



pace

A Fresh Approach To Public Transportation

Suburban Service Budget **2007 Operating and Capital Program** **2007-2009 Financial Plan for Operations** **2007-2011 Capital Plan**



Final Program • November 2006

SERVING NORTHEASTERN ILLINOIS SINCE 1984



pace

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Pace 2007 Budget—November, 2006

Chairman's Message

To our stakeholders—the riders, residents and officials of Northeastern Illinois:

For many years Pace has persevered and thrived despite financial uncertainty. We are still moving forward, planning for the future with the development of our Strategic Plan. We know that 2007 is different. This year there is a greater sense of urgency because we can no longer responsibly transfer federal capital dollars to our operating budget without experiencing long term problems with our fleet and facilities.

For the first time in our history Pace has outlined two separate budgets—one for Regional ADA Paratransit Service and another for Suburban Service. On July 1, 2006 Pace assumed operation of the CTA's ADA Paratransit and Taxi Access Program services, more than doubling our paratransit ridership. The state legislation that created the regional ADA paratransit system assigned the operations' responsibility to Pace and the financial responsibility to the Regional Transportation Authority. Our Regional ADA Paratransit budget proposal indicates \$81.8 million is needed to fully fund the regional ADA costs for 2007.

The state law governing this service also requires the recovery of at least 10% of its operating expenses through farebox revenues in 2007 and 2008. The current ADA fare in Chicago of \$1.75 generates only 6.6% of its costs from the farebox. The average cost of a trip is \$25.19. To reach the 10% mandate, several options including fare increases are being considered and will be addressed at public hearings.

Pace's Suburban Service budget covers all non-ADA paratransit services offered by Pace including fixed routes, local dial-a-ride and vanpools. The 2007 operating budget totals \$166.1 million. It is balanced, continues to provide the same level of service and projects ridership to increase by 3.1% or more than a million trips. No general fare increase is planned. Due to fuel prices, vanpool fares will rise by \$3.00 per month, effective January 2007.

Over the past four years Pace has transferred over \$90 million in federal funds from capital to our operating budgets. This practice of transferring capital funds cannot continue without harm to the system. This year we need an additional \$22.9 million in operating support for our Suburban Services budget. The budget assumes the region will receive new State funding in 2007 and that Federal funding will be restored to the capital program.

Coupled with other factors weighing on transit—an aging population, fluctuating fuel prices, increasing traffic congestion, longer commuting times, and environmental concerns among them—this funding dilemma leaves us at what the RTA describes as a "crossroads." They have united Pace, Metra and the CTA along with partners from business and government, in an effort known as Moving Beyond Congestion (www.MovingBeyondCongestion.org) to create and fund a modern transit network.

Pace is a valuable and vital service to the people and economy of the suburbs. Figuratively speaking, we are at a fork in the road. We must choose whether we are taking the path toward sufficient funding to maintain and grow our family of services, or veering toward a scaled back scenario that leads to more reliance on the automobile and limited mobility within our growing and changing communities. By adopting the budget which is presented here we are creating the opportunity to make the right choice.

Sincerely,



John Case
Chairman

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Suburban Service

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Executive Summary

Budget Issues

Suburban Service Operating Funding

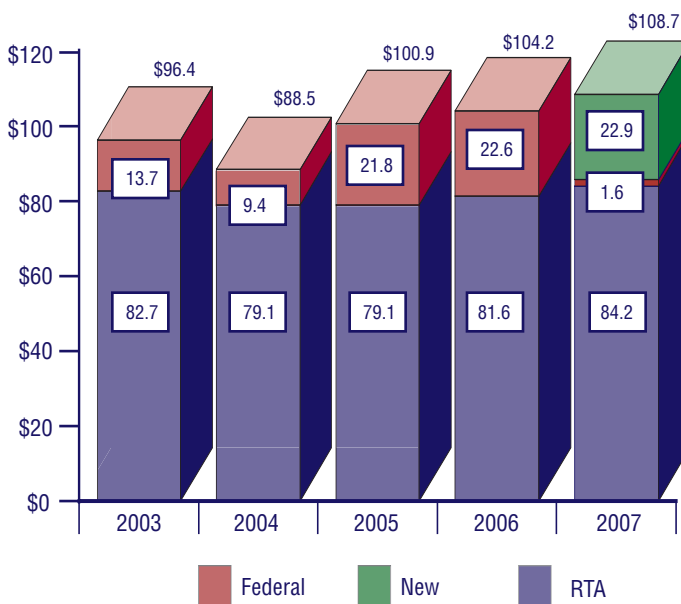
The Region continues to struggle financially. As people come to have a greater dependence on public transportation, the existing need for transit operating funds grows stronger. Pace is dependent on a statutory allocation of RTA sales tax income and RTA's discretionary allocation of Public Transportation Funding (PTF) as its operating budget funding sources. In 2007, RTA plans to provide Pace \$84.192 million from these sources—this represents an increase of 1.8% from the RTA funding level originally set for Pace in 2003. 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, most notably, 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.

Chart A. RTA & Federal Funding for Operations

2003-2007

(\$ in Millions)



For 2007, the RTA along with Pace, CTA and Metra will aggressively pursue new funding from the State so that federal capital funding can be restored to fund much needed capital infrastructure projects. Based on the assumption of \$22.9 million in new State funding to Pace for operations in 2007, Pace is able to restore an equivalent amount to fund capital needs. This would represent the first significant capital program for Pace since 2004. For more information about the joint campaign to fund and create a modern transit network, visit www.MovingBeyondCongestion.org.

Regional ADA Paratransit Funding

Because the Regional ADA Paratransit service was not sufficiently funded in 2006, the program is expected to incur a \$9.5 million shortfall. Pace's share of this shortfall amounts to \$7.6 million and will severely deplete Pace's fund balance. By year end 2006, Pace expects to have only \$3.6 million in reserves, all of which is committed as matching funds to capital grants.

In 2007, the budget assumes the State will not only provide \$54.2 million in funding for these services as it had for the past two years, but that in addition, it will provide another \$27.6 million to fully fund the program's \$81.8 million operating deficit. This assumption is based on the RTA's marks as established by the RTA on September 14, 2006. The Amended RTA Act places the responsibility for funding these services squarely on the RTA and the RTA is clearly relying on the State to provide the necessary funding.

As the provision of ADA paratransit services is a federal requirement of all transit systems, the Region will need to identify other funding alternatives should the State not provide the requisite funding. Pace does not have the financial capacity to support these services without full RTA/State funding.

Cash Flow

Under the RTA Act, Pace is required to base its budget and cash flow on the estimates provided by RTA. The estimates provided to Pace for 2007 indicate that Pace will not receive cash payments for the ADA Paratransit program until September, 2007, at the earliest. This leaves Pace in an untenable position as it lacks the financial resources to pay for the cost of ADA services in the interim. (Reference the projected ADA cash flow on page IV-5 in the Regional ADA section). Without a sizeable working cash advance from RTA or significant borrowing (far in excess of Pace's current \$5 million borrowing limit), Pace will not have sufficient resources to cover the cost of ADA paratransit services provided early in 2007.

Pace is working with the RTA to resolve this issue, but as of this writing no solution has been identified.

Fares

The 2005 Amendment to the RTA Act which gave Pace operating responsibilities for the ADA paratransit services also specified that the Region's ADA Paratransit services are to recover 10% of their costs from fares. This "recovery ratio" then increases to 12% in 2009.

The issue is that while the ADA paratransit services in the suburban areas operated by Pace recover over 10% of their cost from fares, the City ADA services recover less than 7% of their cost from fares.

Fares for the Suburban ADA services are currently \$3.00 and \$2.50 or twice the corresponding fixed route fare (\$1.50 regular route/\$1.25 local route), which is the maximum allowed by federal regulations. ADA paratransit services provided by Pace are expected to achieve just over the 10% recovery requirement for 2007 at these current levels; therefore, no fare increase is proposed for suburban ADA fares. However, the City ADA services presently recover less than 7% of their costs from fares. Fares for the City ADA and taxi access programs (TAP) are currently \$1.75. In 2005, the CTA Board of Directors voted to increase ADA paratransit and TAP fares from \$1.75 to \$3.50 effective January 1, 2006. However, the CTA Board ultimately determined not to implement the proposed fare increase.

In order to achieve the 10% recovery ratio requirement for 2007, Pace has identified the following options for consideration and public comment at the public hearings for the 2007 budget.

- Option A—a municipal fare subsidy of \$2.7 million would increase the recovery ratio to 10% while maintaining current fares
- Option B—\$2.25 ADA fare and \$5.00 TAP fare
- Option C—\$2.50 ADA fare and \$4.00 TAP fare
- Option D—\$2.75 ADA and TAP fare
- Option E—\$3.00 ADA fare and \$5.00 TAP fare

Option E is expected to generate a 12% recovery ratio, which would satisfy the 2009 recovery requirement based on current cost estimates.

Pace is awaiting the recommendations of the RTA ADA Paratransit Funding Study to determine if there are additional alternatives or other funding mechanisms available which would satisfy the legislative requirement for a 10% recovery ratio.

2007 Operating Budget Summary

On September 14, 2006, the RTA set two separate funding and recovery rate marks—one for Pace’s traditional Suburban Services, and the second for the Regional ADA Paratransit program. 2007 is the first year that separate marks were required as called for in the amended RTA Act which established Pace as the provider of all ADA paratransit service throughout the six county region in northeastern Illinois, including the City of Chicago.

For Suburban Services, Pace will expend \$166.124 million in operating expenditures during 2007. These expenses will be offset by \$57.433 million in operating revenue, which includes \$4.0 million in reimbursements from the RTA. The reimbursement compensates Pace for accepting CTA fare instruments (i.e., The CTA 7-day pass, The U-Pass, and The Visitor Fun Pass). While the reimbursement is greater than prior year levels, estimates show that Pace will continue to be under-reimbursed for these passes, however, the budget anticipates that Pace will continue to accept these instruments for the benefit and convenience of our mutual customers. The remaining funding requirement will be covered by \$84.192 million in RTA sales tax funding; \$1.623 million in Federal Congestion Mitigation Air Quality (CMAQ)/Job Access Reverse Commute (JARC), and Other funding. Lastly, \$22.876 million is proposed to come from the Regional effort to secure new transit funding from the State legislature early next year.

For Regional ADA Paratransit Services, Pace will expend \$91.463 million in operating expenditures to provide ADA service throughout the entire region. Expenses will be offset by \$9.653 million in operating revenue, which includes an adjustment for City of Chicago revenues to bring this service to the required 10% recovery rate that was established in the revised RTA Act. The remaining funding requirement will be covered entirely by funding secured by the RTA. To a large extent most of this funding is new, and is also expected to come from the State legislature next year.

Combined total Pace service expenditures will total \$257.587 million for 2007, and are balanced using total system revenues, existing RTA sales tax funding and new transit funds anticipated to be realized through the Region’s Moving Beyond Congestion initiative. While the Pace budget is balanced, the agency faces a severe cash flow problem due to the fact that \$104.686 million (\$22.876 million Suburban Service and \$81.810 million Regional ADA) is all new money, dependent upon approval by the Illinois General Assembly and if approved, will not be available to Pace until eight months of operations have already lapsed. Pace does not have sufficient resources to support operations during this period. The RTA will have to provide Pace with a sufficient amount of working cash to ensure that status quo operations can be maintained.

Table 1. 2007 Operating Budget Summary (000's)

	Suburban Service	Regional ADA Paratransit Service	Combined Pace Service
Total Operating Expense	\$ 166,124	\$ 91,463	\$ 257,587
Less: System Generated Revenue	57,433	9,653	67,086
Funding Requirement	\$ 108,691	\$ 81,810	\$ 190,501
Less: RTA Funding for Operations	84,192	0	84,192
RTA Regional ADA Funding	0	81,810	81,810
Federal CMAQ/JARC/Other Funding	1,623	0	1,623
New Transit Funding	22,876	0	22,876
Surplus/(Deficit) Funds Available	\$ 0	\$ 0	\$ 0
System Recovery Ratio	36.00%	10.00%	N/A*

* For 2007, the RTA established separate funding marks and recovery ratios for Suburban Service and the Regional ADA Paratransit Program as called for in the revised RTA Act.

In regards to recovery performance, the RTA has set a 36% recovery ratio for Suburban Service and a 10% recovery ratio for Regional ADA Paratransit service for 2007. The budget presented here achieves these ratios.

The 2007 budgets and three year financial plans presented in this document are balanced and consistent with the expectation that new transit funding will be available beginning next year. To this extent, there are no service reductions included in this plan, and with the exception of the Vanpool program, and the City of Chicago ADA Paratransit service, there is no general fare increase proposed for 2007 at this time. Further details of the operating program are provided throughout this document.



Pace offers a wide array of services including vanpool, paratransit and fixed route bus service.

2007 Capital Budget Summary

On September 14, 2006, the RTA set capital funding marks which will allow Pace, for the first time in four years, to restore Federal 5307 funding to our Capital Program needs. The Capital Program for Suburban Services in 2007 totals \$34.1 million and consists entirely of Federal funding from 5307, 5309 and the CMAQ Program. Additionally, Pace expects to receive a federal congressional earmark to pay for the initial purchase of a Mobile Data Terminal (MDT) system for vehicles operating the City of Chicago ADA service. This is the only ADA project that has tentative discretionary funding under Federal 5309.

Table 2 denotes the list of projects Pace expects to undertake with this funding.



The Pace Transportation Center in Harvey is one of the heaviest used facilities in our system.

Table 2. 2007 Capital Budget

Project Description	Amount (000's)
Suburban Services	
ROLLING STOCK	
38 Fixed Route Buses	\$ 13,300
2 Buses for Oak Park	201
35 Dial-a-Ride Paratransit Buses	2,800
58 Vanpool Vehicles	2,000
Associated Capital	3,000
Bus Overhaul/Maintenance	1,000
Subtotal Rolling Stock	\$ 22,301
ELECTRICAL/SIGNAL/COMMUNICATIONS	
Transit Signal Priority Projects	\$ 2,611
Radio System—Phase I	2,500
Subtotal Electrical/Signal/Communications	\$ 5,111
SUPPORT FACILITIES/EQUIPMENT	
Computer Equipment	\$ 2,650
Improvements to Garages/Facilities	2,506
Maintenance/Support Equipment	1,500
Subtotal Support Facilities/Equipment	\$ 6,656
Total Suburban Service Capital Needs	\$ 34,068
TOTAL FUNDING	
Federal 5307	\$ 29,006
Federal 5309	3,062
Federal Flexible	2,000
Total Funding-Suburban	\$ 34,068
ADA Services	
SUPPORT FACILITIES/EQUIPMENT	
Purchase MDT System	\$ 400
Total Regional ADA Program	\$ 400



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Illinois

For the Fiscal Year Beginning

January 1, 2006

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, 2006.

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.

The following section contains the Suburban Service Budget only. The Regional ADA Paratransit Budget is located on the flip side of this document.

2007 Suburban Service Operating Budget

Summary

The 2007 Suburban Service program summarized below and in the accompanying table shows total operating expenditures of \$166.124 million, which will be offset by \$57.433 million in operating revenue, including \$4.0 million in 7-day pass reimbursements from the RTA. The remaining funding requirement will be covered by \$84.192 million in RTA sales tax and discretionary funding; \$1.623 million in Federal Congestion Mitigation Air Quality (CMAQ)/ Job Access Reverse Commute (JARC), and Other funding; and \$22.876 million in New State Transit funding. A specific source for new State transit funds have not been identified at this time, however, as part of the RTA's Moving Beyond Congestion project, they have balanced the entire Regions' 2007 – 2009 Budget and Three Year Plan using these funds. Transit in the region has been struggling through a severe financial crisis during the past several years and the RTA has earmarked 2007 as the year when the State of Illinois will be asked to make a decision on dealing with the funding crisis facing the region.

The Suburban Service budget is balanced, as presented, and will achieve a 36.0% recovery ratio in 2007, using credits from costs incurred by our Advantage contracts.

For 2007, Pace will forgo transferring Federal 5307 funds from the Capital Program to fund the operating budget. This will be the first time since 2002 that Pace will have full use of their Federal funds toward meeting capital needs. In fact, this is the first time in as many years where Pace assumes the full use of Federal funds for all three years of the financial plan.

Pace's goal for the Suburban Service component of the operating budget will be 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 set forth for the three year financial plan. The challenges facing Pace and all transit providers in the region are many, and continue to make it difficult to achieve goals. Revenue growth continues to remain ambitious and is tied to the continuation of ridership growth. We expect that high fuel prices will continue to make mass transit an attractive alternative to driving. However, volatile operating expenditures, including liability claim costs; rising health and pension costs; and rising fuel costs for operations will continue to place added pressures on cost controls for all years of this plan.

A detailed review of the 2007 Suburban Service operating program is presented in this section.

Table 3. 2007 Suburban Service Operating Budget Summary (000's)

	2005 Actual	2006 Estimate	2007 Budget
Total Operating Expense	\$ 159,623	\$ 157,602	\$ 166,124
Less: System-Generated Revenue	55,750	53,219	57,433
Funding Requirement	\$ 103,873	\$ 104,383	\$ 108,691
Less: RTA Funding for Operations	\$ 79,052	\$ 81,582	\$ 84,192
Federal CMAQ/JARC/Other Funds	262	677	1,623
Federal Capital Cost of Contracting	7,783	3,995	0
Federal 5307 Funding	16,491	16,463	0
RTA Regional ADA Funding	1,000	0	0
New Transit Funding	0	0	22,876
Net Funding Available	\$ 715	\$ (1,666)	\$ 0
System Recovery	39.70%	38.17%	36.00%

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 H. A detailed look at the funding sources is 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 4.

The RTA established a sales tax funding mark of \$81,573,000 for Pace for 2007. This represents approximately 10.9% of the total RTA region’s estimate of \$745,937,000. The RTA estimate for sales tax growth is 3.6% for next year. The proposed 3.6% sales tax growth for next year remains down from the long term historical average of 4.2%. Table 5 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 basis of need for both capital and operating purposes. However, unlike the

Table 4. 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 5. Regional Sales Tax and Public Transportation Fund (PTF) Trends (000's)

Actual	2003 Actual	2004 Actual	2005 Actual	2006 Budget	2007 Plan
REGIONAL FUNDS					
Sales Tax	\$ 654,988	\$ 675,629	\$ 700,395	\$719,900	\$ 745,937
PTF	164,739	168,907	175,099	179,975	186,484
Total Regional Receipts	\$ 819,727	\$ 844,536	\$ 875,494	\$899,875	\$ 932,421
PACE FUNDS					
Sales Tax	\$ 70,995	\$ 73,536	\$ 76,399	\$ 78,552	\$ 81,573
PTF	11,752	5,516	2,653	3,030	2,619
Total Pace Receipts	\$ 82,747	\$ 79,052	\$ 79,052	\$ 81,582	\$ 84,192
PACE FUNDING AS PERCENT OF REGIONAL					
Sales Tax	10.8%	10.9%	10.9%	10.9%	10.9%
PTF	7.1%	3.3%	1.5%	1.7%	1.4%
Total Receipts	10.1%	9.4%	9.0%	9.1%	9.0%

sales tax allocation which is established by the RTA Act, PTF is allocated at the discretion of the RTA. In Pace's first full fiscal year (1985), the RTA's allocation of PTF funds to Pace was approximately 16% but over the ensuing years, the RTA has reduced PTF allocations to Pace. Since 2003, RTA has cut Pace from 7.1% of Regional PTF to 1.4% for 2007, a funding loss of \$9.1 million.

For 2007, the RTA will allocate an estimated \$2,619,000 in PTF funds to Pace, which represents 1.4% of total PTF. The remaining 98.6% of PTF funds is being allocated to the CTA. As noted in Table 5, Pace's percentage share of regional PTF will decline in 2007.

New Transit Funds

Mass transit in the six county region of northeastern Illinois has been operating under a severe funding shortfall during the past several years. The RTA, as the financial oversight agency for the region, is spearheading an initiative to secure needed funds from the State legislature in early 2007. Their Moving Beyond Congestion initiative would provide Pace with \$22.9 million in new operating funds for Suburban Services for 2007, and \$81.8 million for the Regional ADA Paratransit program. The RTA has identified the risks to the citizens of the region which include downsizing of mass transit for northeastern Illinois if additional funding is not forthcoming. More information is available at www.MovingBeyondCongestion.org.

Federal Funds

Pace is eligible for federal funding from several programs in 2007.

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 2007.

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. Pace has not programmed the use of JARC funds in 2007.

Federal 5307 Funding

Pace has been using Federal 5307 funds to fund operating needs over the past several years. These funds include Capital Cost of Contracting (CCC); Bus Overhaul/Maintenance; and ADA Complementary Paratransit. Assuming that the RTA's Moving Beyond Congestion Initiative is successful, for 2007, Pace will not access Federal 5307 funds to support operating needs, but will restore 5307 funding to the capital budget and use new transit funding for operating budget purposes.

Operating Revenues

Pace is budgeting for \$57.433 million in Suburban Service operating revenue in 2007, a \$4.214 million or 7.9% increase over estimated 2006 levels. Nearly 50% of the growth is coming from an increase in 7-day pass reimbursement from the RTA for riders using CTA passes on Pace. Pace provides trips to these riders, but receives no compensation for these rides from the CTA. For 2007, the RTA will reimburse Pace up to \$4.0 million. This reimbursement level will leave Pace short by an estimated \$645,000. Other revenue components are also contributing to the 2007 growth. Specifically, Pace's Vanpool Program is projected to grow 17% and will contribute \$.596 million in revenue. Increases in local share contributions are forecasted, contributing an additional \$.590 million in revenue. Farebox revenue is estimated to increase based on the forecasted growth in ridership, contributing an extra \$.755 million in revenue. Advertising income is projected to contribute \$.225 million in additional revenue under the terms of the multi-year contract.

Regarding fares, there is no plan for a general fare increase for Suburban Service fixed route or dial-a-ride services at this time; however, fares for the Vanpool program will rise next year. The intent to return stability in Pace's fixed route and paratransit programs assumes that the State responds favorably to the Moving Beyond Congestion Initiative.

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

Use of Funds

All funds received in 2007 will be used to provide, expand and support Pace services. The components of the 2007 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 Ride DuPage program; 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 83% of the total suburban service ridership. Pace expects to provide \$65,128,000 for expenses to these carriers in 2007. Pace carriers will also provide most of the Federal Congestion Mitigation/Air Quality (CMAQ) program services in 2007 totaling \$1,880,000. 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 \$3,801,000 in 2007. 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 31 communities by directly contracting with four private transit companies. Pace expects to fund a total cost of \$8,995,000 for these services in 2007. 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 2007, Pace plans to expend \$13,296,000 for these services. Further information on the dial-a-ride services budget can be found on page II-11.

Vanpool

The 2007 budget for vanpool services contains \$3,567,000. 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 790 vans in service by the end of 2007. 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. Third year (2007) expenditures for the program are \$1,570,000 million with funding to be coordinated through DuPage County.



Pace bus transfer facility at the Metra train station in Highland Park.



Pace's administrative headquarters is over 40 years old and in need of replacement. Pace will break ground for a new headquarters building in Spring, 2007, on a site to the east of its existing location in Arlington Heights.

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 \$51,172,000 to provide fuel, insurance, health care and other support items in 2007. 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 2007 administrative budget is set at \$17,047,000. Pace will also continue with the service restructuring initiative that started in 2005. For 2007, Pace will expend \$1,197,000 completing restructuring analyses. Further information on the administration budget can be found on page II-15.

Regional ADA Overhead Credit

Beginning in July, 2006, Pace assumed responsibility for providing all ADA paratransit trips in the Northeastern Illinois Six County Region. In order to properly account for the ADA program, Pace began reporting all costs associated with providing ADA service separately from the other services they provided. In addition to the identifiable direct costs, Pace developed a cost allocation model to accurately identify and separate ADA support costs incurred by the agency. These costs are from Pace's MIS, accounting, purchasing and other departments which support the ADA program. Pace has applied a credit to the Suburban Service budget of \$1,529,000 which has been allocated to the Regional ADA Paratransit Services budget.

