Authority Act which is an Illinois State statute. One of RTA's chief responsibilities is to ensure compliance with the budgetary controls set forth by the Act.

In addition to the budgetary controls defined by the RTA Act, the Pace Board of Directors has adopted additional budgetary policies which further enhance the control and utilization of resources.

The following sections describe the budgetary controls and policies that govern Pace at both the RTA level and internally.

RTA Budget Criteria

As described in the Budget Process and Calendar section, the RTA Act requires Pace to submit an adopted budget for the coming fiscal year (calendar basis); a three year financial plan for the proposed budget year and two subsequent years; and a five year capital improvement program and budget by November 15th.

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. These criteria constitute the definition of a balanced budget.

- 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.

In addition to the six statutory criteria, RTA has adopted additional budgetary and financial policies which govern Pace. They are summarized as follows:

RTA Funding Policy

This policy establishes the basis for RTA funding of Pace and places restrictions on the use of Pace's retained earnings. In summary, the RTA policy is to fund the established budgeted deficit of Pace and not the actual results for the year. In addition, the policy restricts use of any funding provided as a result of a positive budget variance to capital projects or finite operating uses subject to RTA budgetary approval.

RTA Service Board Financing Transactions Policy

This policy establishes the allowable uses and budgetary requirements for equipment and facility lease transactions. In summary, it restricts the use of the proceeds from such transactions to capital expenditures and finite operating uses. It further establishes budgetary guidelines for capital projects funded with such proceeds.

In addition to the requirements of the RTA Act, chief among them the requirement for a balanced budget, the Pace Board of Directors has adopted three key budget policies which further govern the control of financial resources. They are summarized as follows:

Line Item Budget Control

This policy identifies the specific budgetary line items under control of the Pace Board as established via the annual appropriations ordinance. It further identifies that the Executive Director has control over the individual expense components and budgets which comprise the Board established line items.

Authorized Head Count

This policy establishes the Pace Board as controlling the total employee head count in full-time equivalents (FTE's) and allows the Executive Director to make FTE changes between individual areas within the Board approved total.

Use of Positive Budget Variance (PBV)

This policy establishes that earnings generated by favorable budgetary performance are restricted to capital uses, finite operating purposes or to offset future unfavorable budget performance.

Basis of Accounting

Pace maintains its accounting records and prepares its financial reports in conformity with generally accepted accounting principles. The financial activities of Pace are organized on a basis of an individual fund which is an accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. Pace operates as an Enterprise Fund, a type of Proprietary Fund.

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 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.).

Reporting Entity

Pace has defined its reporting entity as a primary government unit based on the criteria in the Governmental Accounting Standard Board (GASB) Statement No. 14 – "The Financial Reporting Entity". Pace's financial statements include the accounts of Pace's nine wholly-owned operating divisions.

External Audit

An independent accounting firm performs an annual examination of Pace's financial statements including Single Audit requirements. Pace's goal is to receive an unqualified opinion on the financial statement audit and a separate report that Pace is in compliance with all Federal Single Audit Requirements.

Working Cash Policy

In order to allow for the payment of obligations in a timely manner, the Pace Board of Directors has adopted a Working Cash Policy. The policy requires that Unrestricted Net Assets in the amount of 8% of annual budgeted operating expenses be retained for working cash purposes. Based on the policy, $12,500,000 of Unrestricted Net Assets is being retained for working cash purposes during 2005.

Investment Policy

The Pace Board of Directors has adopted an investment policy that governs the investment of public funds. The policy conforms to all applicable State statutes. The primary objectives, in priority order, of Pace's investment activities shall be:

Safety of Principal

Safety of principal is the foremost objective of Pace. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity

The portfolio will be substantially liquid for the purpose of meeting all operating and capital requirements which might be reasonably anticipated.

Yield

The portfolio is designed with the objective of attaining a competitive rate of return throughout budgetary and economic cycles which is equivalent with the portfolio's investment risk constraints and the cash flow characteristics.

An objective of Pace's investment policy is to maximize earnings. To facilitate in the evaluation of investments, the 90-day Treasury bill rate has been established as a performance benchmark.

