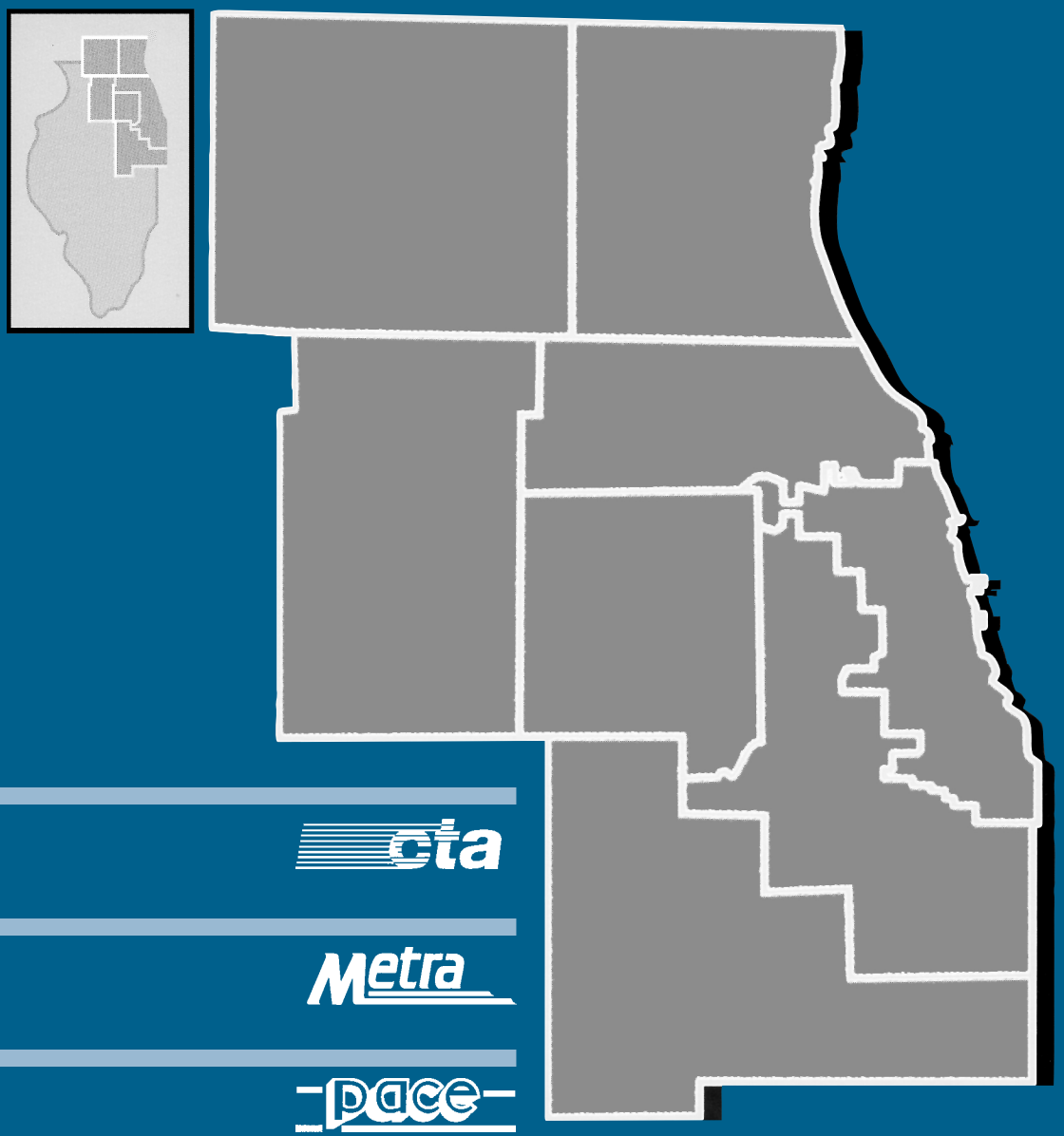
Regional Transportation Authority

2002 Annual Budget and Five-Year Program

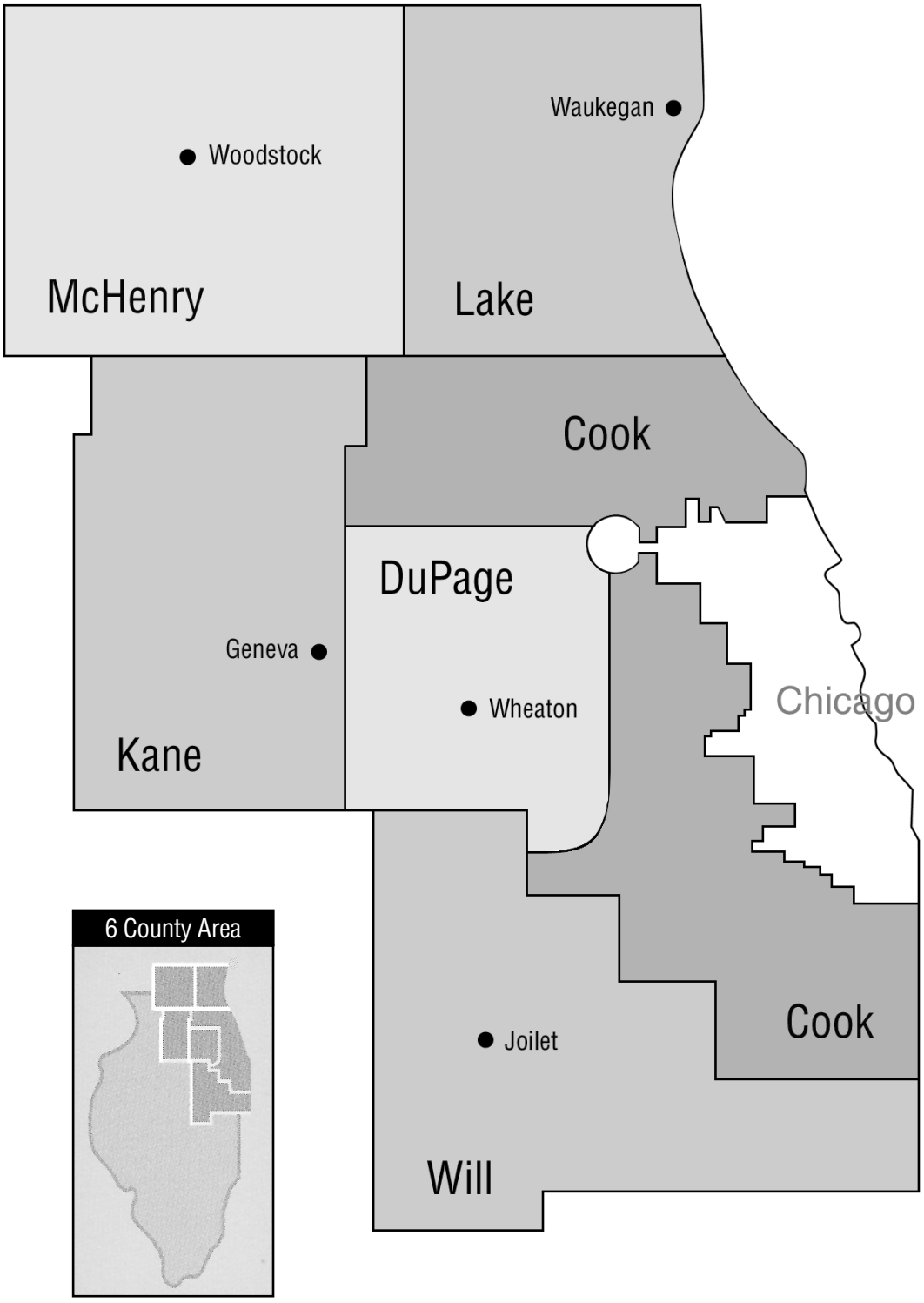


cta

Metra

pace

RTA Six County Region and County Seats



The Regional Transportation Authority Board of Directors

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Appointing Authority: RTA Board of Directors

Patrick J. Durante
Appointing Authority: DuPage County

Herbert E. Gardner
Appointing Authority: Suburban Board Members of Cook County

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Appointing Authority: City of Chicago

Valerie B. Jarrett
Appointing Authority: Chicago Transit Authority

Dwight Magalis
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Executive Director
Richard J. Bacigalupo

Regional Transportation Authority

December 28, 2001

To the riders and taxpayers of the RTA region:

The 2002 budget and five-year program combines the spending plans of the Chicago Transit Authority, Metra and Pace along with that of the Regional Transportation Authority. As the region's public transit providers, we recognize that to successfully retain and attract riders we must provide high-quality services that meet our customers' needs. The 2002 budget and five-year capital program represents our plans to continue to provide these essential services while meeting our statutory obligation to ensure the financial stability of our transit system.

The primary source of public funding for the region's transit system is the sales tax. In fact, our budgetary process must use sales tax projections created by the Illinois Bureau of the Budget. Those initial projections were provided last July and have been used as the basis for the Service Board budgets. However, events surrounding the terrorist attacks of September 11th have seriously impacted our outlook for an economy which was already preparing for a recession.

We expect that actual sales tax receipts will be lower than forecast in 2001 and possibly even into the first part of 2002. In spite of this, total RTA funding to the Service Boards in 2002 is expected to continue at the levels established in last year's plan. This is due to prudent planning by the RTA Board who has encouraged operating efficiencies at the Service Boards over the years and taken financing actions whenever possible to reduce debt service. The Board, in 1998, took further steps to ensure financial stability by establishing an ordinance requiring that 5 percent of our transit system's annual operating costs be set aside as a minimum fund balance specifically to reduce the impact of fluctuations in sales tax and other revenues.

Recognizing the importance of spending as an economic stimulus, the RTA will continue to emphasize capital investment to improve our transit system. The CTA and Metra have received an unprecedented four full-funding grant agreements from the Federal Transit Administration that will enable them to proceed with the rehabilitation of the Douglas Branch of the Blue Line and rail extensions that will improve service to Lake, Kane and Will counties. In 2002, we plan to issue up to $720 million in bonds authorized by Governor Ryan's Illinois FIRST program to accelerate this capital improvement. This includes the issuance of $160 million in Strategic Capital Improvement Program (SCIP) bonds remaining from those authorized in 2001. Now more than ever, the economic stimulus value of Illinois FIRST can truly be realized. We believe that the best thing we can do as an industry is to put these existing and available funds to work in the general economy, as envisioned by the Governor and the General Assembly, to create jobs and improve our transit system.

In 2002 and beyond, we will also proceed with projects and studies designed to improve transit service and coordination throughout the region. We will continue to study and implement ways to improve the coordination of transit services through the development of a Regional Transit Coordination Plan and to help communities throughout the region make land use development decisions that better accommodate transit service through the Region Technical Assistance Program.

Our plans for the region remain ambitious, even in uncertain times. By working together with all the Mayors in our region and our Governor and elected officials in Springfield and Washington, we hope to accomplish much. This 2002 RTA budget and five-year program shows our commitment to the region and its future.

Thomas J. McCracken, Jr.
Chairman

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Budget in Brief

Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in northeastern Illinois as set forth by the *RTA Act*. The RTA Board of Directors governs the agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus, have operational responsibility for transportation services within the six-county region and are governed by their own boards of directors.

The RTA Board, on a yearly basis, must adopt an annual budget, two-year financial plan and a five-year capital program for each Service Board. The principal features of this process are outlined in the following paragraphs.

In September, the RTA Board approves the "marks" for each Service Board. The "marks" include the recovery ratio for the annual budget, operations funding for the annual budget and two-year financial plan and the five-year capital program.

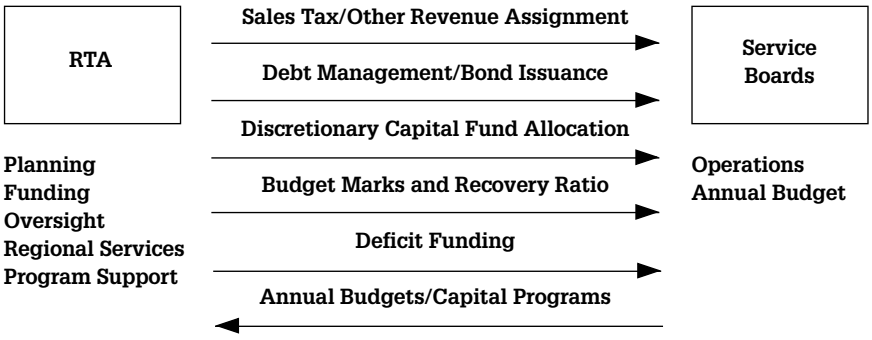
The "marks" guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that conforms to the RTA "marks." After considering public comment, the CTA, Metra and Pace board members adopt their respective budget.

In November, those budgets are forwarded to the RTA, which consolidates the agency and the Service Board budgets into a proposed RTA budget document. The RTA Board distributes this document for public hearing and comment before adoption in December.

Exhibit 1-1 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Exhibit 1-1

RTA/Service Boards Financial Relationship/Responsibility

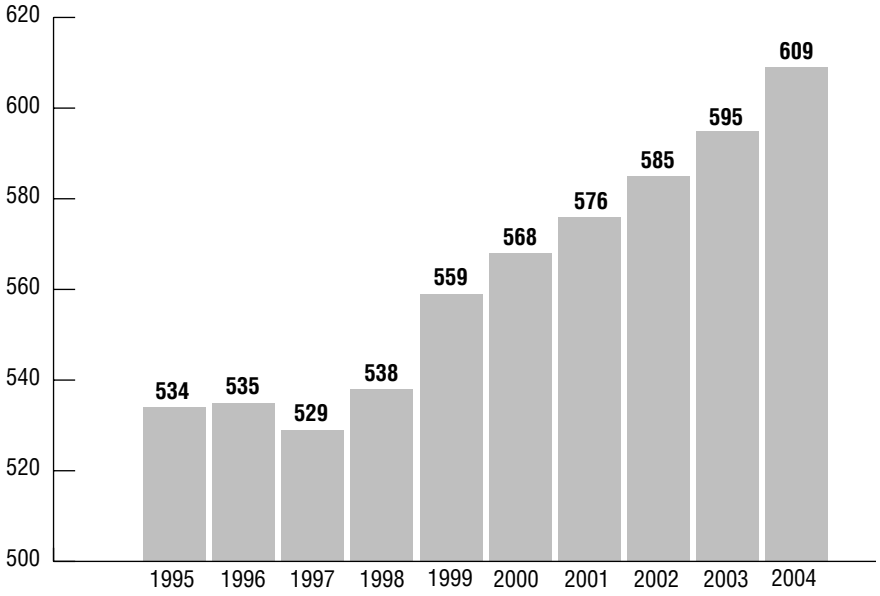


Strategic Focus

The RTA Board of Director's developed a mission statement that reflects the responsibilities of the agency as set forth by the *RTA Act*. The RTA's mission is to act as an oversight agency ensuring a financially sound, comprehensive and coordinated public transportation system for northeastern Illinois. The region's overall business strategy is built to assist its "customers".

Exhibit 1-2

RTA System Ridership (in millions)



The Service Board's, the CTA, Metra and Pace, are each responsible for determining levels of service, fares and operational policies. They develop their own set of business strategies and work with the RTA on common strategic themes which point to a continually improved transit system that is sound financially.

The key measures of our achievements are ridership and customer satisfaction. Exhibit 1-2 illustrates system-wide ridership and ridership projections from 1995 through 2004. To continue our improvement, the RTA and the Service Boards must work to provide a seamless transit system that is responsive to market needs and uses resources effectively. To address these initiatives, our strategies will focus on quality, new service, partnerships and fiscal (capital and operating) resources. A brief outline that addresses these topics is presented below. A more comprehensive discussion of these subjects is provided in the other sections of this document.

Service Quality

Quality service is delivered through a clean, on-time, safe, responsive and reliable transit system. To retain loyal customers and attract new riders, each Service Board has developed initiatives designed to improve the quality of their service. For example, the CTA has worked to maintain a safe environment for its riders through a variety of station and vehicle improvements. Metra has responded to customer needs by periodically conducting on-board surveys to measure various service attributes, and Pace is evaluating service improvements for suburban areas closer to Chicago.

New Services

Each Service Board pursues initiatives to attract new riders in their respective markets. Based on customer needs, they may increase service areas or change routes to improve service.

Ridership growth, coupled with a commitment to improve service quality, spurred the CTA to make a number of service improvements during 2001. These enhancements included adding more buses to weekday service, expanding weekend and evening service hours, making more routes accessible, and making service improvements on its rail system to alleviate overcrowding.

In early January 2001, Metra initiated service to the new North Glenview station on the Milwaukee North Line and made schedule adjustments on the Milwaukee North and West lines to improve service reliability.

Building on the success of Pace's Vanpool Incentive Program (VIP), Pace introduced a new Municipal Vanpool Program in 2001. This program allows communities to use vans to meet various transportation needs.

The CTA and Metra are also involved in five New Start projects that will improve the reliability of current services and extend new services to the edges of the RTA region. The Federal Transit Administration (FTA) has approved full funding grant agreements for four of the projects. The fifth project, the renovation of the CTA's Brown Line, is awaiting approval from historic preservation officials. In August 2001, the CTA began the reconstruction of the Douglas Branch of the Blue Line, including the reconstruction of five miles of track. In November, Metra received federal funds for three extension projects: the extension of the UP-West Line from Geneva to Elburn; the extension of the SouthWest Service from Orland Park to Manhattan; and the addition of a second mainline track on the North Central Service to Antioch.

Partnerships

Coordinating activities is an important component of a partnership as it demonstrates the ability to work toward common goals. Below are some of examples of the RTA and the Service Boards' coordination efforts.

For the past two years, the RTA has partnered with the CTA to offer both Transit Checks and CTA fare cards through the RTA/CTA Transit Benefit

program. This partnership has made the program much more convenient for both employers and riders.

The Intelligent Transportation Systems Plan is an ongoing effort by the RTA, the Service Boards, Illinois Department of Transportation (IDOT), Chicago Department of Transportation (CDOT), counties and municipalities to develop a coordinated technological approach to our transportation network to improve the convenience and effectiveness of our system.

The Regional Transit Coordination Plan has been undertaken by the RTA to enhance regional mobility by improving interagency transfers. Working in cooperation with the Service Boards and local planning entities, the RTA is evaluating information, physical, service, and fare coordination opportunities.

In addition to the ongoing development of a coordination plan, the RTA is actively involved in a number of other studies and efforts to coordinate transit services, such as the Northwest Corridor Study and the Regional Transit Asset Management System.

Capital Funding

In May of 1998, Congress approved the *Transportation Equity Act for the 21st Century*, commonly known as *TEA-21*. This legislation increased basic funding levels for public transit renewal. The increased funding levels under *TEA-21* also required increases in local matching funds. Therefore, the RTA region needed a state-sponsored program to fund the federal government's 20 percent local match requirement. This was accomplished in May 1999, when the Illinois General Assembly approved a group of bills collectively known as *Illinois FIRST* (Fund for Infrastructure, Roads, Schools and Transit).

One of the agency's primary responsibilities is to serve as the bonding authority for public transit services in the region. Through the *Illinois FIRST* program, the RTA will issue up to $1.6 billion in bonds for capital improvements. The first $260 million was issued in June 2000. The RTA issued another $100 million in 2001, and the 2002 budget includes the issuance of $160 million that covers the remaining amount authorized in 2001. The 2002 budget also includes the issuance of the $260 million in Strategic Capital Improvement Program Bonds (SCIP) authorized in 2002 as well as $300 million in RTA bonds authorized by *Illinois FIRST*. The bond issues planned in 2002 total $720 million, which is the RTA's full authorization amount.

On the federal level, Congress has passed a transportation appropriations bill authorizing an additional $832 million in federal funds for the Chicago area. This legislation includes substantial funding for CTA and Metra capital programs.

Even with the aid of the *TEA-21* and *Illinois FIRST* legislation, there continues to be a cumulative system-wide shortfall of capital to maintain our system in a state of good repair. New federal and state-sponsored funding initiatives will be required in the future.

Operations Funding

The economic impact of the events that occurred on September 11, 2001 combined with an economy that had already slowed through August 2001 established the need for the Illinois Bureau of Budget (BOB) to rework their sales tax estimates for 2002. However, their revised figure of $693 million in 2002 appears to be somewhat upbeat when the events of September 11 are combined with results through August and year-end projections. For this reason the RTA financial plan includes revenue shortfalls of $19.6 million in 2002 with corresponding figures for the entire fiscal planning period. However, even with these lower figures, the RTA, at this time, plans to fund the Service Boards with the operating mark amounts set by the RTA board on September 14, 2001.

The ability to maintain these funding levels is due to measures taken by the RTA Board in 1998 when it adopted an ordinance requiring that an undesignated/unreserved fund balance be set aside in an amount equal to 5 percent of the transit system's region-wide operating costs. This measure was taken specifically to preserve financial stability during uncertain economic conditions.

Operating Plan

An abbreviated statement of revenues and expenditures for the 2001 estimate and the 2002 budget is presented in Exhibit 1-3. A detailed statement of RTA revenues and expenditures from 2000 to 2004 is shown in Exhibit 2-1 of the Region section.

Revenues

In 2002, total RTA revenues are projected at $956.7 million. This represents an increase of $54.3 million or 6 percent over the 2001 estimate of $902.4 million. Eighty-eight percent, or $845.4 million, of these receipts will be generated from RTA Sales Tax and Public Transportation Fund (PTF) receipts. State financial assistance (SFA) of $57.5 million provides 6 percent of revenues. State reduced fare reimbursement (SRF) programs equal 4 percent of total revenues, or $40 million. Other investment income and miscellaneous grants account for the remaining balance of $13.8 million, or 2 percent. Exhibit 1-4 illustrates this distribution.

Sales Tax

The RTA Sales Tax is the primary source of revenue for the system. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region and collected by the state.

Exhibit 1-3

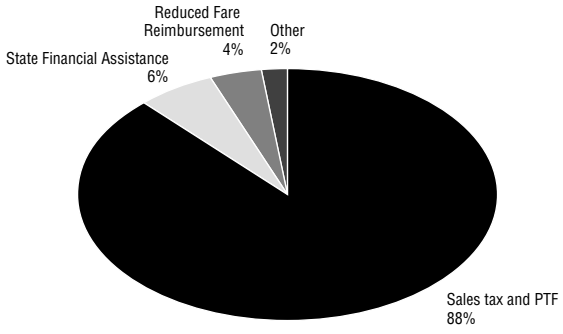
RTA Statement of Revenues and Expenditures (dollars in millions)

Revenues	2001 Estimate	2002 Budget
Sales Tax	$ 663.0	$ 692.0
Public Transportation Funds (PTF)	166.0	173.0
Projected Revenue Shortfall (1)	(19.0)	(19.6)
State Financial Assistance (SFA)	43.7	57.5
State Reduced Fare Reimbursements (RFR)	40.0	40.0
Investment Income and Other	8.7	13.8
Total Revenues	**$ 902.4**	**$ 956.7**
Expenses		
Operations Funding	$ 690.2	$ 724.6
Sales Tax Interest to Service Boards/Grants	1.4	1.4
Reduced Fare Reimbursement to Service Boards	40.0	40.0
Joint Self-Insurance	3.0	0.0
Agency Operations	16.9	17.8
Total Operating Expenditures (2)	**$ 751.5**	**$ 783.8**
Funds Available before Debt Service, Technology and Capital Expenditures	**$ 150.9**	**$ 172.9**
Principal and Interest Payments	$ 84.2	$ 121.2
RTA Capital and Technology	8.8	11.4
Metra Transfer Capital	34.1	38.2
CTA Transfer Capital	20.4	20.4
RTA Discretionary Capital	9.7	0.0
Other	(20.4)	(3.6)
Total Debt Service, Technology, & Capital (2)	**$ 136.8**	**$ 187.5**
Revenues less Expenditures/(Deficit)	**$ 14.1**	**($14.7)**
Ending Fund Balance	**$ 63.2**	**$ 48.6**
Percent of RTA Expenditures	7.1%	5.0%
Recovery Ratio	**52.7%**	**51.9%**

(1) Sales Tax and PTF combined.
(2) Equals RTA's total expenditures

Exhibit 1-4

2002 RTA Revenue Sources



Eighty-five percent of RTA Sales Tax receipts are apportioned to the Service Boards by statutory formula. Details of this apportionment can be found in the Region section of this document.

The 2001 sales tax estimate of $663 million and the 2002 budget year sales tax projections of $692 million are based on forecasts issued by the Illinois Bureau of the Budget (BOB). However, by analyzing actual results through August 2001 and reviewing current economic trends, the RTA has projected a sales tax shortfall of $15 million in 2001. This is the difference between the Illinois BOB estimate of $663 million and our internal estimate of $648 million. In the 2002 budget, the RTA has estimated a sales tax shortfall of $15.7 million between BOB and RTA projections by using a similar growth rate of 4.4 percent.

Public Transportation Funds (PTF)

State Public Transportation Funds (PTF) are based on a formula tied to sales tax results and are, therefore, projected to increase at the same growth rate as the sales tax. For every four dollars that is collected in sales tax, the RTA receives an additional dollar for PTF. For that reason, slower growth in sales tax receipts will result in lower levels of PTF.

Projected Revenue Shortfall

The projected revenue shortfall is the sum of the forecasted sales tax amount, plus an additional 25 percent to account for the corresponding loss in PTF receipts. The combined shortfall in 2001 is projected to be $19 million increasing to $19.6 million in 2002.

State Financial Assistance

State Financial Assistance is state-authorized assistance to help offset the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP I) and (SCIP II) bonds. Reimbursement levels increase as the RTA issues more bonds.

State Reduced Fare Reimbursements

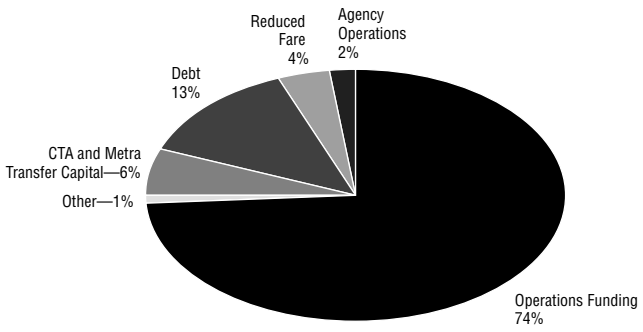
State Reduced Fare Reimbursements are partial subsidies from the state to the Service Boards for discounts (mandated by law) provided to students, elderly and disabled riders.

Investment Income and Other

The investment income and other revenue category consist of sales tax interest, investment income, and other agency revenue.

Exhibit 1-5

2002 RTA Expenditure Uses—$971.3 Million



Expenses

Total RTA expenditures (operations, debt service, technology and capital) for 2002 are budgeted at $971.4 million. This amount is a 9.4 percent, or $83 million increase, over the 2001 estimate of $888.3 million. The primary reason for this growth is debt service payments for the planned issuance of $720 million in bonds that support the Service Boards' capital programs. Without the increased interest payments total expenses are up 5.2 percent.

Total operations funding is $783.8 million with 98 percent, or $766 million, going to the Service Boards and 2 percent or $17.8 million used for Agency activities. The remaining expenditures of $187.6 million (debt service, capital, technology and other) primarily support expansion or improvement programs to the physical structure of the region-wide system. Exhibit 1-5 illustrates the expense distribution planned for 2002.

Operations Funding

The RTA's principal expenditure is the funding of the Service Boards' operating deficits. Every year the RTA Board establishes, for the next fiscal period, the operating "marks" for each Service Board. These "marks" were set on September 14, 2001 by Ordinance No. 2001-58 and fixed total funding for 2002 at $724.6 million. This is 5 percent or $34.4 million higher than 2001. The operating plans submitted in November to the RTA by the CTA and Metra complied with the funding set for them; however, Pace's budget submission in November did not meet the "marks" set by the RTA Board. On December 28, 2001, the RTA Board adopted a budget for Pace (Ordinance No. 2001-83) that balanced its budget with the "marks" set for them in September.

To balance Pace's budget with the "marks" set by the RTA Board, the RTA employed the firm of Booz-Allen & Hamilton to identify actions that would bring Pace's operating budget in-line. Booz-Allen & Hamilton identified several initiatives that would add revenue or reduce costs without the need to increase fares or decrease service levels during the planning period. The budget adopted by the RTA Board for Pace incorporates the components of certain cost saving programs from the Booz-Allen & Hamilton study (parts/supplies, fuel and other productivities) into their 2002 budget and financial plan. Pace's funding for 2002 from the RTA is set at $79.1 million an increase of 5.4 percent over last year's figure of $75 million. Exhibit 6-16 in the Pace section depicts the changes between Pace's submitted proposal and the budget adopted by the RTA Board.

CTA

The CTA's funding in 2002 is $441.6 million—an amount 5.4 percent higher than 2001. This reflects operating costs increases, particularly in the areas of wages and health insurance.

Metra

Metra's operating funding level for the year 2002 is $203.9 million or 3.9 percent higher than the prior year. The funding increase will be used, in part, to support higher health insurance costs and an increase in railroad retirement taxes.

Pace

Pace's operations funding level for 2002 is set at $79.1 million, an increase of 5.4 percent over their 2001 budget of $75 million. Their total deficit funding in 2002 is planned at $79.2 million compared to the 2001 figure of $75.6 million.

Sales Tax Interest to Service Boards

There is a lag in time between when the state collects the RTA Sales Tax and when it distributes the funds to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of these funds back to the Service Boards using the same formula as the sales tax distribution. The sales tax interest distributed by the RTA has been fairly consistent at approximately $1.4 million annually.

Reduced Fare Reimbursements to the Service Boards

State reduced fare reimbursements are received as revenue by the RTA and flow directly to the Service Boards. Most of the operating costs for reduced fare programs are now offset by this reimbursement.

Exhibit 1-6

Use of RTA Funds in 2002 (dollars in millions)

	CTA	Metra	Pace	Agency	Total
(1) Receipts Allocated by Formula	$ 308.0	$ 207.4	$ 79.2	$ 0.0	$ 594.6
(2) RTA Discretionary for Operating Deficit	167.5	0.0	3.9	0.0	171.4
(3) Transfer Capital	20.4	38.2	0.0	0.0	58.6
(4) RTA Funds for Agency Operations	0.0	0.0	0.0	17.8	17.8
(5) RTA funds for Capital & Technology (net)	0.0	0.0	0.0	7.8	7.8
(6) Principal & Interest payments (debt service)	61.1	54.0	6.1	0	121.2
Total Used	**$ 557.0**	**$ 299.6**	**$ 89.2**	**$ 25.6**	**$ 971.4**

Notes: (1) Receipts allocated by formula to the Service Boards to cover operating deficits. Includes sales tax, sales tax interest and reduced fare reimbursements. (2) RTA formula revenue and other receipts used to fund Service Board deficits. (3) Metra transfer capital and formula sales tax receipts used for capital and CTA Transfer capital. (4) RTA formula revenue and other receipts used to fund the agency budget and program. (5) RTA formula revenue and other receipts used to fund Capital & Technology, partially offset by de-obligation of certain technology and capital programs. (6) Debt service for bonds applied by formula (CTA 50%, Metra 45%, Pace 5%).

Joint Self-Insurance Fund (JSIF)

The Joint Self-Insurance Fund (JSIF) is used to finance claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The fund essentially provides a source from which to borrow to pay for a portion of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage and other losses.

Agency Operations

Agency operations represent on-going RTA activities to execute its funding, financial oversight, and regional coordination responsibilities.

Debt, Technology and Capital

Principal and Interest Payments

Principal and interest payments reflect RTA expenses on current bond issues and the projected increase in debt service expenditures from 2001 through 2004 for the issuance of bonds authorized under the state's *Illinois FIRST* program.

RTA Capital and Technology

The proposed 2002 budget carries on the RTA's commitment to capital programs and the continued use of technology to enhance public transit quality in the region.

Metra and CTA Transfer Capital

The statutory apportionment of sales tax to a Service Board can exceed their operating marks. When this occurs, the Service Boards can transfer the funds to capital projects. Metra is the only Service Board to achieve this statutory source of transfer capital funds. For the planning period the RTA has also transferred a portion of its discretionary funds to Metra for capital investment.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for transfer capital investment. The program was originally funded in 1995 at a level that was less than half of the current amount.

RTA Discretionary Capital

The RTA has played a major role in financing capital improvements through its discretionary capital program. This program includes providing the "local match" requirement of 20 percent of the cost of federally funded capital projects and funding selected capital projects for 100 percent of their cost. However, due to the current economic climate and the projected shortfall in sales tax and PTF revenue, this funding has been deferred during this fiscal planning period.

Other

The other category consists of prepaid expenses, and obligations for upcoming operating and capital commitments. During strong economic years, the RTA has been able to set aside designations for future year commitments such as funds for the discretionary capital program. However, in the current economic climate, it may be necessary to de-obligate or defer some of these funds to maintain an unreserved and undesignated RTA fund balance that meets the minimum requirement of 5 percent of all RTA expenditures.

Surplus/ (Deficit)

Total RTA revenues less total operating expenditures, less debt service, technology, and capital expenditures equals the annual change (surplus/deficit) in the RTA fund balance.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance as a percentage of total RTA expenditures. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods. The estimated balance for 2001 is $63.2 million or 7.1 percent of expenses. The respective balance for the 2002 budget is $48.5 million, which meets the ordinance minimum standard of 5 percent of total RTA expenses.

Exhibit 1-7

2002 Total Fund Use by Organization—$971.4 Million

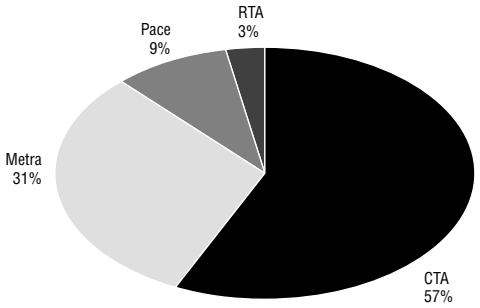


Exhibit 1-8

2002 RTA Discretionary Funds for Service Board Operations—$171.4 Million

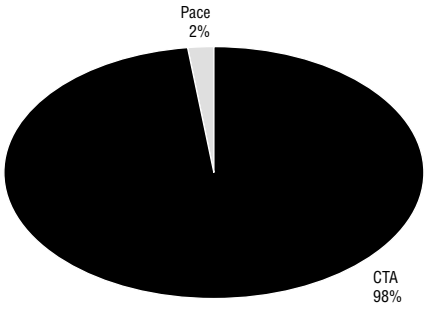


Exhibit 1-9

2002 Capital Funding Sources

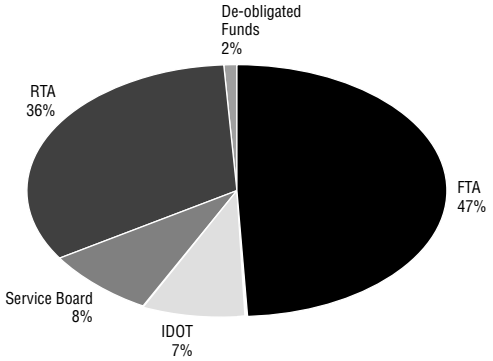


Exhibit 1-10

Capital Funding in 2002 (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 229,402	$ 182,885	$ 31,190	$ 443,477
IDOT Grants	46,400	12,451	6,400	65,251
Service Board/ Local Community	213	16,485	1,050	17,748
RTA Bonds	28,939	18,561	2,500	50,000
RTA SCIP Bonds II	130,000	117,000	13,000	260,000
RTA Bonds II	27,570	—	6,970	34,540
Transfer Capital & Sales Tax Capital	20,353	38,161	—	58,514
Carryover and Deobligations	13,587	3,107	3,182	19,876
Total Service Board Capital Funding	**$ 496,464**	**$ 388,650**	**$ 64,292**	**$ 949,406**

Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal year for each Service Board. The *RTA Act* further requires that the combined revenues from RTA operations cover at least 50 percent of the system operating costs (Exhibit 2-10). The RTA's budgetary recovery ratio for 2002 is 51.9 percent, which exceeds this requirement.

Statutory Compliance

The *RTA Act* requires that the CTA, Metra and Pace each have a balanced budget; the region's recovery ratio is at least 50 percent; and the RTA's (agency's) administrative expenses do not exceed an established statutory cap. The "cap" for 2002 is $11.5 million and the agency's administrative expenses are 55 percent below this amount. However, projected relocation costs of $0.2 million will place the Agency 53 percent below the "cap". *The Act* also requires that prudent fiscal practice be followed such as proper cash management, use of reasonable assumptions, and sound accounting and financial practices. Each Service Board, the agency and the region as a whole have budgets presented in this document, which comply with these stipulations.

Use of Funds

Each section of the 2002 Program and Budget Book presents the source and use of funds through the RTA for the respective operation. The subsequent paragraphs and exhibits summarize the use of these funds for the 2002 budget.

In 2002, the RTA will receive $956.7 million in total revenue from sales tax, state assistance, investment income, agency program revenues and other sources (Exhibit 1-3).

The use of the RTA funds of $971.4 million is detailed in Exhibit 1-6. The CTA will receive $557 million or 57 percent, Metra $299.6 million or 31 percent, Pace $89.2 million or 9 percent

and the RTA will use $25.5 million or 3 percent (Exhibit 1-7).

Included in the use of RTA funds (Exhibit 1-6) is an operating discretionary amount of $171.4 million. This is budgeted to fund the operating deficits of the CTA and Pace. The 2002 budget distributes $167.5 million, or 98 percent, to the CTA and $3.9 million, or 2 percent, to Pace (Exhibit 1-8).

Capital Programs

Each year, after public hearing, the RTA must adopt a five-year capital program that describes, by year, the nature, location and cost of all capital projects. Currently, the total estimated capital funds available for 2002 are projected at $949.4 million. However, the final federal appropriation figures and some other sources (for example, carryover/ de-obligations) have not been finalized. Once these amounts have been established, the capital program will be adjusted to utilize all available funding.

Of the estimated $949.4 million of new and de-obligated funding sources for 2002, federal funding accounts for $443.5 million or 47 percent. RTA funds account for $344.5 million or 36 percent, IDOT funds account for $65.3 million or 7 percent, Service Board funds account for $76.3 million or 7 percent, and carryover and de-obligated funds account for $19.8 million or 2 percent (Exhibits 1-9 and 1-10).

On September 15, 2001, the RTA adopted the preliminary capital funding marks. Since then, various local funding changes were proposed by the Service Boards and the RTA. The RTA Board adopted an ordinance on December 28, 2001 incorporating all changes to the marks. The changes included individual Service Board requests to increase funding and to use only part of the RTA Bond allocation in 2002. For example, $265.5 million of the $300 million available RTA Bonds will be programmed in 2003 and 2004 based on the projected needs of the Service Boards. Also, in 2002 and subsequent years, the RTA's budget and plan schedules have no RTA Discretionary capital funds. This is due to lower RTA Sales Tax projections reflecting a less robust economic climate. Exhibits 1-9 and 1-10 reflect these changes.

Current 2002 Service Board capital program requests total approximately $921.2 million (see Schedule II in the Appendices). The current RTA funds available for capital are $949.4 million; and the Service Boards must later amend their capital programs to match the total RTA Capital Program marks.

Operating Plan

Overview

The Chicago metropolitan area is the second most congested area in the nation according to the 2000 U.S. Census. Transportation experts predict that over the next 20 years, density on the region's roads will double. As the region continues to expand further from Chicago's central business district, the need for an even more effective public transit system will grow.

In this document, the region section represents a consolidated view of the budgets, financial plans and capital programs of the three Service Boards (CTA, Metra, and Pace) and the Agency (RTA). It includes a summary of strategic goals, objectives and measures addressed by the Service Boards and the Agency, a consolidated budget and financial plan, and a collective capital program that works to meet the region's growing public transit needs during the planning period.

Strategic Focus

Each Service Board develops a set of goals, objectives, and business strategies and work with the RTA toward common strategic themes and objectives. The regional strategy is constructed to support a "customer first" approach. It reflects the belief that to successfully retain and increase ridership, high quality service and new services must be supported by a financially sound and efficient organization that relies on its people and benefits from strategic partnerships.

The key measures of our success are ridership and customer satisfaction. To improve these measures, we must provide on-time, reliable, safe, clean, and friendly service. A wide range of marketing techniques are used to learn more about customer needs and increase transit usage. New technologies are also explored and implemented with the goal of increasing the effectiveness of our service.

From a financial perspective, the organizations work to maintain financial stability and increase efficiency. Our strategy includes building partnerships with customers and stakeholders (i.e. communities, private businesses, and legislators) to develop appropriate levels of quality transit services and financial support.

Added outside funding levels are necessary to cover increased capital programs, maintain our valuable asset base, and establish a system-wide state of good repair. These capital investments support operating efficiency and financial performance and are essential to maintain and improve our customer service.