Table 6. 2007 Suburban Service Revenue Summary (000's)

	2005 Actual	2006 Estimate	2007 Budget
OPERATING REVENUES			
Pace-Owned Services	\$ 25,635	\$ 22,554	\$ 23,005
CMAQ/JARC Services	245	126	376
Public/Municipal Contracted Services	2,006	2,088	2,229
Private Contracted Services	2,569	2,699	2,753
Dial-A-Ride Services	7,976	8,332	8,605
Ride DuPage Services	1,535	1,471	1,570
Pace ADA Paratransit Services*	1,582	0*	0*
Vanpool Program	2,694	3,448	4,044
Half-Fare Reimbursement	3,236	3,378	3,327
RTA 7-Day Pass Reimbursement	2,000	2,000	4,000
Investment/Other Revenue	2,188	2,898	3,074
Advertising Revenue	4,084	4,225	4,450
Total Operating Revenue	\$ 55,750	\$ 53,219	\$ 57,433
PUBLIC FUNDING			
Sales Tax	\$ 76,399	\$ 78,552	\$ 81,573
Public Transportation Fund	2,653	3,030	2,619
Federal CMAQ/JARC/Other Funding	262	677	1,623
Capital Cost of Contracting	7,783	3,995	0
Federal 5307 Funding	16,491	16,463	0
RTA Regional ADA Funding	1,000	0	0
New Transit Funding	0	0	22,876
Total Public Funding	\$ 104,588	\$ 102,717	\$ 108,691
Total Source of Funds	\$ 160,338	\$ 155,936	\$ 166,124

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

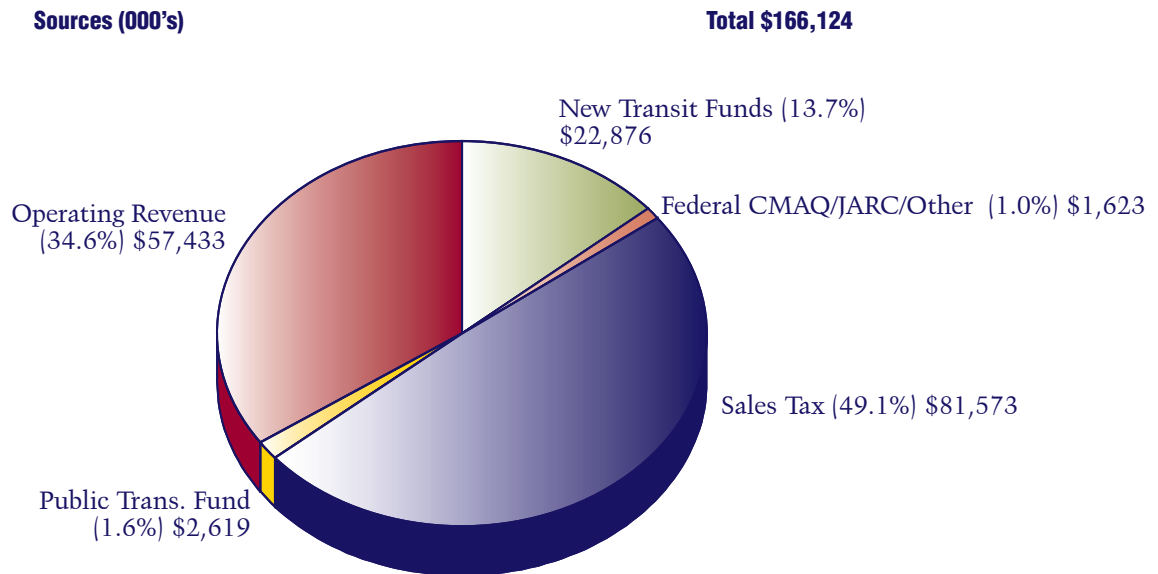
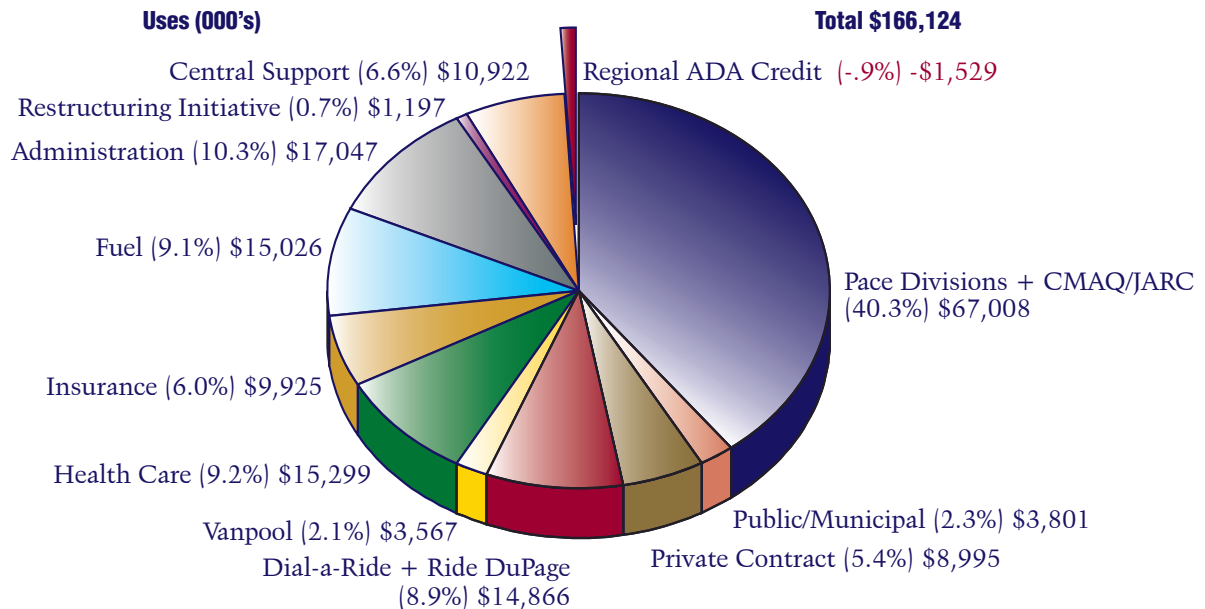
Chart B. Sources of Funds

Table 7. 2007 Suburban Service Expense Summary (000's)

	2005 Actual	2006 Estimate	2007 Budget
EXPENSES			
Pace-Owned Services	\$ 59,630	\$ 63,070	\$ 65,128
CMAQ/JARC Services	933	628	1,880
Public/Municipal Contracted Services	3,425	3,601	3,801
Private Contracted Services	8,160	8,359	8,995
Dial-A-Ride Services	12,287	12,781	13,296
Ride-DuPage Service	1,382	1,471	1,570
Pace ADA-Paratransit Services*	12,488	0*	0*
Vanpool Program	2,531	3,015	3,567
Centralized Operations	10,265	10,997	10,922
Insurance	9,611	9,743	9,925
Health Care	13,400	14,727	15,299
Fuel	11,738	12,951	15,026
Administration	13,564	15,122	17,047
Restructuring Initiative	209	1,137	1,197
Regional ADA Support Credit	0	0	(1,529)
Total Expenses	\$ 159,623	\$ 157,602	\$ 166,124
Net Funding Available	\$ 715	\$ (1,666)	\$ 0
Recovery Rate	39.70%	38.17%	36.00%
PACE FUND BALANCE			
Beginning Balance	\$ 12,202	\$ 12,917	\$ 11,251
Net Funding Available	715	(1,666)	0
Ending Balance	\$ 12,917	\$ 11,251	\$ 11,251

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

Chart C. Uses of Funds



2007 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 several facilities. CMAQ/JARC program information is included in the table below. Combined, these carriers provide service to approximately 91% of the system's fixed route riders and account for 83% of the system's suburban ridership.

In 2007, Pace will spend \$43.6 million to provide service at these locations. This represents a 6.4% increase over estimated 2006 levels.

Total revenues are projected to rise 3.1% or \$.701 million over the 2006 estimate, consistent with the growth in ridership.

Total operating expenses will grow 5.8% over 2006 levels. Labor, fringe benefit costs, bus parts and supplies are the primary factors affecting the rising costs in 2007. (Note: Carrier costs have been adjusted for all three years to move health care to the centralized support budget.)

A significant increase in bus parts and supplies occurred in 2005 and continues in 2006 and 2007. It reflects an aging fleet and reduction of the capital program due to transfer of Federal 5307 funds to the operating budget.

Recovery performance will decline slightly at the divisions for 2007 as expenses are growing at a faster rate than revenues.

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

2007 Goals

Pace's efforts for 2007 include providing 32.0 million rides with a minimum recovery ratio of 34.89%.

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

Table 8. Budget Summary—Pace Owned Carriers (000's)

	2005 Actual	2006 Estimate	2007 Budget
REVENUE			
Pace Owned Carriers	\$ 25,635	\$ 22,554	\$ 23,005
CMAQ/JARC Service Revenue	245	126	376
Total Revenues	\$ 25,880	\$ 22,680	\$ 23,381
EXPENSES			
Operations	\$ 41,982	\$ 44,230	\$ 45,588
CMAQ/JARC	933	628	1,880
Maintenance	9,643	10,312	10,595
Bus Parts/Supplies	2,739	2,879	3,033
Non-Vehicle Maintenance	1,566	1,672	1,790
General Administration	3,700	3,977	4,122
Total Expenses	\$ 60,563	\$ 63,698	\$ 67,008
Funding Requirement	\$ 34,683	\$ 41,018	\$ 43,627
Recovery Rate	42.73%	35.60%	34.89%
Ridership	30,803	31,139	31,959
Vehicle Miles	21,653	21,798	22,601
Vehicle Hours	1,432	1,449	1,500
Full Time Equivalents (FTE's)	1,165	1,165	1,165

2007 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 2007. 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 9.

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 2007. Combined, these services will provide .821 million rides, and generate \$.996 million in revenue via the farebox or through local share contributions. Service expenditures will reach \$2.489 million, in total, in 2007, and net required funding will rise to \$1.493 million. The goal for these two providers in 2007 includes increasing ridership by 2.0% 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 is included in Pace's budget for 2007 at a cost of \$671,000, offset by revenue of \$604,000 which includes local subsidy.

Schaumburg

A trolley service was implemented in the Woodfield area in 2001 and continues in 2007. The cost of this service is estimated at \$521,000 and is funded 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 is included in Pace's budget for 2007 at a cost of \$120,000 with offsetting revenue of \$108,000 which includes local subsidy.



Trolley service in Schaumburg is provided by a private contract carrier.

Table 9. Budget Summary—Public/Municipal (000's)

	2005 Actual	2006 Estimate	2007 Budget
REVENUE			
Highland Park	\$ 418	\$ 432	\$ 448
Niles	532	527	548
Schaumburg	416	444	521
Downers Grove	543	582	604
Northwestern	97	103	108
Total Revenue	\$ 2,006	\$ 2,088	\$ 2,229
EXPENSES			
Highland Park	\$ 1,061	\$ 1,079	\$ 1,118
Niles	1,237	1,317	1,371
Schaumburg	416	444	521
Downers Grove	604	647	671
Northwestern	107	114	120
Total Expenses	\$ 3,425	\$ 3,601	\$ 3,801
Funding Requirement	\$ 1,419	\$ 1,513	\$ 1,572
Recovery Ratio	58.50%	57.99%	58.63%
Ridership	1,026	1,054	1,075
Vehicle Miles	703	710	710
Vehicle Hours	61	63	63

2007 Private Contract Carrier Budget

In 2007, Pace will contract directly with four private transit providers for fixed route service in 31 different communities.

Private contractors doing business with Pace include:

- Academy Coach Lines
- Colonial Coach Lines
- Laidlaw
- M.V. Transportation

The net cost of providing fixed route contracted service will rise \$582,000 in 2007. This represents a 10.3% increase from estimated 2006 levels and is directly attributed to rising costs as service levels will remain unchanged next year. Contractors' 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 2.0% in 2007 in conjunction with ridership which is also estimated to rise 2.0%.

Recovery performance will decline due to rising costs. The budget for private contracted services is summarized on the following table.

2007 Goals

2007 goals include reaching just over 2.0 million riders while achieving a minimum recovery ratio of 30.61%.



New bus colors.

Table 10. Budget Summary—Private Contract Carriers (000's)

	2005 Actual	2006 Estimate	2007 Budget
Revenue	\$ 2,569	\$ 2,699	\$ 2,753
Operating Expenses	8,160	8,359	8,995
Funding Requirement	\$ 5,591	\$ 5,660	\$ 6,242
Recovery Rate	31.48%	32.29%	30.61%
Ridership	1,940	1,979	2,019
Vehicle Miles	2,293	2,285	2,285
Vehicle Hours	135	134	134

2007 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 2007, 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 2007.

The budget shown in Table 11 is based on the \$2.25/75% subsidy formula and will provide \$13.3 million for dial-a-ride service throughout the six county region. Total costs are up 4.0% 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 2.3% in 2007.

2007 Goals

Dial-a-ride efforts in 2007 will include carrying 1.1 million riders while maintaining recovery performance to a level of 64.72%.

Table 11. Budget Summary—Dial-a-Ride Services (000’s)

	2005 Actual	2006 Estimate	2007 Budget
Revenue			
Fares	\$ 1,056	\$ 1,090	\$ 1,120
Local Share	6,920	7,242	7,485
Total Revenue	\$ 7,976	\$ 8,332	\$ 8,605
Expenses			
Operations	\$ 11,021	\$ 11,478	\$ 11,958
Maintenance	394	407	417
Non-Vehicle Maintenance	34	34	36
Administration	838	862	885
Total Expenses	\$ 12,287	\$ 12,781	\$ 13,296
Funding Requirement	\$ 4,311	\$ 4,449	\$ 4,691
Recovery Ratio	64.91%	65.19%	64.72%
Ridership	1,061	1,098	1,125
Vehicle Miles	3,863	3,800	3,876
Vehicle Hours	254	259	265

2007 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 790 vans in service by year-end 2007, carrying 2.06 million riders. Revenue and expenses are projected to increase 17.3% and 18.3%, respectively, over 2006 levels, and provides for the projected growth in number of vans at year-end, as well as higher fuel costs.

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

Beginning January 1, 2007, Pace will raise fares for all four elements of the Vanpool program in order to partially offset the rising cost for fuel. Reference Appendix C 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 1,005,585 with 270 vans in service by the end of 2007. The 2007 budgeted revenue and expenses are projected to increase 13.4% and 19.2%, respectively, over 2006 levels. Recovery performance is budgeted at 112.1% for 2007.

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 28 shuttle vans in service by the end of 2007. The 2007 budgeted recovery rate for this program is 194.4%.

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 2007, this program reflects a respective 13.4% and 17.9% increase in revenue and expense. Pace projects to have 337 vans in service by 2007 year-end. The recovery rate for the Advantage program is budgeted at 80.2% in 2007.

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 \$506,157 in operating revenue with 155 vans in service in 2007.

2007 Goals

Pace's efforts for the entire Vanpool program in 2007 will include growing the overall program by 18.3%, carrying 2,057,000 passengers, maintaining a recovery ratio of 113.4%, and increasing the number of vans in service to 790 by the end of 2007.



Pace VIP service van.

Table 12. Vanpool Budget (000's)

	2005 Actual	2006 Estimate	2007 Budget
REVENUE			
VIP	\$ 1,227	\$ 1,555	\$ 1,763
Corporate Shuttle	212	263	298
Advantage	1,033	1,303	1,477
Municipal	222	327	506
Total Revenue	\$ 2,694	\$ 3,448	\$ 4,044
EXPENSE			
VIP	\$ 1,120	\$ 1,319	\$ 1,573
Corporate Shuttle	125	135	153
Advantage	1,286	1,561	1,841
Total Expenses	\$ 2,531	\$ 3,015	\$ 3,567
Funding Requirement	\$ (163)	\$ (433)	\$ (477)
RECOVERY RATE			
VIP	109.59%	117.91%	112.08%
Corporate Shuttle	169.42%	195.52%	194.40%
Advantage	80.36%	83.44%	80.23%
Total Recovery Rate	106.46%	114.36%	113.38%
RIDERSHIP			
VIP	724	887	1,006
Corporate Shuttle	63	78	88
Advantage	630	704	798
Municipal	112	146	165
Total Ridership	1,529	1,815	2,057
VEHICLE MILES			
VIP	4,985	5,775	6,546
Corporate Shuttle	391	455	516
Advantage	3,360	3,773	4,277
Municipal	579	766	868
Total Vehicle Miles	9,315	10,769	12,207
Vans in Service (year-end) - VIP	203	245	270
Vans in Service (year-end) - Corporate Shuttle	23	25	28
Vans in Service (year-end) - Advantage	241	290	337
Vans in Service (year-end) - Municipal	71	100	155
Total Vans in Service	538	660	790

2007 Centralized Support Budget

Pace manages numerous functions and expenditures “centrally” on behalf of the entire Agency. The centralized support budget will reach \$51.2 million in 2007 and will provide for a total support staff of 80 positions in the bus operations, materials management and facility maintenance areas. The budget also includes expenses for fuel, liability insurance and health care.

In 2006, Pace’s centralized support expense is estimated to end the year up \$3.4 million or 7.6% over 2005 levels. A majority of the growth will come from the two components—fuel and health care.

The 2007 centralized support budget will grow 5.7% over estimated 2006 levels.

Operations expense will decline slightly in 2007 due to a higher vacancy factor assumed in the 2007 budget. The operations component is comprised entirely of labor and fringe benefit expense for 35 positions that provide support to all operating areas at Pace.

The maintenance area will be comprised of 37 positions in 2007 a decline of eight positions as purchasing staff has been allocated to the administration budget. Total maintenance expense is projected to decline slightly by 0.4% from 2006 levels as the movement of eight positions is mitigating the rise in maintenance expenditures budgeted for in 2007.

Fuel expenses are projected to grow 16.0% for 2007. Fuel consumption is budgeted at 6.0 million gallons for Suburban Service only. An additional .600 million gallons are budgeted for in the Regional ADA budget. The budget assumes an average price of \$2.50 per gallon, a thirty-four cent increase from estimated 2006 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. This area is expected to grow 1.8%, over 2006.

The administration portion of the centralized support budget is comprised of numerous items including liability insurance and health care. In 2007, health care expenses are forecasted to rise 3.9% while liability insurance expense reflects a 1.9% increase. The growth in health care for 2007 is at the lowest level in recent years.

2007 Goals

Pace’s 2007 budgetary efforts for centralized support will include holding non-labor expenditures to a minimum while maintaining a staffing level of 80 positions.

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

Table 13. Centralized Support Budget (000’s)

	2005 Actual	2006 Estimate	2007 Budget
Operations	\$ 2,350	\$ 2,751	\$ 2,700
Maintenance	3,771	4,008	3,990
Fuel	11,738	12,951	15,026
Non-Vehicle Maintenance	828	968	985
Administration	3,316	3,271	3,247
Liability Insurance	9,611	9,742	9,925
Health Care	13,400	14,727	15,299
Total	\$ 45,014	\$ 48,418	\$ 51,172
Full Time Equivalents (FTE’s)	89	88	80
Fuel			
# of Gallons (Suburban Service only for 2006 and 2007)	6.536 mil	6.000 mil	6.000 mil
\$/Gallon	\$1.78	\$2.16	\$2.50

2007 Administrative Budget

The 2007 administrative budget is estimated to reach \$18.2 million in 2007. Pace will utilize 167 positions to manage all of the agency's administrative responsibilities, including accounting, financial and capital assistance programs, marketing, information systems, legal services, purchasing, risk management, and strategic planning.

The following table summarizes the two major activity areas 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 2006, administrative expenses are estimated to end the year up \$2.5 million or 18% over 2005 levels. A large part of the growth is attributed to Pace's service restructuring efforts. Rising pension and MIS costs are also contributing to the growth.

The 2007 administrative budget will increase 12.2% over 2006 levels and includes \$1.2 million for continuation of the restructuring effort as well as added data processing costs associated with the HPe3000 migration project. Increased pension costs are also contributing to the growth, along with the movement of staff from the central support area of the budget. Adjusting for these costs, administrative expenses will rise 2.9%.

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 2.5% next year, following one-time expenditures that were incurred in 2006. Pace continues to maximize cost saving efforts wherever possible.

Labor and fringe benefit costs will grow 9.1% in 2007 due, in part, to rising pension costs and the movement of eight positions from the Centralized Support area.

Parts and supplies are expected to grow 3.2% due largely to inflation. Utility costs are expected to grow 4.1% from 2006 levels.

The expense category "Other" will rise 25.8% next year with added expenses associated with planning studies and HPe3000 migration. These costs are in addition to Pace's restructuring initiative, which will continue into 2007. Additional information on Pace's planned service restructuring efforts are provided in the planning section in this document.

2007 Goals

Pace's 2007 budgetary efforts for administration include constraining non-labor expense growth while maintaining a staffing level of 167 positions.

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

Table 14. Administrative Budget (000's)

	2005 Actual	2006 Estimate	2007 Budget
Non-Vehicle Maintenance	\$ 145	\$ 158	\$ 154
General Administration			
Labor/Fringe benefits	10,196	11,045	12,049
Parts/Supplies	194	221	228
Utilities	159	172	179
Other	2,870	3,526	4,437
Restructuring Initiatives	209	1,137	1,197
Total Expenses	\$ 13,773	\$ 16,259	\$ 18,244
Full Time Equivalents (FTE's)	158	159	167

Organizational Overview

The Pace organization's staffing requirements can be classified into three primary categories: administration, central support, and Pace-Owned divisions. Within each category, employees are further 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 following staffing level discussion applies only to Suburban Service requirements. Staffing requirements for the Regional ADA Paratransit program are included in a separate section of the document.

The administration category for 2007 is budgeted at 167 filled full-time equivalents (FTE's) and represents an increase of eight FTE's. The growth in administrative FTE's is attributed to the movement of the eight-position purchasing department from the Central Support area.

The central support category is budgeted at 80 filled FTE positions for 2007, down eight FTE's reflecting position transfer to administration.

The Pace division category is comprised of nine garages and is budgeted at 1,165 filled FTE positions for 2007. There is no change from 2006 estimated levels.

Pace's administrative function is organized into three main units: 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. Oversight of the Regional ADA Program is also the responsibility of the Revenue Service area.