Pension

Pace participates in a multi-employer defined benefit pension plan. The plan covers substantially all employees of Pace, RTA and Metra who are not covered by a collective bargaining agreement. On an annual basis, an independent actuary calculates the amount of the contribution for each employer to ensure that the plan is adequately funded. Pension costs equal the amount of the actual contributions.

The nine Pace operating divisions have established defined benefits plans, 401(k) plans, and defined contribution plans through their respective collective bargaining agreements with the bargained for employees at each operating division. Employer and employee contributions are based on the respective bargaining agreements.

Risk Management

Pace purchases excess insurance for potential catastrophic occurrences and incorporates risk control and claims management techniques to manage the cost of more frequent, predictable property/casualty loss exposures. Pace utilizes Risk Management and actuarial data to establish reserves for incurred, and incurred but not reported claims, in order to establish appropriate funded reserves to pay future potential liabilities.

Pace currently maintains a $5,000,000 Self-Insured Retention (SIR) per each occurrence for Automobile Liability exposures. An insurance carrier provides $5,000,000 in excess coverage above the SIR. For claims above $10,000,000 additional Risk Financing techniques are available including Excess Auto Liability coverage, and the ability to borrow funds through the RTA Loss Financing Plan. Excess General Liability insurance is also purchased from an insurance carrier for coverage above an SIR of $100,000 per each occurrence. Additionally, Pace may utilize the RTA Loss Financing Plan to finance recovery from losses that may penetrate the $5,000,000 of excess General Liability coverage. Pace purchases other property/casualty excess policies including Workers Compensation, Pollution, and Employment Practice Liability coverage.

Pace also has elected to self-insure its Health and Welfare exposures. Pace maintains stop-loss coverage for any health claims exceeding $150,000.

Balanced Budget Definition

Pace is subject to the balanced budget criteria as established by the RTA Act. These criteria are identified in the previous section under RTA Budget Criteria.

Long Range Planning

Pace is required to prepare and publish annually a three year financial plan for operations and a five year capital program and budget which is consistent with funding levels established by RTA.

Debt Policy

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 H: Peer Performance

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:

<u>Service Efficiency</u>
Operating Expense per Revenue Hour
Operating Expense per Revenue Mile

<u>Cost Effectiveness</u>
Operating Expense per Passenger
Operating Expense per Passenger Mile

<u>Service Effectiveness</u>
Passengers per Revenue Hour
Passengers per Revenue Mile

The following charts are prepared using 2003 National Transit Database (NTD) data, which is the latest year data available at this writing.

Peers

Service Efficiency

Chart N. Operating Expense per Revenue Hour

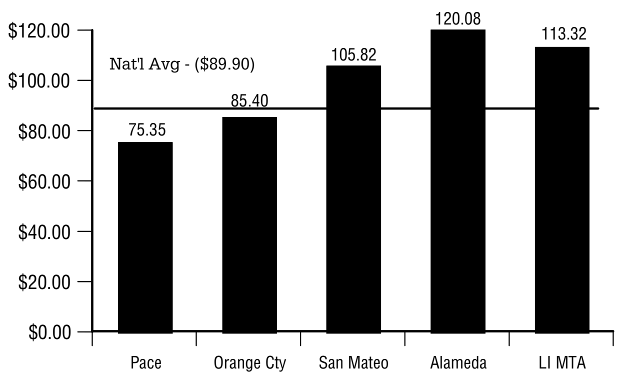
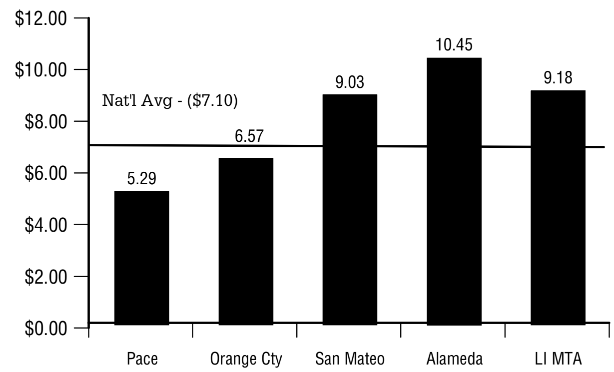


Chart O. Operating Expense per Revenue Mile



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 $75.35, Pace's cost per hour is 11.8% less than the nearest peer – Orange County (LA). Pace's costs are also $14.55 per hour or 16.2% less than the national average for this performance measuring category.