The Service Boards are responsible for all operating issues and set their own performance indicators to measure the success of these initiatives. Customer indicators include ridership, customer satisfaction, passengers/mile, passengers/ revenue vehicle hour, capacity utilization and on-time perfor-

mance. Financial indicators include recovery ratio, net subsidy, cost/vehicle mile, cost/vehicle hour, cost/passenger, revenue/passenger, deadhead ratio and funding changes. The RTA monitors the Service Boards' performance monthly by using a subset of these indicators to ensure that the region is delivering financially sound, quality transit service to its customers.

The Service Boards and the RTA have developed specific objectives and initiatives that support this overall strategy. The activities pursued to fulfill these objectives are outlined in the Agency, CTA, Metra, and Pace sections of this document.

The region-wide focus will be on initiatives that improve transit quality (service quality and new service), build on partnership/coordination activities and ensure a financially stable transit system through capital and operational funding programs. These initiatives are discussed below.

Service Quality

To retain a high level of customer loyalty, and attract new riders, each Service Board has developed initiatives designed to improve service quality.

One quality issue that is extremely important to the CTA is the maintenance of a safe environment for its riders. The CTA has responded by equipping more than 70 percent of its buses with digital security cameras. The CTA also plans to test security enhancements at rail stations through a pilot program whereby cameras will be installed on the platforms, in stairways and at fare card vending machines. This program will be tested at the Kedzie station on the Green Line, Roosevelt and 95th on the Red Line and 35th /Archer on the Orange Line. As an added benefit, the cameras can also be used to monitor ridership levels which help the CTA plan schedules and service levels. The CTA also plans to install new hardware that improves reception and the use of cell phones in the subways. Improved cell phone reception will enhance security and convenience for riders.

Metra has been able to respond to its riders' needs by periodically conducting on-board surveys to measure various service characteristics. Metra not only measures general rider satisfaction, but also collects information on what service attributes are considered to be the most valuable for attracting and retaining riders. Survey data provides direction and affects planning, scheduling and marketing activities. For example, Metra's major service quality goal of providing safe, reliable, clean and on-time service is directly derived from the most important service characteristics identified in these customer surveys. Metra measures service reliability by on-time performance. A train delay is recorded if the train is more than five minutes late compared to the schedule at the final destination.

As part of redefining its services, Pace is evaluating ways to improve service provision in suburban areas closer to Chicago. Pace is also looking to provide more express trips within its busiest corridors. Express links originating at the end of the rapid transit lines are planned to serve as extensions of rail service. These programs are aimed at strengthening Pace's strongest routes and core service area, thereby increasing ridership.

New Service

Each Service Board pursues new rider initiatives in their respective markets. Based on customer needs, they may increase service areas or change routes to improve service.

Ridership growth, coupled with the CTA's commitment to improve service quality, spurred a number of improvements during 2001. These enhancements included adding more weekday buses, expanding weekend and evening service hours, making more routes accessible, and adding and changing bus stops.

The CTA also implemented improvements to alleviate overcrowding on its rail system. Trains were added on the Brown, Red and Orange Lines to decrease the time between trains in the morning and afternoon rush hours and to increase late night service. Orange Line service was also increased on both Saturdays and Sundays to provide additional connections to southwest side communities and Midway Airport.

In early January 2001, Metra initiated service to the new North Glenview station on the Milwaukee North Line and made schedule adjustments on the Milwaukee North and West lines to improve reliability. For 2002, schedule revisions are planned for the Rock Island District to increase rush hour capacity for the rapidly growing main line communities southwest of Blue Island, and to improve off-peak train schedules.

Building on the success of Pace's Vanpool Incentive Program (VIP), Pace has introduced a new Municipal Vanpool Program. For a reasonable monthly cost, a community can now enjoy greater flexibility in serving their residents. Another new service is the Schaumburg Shuttle. In 2001, this shuttle service was implemented in the area surrounding the Woodfield Mall. The service is 100 percent funded by the Village of Schaumburg.

Partnerships/Coordination

Coordinating activities is a major part of a partnership. It shows the ability to work together toward a common goal. Some examples of coordination initiatives between the RTA, its Service Boards and other agencies are discussed below:

The RTA has partnered with the CTA to offer both transit checks and fare

cards through the RTA/CTA Transit Benefit program, adding convenience for employers and riders.

The Intelligent Transportation Systems Plan (ITS) is an ongoing effort by the RTA, the Service Boards, Illinois Department of Transportation (IDOT), Chicago Department of Transportation (CDOT), counties and municipalities to develop a coordinated approach that uses technology to improve the convenience and efficiency of our transportation network.

The Regional Transit Coordination Plan (RTCP) has been undertaken by the RTA, in cooperation with the Service Boards and local planning entities, to enhance regional mobility by improving interagency transfers.

The Northwest Corridor Study is evaluating transit alternatives to better serve the northwest suburbs. The RTA, the Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) have assumed an overall program management role for this effort, which will include component projects that will be headed by the Northwest Municipal Conference, the Service Boards and the Tollway.

An Inner and Outer Circumferential Rail study is being funded through the RTA's Regional Technical Assistance Program (RTAP) and includes participation by Metra, CATS and corridor municipalities.

At the county level, planning studies are being sponsored by the RTA for transit planning in DuPage, Kane, Lake and McHenry counties.

Capital Program

In 1998, the RTA region was facing a major shortfall in capital funding. Federal funding levels were far below the region's needs, and funds from the bonding authority approved by the State of Illinois in 1989 were fully committed. However, in 1998 and 1999, two pieces of landmark legislation were approved which dramatically improved the region's capital funding prospects.

The first step to address our capital funding needs was taken by Congress in May of 1998 when it approved the *Transportation Equity Act* for the *21st Century*, commonly known as *TEA-21*. This legislation increased basic funding levels for public transit renewal. The added funding levels under *TEA-21* also required more in local matching funds. Therefore, the RTA region needed a state-sponsored program to fund the federal government's 20 percent match requirement. This, and much more, was accomplished in May 1999, when the Illinois General Assembly approved a group of bills collectively known as *Illinois FIRST* (Fund for Infrastructure, Roads, Schools and Transit).

One of the RTA's key roles is to serve as the bonding authority for our region's transit services. Through the *Illinois FIRST* program, the RTA will issue up to $1.6 billion in bonds for capital improvements. The first $260 million of this bond program was issued in June 2000. The RTA issued another $100 million in 2001. This money is being used for a variety of upgrades from new buses, rail cars and track to station improvements and more intelligent transportation systems. The 2002 budget includes the issuance of $160 million in Strategic Capital Improvement Program Bonds remaining from the $260 million authorized in 2001. The 2002 budget will also include the issuance of the $260 million in SCIP bonds authorized in 2002 as well as and additional $300 million in RTA bonds authorized by *Illinois FIRST*. This is a total of $720 million in bonds, which is our full authorization in those years.

On the federal level, Congress has passed a transportation appropriations bill authorizing an additional $832 million in federal funds for Chicago-area transportation needs. The legislation includes substantial funding for CTA and Metra capital projects.

In the long term, even with the aid of *TEA-21* and *Illinois FIRST* legislation, there continues to be a cumulative system-wide shortfall of capital to repair infrastructure and maintain a state of good repair for our regional transit network between 2003 (the closure of *TEA-21*) and 2007.

In addition, the September 2001 events in New York and Washington, D.C. will most likely increase the amount of funds needed to upgrade security and create backup mechanisms so that the region's transit system can continue to operate effectively during emergency situations.

As the RTA heads into the next federal reauthorization cycle, it is incumbent to have a proven record of success. The Service Boards and the RTA will be exerting every effort to ensure that the current capital program moves forward efficiently and effectively.

Operations Funding

The original Illinois Bureau of Budget (BOB) sales tax figures used to develop the "marks" for the proposed budgets of the Service Boards in September were estimated at $671 million in 2001 and $701 million in 2002.

The economic impact of September 11, 2001, coupled with a slowing economy through August 2001, confirmed the need for BOB to lower its revenue estimates for the RTA in 2001 and 2002. The new BOB estimates of $663 million in 2001 and $693 million in 2002 are still higher than the amounts expected by the RTA.

Through August 2001, the RTA's sales tax and PTF receipts were below budget by $11 million. The events of September will most likely increase the rate of economic slowdown through the end of the year. Therefore, the RTA developed its region-wide financial plan for the proposed budget on a sales tax base of $648 million in 2001. These

Exhibit 2-1

RTA Statement of Revenues and Expenditures (dollars in thousands)

	2000	2001	2002	2003	2004
Revenues	**Actual**	**Estimate**	**Budget**	**Plan**	**Plan**
Sales Tax	$ 650,284	$ 663,000	$ 692,000	$ 719,682	$ 748,472
Public Transportation Funds (PTF)	162,247	166,000	173,000	179,921	187,118
Projected Revenue Shortfall (1)	0	(19,000)	(19,570)	(20,363)	(21,167)
State Financial Assistance (SFA)	41,839	43,662	57,499	80,871	98,184
State Reduced Fare Reimbursements (RFR)	38,759	40,000	40,000	40,000	40,000
Investment Income and Other	12,125	8,764	13,741	12,423	12,783
Total Revenues	**$ 905,254**	**$ 902,426**	**$ 956,670**	**$1,012,534**	**$1,065,390**
Expenses					
Operations Funding	$ 658,457	$ 690,245	$ 724,558	$ 758,501	$ 783,887
Sales Tax Interest to Service Boards/Grants	1,297	1,400	1,400	1,400	1,400
Reduced Fare Reimbursement to Service Boards	38,759	40,000	40,000	40,000	40,000
Joint Self-Insurance	3,000	3,000	0	0	0
Agency Operations	16,004	16,887	17,831	18,665	19,291
Total Operating Expenditures (2)	**$ 717,517**	**$ 751,532**	**$ 783,789**	**$ 818,566**	**$ 844,578**
Funds Available before Debt Service, Technology and Capital Expenditures	**$ 187,737**	**$ 150,894**	**$ 172,881**	**$ 193,968**	**$ 220,812**
Principal and Interest Payments	$ 87,632	$ 84,202	$ 121,233	$ 124,470	$ 148,598
RTA Capital and Technology	8,039	8,759	11,396	8,133	8,385
Metra Transfer Capital	38,747	34,105	38,161	39,060	40,870
CTA Transfer Capital	20,353	20,353	20,353	20,353	20,353
RTA Discretionary Capital	5,804	9,698	0	0	0
Other	26,036	(20,366)	(3,600)	0	0
Total Debt Service, Technology, & Capital (2)	**$ 186,611**	**$ 136,751**	**$ 187,543**	**$ 192,016**	**$ 218,206**
Revenues less Expenditures/(Deficit)	**$ 1,126**	**$ 14,143**	**($14,662)**	**$ 1,952**	**$ 2,606**
Ending Fund Balance	**$ 49,078**	**$ 63,221**	**$ 48,559**	**$ 50,511**	**$ 53,117**
Percent of RTA Expenditures	5.4%	7.1%	5.0%	5.0%	5.0%

(1) Sales Tax and PTF combined.
(2) Equals RTA's total expenditures.

changes (BOB and RTA) have created the potential need to reduce operating funding, especially in 2003 and 2004. However, at this time, total operations funding to the Service Boards through the planning period (2002-2004) is expected to remain at the same level as the "marks" set by the RTA Board on September 14, 2001.

The ability to keep operations funding at this projected level through the planning cycle is due to measures taken by the RTA Board in 1998. At that time, the Board adopted an ordinance requiring that an undesignated/unreserved fund balance be set aside in an amount equal to 5 percent of the transit system's (RTA total expenses) region-wide operating costs. This measure was taken specifically to maintain financial stability during periods of economic uncertainty.

Budget and Financial Plan

The RTA must prepare and publish a document every year that includes a one-year operating budget, a two-year financial plan, and a five-year capital program that meets specific statutory requirements. This document identifies the source, distribution, and use of operating and capital funds.

Exhibit 2-1 provides a summary of the RTA's statement of revenues and expenses for 2000-2004. Throughout this document, 2000 is actual data, 2001 is the estimate of year-end results, 2002 is the operating budget, and 2003-2004 is the two-year financial plan.

Revenue

As identified in Exhibit 2-1, total revenues are projected to grow from $905 million in 2000 to $1,065 million in 2004. This is an increase of $160 million over the four-year period, or a 4.2 percent compound annual growth rate.

The RTA sales tax is the primary source of revenue for the RTA. In 2000, RTA sales tax receipts of $650 million comprised 72 percent of the RTA's total revenue. Public transportation funds (PTF), state financial assistance (SFA), state reduced fare reimbursements (SRF), and investment income and other revenue provided the balance of RTA revenues and totaled $255 million or 28 percent of total revenue (Exhibit 2-2).

Exhibit 2-2

2000 RTA Sources of Revenue—$905 Million

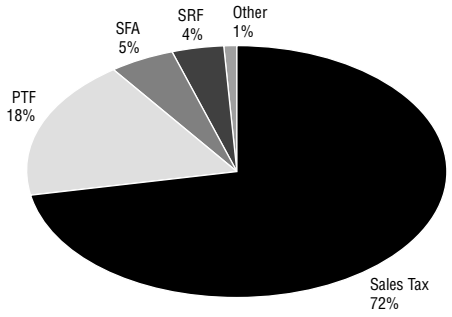
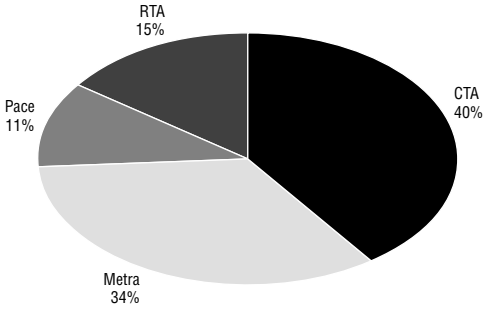


Exhibit 2-4

2000 RTA Sales Tax Distribution by Service Board—$650 Million



RTA Sales Tax

The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue and paid to the Treasurer of the State of Illinois to be held in trust for the RTA outside the state treasury. Proceeds from the RTA Sales Tax are paid monthly directly to the RTA, without appropriation, by the State Treasury on the order of the State Comptroller.

The sales tax is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in the collar counties of DuPage, Kane, Lake, McHenry and Will. The 1 percent sales tax in Cook County is comprised of 1 percent on food and drugs and 0.75 percent from all other sales, with the state then providing a "replacement" amount to the RTA equivalent to 0.25 percent of all other sales. The RTA retains 15 percent of the total sales tax and passes the remaining 85 percent to the Service Boards according to the formula specified in the *RTA Act* (Exhibit 2-3).

Exhibit 2-4 breaks out the 2000 sales tax distribution by Service Board. For the year 2000, the $650.3 million in sales tax was broken out in the following manner; CTA 40 percent, Metra 34 percent, Pace 11 percent, and RTA 15 percent.

The 2001 sales tax estimate and the 2002 budget year sales tax projections are based on forecasts issued by the Illinois Bureau of the Budget (BOB). Future year sales tax revenues are based on projected economic growth in the region.

Sales tax is projected to increase from $650.3 million in 2000 to $748.5 million in 2004, a compound growth rate of 3.6 percent (Exhibit 2-5).

Exhibit 2-3

RTA Sales Tax Distribution Collected (%)

	Chicago	Suburban Cook	Collar Counties
CTA	100	30	0
Metra	0	55	70
Pace	0	15	30
Total	**100**	**100**	**100**

Through August of 2001, sales tax is just slightly ahead of last year's pace. With the September 2001 terrorist attacks and other signs of a slowing economy, it does not appear likely that sales tax will maintain a rate higher than last year's level. Thus, the RTA has identified a projected sales tax shortfall of $15 million in 2001. This is the difference between the Illinois BOB estimate of $663 million and the RTA's internal estimate of $648 million. Using the RTA base of $648 million and growth rates for the 2002 budget of 4.4 percent (same as BOB), there is an estimated sales tax shortfall of $15.7 million in 2002 between the RTA estimate and BOB forecast. These sales tax shortfalls continue into 2003 and 2004 by $16.3 million and $17 million, respectively.

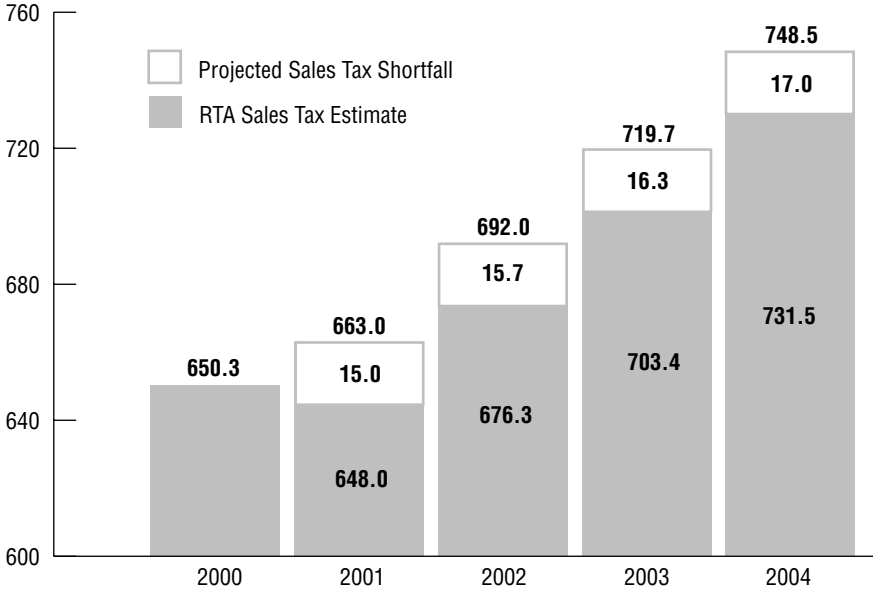
From a distribution standpoint, the City of Chicago accounted for 31 percent of the sales tax collected in 2000, suburban Cook 54 percent, and the collar counties 15 percent (Exhibit 2-6). Any economic downturn will affect the entire RTA sales tax collection area.

Public Transportation Funds (PTF)

Revenue from this special fund, called the "Public Transportation Fund," may be paid to the RTA only upon state appropriation. In accordance with the *RTA Act*, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund an amount equal to 25 percent of net revenues realized from sales taxes. These receipts are based on a formula tied to sales tax results and are, therefore, projected to increase at the sales tax growth rate. For every

Exhibit 2-5

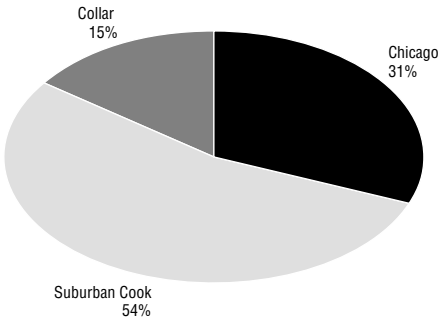
RTA Sales Tax (dollars in millions)



Note: 2001 and 2002 Grand Totals Represent Illinois Bureau of the Budget Estimates.

Exhibit 2-6

2000 RTA Sales Tax Collection by Area—$650 Million



four dollars that is collected in sales tax, the RTA receives an additional dollar for PTF. Thus, slower growth in sales tax will result in lower levels of PTF.

None of the PTF revenues are payable to the RTA until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the *RTA Act.* The amounts each Service Board receives through the RTA from the PTF are allocated at the discretion of the RTA Board upon the review and approval of each Service Board's annual or revised budgets.

Projected Revenue Shortfall

As shown in Exhibit 2-1, a revenue category called projected revenue shortfall has been included on the statement of revenues and expenses. This is the sum of the projected sales tax shortfall explained earlier, plus an additional 25 percent to account for the corresponding PTF amount. The total revenue shortfall amounts range from $19 million in 2001 to $21.2 million in 2004.

State Financial Assistance

This revenue source is state-authorized assistance to help offset the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP I) and (SCIP II) bonds. Subject to the appropriation of funds by the state, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments. The RTA received $41.8 million in 2000 and estimates $43.7 million in 2001, $57.5 million in 2002, $80.9 million in 2003, and $98.2 million in 2004.

Continuing the RTA's emphasis on capital investment, the 2002 budget includes the issuance of $160 million in Strategic Capital Improvement Program Bonds remaining from that authorized in 2001 and the issuance of $260 million in SCIP bonds authorized in 2002. The 2002 budget therefore supports the issuance of up to $420 million in SCIP bonds. The 2003-2004 plans also include the issuance of $260 million in SCIP bonds each year.

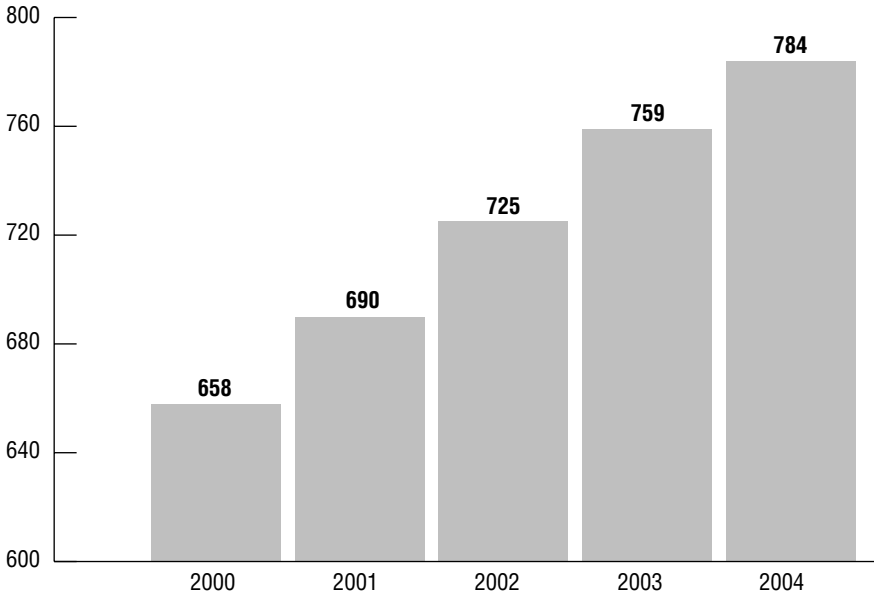
State Reduced Fare Reimbursements (SRF)

This operating assistance is partial reimbursement from the state to the Service Boards for discounts (mandated by law) provided to students, elderly and disabled riders. The funds are distributed by the state through the RTA and then, to the Service Boards.

The Illinois General Assembly passed legislation in 1989 that furnished funds to reimburse the service boards for the cost of providing reduced fares for the above mentioned categories. The fare reimbursement is included in revenues and became available in July 1989. In the state's 2000 fiscal year budget, the reimbursement level was increased from $20 million to $40 million for the RTA region, which should be sufficient to reimburse the Service Boards for most of their lost revenue.

Exhibit 2-7

RTA Operations Funding (dollars in millions)



Investment Income and Other

The investment income and other revenue category consist of sales tax interest, investment income, and other agency revenue. Total receipts in 2002 are budgeted at $13.7 million.

The state pays interest on sales tax receipts to the RTA from the time of collection until it is disbursed to the RTA. The RTA then disburses this interest to the Service Boards based on the RTA Sales Tax formula. In 2002, sales tax interest is budgeted at $1.6 million.

RTA investment income is dependent upon available cash balances and prevailing market rates. The RTA's cash balance is primarily composed of funds reserved in prior years for various service board capital projects. This revenue source is budgeted at $5 million for the year 2002.

Other agency revenues of $7.1 million for 2002 include the fees charged to employers for transit checks, which offset the costs of administering this program, as well as matching funds obtained under federal programs for regional planning, development and new technology efforts.

Operating Expenditures

Exhibit 2-1 provides a summary of the RTA's operating expenditures from 2000 through 2004. Total operating expenditures are projected to grow from $718 million in 2000 to $845 million in 2004. This is an increase of $127 million over the four-year period.

Operations Funding

The RTA's principal expenditure is the funding of the Service Boards' operating deficits. An operating deficit is the difference between a Service Board's system-generated revenues (farebox and other revenues) and system operating expenses. The RTA provides operating funds to each Service Board equivalent to their budgeted deficit for the year as opposed to funding the actual deficit. This policy encourages cost efficiencies by the Service Boards and allows them to retain any budgeted funds that are not expended. Such funds are generally referred to as positive budget variance, or PBV.

Exhibit 2-7 presents the combined proposed funding levels for the three Service Boards. From 2000-2004, Service Board operations funding from the RTA is expected to increase from $658 million to $784 million. This $126 million increase represents a compound annual growth rate of 4.5 percent. This is almost one full percentage point higher than the four-year annual compound growth rate for sales tax over the same time period. Combined operating funds of $725 million to the Service Boards in 2002 represent a 5 percent increase over 2001.

Exhibit 2-8 provides a more detailed analysis of total operations funding by Service Board from 2000 through 2004. The RTA's budget marks for the CTA in 2002 show a funding level of $441.6 million—an amount 5.4 percent higher than the 2001 estimate. This reflects operating costs increases, particularly in the areas of wages and health insurance.

Metra's operating funding level for the year 2002 is $203.9 million or 3.9 percent higher than the prior year. The funding increase will be used, in part, to support higher health insurance costs and an increase in railroad retirement taxes.

Pace's budget submission in November did not meet the "marks" set by the RTA Board in September. To balance Pace's budget with their "marks" the RTA hired the firm of Booz-Allen &

Exhibit 2-8

RTA Operations Funding by Service Board (dollars in thousands)

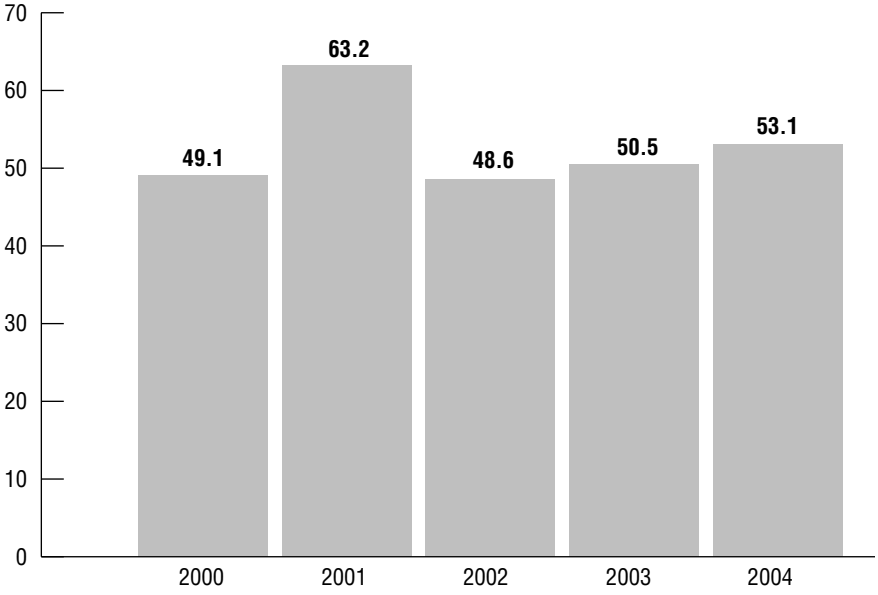
Operations Funding	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
CTA	$ 402,126	$ 419,005	$ 441,632	$ 462,388	$ 476,260
Metra	184,559	196,238	203,874	213,366	222,398
Pace	71,772	75,002	79,052	82,747	85,229
Total Operations Funding	**$ 658,457**	**$ 690,245**	**$ 724,558**	**$ 758,501**	**$ 783,887**

Hamilton to find ways for Pace to add revenue or reduce costs without the need to increase fares or decrease service levels during the planning period. The firm identified several revenue and expense programs that met these criteria.

On December 28, 2001, the RTA Board adopted a budget for Pace which balanced their budget with the "marks" established for them in September. This budget incorporates the components of certain cost saving programs from the Booz-Allen & Hamilton study into the Pace 2002 budget and financial plan. Pace's funding for 2002 from the RTA is set at $79.1 million an increase of 5.4 percent over last year's figure of $75 million.

Exhibit 2-9

RTA Ending Un-obligated and Unreserved Fund Balance (dollars in millions)



Sales Tax Interest to Service Boards/Grants

There is a lag in time between when the state collects the RTA Sales Tax and distributes it. The RTA receives interest on this sales tax, and then disburses 85 percent of these funds back to the Service Boards using the same formula as the sales tax distribution. The sales tax interest distributed by the RTA has been fairly consistent at approximately $1.4 million annually.

State Reduced Fare Reimbursements to Service Boards

State reduced fare reimbursements are received as revenue by the RTA and flow directly to the Service Boards. Most of the operating costs for reduced fare programs are now offset by this reimbursement.

Joint Self-Insurance Fund (JSIF)

The Joint Self-Insurance Fund (JSIF) is used to finance claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The fund essentially provides a source from which to borrow to pay for a portion of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage and certain other losses. The RTA plans to make a $3 million contribution to this fund in 2001. No further contributions are budgeted during the planning period.

Agency Operations

Agency operations represent on-going RTA functions to execute its funding, financial oversight, and other regional coordination responsibilities. Agency operating expenses of $17.8 million in 2002 represent a $0.9 million or 5.6 percent increase over 2001. However, the receipts from various initiatives such as the transit check program reduce the year-over-year funding needs to 5 percent, which is the same level of funding administered to the service boards for their 2002 operating budgets.

Debt, Technology, and Capital

Exhibit 2-1 provides a summary of the RTA's debt service, technology and capital expenditures from 2000-2004. Total expenditures in this category are projected to grow from $187 million in 2000 to $218 million in 2004. This is an increase of $31 million over the four-year period, or a 4 percent compound annual growth rate.

Principal and Interest Payments

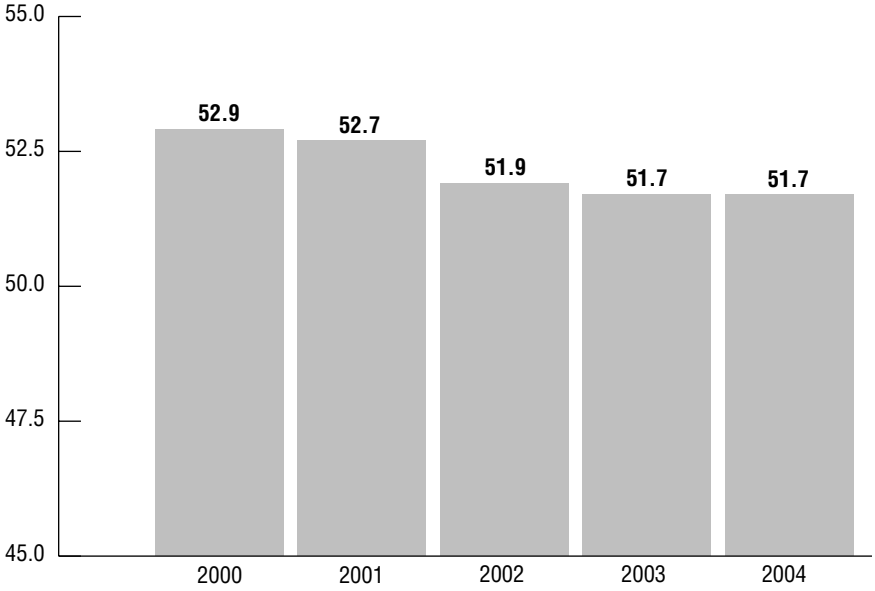
Principal and interest payments reflect the RTA's expenses and projected expenditures from 2000 through 2004. Payments increase from $87.6 million in 2000 to $148.6 million in 2004 due to the issuance of bonds authorized under the state's Illinois FIRST program.

RTA Capital and Technology

The proposed 2002 budget continues the RTA's commitment to capital and region-wide technology driven enhancements and coordination initiatives. Transit technology and regional coordination projects have a combined operating budget of $7.2 million in 2002. However, the RTA will receive reimbursement ("revenues") from federal programs and local initiatives amounting to $4.6 million. Consequently, net RTA funding for these projects is $2.6 million. In addition, the 2002 budget includes a net amount of $1.8 million to relocate the RTA offices. All but $0.2 mil-

Exhibit 2-10

RTA Recovery Ratio (percent)



lion represents leasehold improvements at the new address, net of the amount reimbursed by the new landlord. The relocation of the RTA offices will save the RTA $0.5 million per year. The agency's capital expenditures are also included in this expense category. Projected capital needs for the agency remain constant at $0.6 million per year from 2002-2004.

Transfer Capital Program—Metra

The statutory apportionment of sales tax to a Service Board can exceed their operating marks. When this occurs, the Service Boards can transfer the funds to capital projects. Metra is the only Service Board to achieve this source of capital funds. During this fiscal cycle the RTA also plans to transfer a portion of its discretionary funds to Metra for capital investment. The respective amounts from 2001 through 2004 are $2 million, $3.1 million, $3.2 million and $3.4 million.

In 2000, the distribution to Metra was approximately $38.7 million. In 2001, the combined funds from the capital transfer program that Metra is projected to receive are $34 million while 2002 through 2004 estimates are roughly $38 million, $39 million and $41 million, respectively.

Transfer Capital Program—CTA

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. The program was originally funded at an annual level of $11 million from 1995-1997. In 1998, the CTA's funding for this program was increased to $16.5 million. The CTA transfer capital program was funded at $19.2 million in 1999. The annual funding for this program is at $20.4 million from 2000-2004.

Discretionary & Other Capital

The RTA has played a major role in financing Service Board capital improvements through its discretionary capital program. This program includes providing the "local match" requirement of 20 percent of the project cost for federally funded capital projects and funding selected capital projects for 100 percent of their cost. Projects funded through this program require RTA Board approval. The "local match" funds are appropriated annually by the RTA Board from the general fund balance. The capital projects that are funded 100 percent by the RTA are exclusively RTA funds.

In 2000, discretionary capital funding was approximately $6 million. In 2001, about $10 million was budgeted for capital spending. Due to the current economic environment, the RTA has proposed to defer the designation of discretionary capital funds through the five-year program cycle.

Other

This category consists of prepaid expenses and operating, technology, and capital expenditure designations. During strong economic years, the RTA's budget adoption process set the stage for the year-end designation of funds for certain budgeted expenditures of the following year (for example, discretionary capital funding or the JSIF). However, with the declining economic growth projections used during the next fiscal period it was necessary to defer certain designations (for example, discretionary capital) to meet the RTA's minimum fund balance requirement of 5 percent.

Surplus/ (Deficit)

Total RTA revenues less total operating expenditures, less debt service, technology, and capital expenditures equals the annual change (surplus/deficit) in the RTA fund balance.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance as a percentage of expenditures. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods.

The RTA Board manages the use of funds to arrive at a planned balance for unreserved and undesignated funds. The 2000 balance was $49.1 million. The estimated balance for 2001 is $63.2 million. The respective balances for the 2002 budget and two-year financial plan (2003 to 2004) are $48.6 million, $50.5 million, and $53.1 million, respectively (Exhibit 2-9). These 2002-2004 unreserved and undesignated fund balances meet the ordinance minimum standard of 5 percent of expenses.

Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal year for each Service Board. The RTA Act further requires that the combined revenues from RTA operations cover at least 50 percent of the system operating cost (Exhibit 2-10). The RTA's budgeted recovery ratio for 2002 is 51.9 percent. The ratio is at 51.7 percent in 2003 and 2004. A detailed breakout of this calculation is provided in Exhibit 2-20.

In meeting the 50 percent recovery ratio, the *RTA Act* requires that the revenue figures include all receipts consistent with generally accepted accounting principles with certain specified exceptions. Therefore, the revenue figure used to determine whether the RTA system meets this 50 percent requirement includes not only all of the items contained in the recovery ratio for the Service Board budgets, but also the net gain on lease/leaseback transactions, and the 1989 Metra fare increase—even though these items are restricted for capital investment. This statutory calculation therefore computes to 52.8 percent for year 2002, 2.8 points above the mandated 50 percent.

Capital Program

Overview

The *RTA Act* requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuing review so that the RTA may budget and expend funds available to the region with maximum efficiency. The RTA's five-year capital program describes the nature, location, and budget by project and by fiscal year of all anticipated Service Board capital improvements. The RTA Board must adopt a five-year capital program every year. Public hearings are held in each county in the northeastern Illinois region to inform the public and government officials of the Authority's capital development plans.

The RTA Strategic Plan, adopted by the RTA Board, emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes maintaining the system's $24 billion in assets (as measured in terms of replacement value) in good condition and extending or expanding service when demand is justified and funding available.

With funding needs for capital improvements and rehabilitation greatly exceeding expected resources, the RTA and the Service Boards actively pursue additional funding opportunities to preserve and enhance the economic viability of the RTA system. In addition, the RTA Strategic Plan identifies the need to wisely allocate our available capital resources consistent with long-range plans and short-range needs.

Capital Program Issues

Continued financial support for public transportation is vital to the region's economic health. However, the region's current transit needs, which are based upon bringing the entire system to a state of good repair, continue to outpace projected funding levels.

The Transportation Equity Act for the 21st Century (TEA-21) was signed into law on June 9, 1998. *TEA-21* provided for a six-year (1998-2003) reauthorization of the federal transit program. This reauthorization retained Section 5307 and Section 5309 transit capital funding programs. The Section 5307 funding includes the Formula program, while the Section 5309 funding includes Fixed Guideway, New Start, and Bus programs. Flexible funding is also available to transit through the Congestion Mitigation and Air Quality (CMAQ) program, the Surface Transportation Program (STP), the Clean Fuels Formula Program and the Job Access and Reverse Commute Program.

In 2002, 47 percent of the region's available transit capital funding comes from federal sources. *TEA-21* provided guarantees that authorized levels of funding will be appropriated for the formula-based funding programs (Section 5309 Fixed Guideway and Section 5307 Formula). The RTA annual capital marks for these formula-based programs are based on estimates of the guaranteed funding authorized under *TEA-21*.

Since the Federal Register, including the federal government's executed 2002 appropriation bill was not published when preparing this document, the marks are based on preliminary estimates. The RTA anticipates that the *TEA-21* formula-based funding programs for transit capital projects will increase moderately over the next year. The FTA Section 5309 Fixed Guideway program is projected to increase from estimated $123.7 million in 2002 to $149.2 million in 2003. Likewise, the Section 5307 Formula program funds are projected to increase from an estimated $200 million in 2002 to $224.4 million in 2003. For planning purposes, the fiscal years 2004 through 2006 federal marks are an extension of the fiscal year 2003 estimated mark. Funding beyond federal fiscal year 2003 will require a reauthorization of *TEA-21*.

These federal funds must be matched by local funding sources. The RTA Bond program is a significant component of this local funding match.

Transit in northeastern Illinois began a new era in 1999 with the substantial capital funding commitment provided by the $12 billion *Illinois FIRST* program. *Illinois FIRST*, a Fund for Infrastructure, Roads, Schools and Transit, was designed to meet the state's most pressing infrastructure needs. The transit component of this program, which was signed into law on June 15, 1999, includes more than $4 billion in transit investments.

Under *Illinois FIRST*, the RTA and its Service Boards, the CTA, Metra and Pace, can borrow $1.6 billion for improvement projects, allowing the RTA to leverage more than $2 billion in federal funds. In FY2000, work began on badly needed rail transit projects for the suburbs and on aging infrastructure for city and suburban lines.

Illinois FIRST is supported by $573 million from new revenues generated by increases in vehicle registration fees, title transfer fees and alcohol taxes. An additional $48 million in new revenues will be generated by reducing the annual diversion of Road Funds money for non-highway purposes.

The *Illinois First* program augments the highly successful 1989 $1 billion bond program. The entire $1 billion in 1989 bond funds has been committed with expenditure of $976.9 million to complete transit capital projects. *Illinois FIRST* provided $2 billion in bonding authority, for distribution by both the RTA and IDOT, for capital improvement purposes.

Bonding authority in the amount of $1.6 billion is administered by the RTA under two programs, the Strategic Capital Improvement Program (RTA SCIP II) at $1.3 billion over five years and the RTA Bond Program (RTA Bond II) at $300 million over five years. In 2002, a total of $260 million of RTA SCIP II funding is available to the Service Boards for programming. Allocation of RTA Bond II funds is planned in 2002 through 2004 based on Service Board projected needs.

RTA SCIP II funding maintains the 1989 bond allocation formula of 50 percent to CTA, 45 percent to Metra, and 5 percent to Pace. The $1.6 billion RTA Bond program will increase the region's ability to address the backlog of capital projects to repair, replace, or upgrade rolling stock and existing infrastructure and provide significant levels of funding for CTA and Metra expansions and extensions.

The other RTA source of local funding is the RTA Discretionary program. These funds can be used either for federal match or discretionary purposes. In the past, the RTA has used these discretionary funds to address the backlog of unfunded capital needs. In 2002, due to an expected shortfall in RTA Sales Tax receipts, the RTA will defer an allocation of any discretionary funds to the Service Boards for capital projects.

The State of Illinois Series "B" Bond program is another local funding source used in addition to RTA sources to provide the required 20 percent local match to federal funds. In 1999, the Illinois State legislature authorized $380 million for the Series "B" Bond program to be administered by the Illinois Department of Transportation (IDOT). While the 2002-2006 capital program assumes availability of the Series "B" Bond funds and General Reserve Funds, these sources are subject to annual legislative appropriation. In 2002, IDOT has allocated $65.3 million for capital improvement purposes.