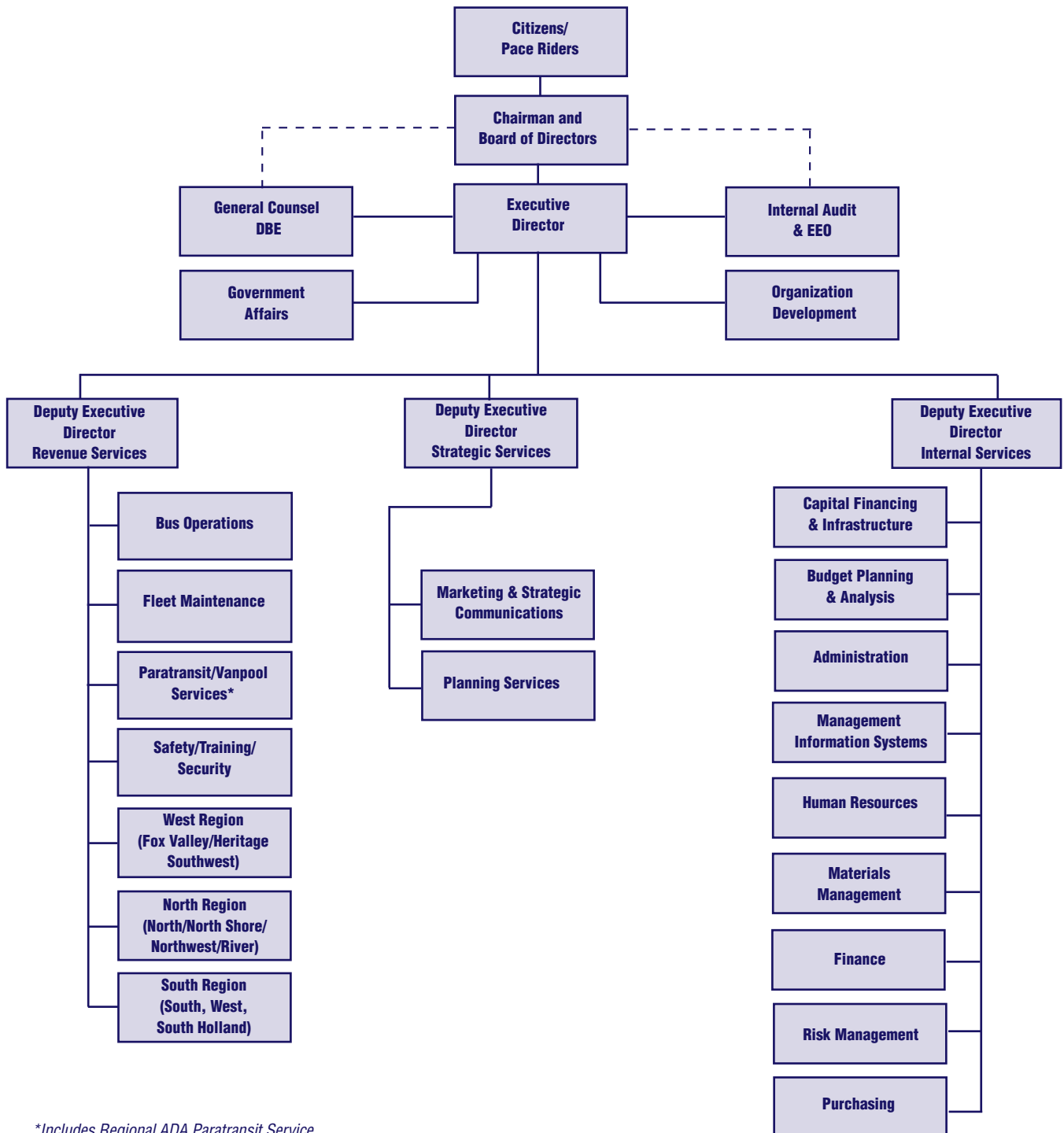
Strategic Services is responsible for marketing, communications, and planning and strategic functions of the company.

These areas are indicated in detail on the organization chart on page II-17.

Table 15. Full-Time Equivalent Personnel (FTE's)

2005 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	158	0	36	194
Total	158	89	1,165	1,412
2006 ESTIMATED				
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	159	0	36	195
Total	159	88	1,165	1,412
2007 BUDGET				
Area:	Administration	Central Support	Pace Divisions	Total
Activity				
Operations	0	35	910	945
Maintenance	0	37	204	241
Non-Vehicle Maintenance	0	8	15	23
Administration	167	0	36	203
Total	167	80	1,165	1,412

Chart D. Pace Organizational Chart



*Includes Regional ADA Paratransit Service.

2007–2009 Suburban Service Three Year Financial Plan

General

The following section presents Pace’s Suburban Service three year financial plan and fund balance for 2007 through 2009. 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 2007-2009 achieves this balance.

This is the first time in several years that Pace presents a three year budget and plan that is balanced with adequate operating funds (no use of Federal capital funding). This plan calls for nearly \$80 million in new transit funding over the next three years which is beyond the existing RTA sales tax funding that is already in place. Pace’s total funding requirements over the next three years amounts to \$343.6 million to continue to provide status quo services throughout the suburban region. This applies to only Pace’s traditional suburban services element. The ADA paratransit needs are identified in the Regional ADA Paratransit section of this document.

For the past several years, Pace has been utilizing Federal 5307 funding, traditionally used for capital needs, to

balance operating needs, and to avoid service reductions and agency downsizing. The RTA’s Moving Beyond Congestion initiative serves as the beginning for new sources of needed funding for transit in the six county region of northeastern Illinois. The RTA has spelled out the risks associated with this initiative which includes downsizing of the regional transit system. Of course, this would be an unfortunate option for the citizens in this region given the pressures of higher driving costs that everyone is facing due to rising fuel prices.

As noted, all three years of the plan are balanced, and Pace will achieve a 36% recovery ratio that was set by the RTA for the suburban service element for 2007. A separate recovery ratio of 10% in 2007 and 2008 and 12% in 2009 has been set for the Regional ADA Paratransit program as called for in the new ADA legislation. Again, credits and allowances authorized by the RTA will be used to achieve the 36% recovery requirement. As a separate note—use of capital cost of contracting credits used in computing the recovery ratio will not be available for 2007, as federal funds have been restored to the capital program and not available for use in the operating budget.

Table 16. Baseline Economic Assumptions

	2006	2007	2008	2009	Where Applied
CPI-U (National)	3.1%	2.5%	2.2%	2.2%	Note 1
T-Bill Rate (3 Month)	4.8%	4.8%	4.4%	4.4%	Investment Income 2006-2009
Ultra-Low Sulfur (Estimated Price)	\$2.159	\$2.504	\$2.532	\$2.592	Note 2
Number of Gallons (Estimate)	6.600 mil	6.600 mil	6.700 mil	6.800 mil	
Fuel Costs - Suburban Service	\$12.951 mill	\$15.026 mill	\$15.417 mill	\$16.024 mill	
Fuel Costs - Regional ADA	\$1.295 mil	\$1.503 mil	\$1.542 mil	\$1.588 mil	

Note 1—The Blue Chip Economic Indicator Report was the source for CPI data for years 2006 and 2007. The Congressional Budget Office (CBO) was the source for outlying years (2008 and 2009) 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 2008 and 2009 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.

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 16.

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 16. The outcome of

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

Pace’s three year plan presented in Table 19 is balanced and meets the 2007 recovery mark. The proposed plan uses RTA sales tax funds and new transit funding in order to meet operating funding needs for the first year (2007) of the plan. In the outlying years, Pace continues to use new transit funding, unidentified at this time, in order to balance operating needs. Pace’s federal funds have been restored to the capital program for all three years of the plan.

The three year plan assumes total revenue will grow at an annual compound rate of 3.7%. The growth in revenue reflects increased RTA reimbursement for CTA 7-day pass usage on the Pace system. A continued growth in ridership over all three years is also contributing to revenue growth. Total expenses are estimated to grow at an annual compound rate of 4.5%. There are a number of volatile items which are contributing to the growth in baseline expenditures. Specific items like fuel, insurance, utilities and health care all continue to present problems in managing expense growth.

Table 17. Major Expense Category Growth Over Prior Year

	2007	2008	2009
Labor/Fringes	5.2%	3.9%	2.5%
Parts/Supplies	4.9%	3.3%	3.1%
Utilities	7.1%	2.1%	2.2%
Fuel	16.0%	2.6%	3.9%
(\$/Gallon)	\$2.504	\$2.532	\$2.592
Insurance	1.9%	(2.4%)	2.2%
Health Care	3.9%	12.5%	12.4%

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 2005, Pace had accumulated nearly \$54.2 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 \$31.4 million toward capital projects. During this same time period, Pace has also used \$9.8 million to fund one-time operating expenses.

In 2006, Pace started the year with a fund balance of \$12.9 million but Pace estimates to finish the year with a \$1.666 million funding shortfall for Suburban Services, and is left with no choice but to use fund balance to cover the one-time shortfall. The funding shortfall/deficit comes as a direct result of lost revenue occurring from the change in CTA fare policy implemented at the beginning of 2006. Lost revenue resulting from a shift to CTA 7-day passes and no reimbursement from the RTA will cause Pace to finish with a large deficit in Suburban Service operations this year. The use of these funds will significantly reduce Pace's retained earnings by the end of

2006. This reduced fund balance will have to be applied against a much larger funding shortfall in the Regional ADA Paratransit program which is estimated to finish with a \$7.6 million shortfall at year-end 2006. The following (Table 18) highlights the levels of historical and proposed uses of Pace's funds, and the remaining unrestricted Suburban Service balance after use of these funds.



Pace's park and ride in Homewood.

Table 18. Historical and Proposed Use of Pace's Suburban Service Fund Balance (000's)

Accumulated Operating Budget Savings (1986-2005)	\$ 54,151
Less: Capital Project Commitments (thru 2005)	\$ (31,430)
Less: One-Time Funding for Operations (thru 2005)	\$ (9,804)
Balance - Unrestricted Pace Funds thru 2006	\$ 12,917
Less: One-time Funding for 2006 Suburban Service Operating Shortfall	\$ (1,666)
Less: 2006 Funding Shortfall-Regional ADA Paratransit	\$ (7,630)
Balance - Unrestricted Pace Funds at Year-End 2006	\$ 3,621

Three Year Plan

Table 19. 2007–2009 Suburban Service Three Year Plan and Fund Balance (000's)

	2005 Actual	2006 Estimate	2007 Budget	2008 Estimate	2009 Estimate
OPERATING REVENUE					
Farebox	\$ 31,726	\$ 28,413	\$ 29,791	\$ 30,941	\$ 31,765
Local Share/Other	13,738	13,980	14,783	14,830	15,153
Advertising/Investment	5,050	5,448	5,532	5,265	5,124
Reduced Fare Reimbursement	3,236	3,378	3,327	3,327	3,327
RTA Pass Reimbursement	2,000	2,000	4,000	4,000	4,000
Total Revenue	\$ 55,750	\$ 53,219	\$ 57,433	\$ 58,363	\$ 59,369
OPERATING EXPENSES					
Labor/Fringes	\$ 72,996	\$ 76,982	\$ 80,989	\$ 84,144	\$ 86,228
Health Insurance	13,400	14,727	15,299	17,204	19,340
Parts/Supplies	4,390	4,717	4,950	5,115	5,276
Utilities	1,620	1,744	1,868	1,908	1,950
Fuel	11,738	12,951	15,026	15,417	16,025
Insurance	9,611	9,743	9,925	9,689	9,902
Other	7,911	8,770	9,659	10,398	10,877
Public/Private Contract	9,287	9,564	10,307	10,760	11,234
Dial-A-Ride	12,287	12,781	13,296	13,881	14,492
Van Pool	2,531	3,015	3,567	3,981	4,477
Ride DuPage	1,382	1,471	1,570	1,733	1,899
Restructuring Initiative	209	1,137	1,197	0	0
PACE-ADA Paratransit Service	12,261	0	0	0	0
Regional ADA Support Credit	0	0	(1,529)	(1,590)	(1,654)
Total Expenses	\$ 159,623	\$ 157,602	\$ 166,124	\$ 172,640	\$ 180,046
Funding Requirement	\$ 103,873	\$ 104,383	\$ 108,691	\$ 114,277	\$ 120,677
Recovery Ratio	39.70%	38.17%	36.00%	35.58%	34.70%
PUBLIC FUNDING					
RTA Funding	\$ 79,052	\$ 81,582	\$ 84,192	\$ 86,886	\$ 89,667
RTA Regional ADA Funds	1,000	0	0	0	0
CMAQ/JARC/Other Funding	262	677	1,623	1,237	347
Capital Cost of Contracting	7,783	3,995	0	0	0
Federal 5307 Funding	16,491	16,463	0	0	0
New Transit Funding	0	0	22,876	26,154	30,663
Total Public Funding	\$ 104,588	\$ 102,717	\$ 108,691	\$ 114,277	\$ 120,677
Net Funding Available	715	(1,666)	0	0	0
PACE FUND BALANCE					
Beginning Balance	\$ 12,202	\$ 12,917	\$ 11,251	\$ 11,251	\$ 11,251
Surplus/(Deficit)	715	(1,666)	0	0	0
Ending Balance	\$ 12,917	\$ 11,251	\$ 11,251	\$ 11,251	\$ 11,251

Financial Plan Variance

Pace is required (by statute) to perform a comparison of the proposed budget and three year plan to the existing RTA Three Year Plan. Table 20 highlights the differences between the two plans, and explanations to the variances in the table are discussed below. Beginning with the 2007–2009 three year plan, RTA was required to establish two separate funding marks—one for Suburban Service and a separate funding mark for the Regional ADA Program. In keeping with this new requirement, we have made adjustments to the prior plan separating it into two components and have completed separate comparisons for each component.

Pace's funding requirement for Suburban Services rises 11.1% and 18.9% respectively, for plan years 2007 and 2008, as compared to the existing RTA plan. Nearly half and three quarters of the respective 11.1% and 18.9% increases are due to unadjusted service levels that the RTA had included in their current three year plan. The RTA arbitrarily reduced Pace's expenses for the outlying years of the current plan in order to bring Pace's budget request into alignment within available resources. Now that the RTA has assumed that additional new transit funds will be forthcoming, service levels have been programmed to remain at status quo levels for the 2007 plan. However, in addition to changes for service levels, there have been changes in several key line-items that are discussed below and highlighted in the following table.

For 2007, revenue levels remain essentially unchanged between plans, however, major changes have occurred among the components. In particular, farebox revenues are down \$4.4 million between plans. The change in the CTA's fare policy at the beginning of 2006, resulting in the elimination of accepting transfers from cash fare riders accounts for the significant reduction in farebox revenues between plans. The offset comes from a \$2.0 million increase in the RTA's reimbursement for CTA 7-day pass users on Pace systems given the fact that the change in the transfer policy has resulted in a near doubling of CTA 7-day pass riders on Pace's system. A sizeable increase in local share revenues has also occurred between plans, and with the rise in interest

rates there is now a significant growth projected in investment income.

On the expense side, in addition to the \$5.3 million increase coming from unadjusted service levels, fuel expenditures have skyrocketed and are projected up \$2.6 million in 2007, compared to original planned levels. Liability insurance costs are also up compared to original plan levels accounting for \$1.4 million of the increase in total costs. Service expansion continues in Pace's vanpool program, and service has been increased due to available funding from the Congestion Mitigation Air Quality Program (CMAQ) accounting for approximately \$.700 million of the growth between plans. Pace has also planned one more year of costs for service restructuring studies at an added cost of \$1.2 million above plan levels. On a positive note, health care costs are down significantly (\$2.0 million) from original plan levels.

The changes in funding for 2008 are attributed to the same factors noted above with unadjusted (status quo) service levels contributing to the largest part of the growth between plans.

The RTA has established a recovery ratio of 36% for Suburban Service for 2007. This is the first year that RTA has set a separate recovery ratio for the two service components. Pace will continue to use specific credits and allowances authorized by the RTA in order to achieve the 36% recovery ratio. The RTA has not established outlying year recovery ratios (2008 and 2009) at this time. Also, the RTA did not set outlying year recovery ratios in the current plan given the fact that beginning in 2007, they would be required to set two separate recovery ratios.

Table 20. 2007-2009 Suburban Service Three Year Financial Plan Variance From Existing RTA Plan (000's)

	2007	2008	2009
FUNDING REQUIREMENT (ALL SOURCES)			
RTA Plan (2006–2008)*	\$ 97,842	\$ 96,056	**
Pace Plan (2007–2009)	108,691	114,277	120,677
Variance	\$ 10,849	\$ 18,221	N/A
FACTORS CONTRIBUTING TO THE CHANGE			
REVENUE			
Farebox/Service Changes	\$ (4,438)	\$ (2,990)	
Local Share/Investment Income	2,529	1,184	
RTA Pass Reimbursement	2,000	2,000	
Total Change in System Revenue	\$ 91	\$ 194	
EXPENSE			
Labor/Fringe Benefits (Including Pension)	\$ 1,709	\$ 1,669	
Health Care	(2,020)	(1,847)	
Insurance	1,443	1,019	
Fuel	2,587	2,773	
Service Expansion (Vanpool, CMAQ)	700	1,532	
Unadjusted Service Levels	5,324	13,269	
Restructuring Study	1,197	0	
Total Changes in Expenses	\$ 10,940	\$ 18,415	
Total Change in Required Funding	\$ 10,849	\$ 18,221	N/A
RECOVERY RATIO			
RTA Plan (2006–2008)	N/A	N/A	*
Pace Plan (2007–2009)	36.00%	N/A	N/A

*Prior plan adjusted to reflect Suburban Service funding.

**Note: The current RTA plan does not contain projected funding levels for FY 2009, thereby, eliminating comparability between plans. The current RTA plan (issued December, 2005) identified funding estimates for only 2006–2008.

Pace Suburban Service Cash Flow—2007

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

The RTA has made it clear that public funds available for operations in 2007-2009 are predicated on securing additional funding, and to the extent that such funding is not obtained, Pace will have to take actions to balance the operating budget. In the meantime, projected cash flows are based on the assumption that new funding and ADA paratransit funds will not be available until September, 2007.

Pace’s cash position for Suburban Service will be adequate through June, after that, cash balances will be problematic. Based on these projections, Pace would have to direct RTA to issue \$5 million in working cash notes on its behalf. The combined cash flow for Suburban service and the Regional ADA (Appendix B) shows a much worse condition as the Regional ADA component will receive no funding until September under the current 2007 cash flow projections provided by the RTA. Pace does not have the legal or financial ability to solve this problem and, therefore, Pace is necessarily relying on RTA to provide adequate working cash for the ADA program.

Table 21. Pace Suburban Service Projected Cash Flow Summary—2007 (000’s)

	Beginning Balance	Revenues	Expenses	Net Results	Ending Balance
January	\$ 21,438	\$ 11,215	\$ 13,540	\$ (2,325)	\$ 19,113
February	19,113	10,731	13,540	(2,809)	16,304
March	16,304	12,085	13,540	(1,455)	14,848
April	14,848	14,226	13,540	686	15,534
May	15,534	12,013	13,540	(1,527)	14,006
June	14,006	10,472	13,540	(3,068)	10,938
July	10,938	10,535	13,540	(3,005)	7,933
August	7,933	11,679	13,540	(1,861)	6,071
September	6,071	15,126	13,540	1,586	7,657
October	7,657	13,880	14,740	(860)	6,796
November	6,796	15,305	13,540	1,765	8,561
December	8,561	14,597	16,585	(1,988)	6,573

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2007 Suburban Service Capital Program Budget

Summary

The 2007 Capital Program totals \$34.1 million. This year for the first time in four years Pace is assuming that Federal 5307 funding will be restored to the capital program needs and the operating needs will receive new funding from the Illinois General Assembly.

The program contains \$22.3 million for the purchase of 38 fixed route buses, 2 buses for Oak Park, 35 suburban dial-a-ride buses, and 58 vanpool vehicles. Additionally, we have programmed funds for Associated Capital, which is used to purchase bus components, such as engines and transmissions, and funds to help pay for Bus Overhaul/Maintenance expenses.

The program contains \$5.1 million for the purchase of various Traffic Signal Priority Projects and Phase 1 funding for the replacement of a systemwide radio system.

Lastly, the program contains \$6.7 million for the purchase of computer systems including Phase 2 of the HPe3000 system replacement and Phase I funding for the Interactive Voice Response Software Program. Phase 2 of the HPe3000 computer system replacement focuses on migrating Accounts Payable, Accounts Receivable, Budget, Fixed Assets, General Ledger, Grants and Purchasing systems. The Interactive Voice Response Software Program allows customers to telephone for “next bus” arrival times. Also, funds are needed to replace miscellaneous equipment such as office, maintenance and garage equipment, non-revenue cars and trucks etc. Improvement to facilities include much needed repairs and upgrades to Pace’s fixed facility garages and passenger facilities. Table 22 details the projects by asset category and anticipated Federal funding sources.

Table 22. 2007 Suburban Capital Budget

Project Description	Amount (000's)
ROLLING STOCK	
38 Fixed Route Buses	\$ 13,300
2 Buses for Oak Park	201
35 Paratransit Dial-a-Ride Buses	2,800
58 Vanpool Vehicles	2,000
Associated Capital	3,000
Bus Overhaul/Maintenance	1,000
Subtotal - Rolling Stock	\$ 22,301
ELECTRICAL/SIGNAL/COMMUNICATIONS	
Transit Signal Priority Projects	\$ 2,611
Radio System—Phase I	2,500
Subtotal - Electrical/Signal/Communications	\$ 5,111
SUPPORT FACILITIES/EQUIPMENT	
Computer Systems	\$ 2,650
Improvements to Garages/Facilities	2,506
Maintenance/Support Equipment	1,500
Subtotal - Support Facilities/Equipment	\$ 6,656
Total Capital Needs	\$ 34,068
TOTAL FUNDING	
Federal 5307	\$ 29,006
Federal 5309	3,062
Federal Flexible	2,000
Total Funding-Suburban	\$ 34,068

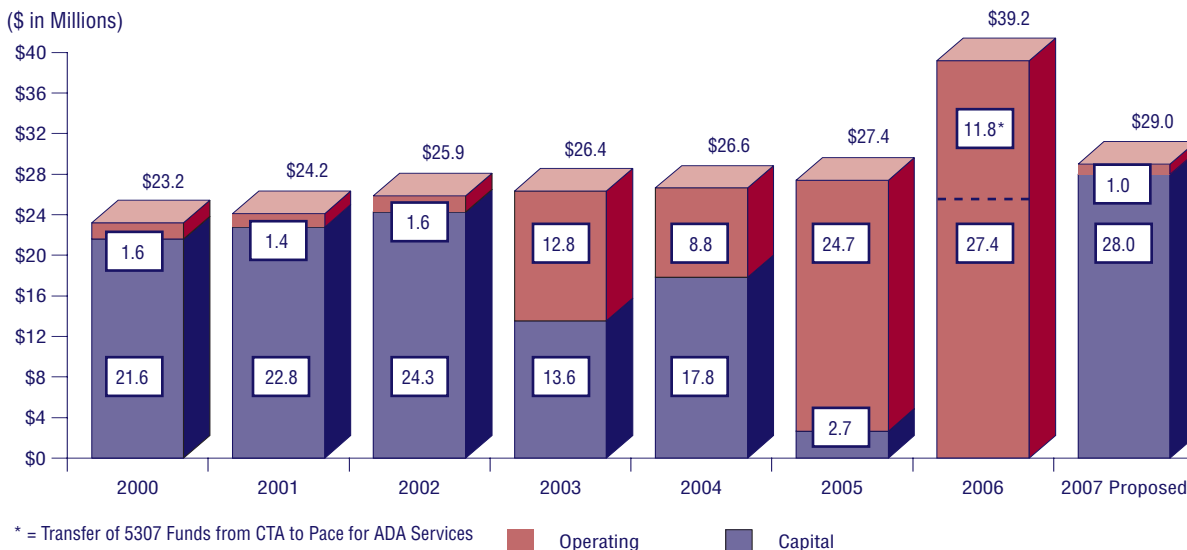
Capital Funding Issues

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 14, 2006, the RTA Board met and passed marks for 2007-2011, which make certain assumptions that will affect the capital program needs of Pace.

The RTA has assumed in its 2007-2011 funding marks that a new transit funding package will be forthcoming from the Illinois General Assembly. Therefore, based on this assumption, Pace will redirect its Federal 5307 funding back to its capital program. The 2007 budget proposes that all \$29 million in available federal funding will be used for the capital program and that new transit funding will be used to support its operations.

The history of the amounts redirected from capital to support operations is shown on Chart E below. This chart shows that from 2000 to 2006, Pace redirected \$90.1 million in Federal 5307 capital to support its operations. In 2006, we used the entire Federal 5307 capital allocation for operating leaving serious unfunded capital needs. While Pace believes that it made the right decision over the years to use Federal 5307 for operations, we recognized that continuing this practice for the long term would have a serious impact on Pace's fleet and its infrastructure.

Chart E. 2007 Capital Program—Use of 5307 Funds for Operating and Capital



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) 2007 appropriation, the RTA did not include any funding from the State in its 2007-2011 capital marks.