Pace's operating expense per mile is also well below everyone in this peer group. At $5.29 per mile, Pace's cost is $1.28 per mile or 19.5% below the nearest peer, Orange County (LA), and $1.81 per mile or 25.5% below the national average.

Cost Effectiveness

Chart P. Operating Expense per Passenger

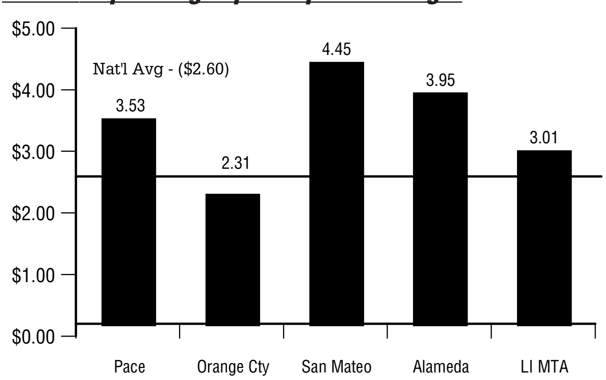
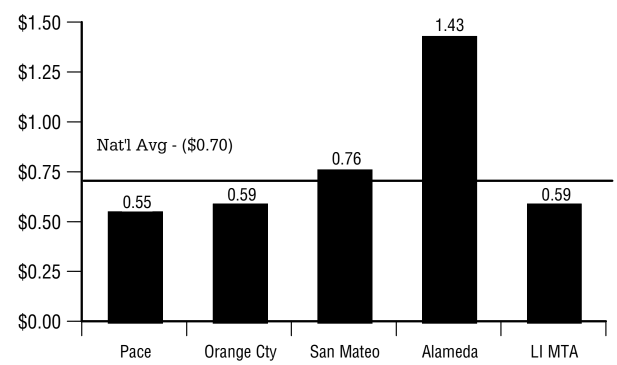


Chart Q. Operating Expense per Passenger Mile



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 $3.53, Pace's operating expense per passenger is the third highest next to San Mateo (SF) and Alameda.

Excluding Orange County (LA), Pace and all suburban bus peers exceeded the 2003 average national expense per passenger of $2.60.

At $0.55, Pace's expense per passenger mile is consistent with two other suburban peers, Orange County (LA) and LI MTA (NY), and considerably lower than the national transit average of $0.70.

Service Effectiveness

Chart R. Passengers per Revenue Hour

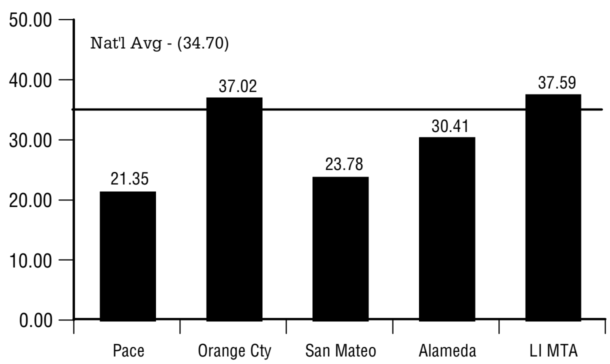
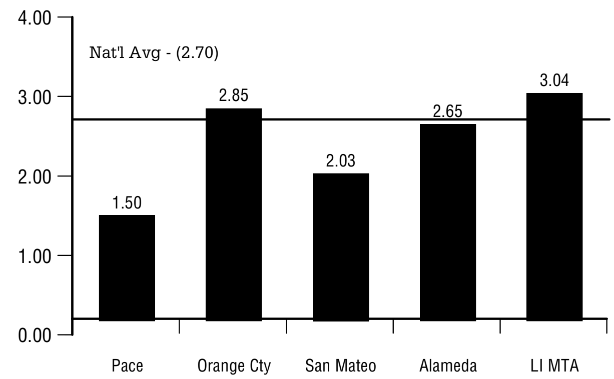