Finally, the Service Boards have contributed to their capital investment programs through alternative financing mechanisms, such as the transfer capital program. Service Board operating funds have also been capitalized through cost savings and used by the Service Boards as positive budget variance funds for capital purposes.

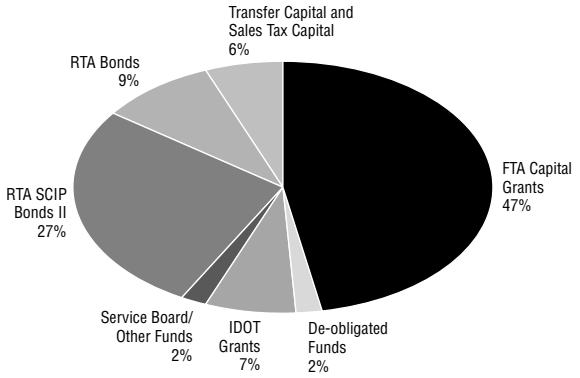
With the state-provided funding from *Illinois FIRST*, the RTA's primary challenge over the next three years will be to expend these funds efficiently and effectively to rebuild and expand the system.

Source of Funds

The funding sources for the RTA capital program include the United States Department of Transportation's Federal Transit Administration (FTA), the RTA, the Illinois Department of Transportation (IDOT), and the Service Boards. The RTA's estimated 2002 capital program marks, totaling $949.4 million, include $443.5 million from federal funding sources. Currently, $921.2 million has been programmed. (See Schedule II in the Appendix for more detail.) Federal funds require a local share match. The remaining funds will come from the RTA, IDOT, and the Service Boards (Exhibit 2-11).

Exhibit 2-11

2002 Capital Program Sources—$ 949 million



Federal

The RTA receives federal funds under Section 5307 and Section 5309 of the *Federal Transit Act*, as amended, by *TEA-21*. Section 5307 Formula and Section 5309 Fixed Guideway funds are allocated nationally on a formula basis. Section 5309 New Start and Bus funds are allocated on a discretionary basis. The federal government provides 80 percent of the cost of capital projects funded with Section 5307 and 5309 funds. Local funding sources provide the remaining 20 percent match.

The pending 2002 federal appropriation bill includes New Start funding, $39 million for CTA's Douglas and Ravenswood Lines capital projects and $62.1 million for Metra's commuter rail extensions and upgrades. The estimated combined federal funding for 2002 totals $443.5 million.

As mentioned previously, *TEA-21* retained Congestion Mitigation Air Quality (CMAQ) and Surface Transportation Program (STP) as flexible funding programs. Funds from these two programs can be used for either highway or transit projects, depending on local priorities. *TEA-21* included two additional discretionary transit grant programs, the Clean Fuels Formula Program and the Job Access and Reverse Commute (JARC) Program. The Clean Fuels Formula Program finances the purchase or lease of clean fuel buses and facilities, as well as the improvement of existing facilities to accommodate clean fuel buses. JARC is designed to transport welfare recipients and eligible low-income individuals to and from jobs. The Reverse Commute Program is designed to assist in the development of transportation services to suburban employment centers for urban and non-urban residents. The Service Boards' proposed capital programs include projects that could be funded by these flexible programs.

RTA

Illinois FIRST provided the RTA with additional bonding authority in the amount of $1.6 billion. The RTA Bond program will be administered by the RTA under two programs, the Strategic Capital Improvement Program (SCIP II) at $1.3 billion over five years and the RTA Bond Program (RTA Bond II) at $300 million. A total of $260 million of SCIP II funding is available for programming in 2002.

The RTA Bond II funds are allocated at $34.5 million in 2002, $127.9 million in 2003, and $137.6 million in 2004 based on Service Board projected needs.

All bond funds have been obligated from the $1 billion in bonding authority granted to the RTA in 1989 by the state legislature. Any adjustments to the 1989 Bond program are simply reallocations of the currently available funds.

RTA Discretionary funds are yet another source of capital funding. Discretionary funds, which remain after funding CTA, Metra and Pace operations, can be used to match federal funds or to fully fund Service Board projects. In 2002 and subsequent years, the capital program has no RTA Discretionary capital funds due to lower projected RTA Sales Tax reflecting a less robust economic climate. As adopted in December by the RTA Board, the RTA statement of revenues and expenditures in this document reflect this change.

State

Other sources of local funding for the 2002-2006 capital plan are the State of Illinois Series "B" Bond program and the General Revenue Funds (GRF) program. The General Revenue Funds program provides funds for the region's transit projects and is administered by the Illinois Department of Transportation (IDOT) through the Division of Public Transportation. The capital plan assumes $65.3 million for 2002 and $80 million annually for 2003-2006, based upon the 2002 reauthorization. The GRF funds total $20 million over five years, with $4 million programmed for 2002. Both, the Series "B" Bond and GRF programs are subject to annual legislative appropriation.

Service Boards

In addition to the above funding sources, the 2002-2006 capital programs submitted by the CTA, Metra and Pace include funding for capital needs from their own fund balances and other external sources.

Transfer Capital are funds that can be used for operations but have, at the Service Board's request, been reallocated for use on capital improvement projects. A total of $58.5 million has been allocated to Transfer Capital funds for 2002. In 2002, the CTA has allocated $20.3 million, which originates from RTA discretionary

Exhibit 2-12

2002-2006 Capital Program Uses (dollars in millions)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	859	543	160	1,562
Track & Structure	439	428	-	867
Electric, Signal, & Communications	182	138	13	333
Support Facilities & Equipment	367	140	41	548
Stations & Passenger Facilities	152	180	5	337
Miscellaneous	27	17	3	47
Acquisitions & Extensions	573	353	-	926
Contingencies & Administration	274	5	6	285
Total	**2,873**	**1,804**	**228**	**4,905**

funding, and Metra has allocated $38.2 million, which originates from Metra's statutorily allocated percentage of the RTA Sales Tax. In addition, the Service Boards will capitalize $14.6 million of their operating funds for capital projects for their five-year capital programs.

Finally, in 2002 the Service Boards have proposed to de-obligate and carryover non-programmed 2001 funds in the total amount of $19.9 million. Usually, the Service Boards de-obligate the previously approved funds from the completed or deferred capital projects and re-use it for higher priority projects in current year.

Use of Funds

The 2002-2006 capital programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibit 2-12. Some of the more significant projects included in the proposed 2002-2006 capital program are:

- $509.1 million for the purchase of 610 CTA rail cars,
- $81.1 million for the rehabilitation of CTA rapid transit cars,
- $155.9 million for the purchase of 1,032 CTA buses,
- $310.8 million for the reconstruction of the CTA Douglas Branch of the Blue Line,
- $261.7 million for the expansion of the CTA Ravenswood Brown Line,
- $224.6 million for the reconstruction of the CTA Dan Ryan Branch (22nd St. to 95th St.),
- $137.7 million for the replacement and upgrade of the CTA power distribution and signals on the Yellow Line,
- $137.3 million for reconstruction of five CTA rail stations on the Red, Blue and Purple Lines,
- $301.7 million for the purchase of 326 Metra bi-level rail cars,
- $64.7 million for the rehabilitation of Metra commuter rail cars,
- $55.2 million for the purchase of 26 Metra locomotives,
- $36.9 million for the rehabilitation of Metra locomotives,
- $132.1 million for the extension of the Metra Southwest Service,
- $138.6 million for the expansion of the Metra North Central Service,
- $71 million for the extension of the Metra Union Pacific West Line,
- $114.3 million for bridge rehabilitation on the Metra Union Pacific North Line,
- $126.4 million for the bridge rehabilitation on the Metra Rock Island Line,
- $100.4 million for the purchase of 327 Pace buses,
- $11.3 million for the purchase of 147 Pace paratransit vehicles,
- $29 million for the purchase of 870 Pace vanpool vehicles and associated equipment, and
- $25.9 million for the construction, expansion and improvements to Pace garages.

Additional detail on the 2002-2006 capital plans of the CTA, Metra and Pace are presented in their respective sections of this document and in the Appendix.

Reference

2001 Budget vs. 2001 Estimate

Total RTA revenues of $902.4 million are projected to be $33.9 million lower than 2001's budget of $936.3 million. As mentioned earlier, sales tax and associated PTF revenues are expected to be well below plan due to a slowing economic environment (Exhibit 2-13).

Total operations expenditures of $751.5 million are projected to be unfavorable by almost $0.4 million due to higher agency operations expenditures. However, additional revenue from the RTA/CTA Transit Benefit Program offset this overage and the Agency's funding is projected to meet budget. For more information, see the Agency reference section.

Total debt service, technology, and capital of $136.8 million, is expected to be favorable to budget by $28.1 million. Some RTA program expenses are running under budget due to timing delays. The RTA also plans to de-obligate some capital projects and the Joint Self Insurance Fund to ensure that the fund balance falls within the minimum of 5 percent of expenses in future years.

A surplus of $14.1 million is projected, which is $6.2 million unfavorable to budget. This unfavorable variance lowers the fund balance from a planned $69.4 million to $63.2 million.

Authority and Responsibility

The RTA was established in 1974 upon approval of a referendum in its six-county northeastern Illinois region. The operating responsibilities of the RTA are set forth in the *RTA Act*. The RTA is a unit of local government, body politic, political subdivision and Municipal Corporation of the State of Illinois.

As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services as well as a planning and funding agency. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The reorganization placed all operating responsibilities with three Ser vice Boards: the Chicago Transit Authority (CTA) and two operating divisions of the RTA: a Commuter Rail Division (Metra) and a Suburban Bus Division (Pace), each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers. The RTA became exclusively responsible for financial oversight and regional planning issues.

The Service Boards operate within the RTA's region, but are separate legal entities. The Board of Directors of each Service Board is completely independent of the RTA Board. The RTA Board has control neither in the selection nor the appointment of any Service Board director or its management. Further, directors of the CTA, Metra and Pace are

excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board, who is also a RTA Board member.

The *RTA Act* sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA's system as a whole achieves an annual "system-generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50 percent of the cost of the operation of transportation services. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA is responsible for supervising the budgets and financial performance of the CTA, Metra, and Pace.

The Service Boards are considered fiscally independent of the RTA. Although the RTA reviews the budgets of the CTA, Metra and Pace, approval of the budgets is mandated by state statute if such budgets meet specified recovery ratios.

The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters including: ownership of assets, relations with federal and state transportation funding agencies and the preparation of their operating budgets. They are also responsible for the purchase of services and approval of contracts relating to their operations.

The CTA, Metra and Pace provide services to different geographic areas within the six-county region. The CTA provides rail and bus service to the City of Chicago and 38 neighboring suburbs within Cook County. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburbs and commuting to the City of Chicago. Pace's primary bus service area is suburban communities, with limited service to the City of Chicago.

The *RTA Act* establishes the RTA as the primary public body with authority to apply for and receive grants, loans and other funds from the state or the federal government for public transportation programs in Cook, DuPage, Kane, Lake, McHenry and Will counties ("northeastern Illinois"). The RTA is responsible for the allocation of certain federal, state and local funds to finance both the operating and capital needs of public transit in the six-county region.

The Act confers upon the RTA Board powers to prescribe regulations requiring that the Service Boards submit to the RTA such information as the RTA may require. The Board has statutory authority to establish by rule or regulation financial, budgetary, or fiscal requirements for the system.

In addition to its annual budget and financial plan responsibilities, the RTA, each year, is required to prepare and adopt a five-year capital program. The Service Boards are prohibited from undertaking any capital project in excess of $250,000, unless the project has been approved by the RTA Board and incorporated into the RTA capital program.

The RTA also conducts market research and coordinates planning for public transportation in northeastern Illinois. The RTA funds the development of new types of service, both in the suburbs and the City of Chicago on a demonstration basis.

Budget Process

The Act requires that the RTA Board of Directors to approve an annual budget, a two-year financial plan, and a five-year capital program. The budget calendar and statutory oversight and amendment requirements govern this process. Specific highlights of the budget calendar are outlined below. A detailed calendar is provided in the Appendix.

Budget Calendar

By July 1st of each year, the Illinois Bureau of the Budget submits to the RTA an estimate of revenues to be collected from taxes for the next fiscal year.

Based upon the estimate of tax receipts and revenues from other sources, "the Board shall, not later than ... September 15 prior to the beginning of the Authority's next fiscal year" advise each Service Board of the amounts estimated to be available during the upcoming fiscal year and following two years. The Board is also required to advise the Service Boards of the times when the amounts will be available and the next year's cost recovery ratio.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document and a two-year financial plan. "The proposed budget and financial plan shall be based on the RTA's estimate of funds to be available to the Service Boards by or through the Authority, and shall conform in all respects to the requirements established by the Authority."

Before submitting the budget to the RTA, the Service Boards must hold at least one public hearing in each of the counties in which it provides service. Each Service Board must hold at least one meeting with the affiliated county boards. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA on November 15. *The Act* requires that the budgets submitted by each Service Board not project or assume receipt of revenues greater than those set in the estimates provided by the RTA.

The RTA Board must then hold at least one public hearing in the metropolitan region and one meeting with each county board on the proposed budget. Twenty days prior notice is required for the public hearing.

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt a budget, which meets the statutory criteria.

Unless the Board can pass (by nine votes) a budget and financial plan for a Service Board which meets these criteria, the Act states that "the Board shall not release to that service board any funds for the periods covered by such budget and financial plan" except for the 85 percent of sales tax proceeds which are directly allocated to the Service Boards.

Also, if the RTA does not find that a Service Board budget meets the criteria set forth under the Act, the Board shall, five working days after the start of the Service Board's fiscal year, adopt a budget and financial plan meeting these criteria.

The RTA, CTA, Metra, and Pace all report on a calendar-year basis.

Statutory Requirements

The *RTA Act* sets forth six statutory criteria for Board approval of the budget and financial plan of each service board. These six criteria are:

Balanced Budget

Such budget and plan shall 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.

Cash Flow

Such budget and plan shall show cash balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs and expenses as incurred.

Recovery Ratio

Such budget and plan shall 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 such Service Board which allow the service board to meet its required recovery ratio.

Assumptions

Such budget and plan are based upon and use assumptions and projections which are reasonable and prudent.

Financial Practices

Such budget and plan shall be prepared in accordance with sound financial practices as determined by the RTA Board.

Other Requirements

Such budget and plan shall meet such other financial, budgetary, or fiscal requirements that the RTA Board may by rule or regulation establish.

Operating Budget Oversight

After adoption of the operating budget, the RTA Board has continuing oversight powers concerning the budget and the financial condition of each Service Board and region as a whole. The RTA monitors the budgetary and operations performance of the Service Boards on a monthly basis to ensure compliance with their budget and recovery ratio. On a quarterly basis, the following oversight is conducted:

- After the end of each fiscal quarter, each Service Board must report to the RTA "its financial condition and results of operations and the financial condition and results of operations of the public transportation services subject to its jurisdiction" for that quarter. If in compliance, the RTA Board so states and approves each Service Board's compliance by adopted resolution.
- If "in the judgment of the Board" these results are not substantially in accordance with the Service Board's budget for that period, "the Board shall so advise the Service Board" and it "shall, within the period specified by the Board, submit a revised budget incorporating such results."
- Once a Service Board submits the revised budget plan, the RTA must determine if it meets the six statutory budget criteria necessary to pass an annual budget. If not, the RTA does not release any monies to the Service Board(s) except for the statutory allocation of taxes.
- If a Service Board submits a revised budget and plan which shows that the statutory budget criteria will be met "within a four quarter period," the RTA "shall continue to release funds to the Service Board." The RTA may require the Service Board to submit a revised budget and plan which shows that the budget criteria "will be met in a time period less than four quarters."

Amendment

When prudent, the operating budget is amended due to shifts in the economic climate, governmental funding programs or new projects. Depending on the type of request, the proposed amendment may be presented to one or more of the RTA Board Committees for approval. However, the Board's Finance Committee must approve all proposed amendments before they are recommended to the RTA Board. The RTA Board ultimately approves or disapproves all proposals. If approved, the RTA and Service Board budgets are amended to include all changes and actual results and are then monitored against the amended budget.

RTA Bonds

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch IBCA and "Aaa" from Moody's Investors Service, Inc., based on the RTA having the principal and interest

guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA", "AA", and "A1", respectively, without such insurance. These represent strong investment grade ratings. The RTA has the distinction of being one of the highest rated public transportation agencies in the United States.

All bonds are general obligations of the RTA to which the full faith and credit of the RTA are pledged. These general obligation bonds, with a balance of $1,195.8 million as of December 31, 2000, are divided into two types: $733.2 million in Strategic Capital Improvement Program (SCIP) bonds and $462.6 million in RTA bonds (Exhibit 2-14).

The bonds are payable from all revenues and all other funds received or held by the RTA that lawfully may be used for retiring the debt. Exceptions to this are amounts in the Joint Self-Insurance Fund (JISF) and amounts required to be held or used with respect to separate ordinance obligations. The bonds are secured by an assignment of a lien on the sales taxes imposed by the RTA. All sales tax receipts are to be paid directly to the trustee by officials of the State of Illinois. If, for any reason, the RTA has not made the required monthly debt service payment, the trustee is to deduct it from the receipts. If all payments have been made, the funds are made available to the RTA for regular use. Under *the Act*, the CTA, Metra and Pace fare box receipts and funds on hand are not available for payment of debt service.

On June 21, 1993, the RTA issued an advance refunding of a portion of its 1990A Series general obligation bonds. The RTA issued $23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. As of December 31, 1999, $20,350,000 of outstanding 1990A Series general obligation bonds is considered defeased.

On January 30, 1996, the RTA also issued an advance refunding of a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued $151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. As of December 31, 1999, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 22 years by $7 million. The refunding was also undertaken to obtain an economic gain of $4.4 million, which represents a 3.2 percent savings on the previous debt service expense.

On September 18, 1997, the RTA issued an advance refunding of a portion of its 1990A, 1991A, 1992B and 1993B Series general obligation bond issues. The RTA issued $98,385,000 of general obligation refunding bonds (1997 Series). Proceeds from the issuance amounted to $105,570,935, including a premium of $7,185,935. The proceeds are to fund an irrevocable trust for generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. As of December 31, 1999, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series) and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 26 years by $11.7 million and to obtain an economic gain of $4.2 million, which represents a 3.9 percent savings on the previous debt service expense.

On August 10, 1999, the RTA made an advance refunding of a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation (1999) bonds to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. The refunded bonds are as follows: $113,895 of the 1992A Series, $9,720,000 1993A, $142,615,000 1994A, and $21,955,000 1994C. The refunding was undertaken to reduce debt service over the next 26 years by $22 million, an economic gain of $11.4 million, which represents a 3.9 percent savings on the previous debt service.

On February 1, 2001 the RTA made an advance refunding of a portion ($37,750,000) of its 1993A Series general obligation bond issue. The RTA issued $37,715,000 of general obligation (2001B) bonds to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. The refunding was undertaken to reduce debt service through 2023 by $3.4 mil-

lion (an economic gain of $2.1 million) which is a 4.7 percent savings on the previous debt service.

Effective January 1, 2000, the RTA Act was amended to authorize the issuance of an additional $260 million of SCIP II Bonds in each year for the period of 2000 to 2004. In March 2001, the RTA issued $100 million in SCIP II bonds.

An updated general obligation bond schedule through September 30, 2001, has a balance of $1,278 million, and is divided into three types: $463.3 million in SCIP I bonds, $360 million in SCIP II bonds, and $454.7 million in RTA bonds.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 2-15), the RTA meets this test. Any differences between debt service amounts presented and amounts shown in general purpose financial statements represent timing differences between payments made to trustees and payments made to bondholders. Also, investment income earned in the debt service accounts may lower actual cash transfers from the General Fund.

Fund Accounting

The accounts of the RTA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are separated in its own set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. RTA resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be utilized and the means by which spending activities are controlled. In the financial statements, the various funds are grouped into three broad fund types and six generic fund categories, which are discussed in the ensuing paragraphs.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Funds and Capital Projects Funds. Revenues and expenditures by fund type are detailed in Exhibit 2-16.

General Fund

The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund such as the Agency Fund. Exhibit 2-17 highlights the 2002 budget by fund type. The General and the Agency Funds are the only two funds that have annual budgets.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The interest earned is generated from the funds being held for payment to the bondholders. The difference between the transfer and payment expenditures reflects the year-over-year timing variance.

Capital Projects Funds

In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of $500 million of SCIP bonds, and to have a maximum of $500 million RTA bonds outstanding. Capital Projects Funds are utilized for the receipt and disbursement of the proceeds of the bond issues. The first Capital Projects Fund was established in 1990 with the issue of $100 million of RTA bonds to fund capital projects at the Service Boards. The RTA allocated the proceeds from the bonds issued under the General Assembly's authorization as follows: 50 percent for CTA capital projects; 45 percent for Metra capital projects; and 5 percent for Pace capital projects. Projects included in approved five-year capital programs will be eligible for reimbursements from these proceeds by the RTA without further review or action by the RTA Board of Directors.

Effective January 1, 2000, the RTA Act was amended to authorize the issuance of an additional $260 million of SCIP II Bonds in each year for the period of 2000 through 2004 and to issue and have outstanding an additional $300 million of non-SCIP Bonds.

Proprietary Fund

Proprietary Funds are used for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one Proprietary (Enterprise) Fund—the Joint Self-Insurance Fund.

Joint Self-Insurance Fund

The Joint Self-Insurance Fund is used to finance claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. This fund is reported as an enterprise fund since the predominant participants are outside of the RTA.

Fiduciary Fund Types

Fiduciary Funds account for assets held by a governmental entity in a trustee capacity or as an agent for others. The RTA's Fiduciary Funds consist of an Agency Fund and a Pension Trust Fund.

Agency Fund

The Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales tax), interest on this tax, reduced fare reimbursement grants and federal operating assistance grants. Sales tax

Exhibit 2-13

RTA Statement of Revenues and Expenditures 2001 Budget vs 2001 Estimate (in thousands)

Revenues	2001 Budget	2001 Estimate	Variance
Sales Tax	$ 669,000	$ 663,000	($6,000)
Public Transportation Funds (PTF)	168,000	166,000	(2,000)
Projected Revenue Shortfall (1)	0	(19,000)	(19,000)
State Financial Assistance (SFA)	47,422	43,662	(3,760)
State Reduced Fare Reimbursements (RFR)	40,000	40,000	0
Investment Income and Other	$11,902	8,764	(3,138)
Total Revenues	**$ 936,324**	**$ 902,426**	**($33,898)**
Expenses			
Operations Funding	$ 690,245	$ 690,245	$ 0
Sales Tax Interest to Service Boards/Grants	1,400	1,400	0
Reduced Fare Reimbursement to Service Boards	40,000	40,000	0
Joint Self-Insurance	3,000	3,000	0
Agency Operations	16,499	16,887	(388)
Total Operating Expenditures	**$ 751,144**	**$ 751,532**	**($388)**
Funds Available before Debt Service, Technology and Capital Expenditures	**$ 185,180**	**$ 150,894**	**($34,286)**
Principal and Interest Payments	$85,132	$ 84,202	$930
RTA Capital and Technology	12,285	8,759	3,526
Metra Transfer Capital	34,105	34,105	0
CTA Transfer Capital	20,353	20,353	0
RTA Discretionary Capital	9,698	9,698	0
Other	3,284	(20,366)	23,650
Debt Service, Technology, & Capital	**$ 164,857**	**$ 136,751**	**$ 28,106**
Revenues less Expenditures/(Deficit)	**$ 20,323**	**$ 14,143**	**($6,180)**
Ending Fund Balance	**$ 69,401**	**$ 63,221**	**($6,180)**
Percent of RTA Expenditures	7.6%	7.1%	(0.5) pts.

(1) Sales Tax and PTF combined.

Exhibit 2-14

RTA General Obligation Bonds Payable (dollars in thousands)

General Obligation	12/31/99	New Issues	Retirements	12/31/00
1990A	$ 62,710	—	$ 1,915	$ 60,795
1991A	59,740	—	1,940	57,800
1992A* and 1992B	78,905	—	3,820	75,085
1993A* and 1993B	46,960	—	2,130	44,830
1993C Refunding	22,335	—	180	22,155
1994A* and 1994B	53,725	—	4,470	49,255
1994C* and 1994D	87,755	—	2,485	85,270
1996 Refunding	149,760	—	540	149,220
1997 Refunding	97,895	—	260	97,635
1999 Refunding*	298,725	—	4,990	293,735
2000A*	—	260,000	—	260,000
Total	**$ 958,510**	**$ 260,000**	**$ 22,730**	**$ 1,195,780**

*Note: *Strategic Capital Improvement Program (SCIP) Bonds.*

revenues are recorded in the fund and are equally offset by expenditures recording the pass through to the Service Boards.

Pension Trust Fund

The Pension Trust Fund is used to account for all accumulation of resources for and payments of, retirement benefits to employees participating in the RTA Pension Plan and Trust.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The RTA has established this objective to maintain financial stability in order to carry out the RTA's legislative mandates to plan, fund and oversee public transportation in the region. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods.

The ordinance states:

- The Annual Budget adopted by the RTA each year will reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than 5 percent of the RTA's total operating expenditures for that year. In 2002, the year-end unreserved and undesignated fund balance has been budgeted at $48.6 million which is 5 percent of the sum of the operating expenditures, debt, technology, and capital service expenditures.
- If actual sales tax receipts or other RTA revenues fall short of the amounts reflected in the annual budget, then the succeeding year's annual budget and two-year financial plan will provide for the replacement of any shortfall in the unreserved and undesignated balance of the RTA general fund, by no later than the end of the three-year planning period.

Exhibit 2-15

1991-2000 Debt Service Requirement Test (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Service Requirement
1991	425,173	13,540	33,850
1992	445,891	27,917	69,793
1993	462,393	39,909	99,773
1994	497,698	51,978	129,945
1995	513,301	76,550	191,375
1996	532,304	76,301	190,753
1997	555,496	78,359	195,898
1998	576,704	77,883	194,708
1999	613,514	77,866	194,665
2000	650,284	81,676	204,190

Exhibit 2-16

RTA 2000 Combined Fund Statement of Revenues & Expenditures by Fund (dollars in millions)

Revenues	**General**	**Agency**	**Debt**	**Capital**	**JSIF**	**Pension**	**Combined**
Sales Tax	$ 97.5	$ 552.7	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 650.2
Public Transportation Funds (PTF)	162.2	0.0	0.0	0.0	0.0	0.0	162.2
State Financial Assistance (SFA)	41.8	0.0	0.0	0.0	0.0	0.0	41.8
Reduced Fare Reimbursements	0.0	38.8	0.0	0.0	0.0	0.0	38.8
Investment Income and Other	11.0	1.3	13.4	3.7	2.5	(2.0)	29.9
Total Revenues	**$ 312.5**	**$ 592.8**	**$ 13.4**	**$ 3.7**	**$ 2.5**	**($2.0)**	**$ 922.9**
Expenditures							
Operations Funding	$ 144.5	$ 514.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 658.5
Sales Tax Int to Service Boards	0.0	1.3	0.0	0.0	0.0	0.0	1.3
Reduced Fare Reimbursements	0.0	38.8	0.0	0.0	0.0	0.0	38.8
Agency Operations	16.0	0.0	0.0	0.0	4.3	2.4	22.7
Capital Grants	26.2	0.0	0.0	28.9	0.0	0.0	55.1
Sales Tax-Metra Capital	0.0	38.7	0.0	0.0	0.0	0.0	38.7
Debt Service Operating Transfer	87.6	0.0	(87.6)	0.0	0.0	0.0	0.0
Joint Self-Insurance	23.0	0.0	0.0	0.0	0.0	0.0	23.0
P&I Bondholder Payment	0.0	0.0	82.3	0.0	0.0	0.0	82.3
Tech and Capital Outlay	8.0	0.0	0.0	0.0	0.0	0.0	8.0
Total Expenditures	**$ 305.3**	**$ 592.8**	**($5.3)**	**$ 28.9**	**$ 4.3**	**$ 2.4**	**$ 928.4**
Revenues less Expenses	**$ 7.2**	**$ 0.0**	**$ 18.7**	**($25.2)**	**($1.8)**	**($4.4)**	**($5.5)**

- This policy shall be in effect beginning with the adoption of the 1999 budget and each annual budget and two-year financial plan thereafter.
- The Executive Director is authorized to take such further steps as deemed necessary or appropriate to implement, administer and enforce this ordinance.

Basis of Budgeting

The basis of budgeting refers to the conventions for the recognition of costs and revenues in budget development and in establishing and reporting appropriations. The RTA's annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles except for capital grants/expenditures and debt service payments. Capital grants/expenditures are budgeted for on a project basis, which normally exceed one year. Debt service payments are budgeted as transfers from the General Fund.

Although appropriations are adopted for individual line items, the legal level of control is restricted to total appropriations/expenditures and total administration (statutory cap) appropriations/expenditures. Management has the authority to exceed any line appropriation without Board approval, provided it does not exceed the legal levels of control. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the Budget Ordinance.

Budgetary reporting is balanced with accounting records on a monthly basis and is fully reconciled to the accounting system on an annual basis in the Comprehensive Annual Financial Report and for the annual Municipal Bond Disclosure Reports required by the Securities and Exchange Commission (Exhibit 2-18 and Exhibit 2-19).

Exhibit 2-17

RTA Statement of Revenues and Expenditures 2002 Budget by Fund (dollars in thousands)

Revenues	General Fund	Agency Fund	Total Budget
Sales Tax	$ 103,800	$ 588,200	$ 692,000
Public Transportation Funds (PTF)	173,000	0	173,000
Projected Revenue Shortfall	(19,570)	0	(19,570)
State Financial Assistance (SFA)	57,499	0	57,499
State Reduced Fare Reimbursements (RFR)	0	40,000	40,000
Investment Income and Other	12,341	1,400	13,741
Total Revenues	**$ 327,070**	**$ 629,600**	**$ 956,670**
Expenses			
Operations Funding	$ 171,439	$ 553,119	$ 724,558
Sales Tax Interest to Service Boards/Grants	0	1,400	1,400
Reduced Fare Reimbursement to Service Boards	0	40,000	40,000
Agency Operations	17,831	0	17,831
Total Operating Expenditures	**$ 189,270**	**$ 594,519**	**$ 783,789**
Funds Available before Debt Service, Technology and Capital Expenditures	**$ 137,800**	**$ 35,081**	**$ 172,881**
Principal and Interest Payments	$ 121,233	$ 0	$ 121,233
RTA Capital and Technology	11,396	0	11,396
Metra Transfer Capital	3,080	35,081	38,161
CTA Transfer Capital	20,353	0	20,353
Other	(3,600)	0	(3,600)
Debt Service, Technology, & Capital	**$ 152,462**	**$ 35,081**	**$ 187,543**
Revenues less Expenditures/(Deficit)	**($14,662)**	**0**	**($14,662)**
Ending Fund Balance	**$ 48,559**	**$ 0**	**$ 48,559**

Exhibit 2-18

2000 Reconciliation of Budgetary Basis to GAAP Basis Accounting (dollars in thousands)

	General Fund
Excess of revenues over expenditures and other financing use-budgetary basis	**$ 7,161**
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(10,836)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	1,863
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	6,570
Total Adjustments	**(2,403)**
Deficiency of revenues over expenditures and other financing use-GAAP basis	**4,758**
Net Changes in Reserves	**(3,632)**
Net Change in Fund Balance	**$ 1,126**

Exhibit 2-19

RTA 2000 Statement of Revenues and Expenditures General and Agency Fund (in thousands)

Revenues	2000 Actual	2000 Budget	Change
Sales Tax	$ 650,284	$ 629,000	$ 21,284
Public Transportation Funds (PTF)	162,247	157,879	4,368
State Financial Assistance (SFA)	41,839	44,500	(2,661)
State Reduced Fare Reimbursements (RFR)	38,759	40,000	(1,241)
Investment Income and Other	12,125	10,032	2,093
Total Revenues	**$ 905,254**	**$ 881,411**	**$ 23,843**
Expenses			
Operations Funding	$ 658,457	$ 658,457	$0
Sales Tax Interest to Service Boards/Grants	1,297	1,400	103
Reduced Fare Reimbursement to Service Boards	38,759	40,000	1,241
Joint Self-Insurance	3,000	0	(3,000)
Agency Operations	16,004	17,797	1,793
Total Operating Expenditures	**$ 717,517**	**$ 717,654**	**$ 137**
Funds Available before Debt Service, Technology and Capital Expenditures	**$ 187,737**	**$ 163,757**	**$ 23,980**
Principal and Interest Payments	$ 87,632	$ 84,600	($3,032)
RTA Capital and Technology	8,039	8,039	0
Metra Transfer Capital	38,747	33,127	(5,620)
CTA Transfer Capital	20,353	20,353	0
RTA Discretionary Capital	5,804	5,804	0
Other	26,036	0	(26,036)
Debt Service, Technology, & Capital	**$ 186,611**	**$ 151,923**	**($34,688)**
Revenues less Expenditures/(Deficit)	**$ 1,126**	**$ 11,834**	**($10,708)**
Ending Fund Balance	**$ 49,078**	**$ 59,786**	**($10,708)**

Continued on next page

Exhibit 2-20

RTA 2000-2004 Recovery Ratio Calculation (dollars in thousands)

	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
CTA	$ 453,487	$ 472,604	$ 473,156	$ 485,965	$ 512,580
Metra	237,053	239,717	245,747	255,335	265,262
Pace	48,742	51,636	52,830	55,240	56,907
RTA	10,828	7,364	12,341	11,023	11,383
System Generated Revenues	**$ 750,110**	**$ 771,321**	**$ 784,074**	**$ 807,563**	**$ 846,132**
CTA Expenses	$ 851,347	$ 891,609	$ 914,788	$ 939,453	$ 988,840
Less Security Exemption	(4,817)	(4,845)	(4,845)	(4,845)	(4,845)
CTA Net Expenses	**$ 846,530**	**$ 886,764**	**$ 909,943**	**$ 934,608**	**$ 983,995**
Metra Expenses	$ 416,372	$ 431,692	$ 449,621	$ 468,701	$ 487,660
Less Depreciation Expense	(2,940)	(2,677)	(2,694)	(2,695)	(2,698)
Less Lease Transportation Facility	(2,252)	(2,442)	(2,538)	(2,603)	(2,668)
Metra Net Expenses	**$ 411,180**	**$ 426,573**	**$ 444,389**	**$ 463,403**	**$ 482,294**
Pace Expenses	**$ 121,735**	**$ 127,188**	**$ 132,064**	**$ 138,101**	**$ 142,253**
RTA Agency Operations	**$ 16,004**	**$ 16,887**	**$ 17,831**	**$ 18,665**	**$ 19,291**
JSIF/Other Initiatives	**$ 23,802**	**$ 5,511**	**$ 7,196**	**$ 7,533**	**$ 7,785**
System Expenses	**$ 1,419,251**	**$ 1,462,923**	**$ 1,511,423**	**$ 1,562,310**	**$ 1,635,618**
Recovery Ratios:					
CTA	53.6%	53.3%	52.0%	52.0%	52.1%
Metra	57.7%	56.2%	55.3%	55.1%	55.0%
Pace	40.0%	40.6%	40.0%	40.0%	40.0%
Systemwide	52.9%	52.7%	51.9%	51.7%	51.7%

Note: The recovery ratios for 2002, 2003, and 2004 represent those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as approved by the RTA Act. By policy, the revenue figures for the CTA and Metra exclude the gain from leasing transactions restricted by ordinance for capital. Also by policy, the Metra revenue figures exclude the proceeds from a fare increase restricted by ordinance for capital. The amounts deducted from expenses represent exclusions listed by the RTA Act.

Operating Plan

Overview

The Regional Transportation Authority (RTA) is a unit of local government within the State of Illinois that serves as the financial oversight and regional planning Agency for the public transportation operators in the six-county northeastern Illinois region. Three entities, the Chicago Transit Authority (CTA), Metra and Pace, which are referred to as "Service Boards", operate the rail and bus systems overseen by the RTA.

The corporate authority and governing body of the RTA is the 13-member RTA Board of Directors. Twelve directors are appointed from within the six-county region: four directors by the Mayor of the City of Chicago, and a fifth director who is the chairman of the CTA; four directors by the suburban members of the Cook County Board; two directors by the Chairmen of the County Boards of Kane, Lake, McHenry, and Will counties; and one director by the Chairman of the DuPage County Board. The Chairman of the Board, its 13th member, is elected by at least nine of the 12 appointed members. The Board's committee structure is described in detail in the Agency reference section, exhibit 3-16.

To administer the RTA's (Agency's) statutory requirements, the Board hires officers and staff. One of its officers, who must be approved by the Board, is the Executive Director. The Executive Director executes the Board's policy decisions and staffs the Agency to carry out its mission and goals.

One of the RTA Board's primary responsibilities is to adopt an annual budget, a two-year financial plan, and a five-year capital program. The region section describes the budget and five-year capital program from a regional perspective. This section is a summary of the Agency's budget and programs.

Strategic Focus

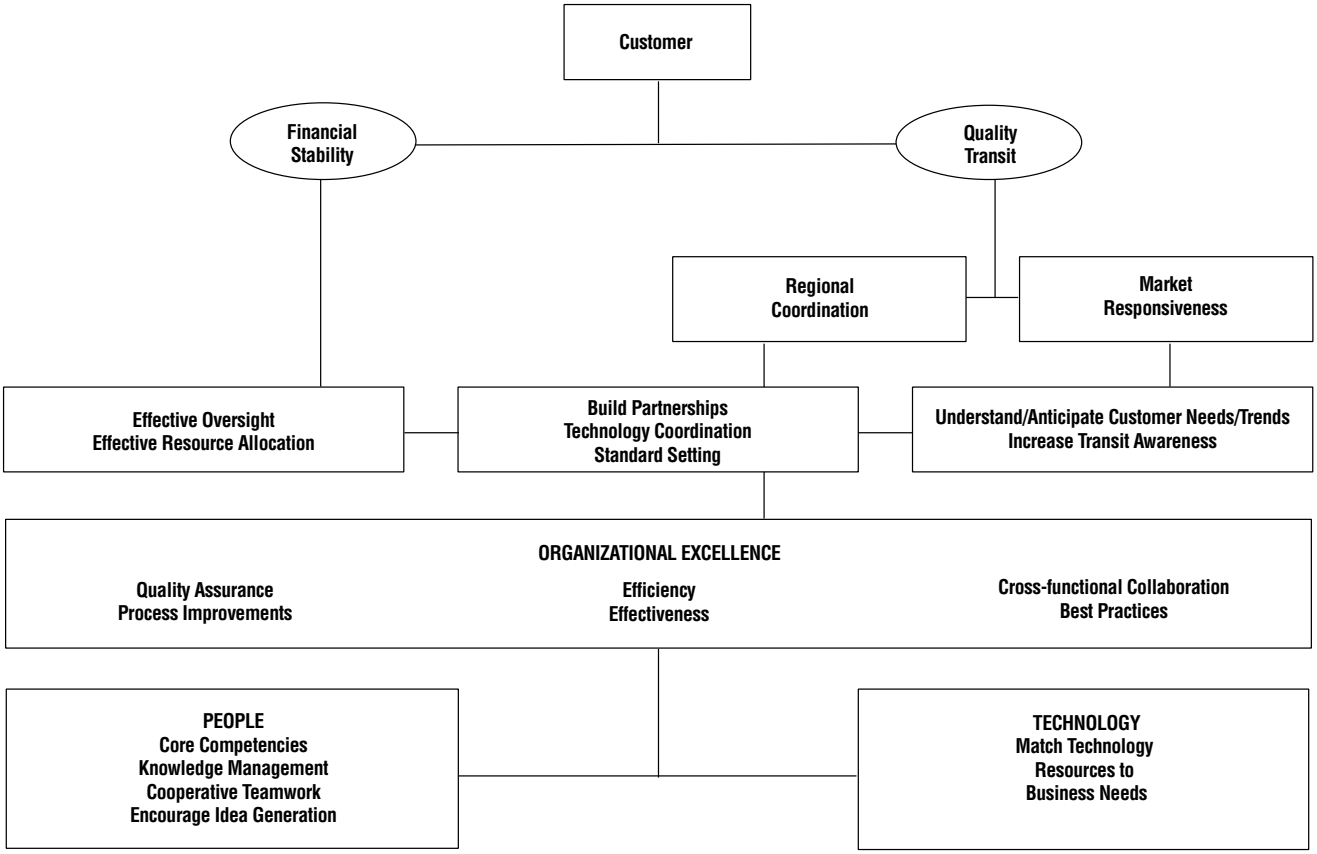
The RTA Board of Directors developed the following mission statement to reflect the responsibilities of the RTA as set forth in the *RTA Act*. Our mission is to ensure a financially sound, comprehensive, and coordinated public transportation system for the northeastern Illinois region. To align with this mission, the Agency has defined its business as transit resource management with professional activities that plan, fund and oversee the region's public transportation system.