RTA Capital Funds

Due to the lack of RTA bond, RTA SCIP bond funding and IDOT B-bonds, the Service Boards are left with no local funds to match federal funding in 2007-2011. Therefore, the Service Boards are proposing as a temporary solution, to exercise the toll revenue credit provision that is established in the Federal SAFETEA-LU program. The toll revenue credit provision permits States to use certain expenditures of toll revenue as a "credit" towards the required local match for certain highway and transit programs. These credits are not actually funds that can be used, rather, they are a mechanism to count toll revenue already spent for tollway capital projects as local matching dollars for Federal capital funds for transit.

Capital Funding Sources

Federal Funding

The SAFETEA-LU authorized transit funding through FFY 2009. For planning purposes, the RTA marks assume the continued availability of federal funds in 2010 and 2011. On June 14, 2006, the House passed its version of the FFY 2007 Transportation Appropriations bill. On July 20, 2006, the Senate Committee on Appropriations approved its version of the FFY 2007 Transportation, Treasury, and House and Urban Development, the Judiciary, and Related Agencies Appropriations bill. The Senate bill funds Federal Transit Administration (FTA) programs at an \$8.875 billion level, a 4.4 percent increase over the final amount appropriated for FFY 2006. At present, Congress appears unlikely to complete action on the FFY 2007 Transportation Appropriations bill until after the mid-term elections on November 7th and it is unlikely that the final FFY 2007 Transportation Appropriations bill will not be completed until a “lame duck” session is scheduled to begin the week of November 13th. Under this scenario, Congress will need to pass a continuing resolution in late September to provide funds for the new fiscal year that begins on October 1. Once federal 2007 funds are appropriated and local funding decisions are finalized, the 2007-2011 Capital Program Marks will be revised if necessary.

There are three funding sources—Section 5307, Section 5309 and Flexible Funds—carried over from the previous authorization, TEA-21. In addition, SAFETEA-LU added three new sources of funding. These are Section 5339, Alternative Analysis; Section 5340, Growing and High Density States; and Section 5317, New Freedom Program. Lastly, SAFETEA-LU also continues two transit programs: Clean Fuels Program, which was changed from a formula to a discretionary program; and JARC (Job Access and Reverse Commute Program), which was changed from a discretionary to a formula program.

The Section 5339 Alternatives Analysis Program will pay for studies conducted as part of the transportation planning process for the New Starts projects; the funds allocated for the Section 5340 Growing States and High Density States are combined with the Section 5307

formula apportionment for urbanized areas; and finally, the Section 5317 New Freedom Program will pay for public transit service alternatives beyond those currently required by ADA. Pace should qualify for the regional funding under the New Freedom Program. However, FTA has just released proposed rules for public comment governing the program.

Section 5307 Apportionment funds are typically used for Pace’s overall capital needs (Section 5340 funds are now combined with the Section 5307 funds). Over the past several years these are the funds which Pace has been using to support its operations. Section 5309 (m)(2)(c) Discretionary funds are used for bus and bus related facilities projects and 5309 (m)(2)(a) is for New Starts projects. Congestion Mitigation and Air Quality (CMAQ) funds are typically used for qualifying transit projects like Pace’s Vanpool Vehicle Program.

The Clean Fuels Program will finance the purchase or lease of clean fuel buses and facilities, as well as the improvement to existing facilities to accommodate clean fuel buses. The Job Access and Reverse Commute (JARC) Program is designed to transport welfare recipients and eligible low-income individuals to and from jobs. Many projects to be funded under the 5309 Bus, 5339 Alternative Analysis and Clean Fuel Programs are earmarked by congressional sponsors.



Pace’s South Division is 20 years old and was in need of a major HVAC replacement. This system replacement was completed in 2005 for more than \$700,000.

The Section 5307 and the Section 5309 Fixed Guideway Modernization funds are allocated to the Service Boards on a percentage basis allocation by the RTA. Presently, the allocation is 58% to CTA, 34% to Metra, and 8% to Pace. This percentage basis allocation has been in place since 1985. The Section 5309 Bus Funds are discretionary and reflect the levels of funding for projects identified in SAFETEA-LU earmarks. Additionally, the Section 5309 New Starts funding is also discretionary and dependent on Pace's ability to secure congressional earmarks for its projects. While the RTA has set a mark for this program, the mark will be adjusted as soon as we know what projects are included in the 2007 Appropriation. It has been RTA's practice that these funds are considered to be outside the 58%-34%-8% allocation.

State Funding

The 2007 capital budget assumes no such funds are available from IDOT.

RTA Funding

The 2007 budget assumes no such funds are available from RTA.



Amenities, such as this bus shelter at Pace's Park and Ride in Burr Ridge, are very important to passenger comfort.

2007 Suburban Service Capital Program Project Descriptions

Table 23 summarizes the capital projects which we expect to receive funding for.

Table 23. 2007 Suburban Capital Program (000's)	
Project Description	Amount
ROLLING STOCK	
Purchase 38 Fixed Route Buses	\$13,300
Purchase 2 Buses for Oak Park	201
Purchase 35 Paratransit Dial-a-Ride Buses	2,800
Purchase 58 Vanpool Vehicles	2,000
Associated Capital	3,000
Bus Overhaul/Maintenance	1,000
Subtotal Rolling Stock	\$22,301
ELECTRICAL/SIGNAL/COMMUNICATIONS	
Transit Signal Priority Projects	\$ 2,611
Radio System - Phase I	2,500
Subtotal Electrical/Signal/Communications	\$ 5,111
SUPPORT FACILITIES & EQUIPMENT	
Improvements to Garages/Facilities	\$ 2,506
Purchase Maintenance/Support Equipment	1,500
Purchase Computer Systems	2,650
Subtotal Support Facilities and Equipment	\$ 6,656
Total Capital Program	\$34,068

Rolling Stock (\$22.3 Million)

- 38 Fixed Route Replacement Buses (\$13.3 million) - The program contains funds for the replacement of 38 fixed route buses which have exceeded their useful life. All vehicles will be 30 feet in length.
- 35 Paratransit Replacement Buses (\$2.8 million) - The program contains funds for the replacement of paratransit buses operated in Pace's suburban dial-a-ride services which have exceeded their useful life. These vehicles will be a combination of buses and vans.
- 58 Vanpool Vehicles (\$2.0 million) - The program contains funds for the replacement and expansion of our existing vanpool program.

- 2 Buses for Oak Park (\$.2 million) - Federal money has been earmarked to purchase buses for the Village of Oak Park's local municipal service. The four year earmark would total \$.8 million if all funds are secured each year.
- Associated Capital (\$3.0 million) - The program contains funds for the purchase of engines, transmissions, axle assemblies, etc. for fixed route and paratransit buses.
- Bus Overhaul/Maintenance (\$1.0 million) - Covers reimbursement for maintenance expenses.

Operating Cost Impacts

In general, Pace will avoid operating cost increases by replacing outdated equipment. Continued use of outdated equipment will have a negative cost impact on our operating budget.

Electrical, Signal & Communications (\$5.1 Million)

- Systemwide Radio System (\$2.5 million) - The program contains the first year funding for the replacement of a systemwide radio system. The system is expected to cost a total of \$18.10 million and will be programmed over five years due to funding limitations. The existing system is 13 years old and has exceeded its useful life and parts are becoming difficult to find.
- Transit Signal Priority (\$2.6 million) - The program contains continuation funding for the development and purchase of transit signal priority (TSP) systems in major corridors. It is important to note that most of the Federal 5309 Bus and Bus Related Facilities Projects were set out in the SAFETEA-LU by congressional earmark but subject to annual appropriation. There is additional money available each year under this same Bus and Bus Related Facilities Program for new earmarks. These project funds must be secured annually by congressional earmarks.

Operating Cost Impacts

The new radio system will not only save operating money, the technology will provide Pace with better communication coverage. The TSP projects are identified as a key strategy to reduce operating cost and improve travel time savings on fixed route service.

Table 24 depicts the projects as currently contained in the FFY 2007 House Transportation Appropriations Bill. The first portion of the table lists the projects with four years of funding and the second portion depicts additional projects that are currently contained in the FFY 2007 House Appropriations Bill. All these projects are subject to House and Senate Appropriations approval and must be included in the Administration's Transportation Appropriations Bill expected to be passed later this year.

Support Facilities & Equipment (\$6.6 Million)

- Improvements to Garages/Facilities (\$2.5 million) - The program contains funds to make critical improvements to our facilities. Projects include concrete replacement, fire sprinkler and security system replacements, replacement of overhead doors, and other facility equipment replacement, etc.
- Maintenance/Support Equipment (\$1.5 million) - The program contains funds to purchase miscellaneous garage and office equipment and replacement of non-revenue trucks and cars. Pace has not programmed funds in this category for nearly four years and it is imperative that we

replace certain garage tools, copiers, fax machines and office furniture at our facilities. Many of these items are over ten years old and in desperate need of replacement.

- Computer Equipment/Systems (\$2.6 million) - The program contains continuation funding for the HPe3000 Migration project. Additionally, funds are programmed for Phase 1 of our Interactive Voice Response software where customers can phone for "next bus" arrival times.

Operating Cost Impacts

In general, Pace will avoid operating cost increases by replacing outdated equipment. Continued use of outdated equipment will have a negative cost impact on our operating budget.

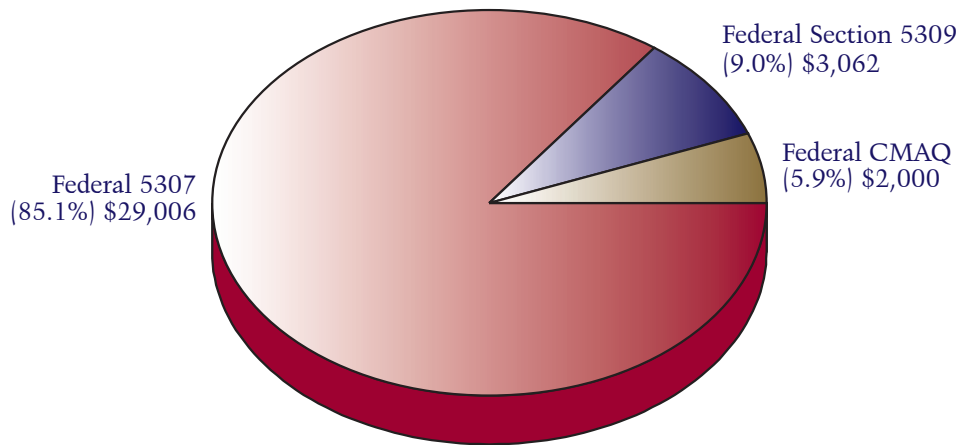
Table 24. SAFETEA-LU Federal 5309 Earmarks for Electrical, Signal & Communications Projects

4 Year Earmarks	SAFETEA Number	2006	2007	2008	2009	Total
Cermak Road BRT	491	\$ 198,000	\$ 250,000	\$ 300,000	\$ 500,000	\$ 1,248,000
Cicero Avenue TSP	358	190,357	200,640	217,360	225,720	834,077
Rand Road TSP	4	152,286	160,512	173,888	180,576	667,262
So. Suburban BRT	365	95,179	100,320	108,680	112,860	417,039
Total of 4 Year Earmarks		\$ 635,822	\$ 711,472	\$ 799,928	\$ 1,019,156	\$ 3,166,378
Additional Earmarks						
Grand Avenue TSP	—		\$ 320,000			\$ 320,000
Lincoln Highway TSP	—		480,000			480,000
Roosevelt Road TSP	—		300,000			300,000
Halsted/159th TSP (So. Sub.)	—		800,000			800,000
Total of 2007 Add'l Earmarks			\$ 1,900,000			\$ 1,900,000
Grand Total		\$ 635,822	\$ 2,611,472	\$ 799,928	\$ 1,019,156	\$ 5,066,378

Chart F. 2007 Suburban Service Capital Program—Sources and Uses of Funds

Sources (000's)

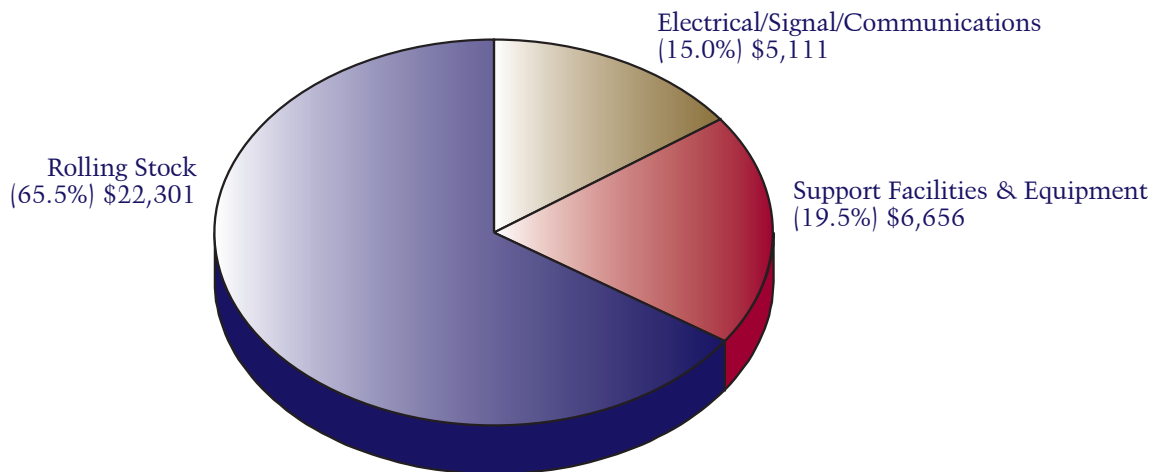
Total \$34,068



100% of Pace's program is derived from Federal sources

Uses (000's)

Total \$34,068



Major focus of the 2007 program will be on the replacement of rolling stock

2007–2011 Suburban Service Capital Plan

2007–2011 Capital Plan Description—Constrained Budget

Pace's capital needs for the five year period 2007–2011 are depicted by asset category on Table 25. This totals \$186.3 million and represents a budget constrained to the RTA funding marks.

Rolling Stock

Pace needs \$101.2 million to purchase rolling stock. The program contains 176 replacement fixed route buses, 137 replacement paratransit dial-a-ride buses for Suburban Services, and 452 replacement and expansion vanpool vehicles. Additionally, the program contains funds for associated capital and bus overhaul/maintenance expense.

Electrical/Signal/Communications

Pace needs \$22.5 million to replace the systemwide fixed route radio system and to continue funding of our transit signal priority network.

Support Facilities and Equipment

Pace needs \$60.0 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 headquarters, 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 \$1.4 million to upgrade numerous passenger facilities, as well as purchase bus stop signs, shelters, and other passenger amenities.

Project Administration

Pace needs \$1.2 million for project administration associated with capital projects.



Pace's Northwest Transportation Center in Schaumburg is also served by a trolley circulator that serves Woodfield Shopping Center and other retail and businesses in the area.

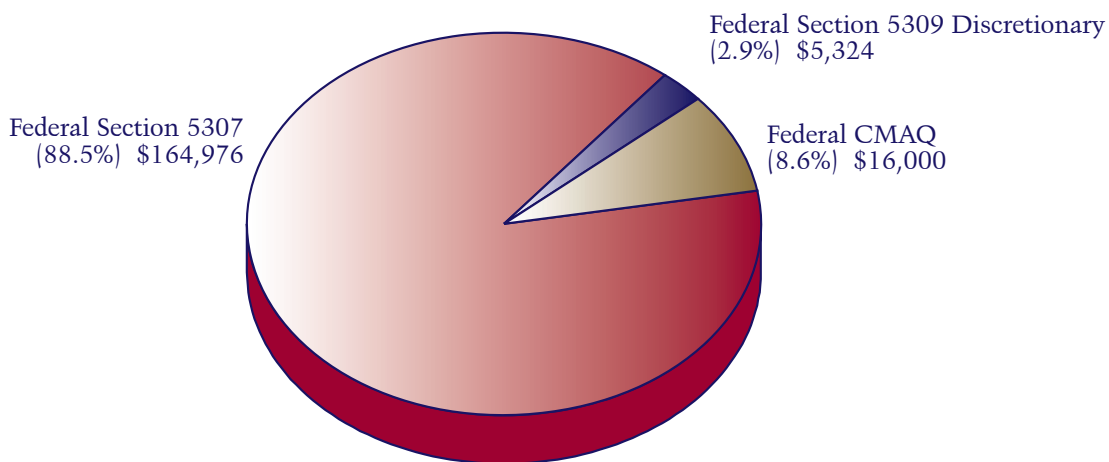
Table 25. Suburban Service Capital Plan 2007–2011 (000's)—Constrained

Project Description	2007 Amount	Quantity	2008–2011 Total	Quantity	Total 2007–2011
ROLLING STOCK					
Purchase 176 Fixed Route Replacement Buses	\$ 13,300	38	\$ 48,300	138	\$ 61,600
Purchase 137 Dial-A-Ride Paratransit Buses	2,800	35	8,445	102	11,245
Purchase 256 Vanpool Replacement Vehicles	1,000	28	8,000	228	9,000
Purchase 196 Vanpool/Community Expansion Vehicles	1,000	28	6,000	168	7,000
Oak Park Federal Earmarked buses	201		443		644
Associated Capital	3,000		3,750		6,750
Bus Overhaul/Maintenance Expense	1,000		4,000		5,000
Subtotal - Rolling Stock	\$ 22,301		\$ 78,938		\$ 101,239
ELECTRICAL/SIGNAL/COMMUNICATIONS					
Replace Systemwide Radio System	\$ 2,500		\$ 15,600		\$ 18,100
Cermak Road Transit Sign Priority	250		800		1,050
Rand Road Transit Signal Priority	160		354		514
Cicero Avenue Transit Signal Priority	201		443		644
South Suburban Transit Signal Priority	900		222		1,122
Grand Avenue Transit Signal Priority	320		0		320
Lincoln Highway Transit Signal Priority	480		0		480
Roosevelt Road Transit Signal Priority	300		0		300
Subtotal - Electrical/Signal/Communications	\$ 5,111		\$ 17,419		\$ 22,530
SUPPORT FACILITIES & EQUIPMENT					
Replace Systemwide Farebox System	\$ 0		\$ 23,000		\$ 23,000
Maintenance/Support Equipment/Vehicles	1,500		1,600		3,100
Interactive Voice Response Software	250		0		250
Computers/Databases/Computer Systems	0		2,870		2,870
Replace HPe3000 Computer System	2,400		11,500		13,900
Office Equipment and Furniture	0		2,200		2,200
Improvements to Garages and Facilities	2,506		12,130		14,636
Subtotal - Support Facilities & Equipment	\$ 6,656		\$ 53,300		\$ 59,956
STATIONS & PASSENGER FACILITIES					
Improvements to Passenger Facilities	\$ 0		\$ 1,000		\$ 1,000
Shelters/Signs/Passenger Amenities	0		400		400
Subtotal - Stations & Passenger Facilities	\$ 0		\$ 1,400		\$ 1,400
PROJECT ADMINISTRATION					
	\$ 0		\$ 1,175		\$ 1,175
Total Capital—Constrained	\$ 34,068		\$ 152,232		\$ 186,300

Chart G. Suburban Service Capital Plan 2007–2011—Sources and Uses of Funds—Constrained

Sources (000's)

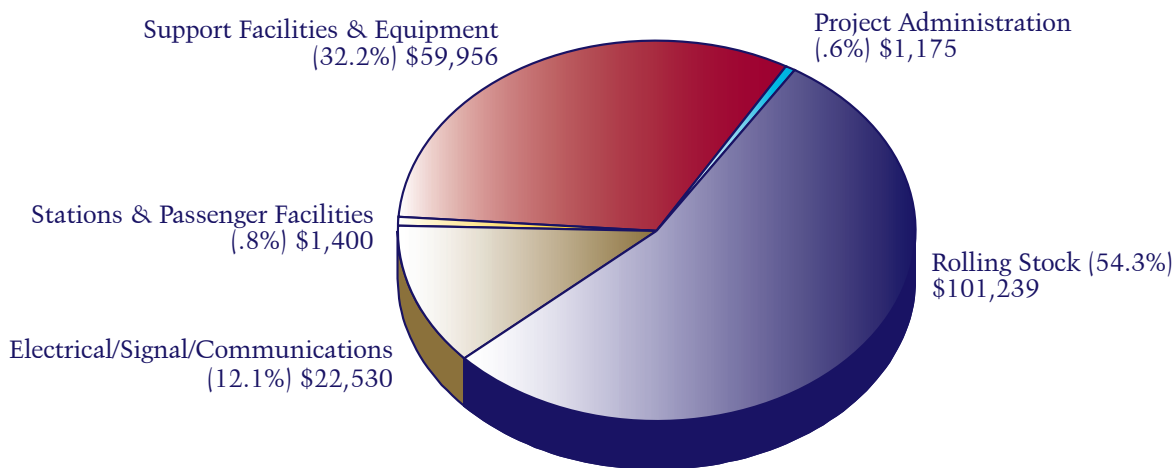
Total \$186,300



Pace's entire program is funded with federal sources

Uses (000's)

Total \$186,300



Half of Pace's program is for the purchase of rolling stock

2007–2011 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. Table 26 depicts Pace’s capital needs as compared to the funding levels. Specifically, Pace’s five year capital needs total \$362.3 million versus the anticipated funding of \$186.3 million.

It is important to point out that the Federal SAFETEA-LU has authorized transit funding through FFY 2009. While the RTA’s marks assume continuation of funding under 5307, it does not make that same assumption under the discretionary 5309 program. Additionally, RTA has not assumed any new funding under the traditional IDOT B Bond or RTA Bond and RTA SCIP bond programs.

The entire five year capital needs are paid for with Federal funding at 100% since the Service Boards have no local match for the program. This equates to the loss of nearly \$50.0 million in project funding.

In the upcoming months, the RTA in cooperation with the CTA, Metra and Pace will be completing its Strategic Plan which will identify the transit needs for the region in order to communicate a legislative campaign that addresses the Region’s capital funding shortfalls.

Highlights of our unconstrained budget include:

- 206 fixed route buses
- 162 paratransit dial-a-ride buses
- 1,104 vanpool/community vehicles
- Transit Signal Priority (TSP)/Arterial/Bus Rapid Transit (ART/BRT) Projects
- Improvements to garages and passenger facilities
- Expansion of garages to meet existing system needs
- New systemwide radio and farebox systems
- Computer/database/computer systems
- Passenger amenities including display cases, shelters, signs, etc.



Pace bus being assembled at the El Dorado plant in Riverside, California.