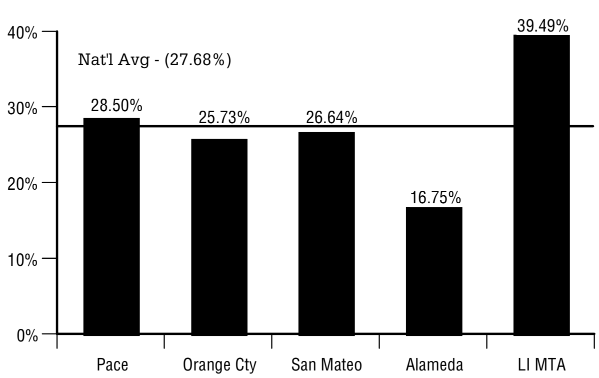
Chart S. Passengers per Revenue Mile



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 and, at nearly 3500 square miles, Pace has the largest service area of all the suburban bus peers in this group.

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 T. Farebox Recovery Ratio



Pace's bus only farebox recovery rate of 28.5% is slightly better than the national average bus ratio of 27.7%. Pace outperformed Orange County and Alameda (AC Transit/ Oakland).

State/Local Government Performance Comparison

Service Efficiency

Chart U. Operating Expense per Revenue Hour

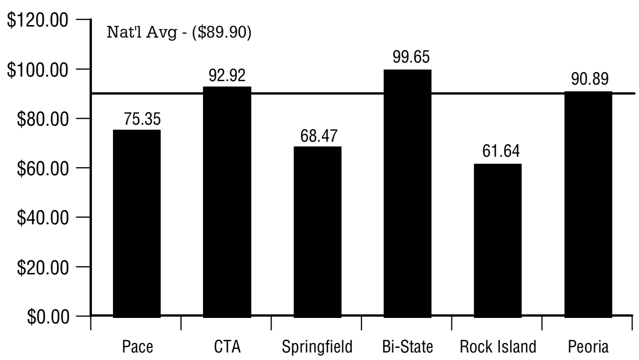
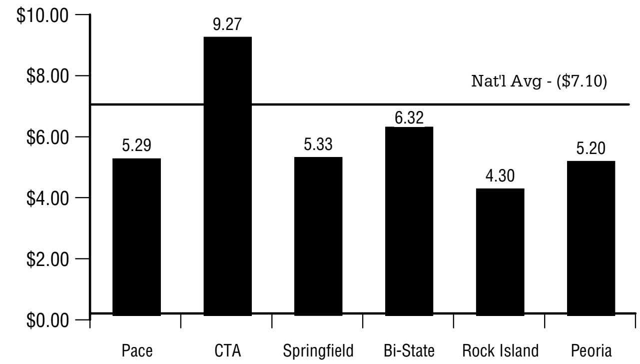


Chart V. Operating Expense per Revenue Mile



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.

At $5.29, Pace's expense per revenue mile is $1.81 below the national average. CTA's cost per revenue mile exceeds Pace's by $3.98 per mile.

Cost Effectiveness

Chart W. Operating Expense per Passenger

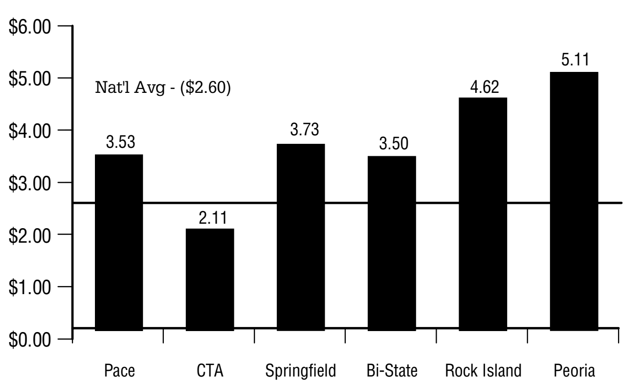
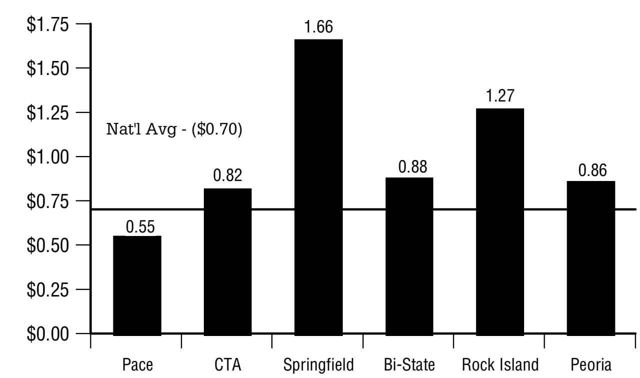


Chart X. Operating Expense per Passenger Mile



Pace's cost effectiveness, as measured by operating expense per passenger, compares favorably to Springfield, Rock Island and Peoria.