The RTA's vision is: to create a more efficient and effective public transportation system, valued by all people in the region, and used as their preferred means of mobility. The RTA will lead the region to use the best transit business practices, products, and technologies available in the public and private sectors worldwide as it works to fulfill this vision.

The Federal Government Performance and Results Act mandates that federal agencies employ results-based budgeting that is linked to strategic

Exhibit 3-1

Strategy Map



plan objectives and performance measures. While not a requirement for the RTA, these goals represent good business practices, and match budgeting concepts promoted by the Government Finance Officers Association (GFOA). The RTA has, therefore, initiated a budgeting process to more closely align its mission, goals and objectives for achieving and measuring results. As part of this process, the RTA is using a balanced scorecard (BSC) strategy map approach to help design a set of measurable strategic objectives and performance measures.

Using the strategy map as a guide the RTA's intent is to formulate measurable objectives that improve the linkage between key departmental processes and strategic regional goals. Exhibit 3-1 identifies the RTA strategic themes and highlights linkages between core themes and objectives.

The RTA's strategy has been constructed to support its mission, vision, and the region as a whole. It is designed to create synergies between the Service Boards and targets the value-added activities of transit resource management. This strategy reflects the RTA's balanced view between customer, financial, internal, and learning and growth perspectives of the BSC approach.

To meet/exceed the expectations of our customers, the RTA will maintain the transit system's financial stability, which is measured by the regional recovery ratio, bond ratings, and outside funding. The RTA will also address customer satisfaction by increasing the quality of transit services it provides. To achieve this, the RTA will improve efficiency, and build strategic partnerships with the support of improved business processes and competent employees. The RTA will determine its success by using measurements such as ridership and customer satisfaction indexes.

Quality Transit

The RTA's effort to achieve its goal of quality transit services is built around two questions. The first is: what can the RTA do to help the Service Boards improve public transit quality to better serve the riders? The second is: what are the core products and services of the RTA, and how can we improve their quality?

The RTA will work to improve coordination (measured by indicators such as the number of joint projects implemented, and the number of multi-

agency transit riders) by enhancing and implementing regional initiatives. These include but are not limited to the following: ADA Special Services, Intelligent Transportation Systems (ITS), Job Access Reverse Commute, the Regional Technical Assistance Program, Regional Transit Coordination Plan, RTA/CTA Transit Benefit Program, RTA Customer Service Center, RTA Reduced Fare Program, and the Travel Information Center. For more information about programs please see Regional Initiatives and Services in the Reference section.

To be successful in transit resource management, we must rely on strong strategic partnerships with other entities in the region. These include the Service Boards, communities and other planning agencies such as the Northeastern Illinois Planning Commission, the Illinois Department of Transportation, and the Chicago Area Transportation Study. To increase outside funding and successfully leverage state, local, and federal resources, we must also work closely with legislators in Springfield and Washington. The Governmental Affairs department works on initiatives that address a major portion of these industry and regional concerns.

The RTA will also continue efforts to increase transit's market responsiveness. This will be accomplished by employing the use of different initiatives. For example, continuing to market transit services through advertisements, videos, publications, and the RTA/CTA Transit Benefit Program. In addition, we will increase distribution of RTA maps and continue to sponsor outreach programs. Also, the RTA will improve its website, its trip planning functions, and continue to provide timely and reliable transit information through the Travel Information Center (TIC).

Financial Stability

Providing quality transit requires a financially stable environment. The RTA will continue to develop initiatives that improve the efficiency and the effective use of available resources. This includes but is not limited to capital programs, bond authorization, and operations funding.

By acquiring resources through partnerships, the Agency will receive outside funding of $4.6 million and use only $2.6 million of its funds to improve the regional transit system. To support these efforts, the Agency will fund internal activities (offices relocation and Agency capital) that require $2.4 million. The RTA's office relocation is projected to save operating expenditures of $0.5 million annually. The funding requirements for the planning period may be reviewed in the Capital and Technology section Exhibits 3-8 and 3-9.

Organizational Excellence

To support higher level goals and objectives, the RTA must excel in its key business processes. The RTA is committed to the continuous improvement of its business activities through the use of best business practices. These improvements will lead to more efficient processes that allow the RTA to dedicate more resources (time and funding) to vision-directed projects. Some of the RTA's process improvement initiatives are: project management, paperless procurement, financial system upgrades, project accounting development, performance budgeting, streamlined payroll processing, and electronic records management.

People and Technology

The RTA believes that its success depends on its people. Only skilled and well-informed employees are able to execute the RTA's strategy. The RTA will implement a competency model that defines core job requirements. One of the benefits of this approach is that it will help to determine the necessary training programs needed to fill any "skill gaps" in today's ever changing information technology environment.

Budget and Financial Plan

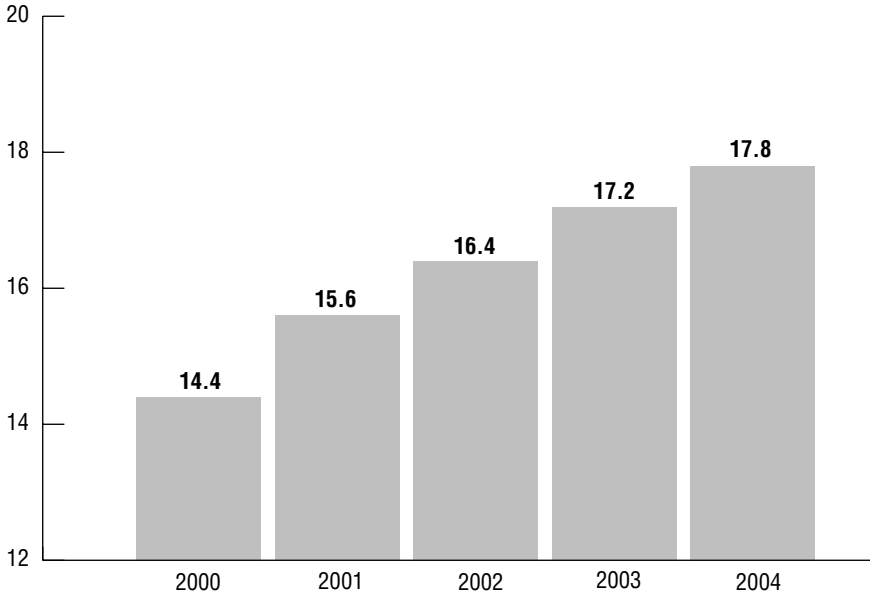
Total operations funding for 2002 is $16.4 million. This funding mark represents a 5 percent increase over the 2001 budget and estimate figure of $15.6 million. Funding for the two-year financial plan is projected at $17.2 million in 2003 and $17.8 million by 2004, an increase of 4.7 percent and 3.4 percent, respectively (Exhibit 3-2).

Of the $16.4 million in operations funding required by the Agency in 2002, $5.2 million will be used to cover administrative activities. This expense classification is capped by state statute and is 55 percent below the statutory ceiling (Exhibit 3-13). The remaining balance is used to support extensive regional programs and services.

The financial schedule presented in Exhibit 3-3 summarizes operating funding results and plans of the Agency from 2000 through 2004. This schedule breaks down Agency operations by expense element and by organizational unit. The ensuing discussions identify the revenue and expense components. Additional details regarding revenue and expenses for programs and services can be reviewed in the Agency reference section.

Exhibit 3-2

Agency Operations Funding (dollars in millions)



Revenue

The main revenue for Agency operations comes from the RTA's Transit Check program. These revenues are expected to equal about $1.2 million in 2001, growing to $1.5 million by 2004. Transit Check revenue accounts for 96 percent of total Agency operations revenue during the planning period. The remaining 4 percent is the charge to replace lost reduced fare cards.

RTA Transit Check

Transit checks, which are distributed by employers through the RTA/CTA Transit Benefit program, are tax-free fare vouchers that promote ridership. The Agency collects a handling charge and per-check fee to defray expenses.

Exhibit 3-3

Agency Operations 2002 Budget and 2003-2004 Financial Plan (dollars in thousands)

Agency Operations by Expense Element	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Revenues					
RTA Transit Check	$ 1,160	$ 1,206	$ 1,365	$ 1,428	$ 1,477
Other Revenue	437	55	55	55	55
Total Revenues	**$ 1,597**	**$ 1,261**	**$ 1,420**	**$ 1,483**	**$ 1,532**
Expenses					
Wages	$ 4,786	$ 5,110	$ 5,282	$ 5,528	$ 5,714
Benefits	1,305	1,330	1,509	1,580	1,633
Other Personnel	241	273	321	336	347
Professional Services	494	706	806	844	872
Management Fees	4,443	4,580	4,475	4,684	4,841
Office Services	2,159	2,230	2,498	2,615	2,703
Programs	2,576	2,658	2,940	3,078	3,181
Total Expenses	**$ 16,004**	**$ 16,887**	**$ 17,831**	**$ 18,665**	**$ 19,291**
Total Operations Funding	**$ 14,407**	**$ 15,626**	**$ 16,411**	**$ 17,182**	**$ 17,759**
Agency Operations by Organization Unit					
Managing Services	$ 2,269	$ 2,347	$ 2,449	$ 2,567	$ 2,654
Government & External Affairs	964	1,001	1,054	1,103	1,140
Travel Information Center	3,934	3,937	4,011	4,199	4,339
Americans with Disabilities Act	2,296	2,556	2,561	2,681	2,771
Reduced Fare & Customer Service	477	526	583	610	631
Total Regional & Governmental Affairs	**$ 7,671**	**$ 8,020**	**$ 8,209**	**$ 8,593**	**$ 8,881**
Communications	$ 696	$ 782	$ 1,080	$ 1,131	$ 1,168
Finance	2,063	2,510	2,603	2,725	2,816
Planning	1,708	1,967	2,070	2,167	2,239
Total Funding by Organizational Unit	**$ 14,407**	**$ 15,626**	**$ 16,411**	**$ 17,182**	**$ 17,759**

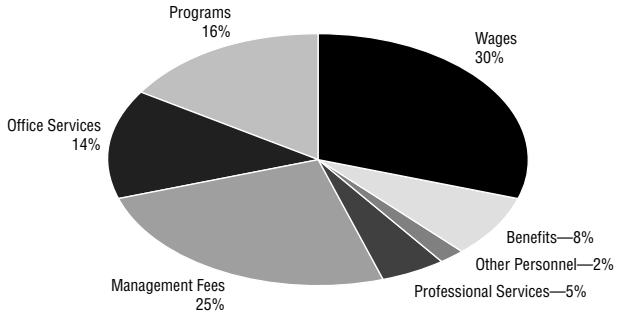
Exhibit 3-4

2002 Agency Expense Descriptions

Expense	General Description
Wages	Salaries, Overtime, and Temporary help
Benefits	FICA, Health Insurance, Pension, Unemployment compensation, and Workers compensation
Other personnel	Business expense, Travel, and Training
Professional services	Consulting, Project oversight, and Legal fees
Management fees	Outsourced operational fees for Reduced Fare Registration and the Travel Information Center
Office services	Printing, Photography, Equipment maintenance, Office supplies, Office rental, Utilities, Telephone, Memberships and Publications
Regional programs	ADA applicant appeals and paratransit trips, RTA Map, TIC Advertising, TV Production, Marketing, Rail safety oversight, Transit check fees, Legislative consulting

Exhibit 3-5

2002 Agency Expenses—$17.8 Million



Other Revenues

The other revenue category includes card replacement receipts and miscellaneous income. Revenues from lost cards are collected from reduced fare card applicants to offset the cost of replacement. Miscellaneous income receipts annually average about $55,000. In the 2002 budget and two-year financial plan, card replacement revenues represent the entire category. In 2000, an additional $0.4 million was realized due to timing differences in project grants and other credits.

Operating Expenses

The Agency's operating expense elements include wages, benefits, other personnel, professional services, management fees, office services, and certain regional programs. A general description of the type of expense charged within each element is illustrated in Exhibit 3-4. Of the total expenses budgeted in 2002, human resource costs (wages, benefits, other personnel) represents 40 percent, professional services and management fees are 30 percent, office services are 14 percent, with the balance of 16 percent targeted for programs (Exhibit 3-5).

From 2002 to 2003, expenses are expected to grow 4.7 percent. From 2003 to 2004, the growth rate is 3.4 percent. A summary of each expense category follows.

Wages

Estimated 2001 expenditures of $5.1 million are $0.3 million higher than 2000 actual results of $4.8 million. The variance is primarily attributable to the staffing of new budgeted positions in 2001 and filling approved openings that carried over from 2000. The 2002 budget calls for reduced temporary staffing that decreases the total number of budgeted positions. The variance from 2001 to 2002 includes the planned change in salary administration. Total wages are expected to increase from $4.8 million in 2000 to $5.7 million in 2004. A detailed staffing discussion is provided in the Agency reference section.

Benefits

From 2000 to 2004, benefits are expected to increase from $1.3 million to $1.6 million. This represents a compound annual growth rate of 5.8 percent. The major reason for this increase is the projected escalation of health insurance costs.

Other Personnel

These expenses represent about two percent of the Agency's overall needs and average roughly $0.3 million each year. Business travel and training are the primary components of this expenditure category.

Professional Services

From 2000 to 2004, professional services (consulting expenses and legal fees) are expected to increase from $0.5 million in 2000 to $0.9 million in 2004. The 2002 budget includes money for Information Technology consulting to design and implement an Agency Intranet.

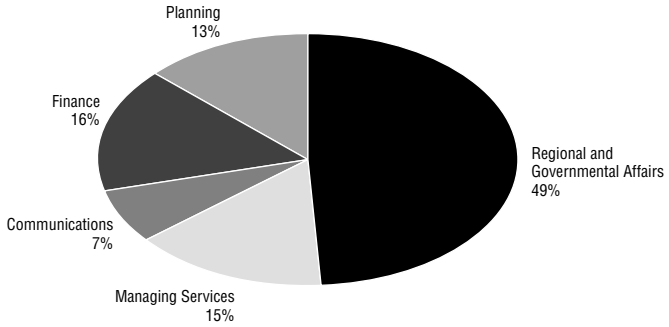
Exhibit 3-6

2002 Agency Organizational Structure

Organizational Units	Organizational Divisions
Managing Services	Board of Directors, Executive Director, Secretary to the Authority, General Counsel, and Human Resources (includes Information Technology)
Regional and Governmental Affairs	Government Affairs, External Affairs and Regional Services (TIC, ADA, R/F, & CSC)
Communications	Communications (Includes RTA/CTA Transit Benefit Program).
Finance	Controller, Budget and Finance, Oversight, Treasury and Procurement
Planning	Capital and Programming, Systems Planning, Market Development, Program Support, Corridor Studies, and Engineering and Technology

Exhibit 3-7

2002 Agency Funding by Organization Unit—$16.4 Million



Management Fees

From 2000 to 2004, management fees are expected to increase from $4.4 million to $4.8 million. This represents a compound annual growth rate of 2.2 percent. The Agency contracts with outside management companies to help provide ADA certification, to issue reduced fare cards, and to operate the Travel Information Center. In 2002, the TIC fixed fee increases $2,000 a month and the cost per call increases $0.02. This accounts for the increased cost in the TIC management fee.

Office Services

From 2000 to 2004, office services are expected to increase from $2.2 million to $2.7 million. This represents a compound annual growth rate of 5.8 percent. In 2002, the increase is due in part to higher postage costs and relocation costs associated with moving to new office space.

Programs

Initiatives that benefit the region-wide transit system include the Transit Check program, ADA certification programs, communications and miscellaneous other programs. From 2000 to 2004, programs are expected to increase from $2.6 million to $3.2 million.

Transit Check

The 2002 budget includes $0.8 million for Transit Check program expenses. When combined with transit check revenues of $1.4 million, the net results of this program for 2002 is a positive budget variance of $0.6 million.

ADA Certification Programs

In 1999 and 2000, the RTA opened five satellite offices for the ADA Certification Program. The new sites improve the certification process for special services through personal interviews with applicants. The 2002 budget includes $0.7 million for ADA programs. Most of this budget item relates to paratransit trips to and from the five satellite offices.

Communications

The Communications Department produces documents, speeches, videos radio advertising and publications to promote the Agency's programs and initiatives.

In 2002, funding for Communications will be used to redesign and improve the Agency's web site. The focus of these improvements is to provide riders with access to more real-time travel information that can help them make better travel choices—especially during severe weather and emergency situations. The Communications Department will also continue to use radio to promote the Travel Information Center. Communications has successfully leveraged advertising dollars through partnerships with sports teams and event promoters. The budget includes $0.8 million for these programs.

Other

The other program category includes community outreach, legislative consulting, and rail safety oversight. The 2002 budget includes $0.7 million to fund these programs.

Organizational Units

The Agency's organizational structure and staff directly support the RTA's mission, goals and objectives. The following units manage programs that plan, fund and oversee the region-wide transit system. The organizational units are managing services, regional and governmental affairs, communications, finance, and planning. The divisions within these units are illustrated in Exhibit 3-6. For more information about initiatives discussed in the unit sections below, please see the Agency reference section. The responsibilities and initiatives of these

departments/divisions are outlined below. The funding for each unit is identified in Exhibit 3-3. The percent distribution is illustrated in Exhibit 3-7.

Managing Services

This unit directly supports the RTA Chairman and Board of Directors, manages the day-to-day activities of the Agency, provides legal counsel, human resources and information technology services.

Board of Directors

The RTA Board of Directors consists of 12 members and a chairman. The RTA Board has the statutory authority to establish by rule or regulation, financial, budgetary, or fiscal requirements for the region's transit system. The RTA Board and its committees set policy, consider matters relating to the RTA operations and compliance with the *ADA Act*, supervise audits, and consider planning studies, and capital program investment. The Board has six standing committees that review and recommend policy to the entire Board. See Exhibit 3-16 for more information on the Board's committee structure.

Executive Director

The Executive Director executes the policy decisions of the RTA Board, and staffs the Agency to carry out its statutory mission and implement Board policy. The Executive Director also informs and assists the RTA Chairman and the Board in the development of policy, and is the primary contact with the staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities. The Executive Director provides day-to-day direction to the RTA staff as it works to fulfill the Agency's goals and objectives.

Secretary to the Authority

The Secretary to the Authority provides Board support functions by servicing the information, documentary and logistical needs of the RTA Board. The Secretary works with staff to ensure that Board members are supplied with the information and documentary materials needed to fulfill their statutory role and assures quorums are obtained for meetings of the Board and its six standing committees. The Secretary maintains the official records of the RTA Board and attests to the Executive Director's authority to sign contracts. With guidance from the General Counsel, the Secretary ensures RTA compliance with the *Freedom of Information Act* and the *Open Meetings Act*.

General Counsel

The General Counsel provides legal advice to the RTA Board, the Executive Director and senior staff and is the chief legal officer of the Authority. The General Counsel ensures statutory and regulatory compliance, manages litigation, oversees the Affirmative Action program, the Disadvantaged Business Enterprise program (DBE), and the RTA's compliance with Title VI and Title VII of the Civil Rights Act of 1964.

The General Counsel manages the Joint Self-Insurance Fund, reviews all legal documents to be executed by the RTA and manages and monitors litigation that is assigned to outside counsel. Duties also include briefing the Executive Director and the Board regarding the status of all cases involving the Agency, and working with the CTA, Metra and Pace to coordinate civil rights programs and litigation.

Achievements in 2001 include working with the Service Boards to organize the Fifth Annual "Transit Symposium and Exchange." The event, targeted to all vendors including DBE-qualified entrepreneurs, attracted more than 500 firms seeking to do business with the region's transit agencies.

Human Resources

The Human Resources Department is comprised of two divisions that provide Agency-wide services: Human Resources (HR) and Information Technology (IT). The Human Resources department provides a variety of consulting and administrative services to its customers such as, recruitment and selection; benefit and compensation administration; employee relations counseling, organizational development, technology consulting, help desk support, information systems management and training.

Achievements in 2001 include the development of online Human Resources forms; implementation of the training and benefits modules of the Human Resources Information System; development of an administrative procedures training program; standardization and replacement of computer workstations; and development of an Agency Intranet.

In 2002, Human Resources staff will continue to provide the department's core services to customers as well as developing a job competency model, integrating our computer systems and databases, and participating with the real estate committee on the Agency's anticipated office relocation in 2002.

Regional and Governmental Affairs

The Regional and Governmental Affairs Department's functions are divided into three major categories: government affairs, external affairs, and regional services. The responsibilities and initiatives of each of these divisions are outlined below.

Government Affairs

The Government Affairs Division works with federal, state, and local governments. The RTA works with the American Public Transit Association (APTA), the Illinois Public Transit Association (IPTA), and its own legislative consultants to address industry and regional concerns.

Achievements in 2001 include, continued participation in the annual federal appropriations process to preserve funding levels and secure full-funding grant agreements for regional projects. These efforts were pursued in cooperation with the APTA and the Service Boards.

Initiatives for 2002 include taking a leadership role in the preparation of APTA's strategic plan for the next federal transportation reauthorization. Government Affairs also plans to take a proactive stance in the federal regulatory process in order to put forward the case for fewer federal mandates and a more streamlined federal grant process.

External Affairs

External Affairs develops and implements the Agency's outreach programs and services, which promote the use of transit.

Achievements in 2001 include the distribution of more than 30,000 coloring books and a companion video for the RTA SMART Rider program to elementary students throughout the Chicago Public Schools. External Affairs also initiated a new outreach effort to promote transit occupations to high school students.

In 2002, External Affairs plans to initiate a tour program with the Service Boards and to increase distribution of the SMART Rider program materials to schoolchildren through the six-county region.

Regional Services

The Regional Services Division provides the RTA-operated services and programs that are the most visible to the customer. These services include the Travel information Center (TIC), ADA Certification, Reduced Fare and the Customer Service Center. For detailed explanations of each of these services, see the Agency reference section.

RTA Travel Information Center

The RTA's Travel Information Center (TIC) is a telephone-based service providing route and scheduling information for the CTA, Metra and Pace. TIC operators field an average of 10,000 calls each day. The TIC phone number is 836-7000 and is accessible from every area code in the region. The RTA also offers trip planning on the Internet at http://tripsweb.rtachicago.com

ADA/Special Services Certification and RTA Certification Helpline

The RTA is responsible for the certification of riders who use special services, which are also known as ADA paratransit, or curb-to-curb transportation services, offered by the CTA and Pace.

ADA Services has also participated with the Chicago Public Schools on a task force to help transition students with disabilities from school to more independent settings. The task force funded a demonstration project at Graham High School to train 30 students with disabilities to use fixed route services for their daily school trips. The school system hopes to replicate this project in other schools throughout the City.

RTA Reduced Fare Program

The RTA Reduced Fare program allows eligible senior citizens and qualified persons with disabilities to ride RTA services at a reduced fare. There are currently some 325,000 reduced fare permits issued in the six-county region.

The 2002 budget includes funding for the production of 91,000 cards.

RTA Customer Service Center

The RTA Customer Service Center provides walk-in customers with maps, timetables and schedules for the CTA, Metra and Pace without charge. The center also sells passes and fare cards for the CTA and Pace. The Customer Service Center has a telephone with a direct connection to the TIC to provide customers with direct access to this service.

Communications

Communications assists management in the formulation and execution of Agency and communications goals. Its activities include production of documents, speeches, videos and publications that explain and promote the Agency's goals and initiatives. Communications also acts as the Agency's liaison to the media and updates the RTA System Map.

Achievements for 2001 include increased distribution of the RTA System Map and the introduction of a trip planning function to the Agency's web site. All three Service Boards have developed direct links to the trip planner from their web sites. Use of the trip planner has grown from about 1,100 visits a day shortly after being launched in February 2001 to about 3,000 visits a day in August 2001.

Initiatives for 2002 include the implementation of a web site redesign project, which will focus on improving the Agency's ability to update and expand content. The Communications Department will continue to work with the Planning Department on public participation in the development of a Regional Coordination Plan. Communications will also continue to work to improve and install transit maps at train stations across the region and to complete work on a video about accessible transit services.

RTA/CTA Transit Benefit Program

The RTA/CTA Transit Benefit Program markets and administers an employee benefit that reduces transit costs for employers and encourages ridership. RTA Transit Checks are vouchers that are used to purchase transit passes for CTA, Metra, Pace, South Shore Railroad or vanpool services. In 1999, the RTA joined forces with the CTA to market the program and allow participants the option of directly purchasing CTA fare cards instead of the RTA Transit Check vouchers.

Achievements in 2001 include the successful completion of a review of the program by the Agency's Oversight Division. As part of this review, the program developed a marketing and business plan and initiated a third party contract to gather marketing information through a survey.

Objectives and initiatives in 2002 include efforts to implement the marketing and business plan and the recommendations developed through the upcoming survey. Efforts will also continue to increase the program's size and to include downstate Illinois transit systems as eligible participants in the program.

Finance

The Finance Department executes the funding and oversight responsibilities of the RTA. It works to maintain financial stability in the region and ensures that the Agency, the CTA, Metra and Pace execute their statutory requirements for fiscal responsibility. The Finance Department's divisions are Controller, Budget & Finance, Oversight, Treasury, and Procurement. The responsibilities and initiatives of these divisions are outlined below.

An overall achievement for this department in 2001 was the issuance of $100 million in bonds. This was the second issue under a five-year program of capital project financing authorized by *Illinois FIRST*. In the process, the rating agencies reaffirmed the rating upgrades the RTA received in 1999, which are "AAA" from Standard & Poor's and Fitch IBCA and "Aaa" from Moody's Investors Service, Inc.

Controller

The Controller Division is responsible for all RTA's accounting functions. Responsibilities include monthly financial statements, annual reports, audit coordination, and grant administration.

Achievements for 2001 include a certificate of excellence in financial reporting from the Government Finance Officers Association (GFOA) for the 2000 comprehensive annual financial report (CAFR).

Initiatives in 2002 include maintaining high standards in preparation of the Annual Pro Forma Combining and CAFR reports that have earned this division six successive GFOA awards. The full implementation of the new government accounting standards will also take place in 2002 and will mean significant modifications to the presentation of government financial statements including the CAFR and the Pro Forma Combining reports.

Budget & Finance

The Budget & Finance Division provides financial and operational performance analysis and reports comparing the budget to actual results. The budget staff directs and coordinates the development of the annual budget and produces the Agency's budget and five-year program book. This division provides analytical support to management and the RTA Board.

Achievements in 2001 include the GFOA's distinguished budget presentation award, which is the highest form of recognition for a state or local Agency budget.

Initiatives in 2002 include the continuation of the work standards that enabled this division to receive its fifth-consecutive GFOA award. Staff will continue to uphold process improvement in financial operations by supporting initiatives in such areas as business planning, performance measurement, business analysis and other "best business practices". The division will continue to increase its knowledge in financial operations by attending various professional development seminars including GFOA classes and T-FLEx (Transit Finance Learning Exchange) workshops.

Oversight

The Oversight Division reviews Agency activities, provides oversight of the CTA, Metra and Pace capital projects and oversees safety on the CTA rail system.

Achievements in 2001 include performing, with consultant assistance, the RTA's first triennial safety review of the CTA's rail system.

Initiatives for 2002 include the continuation of the division's ongoing objective to review all areas of the RTA on a rotating basis in addition to the annual reviews conducted to comply with RTA Board ordinances or to monitor areas of greater risk or sensitivity.

Treasury

The Treasury Division is responsible for all treasury functions of the RTA. Responsibilities include cash management, short-term and long-term financing, investments, debt service, banking relations, accounts payable, payroll, and Service Board funding.

Achievements in 2001 include the development of models for cash flow projections and investment planning; the initiation of timed disbursements in accounts payable; and the development/implementation of an infrastructure to cope with physical and financial disasters.

Initiatives in 2002 will include development of support for long-term financing activity, assumption of responsibility for compliance of RTA debt with IRS requirements, and implementation of new accounts payable software.

Procurement

Procurement handles the Agency's purchasing activities and office support services. A major responsibility of this division is to ensure compliance with legal, financial, and policy requirements for purchasing activities. Procurement also conducts ongoing reviews of all office services as part of Agency objectives to lower costs.

Achievements in 2001 include coordinating efforts to save the Agency sig-

nificant costs on office space by soliciting professional real estate and architectural services for the relocation the RTA offices. Procurement also participated in the development of new procedures and a uniform timeline for the Agency's procurement process. The new procedures were developed with the cooperation of an RTA staff committee. In addition, Procurement staff assisted Planning staff in the development of architectural/engineering procedures in preparation for the future Northwest Corridor project.

Initiatives in 2002 include continued review of office services and procurement procedures to further Agency objectives to reduce costs. The division will work with the Information Technology division to automate and improve processes and move toward a paperless procurement environment.

Planning

The Planning Department works to ensure an integrated regional public transportation system through comprehensive planning and coordination with service providers. The Planning Department consists of six divisions: Capital and Programming, Systems Planning, Market Development, Program Support, Corridor Planning Studies, and Engineering and Technology. These divisions also coordinate funding for region-wide technology programs discussed later in the Capital & Technology section. The responsibilities and initiatives of each division are outlined below.

Capital and Programming

The Capital and Programming Division administers the Capital Program and prepares amendments and capital grants for the CTA, Metra and Pace. In addition, this division administers the Planning Department's Consolidated Technical Assistance Program (CTAP).

Achievements in 2001 include the development of the CTAP grant management and reporting database, the preparation of 2001 Capital Program amendments, the execution of the 2001 Capital Program grants, CTAP contracts and the preparation of the 2002-2006 Capital Marks and Program.

Initiatives in 2002 include the administration of the 2002 Capital and CTAP programs, the preparation and administration of the 2002 Capital Program grants and contracts and the development of the 2003-2007 Capital Marks and Program. This division also plans to aid in the implementation of the Agency's Balanced Scorecard initiative by updating legacy data for the Regional Transit Asset Management System (RTAMS) and streamlining the capital grant program with the Service Boards.

Systems Planning

The Systems Planning Division leads and provides analytic support for studies of plans, projects, and policies, that impact the development of the region's transit system. This division's analytic capabilities, planning tools and data sets are used to support a variety of RTA, Service Board, and local government initiatives. Systems Planning represents transit in the development of the Chicago Area Transportation Study (CATS) regional transportation plan. It also leads efforts to develop new tools/techniques and undertakes technical investigations.

In 2001, Systems Planning successfully completed development of the Regional Transportation Asset Management System (RTAMS) pilot project. This web-enabled system was developed in-house, and allows RTA staff to retrieve information on transit usage and investments in the region's transit assets. In 2002, Systems Planning will expand both access to and the content of RTAMS. Other 2002 initiatives include development of a traffic simulation tool for evaluating transit signal priority, work on travel and attitudinal surveys, and new methods for measuring access to transit.

Market Development

The Market Development Division is responsible for market research and market development as well as the annual program of projects under the Regional Technical Assistance Program (RTAP). Many of the projects supporting these activities are partially funded through federal UWP grants. This division also participates in planning efforts initiated by other planning agencies and regional civic organizations.

Achievements in 2001 include the completion of four station area planning studies, the initiation of four new station area planning studies, and the development of a program to conduct a series of surveys on regional transit issues and RTA initiatives. Many of these studies have led to local policy changes that enhance transit usage, increase funding opportunities and create physical improvements. For example, the RTAP-funded Lake/Cook Transportation Management Association Routes 60 and 22 Corridor Shuttle Study resulted in the development of new shuttle services in 2001. This division also manages RTAP-supported sub-regional planning efforts in DuPage, Kane, Lake and McHenry Counties.

Initiatives for 2002 focus on conducting surveys, administering RTAP, and managing several RTAP studies. Market Development will also work on market identification as part of the RTA's Regional Transit Coordination Plan.

Program Support

The Program Support Division serves as the RTA's liaison with other regional planning bodies, provides department-wide review and coordination, and manages the multi-year effort to develop a Regional Transit Coordination Plan.

Achievements in 2001 include completion of several information-gathering components of the RTCP, including focus groups and a transfer location study, which together were presented in an Interim Progress Report. This division also initiated a study to address both the information and physical coordination components of the RTCP, including field visits to 75 interagency transfer locations throughout the region.

Initiatives for 2002 include completion of the information and physical coordination components of the RTCP, launching the service and fare coordination components of the RTCP, and beginning a process to develop uniform information guidelines for the regional transit system.

Corridor Planning Studies

This division was created in 2001 to manage multi-party investigations of new, expanded and emerging transit corridors. Corridor Planning will also direct consultant services and development contracts in connection with RTAP Corridor Planning grants to local agencies.

Initiatives for 2002 include land use, local financing and related studies for the Northwest Corridor Phase II Alternatives Analysis, and a transportation plan for the former Joliet Arsenal. This division will also investigate application of transit oriented development principles to commuter parking.

Engineering and Technology

The Engineering and Technology Division is responsible for the development and implementation of studies of emerging transit technologies. This division manages the development and coordination of new technology initiatives in the region, and oversees the demonstration and implementation of these technologies by the CTA, Metra and Pace. The RTA's current technology initiatives include Intelligent Transportation Systems (ITS), and alternative fuel and propulsion technologies.

Achievements for 2001 include the ongoing development of ITS projects such as: Active Transit Station Signs (ATSS), Transit Signal Priority (TSP), Parking Management Guidance Systems (PMGS) and a Regional Transit ITS Plan (RTIP). These projects encompass RTA and Service Board technology initiatives that will support the creation of a centralized source of multi-modal travel information for the region, known as the Illinois Transit Hub (ITH). In addition, this division also initiated research in 2001 on alternative fuel technologies and an evaluation of Service Board alternative fuel programs.

Initiatives for 2002 include the field demonstration and evaluation of the ITS projects mentioned above and a computer model simulation of transit signal priority operations. Engineering & Technology will also develop a pilot project for a Regional Traveler Information Kiosk. This project will serve as a starting point to providing visitors and residents with access to transit information while they are traveling in downtown Chicago. This division will also oversee the implementation of the CTA and Pace transit management systems while developing a real-time bus information system for use by both the CTA and Pace.

Capital & Technology

Overview

The Agency's capital and technology spending plans during the planning period are primarily channeled to transit technology initiatives.

The funding for the 2002 budget is $5 million with expenses of $11.4 million being reduced by grant and other receipts of $6.4 million from federal, state and local programs. This program includes $1.8 million in funds for the RTA office relocation.

Due to the current economic outlook, the plan (2002-2004) proposes the temporary suspension of funding projects that are more research driven. This will level RTA spending in 2003 and 2004 to an average of $3.3 million.

The major programs that are projected to receive funds during this budget and financial planning cycle are discussed below. A more detailed review of each program can be found in the Agency reference section. The funding figures for the initiatives are presented in Exhibits 3-8 and 3-9.

Regional Technical Assistance Program (RTAP)

This program provides technical or financial assistance to local governments for planning initiatives that support transit services.

The RTAP funded nine planning projects throughout the region in 2001. Six of these projects funded municipal planning initiatives. Two projects addressed county-wide or corridor planning issues and one project addressed intelligent transportation issues. All of the RTAP projects reflect the RTA's integrated approach to regional transit planning.

Funding for RTAP is projected to increase from $0.2 million in 2000 to $0.4 million in 2004. Funding is derived from a variety of sources. These sources include the RTA, federal, state, and local matching contributions.

Transit Coordination

The RTA is in the process of conducting a series of studies aimed at enhancing mobility by improving passenger transfer opportunities between the CTA, Metra and Pace. The studies, which address physical, service, fare and information coordination issues, are being conducted with the goal of developing a Regional Transit Coordination Plan (RTCP). The RTA is leading the study process in cooperation with the Service Boards and other local planning entities.

Transit coordination funding is expected to increase from $0.4 million in 2002 to $0.5 million in 2004.

Job Access Reverse Commute (JARC)

Locally, the RTA is the designated recipient of Job Access funds for Northeastern Illinois. One of the primary goals of this program is to match welfare and low income people with transportation for employment opportunities.

Exhibit 3-8

RTA Capital and Technology Program Funding Statement (dollars in thousands)

Revenue	Actual 2000	Estimate 2001	Budget 2002	Plan 2003	Plan 2004
Regional Technical Assistance	$ 248	$ 475	$ 1,986	$ 2,079	$ 2,149
Transit Coordination	70	50	364	381	394
Job Access Reverse Commute	4	30	606	634	656
Transit Technology	288	350	1,665	1,743	1,801
RTA Office Relocation	-	-	1,800	-	-
Total Revenue (1)	**$ 610**	**$ 905**	**$ 6,421**	**$ 4,837**	**$ 5,000**
Expenses					
Regional Technical Assistance	$ 451	$ 800	$ 2,340	$ 2,450	$ 2,532
Transit Coordination	31	200	780	816	843
Job Access Reverse Commute	48	211	743	778	804
Transit Technology	272	1,300	3,333	3,489	3,606
RTA Office Relocation	-	-	3,600	-	-
Research Technology	6,600	5,679	-	-	-
Agency Capital	637	569	600	600	600
Total Expenses (2)	**$ 8,039**	**$ 8,759**	**$ 11,396**	**$ 8,133**	**$ 8,385**
Funding					
Regional Technical Assistance	$ 203	$ 325	$ 354	$ 371	$ 383
Transit Coordination (3)	(39)	150	416	435	449
Job Access Reverse Commute	44	181	137	144	148
Transit Technology (3)	(16)	950	1,668	1,746	1,805
RTA Office Relocation	-	-	1,800	-	-
Research Technology	6,600	5,679	-	-	-
Agency Capital	637	568	600	600	600
Total Funding (4)	**$ 7,429**	**$ 7,853**	**$ 4,975**	**$ 3,296**	**$ 3,385**

(1) These amounts are included in the other income figures on Exhibit 2-1. Program receipts are from local, state, and federal funding sources.
(2) These figures are the total expenditure amounts found on Exhibit 2-1 under the RTA Capital and Technology label.
(3) The figures in 2000 represent the timing variance that can occur between receipts from other entities and the agency's disbursement of project funds.
(4) Funding amounts are the cash outlays or designations of the RTA. (Expenditures less Revenue).

JARC funding is expected to increase from $44,000 in 2000 to $148,000 in 2004. Additional details about this program can be found in the Agency Reference section.

Transit Technology

The RTA is currently involved in a number of initiatives to study and find ways to improve transit service and reliability through the use of intelligent transportation systems (ITS) technologies. ITS projects under development include: a Regional Transit Intelligent Transportation Systems Plan, transit management systems, transfer connection protection systems, active transit station signs, transit signal priority systems, parking management guidance systems, and the Regional Transit Asset Management System (RTAMS). Transit technology funding is expected to increase from $1 million in 2001 to $1.8 million in 2004.

RTA Office Relocation

The RTA will incur various costs to relocate its office in 2002. Expenditures include architectural services and construction, electrical, and plumbing work at its new location. However, the Agency expects to achieve significant cost savings ($0.5 million annually) over remaining in tenancy at its current location.

The funding for this relocation in 2002 is $1.8 million.

Research Technology

With the steady economic growth of the past several years, the RTA has been able to designate funds to underwrite projects that are of a research and development nature. However, due to the current economic picture and slower growth projections, the Agency plans to defer these expenditures through the current planning cycle.

Agency Capital

Agency capital funding averages about $0.6 million each year. This level of spending is projected to continue through the planning period.

The plan for 2002 includes expenditures for office furniture, fixtures and equipment and computer hardware and software for three major initiatives. These projects are: the implementation of disaster contingency planning and security improvements; the implementation of phase II of the Agency Intranet; and improvements to the Regional Transit Asset Management System.