Table 26. Suburban Service 2007–2011 Capital Funding Summary (000’s)—Unconstrained

Description	2007	2008	2009	2010	2011	Total 2007–11
Total Pace Needs	\$ 49,983	\$ 70,347	\$ 78,285	\$ 85,255	\$ 78,430	\$ 362,300
FUNDING						
Federal 5307	\$ 29,006	\$ 31,173	\$ 32,926	\$ 34,955	\$ 36,916	\$ 164,976
Federal 5309	3,062	1,017	1,245	0	0	5,324
CMAQ	2,000	3,500	3,500	3,500	3,500	16,000
Total	\$ 34,068	\$ 35,690	\$ 37,671	\$ 38,455	\$ 40,416	\$ 186,300
Shortfall	\$ (15,915)	\$ (34,657)	\$ (40,614)	\$ (46,800)	\$ (38,014)	\$ (176,000)

Table 27. Suburban Service 2007–2011 Capital Funding Summary (000's)—Unconstrained

Project Description	2007 Amount	Quantity	2008–2011 Total	Quantity	Total 2007–2011
ROLLING STOCK					
Purchase 176 Fixed Route Replacement Buses	\$ 13,300	38	\$ 48,300	138	\$ 61,600
Purchase 30 Fixed Route Expansion Buses	3,500	10	9,500	20	13,000
Purchase 137 Dial-A-Ride Paratransit Buses	2,800	35	8,445	102	11,245
Purchase 25 Dial-A-Ride Expansion Paratransit Buses	425	5	1,750	20	2,175
Purchase 608 Vanpool Replacement Vehicles	4,640	116	19,680	492	24,320
Purchase 496 Expansion Vanpool/Community Vehicles	5,200	130	14,640	366	19,840
Oak Park Federal Earmarked Buses	201		443		644
Associated Capital	1,000		6,000		7,000
Bus Overhaul/Maintenance Expense	1,000		4,000		5,000
Subtotal - Rolling Stock	\$ 32,066		\$ 112,758		\$ 144,824
ELECTRICAL/SIGNAL/COMMUNICATIONS					
Replace Systemwide Radio System	\$ 2,500		\$ 15,600		\$ 18,100
Cermak Road Transit Signal Priority	250		800		1,050
Rand Road Transit Signal Priority	160		354		514
Cicero Avenue Transit Signal Priority	201		443		644
South Suburban Transit Signal Priority	900		222		1,122
Grand Avenue Transit Signal Priority	320		0		320
Lincoln Highway Transit Signal Priority	480		0		480
Roosevelt Road Transit Signal Priority	300		0		300
Transit Signal Priority-Systemwide	0		16,500		16,500
ART/BRT Projects	0		20,000		20,000
Subtotal - Electrical/Signal/Communications	\$ 5,111		\$ 53,919		\$ 59,030
SUPPORT FACILITIES & EQUIPMENT					
Replace Systemwide Farebox System	\$ 0		\$ 23,000		\$ 23,000
Maintenance/Support Equipment/Vehicles	1,500		8,000		9,500
Interactive Voice Response Software	250		1,000		1,250
Computers/Databases/Computer Systems	1,000		4,000		5,000
Replace HPe3000 Computer System	2,400		17,600		20,000
Office Equipment and Furniture	1,000		4,000		5,000
Improvements to Garages and Facilities	2,506		30,890		33,396
Expansion of Facilities-Existing System	2,100		34,500		36,600
Subtotal - Support Facilities & Equipment	\$ 10,756		\$ 122,990		\$ 133,746
STATIONS & PASSENGER FACILITIES					
Passenger & Transportation Centers	\$ 1,250		\$ 16,000		\$ 17,250
Shelters/Signs/Passenger Amenities	300		2,650		2,950
Subtotal - Stations & Passenger Facilities	\$ 1,550		\$ 18,650		\$ 20,200
PROJECT ADMINISTRATION					
	\$ 500		\$ 4,000		\$ 4,500
Total Capital—Unconstrained	\$ 49,983		\$ 312,317		\$ 362,300

Appendix A: 2005-2007 Budget Detail

2005 Actual Results

2005 Actual Program, Activity and Object Matrix

	Pace ⁽¹⁾ Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride ⁽²⁾
REVENUE				
Farebox	\$ 23,410,343	\$ 842,938	\$ 2,410,806	\$ 1,222,203
Half-Fare Reimbursement	0	0	0	0
RTA Pass Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Investment Income	0	0	0	0
Other	2,469,922	1,160,701	158,203	8,288,846
Total Revenue	\$ 25,880,265	\$ 2,003,639	\$ 2,569,009	\$ 9,511,049
OPERATING EXPENSES				
Operations				
Labor/Fringes	\$ 42,692,017	\$ 1,571,132	\$ 0	\$ 0
Parts/Supplies	33,334	1,408	0	0
Purchased Transportation	0	1,126,575	8,160,069	12,403,113
Other	189,894	14,775	0	0
Total Operations	\$ 42,915,245	\$ 2,713,890	\$ 8,160,069	\$12,403,113
Vehicle Maintenance				
Labor/Fringes	\$ 9,722,588	\$ 352,761	\$ 0	\$ 0
Parts/Supplies	2,739,222	124,445	0	0
Fuel	0	0	0	0
Other	(79,775)	52,960	0	393,796
Total Vehicle Maintenance	\$ 12,382,035	\$ 530,166	\$ 0	\$ 393,796
Non-Vehicle Maintenance				
Labor/Fringes	\$ 717,213	\$ 0	\$ 0	\$ 0
Parts/Supplies	343,615	0	0	0
Other	505,285	0	0	34,087
Total Non-Vehicle Maintenance	\$ 1,566,113	\$ 0	\$ 0	\$ 34,087
General Administration				
Labor/Fringes	\$ 2,028,895	\$ 271,202	\$ 0	\$ 0
Parts/Supplies	71,157	102	0	0
Utilities	1,461,158	491	0	0
Insurance	0	0	0	0
Health Insurance	0	0	0	0
Other	138,885	(90,686)	0	838,148
Total Administration	\$ 3,700,095	\$ 181,109	\$ 0	\$ 838,148
Total Expenses	\$ 60,563,488	\$ 3,425,165	\$ 8,160,069	\$13,669,144
Funding Requirement	\$ 34,683,223	\$ 1,421,526	\$ 5,591,060	\$ 4,158,095
Recovery Ratio	42.73%	58.50%	31.48%	69.58%

(1) Includes CMAQ/JARC Service

(2) Includes Ride DuPage

ADA Paratransit Services	Vanpool	Administration	Centralized Support	Total 2005 Actual
\$ 1,310,142	\$ 2,694,296	\$ 0	\$ 0	\$ 31,890,728
0	0	3,236,102	0	3,236,102
0	0	2,000,000	0	2,000,000
0	0	965,652	0	965,652
0	0	4,084,183	0	4,084,183
271,983	0	1,222,446	0	13,572,101
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,582,125	\$ 2,694,296	\$11,508,383	\$ 0	\$ 55,748,766
\$ 0	\$ 0	\$ 0	\$ 2,349,779	\$ 46,612,928
0	0	0	0	34,742
12,260,716	0	0	0	33,950,473
0	2,530,883	0	0	2,735,552
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 12,260,716	\$ 2,530,883	\$ 0	\$ 2,349,779	\$ 83,333,695
\$ 0	\$ 0	\$ 0	\$ 2,624,894	\$ 12,700,243
0	0	0	882,779	3,746,446
0	0	0	11,738,258	11,738,258
0	0	0	263,307	630,288
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 0	\$ 0	\$ 0	\$15,509,238	\$ 28,815,235
\$ 0	\$ 0	\$ 0	\$ 469,170	\$ 1,186,383
0	0	0	0	343,615
0	0	144,767	359,119	1,043,258
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 0	\$ 0	\$ 144,767	\$ 828,289	\$ 2,573,256
\$ 0	\$ 0	\$10,196,536	\$ 0	\$ 12,496,633
0	0	194,275	0	265,534
0	0	158,833	0	1,620,482
0	0	0	9,610,963	9,610,963
0	0	0	13,400,232	13,400,232
226,900	0	3,078,797	3,315,816	7,507,860
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 226,900	\$ 0	\$13,628,441	\$26,327,011	\$ 44,901,704
\$ 12,487,616	\$ 2,530,883	\$13,773,208	\$45,014,317	\$ 159,623,890
\$ 10,905,491	\$ (163,413)	\$ 2,264,825	\$45,014,317	\$ 103,875,124
12.67%	106.46%	83.56%	0.00%	39.70%

2006 Estimated Results

2006 Estimated Program, Activity and Object Matrix

	Pace ⁽¹⁾ Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride ⁽²⁾
REVENUE				
Farebox	\$ 20,369,925	\$ 808,496	\$ 2,532,800	\$ 1,275,776
Half-Fare Reimbursement	0	0	0	0
RTA Pass Reimbursement	0	0	0	0
Advertising Revenue	0	0	0	0
Investment Income	0	0	0	0
Other	2,309,198	1,279,500	166,320	8,527,497
Total Revenue	\$ 22,679,123	\$ 2,087,996	\$ 2,699,120	\$ 9,803,273
OPERATING EXPENSES				
Operations				
Labor/Fringes	\$ 44,664,340	\$ 1,554,304	\$ 0	\$ 0
Parts/Supplies	29,347	1,300	0	0
Purchased Transportation	0	1,205,000	8,359,218	12,949,108
Other	163,515	14,670	0	0
Total Operations	\$ 44,857,202	\$ 2,775,274	\$ 8,359,218	\$12,949,108
Vehicle Maintenance				
Labor/Fringes	\$ 10,395,573	\$ 371,207	\$ 0	\$ 0
Parts/Supplies	2,879,095	115,631	0	0
Fuel	0	0	0	0
Other	(83,806)	39,797	0	406,790
Total Vehicle Maintenance	\$ 13,190,862	\$ 526,635	\$ 0	\$ 406,790
Non-Vehicle Maintenance				
Labor/Fringes	\$ 787,770	\$ 0	\$ 0	\$ 0
Parts/Supplies	340,504	0	0	0
Other	543,803	0	0	34,131
Total Non-Vehicle Maintenance	\$ 1,672,077	\$ 0	\$ 0	\$ 34,131
General Administration				
Labor/Fringes	\$ 2,120,400	\$ 296,203	\$ 0	\$ 0
Parts/Supplies	70,231	400	0	0
Utilities	1,572,332	48	0	0
Insurance	0	0	0	0
Health Insurance	0	0	0	0
Other	214,283	2,094	0	861,925
Total Administration	\$ 3,977,246	\$ 298,745	\$ 0	\$ 861,925
Total Expenses	\$ 63,697,387	\$ 3,600,654	\$ 8,359,218	\$14,251,954
Funding Requirement	\$ 41,018,264	\$ 1,512,658	\$ 5,660,098	\$ 4,448,681
Recovery Ratio	35.60%	57.99%	32.29%	68.79%

(1) Includes CMAQ/JARC Service

(2) Includes Ride DuPage

Vanpool	Administration ⁽³⁾	Centralized Support	Total Suburban Svc	Total Regional ADA Paratransit	Combined 2006 Estimate
\$ 3,448,096	\$ 0	\$ 0	\$ 28,435,093	\$ 3,553,220	\$ 31,988,313
0	3,378,000	0	3,378,000	0	3,378,000
0	2,000,000	0	2,000,000	0	2,000,000
0	4,225,000	0	4,225,000	0	4,225,000
0	1,223,000	0	1,223,000	0	1,223,000
0	1,675,233	0	13,957,748	220,639	14,178,387
\$ 3,448,096	\$12,501,233	\$ 0	\$ 53,218,841	\$ 3,773,859	\$ 56,992,700
\$ 0	\$ 0	\$ 2,750,726	\$ 48,969,370	\$ 0	\$ 48,969,370
0	0	0	30,647	0	30,647
0	0	0	22,513,326	43,556,238	66,069,564
3,015,198	0	0	3,193,383	0	3,193,383
\$ 3,015,198	\$ 0	\$ 2,750,726	\$ 74,706,726	\$ 43,556,238	\$ 118,262,964
\$ 0	\$ 0	\$ 2,448,008	\$ 13,214,788	\$ 0	\$ 13,214,788
0	0	1,059,239	4,053,965	0	4,053,965
0	0	12,951,115	12,951,115	1,295,308	14,246,423
0	0	500,508	863,289	0	863,289
\$ 0	\$ 0	\$16,958,870	\$ 31,083,157	\$ 1,295,308	\$ 32,378,465
\$ 0	\$ 0	\$ 547,788	\$ 1,335,558	\$ 0	\$ 1,335,558
0	0	0	340,504	0	340,504
0	158,005	420,000	1,155,939	0	1,155,939
\$ 0	\$ 158,005	\$ 967,788	\$ 2,832,001	\$ 0	\$ 2,832,001
\$ 0	\$11,044,775	\$ 0	\$ 13,461,378	\$ 1,228,811	\$ 14,690,189
0	221,427	0	292,058	0	292,058
0	171,731	0	1,744,111	0	1,744,111
0	0	9,742,585	9,742,585	50,000	9,792,585
0	0	14,726,855	14,726,855	194,137	14,920,992
0	4,663,117	3,271,077	9,012,496	704,746	9,717,242
\$ 0	\$16,101,050	\$27,740,517	\$ 48,979,483	\$ 2,177,694	\$ 51,157,177
\$ 3,015,198	\$16,259,055	\$48,417,901	\$ 157,601,367	\$ 47,029,240	\$ 204,630,607
\$ (432,898)	\$ 3,757,822	\$48,417,901	\$ 104,382,526	\$ 43,255,381	\$ 147,637,907
114.36%	76.89%	0.00%	38.17%	20.67%	34.20%

(3) Includes Restructuring Initiative

2007 Budget

2007 Program, Activity and Object Matrix

	Pace ⁽¹⁾ Operating Divisions	Public Carriers	Private Carriers	Dial-a-Ride ⁽²⁾
REVENUE				
Farebox	\$ 21,025,238	\$ 827,901	\$ 2,583,456	\$ 1,314,915
Half-Fare Reimbursement	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	2,355,382	1,400,835	169,646	8,860,217
Total Revenue	\$ 23,380,620	\$ 2,228,736	\$ 2,753,102	\$ 10,175,132
OPERATING EXPENSES				
Operations				
Labor/Fringes	\$ 47,226,230	\$ 1,611,334	\$ 0	\$ 0
Parts/Supplies	38,850	1,300	0	0
Purchased Transportation	0	1,312,000	8,994,980	13,528,151
Other	203,129	14,825	0	0
Total Operations	\$ 47,468,209	\$ 2,939,459	\$ 8,994,980	\$ 13,528,151
Vehicle Maintenance				
Labor/Fringes	\$ 10,663,829	\$ 388,469	\$ 0	\$ 0
Parts/Supplies	3,032,666	116,966	0	0
Fuel	0	0	0	0
Other	(68,554)	40,062	0	416,960
Total Vehicle Maintenance	\$ 13,627,941	\$ 545,497	\$ 0	\$ 416,960
Non-Vehicle Maintenance				
Labor/Fringes	\$ 836,599	\$ 0	\$ 0	\$ 0
Parts/Supplies	370,475	0	0	0
Other	582,483	0	0	35,838
Total Non-Vehicle Maintenance	\$ 1,789,557	\$ 0	\$ 0	\$ 35,838
General Administration				
Labor/Fringes	\$ 2,272,115	\$ 313,534	\$ 0	\$ 0
Parts/Supplies	78,300	400	0	0
Utilities	1,688,397	50	0	0
Insurance	0	0	0	0
Health Insurance	0	0	0	0
Other	83,636	2,146	0	885,607
ADA Support Credit	0	0	0	0
Total Administration	\$ 4,122,448	\$ 316,130	\$ 0	\$ 885,607
Total Expenses	\$ 67,008,155	\$ 3,801,086	\$ 8,994,980	\$ 14,866,556
Funding Requirement	\$ 43,627,535	\$ 1,572,350	\$ 6,241,878	\$ 4,691,424
Recovery Ratio	34.89%	58.63%	30.61%	68.44%

(1) Includes CMAQ/JARC Service

(2) Includes Ride DuPage

Vanpool	Administration ⁽³⁾	Centralized Support	Total Suburban Svc	Total Regional ADA Paratransit	Combined 2007 Proposed Budget
\$ 4,044,426	\$ 0	\$ 0	\$ 29,795,936	\$ 8,994,420	\$ 38,790,357
0	3,327,000	0	3,327,000	0	3,327,000
0	4,000,000	0	4,000,000	0	4,000,000
0	1,082,000	0	1,082,000	0	1,082,000
0	4,450,000	0	4,450,000	0	4,450,000
0	1,992,157	0	14,778,237	658,356	15,436,593
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 4,044,426	\$ 14,851,157	\$ 0	\$ 57,433,173	\$ 9,652,776	\$ 67,085,950
\$ 0	\$ 0	\$ 2,699,547	\$ 51,537,111	\$ 0	\$ 51,537,111
0	0	0	40,150	0	40,150
0	0	0	23,835,131	83,635,702	107,470,833
3,567,111	0	0	3,785,065	0	3,785,065
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,567,111	\$ 0	\$ 2,699,547	\$ 79,197,457	\$ 83,635,702	\$ 162,833,159
\$ 0	\$ 0	\$ 2,393,671	\$ 13,445,969	\$ 0	\$ 13,445,969
0	0	1,083,610	4,233,242	0	4,233,242
0	0	15,026,099	15,026,099	1,502,610	16,528,709
0	0	513,004	901,472	0	901,472
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 0	\$ 0	\$ 19,016,384	\$ 33,606,782	\$ 1,502,610	\$ 35,109,392
\$ 0	\$ 0	\$ 535,537	\$ 1,372,136	\$ 0	\$ 1,372,136
0	0	0	370,475	0	370,475
0	154,005	449,875	1,222,201	0	1,222,201
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\$ 0	\$ 154,005	\$ 985,412	\$ 2,964,812	\$ 0	\$ 2,964,812
\$ 0	\$ 12,048,580	\$ 0	\$ 14,634,229	\$ 2,167,959	\$ 16,802,188
0	227,805	0	306,505	0	306,505
0	179,086	0	1,867,533	0	1,867,533
0	0	9,925,393	9,925,393	625,000	10,550,393
0	0	15,299,125	15,299,125	341,000	15,640,125
0	5,634,410	3,246,678	9,852,477	1,661,218	11,513,695
0	0	0	(1,529,002)	1,529,002	0
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 0	\$ 18,089,881	\$ 28,471,196	\$ 50,356,260	\$ 6,324,179	\$ 56,680,439
\$ 3,567,111	\$ 18,243,886	\$ 51,172,539	\$ 166,125,311	\$ 91,462,491	\$ 257,587,802
\$ (477,315)	\$ 3,392,729	\$ 51,172,539	\$ 108,692,138	\$ 81,809,715	\$ 190,501,852
113.38%	81.40%	0.00%	36.00%	10.55%	N/A

(3) Includes Restructuring Initiative

Appendix B: Combined Three Year Plan and Cash Flow

Three Year Plan

Pace's Combined 2007 to 2009 Three Year Financial Plan is summarized below and details are included in the accompanying table. A table presenting anticipated cash flows for 2007 has also been provided.

Highlights of the three year plan show total system revenues will grow at an annual compound rate of 9.0%. The sizeable growth rate in revenue is attributed to the fact that results for 2006 include only a half year of City service revenue. As presented, ADA revenue grows significantly between 2006 and 2007 as Pace provides the first full year of this service in 2007. Suburban Service revenue also grows significantly (7.9%) between 2006 and 2007 as the RTA will raise their reimbursement for CTA 7-day pass usage on Pace's system beginning in 2007.

Total expenses will grow at an annual compound rate of 12.9% over the three year plan. Again, the impact of only a half year of costs in 2006 is escalating the compound rate. Adjusting for the half year, total expense growth is much more reasonable at 6.9% per year. Suburban Service growth is much more moderate at 4.5% and reflects the impact of the volatile costs of fuel, insurance, utilities, and health care. Regional ADA Service cost growth, adjusted for the half year of service, will average

11.8%. Increased demand for service is the largest single component driving total ADA costs as most of the impacts from administrative costs are impacting the first half to full year of Pace taking over this service. Demand for ADA service remains high and is expected to continue to grow over the horizon of this plan.

Funding requirements, adjusted for the half year (2006) are growing at a compound rate of 7.6% with ADA needs leading the way.

The combined three year plan is balanced as presented requiring \$617 million in total funding. Traditional RTA sales tax funding of \$261 million has been applied to fund this plan. The Regional ADA Program has been funded using \$273 million in new State transit funding and an additional \$80 million of new State transit funds have also been applied to cover the needs of the Suburban Service program. New State transit funds have not been identified at this time, and the RTA has pointed out the risk involved with these assumptions. Over the next several months the RTA will lead the way through their Moving Beyond Congestion initiative which is intended to secure new funding for mass transit in northeastern Illinois.

Table 28. Combined Three Year Plan

	2006 Estimate	2007 Plan	2008 Estimate	2009 Estimate
Suburban Service				
Revenue	\$ 53,219	\$ 57,433	\$ 58,363	\$ 59,369
Expense	157,602	166,124	172,640	180,046
Funding Requirement	\$ 104,383	\$ 108,691	\$ 114,277	\$ 120,677
Total Funding	102,717	108,691	114,277	120,677
Net Funding Available	\$ (1,666)	\$ 0	\$ 0	\$ 0
Regional ADA Paratransit Service				
Revenue (Excluding CTA)	\$ 3,774	\$ 9,653	\$ 10,547	\$ 14,504
Expense (Excluding CTA)	47,029	91,463	102,174	114,397
Funding Requirement	\$ 43,255	\$ 81,810	\$ 91,627	\$ 99,893
Total Funding	35,625	81,810	91,627	99,893
Net Funding Available	\$ (7,630)	\$ 0	\$ 0	\$ 0
Combined Service				
Revenue	\$ 56,993	\$ 67,086	\$ 68,910	\$ 73,873
Expense	204,631	257,587	274,814	294,443
Funding Requirement	\$ 147,638	\$ 190,501	\$ 205,904	\$ 220,570
Total Funding	138,342	190,501	205,904	220,570
Net Funding Available	\$ (9,296)	\$ 0	\$ 0	\$ 0

Cash Flow

While the three year financial plan is balanced at this time, Pace faces a significant financial risk based on RTA's projected cash flows for funding.

First, by the end of 2006, Pace is estimated to finish the year with a combined funding shortfall of \$9.3 million. The shortfall is the result of difficulties with revenue due to the change in CTA fare policies at the beginning of 2006 which has severely impacted Pace revenues. Suburban Services will experience a \$1.6 million funding shortfall. Second, Regional ADA funding is expected to fall short by another \$7.6 million as original funding levels for this program were inadequate and the program will finish under funded. The net result is that Pace's cash position will be seriously impacted going into 2007.

Projected cash flows identified by the RTA show that despite a balanced program for 2007, new transit funding has not been authorized at this time, and if approved, will more than likely first become available in September

of 2007. Pace does not have the financial capacity to support services until September. Factoring RTA's projections into our cash flow model show that Pace would be out of cash by February, 2007, and the problem only worsens from that point in time. The RTA will need to provide Pace with adequate financing to support operations by January 2007 to avoid operating impacts. The following table shows projected cash flows and the severe financial condition the agency is facing beginning the early part of 2007.

RTA is aware of this serious issue and is working on a financing solution. At this period in time, we are optimistic that a solution will be found and that no service interruptions will occur.

Table 29. Pace Combined Cash Flow—2007 (000's)

	Beginning Balance	Revenues	Expenses	Net Results	Ending Balance
January	\$ 21,438	\$ 14,574	\$ 21,162	\$ (6,588)	\$ 14,850
February	14,850	11,535	21,162	(9,627)	5,223
March	5,223	12,889	21,162	(8,273)	(3,050)
April	(3,050)	15,030	21,162	(6,132)	(9,182)
May	(9,182)	12,817	21,162	(8,345)	(17,527)
June	(17,527)	11,276	21,162	(9,886)	(27,413)
July	(27,413)	11,339	21,162	(9,823)	(37,236)
August	(37,236)	12,483	21,162	(8,679)	(45,915)
September	(45,915)	26,157	21,162	4,995	(40,920)
October	(40,920)	24,911	22,362	2,549	(38,370)
November	(38,370)	26,336	21,162	5,174	(33,196)
December	(33,196)	25,628	24,207	1,421	(31,775)

Appendix C: Fares

Pace Fare Structure

The following tables present the fare structures for Pace's Suburban Services. There are no fare changes proposed in the 2007 Budget for fixed route, and dial-a-ride services. Vanpool fares will increase in 2007. Proposed changes are presented in the Vanpool Fare schedule—Table 31.

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. Information on Regional ADA Paratransit fares are included in the ADA section of the document.