Pace's operating expense per passenger mile is well below everyone in this peer group. In addition, Pace's cost is 21.4% lower than the national bus average.

Service Effectiveness

Chart Y. Passengers per Revenue Hour

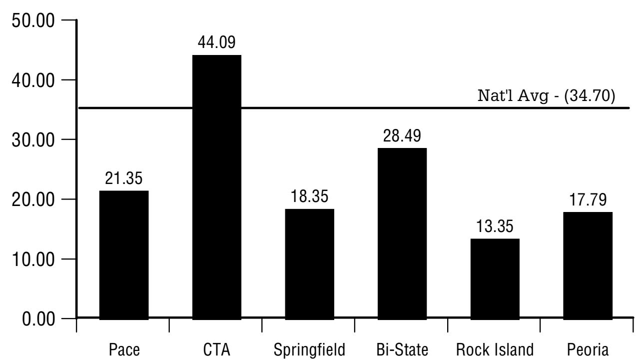
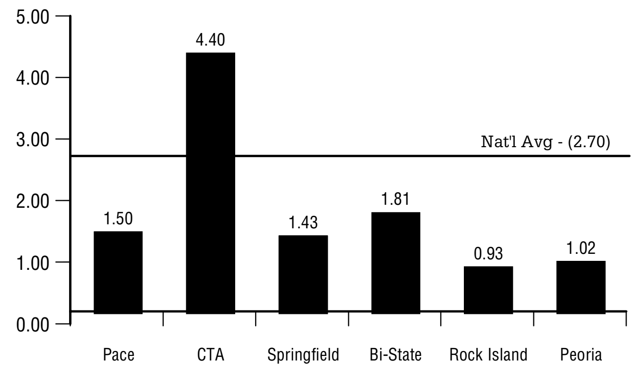
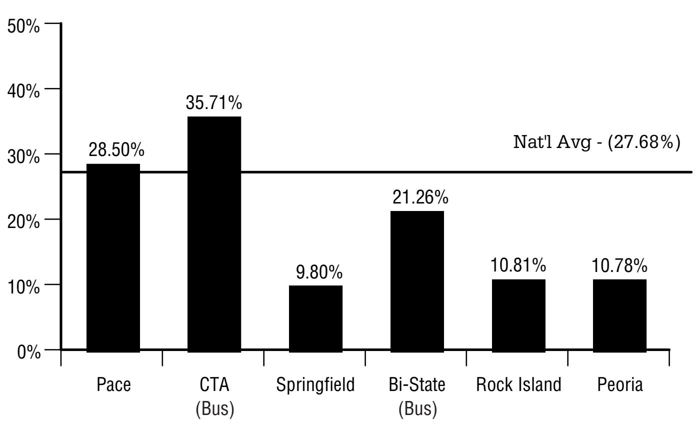


Chart Z. Passengers per Revenue Mile



When compared to other Illinois transit operators, Pace's service effectiveness, as measured by passengers per revenue hour and per revenue mile, is comparable. At approximately 21.3 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 AA. 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 35.7%—it is CTA's rail system and RTA allowances which put 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 I: Glossary

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.

Regional ADA Paratransit Services The category referring to the combination of Pace and CTA ADA Paratransit services.

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.

Suburban Service The category referring to all existing Pace services and programs with the exception of ADA Paratransit services.

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 SAFETEA-LU Program The Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) provides for funding for federal surface transportation programs over four years through FFY 2009.

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

PACE

Illinois

For the Fiscal Year Beginning

January 1, 2005

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to Pace Suburban Bus for its annual budget for the fiscal year beginning January 1, 2005.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.