Exhibit 3-9

Agency Planning Programs 2002 Budget (dollars in thousands)

ID	Project Name	Revenue	Expenses	Funding
	Regional Technical Assistance			
38	Mode Choice Market Segmentation Study	$ 64	$ 80	$ 16
80	Kane County Transit Opportunity Assessment	34	34	-
85	Comprehensive Transit Plan for DuPage	44	93	49
101	Morton Grove Commuter Station Location Analysis	35	69	35
119	Transit-Oriented Development Planning Study: University Park TOD Study	44	57	13
120	Public Transportation Alternatives and Transit-Orientated Development Opportunities (JADA)	170	170	-
124	Robbins Metra Station Transit-Oriented Development Study	21	28	7
125	170th Street Station Transit-Oriented Development Planning Study, Village of Hazel Crest	24	30	6
132	Element One of the Phase II Circumferential Rail Service Feasibility Study	213	229	17
135	Skokie Swift Station Location Feasibility Study	110	150	40
159	Woodstock Transit-Oriented Development Study	75	75	-
165	Maywood Transit-Oriented Development Study	60	75	15
166	Fox River Grove Downtown Redevelopment Plan	75	75	-
167	Transit-Oriented Development Concept Plan, City of Oak Forest	75	75	-
168	Brookfield Transit-Oriented Development Corridor	75	75	-
169	Northwest Corridor Major Investment Study: Phase II - Alternatives Analysis	228	285	57
176	Northwest Transit Corridor Land Use & Local Financial Plan Study	240	240	-
21	RTAP Studies/FY2002 UWP Program	400	500	100
	Total	**$ 1,986**	**$ 2,340**	**$ 354**
	Transit Coordination			
22	ADA Task Force	-	120	120
23	APTA Marketing Program	-	205	205
139	Regional Transit Coordination Plan: Market Analysis	36	45	9
170	Regional Transit Coordination Plan	328	410	82
	Total	**$ 364**	**$ 780**	**$ 416**
	Job Access Reverse Commute			
171	DuPage County Job Access Program	254	238	(16)
181	The Chicago Housing Authority Job Access Program	200	200	-
185	Regional Transportation Clearinghouse	153	305	153
	Total	**$ 606**	**$ 743**	**$ 137**
	Transit Technology			
123	Passenger and Traffic Improvements for Western Express Bus Stops	-	50	50
150	Transit Management System (GCM 2.4)	1,200	1,500	300
161	Dedicated Bus System Study, Village of Rosemont	15	75	60
174	Regional Traveler Information Kiosk Implementation Plan	200	250	50
178	Active Transit Station Signs	-	776	776
180	Regional Signal Priority Integration Plan (SPIP)	150	264	114
182	Regional Traffic Simulation with Transit Signal Priority	-	83	83
184	Parking Management System (ITS-0017 (004) RTA/02)	100	200	100
186	Regional Transit Asset Management System — System Enhancements	-	85	85
187	Geospatial Base Map Development and Orthophotography Consortium	-	50	50
	Total	**$ 1,665**	**$ 3,333**	**$ 1,668**
	Office Relocation	**$ 1,800**	**$ 3,600**	**$ 1,800**
	Agency Capital	**$ -**	**$ 600**	**$ 600**
	Grand Total	**$ 6,421**	**$ 11,396**	**$ 4,975**

Reference

2001 Budget vs. 2001 Estimate

The total Agency operations funding requirement (expenses less revenues) is expected to be even with budget in 2001 (Exhibit 3-10).

Revenues are projected to exceed budget by $391,000. This is due to the success of the transit benefit program. However, expenditures will offset this gain primarily through increased fees charged for processing transit checks, and unbudgeted APTA payments for regional dues and marketing programs. By paying APTA dues regionally versus distributing the cost to each Service Board, the RTA saved several thousand dollars.An increase in TIC management fees was needed to pay for favorable call capture rate performance. Using fewer consultants (professional services) helped offset some of the cost increases.

Regional Initiatives and Services

ADA/Special Services Certification and RTA Certification Helpline

The ADA Certification Program conducts interviews and does assessments for applicants requesting a determination for ADA paratransit certification as determined by guidelines established in the Americans with Disabilities Act (ADA). The interviews and assessments are completed at five sites operated under contract to Community Alternatives Unlimited, a not-for-profit social service agency. A video is shown at each of the assessment sites to introduce applicants to fixed route accessibility features and to encourage the increased use of fixed route services by people with disabilities.

Exhibit 3-10

Agency 2001 Budget vs 2001 Estimate (dollars in thousands)

Agency Operations by Expense Element	2001 Budget	2001 Estimate	Variance
Revenues			
RTA Transit Check	$ 815	$ 1,206	$ 391
Other Revenue	55	55	-
Total Revenues	**$ 870**	**$ 1,261**	**$ 391**
Expenses			
Wages	$ 5,117	$ 5,110	7
Benefits	1,326	1,330	(4)
Other Personnel	274	273	1
Professional Services	741	706	35
Management Fees	4,373	4,580	(207)
Office Services	2,233	2,230	3
Programs	2,432	2,658	(226)
Total Expenses	**$ 16,496**	**$ 16,887**	**($391)**
Total Operations Funding	**$ 15,626**	**$ 15,626**	**$ 0**

An accessibility specialist who reviews customer issues concerning mainline accessible transit services, paratransit accessible services and accessibility information, also provides support to these programs. The accessibility specialist represents the agency on advisory committees established by the CTA, Metra, and Pace and chairs the Agency's Advisory Committee on Accessible Transportation and Mobility.

Since November 1993 when the service began, a total of 55,000 certifications have been completed, which is an annual average of 9,167. A revised program was implemented in 1999 and fully operational in 2000. The process has been revised from a mail-in paper application to an interview and assessment. The RTA contracted with Community Alternatives Unlimited (CAU) to open and staff five sites throughout the region.

Applicants for ADA paratransit services make appointments through the RTA at the site convenient to their residence. Each applicant is provided an in-person interview with a trained professional, when necessary applicants are provided a physical assessment to help determine their functional abilities to use the fixed route buses or trains and/or a cognitive assessment. The revised process helps assure that applicants being certified for ADA paratransit services are truly in need of paratransit.

For more information about special services certification, contact the RTA's Certification Helpline at (312) 917-HELP (4357, voice) or (312) 917-1338 (TTY for the hearing impaired).

Intelligent Transportation Systems (ITS)

The RTA's strategy map emphasizes the coordination of transit plans and programs to provide an integrated and efficient regional transit system. A wide variety of ITS technologies have been used by the transit industry to increase both operational efficiency and customer satisfaction. By investigating and testing emerging and existing technologies, the RTA and the Service Boards look to improve the ability to share information and coordinate services for the benefit of the riding public. Projects under development include:

Active Transit Station Signs (ATSS)

ATSS are variable message signs designed to provide real-time "next train" or "next bus" arrival information at transit stations throughout the RTA region. In April 2001, the RTA initiated the third phase of a project to provide an operational ATSS demonstration system at four CTA rail locations. In earlier stages of ATSS development, a study team led by the RTA identified functional requirements for systems integration, studied available technologies, and identified suitable sites for demonstration and deployment. The ATSS demonstration project will be deployed at the CTA-Metra Davis Street station in Evanston, the CTA Cumberland Avenue train station and the CTA O'Hare and Midway Airport stations. The demonstration project includes the procurement of hardware and software, systems integration and construction.

Parking Management Guidance Systems (PMGS)

PMGS will provide real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities. The objective of this project is to promote transit use and ride sharing by suburban commuters through the delivery of accurate real-time parking information. The first phase of this project, which involved a feasibility study to develop functional requirements, standard specifications, design, and a general deployment strategy for demonstration projects, was completed in May 2000. Phase II, scheduled to begin in January 2002, will encompass the detailed design and construction of a parking management system prototype in one of the following Metra corridors: Lake-Cook, Route 59, Tinley/ 80th Avenue, and Schaumburg.

Regional Transit Asset Management System

RTAMS is an Internet-based application that allows users to view and query databases on the region's transit assets and corresponding information in a user-friendly mapping application. RTAMS warehouses numerous types of data and information, such as ridership, operational data, capital program and grant information and aerial photography. Building on the success of the 2001 pilot program, the RTA in 2002 will continue the evolution of the Regional Transit Asset Management System (RTAMS). This will involve incorporating additional data sources, expanding access to Service Board staff, improving the application's user-friendliness, and continuing to develop new user-driven tools. The growth of RTAMS is fully integrated with the development of other numerous RTA-sponsored technology projects, especially the ITS Program.

RTAMS is a central component of the RTA's effort to improve and increase the flow and quality of information to the RTA and Service Board staff and Boards, as well as peer agencies, regional decision-makers, consultants and eventually, the public at large.

Regional Transit Intelligent Transportation Systems Plan (RTIP)

The Regional Transit ITS Plan (RTIP) is the strategic plan for the continued study and development of transit ITS in northeastern Illinois. The plan, which the RTA initiated in June 2000, examines the technological and management capabilities of ITS to improve safety, traveler information, and mobility throughout the region's transportation system. A critical component of the RTIP is the Illinois Transit Hub (ITH). The ITH is intended to be the centralized source for transit informa-

tion for the region, providing current information to various traveler information systems. This multi-year plan will facilitate real time enhancements to the trip planning services.

Transfer Connection Protection

Transfer Connection Protection (TCP) systems seek to minimize connecting time between transit vehicles by ensuring that pre-scheduled connections are maintained. In addition, TCP has the potential to improve travel safety by reducing the amount of time people spend waiting at bus and train stops. The first phase of this project, which identified the hardware and software requirements for data exchange between carriers and/or vehicles, was completed in May 2000. Further development of the Service Board's transit management systems is required for the second phase to proceed. This second phase will involve the design and testing of a prototype TCP system.

Transit Management Systems

Transit management systems incorporate voice/data communication functions, and computer-aided dispatching and automatic vehicle location (CAD/AVL) technologies to improve the transit operating efficiency, increase service reliability, and ensure schedule adherence. The RTA's role in this project is to support the development of advanced and integrated transit management systems for the Service Boards. The CTA's Bus Service Management System (BSMS) and Pace's Intelligent Bus System (IBS) are being studied to determine feasible integration technologies that will support a regionally compatible real-time bus information system.

Transit Signal Priority (TSP)

Transit signal priority is a tool that can reduce travel times, improve bus schedule adherence, and reduce bus-operating costs, while complementing the region's ongoing efforts to reduce traffic congestion. The RTA is leading the development of regional standards and guidelines for design, procurement, testing, installation, operation, and maintenance of a multi-jurisdictional transit signal priority system. The primary components of this project are the Regional Signal Inventory, the Location Study, and the Technology Study. The signal inventory, which consisted of collecting and mapping data on more than 6,600 traffic signals in the RTA region, was completed in May 2000. Phase I of the Location Study, which involved the identification of transit routes and roadway corridors, and the subsequent categorization of these into characteristic segments, was completed in December 2000. In order to assess impacts of TSP operations on traffic in general, 17 of the segments identified in Phase I were selected for microscopic model simulation during Phase II of this study, which began in April 2001. The Technology Study includes current and future demonstration projects by the Service Boards to determine the technical feasibility, operational impacts, and regional standards for signal priority. As part of this study, an operational test plan has been developed for Western Avenue with the cooperation of the Chicago Department of Transportation (CDOT). A field demonstration of TSP will be conducted in this corridor in 2002.

Job Access Reverse Commute (JARC)

The RTA's Job Access Reverse Commute (JARC) grant program takes a regional approach to job access challenges through the Chicago Area Transportation Study's (CATS) Regional Job Access and Reverse Commute Transportation Plan. The projects developed through this plan support the implementation of transportation services that may be needed to connect welfare recipients to jobs and related employment activities. All projects funded under the JARC grant program must be derived from the CATS regional plan.

The JARC program has two major goals. The first is to provide transportation services in urban and suburban areas that enable welfare recipients and low income individuals to access employment opportunities. The second is to increase collaboration among the transportation providers, human service agencies, employers, metropolitan planning organizations (CATS), the state and affected communities and individuals.

The RTA is the locally designated recipient of Job Access funds for northeastern Illinois. In this capacity, the RTA acts both as a grantee and a grantor of Job Access funds on behalf of sub-recipients which include the Chicago Housing Authority and DuPage County. In addition, the RTA has made its JARC clearinghouse funds available to the Work Force Boards in the region through a technical assistance grant.

Regional Technical Assistance Program (RTAP)

In an effort to bring service delivery closer to the local level where many transportation decisions are actually made, the RTA created RTAP. Through RTAP, the RTA intends to provide technical and/or financial assistance to various levels of local government for planning projects that support transit services. RTAP's goal is to enhance service delivery and emphasizes a balanced, coordinated, and integrated approach to regional transit planning. RTAP is designed to serve as a technical assistance clearinghouse for various levels of local government by:

- collaborating with local decision-makers to share new ideas that increase efficiency, and result in new solutions to current transportation needs;
- focusing regional transit planning resources and expertise to support local transit planning efforts;

- partnering with a consortium of agencies to support and promote increased transit usage;
- bringing together various entities that share common technical problems and concerns;
- influencing the use of effective practices and current research to enhance transit as an attractive alternative to the automobile;
- increasing awareness and knowledge in meeting the unique needs of disabled riders; and
- providing partial financial assistance grants.

Northwest Corridor Transit Study

Northwest Corridor Transit Feasibility Study is one of the RTA's principal planning efforts and the largest project included in the RTAP funding category.

The Northwest Corridor study was initiated to examine ways to improve mobility in an area extending from east of O'Hare International Airport west to the Cook County line, centered on the I-90 Northwest Tollway. Traffic volumes in the corridor currently exceed roadway capacity and are expected to worsen over the next 20 years as jobs in the corridor increase by a projected 48 percent. This study, led by the RTA, is being conducted in partnership with the Illinois State Toll Highway Authority (ISTHA), and the municipalities of Elk Grove Village, Hoffman Estates, Rolling Meadows, Rosemont and Schaumburg.

The Northwest Corridor Transit Phase I Feasibility Study was completed during the year 2000. Working with a consultant, the study participants identified the Northwest Corridor's transportation problems and developed a small set of transportation options that could improve access to jobs and major activity centers in the corridor. These options included bus rapid transit, light rail, heavy rail, commuter rail, express bus, and high occupancy vehicle (HOV) lanes. The study provided substantial detail on each of these alternatives, including conceptual alignments and preliminary capital and operating cost estimates, operating plans and ridership forecasts. The alternatives were evaluated against a set of criteria including cost effectiveness, environmental impacts, access to jobs, and mobility improvements.

With the Phase I feasibility study complete, the RTA and its partners are preparing to initiate a series of complementary sub-studies, which will comprise the Phase II-Alternatives Analysis. Phase II will further develop the transportation alternatives, corridor planning standards, and other information necessary for evaluation, recommendation and selection of a locally preferred alternative for the corridor. Work performed during Phase II is intended to help the region compete for the federal transportation dollars necessary to implement the transportation option identified as the locally preferred alternative.

Regional Transit Coordination Plan (RTCP)

The RTCP is a multi-year program of complimentary studies aimed at enhancing regional mobility by improving interagency transfer opportunities between the CTA, Metra and Pace. This effort complies with RTA's mission to ensure a comprehensive and coordinated public transportation system for northeastern Illinois.

Led by the RTA, in cooperation with the Service Boards and other local planning entities, the RTCP serves as the regional framework for a series of evaluations and recommendations in the areas of physical coordination, service coordination, fare coordination and information coordination.

Several information-gathering efforts related to the market identification component of the RTCP were completed in 2001. These efforts included focus groups and a transfer location study, both of which were funded by a UWP grant of $180,000. The transfer location study identified, classified and prioritized the approximately 300 existing locations in Northeastern Illinois where it is possible to transfer between two or more transit operators. Stakeholder interviews, and focus groups for residents and stakeholders, clearly identified the need for better coordination of basic transit information and better connections between transit services, so that travelers can best use the entire regional transit system.

Recognizing that information coordination and physical coordination are complimentary, in mid-2001 the RTA initiated an effort to address both issues simultaneously for existing transfer locations. This effort will include an assessment of information from the perspective of transferring passengers and field visits to 75 priority transfer locations throughout the region. In 2002, the RTA will initiate both the service coordination study and the fare coordination study.

RTA/CTA Transit Benefit Program

The RTA Transit Check is an employee benefit that promotes system ridership. The checks are vouchers purchased by employers and distributed as a benefit to employees. RTA Transit Checks are used to purchase transit passes for the CTA, Metra, Pace, South Shore Railroad, or vanpool services.

The Transportation Equity Act for the 21st Century (TEA-21), which was signed into law on June 9, 1998, expanded the applicability and acceptance of the RTA Transit Check program.

In an effort to broaden the program's reach, the RTA joined forces with the CTA in July 1999 to jointly market the program as the RTA/CTA Transit Benefit Program. The expanded program allows the region's employers to offer

Exhibit 3-11

Transit Check Program (in thousands)

	1998	1999	2000	Estimate 2001
Total Face Value (in dollars)	$ 8,784	$ 19,678	$ 30,105	$ 40,000
Quantity (new checks sold)	214	415	625	850
New Companies	229	428	426	350

both RTA Transit Checks and CTA fare cards to employees.

A federal Executive Order signed by President Clinton in April 2000 mandated that all Federal Agencies provide a "Transit Benefit" to their employees by October 1, 2000. This mandate further pushed the program numbers to new records for participants and dollar volume growth.

As of January 1, 2002, employers can let employees set aside pre-tax salaries up to $100 a month ($1,200 a year) to pay for their commuting costs. By exempting their transit costs from federal, state and local payroll taxes, employees who regularly use public transportation can reduce their taxable income, while employers can reduce their payroll taxes. These changes make the program more attractive for employers and make using the mass transit system more attractive to commuters.

The program since the legislative changes in June 1998 under *TEA-21* has grown dramatically. In 1998, year-end sales were at just under $9 million. Year-end 2001 are projected to be at $40 million (Exhibit 3-11). More and more companies have become aware of the program through our marketing and sales efforts. The RTA currently has approximately 2,500 participating companies in the region.

For more information about RTA/CTA Transit Benefit Program, call 1-800-531-2828 between 9:30 a.m. and 7:30 p.m. Central Time.

RTA Customer Service Center

The RTA Customer Service Center, located on the ground level of the 181 West Madison Street building in downtown Chicago, provides walk-in customers with maps, timetables and schedules for the CTA, Metra and Pace without charge. The center also sells transit passes and cards for the CTA and Pace. The Customer Service Center has a telephone with a direct connection to the TIC to provide customers with direct access to this service.

In 2000, approximately 25,000 customers visited the Customer Service Center. The Customer Service area currently has approximately 215 Pace, 124 CTA and 12 Metra schedules on display. In addition, there are miscellaneous brochures detailing various programs and seasonal services. The Customer Service Center distributes about 2,000 CTA and RTA Maps monthly.

RTA Reduced Fare Program

The RTA Reduced Fare program allows eligible senior citizens and qualified persons with disabilities to ride RTA services at a reduced fare. There are currently some 325,000 reduced fare permits issued in the six-county region. Call the RTA Travel Information Center at 836-7000 (voice) or 312/836-4949 (TTY) for information on how to apply for a RTA Reduced Fare Card.

The 2002 budget includes funding for the production of 91,000 cards. Service effectiveness is measured by the turnaround time for producing and distributing reduced fared permits. The benchmarks for turnaround time evaluation have been established by contract. The contractor processes applications, issues identification cards, and mails them to card recipients within five business days of the receipt of an application. Replacement cards are to be issued and mailed within two business days of receipt. Incomplete or rejected applications are required to be returned to applicants within three business days of receipt. They have been able to maintain the required turnaround time.

A reduced fare smart card has been offered as a pilot program since 2000. An additional 1,000 smart cards were made available in 2001. About 2,200 smart cards are available to reduced fare riders who had access difficulties with the magnetic stripe card that is inserted in the turnstile or fare box. The smart card is a touch-and-go card that only needs to be placed in close proximity to a large target on the front of the turnstile or fare box. This initiative has been well received by many reduced fare riders.

The RTA has expanded the pilot program from 1,200 to 2,200 participants. The smart card provides easier access to the fare collection systems of the CTA and Pace for some people with disabilities. Fare values can also be added and deducted from the card.

RTA Travel Information Center

The RTA's Travel Information Center (TIC) is a telephone-based service providing route and scheduling information for the CTA, Metra and Pace. TIC operators, working 20 hours a day from 5 a.m. to 1 a.m., 365 days a year, field an average of 10,000 calls each day.

The performance of the TIC is measured and reported on a daily basis. The most important measure is the call capture rate (calls answered/calls received) which indicates the efficiency of the service. TIC's contract has established a 94 percent call capture rate as the minimum to be maintained each month without a penalty being assessed against the contractor. Con-

Exhibit 3-12

TIC (through October 2001)

	1997	1998	1999	2000	Estimate 2001
Calls Accepted (000)	2,383	2,472	2,398	2,375	2,362
Call Capture Rate (%)	94.3	94.8	93.6	96.9	97.6
Average Response Time (sec)	57	42	55	26	22
Average Talk Time (sec)	130	123	140	139	136

versely, when the call capture rate is above 96 percent, an incentive payment is paid. Through October 2001, the call-capture rate averaged 96.9 percent, and is estimated to finish 2001 at 97.6 percent (Exhibit 3-12). October's average response time was 17 seconds. The TIC also achieved a 96 percent call-capture rate during the events of September 11th and achieved a 99 percent capture rate on July 3rd, the center's busiest day of the year.

In 2001, the RTA introduced an Internet-based trip planner that accesses the same database as the TIC. Traffic on the RTA web site increased from approximately 1,000 visits per month December 2000 to more than 76,000 visits per month in November.

Travelers can call the TIC at 836-700 from any area code in the six-county region or visit the RTA's Internet-based trip planer at http://tripsweb.rtachicago.com.

Agency Statutory Cap

The statutory cap for administrative spending was set at $5 million in 1985, with a growth rate of 5 percent per year. The 2002 cap allowance is $11.5 million. The Agency spending of $5.2 million is 55 percent below the administrative cap (Exhibit 3-13). However, Agency spending does not include an expected expenditure of $0.2 million for relocation costs. This cost will place the Agency 53 percent under the statutory cap.

Exhibit 3-13

2002 Agency Statutory Cap (000)

Total Revenues	—
Expenses	$ 5,162
Funding	$ 5,162
Statutory Cap	$ 11,460
Percent Under Cap	55.0%

Organization

Budgeted positions in 2002, including the RTA Board and temporaries, totals 99.9 people (Exhibit 3-14). This is a full time equivalent (FTE) decrease of 0.3 people from 2001 staffing levels of 100.2. This proposed change from 2001 to 2002 occurs as follows. Regional services will add three RTA employees and decrease its overall temporary staffing needs by the FTE of 3.3 people, and an unassigned position that was previously budgeted in planning is now being held at the managing services level.

The Agency organization chart is presented in Exhibit 3-15.

Exhibit 3-14

Agency Budgeted Positions

	2000	2001	2002	2003	2004
By Group					
Board	13.0	13.0	13.0	13.0	13.0
Agency and Regional Services	79.0	81.2	84.2	84.2	84.2
FTE (Temporary Assistants)	5.7	6.0	2.7	2.7	2.7
Total	97.7	100.2	99.9	99.9	99.9
By Organizational Unit					
Managing Services	25.8	26.9	27.9	27.9	27.9
Regional & Governmental Affairs	25.9	26.3	26.0	26.0	26.0
Communications	4.0	5.0	5.0	5.0	5.0
Finance	22.0	21.0	21.0	21.0	21.0
Planning	20.0	21.0	20.0	20.0	20.0
Total	**97.7**	**100.2**	**99.9**	**99.9**	**99.9**

Exhibit 3-15

Agency Organization Chart—Summary by Operating Division

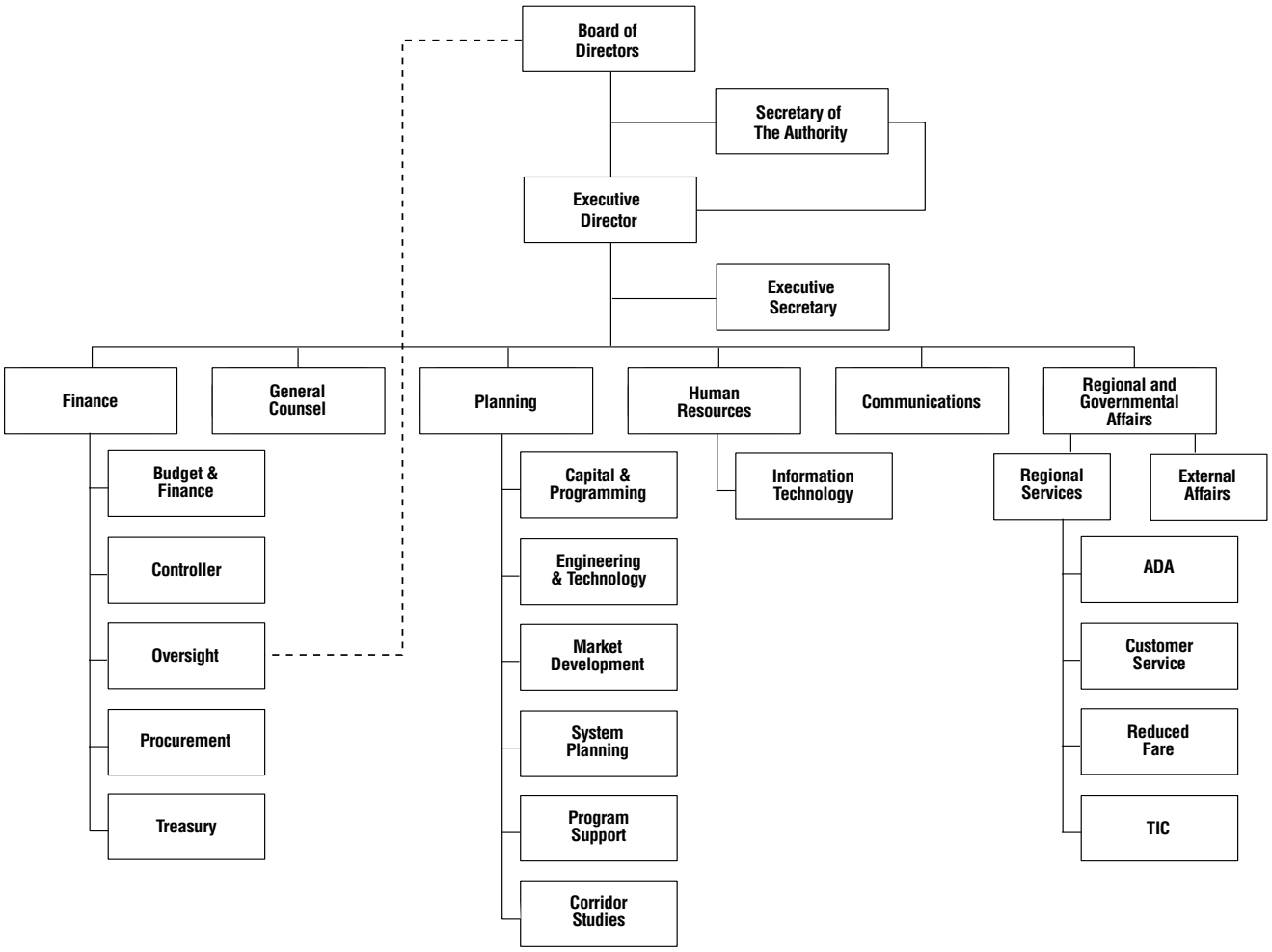


Exhibit 3-16

RTA Board Committees

Committee	Description
Administrative	Considers matters relating to RTA operations.
Audit	Authorizes and supervises all audits or reviews conducted pursuant to law, agreement and practice.
Chairman's Coordinating	Considers matters referred to it by the Chairman of the Board of Directors. This committee is comprised of the Chairman and the Chairmen of the standing committees of the RTA.
Finance	Considers the revenues and expenses of the RTA system specifically the operating budgets and capital programs of the RTA, CTA, Metra and Pace.
Mobility Limited	Considers compliance with the Americans with Disabilities Act (ADA) and ADA paratransit eligibility certification, and other issues.
Planning	Considers RTA system planning issues, RTA, CTA, Metra and Pace capital plans and programs and special planning studies.

Operating Plan

Overview

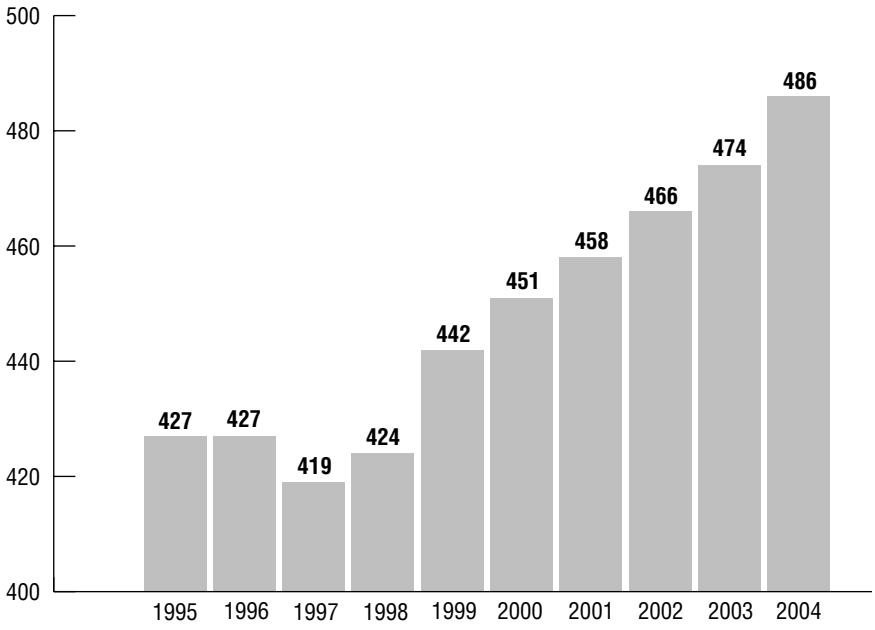
The Chicago Transit Authority (CTA) was created by the Illinois State legislature in 1945 and began operations in 1947. It became the sole operator of Chicago transit in 1952 when it purchased the Chicago Motor Coach System. The CTA is governed by the seven-member Chicago Transit Board.

Strategic Focus

The CTA's strategic focus for 2002 includes projects that will advance its ongoing efforts to rebuild the system, sustain a ridership momentum that has been building over the last several years, and improve the product to its customers. The core principle guiding the CTA has been its pledge to deliver on-time, clean, safe and friendly service.

Exhibit 4-1

Annual CTA Ridership (riders in millions)



Ridership

For the fourth year in a row, more people are riding the CTA bus and rail lines. Ridership is up 7.5 percent since 1997, and growing (Exhibit 4-1). Many of the CTA's customers have several transportation options; they may own a car or have access to other transit, yet more and more are choosing to use the CTA. In 1997, barely half of the CTA customers were choice riders, now 68 percent of its customers choose the CTA over other means of transportation.

The CTA is the largest transit provider in the region, carrying more than 79 percent of all public transit riders in Chicago and 38 suburbs. The CTA also has the largest share of suburban customers, carrying more than 45 percent of suburban transit riders in its service area.

Ridership is estimated at 457.9 million for calendar year 2001, which is 7.4 million or 1.6 percent higher than last year. Bus ridership is forecast at 304.5 million trips, a 2.3 million trip increase over calendar year 2000. Rail ridership is forecast at 152.1 million and is 4.8 million trips higher. Ridership is up on all seven rail lines. Brown Line ridership is expected to increase by 8 percent over last year, while ridership on

Exhibit 4-2

CTA Annual Ridership By Mode (in millions)

	1998	1999	2000	2001	2002
Bus	290.6	299.1	302.1	304.5	307.7
Rail	132.4	141.7	147.2	152.1	157.1
Paratransit/Taxi	1.2	1.2	1.2	1.3	1.4
Total Ridership	**424.2**	**442.0**	**450.5**	**457.9**	**466.2**

Exhibit 4-3

CTA Average Daily Ridership (in thousands)

	1998	1999	2000	2001	2002
Weekday	1,380	1,436	1,466	1,489	1,516
Saturday	805	830	848	870	884
Sunday	509	537	557	571	581

the Green Line is expected to exceed the 2000 total by 7.1 percent (Exhibit 4-2). Average weekday ridership is now approaching 1.5 million, while Saturday and Sunday average ridership is at 870,000 and 571,000 respectively (Exhibit 4-3).

The CTA has held the line on fare increases since 1992. In fact, with the introduction of the farecard bonus system and 1-day and 7-day passes, many CTA fares have actually been reduced. Simpler fare structures, such as 1-day and 7-day passes, have made the CTA more customer-friendly. Innovative purchasing plans, like the University Pass program for college students, have also provided new opportunities to attract and retain customers. The University Pass program has been expanded to include summer school and has added the University of Illinois at Chicago as a customer.

Service Quality

The most obvious way to revitalize the CTA, maintain customer loyalty, and attract new riders is to improve the quality of service. An important goal of the CTA is to maintain a safe environment for its riders. CTA customers now feel more secure on their bus rides because more than 70 percent of buses are equipped with digital security cameras. In addition, half the fleet of squad cars used by police officers to patrol the bus system has been replaced enabling them to respond more quickly to emergencies. The CTA has adhered to a goal of removing graffiti within 24 hours of a report and as a result, its stations are cleaner and feel safer to customers.

The CTA also plans to test security enhancements at rail stations through a pilot camera program. Under the proposed program, cameras will be installed on the platforms, in stairways and at fare card vending machines at the Kedzie station on the Green Line, Roosevelt and 95th on the Red Line and 35th /Archer on the Orange Line. As an added benefit, the cameras can also be used to monitor ridership levels which will help determine schedules and service levels. Another security enhancement is the CTA's plan to install new hardware that will improve reception and enable the use of cell phones in the subways.

In 2001, the CTA revised its service standards for the first time in 11 years in order to reduce crowding and improve service reliability. These changes will be implemented over the next year and are necessary as markets, customer expectations and resources change over time.

In 2002, the CTA will continue to evaluate and refine its bus operator empowerment project as it works to address bus bunching and improve service reliability. Through this initiative, bus operators are working as a team to find the best ways to maintain proper intervals and ensure reliable, scheduled service.

Bus service will be further enhanced in the coming year by the purchase of new fare boxes and an on-board, automated announcement system. This system is similar to the one currently in use on trains.

Fiber optic cable has been installed on both the Blue Line O'Hare Branch and the Green Line to provide the CTA with an independent income source through the lease of these cables for the transmission of third-party data. The cable will also be used by the CTA to improve its internal communications abilities and to deliver timely communications to customers on rail platforms.

From fare cards, to the Control Center, to the automated announcement system, the CTA has used technology to operate more efficiently and provide better service. Those efforts will continue in 2002, as the CTA expands its Smart Card program and makes the cards available to about 300,000 more customers. The CTA also plans a pilot program to install kiosks at employer offices so that participants in the RTA/CTA Transit Benefit program can add value to their cards at work.

New Services

Ridership growth, coupled with the CTA's commitment to improve service quality, spurred the need for a number of service improvements during 2001. These service enhancements included adding more buses to weekday service, expanding weekend and evening service hours, making more routes accessible, and adding and changing bus stops. A few of the routes with expanded service are listed on the next page:

No.	Bus Route
22	Clark Street
6	Jeffery
52A	South Kedzie
147	Outer Drive Express
151	Sheridan
100	Jeffrey Manor Express
135	Wilson/LaSalle Express
136	Sheridan/LaSalle Express
156	LaSalle Express
14	South Lake Shore Drive Express
2	Hyde Park Express
49B	North Western
87	87th Street
34	South Michigan
145	Wilson/Michigan
146	Marine/Michigan
201	Central/Sherman
97	Skokie

The CTA also implemented many service improvements on its rail system in 2001 to alleviate overcrowding. Trains were added on the Brown, Red and Orange Lines to decrease the time between trains in the morning and afternoon rush hours and to increase late night service. Orange Line service was also increased on both Saturdays and Sundays to provide additional service to the southwest side communities and Midway Airport. Construction projects were also completed at 27 rail stations to make the CTA more attractive and user-friendly. These projects are listed below:

- Twelve stations are on the Red Line: Cermak-Chinatown, Sox-35th St., 47th St., Garfield, 63rd St., 69th St., 79th St., 87th St., 95th St., Bryn Mawr, Loyola, and Chicago-State.
- Seven stations on the O'Hare Branch of the Blue Line: Addison, Irving Park, Jefferson Park, Logan Square, Montrose, O'Hare, and Western.
- Three stations on the Forest Park Branch of the Blue Line: Forest Park, UIC Halsted, and Kedzie-Homan.
- Four stations on the Green Line: Conservatory, Garfield, Indiana, and Pulaski.
- The Merchandise Mart station on the Brown Line.

Bicycle access to the rail system was expanded to all times except weekday rush periods. The CTA announced this service expansion during Bike Month in May. In June, the CTA introduced a pilot program to test the use of bikes on buses. Through these initiatives, the CTA has given customers more reasons to consider taking transit for leisure activities.

Capital Investments

On January 19, 2001, the CTA signed a Full Funding Grant Agreement with the Federal Transit Administration (FTA). With this agreement, the FTA will provide $384 million toward the $482 million cost to renovate the Cermak (Douglas) branch of the Blue Line. On September 10, 2001, the CTA broke ground on the Cermak (Douglas) Blue Line project. The project will take more than four years to complete and the improvements include eight accessible stations and more than five miles of new track resulting in a faster commute.

The full-funding grant agreement was significant, not only because it guaranteed funding for the centerpiece of the CTA's capital improvement plan, but because it also demonstrated the CTA's ability to successfully secure federal funding in a competitive environment. This agreement would not have been possible without Governor George Ryan's Illinois FIRST program, which created a local funding source that allowed the CTA to leverage the federal funds.

In the highly competitive review process for federal New Start funds, only nine projects in the entire United States were rated as "highly recommended." The CTA has the distinction of having two projects on this elite list - the Blue Line renovation project and a proposal to increase capacity on the Brown Line by extending platforms, modernizing stations and providing accessibility.

Work is also underway on the CTA's plans to expand capacity on the Brown Line, which serves densely populated neighborhoods on Chicago's north side. This line has experienced significant ridership increases in the last decade. However, unlike the rest of the CTA system, most Brown Line stations can only accommodate six-car trains due to shorter platforms. The CTA plans to extend platforms at 18 stations on this line by 100 feet to accommodate eight-car trains. The CTA also plans to install elevators or ramps to make these stations accessible for senior citizens and people with disabilities. In 2002, the CTA hopes to secure a Full Funding Grant Agreement with the FTA, and finalize the design phase of the project.

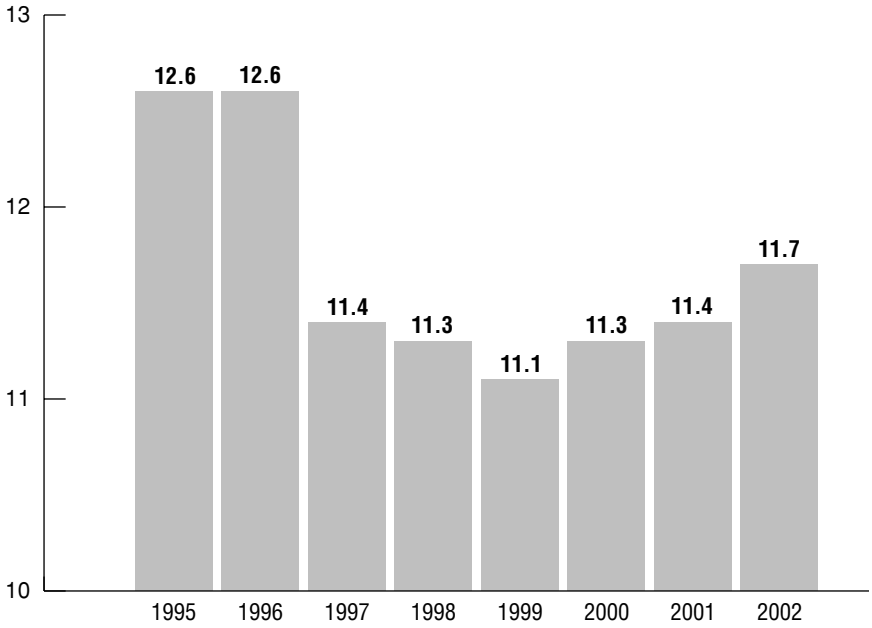
In 2001, the CTA made significant progress on its long-term strategy to upgrade its train and bus fleets. In 1998, 29 percent of the CTA buses were older than the average industry retirement age of 12 years. By developing and implementing an aggressive replacement schedule, only 17 percent of the bus fleet is currently more than 12 years old. This replacement schedule also enabled the CTA to go from having a bus fleet in which barely half the buses were air-conditioned, to a fleet that is currently more than 80 percent air-conditioned.

The new buses are also accessible to customers with disabilities, enabling the CTA to expand the number of accessible bus routes. By fall 2001, 80 percent of the CTA's 139 bus routes were accessible to customers with disabilities.

In addition to newer, more comfortable buses, customers experienced more comfortable rail rides too, as more of the CTA's 2600-series rail cars were rebuilt and new air conditioning and lighting systems were installed. Rebuilding rail cars improves service reliability and reduces repair costs while

Exhibit 4-4

CTA Budgeted Positions (in thousands)



extending the useful life of these vehicles. In 2001, the CTA also began rehabilitation of its 2200-series cars. By year-end, all of the 2200-series cars will be equipped with new, high-capacity air conditioning systems.

In 2001, the CTA also continued to upgrade rail stations and improve accessibility. Station entrances were renovated at Homan/Kedzie and Halsted on the Blue Line, and Lake/Pulaski on the Green Line. New entrances were also opened at 40th/Indiana and at Garfield on the Green Line. The CTA opened a new station on the Green Line - the Conservatory/Central Park Drive station in Garfield Park. The station house was built using elements from a historic station house formerly located at Homan Avenue.

Partnerships

The CTA works to maintain partnership with many groups. The CTA's efforts to strengthen its relationship with its riders have been discussed earlier in this section. The CTA also works to create partnerships with its work-force, vendors, the mobility impaired, the city of Chicago, the legislature, and security agencies.

Workforce

The CTA has stepped up its efforts to attract and retain high caliber employees through job fairs and other recruitment efforts and by updating and refining the process it uses to determine salaries. The CTA has budgeted 11,700 positions for 2002, which makes it one of the largest employers in Chicago. Expanded service is the primary driver for the increase in the number of budgeted positions (Exhibit 4-4).