Table 30. Pace Fare Structure

	Full Fare	Current Fares	Reduced Fare
REGULAR FARES			
Full Fare	\$ 1.50		\$.75
Transfer to Pace*	\$.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*	\$.50		\$.25
Local 10 Ride Plus Ticket	\$ 12.50		\$ 6.00
EXPRESS FARES			
Premium (Routes 355, 426, 835 and 855)	\$ 3.00		\$ 1.50
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
Subscription Bus (1000 series)	\$ 3.00		
Shuttle Routes (No Reduced Fares)	\$ 1.00		
Shuttle Routes 535 and 921	\$ 0.50		
Shuttle Routes 205, 206, 207, and 712	\$ 0.25		
Transfer to Pace	\$ 1.75		

*Effective January 1, 2006, CTA discontinued acceptance of transfers.

**Local transfers are free of charge.

Table 31. 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	\$ 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

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

Proposed (Effective January 1, 2007)

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	\$ 93	\$ 82	\$ 70	\$ 60	\$ 60	\$ 60
21-30 Miles	\$ 97	\$ 86	\$ 74	\$ 62	\$ 60	\$ 60
31-40 Miles	\$101	\$ 90	\$ 79	\$ 65	\$ 60	\$ 60
41-50 Miles	\$106	\$ 95	\$ 82	\$ 68	\$ 60	\$ 60
51-60 Miles	\$110	\$ 99	\$ 86	\$ 71	\$ 62	\$ 60
61-70 Miles	\$114	\$103	\$ 89	\$ 74	\$ 64	\$ 60
71-80 Miles	\$118	\$108	\$ 93	\$ 77	\$ 66	\$ 60
81-90 Miles	\$121	\$111	\$ 96	\$ 80	\$ 68	\$ 60
91-100 Miles	\$124	\$114	\$ 99	\$ 83	\$ 70	\$ 62
101-110 Miles	\$127	\$117	\$102	\$ 86	\$ 72	\$ 64
111-120 Miles	\$132	\$120	\$105	\$ 89	\$ 74	\$ 66
121-130 Miles	\$135	\$123	\$108	\$ 93	\$ 76	\$ 68
131-140 Miles	\$138	\$127	\$111	\$ 96	\$ 78	\$ 70
141-150 Miles	\$141	\$130	\$114	\$ 99	\$ 80	\$ 72
151-160 Miles	\$144	\$133	\$117	\$102	\$ 82	\$ 74

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

Fares are based on 21 work/commute days per month (approximately 5 work/commute days per week). Fares will be adjusted to accommodate van operation which is consistently greater or fewer than 21 work days per month.

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

Proposed Fare increase to Vanpool Shuttle Programs for 2007

Program	Current Fare	Increase	Proposed Fare
Advantage	\$ 355	\$ 10	\$ 365
Non-Profit	\$ 615	\$ 20	\$ 635
Shuttle	\$ 825	\$ 25	\$ 850
Non-Emergency Medical	\$ 825	\$ 25	\$ 850
Municipal	\$ 270	\$ 10	\$ 280
VIP Metra Feeder/Per Rider	\$ 45	\$ 3	\$ 48

Appendix D: Characteristics and Trends

Characteristics

Background data on the Pace market is provided below:

Fixed Route Service

Number of Fixed Routes (August, 2006)	233
• Regular Routes	158
• Feeder Routes	56
• Shuttle Routes	14
• Subscription Services	2
• Seasonal Routes	3

Number of Accessible Routes	233
Peak Period Vehicle Requirements	607
Pace-owned Fleet Size	680
Number Accessible	680
Average Vehicle Age	6.4 years
Contractor Owned Vehicles in Pace service	40
Number of Private Contractors	4
Number of Pace-owned Garages	11
Number of Pace Municipal Contractors	2

Dial-A-Ride Paratransit

Number of Communities Served	210
Number of Local Dial-A-Ride Projects	62
Pace-owned Fleet Size (Includes Suburban ADA)	364
Average Vehicle Age	4.2 years

Vanpool

Vans in Service (August, 2006)—VIP	237
Vans in Service (August, 2006)—Corporate Shuttle	21
Vans in Service (August, 2006)—Advantage	282
Vans in Service (August, 2006)—Municipal	88
Total Vans in Service	628
Average Vehicle Age	2.6 years

Other

Number of Pace Employees (Includes ADA Staff)	1,438
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Ridership (000's)

	2005 Actual	2006 Estimate	2007 Budget
Fixed Route	33,770	34,173	35,053
ADA	459	N/A	N/A
DAR/Ride DuPage	1,122	1,160	1,190
Vanpool	1,529	1,815	2,057
Total Suburban Service	36,879	37,148	38,301
Regional ADA	N/A	1,734	3,253
Total System	36,879	38,881	41,554

Vehicle Miles

	2005 Actual	2006 Estimate	2007 Budget
Fixed Route	24,649	24,793	25,597
ADA	4,403	N/A	N/A
DAR/Ride DuPage	4,047	3,994	4,076
Vanpool	9,315	10,769	12,207
Total Suburban Service	42,413	39,556	41,880
Regional ADA	N/A	4,521	4,980
Total System	42,413	44,077	46,860

Vehicle Hours

	2005 Actual	2006 Estimate	2007 Budget
Fixed Route	1,628	1,646	1,698
ADA	300	N/A	N/A
DAR/Ride DuPage	266	272	278
Vanpool	N/A	N/A	N/A
Total Suburban Service	2,194	1,918	1,976
Regional ADA	N/A	313	339
Total System	2,194	2,231	2,315

Trends

Ridership (000's)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1997	34,159	1,246	337	1,117	37,859	0.9%
1998	36,544	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	33,770	1,122	459	1,529	36,879	7.3%
2006 Est.	34,173	1,160	493	1,815	37,640	2.1%

Vehicle Miles (000's)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
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	24,649	4,047	4,403	9,315	42,413	3.4%
2006 Est.	24,793	3,994	4,521	10,769	44,077	3.9%

Recovery Ratio (*Recovery rate excludes Advantage contributions)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
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*	44.92%	69.58%	12.67%	106.44%	34.90%	-0.9%
2006 Est*	36.30%	68.78%	12.55%	114.36%	32.09%	-8.1%

Cost Per Mile (*Fixed route excludes healthcare costs in 2005 and 2006)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
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	\$2.93*	\$3.38	\$2.84	\$0.27	\$3.76	4.7%
2006 Est.	\$3.08*	\$3.57	\$3.00	\$0.28	\$3.88	3.2%

Cost Per Passenger (*Fixed route excludes healthcare costs in 2005 and 2006)

	Fixed Route	DAR	ADA	Vanpool	Total	% Change
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	\$2.14*	\$12.18	\$27.21	\$1.66	\$4.33	0.9%
2006 Est.	\$2.21*	\$12.29	\$27.49	\$1.66	\$4.55	5.1%

Subsidy Per Trip (*Fixed route excludes healthcare costs in 2005 and 2006)

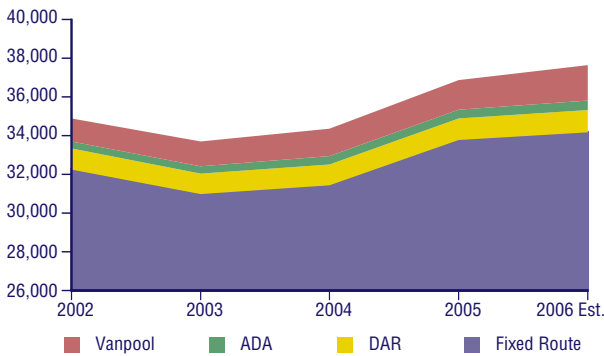
	Fixed Route	DAR	ADA	Vanpool	Total	% Change
1997	\$1.03	\$3.05	\$17.98	\$0.24	\$1.79	-0.6%
1998	\$1.01	\$3.30	\$18.52	\$0.03	\$1.74	-2.8%
1999	\$1.01	\$3.49	\$18.87	(\$0.07)	\$1.78	2.3%
2000	\$1.11	\$3.72	\$19.97	\$0.01	\$1.89	6.2%
2001	\$1.16	\$3.91	\$21.13	\$0.01	\$2.04	7.9%
2002	\$1.26	\$3.98	\$23.44	(\$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	\$1.18*	\$3.71	\$23.76	(\$0.11)	\$2.82	1.4%
2006 Est.	\$1.41*	\$3.84	\$24.04	(\$0.24)	\$3.09	9.6%

Appendix E: Performance Comparisons

Pace Performance

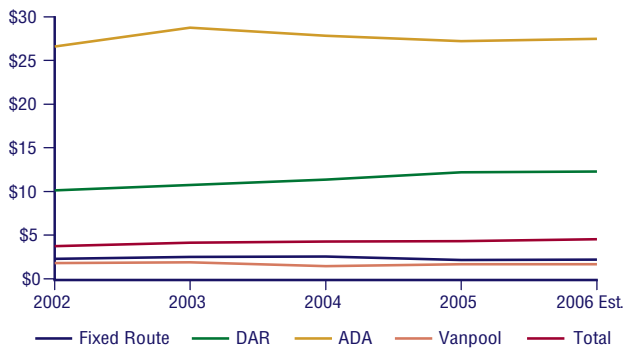
The following describes Pace's operational performance for the last five years. Data for six key transit performance indicators is provided.

Chart H. Ridership



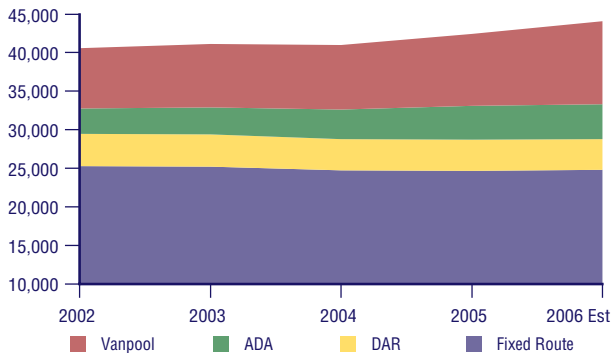
Pace ridership is expected to reach 37.7 million riders in 2006, or 2.1% over levels achieved in 2005. Ridership has been on a steady rise since 2003. Expansion of the van-pool and ADA programs and acceptance of the CTA 7-day pass are contributing to the growth.

Chart I. Cost Per Passenger



Pace's total cost per passenger has increased at an annual compound rate of 6.7% per year since 2002. In general, costs are growing at a faster rate than ridership. Significant increases in fuel and insurance costs are factors driving expense growth. The total cost per trip in 2006 is estimated at \$4.55, up 5.1% over 2005.

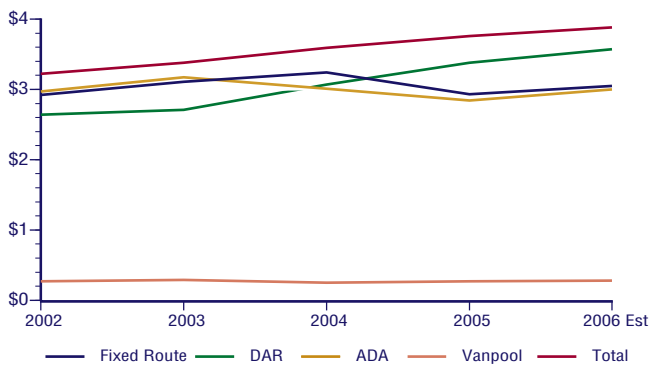
Chart J. Vehicle Miles



The overall steady rise in total miles since 2002 is due to the significant growth in vanpool service, as well as increased mileage for Suburban ADA. Total vehicle miles will reach 44 million in 2006.

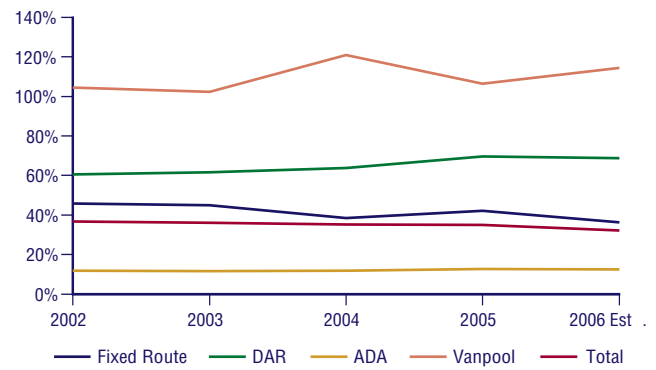
Pace Performance Trends

Chart K. Cost Per Mile



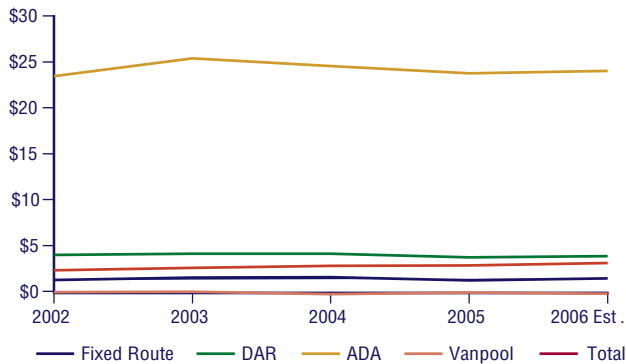
The total cost per vehicle mile increased at an average rate of 5% annually primarily due to increases in fuel, health care and service restructuring expenses.

Chart L. Recovery Ratio



The total recovery rate for 2006 is estimated at 32.09% (without allowances). Pace's recovery rate for fixed route services has declined since 2002 as expenses have grown faster than revenues. Pace has not increased fixed route fares since 2002.

Chart M. Subsidy Per Trip



Total subsidy per trip has increased from \$2.29 in 2002 to \$3.09 in 2006. The increase is due to a combination of rising costs per passenger compared to stable fare levels.

Peer Performance Comparison

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

RTA's peer group includes the following systems:

Long Island Bus (MTA) – New York, NY

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

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

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

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

Service Efficiency

Operating Expense per Revenue Hour

Operating Expense per Revenue Mile

Cost Effectiveness

Operating Expense per Passenger

Operating Expense per Passenger Mile

Service Effectiveness

Passengers per Revenue Hour

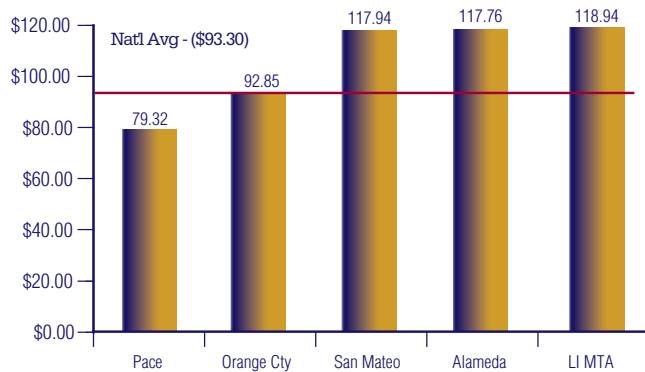
Passengers per Revenue Mile

The following charts are prepared using 2004 National Transit Database (NTD) data, which is the latest year data available at this writing.

Peer Performance Comparison

Service Efficiency

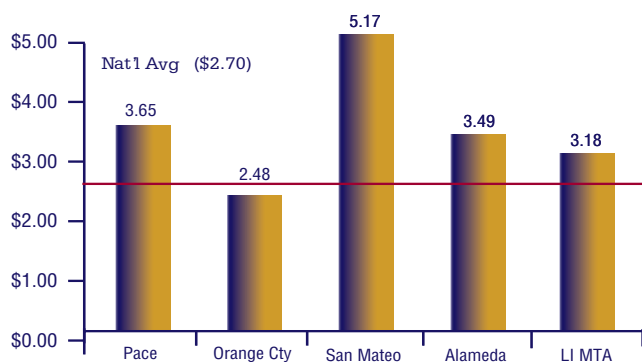
Chart N. Operating Expense per Revenue Hour



Service efficiency, as measured by the performance ratios operating expense per total revenue hour and revenue mile, shows Pace to be the most efficient compared to all peers in this group. Pace is also outperforming the marks for the national average. At \$79.32, Pace’s cost per hour is 14.6% less than the nearest peer—Orange County (LA). Pace’s costs are also \$13.98 per hour or 15.0% less than the national average for this performance measuring category.

Cost Effectiveness

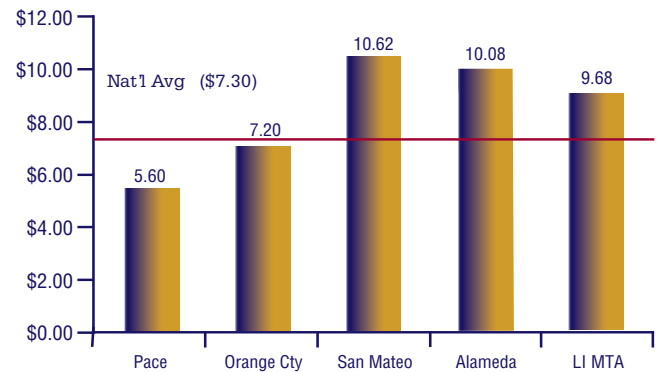
Chart P. Operating Expense per Passenger



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

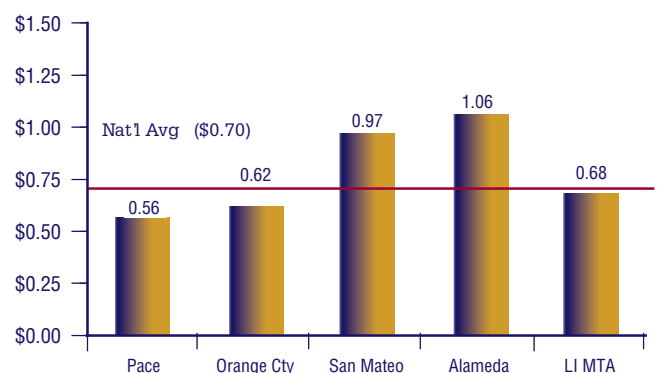
At \$3.65, Pace’s operating expense per passenger is the second highest next to San Mateo (SF). Excluding

Chart O. Operating Expense per Revenue Mile



Pace’s operating expense per mile is also well below everyone in this peer group. At \$5.60 per mile, Pace’s cost is \$1.60 per mile or 22.2% below the nearest peer, Orange County (LA), and \$1.70 per mile or 23.3% below the national average.

Chart Q. Operating Expense per Passenger Mile

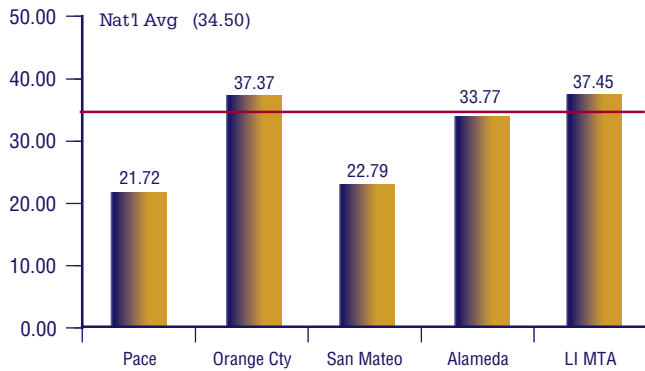


Orange County (LA), Pace and all suburban bus peers exceeded the 2004 average national expense per passenger of \$2.70.

At \$0.56, 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.

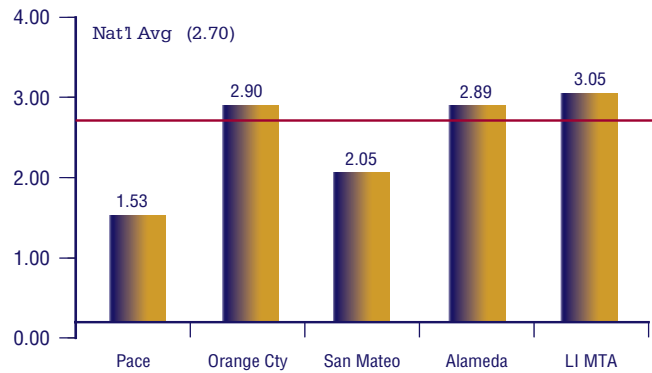
Service Effectiveness

Chart R. Passengers per Revenue Hour



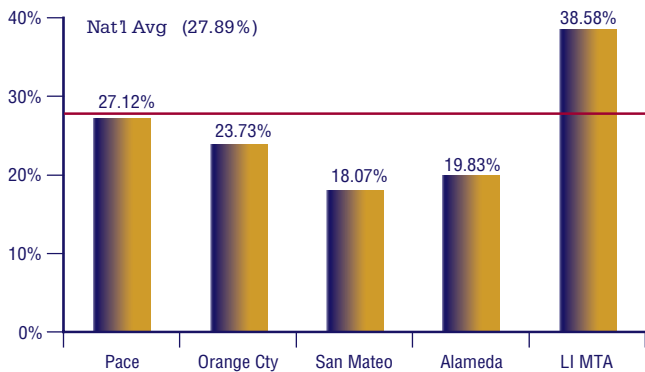
Service effectiveness, as measured by the performance ratios passengers per total revenue hour and passenger miles per total revenue mile, show Pace to have the lowest performance ratios compared to everyone in this group, including the mark for the national average. The size of the service area directly 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.

Chart S. Passengers per Revenue Mile



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

Chart T. Farebox Recovery Ratio

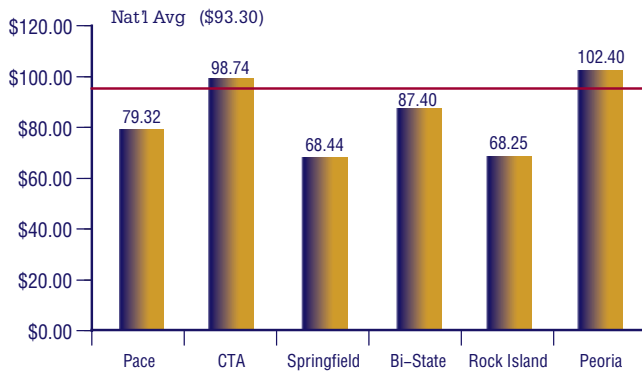


Pace's bus only farebox recovery rate of 27.12% is slightly lower than the national average bus ratio of 27.89%. However, Pace outperformed Orange County, San Mateo and Alameda (AC Transit/Oakland).

State/Local Government Performance Comparison

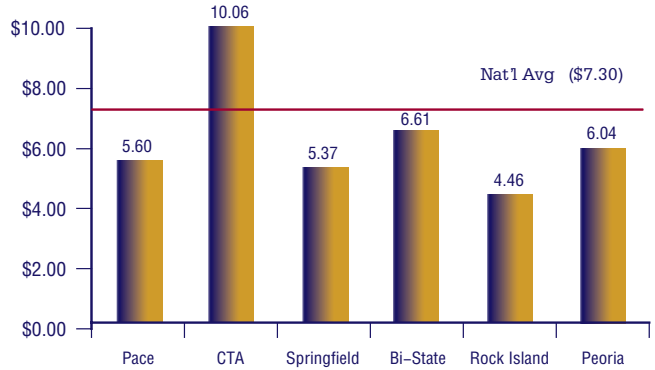
Service Efficiency

Chart U. Operating Expense per Revenue Hour



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

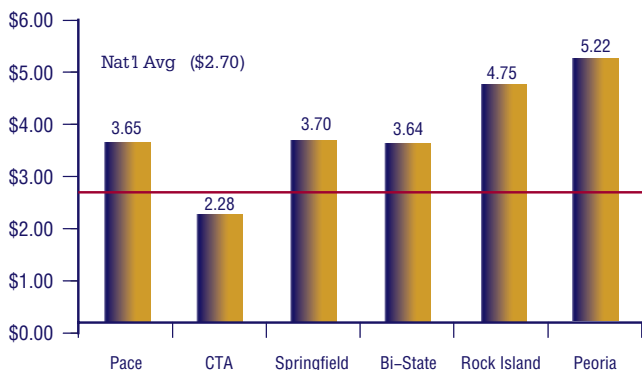
Chart V. Operating Expense per Revenue Mile



At \$5.60, Pace's expense per revenue mile is \$1.70 below the national average. CTA's cost per revenue mile exceeds Pace's by \$4.46 per mile.