Management and the rail employees union, Amalgamated Transit Union Local 308, agreed on a contract in 2001 after a year and a half of negotiations. The new contract recognizes and rewards the efforts of CTA employees and provides a framework to continue to work together in support of the CTA's goals.

The CTA will use technology to increase its overall operating efficiency through a major Enterprise Resource Plan that will standardize information gathering and computer processes so that different computer systems can better share information. CTA staff from numerous departments has worked together over the past year to plan for this program, and in 2002, a vendor will begin to install and implement the system.

Vendors

The CTA Purchasing Department follows an aggressive Disadvantaged Business Enterprise Program (DBE) that encourages minority participation in CTA contracts. The CTA has set a minimum level of 30 percent for minority participation for projects requiring outside vendors.

By redesigning parts to specifications and finding lower cost manufacturers, the CTA has saved nearly $3 million over the past two years. The CTA also will be implementing a new maintenance shop management system to better manage inventory, operating and productivity costs at its Skokie, South and West Shops.

Mobility Impaired

The CTA is providing more service to its paratransit customers by increasing the number of Special Services and Taxi Access trips. Also, the CTA has created a toll-free number customers can call in emergencies, and a system-wide notification process has been created to alert customers to elevators and escalators that are undergoing repair. The CTA has also worked with the City's Department of Consumer Services and local taxi companies to increase taxicab accessibility.

By year-end 2003, the CTA is committed to having a fully accessible bus system. This fall, 80 percent of its bus routes are accessible. In 2001, eight more rail stations were made accessible, bringing the total number of accessible stations to 64.

Exhibit 4-5

CTA 2002 Budget and 2003-2004 Financial Plan (dollars in thousands)

System-Generated Revenues	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Passenger Revenue	$ 368,884	$ 380,000	$ 388,889	$ 391,185	$ 395,000
Reduced Fare Subsidy	32,111	32,300	32,300	32,300	32,300
Other Revenue	52,492	60,304	51,967	62,480	85,280
Total Revenues	**$ 453,487**	**$ 472,604**	**$ 473,156**	**$ 485,965**	**$ 512,580**
Operating Expenses					
Labor	$ 616,306	$ 632,206	$ 667,596	$ 687,000	$ 724,000
Material	68,813	65,835	66,949	69,656	71,397
Fuel	23,305	22,600	23,000	23,000	23,000
Power	21,022	22,700	22,700	23,500	23,500
Insurance & Claims	30,000	44,000	23,000	23,000	30,000
Purchase of Security Services	18,731	22,864	22,989	24,140	25,346
Purchase of Paratransit Services	27,043	31,325	33,591	34,766	35,982
All Other	46,127	50,079	54,963	54,391	55,615
Total Operating Expenses	**$ 851,347**	**$ 891,609**	**$ 914,788**	**$ 939,453**	**$ 988,840**
Operating Deficit	**$ 397,860**	**$ 419,005**	**$ 441,632**	**$ 453,488**	**$ 476,260**
Recovery Ratio % (1)	**53.6%**	**53.3%**	**52.0%**	**52.0%**	**52.1%**

(1) *The recovery ratios for 2002, 2003, and 2004 represent those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as required by the RTA Act. By policy, the revenue figure for the CTA excludes the gain from leasing transactions restricted by ordinance for capital. The amounts deducted from expenses represent exclusions listed by the RTA Act.*

City of Chicago

The CTA maintains a strong working relationship with the City of Chicago and various suburban entities. It continues to work with law enforcement agencies in both Chicago and the suburbs to reduce crime on its system. The CTA has also worked with the City of Chicago on various real estate matters, especially rail station construction. And it has worked with Chicago's Health and Human Services Department to reduce the number of homeless individuals using the trains for shelter.

To increase customer comfort and ease of transfers, the CTA will proceed in a project with the Chicago Department of Transportation (CDOT) to build a pedestrian tunnel at Roosevelt Road that links the Red Line station with the Green and Orange Line station. The CTA and CDOT continue to explore the development of dedicated bus right-of-ways that will help speed trips and make bus travel a more competitive option for auto users.

The CTA has also received support from the communities of Schaumburg and Elgin encouraging line extensions into their cities. Also, the CTA has been working with Chicago and the Department of Aviation on a plan to provide express service to both airports from downtown.

Legislators

The full funding agreement for the CTA Blue Line Douglas Branch Reconstruction Project was signed at a formal ceremony on January 19, 2001. The individuals attending the signing showed that it was a joint effort between federal, state and local officials. Attendees at the signing included: CTA President Frank Kruesi, U.S. Senator Peter Fitzgerald, U.S. Senator Richard Durbin, U.S. Representative Mark Kirk, Speaker of the House Dennis Hastert, former U.S. Transportation Secretary Rodney Slater, Chicago Mayor Richard Daley, and former U.S. Transportation Deputy Secretary Mortimer Downey. This agreement would not have been possible without Governor George Ryan's *Illinois FIRST* program and the support of the Illinois General Assembly.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2002 through 2004, conforms to the established RTA marks set on September 14, 2001. The CTA's operating funding target was set at $441.6 million in 2002. The CTA met this target. The CTA's recovery ratio mark was set by the RTA at 52 percent, which the CTA has shown in its budget submission. The CTA's statement of revenues and expenses, which includes the recovery ratio, is presented in Exhibit 4-5.

System-Generated Revenues

Total system-generated revenues are expected to increase from $453 million in 2000 to $513 million in 2004. This is an increase of $60 million over the four-year period, which is a 3.1 percent average annual increase. System-generated revenue includes: passenger revenue, reduced fare reimbursement, and other revenue (Exhibit 4-6).

Passenger revenue comprises 82 percent of the CTA's total operating

Exhibit 4-6

CTA System-Generated Revenue (dollars in millions)

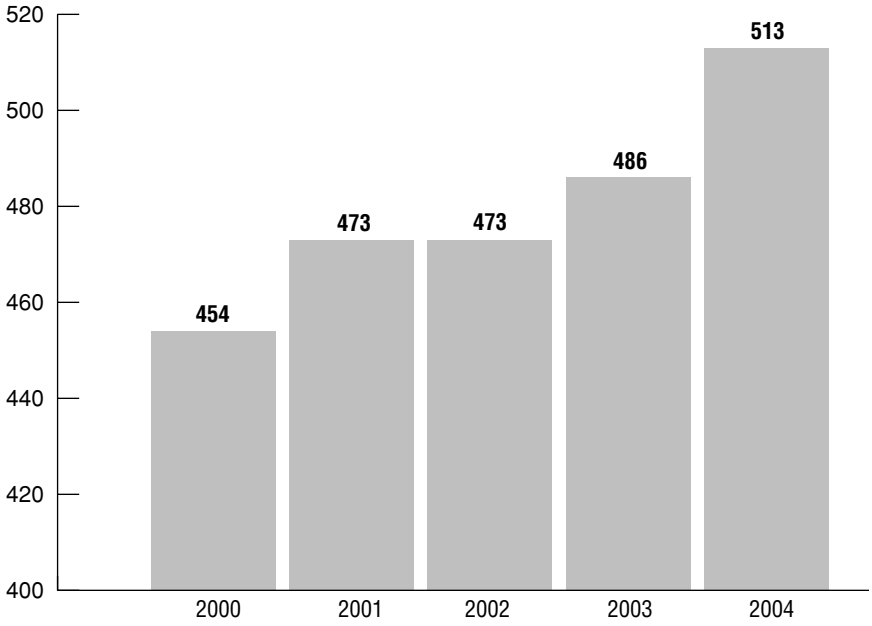


Exhibit 4-7

2002 CTA Revenues—$473 Million

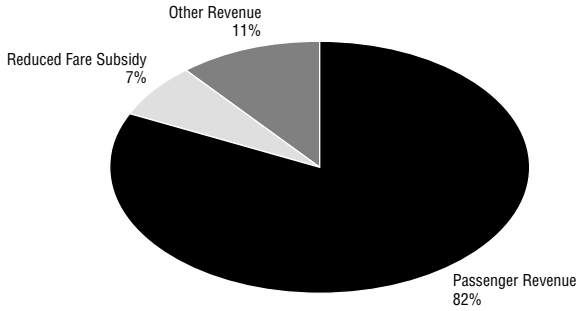


Exhibit 4-8

CTA Average Fare Calculation (revenue and ridership in thousands)

	2000	2001	2002	2003	2004
Passenger Revenue	$ 368,884	$ 380,000	$ 388,889	$ 391,185	$ 395,000
System Ridership	450,530	457,887	466,143	474,200	485,600
Average Fare	0.819	0.830	0.834	0.825	0.813

revenues. The reduced fare subsidy and other revenues account for the remaining 18 percent (Exhibit 4-7).

Passenger Revenue

Passenger revenue is expected to increase from $369 million in 2000 to $395 million by 2004, a $26 million increase, or 1.7 percent annual growth rate.

Revenues from fares are forecast at $380 million in 2001, a favorable increase to the prior year of $11.1 million. This increase is attributable to higher ridership (7.3 million or 1.6 percent) and a higher average fare (83¢ in 2001 versus 81.9¢ in 2000) is forecast as more customers opt to pay using cash or undiscounted fare media (Exhibit 4-8).

Higher ridership is the primary driver for the increased fare revenues. Revenue from fares is estimated at $388.9 million in 2002, which is $8.9 million higher than the 2001 forecast. This reflects a 2.3 percent increase over the 2001 budget.

The CTA expects to collect $391.2 million in fare revenue during 2003, a 0.6 percent increase over the 2002 operating budget. Nearly a 1 percent increase is expected in 2004, which will raise fare revenue to $395 million. This increase is largely due to projected ridership growth. The average fare is forecast to be 82.5¢ in 2003 and 81.3¢ in 2004.

The CTA fare structure is shown in Exhibit 4-9. The full base fare remains constant at $1.50 per ride, a price that has not changed since 1992.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 that provided funds to reimburse the CTA for the cost of providing reduced fares for the elderly, students, and the disabled. The fare reimbursement is included as revenue and became available in July 1989. In the state's 2000 fiscal year budget, the appropriation for reduced fare was increased by $20 million to $40 million for the RTA region. It is expected to stay at that new level. These funds are split among the three Service Boards based on their reduced fare revenues. The CTA estimates its share at $32.3 million per year from 2001-2004.

Other Revenue and Investment Income

This category includes: advertising, charters, concessions, investment income and scrap sales. Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the city are $3 million. Also the County contributes an additional $2 million. (Exhibit 4-10). Revenue for this category was approximately $52 million in 2000, and is expected at $85 million in 2004. Growth from 2000 to 2001

Exhibit 4-9

CTA Fare Structure

	Full	Reduced	Comments
Basic Cash Fare and Transit Cards	$1.50	$0.75	
Paratransit			
Special Services	$1.50	None	
Chicago Taxi Access Program Voucher	$1.50	None	
First Transfer W/Fare Card	$0.30	$0.15	Second transfer within two hours is free
Transit Card with $11.00 Value (pre-valued)	$10.00	None	Sold at Jewel, Dominick's, Cub Foods,
Transit Card with $22.00 Value (pre-valued)	$20.00	None	Currency Exchanges, and the Internet
Transit Card Packs			
Ten-Pack	$15.00	None	
Twenty-Pack	None	$13.50	
Passes			
1-day	$5.00	None	
7-day	$20.00	None	
30-day	$75.00	$35.00	
Visitor Passes			
1-day	$5.00	None	
2-day	$9.00	None	
3-day	$12.00	None	
5-day	$18.00	None	
Link-up Pass	$36.00	None	Sold by Metra; use with Metra monthly ticket.
Express Surcharge	$0.25	$0.25	Downtown on bus routes 2, 6, 14, and 147.
Rush Shuttle Fares	$1.00	None	To/from downtown Metra stations during rush hour.
128 Soldier Field Express	$1.00	$0.50	
154 Wrigley Field Express	$5.00		Per carload.

Note: Reduced fares are for children 7 thorugh 11 years old. Grade and high school students with CTA riding permit. Seniors age 65+ and riders with disabilitites with RTA reduced fare riding permit.

Exhibit 4-10

All Other Revenue (dollars in thousands)

All Other Revenues	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Advertising, Charter, & Concessions	$ 23,907	$ 24,956	$ 30,280	$ 33,680	$ 37,280
Investment Income	12,922	10,670	10,670	8,900	8,900
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	10,663	19,678	6,017	6,000	6,000
Required Revenue Increase	0	0	0	8,900	28,100
Total All Other Revenues	**$ 52,492**	**$ 60,304**	**$51,967**	**$ 62,480**	**$ 85,280**

is due to the sale of surplus property. Reasons for this increase in the later years include growth in advertising, charter and concessions.

Current projections indicate that additional revenue may be required to achieve a 52 percent recovery ratio in 2003 and a 52.1 recovery ratio in 2004. The CTA has placed $8.9 million and $28.1 million in other revenue for 2003 and 2004 to help achieve its recovery ratio target. The CTA will make an exhaustive effort to avoid any fare increase or service reductions to meet its recovery ratio target.

Operating Expenses

Total operating expenses are forecast to increase from $851 million in 2000 to $989 million in 2004. This $138 million increase equals a 3.8 percent annual compound growth rate (Exhibit 4-11).

Calendar year 2001 operating expenses estimated at $891.6 million. This is 4.7 percent higher than the 2000 actual expense of $851.3 million. The expense increases are primarily driven by the service levels need to support ridership growth coupled with a one-time funding increase of the Injuries and Damages Reserve.

The 2002 expense budget of $914.8 million is 2.6 percent higher than the 2001 projected results. Higher labor expenses represent the increase. However, a lower level of funding for the Injuries and Damages Reserve provides some offset.

The 2003 and 2004 financial projections show operating expenses of $939.5 million and $988.8 million, respectively. The 2003 financial projection represents an increase of 2.7 percent over the 2002

Exhibit 4-11

CTA Total Operating Expenses (dollars in millions)

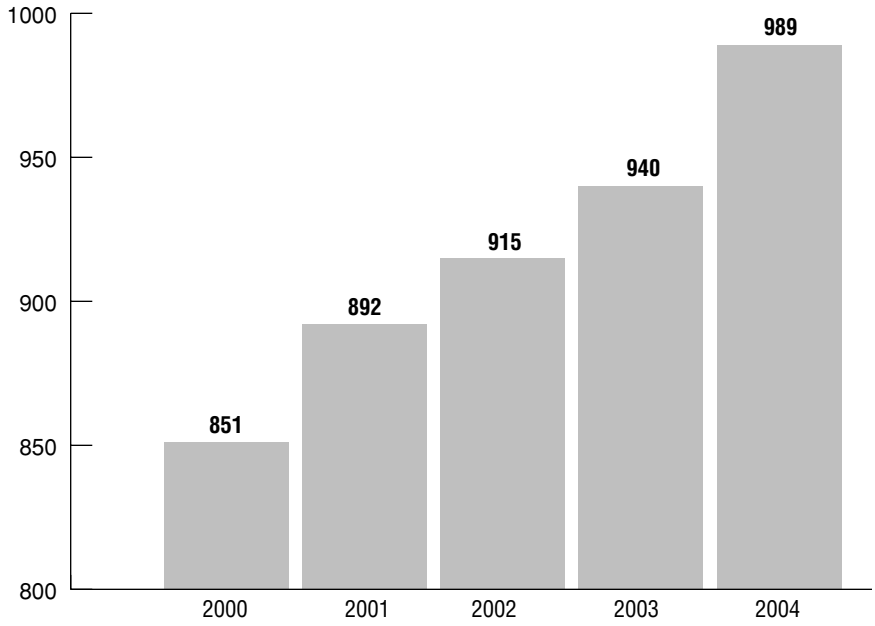
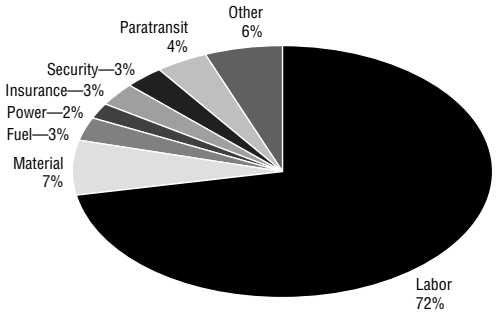


Exhibit 4-12

2002 CTA Operating Expenditures—$915 Million



operating budget. The 2004 financial projection represents an increase of 5.3 percent over the 2003 budget. These increases are primarily attributable to higher projected labor costs.

Expense Elements

Operating expense components include labor, material, fuel, power, insurance/claims, security, paratransit services, and other. Labor expenses, including fringes, represent 72 percent of the CTA's total expenses. Base wages represent about 2/3rds of that total, while fringe benefits, which are primarily medical insurance and pension costs, represent the remaining 1/3rd. Materials, used primarily for maintenance, are 7 percent of total expenses. Fuel and power represent 5 percent of the CTA's expenditures. Insurance and claims represent 3 percent of total spending. Paratransit services, security, and other expenses comprise the remaining 13 percent. The other expense category includes items such as lease, utility, and contractual services (Exhibit 4-12).

Labor Costs

Labor expenses are expected to increase from $616 million in 2000 to $724 million in 2004. This is a $108 million increase or a 4.1 percent compound annual growth rate. Wage and health insurance increases contribute to the higher expense (Exhibit 4-13).

Labor expense for 2001 is estimated at $632.2 million; this is $15.9 million or 2.6 percent more than last year. This increase is driven primarily by increased service levels to meet the ridership growth on the bus and rail system. The labor contract that covered approximately 90 percent of the CTA employees expired at the end of 1999. Since the contract expiration, Management and the Collective Bargaining Units had been vigorously working towards a new Collective Bargaining Agreement. A tentative contract was reached in the second half of calendar year 2001 with the two largest unions representing CTA's bus and rail operators. CTA Rail Division employees that are members of Local 308 accepted the contract provisions. The Bus Division Unions including Local 241 did not. As such, CTA is now in arbitration with all other collective bargaining units except the Teamsters. Negotiations are still underway with the Teamsters.

Labor expense is budgeted at $667.6 million in 2002; this is $35.4 million, or 5.6 percent greater than the 2001 estimate. The wage increase is only an estimate, since the CTA does not have new contracts with labor unions representing a significant number of employees. The remaining portion of the labor increase is primarily due to expanded service and higher health insurance and workers compensation costs. The business community forecasts substantial health care cost increases in the near future.

Overall, labor expenses of $687 million in 2003 and $724 million in 2004 are projected to rise 2.9 percent and 5.4 percent, respectively. This is the result of increases in labor rates, health insurance and workers' compensation ex-

Exhibit 4-13

CTA Labor Expense Growth (in thousands)

	2000	2001	2002	2003	2004
Labor Expense	$ 616,306	$ 632,206	$ 667,596	$ 687,000	$ 724,000
% Change from Prior Year	5.7%	2.6%	5.6%	2.9%	5.4%

Exhibit 4-14

CTA Fuel Cost per Gallon (cost and gallons in thousands)

	2000	2001	2002	2003	2004
Fuel Cost	$ 23,305	$ 22,600	$ 23,000	$ 23,000	$ 23,000
Gallons	22,531	22,600	23,000	23,000	23,000
Cost Per Gallon	1.034	1.000	1.000	1.000	1.000

penses. A settlement with these unions that is of greater value than the contract ratified with Local 308 could severely impact the financial assumptions used to create this budget.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expense is forecast at $65.8 million in 2001, which is $3 million, or 4.3 percent less than the prior year. One reason for this decrease in material is the CTA's use of more efficient purchasing practices and computerized systems at the shops.

Material expense for 2002 is estimated at $66.9 million, which is a 1.7 percent increase from 2001. Material usage is forecast to increase slightly in 2002 due to an increase in service miles and the delayed overhauls on the 2200 and 2400 series rail cars. Inflation is expected to run at 3 percent, but the effect is substantially offset by lower material usage due to the bus overhauls and warranties on new buses.

Material expense of $69.7 million and $71.4 million for 2003 and 2004 is projected to rise 4 percent and 2.5 percent, respectively. This is due to inflation, delayed replacement of the 2200 and 2400 series rail cars and an increase in vehicle maintenance due to expanded service. However, the projected 2004 material expense amount of $71.4 million is 2.8 percent less than the actual material expense in 1998 and 1999. The presence of bus and rail vehicle overhaul programs coupled with delivery of the new NOVA and articulated buses should slow the growth of this expense category in the future.

Fuel

The CTA estimates fuel expense at $22.6 million for 2001. The assumption is 22.6 million gallons at $1.00 per gallon (Exhibit 4-14). The cost per gallon is slightly lower than 2000 actual results because a slowing economy has reduced the demand for diesel fuel.

The CTA forecasts the need for 23 million gallons of diesel fuel in the 2002 budget. Due to the uncertainty surrounding energy prices, the CTA estimates the cost of fuel to be $1.00 per gallon which is the same as the 2001 forecast.

The 2003 and 2004 financial projections hold diesel fuel costs steady at $23 million, the same cost budgeted for 2002. This assumes the purchase of 23 million gallons at a price per gallon of $1.00. These projected expenses are more than double diesel fuel expenses in 1998.

Power

Electric power expense for the rail system is forecast at $22.7 million in 2001, which is $1.7 million more than the prior year. This increase largely reflects an increase in service levels on the rail system coupled with a higher price for electricity. Power expense for the rail system is estimated at $22.7 million in 2002, which mirrors the 2001 forecast. Fewer slow zones contribute to a higher average speed, which also increases power consumption.

Due principally to higher demand charges and service increases, power costs are forecast to increase 3.5 percent in 2003 from the 2002 operating budget. These costs are expected to remain steady from 2003 through 2004.

Insurance and Claims

The Provision for Injuries and Damages represents the expense for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles. The 2001 forecast is $44 million and exceeds the prior year funding by $14 million. This increase is due to a decision by management to use the proceeds from the sale of surplus property to fund the damage reserve. Due to the funding provided in 2001, the 2002 budget is set at $23 million.

Funding of the Provision for Injuries and Damages will remain constant in 2003 from the 2002 operating budget due to increased funding in 2001. In 2004, CTA projects this expense to return to $30 million.

As shown in Exhibit 4-15, the CTA expects to reduce its bus accidents per 100,000 over the next couple of years. This will enable the CTA to reduce its reserve for injuries and damages.

Purchase of Security Services

Security coverage is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. This service is provided by the Chicago, Evanston and Oak Park Police departments, the Wells Fargo Guard Service and National K-9 Security service.

Expenses are forecast at $22.9 million in 2001, which represents a $4.2 million or 22.1 percent increase from prior year (Exhibit 4-16). The events of September 11, 2001 have forced the

Exhibit 4-15

CTA Claims and Safety Statistics (dollars in thousands)

	2000	2001	2002
Claims	$ 30,000	$ 44,000	$ 23,000
Bus Accidents per 100,000 miles	7.06	6.91	6.08
Rail Accidents per 100,000 miles	0.12	0.15	0.15

Exhibit 4-16

CTA Purchase of Security Services (dollars in millions)

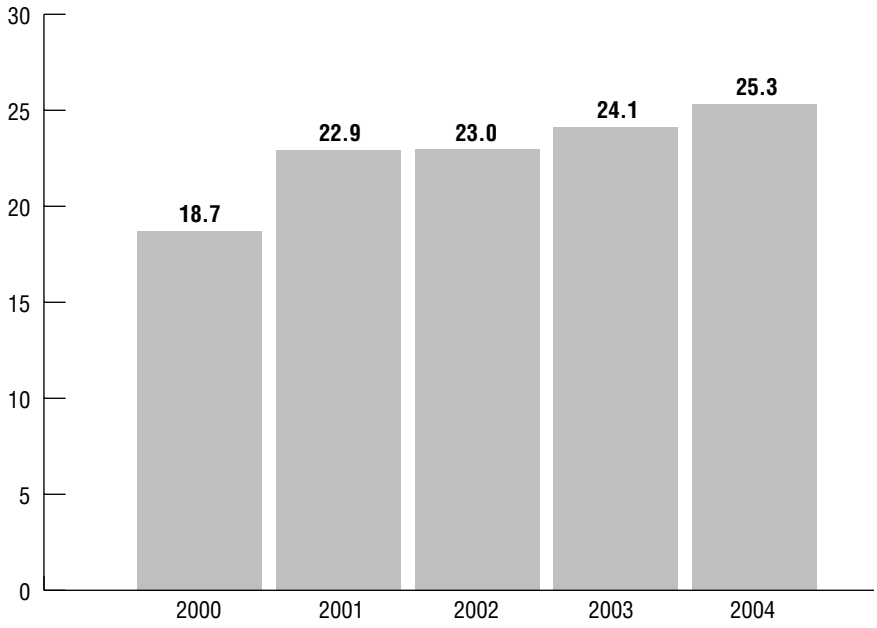


Exhibit 4-17

CTA Paratransit Cost and Statistics

		2000	2001	2002
Total Cost of Paratransit Services (000s)		$ 27,043	$ 31,325	$ 33,591
Average Cost per Trip		22.32	23.10	24.03
Number of Trips (000s)	Paratransit	1,095	1,235	1,255
	Taxi	117	120	142
Average Cost per	Paratransit	24.11	24.50	25.23
Trip by Mode	Taxi	11.72	13.07	13.46

CTA to re-evaluate its security coverage. After the terrorist attacks in New York and Washington D.C., the CTA has expanded security deployed throughout the system to protect customers and employees.

The 2002 budget is $23 million, $0.1 million more than the 2001 forecast. This low year-over-year increase is the result of a new guard service contract negotiated in 2001 that lowered costs. Like other public transit agencies, CTA is now engaged in a more comprehensive assessment of its security needs. Should this analysis reveal a need to modify current security coverage throughout the system, the CTA will make necessary adjustments to the budget. The current plan projects a 5 percent increase in the security expense for both 2003 and 2004 due to inflation and the expansion of coverage.

Purchase of Paratransit Services

The CTA provides door-to-door paratransit service for certified passengers who are unable to use mainline transit service. This service is provided by three private carriers and various taxi companies. To use this service, a customer must be certified by the RTA. The CTA currently provides riders with disabilities two types of service: special services and the Taxi Access Program (TAP). Higher demand for trips on the door-to-door service provided by three carriers and by taxicab companies in the CTA's paratransit program continues to increase this expense (Exhibit 4-17).

Expenses for paratransit service are projected at $31.3 million in 2001, which is $4.3 million or 15.8 percent more than budget. Paratransit trips are forecast at 1,355,780 for the current year, an increase of approximately 143,000 trips over the previous year. Almost all of this growth has occurred in the door-to-door service provided by the special services' carriers. Looking forward, the CTA's goal is to have the bus service fully accessible by the end of 2003.

Special service paratransit trips continue to be provided by three carriers that deliver door-to-door service to our customers. The 2002 budget provides for 1,255,422 trips at an estimated cost of $25.23 per trip. This represents an increase in service of 1.6 percent over the 2001 forecast. The average trip cost is estimated to increase by 73¢ partly due to an annual cost of living adjustment based on the Chicago consumer price index.

Taxi companies provide service under TAP as an alternative for customers with disabilities. In the 2002 budget, CTA has provided for 142,362 trips. This is an 18.3 percent increase over the 2001 estimate. The CTA reached a settlement in 2001 with Access Living to improve services for disabled riders. Under this settlement, the CTA will improve elevator service at rail stations, audio-visual displays on service vehicles, and monitoring of its compliance with set standards. The CTA will also ensure

that alternate transportation is available when elevators are out of service.

By the end of 2003, CTA's mainline bus service will be completely accessible. The CTA, in cooperation with RTA and the disabled community, will work together to develop a training program to aid in transitioning Paratransit riders to the mainline bus service.

The purchase of paratransit services has increased significantly due to inflation and increased efforts by CTA to meet consumer demand. Spending by the CTA for paratransit will increase by 7.3 percent in the 2002 budget over the 2001 forecast.

In 2003, CTA's bus system will be 100 percent accessible. The CTA, in collaboration with RTA and the disabled community, will work to develop and implement a training program aimed at transitioning many paratransit riders to mainline service. This transition training is very important to CTA as a significant capital investment has been made to the CTA's fleet and infrastructure to make the system accessible. The cost of providing paratransit door-to-door service has also grown at a much faster rate than the costs for mainline service. This adds significant financial pressure to an already constrained operating budget. The CTA believes transitioning paratransit riders to mainline service is the only real long-term option for its paratransit customers and the CTA. Paratransit expenses should decline as more paratransit riders transition to main-line service. The current plan includes funding for the transition training.

All Other Expenses

Other Expenses includes utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expense. The current 2001 forecast equals $50.1 million and is higher than prior year by $4 million or 8.6 percent (Exhibit 4-18). Natural gas prices were high early in 2001, which increased utility expenses.

The 2002 budget is $55 million, which is higher than the 2001 estimate by $4.9 million or 9.8 percent. The increase is due to higher facility, equipment maintenance and contract services expenses.

Due to efficiencies achieved from streamlining CTA's management information systems, other services expense are projected to decrease from 2002 to 2003 by 1 percent. Expenses for other services are forecasted to rise in 2004 above 2003 levels and reach $55.6 million. This is a 2.2 percent increase over the 2003 financial projections and is the result of inflation.

Capital Impact on Operations

Over the last three years, the CTA has spent $612 million on capital expenditures. The CTA is expected to spend $574 million combined in 2001 and 2002 (Exhibit 4-19).

Bus System

The CTA has made significant progress on its long-term strategy to upgrade its bus fleet. In 1998, 29 percent of the CTA buses were over the industry retirement age of 12 years. By developing and implementing an aggressive replacement schedule, only 17 percent of the bus fleet is now more than 12 years old. The average age of the CTA's bus fleet is now 6.9 years. More than 80 percent of the buses are now air-conditioned and more than 70 percent of the buses are equipped with security cameras. These improvements have the potential to attract and retain riders.

In 2002, the CTA bus fleet will receive the first new articulated buses in nearly two decades. Also, the CTA should have received all 469 new Nova buses next year. A complete overhaul of the CTA buses manufactured by TMC should be completed in 2002, which will include air-conditioning for the summer and block heaters for the winter.

Rail System

In addition to newer, more comfortable buses, customers experienced more comfortable rail rides too, as more 2600 Series cars were rebuilt in 2001 and new air conditioning and lighting systems were installed. Rebuilding cars results in improved service as it boosts reliability and reduces repair

Exhibit 4-18

CTA All Other Expenses (dollars in thousands)

All Other Expenses:	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Utilities	$ 17,902	$ 21,864	$ 20,740	$ 20,525	$ 20,986
Maintenance and Repair	11,985	12,337	13,061	12,926	13,216
Advertising and Promotion	2,319	1,565	2,311	2,287	2,338
Contractual Services	15,191	18,159	21,003	20,785	21,252
Provision for Passenger Security	4,817	4,845	4,845	4,845	4,845
Leases and Rentals	9,000	7,672	7,714	7,634	7,806
Travel, Training, Seminars, and Dues	653	658	804	796	814
Warranty and Other Credits	(17,737)	(19,001)	(19,839)	(19,633)	(20,074)
General Expenses	1,997	1,980	4,324	4,226	4,432
Total All Other Expenses	**$ 46,127**	**$ 50,079**	**$ 54,963**	**$ 54,391**	**$ 55,615**

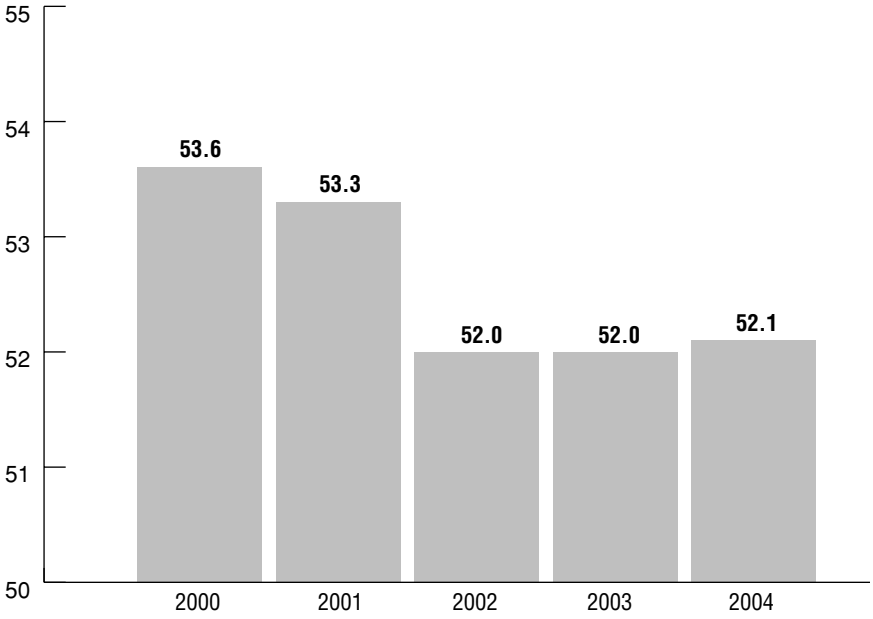
Exhibit 4-19

CTA Capital Statistics (dollars in thousands)

	1998	1999	2000	2001	2002
CTA Total Capital Expenditures	$ 131,906	$ 199,540	$ 280,406	$ 296,184	$ 277,880
CTA Bus Vehicles	1,874	1,878	1,863	1,927	1,959
Average Age of Buses (in years)	8.6	9.3	10.0	6.9	8.7
CTA Rail Cars	1,180	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	15.0	16.0	16.9	17.9	18.9
Bus Routes Offering Lift Service	75	75	73	103	119
ADA Accessible Stations	50	50	50	64	64

Exhibit 4-20

CTA 2000-2004 Recovery Ratio (percent)



costs. Work also began on the 2200 Series cars and by year-end all of these will be equipped with new, high-capacity air conditioning systems.

Work is also underway to expand capacity on the Brown Line, which serves densely populated neighborhoods on Chicago's north side. This line has experienced significant ridership increases in the last decade. Unlike the rest of our system, most Brown Line stations can only accommodate six-car trains due to the length of the platforms. The CTA plans to extend platforms at 18 stations by 100 feet, so the system will be able to handle more riders.

In 2002, the CTA will take the first steps toward the replacement of its 2200 series rail cars that are more than 30 years old. The CTA will upgrade the subway signal system in the Blue Line (Dearborn) subway to enable more efficient operations and maintain safety. The CTA will also renew right-of-way to eliminate slow zones such as from the Addison Station to O'Hare on the Blue Line. On the Dan Ryan branch of the Red Line, the CTA will begin design and engineering in 2002 for extensive infrastructure work.

To make transfers easier, the CTA and the Chicago Department of Transportation will proceed with plans in 2002 to build a pedestrian tunnel at Roosevelt Road linking the Red Line station with the Green and Orange Line stations. Green and Orange Line customers will also gain faster service with the CTA's plan to reconfigure Harrison Curve. By straightening out this curve, speeds can be increased on this section of track from 10 to 35 mph. As an added benefit for the line's neighbors, reconfiguring the curve will also reduce rail and wheel noise.

The CTA will also test security enhancements at rail stations through a pilot camera program. Under the proposed pilot program, cameras will be installed on the platforms, in stairways and at the fare card vending machines at Kedzie on the Green Line, Roosevelt and 95th on the Red Line and 35th /Archer on the Orange Line. As an added benefit, the cameras can also be used to monitor ridership levels.

Paratransit Services

By fall 2001, 80 percent of the CTA's 139 bus routes will be accessible. The CTA expects to have a fully accessible bus system by year-end 2003. The CTA is also continuing to improve accessibility on its rail system. In 2001, eight more stations were made accessible. The CTA is committed to encouraging ever-wider use of its mainline service, which is more cost efficient to operate than its paratransit service.

Deficit and Funding

System-generated revenues (fares and other revenue) generally total slightly more than one-half of the CTA's operating budget, with the remainder covered by public funding from the RTA.

The RTA funds the budgeted operating deficits of the Service Boards. The operating deficits are derived from total system-generated revenues minus total operating expenses. RTA Sales Tax and RTA discretionary funding represent the major sources of public funds to the CTA and are usually slightly less than one-half of the CTA's operating budget.

Recovery Ratio

The CTA's recovery ratio equals system-generated revenues divided by system operating expenses less the provision for passenger security expenses, which are required by law. The CTA uses 15 percent of the funding from the state's reduced fare reimbursement to cover these costs. The CTA's recovery ratio was 53.6 percent in 2000, and is expected to be at 53.3 percent in 2001. In 2002 and 2003, the CTA recovery ratio is expected to remain at 52 percent, while the ratio is at 52.1 percent in 2004 (Exhibit 4-20).

Capital Program

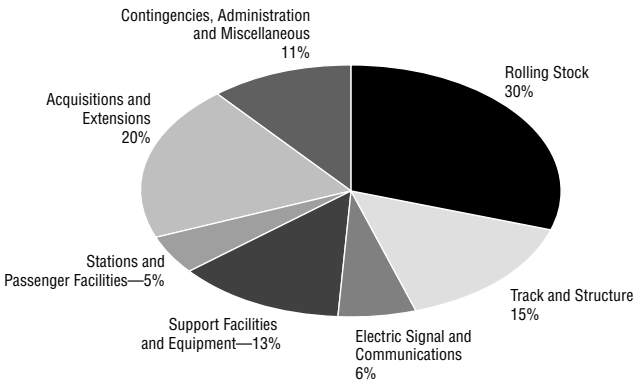
Overview

The proposed projects in the CTA's 2002-2006 capital program total $2.9 billion. The CTA's program continues the rehabilitation and replacement of their capital assets. The general categories of capital improvements and the percentage of the total capital program are: rolling stock at 30 percent, track and structure at 35 percent, electric, signal and communications at 6 percent, support facilities and equipment at 13 percent, stations and passenger facilities at 5 percent and contingencies, administration and miscellaneous at 11 percent. The general categories of capital improvements comprising the CTA's Capital Program are illustrated in Exhibit 4-21.

See Appendices, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of the CTA's 2002-2006 capital program are as follows:

Exhibit 4-21

CTA's Capital Program 2002-2006–2.9 Billion



Rolling Stock

The 2002-2006 capital program includes $222.6 million in the bus rolling stock category. The CTA's bus fleet consists of approximately 1,900 vehicles. The 2003-2006 capital program contains $132.9 million for replacement of a minimum of 957 buses. The primary focus of the CTA's bus rolling stock investment is the replacement of 467 buses, manufactured by Flxible in 1991, and 490 buses manufactured by TMC in 1991. These buses will have reached the industry standard retirement age of 12 years by the end of the five-year program. All new buses will be air conditioned and accessible to the disabled. In 2002, on-going bus purchases totaling $23 million are planned to complete the replacement of a minimum of 75 M.A.N. articulated buses, and to purchase additional buses for expansion.

In addition, $55.7 million is budgeted for capital-eligible bus maintenance activities and life extending overhaul over the five-year program with $17.7 million planned in 2002. The bus rolling stock category in 2002 also includes the $11 million purchase of an Automated Bus Announcement System.

The rail rolling stock category includes $636.1 million in 2002-2006 to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of approximately 1,190 CTA cars. The 2002-2006 capital program contains $110.9 million to rehabilitate rapid transit rolling

stock. Of this total, $81.1 million will be used to start the overhaul and mid-life rehabilitation for rail cars in the 2400 and 3200 Series, and complete mid-life rehabilitation of the 2600 Series cars. This mid-life rehabilitation will enable the cars to reach original useful life estimates of 25 years. The five-year program includes $509.1 million for the replacement of 2200 and 2400 Series rail cars. In addition, the CTA's five-year plan includes $16 million for the testing of new technology on rail cars.

Track and Structure

The track and structure category includes $1.01 billion in 2002-2006 to rehabilitate and expand existing rail lines. The CTA rail system contains 286.6 total track miles. Of these, 63.2 miles are at grade, with exclusive right-of-way; 32.1 miles are at grade with cross traffic; 109.9 miles are on elevated structure; 55.2 miles elevated are on fill; 2.9 are open cut miles; and 23.3 miles are subway.

The highlights of CTA's five-year track and structure program are:

1) The reconstruction of the Douglas Branch of the Blue Line from 54th and Cermak in Cicero through the incline connection to the Congress Branch, at a cost of $310.8 million over the next five years, with $45.5 million programmed in 2002;

2) The capacity expansion of the Ravenswood Brown Line from Kimball Terminal to Tower 18 in the Loop by extending platforms to accommodate eight-car trains and making selected yard improvements, at a cost of $261.7 million over the next five years, with $24.6 million programmed in 2002;

3) The reconstruction of the Dan Ryan Branch of the Red Line from 22nd Street and Cermak Station south to 95th Street Station, at a cost of $224.6 million through 2003, with $79.5 million programmed in 2002;

4) The $43.2 million Clark Junction design and construction project in 2002, includes all special track work and signals required for rail rapid transit operations between Addison and Armitage stations on the Red and Brown lines;

5) Track and structure improvements at a cost of $33.8 million on both the North Main Line and the Ravenswood Line, with $10.4 million planned in 2002;

6) The rehabilitation of viaducts and retaining walls on the Evanston Line, at a cost of $32.5 million, with $6.7 million planned in 2002;

7) The renewal of track work on the Blue Line from Addison to O'Hare, at a cost of $28.9 million, with $2 million programmed in 2002;

8) The $25 million replacement of ties and fasteners on the North Main Line and Ravenswood, with $8.5 million programmed in 2002; and

9) The $6.7 million final phase renewal of the Logan Square connector structure on the O'Hare branch of the Blue Line and South Loop structural rehabilitation, with $1.4 million programmed in 2002.

Electric, Signal, & Communications

The electric, signal, and communications category totals $182.1 million for the proposed five-year program, with $29.3 million programmed in 2002. The CTA's five-year plan includes the replacement and upgrade of power distribution, substations and associated facilities, and signals system-wide, at a cost of $137.7 million. $19 million is planned in 2002 for this project to provide for construction of Yellow Line contact rail installation; replacement and modernization of the traction power distribution cable and associated components; and continued implementation of a workers ahead warning system. The future funding will be required for the construction of the State Street Subway power distribution; continued implementation of a worker ahead warning system; replacement of Broadway, Franklin, State Street and other substations; and replacement of get-away-cable and associated equipment. Other improvements in this category include system-wide communication upgrades for the bus, rail and support functions throughout the CTA, at a cost of $38.3 million over the five-year plan. 2002 funding of $6.9 million will provide for the purchase and installation of fiber optic equipment and cable at rail stations, and for procurement of equipment and services to implement "911" service capabilities for telephone systems. In addition, the Control Center and operational system improvements are planned at a cost of $6.1 million through 2004, with $3.6 million programmed in 2002. The improvements include enhancements to the existing bus Emergency Communication System/ Bus Service Management System, and the Supervisory Control and Data Acquisition System (SCADA).

Support Facilities & Equipment

The 2002-2006 capital program includes $367.2 million in the support facilities and equipment category. The CTA's 2002-2006 capital program includes $123.4 million for improvements and upgrades to the bus and rail facilities, and associated elements. 2002 funding of $13.5 million will provide for the design of two bus storage and maintenance facilities to replace the two oldest bus garages, and an upgrade of the ventilation system at South Shops. Funding in 2005 and 2006 will provide for construction of a new bus garage in each year.

The CTA's five-year program also includes upgrades to rail shops and yards. The CTA has programmed $3.1 million in 2002 for hoist replacements at South Shops, and elevator/escalator replacements and upgrades at various locations. Future funding of $22.3 mil-

lion will include the replacements of escalators at 15 locations in the Loop on the Red Line. Also, the CTA is proposing $20 million for the purchase of land at various locations for bus garage improvements or replacements, and for other needs.

Over the five years of the CTA's capital program, the purchase of computer hardware and software is planned at a cost of $20.9 million, to implement new and upgraded data processing systems. The CTA is programming $9.1 million in 2002, which includes LAN expansion, computer room infrastructure improvements, server upgrades, and replacement of desktop computers and other equipment. Also, $22.6 million is programmed for replacement of financial systems, with $10 million planned in 2002. Upgrades to the Automatic Fare Control system are also planned at a cost of $64.3 million in the CTA's 2002-2006 Capital Program, with $13.4 million planned in 2002. The purchase of non-revenue vehicles is planned at a cost of $45.8 million over five years, with $11.8 million programmed in 2002.

Stations & Passenger Facilities

The stations and passenger facilities category totals $152.4 million for the proposed five-year program with $1 million programmed in 2002. The CTA operates 142 rapid transit stations serving seven routes. Fifty-one of these stations are wheel chair accessible via elevator or ramp.

The CTA's five-year program of station projects is as follows:

1) The reconstruction of five Red, Blue and Purple Line stations is planned at a cost of $137.3 million. The stations to be reconstructed are: the Wilson, Lawrence, and Howard stations on the Howard Red Line; the Irving Park Station on the O'Hare Blue Line; and the Main Station on the Evanston Purple Line;

2) Station design and engineering for five Blue and Purple Line stations is planned at a cost of $3.1 million. The stations are: Pulaski, Racine, Oak park on the Congress Blue Line; Belmont on the O'Hare Blue Line; and Dempster on the Evanston Purple Line; and

3) The design and implementation of modern signage on the bus and rail systems at a cost of $12 million, is also planned in the out-years.

Miscellaneous, Contingencies & Administration

The miscellaneous, contingencies and administration categories total $300.8 million over the five years of the program. The CTA has programmed $2 million for unanticipated capital needs and $44.4 million for contingencies and administration in 2002.

Reference

2001 Budget vs. 2001 Estimate

The CTA expects a balanced budget for 2001.

Revenues

System-generated revenues are estimated at $472.6 million and compare favorably to budget by $22.5 million. Revenues from fares are forecast at $380 million and compare favorably to budget by $8.9 million. This increase is attributed to higher ridership and a higher average fare as more customers opt to pay with cash or undiscounted fare media (Exhibit 4-22).

The reduced fare revenue is the State of Illinois' reimbursement to CTA for providing discounted fares to the disabled, elderly and student customers. Reduced fare reimbursement is projected at $32.3 million and is below budget by $1.6 million due to a lower number of reduced fare trips.

Contributions from local governments of $5 million are on par with budget. The RTA Act requires the City of Chicago and County of Cook to contribute $3 million and $2 million annually to the operations of the CTA.

Revenues from advertising, charter and concessions exceed budget by $2.9 million due to higher revenues from the vehicle and platform advertising contract and revenues received from the University of Chicago's contract for campus bus services. The higher revenue from vehicle and platform advertising reflects a new contract negotiated in 2000 that guarantees revenues that are substantially higher than the 2001 Budget.

Investment Income is forecast at $10.7 million, $1.8 million higher than budget. This is due in part to a higher cash balance.

Other revenues are forecast at $19.7 million. This is $10.5 million higher than budget due to the sale of surplus property.

Expenses

2001 operating expenses are estimated at $891.6 million. This is 2.6 percent higher than the 2001 budget of $869.2 million. The expense increases are primarily driven by rider-

Exhibit 4-22

CTA 2001 Budget vs 2001 Estimate (dollars in thousands)

System-Generated Revenues	2001 Budget	2001 Estimate	Variance
Passenger Revenues	$ 371,102	$ 380,000	$ 8,898
Reduced Fare Subsidy	33,880	32,300	(1,580)
Other Revenue	45,164	60,304	15,140
Total Revenues	**$ 450,146**	**$ 472,604**	**$ 22,458**
Operating Expenses			
Labor	$ 627,446	$ 632,206	($4,760)
Material	64,802	65,835	(1,033)
Fuel	21,600	22,600	(1,000)
Power	20,492	22,700	(2,208)
Insurance & Claims	30,000	44,000	(14,000)
Purchase of Security Services	22,864	22,864	0
Purchase of Paratransit Services	29,825	31,325	(1,500)
All Other	52,122	50,079	2,043
Total Operating Expenses	**$ 869,151**	**$ 891,609**	**($ 22,458)**
Operating Deficit	**$ 419,005**	**$ 419,005**	**$ 0**
Recovery Ratio %	**52.1%**	**53.3%**	**1.2 pts.**

Exhibit 4-23

Chicago Transit Authority Sources of Public Funding (dollars in thousands)

	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
85% Sales Tax	$ 259,546	$ 263,657	$ 274,172	$ 284,069	$ 294,308
RTA Discretionary Funds	142,580	155,348	167,460	178,319	181,952
Total Funding	**$ 402,126**	**$ 419,005**	**$ 441,632**	**$ 462,388**	**$ 476,260**
Operating Deficit	$ 397,860	$ 419,005	$ 441,632	$ 453,488	$ 476,260
Positive Budget Variance	4,266	0	0	8,900	0
Total Funding	**$ 402,126**	**$ 419,005**	**$ 441,632**	**$ 462,388**	**$ 476,260**

ship growth coupled with a one-time funding increase to the Injuries and Damages Reserve.

Labor expense is estimated at $632.2 million; this is $4.8 million more than budget. The increase is driven primarily by increased service levels to meet the ridership growth on the bus and rail system.

Material expense is forecast at $65.8 million, $1 million, or 1.6 percent higher than budget due to a 3.2 percent increase in service miles. Ridership growth has necessitated increased service levels, which translate into an increase in vehicle hours and miles and thus an increase in vehicle maintenance. In addition, the CTA is experiencing a high failure rate for components on the system's oldest railcars and buses that have not been overhauled.

Fuel price increases and higher consumption have added an estimated $1 million in expenses to this category. CTA estimates fuel expense at $22.6 million for the year. The CTA's 2001 budget assumed an average price per gallon of $1.00 and 21.6 million gallons. Fuel prices and consumption are both slightly higher than budget.

Electric power expenses for the rail system are forecast at $22.7 million, which is $2.2 million higher than the budget. This increase largely reflects increased service levels on the rail system coupled with higher electricity prices. Rail miles are forecast at 60 million which is 4 million or 7.1 percent higher than budget.

The provision for injuries and damages represents the expense for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles. The 2001 forecast is $44 million and exceeds budget by $14 million. This funding increase is due to a decision by management to use the proceeds from the sale of surplus property to fund the damage reserve.

Full year security expense is forecast at $22.9 million and is on par with budget.

Expenses for paratransit service is projected at $31.3 million, which is $1.5 million or 5 percent higher than budget. Paratransit trips are forecast at 1,355,780 for the current year which exceeds the 2001 budget by 87,561 trips.

The forecast for other services expenses is $50.1 million and is below budget by $2 million. The lower expense level is primarily the result of a higher allocation of fixed expenses to capital projects as well as reduced advertising and consulting expenses. However, these lower expenses were partially offset by higher natural gas and electric expenses.

The recovery ratio, which measures the amount of operating expenses that the CTA funds from the revenues it generates, is forecast at 53.3 percent which exceeds budget by 1.2 percentage points.

RTA Public Operating Funds

The RTA sales tax is a primary source of the CTA's operating funding. The RTA retains 15 percent of the sales tax funds, and passes on the remaining 85 percent to the Service Boards. The CTA receives 100 percent of the RTA sales tax dollars collected in Chicago and 30 percent of the sales tax dollars collected in suburban Cook County. The CTA's sales tax proceeds are projected to grow at an annual rate of 3.2 percent between 2000 and 2004.

RTA discretionary funds for the CTA are expected to range between $143 million and $182 million from 2000 to 2004. Apportionments from the RTA's 15 percent share of the sales tax revenue and the state's public transportation fund (PTF) are the source of the RTA's discretionary funds (Exhibit 4-23).

System Description

The CTA operates the second largest public transportation system in the United States. Average weekday ridership is more than 1.5 million. In 2002, 466.1 million trips are projected.

The CTA's service area is composed of the 220 square miles of the City of Chicago and 38 suburbs, with a total population of 3.7 million people.

The CTA has 1,916 buses operating over 140 routes totaling more than 1,937 route miles and 12,374 posted bus stops. On the rail system, the CTA has a fleet of 1,190 rapid transit cars operating over seven routes. The CTA contracts with three carriers and taxicab companies to provide door-to-door service for riders with disabilities. In 2002, about 1.4 million paratransit and taxi trips are projected.

Exhibit 4-24

CTA Ridership and Miles (riders and miles in thousands)

	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Ridership	450,530	457,887	466,143	474,200	485,600
Vehicle Miles	123,000	127,500	127,500	127,500	127,500
Passengers Per Mile	3.7	3.6	3.7	3.7	3.8

Operating Data

The CTA expects its ridership levels to increase by a compound growth rate of 1.9 percent from 2000 through 2004. Total vehicle miles in 2001 increased from 2000 levels due to ridership increases. However, the CTA expects vehicle miles to remain flat from 2001 through 2004 (Exhibit 4-24).

Statutory Compliance

The RTA Act requires that each Service Board must meet the six criteria, which are detailed in the Regional Section, for approval of its budget. The CTA budget, as submitted, is intended to meet each of the criteria.

Historical Perspective

1859 marked the beginning of mass transportation in Chicago. This early service used horse-drawn vehicles. In 1882, the Chicago City Railway obtained the exclusive rights to operate San Francisco-style cable cars in Chicago. Cable cars gave way to innovations in electric traction. Electric-powered streetcars replaced the last cable and horse-drawn cars in 1906. Streetcar lines expanded and eventually operated along most major streets in Chicago.

On February 1, 1914, five streetcar companies united under a single management: the Chicago Surface Lines. At its peak, the Chicago Surface Lines operated along 1,100 miles of tracks; it was the largest and most heavily used streetcar system in the world.

Buses were first used in Chicago in 1917 with the creation of the Chicago Motor Bus Company. Bus use was limited to Chicago's boulevards and parks. The Chicago Motor Coach Company succeeded the Chicago Motor Bus Company in 1922.

The Chicago and South Side Rapid Transit Railroad Company opened on June 6, 1892, bringing elevated train service to Chicago. By the turn of the century, four separate transit railroads operated in Chicago. The first trains, powered by steam, were quickly converted to electricity. Elevated tracks were built along available right-of-ways often above alleys and less heavily used streets. The opening of the Loop "L" in 1897 connected rapid transit lines serving the north, south, and west sides of Chicago. The rapid transit companies after forming a cost-saving trust in 1911 and in 1924, merged to create the Chicago Rapid Transit Company.

By the mid-1920s, three companies controlled Chicago's streetcar, elevated and bus lines. The companies were regulated by the state as public utilities.

The Great Depression undermined the finances of the elevated and streetcar companies, depriving them of the capital needed to renew the system. By the end of World War II, the city's transit providers were straining to carry record numbers of passengers on deteriorating equipment. To ease this congestion, the U.S. Department of Interior, the Public Works Administration, and the City of Chicago financed the State Street Subway which opened in 1943 and the Dearborn Street Subway which opened in 1951.

However, the city's private operators continued to struggle financially. The Chicago Transit Authority, an independent government agency, was formed in 1945 when the Illinois General Assembly passed the *Metropolitan Transit Authority Act. The Act* empowered the CTA to acquire and operate public transportation in the city and nearby suburbs and freed the CTA from regulation as a utility. The CTA was then allowed to set fares and routes. In the same year, the City of Chicago passed an ordinance granting the CTA the exclusive right to own and operate a unified local transportation system. Voters in a referendum passed the Act and Ordinance on June 4, 1945.

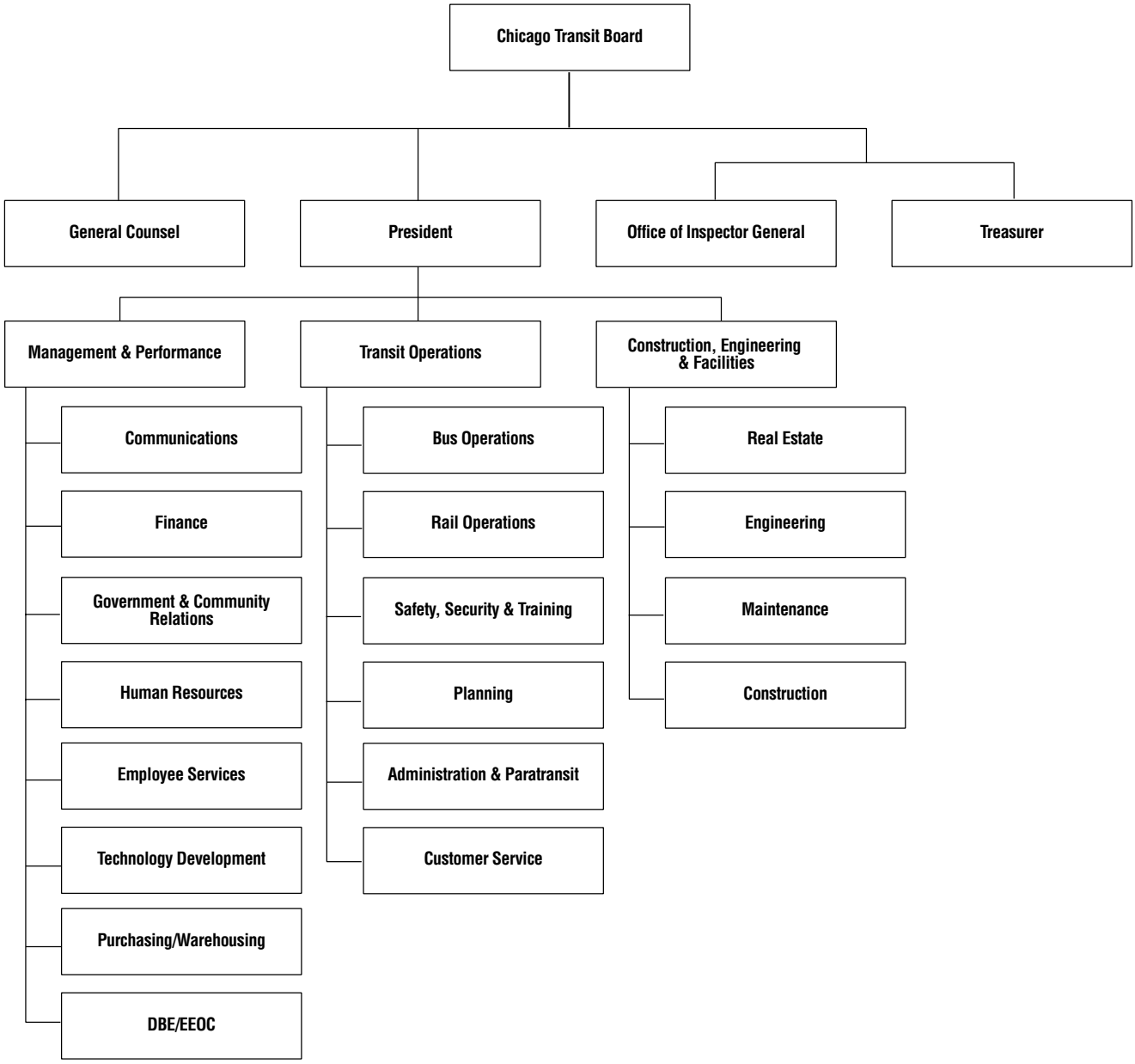
The CTA began operations in 1947 when it issued $105 million in revenue bonds to purchase the Chicago Surface Lines and the Chicago Rapid Transit Company. Through additional bond issues, the Chicago Motor Coach Company and a portion of the Chicago Milwaukee St. Paul and Pacific Railroad right-of-way were added to the CTA in 1952 and 1953, respectively.

During the 1950s and 60s, Chicago expressways were expanded to ease traffic congestion. In 1958, the Congress Branch of the CTA's elevated train lines opened along the median of the newly expanded Congress (Eisenhower) expressway. The Congress Branch extended east-west from Forest Park, Ill., to the loop with connection to the northwest subway at the Dearborn station.

In 1964 the CTA partnered with federal planners to create the first "light rail" service, the Skokie Swift. The Skokie Swift operated on track lines purchased by the CTA from the Chicago North Shore and Milwaukee Railway. The Skokie Swift quickly became a popular rail shuttle and also served as a suburban and inter-city bus hub. By the early 1970s, the popularity of car travel and declining passenger levels threatened the fiscal stability of the region's public transportation agencies. To address this situation, the Illinois General Assembly created the Regional Transportation

Exhibit 4-25

CTA Organization Chart



Authority (RTA) in 1974 as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system. The RTA continues to provide fiscal oversight to CTA, Metra, and Pace today.

The CTA responded to changing demographics in 1970 by expanding the northwest subway to Jefferson Park from Logan Square. In 1983, the subway was further extended along the Kennedy Expressway median to River (Mannheim) Road. In 1984, the northwest transit extension was completed at O'Hare airport with a station within the airport terminal.

In 1993 the Dan Ryan Branch, formerly linked to the Englewood and Jackson Park lines, was linked with the Howard Line. The Lake to Englewood-Jackson Park lines were moved from the Howard Branch to the loop elevated connection. Elevated loop connections were made more convenient with the Merchandise Mart station as a central hub.

The O'Hare terminal service proved so successful that transportation planners were encouraged to build a new elevated train service to the Southwest side to Midway Airport. The Midway "Orange" Line was completed in 1993 linking the downtown elevated loop to the southwest side airport, providing improved transportation to the southwest side.

The CTA celebrated the re-opening of the rehabilitated Green Line in 1996, improving the service to customers on the West and South sides of Chicago. In 1997, the CTA revitalized its services with a mission to provide on-time, clean, safe and friendly bus and rail service.

Organizational Structure

The CTA organization consists of the following divisions (Exhibit 4-25).

CTA Board

The CTA's governing arm is the Chicago Transit Board, which consists of seven members: The Mayor of Chicago appoints four, subject to the approval by the City Council and the Governor. The Governor, subject to the approval of the State Senate and the Mayor of Chicago, appoints three.

The Citizens Advisory Board, CTA Board Members, Chief of Staff to the Chairman, and Secretary of the CTA Board report the Chairman of the Board.

President

The CTA President is the agency's chief executive who executes the policy decisions of the CTA Board of Directors and provides direction to CTA staff as it works to fulfill its goals and mission.

General Counsel

The General Counsel handles appellate matters, claims/tort litigation, and workers compensation.

Office of Inspector General

The Office of Inspector General reviews and analyzes the integrity of financial, operating, and computer system activities and any other organizational activity that management requires. This department is also responsible for financial and general investigations.

Treasurer

The primary responsibilities of the Treasury department include management of farebox equipment and investments.

Management and Performance

Communications is responsible for marketing, media relations, reprographics, and publications. Finance is responsible for grant, property, budget, and general accounting. Capital investment support, program development, control, and funding are also Finance responsibilities. The Government and Community Relations department monitors transit legislation that affects the CTA on both regional and national levels. The Human Resources and Employee Services department includes human resources, industrial relations, benefit services, medical services, and program compliance. The Technology Development department includes management information systems. The Purchasing/Warehousing department includes inventory management. The DBE/EEO/Contract Compliance department ensures that discriminatory practices are not used in regard to contracting, employment, or service delivery.

Transit Operations

Transit Operations is responsible for the operation of buses and trains, paratransit services, safety, security, and environmental affairs. Transit Operations represents the largest percentage of CTA employees. The Safety, Security and Training department monitors passenger security and facility security. This department also maintains accident statistics and monitors environmental affairs. The Customer Service department provides customer information, researches ways to increase customer satisfaction, and forges business relationships.

Construction, Engineering & Facilities

The Engineering, Construction, and Facilities departments include system maintenance support, power and way maintenance, rail station appearance, and facility maintenance. Real estate and community development services are also part of this group.

Operating Plan

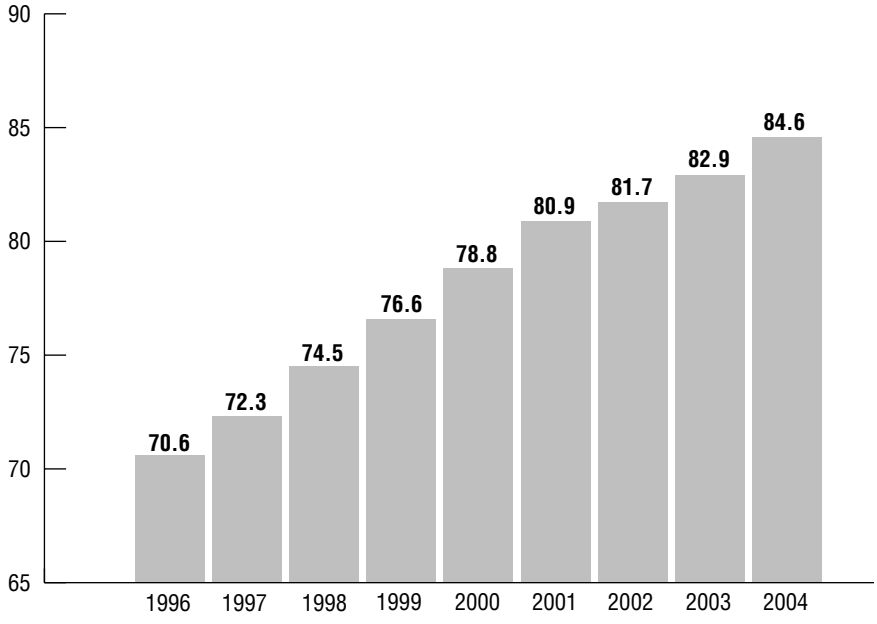
Overview

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra (the commuter rail division) is responsible for the day-to-day operations of the region's commuter rail system including fare and service levels, capital improvements, finances, passenger services, safety, and systems planning. Service is operated by private carriers under contract to Metra and by Metra directly.

Metra is governed by a seven-member board of directors. Three directors are appointed by the suburban members of the Cook County Board. The County Board Chairmen of Kane, Lake, McHenry, and Will Counties appoint two directors and the County Board Chairman of DuPage County appoints one director. The Mayor of the City of Chicago, subject to City Council approval, also appoints one director. The Chairman of Metra's board of directors must be one of the seven directors, and is appointed by the concurrence of five directors.

Exhibit 5-1

Metra Ridership (in millions)



Strategic Focus

Metra's business is moving people. To be successful, Metra works to achieve certain goals. These are to provide safe, reliable, clean, on-time service; to maintain and improve the region's existing commuter rail assets; to know their customers and market their service; and to promote the commuter rail component of the region's transportation network.

To achieve its goals, Metra has constructed a business strategy with four key components: customer service, capital funding, freight carrier cooperation and labor partnership. These strategies reflect the principle that improved service quality and new services must be supported by a financially secure and efficient organization that relies on its people and benefits from strategic partnerships. (See Exhibit 2-1, in the Region section for more information). The financial side of this exhibit is briefly discussed under Capital Investments. For more financial information, please read the Budget and Financial Plan section.

Exhibit 5-2

Riders and Miles (in thousands)

	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Total Riders	81,870	84,090	84,931	86,205	87,929
South Shore Elimination (1)	(3,058)	(3,207)	(3,238)	(3,287)	(3,353)
Total Metra Riders	**78,812**	**80,883**	**81,693**	**82,918**	**84,576**
Total Revenue Car Miles	30,762	30,900	31,147	31,207	31,572
South Shore Elimination (1)	(2,246)	(2,278)	(2,301)	(2,308)	(2,332)
Total Metra Revenue Car Miles	**28,516**	**28,622**	**28,846**	**28,899**	**29,240**
Total Passenger Miles	1,820,129	1,861,386	1,882,016	1,910,246	1,948,451
South Shore Elimination (1)	(90,448)	(94,023)	(94,987)	(96,412)	(98,340)
Total Metra Passenger Miles	**1,729,681**	**1,767,363**	**1,787,029**	**1,813,834**	**1,850,111**

(1) Operations outside the Illinois service area are eliminated (79%) from the South Shore operating statistics.

The customer perspective is analyzed in the following subsections.

Ridership

Metra's set another record for ridership in 2000 with 78.8 million passenger trips. This was a 2.9 percent gain over 1999's ridership of 76.6 million, and marked the sixth straight year of record ridership (Exhibit 5-1). Metra ridership is headed for another record in 2001. Through August, Metra posted a 1.8 percent increase over the same period in 2000. By year-end, Metra projects that it will have provided 84.1 million trips (including South Shore). Future ridership projections and service provided are summarized in Exhibit 5-2.

Metra has successfully marketed off-peak and reverse commute trips. However, Metra's primary customer base is work trips serving the Chicago downtown market. Surveys indicate that although an increased number of riders are using Metra for non-work related purposes, work trips still account for more than 90 percent of all trips.

Exhibit 5-3 compares 1996 and 2001 average daily load counts by service period. Trains operating in the reverse peak direction, during midday, and weekend periods have realized the greatest percentage gains. These gains are attributed to efforts taken by Metra to broaden its ridership base. Such efforts include Metra's weekend ticket, enhanced off-peak service, targeted promotion of service to suburban employers, and marketing the service for travel to cultural and entertainment attractions. Passenger loads on peak period and peak direction trains have realized a 10 percent gain, which is attributed to increased employment levels in downtown Chicago.

In general, Metra's ridership gain reflects the success of its customer-driven business strategies, a strong regional economy, the steady growth of downtown Chicago, and worsening traffic congestion. However, there has been a decline in the rate of absorption of downtown office space that may signify the end of a period of employment growth. The regional economic and employment trends and their effect on ridership are analyzed in the Appendix section.

Service Quality

To deliver on its business strategy objective to be customer-driven, flexible and personalized, Metra knows that an understanding of customer needs and interests is critical. Metra has been able to respond to its riders by periodically conducting on-board surveys to measure various service attributes. Metra not only measures general rider satisfaction, but also collects information on what service attributes are considered the most valuable to attract and retain riders. Survey data provides direction and affects planning, scheduling and marketing activities. For example, the major service quality

Exhibit 5-3

Average Daily Passenger Loads by Service Period, January-April (in thousands)

Service Period	1996	2001	Change	% Change
Peak Direction	227	250	23	10.0
Reverse Peak	9	12	2	26.4
Midday	22	28	6	26.4
Evening	14	16	3	18.2
Total Weekday	273	307	34	12.3
Saturday	37	47	10	27.9
Sunday	20	25	5	25.4

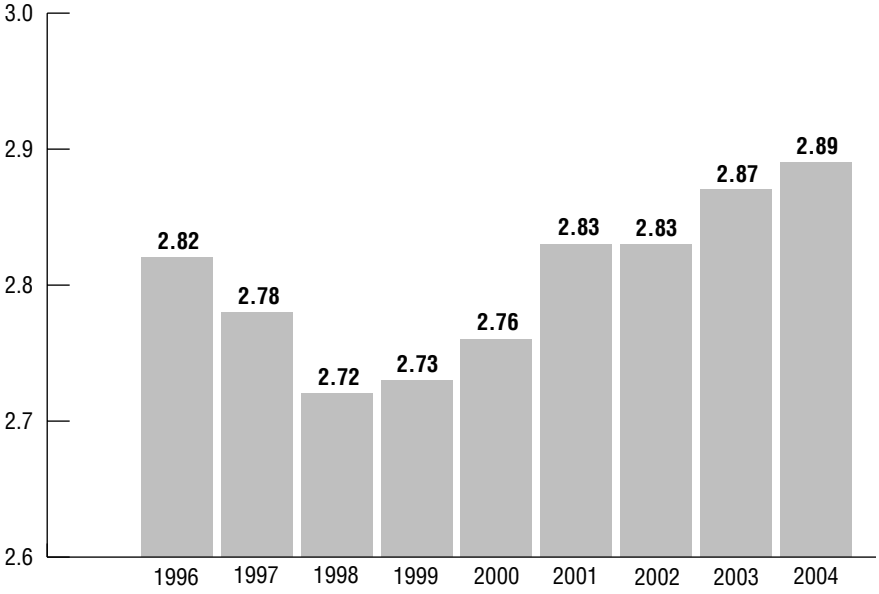
Exhibit 5-4

Metra's On-Time Performance

Year	Delays	% On-Time
1996	5,078	97.3
1997	5,247	97.2
1998	7,961	95.8
1999	9,257	95.2
2000	7,688	96.0

Exhibit 5-5

Passengers Per Revenue Car Mile



goal of providing safe, reliable, clean and on-time service is directly derived from the most important service characteristics identified through these customer surveys.

Metra measures service reliability by on-time performance. A train delay is recorded if the train is more than five minutes late compared to the schedule at the final destination. Exhibit 5-4 presents system wide annual on-time performance since 1996.

As shown, on-time performance in 2000 was higher than the prior two years. 1996 and 1997 posted higher on-time performance numbers. However, the percentages of weather delays in those years were only 1.4 percent and 1.2 percent, respectively. In 2000 alone, weather accounted for 7 percent of all delays. Through August 2001, on-time performance averaged 96.5 percent.

To support the objective of improved customer communications, Metra has developed and deployed several initiatives. For example, to improve on-board communication, Metra has installed a satellite based vehicle location and communication system that will significantly improve on-board communications and on-time performance. Starting as a demonstration project on the SouthWest Service and Milwaukee North in 1999, the Train Information Management System (TIMS) has proved to be advantageous in better informing customers about service conditions during trips to and from downtown. Passenger information will initially be limited to automated on-board messages. In later phases, the system will be expanded to include both auditory and visual messages at all outlying areas. Metra communicates with customers and potential customers through its website, mass media, direct marketing, and promotions targeting market development opportunities.

New Services

To be responsive to changing customer needs, Metra continuously looks for ways to expand and improve its service, within its financial constraints.

Matching the supply of service to the demand is one means of maintaining system effectiveness. Metra measures capacity utilization train-by-train, which allows them to track average daily passenger loadings by service period (see Exhibit 5-3), by line and to analyze trends. In addition, they monitor and report trains with occupancy rates over 95 percent. This information is valuable support for service change decisions.

Another, more general, measurement of system-wide effectiveness is made by relating the number of passengers to the number of miles of service, thereby calculating passengers-per-mile. Metra's passengers-per-revenue-car-mile ratio decreased from 2.82 in 1996 to 2.73 in 1999. The decrease from 1996 figures is attributable, in part, to the North Central Service, which began in August 1996. (In case of a new service, the number of miles increases faster than ridership, which decreases the passenger per mile ratio).

Metra strives to balance between mile increases due to service expansions and passenger growth. 2000 shows a slight increase in the passenger-per-mile ratio to 2.76, while the 2001 estimate shows a significant improvement to 2.83. According to their 2002 budget, Metra estimates a ratio of 2.83, which is expected to increase to 2.89 by 2004 (Exhibit 5-5).

Service Changes

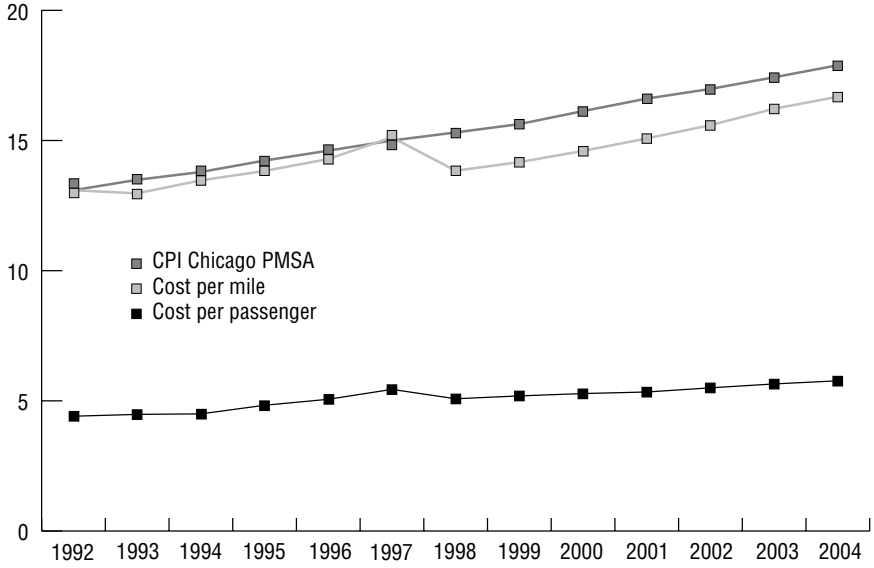
In early January 2001, Metra initiated service to the new North Glenview station on the Milwaukee North Line and made schedule adjustments on the Milwaukee North and West lines to improve service reliability.

For 2002, schedule revisions are planned for the Rock Island District to increase rush hour capacity for the rapidly growing main line communities southwest of Blue Island, and to improve off-peak train schedules.

Until new locomotives are received in the next few years, more extensive expansion of commuter service cannot be made. In the meantime, Metra will continue to explore refinements of its existing services.

Exhibit 5-6

Cost Efficiency and Effectiveness



Service Expansion

In 1998, Metra completed three major investment studies (MIS) on alternatives for improving transportation to downtown Chicago from the Central Kane, North Central, and Southwest transportation corridors. A MIS is a federal requirement for potential improvements of substantial cost that are expected to have a significant effect on transportation in a particular corridor. The recommendations ("preferred alternative" for service expansion) from each study has been incorporated in the Regional Transportation Plan.

Metra is currently engaged in final engineering and design for the three expansion projects. Federal funding for 1999 has been appropriated and was being used for final design. Federal funding appropriated for 2000 and 2001 is being used to complete final engineering and initiate construction activities. Metra is confident that sufficient federal funding will be appropriated for 2002 so that construction can proceed.

The following three extension projects are designed to meet transportation challenges in each corridor.

Central Kane Corridor:

Commuter service on the Union Pacific West Line (UP-W) will be extended in Kane County from its present terminus in Geneva, Ill., to Elburn, Ill. Capital improvements include adding a third main-line track from Randall Road west to Elburn, two new stations, and a new rail yard in Elburn.

North Central Corridor:

Commuter service will be upgraded on the North Central Service (NCS) to Antioch, Ill. Twenty-two trains (compared to ten at present) will operate on weekdays, providing more frequent peak and off-peak service. Capital improvements include a second main-line track between the O'Hare Transfer Station and Mundelein, track and signal upgrades on the Milwaukee West Line (MD-W), five new stations, increased parking capacity at existing stations, rail yard expansion and new rolling stock.

Southwest Corridor:

Metra's South West Service (SWS) will be upgraded and extended from its present terminus at 179th Street in Orland Park, Ill., to Manhattan, Ill. With this expansion, Metra will increase service levels to 30 trains each weekday between Orland Park and downtown (compared to 16 at present), and four trains from Orland Park to Manhattan. A broad range of track and signal improvements are needed to implement these service levels and to address operational bottlenecks which currently affect the reliability of SWS service. Other improvements include additional rolling stock, expanded rail yards at Orland Park and 47th Street, increased parking capacity at existing stations, two new stations, and changing the downtown terminus of Southwest service trains from Union Station to LaSalle Street Station due to capacity constraints at Union Station.

Capital Investments

Effective capital investment is crucial to maintaining and improving Metra's existing rail assets. Metra believes that the better they capitalize, the less they have to subsidize. In other words, the better the available capital funds are deployed, the more likely trains will run safely, more reliably and at a lower operating cost. This perspective supports Metra's goal of providing its customers with safe, reliable and cost effective service.

Metra prioritizes its capital projects according to how well they reduce operating costs (focusing on preventive maintenance) and how they contribute to Metra's customer-focused objectives.

Since 1984, Metra has invested about $3.6 billion in strategic capital improvements. These investments have essentially rebuilt Chicago's regional commuter rail lines and transformed them into a well-maintained system. Metra continues to reclaim and modernize an infrastructure that ranks among the oldest in the United States. For more information on capital investments, see the Capital Program.

In the past, capital investments have helped Metra to remain cost efficient

Exhibit 5-7

Metra 2002 Budget and 2003-2004 Financial Plan (dollars in thousands)

System-Generated Revenues	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Passenger Revenue (A)	$ 182,821	$ 187,353	$ 192,633	$ 201,668	$ 205,701
Reduced Fare Subsidy	2,775	2,720	2,920	2,920	2,920
Other Revenue	51,457	49,644	50,194	50,747	56,641
Total Revenues	**$ 237,053**	**$ 239,717**	**$ 245,747**	**$ 255,335**	**$ 265,262**
Expenses					
Operations (B)	$ 147,865	$ 155,686	$ 162,315	$ 169,448	$ 177,058
Maintenance	169,552	180,136	187,852	196,224	203,846
Administration	37,896	34,800	36,089	37,603	39,194
Fuel/Power	27,671	27,749	28,688	29,469	30,272
Insurance & Claims	17,467	17,291	18,200	18,765	19,346
Regional Services	15,921	16,030	16,477	17,192	17,944
Total Expenses	**$ 416,372**	**$ 431,692**	**$ 449,621**	**$ 468,701**	**$ 487,660**
Net Results	**$ 179,319**	**$ 191,975**	**$ 203,874**	**$ 213,366**	**$ 222,398**
Recovery Ratio % (C)	**57.67%**	**56.20%**	**55.30%**	**55.10%**	**55.00%**

(A) Also referred to as fare or fare box revenue. Excludes Metra's 5%Capital Farebox Financing Program.
(B) Operations include the following expenses:Transportation, and Downtown Stations. 2002 through 2004 includes Service Enhancements.
(C) Includes allowable deductions (funded depreciation and lease); in 2002, of $5.2 million.

and effective. One way to measure whether costs are being contained and efficiency maintained is by expense-per-revenue-car-mile. This measure recognizes that expenses tend to vary with the amount of service provided. As seen in Exhibit 5-6, this measurement shows that Metra has efficiently held expenses in line with cost increases, essentially keeping pace with the Consumer Price Index (CPI) from 1992 to 2000.

The cost-per-passenger ratio, which measures cost effectiveness, is designed to examine how well vehicles are deployed to serve riders. In addition to a favorable cost structure, Metra increases cost effectiveness through the use of high capacity bi-level cars.

Partnerships

To support its overall business strategy, Metra builds and maintains strategic partnerships with customers and stakeholders. This includes: good relationships with state and federal legislators to develop appropriate levels of financial support; strong working relationships with communities; and partnerships with other railroads.