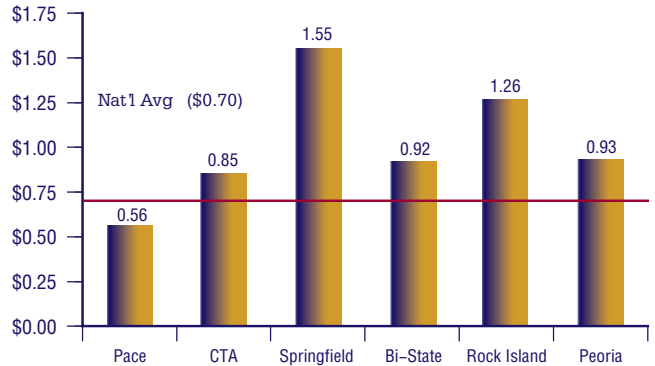
Cost Effectiveness

Chart W. Operating Expense per Passenger



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

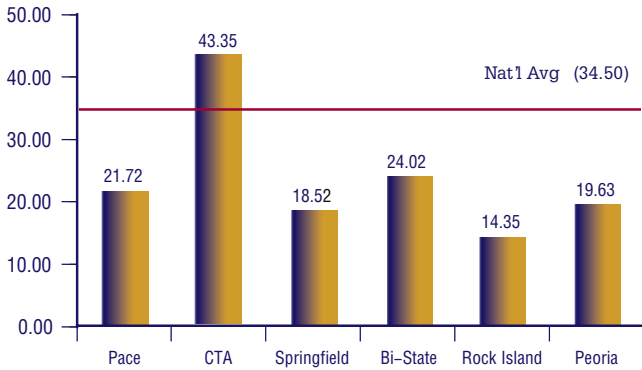
Chart X. Operating Expense per Passenger Mile



Pace's operating expense per passenger mile is well below everyone in this peer group. In addition, Pace's cost is 20.0% lower than the national bus average.

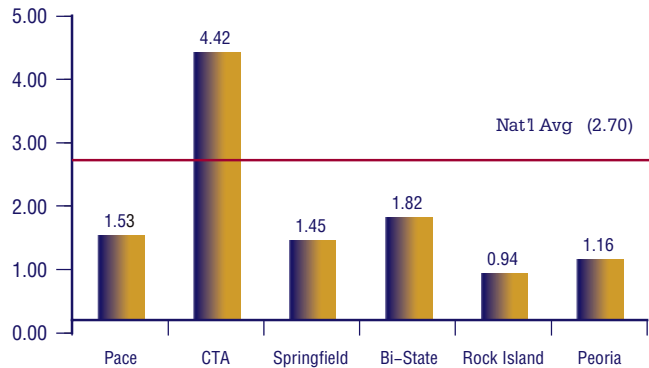
Service Effectiveness

Chart Y. Passengers per Revenue Hour



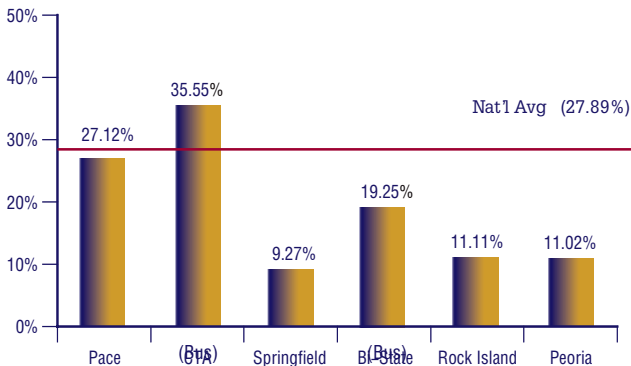
When compared to other Illinois transit operators, Pace’s service effectiveness, as measured by passengers per revenue hour and per revenue mile, is comparable. At approximately 21.7 passengers per revenue hour, Pace service outperforms Springfield, Rock Island and Peoria. Higher density markets, such as St. Louis (Bi-State) and Chicago (CTA) performed better.

Chart Z. Passengers per Revenue Mile



At 1.53 passengers per revenue mile, Pace surpasses Springfield, Rock Island and Peoria, however, the higher population density markets, St. Louis (Bi-State) and Chicago (CTA), have 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 35.5%—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.

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Appendix F: 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 Chicago Metropolitan Agency for Planning (CMAP), formerly 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

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.

In order to realize Vision 2020, Pace staff has engaged in the first of a series of strategic planning efforts. Pace staff has developed the following future picture:

As of January, 2011, Pace is a diversified and market leading public transportation provider offering a flexible family of transit and transit supportive services in North-eastern Illinois. Pace has stable and reliable public and private investments to enable provision of an innovative family of services which meet the full range of community transit needs. Our strong culture, values, and beliefs guide our talented and committed employees. We develop the best understanding of our customers' transportation needs and deliver innovative and reliable solutions.

As this budget document points out Pace is clearly at a strategic inflection point in time, funding and politics; we now have opportunities that previously did not exist and, conversely, processes that worked for years are no longer of value. We have identified internal and external elements that are key to achieving this future picture and systematically divided them into three phases that build on each other so that the future picture can be realized. The first phase which focuses on our legislative effort and our communications program is scheduled for completion during fiscal year 2007. Future phases are dependent on the successful achievement of these campaigns and will be defined more clearly in future budget documents.

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 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 under-utilized 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 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)

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 implemented 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 serving Westfield Fox Valley with shuttle service. 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 (2004/2005)

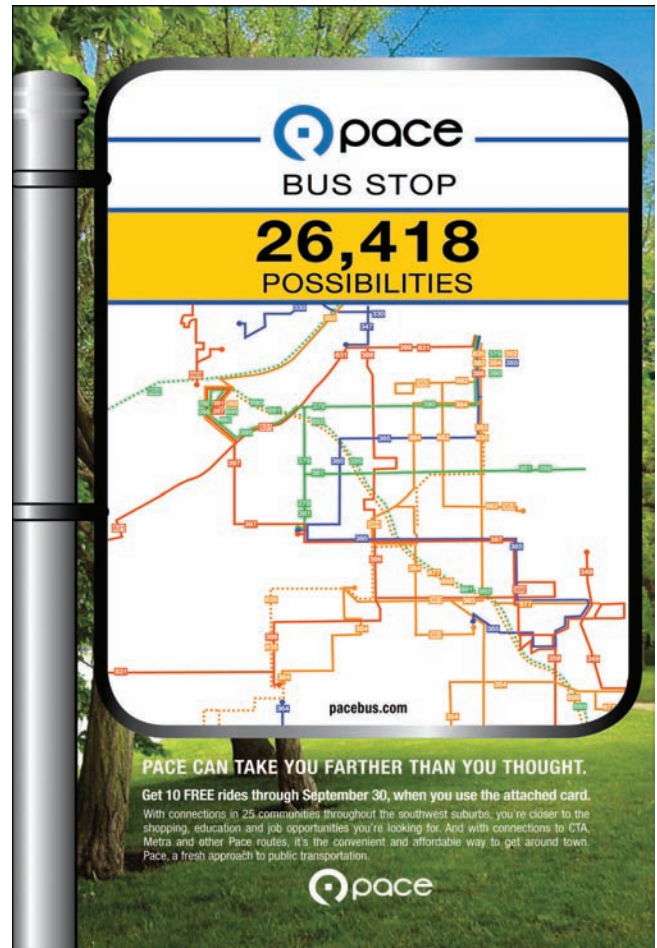
Pace, in cooperation with Metra and the Lake Cook Transportation Management Association, is investigating shuttle service options for employment sites located near Metra's North Central Service stations. Metra's increase in service on the North Central line (including trips that could serve a city-to-suburb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

South Cook – Will County Initiative (2005/2007)

In the fall of 2005, Pace began 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 are 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 is supported by Census data and extensive regionwide market research.

As of fall 2006, market analysis is in progress, with the planning tool and a competitive positioning report to be delivered before the end of the year. More than 7,000 completed Public Involvement Comment Cards have been received from riders and constituents of organizations and municipalities in the South Cook County – Will County area. The revised running and layover times for all Pace South Division service have been developed to combat the serious schedule adherence problems in this part of the region.

During 2007, Pace will use data and input collected this year to develop service concepts and plans for the



An example of the media created for the local campaigns. Media also included billboards, direct mail, door hangers, radio traffic sponsorships and web banners.

South Cook County – Will County area. Two rounds of public meetings will take place in addition to formal public hearings before Pace implements service changes; the Initiative's four advisory committees will also review all work. Service changes should begin to take effect in late 2007.

Future Restructuring Initiatives

The following initiatives are planned:

- West Cook/Elgin (2007/2008)
- North Lake/McHenry (2008)
- North/NW Cook (2008/2009)

Future Support Initiatives

The following support initiatives are also forthcoming.

Regionwide Transit Signal Priority (TSP) (2005/2007)

Pace is aggressively pursuing a regional TSP program for implementation of TSP along major arterial routes. The project includes traffic characteristics data collection, prioritization of Pace routes/corridors for future TSP implementation within the Pace service area, design of region wide system architecture, developing cost estimates, and identifying the performance measures and evaluation strategies for future region wide TSP deployment.

Harvey Transportation Center Transit Signal Priority (TSP) (2005/2007)

This initiative will implement TSP in the vicinity of the Harvey Transportation Center. The project will determine the appropriate approach to upgrade and modernize 25-30 existing traffic signals along 154th Street, US 6 and Halsted Street to facilitate TSP. The project also includes Optimization of signal timing plans and simulation before and after condition to evaluate the impact of TSP on the corridor traffic. Implementation of TSP in this vicinity will greatly improve the service reliability of Pace routes and enhance the terminal transit operation.

Express Bus Network (2006/2007)

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 (2006/2007)

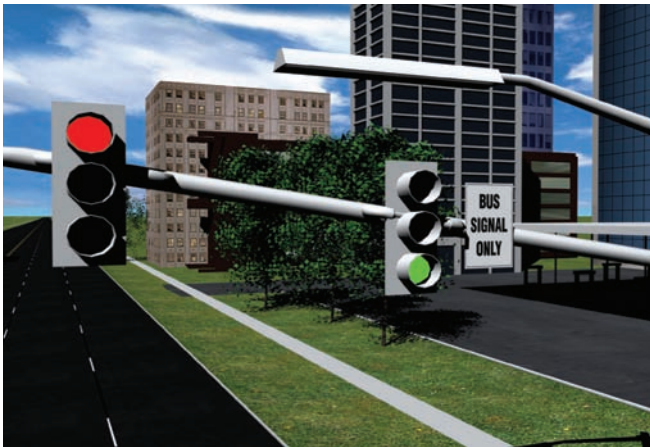
Bus Rapid Transit (BRT) is a flexible rubber-tired rapid-transit mode that combines stations, vehicles, services, running ways and intelligent transportation system elements into an integrated system with strong positive identity that evokes a unique image. This initiative is developing Pace's Arterial Rapid Transit Network for the Region or PARTNER Program. Pace's Arterial Rapid Transit Network serves as the high-quality trunk-route frame for Pace's family of services. It is integrated with Pace's Express Bus Service to provide regional connectivity. It is supported by Pace's integrated community services as its feeder service. PARTNER Program's goals are to connect the region's suburban centers, serve growing non-traditional travel demand directions of N-S and E-W, reduce travel time, and improve reliability and frequency. Arterial Rapid Transit routes operate on major arterials, mostly in mixed traffic, employing queue jump lanes and TSP to increase travel speed. It operates with branded fleet of low floor buses, and offers improved passenger amenities, among them real time bus arrival information. This initiative will develop an implementation program for the regional Arterial Rapid Transit network.



BRT vehicle concept design.

Queue Jump Initiative (2007)

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.

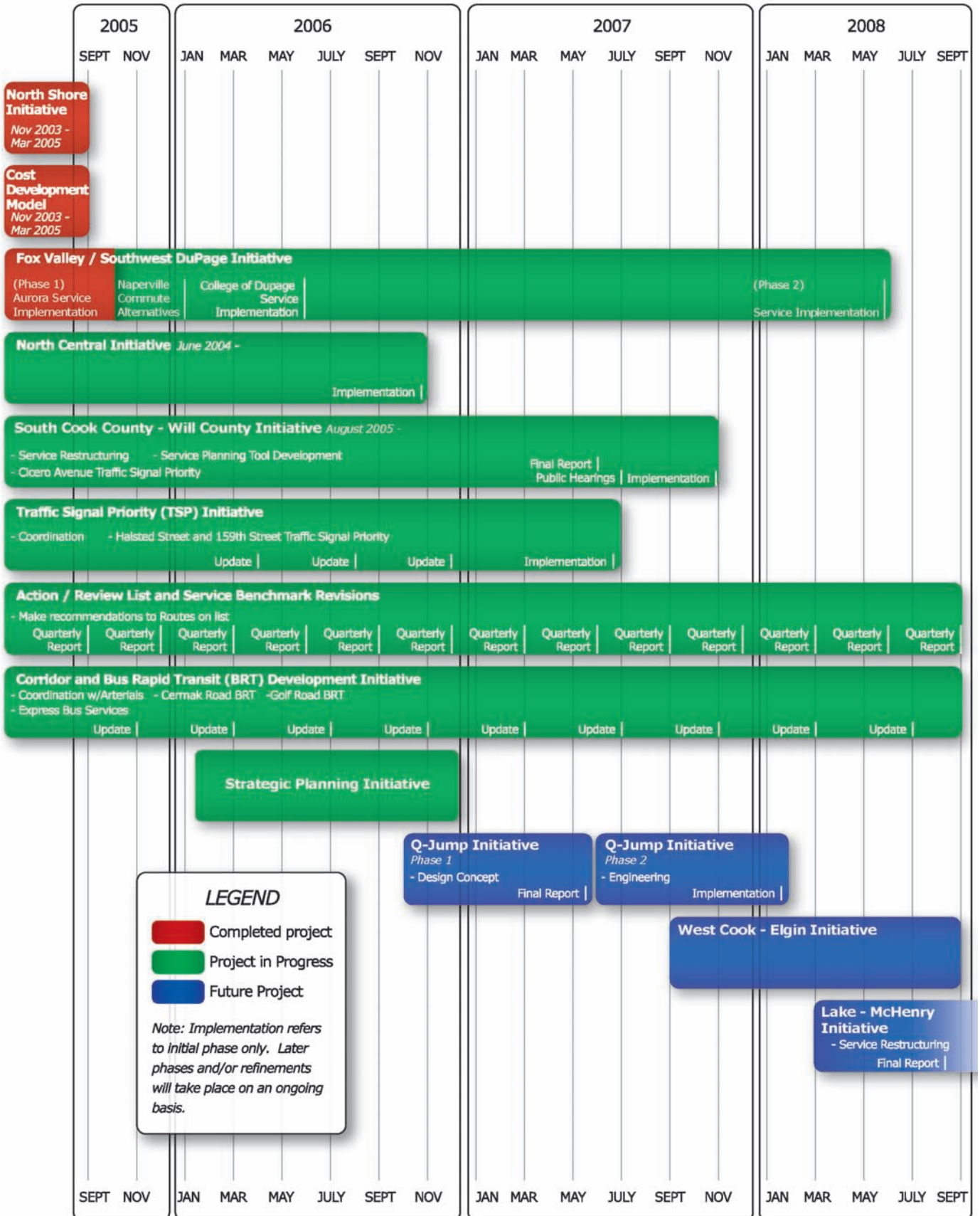


Transit System Priority (TSP) Concept



Queue Jump Lane Concept

Chart BB. Restructuring Initiatives Calendar



Marketing and Communications Plan

Pace's 2006 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 analyses and information 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.

Marketing Strategies

Pace's 2007 marketing focus will continue to be a tactical local awareness campaign. Marketing initiatives will focus upon educating the public about using Pace's services and the availability of Pace services. An emphasis will be made to identify and communicate the value of public transportation to both riders and non-riders.

The emphasis will be upon 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 areas of Pace's region, particularly at the county level.

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
- Arterial Rapid Transit
- Vanpool and Rideshare Programs
- Spanish-Language Outreach
- Student Outreach
- Event/Festival Participation



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AT LEAST SOX AND CUBS FANS HAVE ONE THING IN COMMON.

Pace Go Go Sox Express

Pace Cubs Roundtripper

Take Pace to and from most White Sox and Cubs home games. It's just \$7.50 roundtrip, or \$5 each for groups of six or more. For schedule and departure locations, call 847-364-PACE (7223) or visit pacebus.com.

Ad used to promote existing special events service from the North suburbs as well as Southern departure points for the new Sox service.

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Appendix G: System Overview

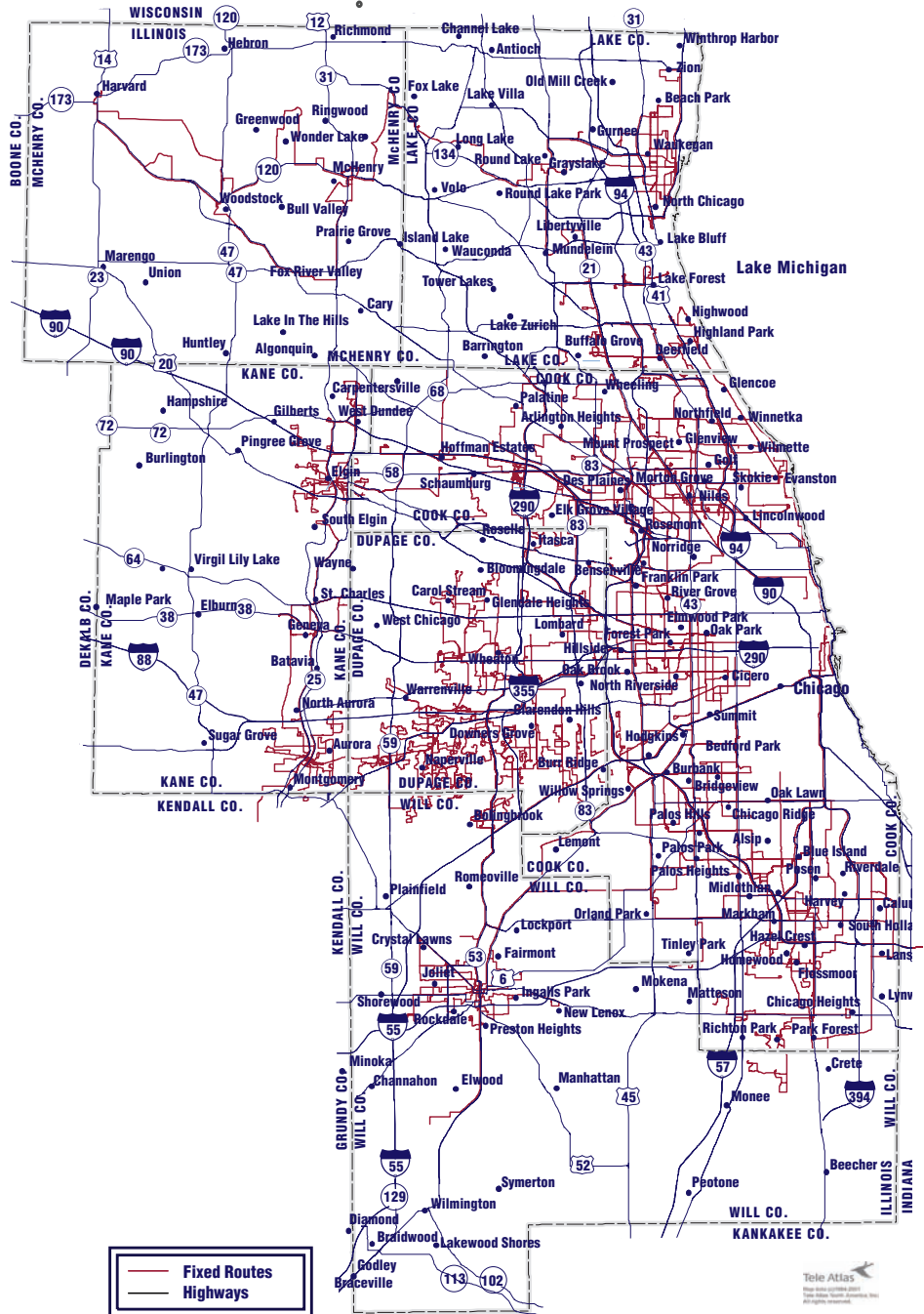
Fixed Route Characteristics

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

Fixed Route Service

158 regular, 56 feeder routes, 14 shuttle routes, 2 subscription services, numerous special event services, and 3 seasonal routes are operated by Pace. These routes service 184 communities and carry over 2.81 million riders per month utilizing 607 vehicles during peak periods.

Map 2. Fixed Route Service Characteristics



Pace System Infrastructure

Over the past 22 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 infrastructure investments 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, 1966
- 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 Transportation Center

Hodgkins

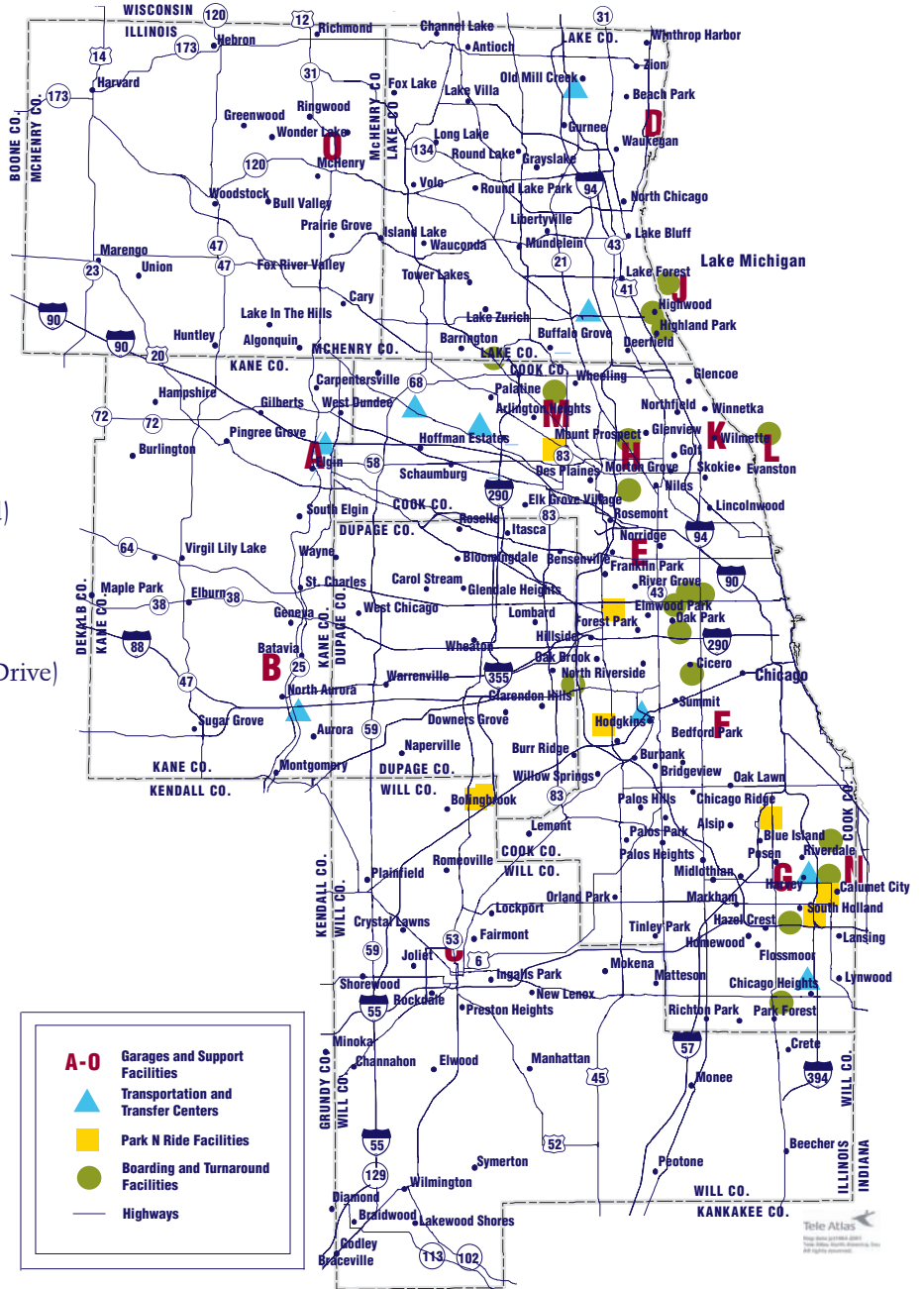
● Boarding and Turnaround Facilities

- 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 4. Pace System Garage and Support Facilities



Pace Rolling Stock—Active Fleet

Table 32. Pace Rolling Stock Active Fleet

Fixed Route (Fully Accessible)

Manufacturer	Year	No. of Vehicles	Age	Length
Ikarus	1992	15	14	40'
Orion	1992	21	14	35'
Orion	1993	83	13	40'
Chance	1995	15	11	26'
Nova	1996	22	10	40'
Eldorado	1997	56	9	29'
NABI	1999	30	7	35'
NABI	1999	22	7	40'
Chance Trolleys	2000	7	6	25'
Orion	2000	32	6	40'
Orion	2001	121	5	40'
MCI	2002	8	4	40'
NABI	2003	84	3	35'
NABI	2003	98	3	40'
Orion	2004	6	2	40'
NABI	2005	60	1	40'
Total		680		
Average Age			6.4 years	



Paratransit (Fully Accessible)

Manufacturer	Year	No. of Vehicles	Age	Length
Chance Buses	1995	3	11	26'
Eldorado Vans	2000	2	6	19'
Eldorado Vans	2001	83	5	19'
Eldorado Buses	2001	117	5	23'
Eldorado Buses	2002	50	4	23'
Eldorado Vans	2002	18	4	19'
Eldorado Buses	2003	31	3	23'
Eldorado Vans	2003	15	3	19'
Eldorado Buses	2004	37	2	23'
Eldorado Vans	2004	8	2	19'
Total		364		
Average Age			4.2 years	



Vanpool

Manufacturer	Year	No. of Vehicles	Age	Length
Vans	1996	1	10	Various
Vans	1997	3	9	Various
Vans	1998	14	8	Various
Vans	1999	4	7	Various
Vans	2000	57	6	Various
Vans	2001	46	5	Various
Vans	2002	84	4	Various
Vans	2003	177	3	Various
Vans	2004	30	2	Various
Vans	2005	158	1	Various
Vans	2006	145	0	Various
Total		719		
Average Age			2.6 years	



Ridership

The following table identifies projected ridership changes by operating element for years 2005 through 2009.

Table 33. Pace 2007-2009 Ridership Projections

(000's)	2005 Actual	2006 Estimated	% Change	2007 Projected	% Change	2008 Projected	% Change	2009 Projected	% Change
Pace Owned Carriers	30,622	31,029	1.3%	31,650	2.0%	32,283	2.0%	32,606	1.0%
CMAQ Service	182	110	(39.6)%	309	180.9%	433	40.1%	440	1.6%
Public Carriers	1,026	1,054	2.7%	1,075	2.0%	1,096	2.0%	1,107	1.0%
Private Carriers	1,940	1,979	2.0%	2,019	2.0%	2,059	2.0%	2,080	1.0%
Total Fixed Route	33,770	34,173	1.2%	35,053	2.6%	35,872	2.3%	36,233	1.0%
Dial-a-Ride	1,061	1,098	3.5%	1,125	2.5%	1,148	2.0%	1,159	1.0%
ADA Paratransit	459	-	(100)%	-	-	-	-	-	-
Ride DuPage	61	62	1.6%	65	4.8%	72	10.8%	79	9.7%
Vanpool	1,529	1,815	18.7%	2,057	13.4%	2,306	12.1%	2,588	12.2%
Suburban Service Total	36,879	37,148	.7%	38,300	3.1%	39,398	2.9%	40,059	1.7%
Pace ADA Paratransit Service	-	493	100%	517	4.9%	548	6.0%	580	5.8%
CTA ADA Paratransit Service	-	1,241	100%	2,736	120.5%	3,010	10.0%	3,311	10.0%
Regional ADA Paratransit Service	-	1,734	100%	3,253	87.6%	3,558	9.4%	3,891	9.4%
Combined Pace Service	36,879	38,882	5.4%	41,553	6.9%	42,955	3.4%	43,950	2.3%

In 2006, reported ridership took on a new look, with services separated into two categories—Suburban Service and Regional ADA Paratransit Service. For 2006, Pace Suburban Service ridership continues to rise. Growth is estimated at 0.7% for 2006, however, after adjusting the 2005 results to exclude the ADA riders that are no longer reported in the Suburban Service section, the actual growth is greater than 2.0%. Adjusted growth for 2006 will net an additional 727,000 riders. Acceptance of the CTA's 7-day pass continues to have a favorable affect on Pace ridership. The largest share of the growth is occurring in the fixed route component which accounts for 403,000 or 1.1% of the growth. Growth is expected to continue in Pace's vanpool program adding 286,000 rides, combined with the increases in Dial-a-Ride and the Ride DuPage program of 38,000, will essentially account for the balance of the Suburban Service ridership growth in 2006. The Regional ADA ridership is forecasted to grow at a much higher rate than most other ridership groups. Pace estimates to provide a total of 1,734,000 ADA trips with 493,000 suburban trips and 1,241,000 trips in the City of Chicago.

For 2007, Suburban Service ridership is projected to grow by 1.152 million riders or 3.1%. Fixed route is projected to continue to grow at 2.0% and will account for 880,000 or 2.4% of the total growth for Suburban Service ridership. Continued expansion of the vanpool program is planned with ridership growth forecasted at 13.4% or 242,000 trips. This growth will account for the remaining 0.7% of the total growth for Suburban Service ridership. In 2007, Regional ADA Paratransit service ridership will increase 87.6%, with Suburban ADA increasing 4.9% and City ADA increasing 120.5%. The jump in 2007 ADA ridership reflects a full year of Chicago ADA Paratransit service compared to the six months of service provided by Pace in 2006.

Ridership is projected to grow at a more modest rate for the outlying years—2008 and 2009. Annual growth rates of 2.9% and 1.7% in Suburban Service ridership are forecasted for the outlying years. Continued expansion of the vanpool programs is also anticipated for 2008 and 2009, with an average ridership growth of 265,000 annually. Regional ADA ridership is forecasted to grow in excess of 9.0%, comparable to the anticipated growth in demand for ADA Paratransit services in 2008 and 2009.

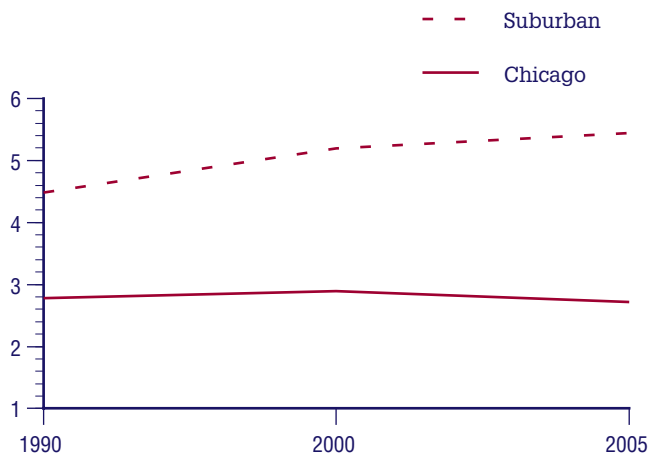
Operating Environment

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 5.5 million in 2005. 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 2005, 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 2005.

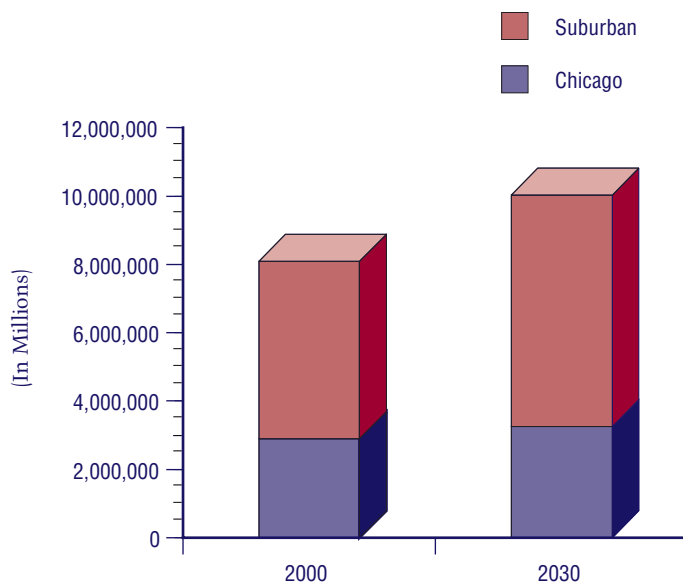
Chart CC. 1990 to 2005 Regional Population



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, 1.6 million new residents will accrue to Pace's service region while Chicago's population will increase by 0.4 million new residents.

Chart DD. 2000 to 2030 Regional Population Projection

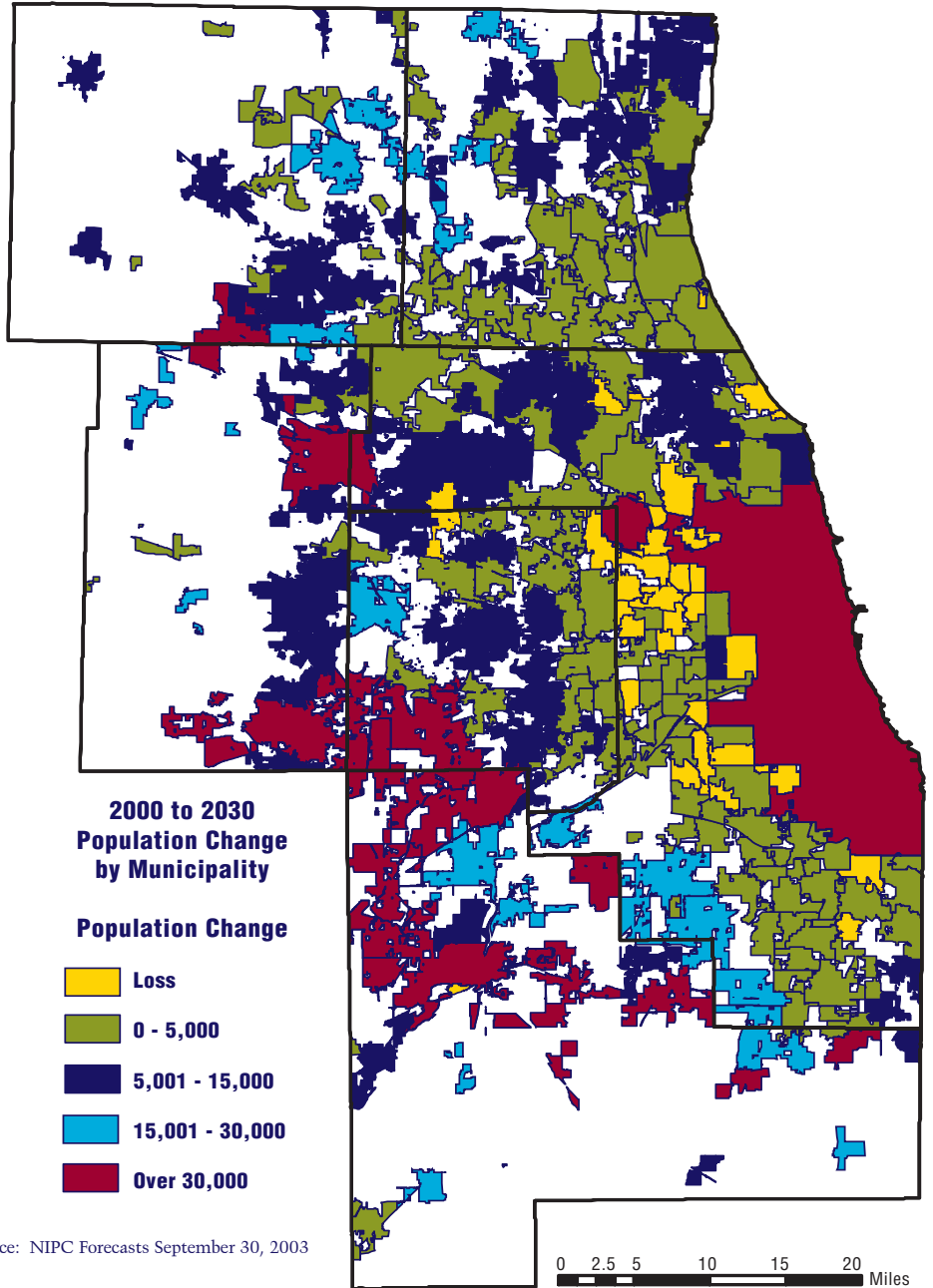


Regional Population Change 2000 to 2030

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 5. Regional Population Change



Source: NIPC Forecasts September 30, 2003

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Employment

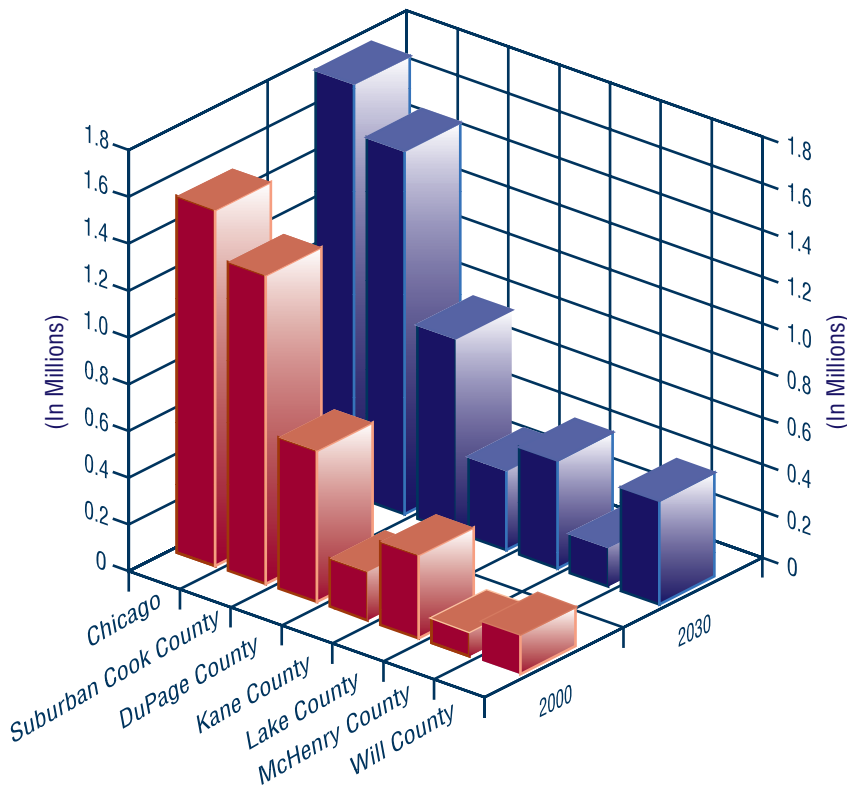
In the decade between 1990 and 2000, the Chicago region gained over 836,000 jobs, over a half million of those jobs (59%) occurred in the suburbs. It is anticipated that future job growth will continue to concentrate in the suburban portion of the region.

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).



Pace constructed two transportation centers at the UPS facility in Hodgkins in 2003. Pace brings over 2,000 employees to the location each day.

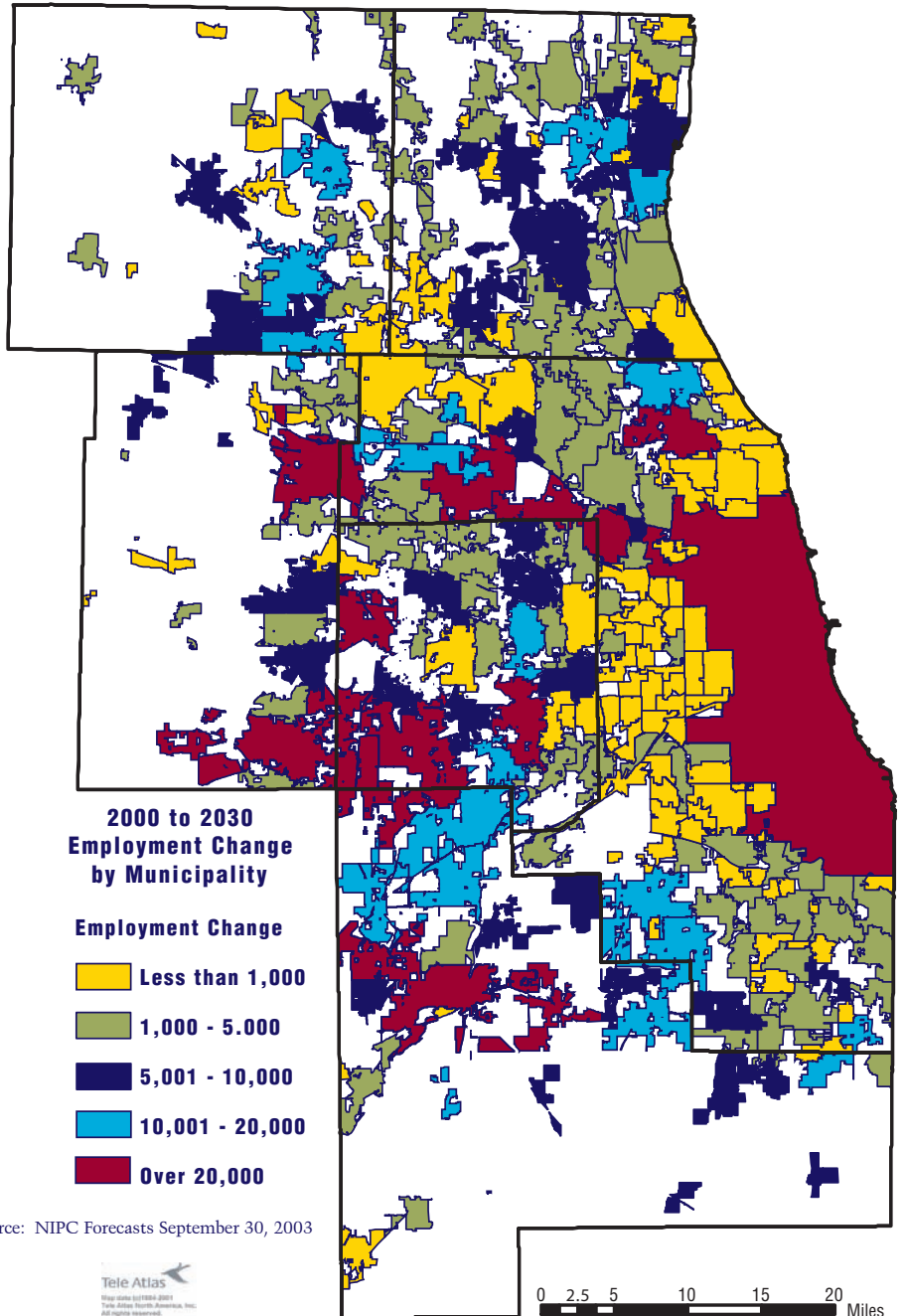
Chart EE. 2000 to 2030 Employment Projection



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 6. 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 2005, Pace conducted numerous technical reviews of proposed developments and road 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 turn-outs, shelters, turn lanes and signal modifications into the road improvement needed to provide faster, more effective service.

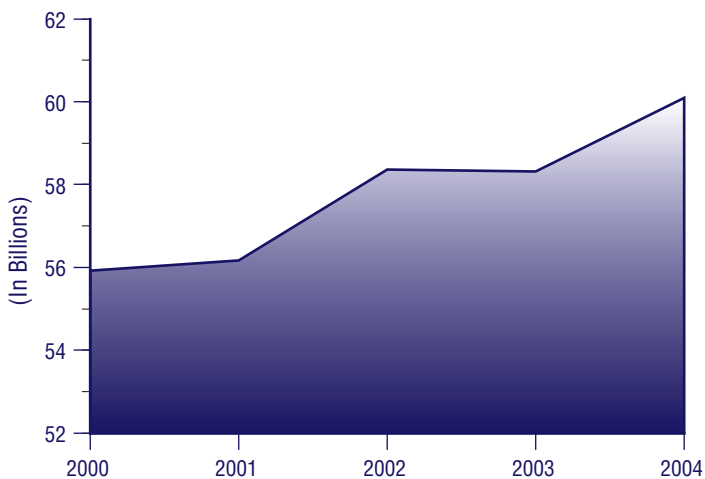


Travel Patterns

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 roads logged 33 billion vehicle miles compared with 23 billion vehicle miles on similar roads in the collar counties. The number of annual vehicle miles traveled increased by 4.2% in Cook County and 11% in the collar counties since 2000.

Chart FF. Annual Vehicle Miles



Suburban traffic congestion continues to grow worse each year.

Appendix H: 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.

With the amendment of the RTA Act in 2005 to address ADA paratransit, specific recovery ratios (10%-2007, 2008 and 12% 2009/beyond) were established for the ADA Paratransit program budget. These recovery ratios are independent of the ratios set by RTA for Pace's suburban service.

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. In order to facilitate public comment on the ADA paratransit program in the City of Chicago, Pace will hold four additional hearings in the City. 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 CMAP (Chicago Metropolitan Agency for Planning) and various transportation committees (TMA's, business chambers) to inform the public of the proposed budget and program. Thousands of copies of this proposed budget document and supplemental brochure 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 FY 2007 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 GG. 2007 Budget Development Calendar

Date (2006)	Event
May 19	Release budget call to Agency management
June 19	Budget call requests due from management
July	Staff develops a preliminary budget
August 2	Review Preliminary 2007 Budget with Pace Board
August 15	Submit Preliminary 2007 Budget to RTA
September 15	RTA scheduled to set 2007 Funding and Recovery Marks
September 16	Staff develops Proposed 2007 Budget per Board directives
October 11	Pace Board releases Proposed 2007 Budget for Public Hearing
October 16-26	Public Hearings on Pace's Proposed 2007 Budget
November 8	Pace Board adopts Final 2007 Budget
November 15	Submit Final 2007 Budget to RTA
November 16	RTA evaluates Pace budget for compliance
December 15	RTA scheduled to approve/adopt 2007 Budget for Pace

Appendix I: 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. Beginning January 1, 2007, Pace will establish a second enterprise fund to account for the financial activities of the Regional ADA Paratransit program.

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 a 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 J: 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 and equipment.
- 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 Comparable transportation service required by the ADA for individuals with disabilities who are unable to use the fixed route transportation services.

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.

Chicago Metropolitan Agency for Planning (CMAP) New regional planning organization which merged Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) into one planning agency.

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.

Demand responsive service Non-fixed route service utilizing vans and small buses based on demand activation or calls from passengers to Pace. Vehicles are dispatched to pick up passengers and transport them to their destinations.

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 Service The category referring to the combination of Suburban and the City of Chicago 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.

Special Service Another name for "Paratransit Service."

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.

TAP The taxi access program operated in the City of Chicago. The program provides subsidized taxi service to ADA eligible riders.

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 A group of 5 to 15 people who commute to and from work together in a Pace-owned van. Pace offers several vanpool options.

Glossary (Continued)

wheelchair accessible vehicle (accessible vehicle) A vehicle that a wheelchair-bound person may enter either 1) via an on-board retractable lift or ramp, 2) 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.

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. The funding for this program has now been exhausted.

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

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