Commuter trains share and/or cross freight lines on all but one Metra route. In recent years, partnerships with other railroads have gained significant importance due to a booming railroad freight industry. The enormous flow of freight traffic through the Chicago region slows commuter trains, negatively affecting on-time performance. This could have a negative impact on ridership.

To overcome these obstacles, Metra is working with other railroads to identify specific improvements such as route crossing separation, more trackage, and signals. These enhancements will ease congestion, reduce interference and improve train flow. However, each of these solutions represent costly, long-term investments.

Metra is also pursuing these goals through better communication with the freight industry. Metra is a key member of the Chicago Planning Group, established in late 1999. The group's Transportation Coordination Office, with full-time representatives of other railroads, is based in Metra's Consolidated Control Facility along with Metra dispatchers. This coordination effort has improved communication and significantly reduced Metra train delays caused by freight interference.

Budget and Financial Plan

The 2002 Metra budget is the product of efforts to accomplish the twin goals of providing safe, reliable service while holding operating cost increases to a minimum. The 2002 budget includes a modest 5 percent fare increase to be implemented in mid-year.

The 2002 budget is a complex combination of savings and cost containment, which result from prudent management decisions to help offset increased costs from national railroad programs and agreements, higher fuel prices, and new, unfunded government mandates. Despite all of these challenges, Metra's proposed 2002 operating budget achieves a 55.3 percent recovery ratio with only a slight fare increase. The fare increase is Metra's first in six years and only its fourth fare increase in 18 years. See the Fare structure section located in the Reference section.

The RTA has set total operations funding levels for Metra at $203.9 million, $213.4 million, and $222.4 million for 2002, 2003, and 2004. The RTA Board also set a recovery ratio of 55 percent in 2002. Metra's budget and financial plan reflects recovery ratios of

Exhibit 5-8

2002 Metra System Generated Revenues—$245.8 Million

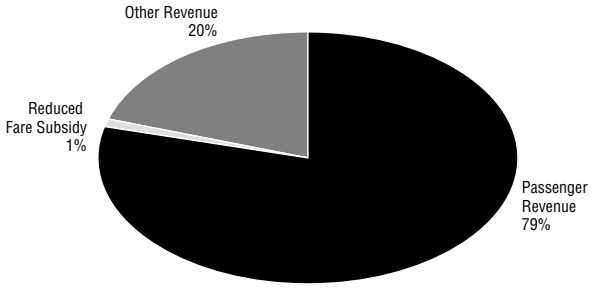


Exhibit 5-9

Ticket Sales by Ticket Type (in thousands)

	July 1999-June 2000	July 2000-June 2001	Change	% Change
Monthly	1,129	1,153	24	2.1
25-Ride	13	14	1	9.9
Ten-Ride	1,857	1,923	66	3.5
Regular One-Way	6,130	6,131	1	0.0
Conductor	4,650	4,918	268	5.8
Weekend	923	1,057	134	14.5
Link-Up	45	51	7	14.5
PlusBus	9	13	4	48.2

55.3 percent, 55.1 percent, and 55 percent from 2002 through 2004. Therefore, Metra's budget is in compliance with the budget marks set by the RTA Board on September 14, 2001. Total operations funding and recovery ratios are presented in Exhibit 5-7.

System-Generated Revenues

Metra's system-generated revenue is primarily derived from passenger operating receipts, which comprise 79 percent of the total revenue planned for 2002 (Exhibit 5-8). Total system-generated revenue and passenger revenue are projected to increase each year through 2004, primarily due to increased ridership. For 2002, Metra is anticipating a 1 percent increase in ridership and a 2.5 percent increase in revenue, which is mostly attributed to the planned fare increase. Other factors contributing to this projected increase are: additional trains; increased monthly and ten-ride ticket sales; and increased discretionary trips. The discretionary trips projection is derived from recent year-on-year increases in conductor ticket sales of 5.8 percent (4.9 million vs. 4.7 million). See Ticket Sales by Ticket Type (Exhibit 5-9).

Total system-generated revenues are expected to increase from $237.1 million in 2000 to $265.3 million in 2004. This represents an increase of $28.2 million or an annual compound growth of 2.9 percent (Exhibit 5-7).

Passenger Revenue

Passenger revenue, or farebox revenue, is estimated to increase from $182.8 million in 2000 to $205.7 million by 2004. This increase of $22.9 million represents a 3 percent annual growth rate. The fare increase will add $3.4 million to farebox revenue in 2002 alone. Metra's passenger revenue increases can also be traced to changing rider and ticket trends previously discussed. Also, additional trains on the Rock Island District and the new North Glenview station on the Milwaukee North Line have contributed to passenger revenue growth.

Passenger revenues do not include proceeds from the Capital Farebox Financing Program, which constitute 5 percent of gross passenger revenues collected in the Metra system. Revenues generated under this program are used to fund part of the Metra Capital Program. By the end of 2002, this program will have generated approximately $113 million to help finance capital projects. Metra projects that the Capital Farebox Financing Program will generate $9.6 million in 2002.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 providing funds to reimburse Metra for the cost of providing reduced fares for the elderly, students, and persons with disabilities. The fare reimbursement is included in revenues and is contingent upon annual approval by the state. In 1999, the Assembly passed new reduced fare legislation, which doubled the reimbursement level of previous years. This aid, which totals approximately $2.9 million in 2002, is expected to remain constant during this planning cycle.

Other Revenue

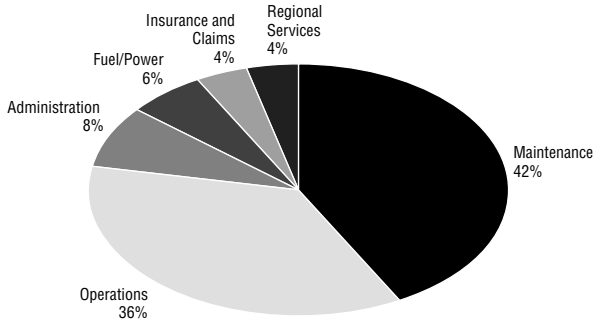
The other revenue category represents 20 percent of Metra's total revenue in 2002. The components of this category are: investment income, joint facility and lease revenue, advertising income, capital grant project reimbursements and miscellaneous non fare-generated income. This category is expected to grow from $51.5 million in 2000 to $56.6 million in 2004, which is a 2.4 percent annual growth rate.

Operating Expenses

Total operating expenses are forecast to increase from $416.4 million in 2000 to $487.7 million in 2004. This $71.3 million increase represents a 4 percent annual compound growth rate and re-

Exhibit 5-10

2002 Metra Operating Expense Elements—$449.6 Million



flects the expansion and improvement of services in addition to external cost pressures.

Several external factors have put cost pressure on Metra's budget. These include: higher diesel fuel prices, health insurance premiums and railroad retirement taxes.

Metra's proposed 2002 operating budget of $449.6 million is projected to grow by 4.2 percent from the 2001 estimate. Growth in operating expense has been curtailed by effective use of capital program money and by constant review of ongoing programs for savings and reductions.

In 2003 and 2004, expenses will increase by 4.2 percent and 4 percent, respectively compared to the previous year (Exhibit 5-7). Inflation is the major cost factor.

Expense Elements

Operating expense components include operations, maintenance, administration, fuel and power, insurance and claims, and regional services expenses.Metra's 2002 total expenditures breakdown is: operations 36 percent, maintenance 42 percent, administration 8 percent, fuel and power 6 percent, insurance and claims 4 percent and regional services expenditures 4 percent (Exhibit 5-10).

Metra has completed new wage agreements with labor unions that represent all contract employees, and negotiations continue with the remaining unions. The agreements reached with some of Metra's unions will be in effect for seven years. Metra's purchase of service carrier wage agreements expired at the end of 1999. Negotiations commenced in 2000 and are not yet concluded. The 2002 budget includes estimated expense growth consistent with the pattern of prior agreements.

Operations

Operating expenses are expected to increase from $147.9 million in 2000 to $177.1 million in 2004. The growth in this cost category of $29.2 million represents a 4.6 percent compound annual growth rate (Exhibit 5-7).

Maintenance

Maintenance expenses are expected to increase from $169.6 million in 2000 to $203.8 million in 2004. This $34.3 million increase represents an annual compound growth rate of 4.7 percent.

Maintenance programs are being expanded to meet the needs of Metra's growing rail car fleet, as well as to satisfy increased federal safety requirements.

Administration

Administration expenses are expected to increase from $37.9 million in 2000 to $39.2 million in 2004. The $1.3 million increase represents a compound annual growth of 0.8 percent.

Fuel and Power

Fuel expenses are projected to increase from $20.7 million in 2000 to $22.8 million in 2004. Rising fuel prices are the driving factor behind growth in this category. Diesel fuel costs are currently estimated at an average of 85 cents per gallon with the cost budgeted at 88 cents per gallon in 2002. The 2001 budget had placed this cost at 80 cents per gallon.

As illustrated in Exhibit 5-7, the combined fuel and power costs are expected to increase from $27.7 million in 2000 to $30.3 million in 2004. This $2.6 million represents a compound annual growth rate of 2.3 percent.

Insurance and Claims

Expenses for insurance and claims are expected to increase from $17.5 million in 2000 to $19.3 million by 2004. This $1.9 million increase represents a compound annual growth rate of 2.6 percent.

Regional Services

Regional Services expenses are expected to increase from $15.9 million in 2000 to $17.9 million by 2004. This $2 million increase represents a compound annual growth rate of 3 percent. Inflationary pressure is the primary reason for this projected increase.

Capital Impact on Operations

In Metra's 2002 capital program, the largest categories of capital investment are rolling stock at $110.7 million, acquisitions and extensions at $80.5 million, track and structure at $67.6 million, stations and passenger facilities at $54.8 million, support facilities and miscellaneous at $27.9 million, and signal/electrical at $29.7 million.

In general, capital investments have improved the overall reliability and efficiency of Metra's operations. The majority of projects included in the capital program sustain Metra's existing infra-

Exhibit 5-11

Weekly Boardings at Stations with and without New Parking (1987 versus 1999)

Stations	1999 Boardings	Change from '87	% Change from '87
With added parking	92,400	13,300	17
Without added parking	50,600	2,800	6
New Stations (+7400 in '97)	9,200	9,200	0
Total	**152,200**	**25,300**	**20**

structure in order to maintain and/or improve performance levels, service and customer satisfaction. Highlights of the major investments' impact on operations are as follows.

Rolling Stock

The Americans with Disabilities Act (ADA) of 1990, mandates accessibility at key commuter stations and on at least one car per train. Metra has completed accessibility work at 64 of their 73 key stations. Work on the remaining nine key stations is planned for completion in 2001 (7) and 2002 (2).

To be considered accessible, Metra diesel-powered routes require one lift-equipped car on every train. In 1998, Metra completed a multi-year purchase of accessible cars. With this purchase, all lines on the Metra system became accessible in April 1998. Outlined below are areas where this capital expenditure has impacted operations.

First, Metra reports steady growth in trips using the accessible equipment. In the first six months of 2001, Metra reported a total of 4,950 lift trips. This is a 20 percent increase in lift use over the same period in 2000.

Second, the use of accessible cars has negatively affected Metra's on-time performance. A major reason for the impact on on-time performance is a slower door closing procedure instituted since the introduction of accessible cars which adds an average of 8 seconds per stop.

Metra's capital program contains funding for the purchase of 26 locomotives. Fifteen of the locomotives will replace locomotives that are more than 25 years old, thereby reducing maintenance costs. Four locomotives will be used for service expansions. Metra will also purchase 300 new commuter cars during this five-year capital program. The new locomotives and cars will ensure continued service reliability and include rolling stock needed for Metra's three New Start projects.

Acquisitions and Extensions

Metra's expansion projects, which were discussed earlier, are budgeted in this category. The construction in these corridors will most likely begin in 2002, so the impact on operations is not yet realized. The forecast is as follows:

Central Kane Corridor—UP-W Line

The planned improvements to the UP-W line will upgrade the existing tracks and signals to enhance safety, accommodate additional trains, and increase operating speeds. The addition of 5.1 miles of a third main track between Geneva, Ill., and Elburn, Ill., will bring an estimated 2,700 new riders daily by the year 2020.

North Central Corridor—NCS Line

The improvements on the NCS line are expected to increase the number of trains from 10 to 22 and result in 8,400 new riders daily by the year 2020.

SouthWest Corridor—Southwest Line

The additional trackage, new and upgraded stations, and related improvements to the Southwest line will enable Metra to increase service to a maximum 30 trains per day (15 inbound and 15 outbound). Of these, four trains daily will service the expanded corridor between Orland Park and Manhattan. Metra estimates that 7,600 new riders will use the line daily by the year 2020.

Track and Structure

The majority of the projects in this category are basic requirements to maintain Metra's high customer service levels and do not have a significant impact on operating costs.

Metra will continue to work on the rehabilitation or replacement of bridges identified in Metra's 1989 Bridge Assessment Study as most critically in need of renovation. This project will be somewhat accelerated due to the infusion of *Illinois FIRST* funds; however, a sizable backlog of bridges needing work still exists.

Track improvements and rail crossing replacements will be made at key locations across the entire Metra system with the goal of minimizing delays caused by the presence of commuter traffic on high volume freight lines. Metra expects to minimize future maintenance expenses for its track projects by using continuous welded rail. Track improvements contribute to improved service quality by enabling higher operating speeds (and on-time performance), and creating a smoother ride for customers.

Stations and Parking

Existing stations, such as Tinley Park and Gresham on the Rock Island, Schaumburg on the Milwaukee West, Crystal Lake on the Union Pacific Northwest, and Northbrook on the Milwaukee North, will receive new, larger facilities (depots, platforms, and shelters) to accommodate growing ridership.

Other stations will be relocated to handle growing ridership. The reconstruction of the Randolph Street Station, on the Electric District, will increase the ability of this downtown terminal to handle 29,000 daily customers and increase the level of customer comfort and convenience.

Metra will continue to add new parking spaces at its stations. In 2002, additional parking spaces will be built at

the Glen/North Glenview station on the Milwaukee District North line.

Exhibit 5-11, illustrates that from 1987 to 1999, average weekday boardings increased by 17 percent at stations with added parking but only increased by 6 percent at stations without additional parking. Fifty-two percent of Metra's total increase in weekday boardings occurred at stations with added parking. Thirty-six percent of this increase occurred at new stations, and 11 percent occurred at stations with no parking improvements.

An additional 13,300 weekday boardings at stations with expanded parking have increased daily revenue by approximately $32,850. Metra has gained $22,720 in additional daily receipts from the 9,200 riders using new stations.

Most of the station program consists of the rehabilitation or expansion of existing stations to serve Metra's increasing ridership. The five-year program also includes funding for new station developments.

Facilities and Equipment

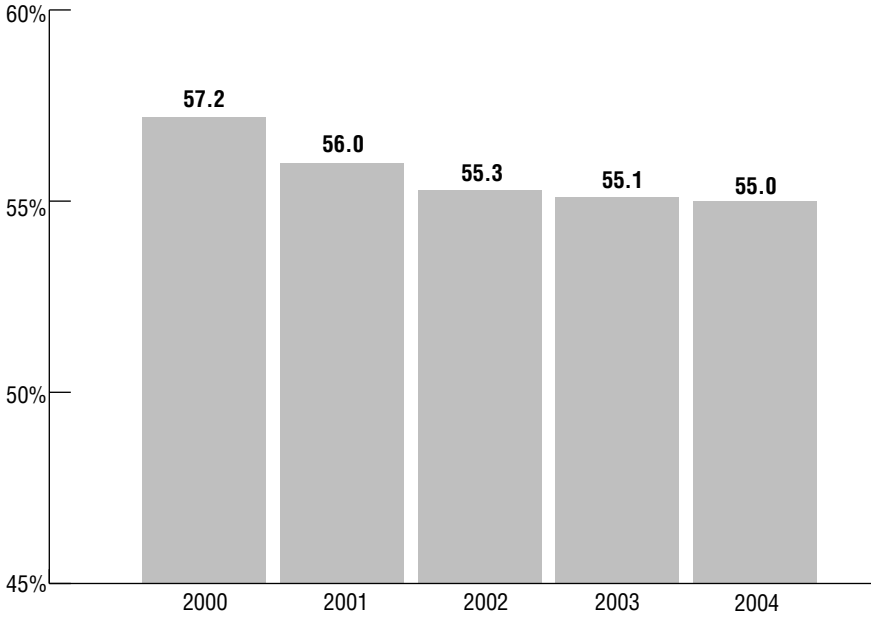
The capital program contains funds for the procurement of an Enterprise Resource Planning system. Operating benefits will include employee timesaving, increased efficiencies, and increased productivity.

Signal, Electrical and Communication

In the signal and communication category, Metra's interlocker projects are expected to improve on-time performance, which may increase ridership. These improvements are also expected to slow the future growth of operating and maintenance expenses.

Exhibit 5-12

Metra 2000-2004 Recovery Ratio



In 2002, the largest project in this category is for improvements to the Lake Street Interlocker. The current interlocker is outdated, time-consuming to maintain and expensive to repair. Once the upgrade is completed, the elimination of all double slip switches will reduce maintenance costs. The use of microprocessor interlocking equipment will also eliminate the use of relays and reduce maintenance testing.

Deficit and Funding

System-generated revenues (fares and other revenue) total 55.3 percent of Metra's operating budget.

The RTA Sales Tax is the major source of public funds from the RTA to Metra. The RTA funds the budgeted operating deficits of the Service Boards and intermittent funding agreements such as loans and reserve programs. The operating deficits are derived from the equation of total system-generated revenues minus total operating expenses.

The addition of any RTA-approved intermittent agreements establishes total funding.

Detailed information regarding RTA public funding revenue may be reviewed in the Region section.

Recovery Ratio

Metra's recovery ratio equals system-generated revenues, excluding the proceeds from Metra's capital farebox financing program, divided by system-operating expenses, less an allowable deduction for funded depreciation and leases. In 2002, Metra's recovery ratio target is 55.3 percent. In 2003 and 2004, Metra's recovery ratio is expected to achieve an annual ratio of at least 55 percent (Exhibit 5-12).

Capital Program

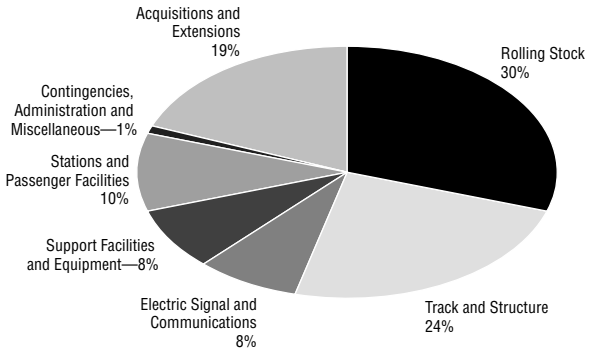
Overview

Metra's proposed 2002-2006 capital program totals $1.8 billion. During this five-year period, Metra's program will continue the process of renewing its extensive commuter rail infrastructure, while preparing to expand its system. The general categories of capital improvements and their percentage of the total capital program are: rolling stock at 30 percent; track and structure at 24 percent; electric, signal, and communications at 8 percent; support facilities and equipment at 8 percent; stations and parking at 10 percent; acquisitions, extensions and expansions at 19 percent; and contingencies, administration and miscellaneous at 1 percent (Exhibit 5-13).

See Appendices, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of Metra's 2002-2006 Capital Program are as follows:

Exhibit 5-13

2002-2006 Capital Program—$1.8 Billion



Rolling Stock

The five-year rolling stock program totals $543.6 million, with $110.7 million planned for the first year. Metra's fleet includes 130 locomotives, 781 non-electric cars and 223 self-propelled electric cars. The 2002-2003 capital program includes $55.2 million for the on-going purchase of a minimum of 26 new diesel locomotives. Some of the new locomotives will be used to replace locomotives ready for retirement, while others will be used as spares. The five-year program includes $11 million for the rehabilitation of 30 locomotives, with $6.4 million planned in 2002. Also, Metra's five-year capital program includes $230.1 million for the on-going purchase of a minimum of 300 *ADA*-compliant bi-level commuter rail cars, including $68.8 million programmed in 2002. The 2002-2006 capital program includes $71.6 million for the purchase of a minimum of 26 accessible bi-level electric multi-unit commuter cars. Some of the new bi-level cars will be used to replace older cars and others will be used as spares. Over the five-year program, $64.7 million is also allocated for the rehabilitation of a minimum of 281 commuter rail cars.

Track & Structure

The track and structure category totals $428.3 million over the five years of the program, with $67.6 million planned for 2002.

The Metra system operates on 546 route miles with 1,189 miles of track and 833 bridges. Metra is continuing a program of system-wide rehabilitation and preventive maintenance that includes bridge rehabilitation, grade separation, retaining wall rehabilitation, continuous-welded rail installation, ties and ballast replacement, rail grinding, fence installation, grade crossing replacement, and track undercutting.

Bridge rehabilitation and replacement projects, totaling $289.8 million, are planned over the five-year program. The 2002-2006 bridge rehabilitation and replacement program includes $114.3 million for the Union Pacific North Line, $126.4 million on the Rock Island Line, $16 million for the Union Pacific Northwest Line, $17.8 million on the Milwaukee District-West Line, $7.1 million on the Metra Electric Line, $600,000 on the Milwaukee District-North Line, and $1 million on the Southwest Service.

Among the other 2002-2006 track and structure projects, Metra is proposing the following improvements to the system:

1) Installation of second mainline tracks, holding sidings, and new welded rail on the North Central Service Line is planned at $9 million, with $4 million in 2002;

2) Installation of new crossovers in the LaVergne plant and Congress Park planned at $3.1 million in 2002 and $5.6 million in 2003;

3) "J" line improvements on the Milwaukee District-North Line planned at $7 million in 2005-2006; and

4) Grade separation work at Belmont Road on the Burlington Northern Line is planned in 2003 at a cost of $4 million.

Electrical, Signal & Communications

A total of $137.8 million is planned for the five-year program for electric, signal and communications projects that include upgrades and improvements to existing facilities such as interlockers, switches, signal systems, electrical substations and electrical power control facilities. The 2002 program provides $29.7 million for numerous projects throughout the system.

The $38.7 million allocated in the five-year program, for the upgrade of the Lake Street interlocker located at the north side of Chicago Union Station, will continue with $9 million programmed in 2002.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of $1 million, in 2002 and $15 million in the program's out-years. As part of this project, a new interlocking control machine will be purchased and installed at the Lake Street Tower and track and signal layouts will be modified.

Metra has also programmed $3.6 million in 2002 for the installation of fiber optic cable on the Burlington Northern-Santa Fe Line, to increase the effectiveness and reliability of signal and control system communications at interlockers and crossings. Metra's out-year capital program also includes $15.9 million for continuation of this same underground fiber optic cable installation. In addition, Metra is proposing $3 million for the development of a Train Information Management System (TIMS) using a wireless communication network to provide real-time satellite based Global Positioning System (GPS) coordinates and related train information. An additional $3 million is planned in 2003 for this project.

Support Facilities & Equipment

The support facility and equipment totals $139.9 million for the 2002-2006 planning period, with $18.4 million in the 2002 capital program. Support facilities and equipment include rail car and locomotive maintenance buildings, storage yards, work crew headquarters, maintenance vehicles and equipment, office buildings, and computer hardware and software.

Metra's 2002 program includes $1.1 million for upgrades to the train crew facility located in the City of Crystal Lake near the existing Crystal Lake Depot on the Union Pacific Northwest Line. In addition, Metra's 2002 program includes $400,000 for the replacement of non-revenue vehicles, and $500,000 for various upgrades of electrical substations. Over the life of the out-year program, Metra plans to spend $79.8 million on support facilities, yards, shops, substations and non-revenue vehicles.

In 2002, $2.8 million is planned for exterior improvements and the purchase of office equipment and furniture for Metra's administrative headquarters. The five-year program includes $6 million for HVAC replacement and $1.6 million for exterior rebuilds at Metra's Headquarters. Also in 2002, Metra proposes $8.9 million for computer hardware and software purchases, which include the Enterprise Resource Planning (ERP) financial management system. In 2003-2005, an additional $15.9 million is requested for the on-going purchase of the ERP financial management system.

Stations & Parking

There are 240 stations in the Metra system, including four major terminals in downtown Chicago. In Metra's five-year capital program, a total of $179.9 million is programmed for stations and parking. In 2002, $54.9 million is programmed for these projects.

The 2002 program contains eleven major station projects:

1) The $9 million for rehabilitation of the Randolph Street Station in downtown Chicago;

2) The $6 million for reconstruction of six stations on the South Chicago Branch of the Metra Electric District;

3) The $4.8 million for improvements to the Ogilvie Transportation Center Station in downtown Chicago;

4) The $3.8 million for rehabilitation and expansion of the College Avenue Station on the Union Pacific West Line;

5) The $3.3 million for improvements to the Schaumburg Station on the Milwaukee District West Line;

6) The $2.6 million for improvements to the Northbrook Station on the Milwaukee District North Line;

7) The $2 million for improvements to the Tinley Park Station on the Rock Island District Main Line;

8) The $1.7 million for rehabilitation of the Edison Park Station on the Union Pacific Northwest Line;

9) The $1.7 million for station rehabilitation and $750,000 for parking expansion at the Dee Road Station on the Union Pacific Northwest Line; and

10) The $1.5 million for improvements to the North Glenview Station on the Milwaukee District North Line;

Out-year funding of $6.5 million is programmed for the construction of a new Burlington Northern Tollway Station. Numerous accessibility improvements, costing $7.1 million, at stations throughout the system are planned in the five-year program. Metra is also programming $11.9 million in 2002 for other upgrades to parking at numerous stations.

Acquisitions, Extensions & Expansions

Over the five years of the program, Metra is planning to spend $352.7 million for extension and expansion on three lines. In 2002, Metra's program contains $80.5 million for these extension and expansion of services. The North Central Service, between Antioch and Chicago will be expanded and upgraded to enable the operation of 22 daily trains. Also, 2002 funding is allocated for the Union Pacific West Line extension between Geneva and Elburn, and the Southwest Service Line extension between Orland Park and Manhattan.

Miscellaneous, Contingencies & Administration

Metra's 2002-2006 capital program includes $21.9 million for miscellaneous items, and contingencies and administration, with $9.4 million programmed in 2002.

Reference

2001 Budget vs. 2001 Estimate

Total revenue is expected to finish $6.4 million, or 2.7 percent favorable to budget for 2001. This is mainly due to higher than expected fare receipts and other income. Ridership is projected to be favorable to budget by 1.6 million, or 2.1 percent. Other revenues are expected to beat budget by $7 million, assuming existing contracts and traffic levels on other railroads continue at current levels. Investment income revenues are expected to be $4.2 million unfavorable due to unfavorable rates of return.

Expenses are forecast to finish $2.1 million or 0.5 percent higher than budget for 2001 primarily due to higher fuel and operating costs. Exhibit 5-14 details the variance between the 2001 budget and 2001 estimate.

RTA Public Operating Funds

The RTA Sales Tax is the primary source of operations funding for Metra. The RTA retains 15 percent of the sales tax receipts and passes the remainder to the Service Boards. Of this remaining amount, Metra receives 55 percent of the sales tax dollars from suburban Cook County, and 70 percent from the collar counties. Metra's sales tax funding is projected to grow at an annual rate of 3.9 percent between 2000-2004.

Savings from the operating budget, called positive budget variances (PBV), are retained by each Service Board under RTA policy and are used for capital projects.

Additional capital funding from the RTA is anticipated in 2001 through 2004 to compensate for lower sales tax receipts. The amount is projected to increase from $2 million in 2001 to $3.4 million by 2004 (Exhibit 5-15).

System Description

The Metra system is comprised of 12 separate lines, which run north, west, and south of the Chicago central business district. The system extends 546 route-miles to the limits of the six-county area and serves 241 local rail stations. Metra's average weekday ridership is 310,204. Peak period ridership represents 78.6 percent of the total average weekday trips.

Metra operates 59.3 percent of its trains on weekdays, 25.9 percent on Saturdays and 14.8 percent on Sundays and holidays. The trains' operating speeds are 17 percent higher during a weekday peak period than during off-peak hours.

Fare Structure

In 2002, Metra will implement a 5 percent fare increase, its first in six years. It is only the fourth fare increase in the 18 years of Metra's management of the Northeast Illinois commuter rail system.

Commuter rail fares are set according to travel between designated fare zones, which are set at five-mile intervals beginning at each rail line's downtown Chicago station. The zone system does not apply to the South Shore fares, which

Exhibit 5-14

Metra 2001 Budget vs. 2001 Estimate (dollars in thousands)

Revenues	2001 Budget	2001 Estimate	Variance
Passenger Revenue	$ 183,813	$ 187,353	$ 3,540
Reduced Fare Subsidy	2,720	2,720	0
Investment Income	10,480	6,310	(4,170)
Other Revenue	36,342	43,334	6,992
Total Revenues	**$ 233,355**	**$ 239,717**	**$ 6,362**
Expenses			
Operations	$ 155,570	$ 155,686	($116)
Maintenance	177,574	180,136	(2,562)
Administration	35,321	34,800	521
Fuel	19,576	20,742	(1,166)
Power	6,837	7,007	(170)
Insurance and Claims	18,161	17,291	870
Regional Services	16,554	16,030	524
Total Expenses	**$ 429,593**	**$ 431,692**	**($2,099)**
Operating Deficit	**$ 196,238**	**$ 191,975**	**$ 4,263**
Recovery Ratio %	**55.0%**	**56.2%**	**1.2 pts**

are set by the Northern Indiana Commuter Transportation District (NICTD).

A uniform base fare is charged for travel within a zone and increments are added to this base fare as additional fare zone boundaries are crossed. The present base fare is $1.75 for a one-way trip. The incremental charge is 20¢ for the first zone, and 35¢ or 40¢ for each zone thereafter (Exhibit 5-16).

Statutory Compliance

The *RTA Act* requires that each service board meet six criteria, which are detailed in the reference section, for Board approval of its budget. The Metra budget, as submitted, meets each of these criteria.

Exhibit 5-15

Sources of public funding (dollars in thousands)

	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
85% Sales Tax	$ 223,306	$ 228,304	$ 238,955	$ 249,213	$ 259,917
Additional Capital Funding	0	2,039	3,080	3,213	3,351
Total Funding	**$ 223,306**	**$ 230,343**	**$ 242,035**	**$ 252,426**	**$ 263,268**
Operating Deficit	179,319	191,975	203,874	213,366	222,398
Positive Budget Variance	5,240	4,263	0	0	0
Additional Capital Funding	0	2,039	3,080	3,213	3,351
Sales Tax for Capital Projects	38,747	32,066	35,081	35,847	37,519
Total Funding	**$ 223,306**	**$ 230,343**	**$ 242,035**	**$ 252,426**	**$ 263,268**

Exhibit 5-16

Metra Ticket Pricing Formula

Ticket Type	Period of Validity	Number of Rides	Pricing Basis
Monthly*	Calendar Month	Unlimited	27.0 times one-way fare
10-Ride*	One Year	Ten	8.5 times one-way fare
One-Way*	One Year	One	Base fare plus increments
Weekend	Saturday/Sunday	Unlimited	Flat rate – $5

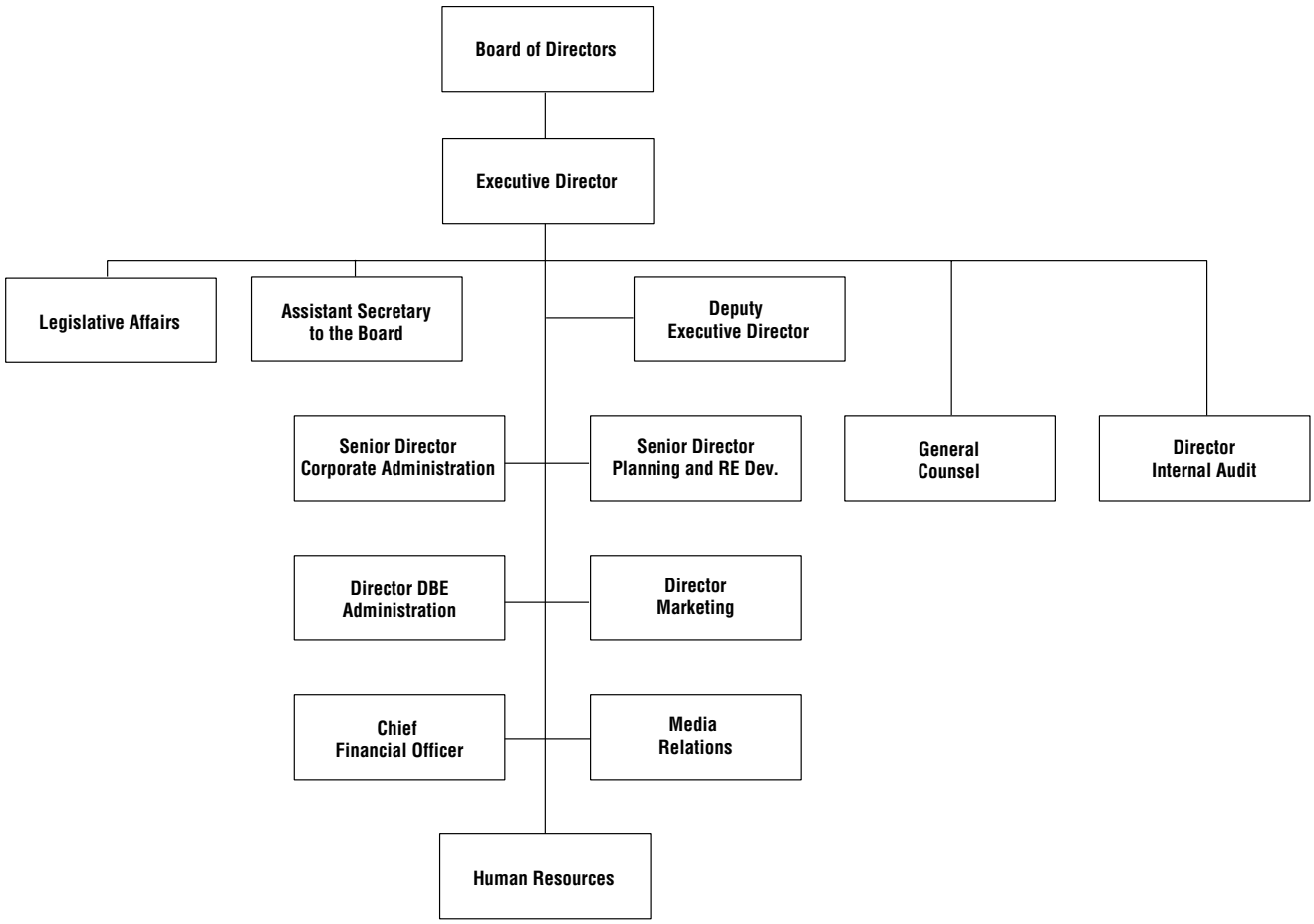
**These ticket types are offered at a reduced rate to senior citizens, persons with disabilities, children, and students through high school traveling to and from school. Military personnel in uniform are entitled to reduced one-way ticket rates.*

Organization Chart

Metra's administrative organization chart is presented on the following page (Exhibit 5-17).

Exhibit 5-17

Metra Organization Chart



Operating Plan

Overview

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority (RTA), and began service in 1984. A 12-member board of directors made up of current and former village presidents and mayors governs Pace.

Strategic Focus

Pace's mission is to provide transportation services in the suburban Chicago area while remaining fiscally responsible. In 2000, Pace created an Office of Strategic Services and began an era of comprehensive planning that is complemented by a new commitment to customer service. The Office of Strategic Services includes three departments; Planning Services, External Relations and Marketing and Communications.

Under the new organizational structure, all planning functions have all been consolidated into the Planning Services Department. The department performs long range business, capital, and service planning functions. Planning Services also provides support functions such as scheduling and service analysis.

In 2000, Pace began the process of creating a new long range Comprehensive Operating Plan (COP) called Vision 2020. The plan will outline the goals and overall direction for Pace for the 21st century. The development of Vision 2020 is scheduled for completion in 2001, but as of this budget document's publishing date, it has not been completed. Vision 2020 will include specific items needed for the development of a comprehensive suburban public transportation system.

It will also outline plans to increase ridership through service quality, new services, capital investments, and partnerships.

Ridership

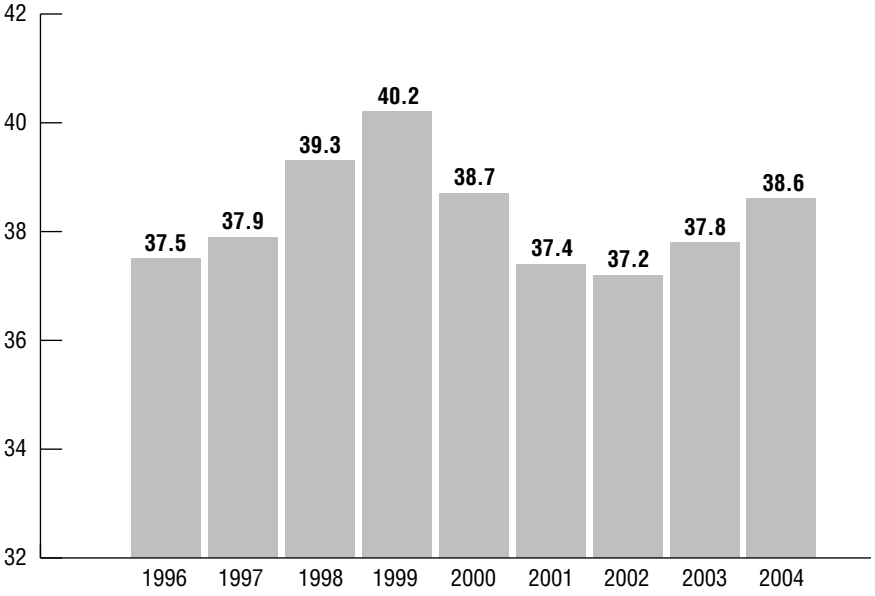
Pace's ridership grew steadily from 1996 to 1999 topping 40 million riders in 1999. However, ridership declined by 1.5 million riders in 2000 due to a fare increase, implemented January 1, 2000. Pace discontinuing its acceptance of the CTA's 7-day pass also contributed to this decline. Ridership is expected to decrease again in 2001 and 2002 to 37.4 million and 37.2 million, respectively due to another fare increase implemented in 2001.

Ridership is expected to increase from 37.2 million in 2002 to 38.6 million in 2004 due to increases in the fixed route ridership base, continued expansion of the vanpool and ADA programs, and implementation of a new municipal vanpool program. This projection is a 1.4 million increase in ridership and represents a 1.6 percent annual compound growth rate (Exhibit 6-1).

For 2002, Pace is planning for a 1 percent decrease in base system ridership due to residual effects from a 2001

Exhibit 6-1

Pace Ridership (in millions)



fare increase. Ridership growth is expected to continue in the vanpool and ADA paratransit segments. Service segments are explained in the expense elements section.

Pace provides services to three major markets which are defined as the suburb-to-city, suburb-to-suburb and city-to- suburb (or reverse) commute markets. Pace's marketing plan, published in 2000, focuses on work commute trips which comprise 80 percent of Pace's customer base. The following summarizes each of the marketing plan's major chapters:

The Market

Eighty percent of Pace's customers use the service to get to work. During the 1990s, the City of Chicago lost 0.3 percent of its population, but added 0.8 percent to its employment base; meanwhile, the suburbs grew 7.5 percent in population and suburban employment increased 14.3 percent.

Pace's largest market is suburb-to-suburb trips. Market strategies for each market: suburb-to-city, suburb-to-suburb, and city-to-suburb are discussed in subsequent paragraphs.

The Customer

Recent market research reveals marketable differences between Pace customers in each of its major markets. Customers in the suburb-to-city market are less transit dependent, earn higher incomes, are more likely to own a home, be married, and have been a Pace customer longer than customers in the suburb-to-suburb or city-to-suburb markets. A large proportion of Pace's customers also use the CTA (48 percent) and Metra (13 percent) on a regular basis. A significant number (6 percent) also use autos or vans in addition to using Pace. The main reasons customers cite for leaving Pace are related to the purchase of a car, moving or switching jobs.

The Competition

Automobiles command 80 percent of the journey- to-work commute market. The lowest share, 71 percent, is in the suburb-to-city market, and the highest, 95 percent, is in the suburb-to- suburb market. Autos have actually gained market share from transit in the suburb-to- city market.

Marketing Strategies

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

Suburb-to-City:

Increase focus on efficient elements, eliminate low productivity elements, and reinvest in high-potential services.

Suburb-to-Suburb:

Extend and develop suburb-to-suburb commute options where productivity is good, lower service costs via capital investment or direct operation rather than outsource operations, and heavily promote low-cost, higher revenue services such as vanpool.

City-to-Suburb:

Build reverse commute elements for CTA connectors and multiple market routes. Market fixed route (reverse connections) to CTA. Identify more efficient service opportunities that originate in Chicago such as express bus, subscription bus and vanpools.

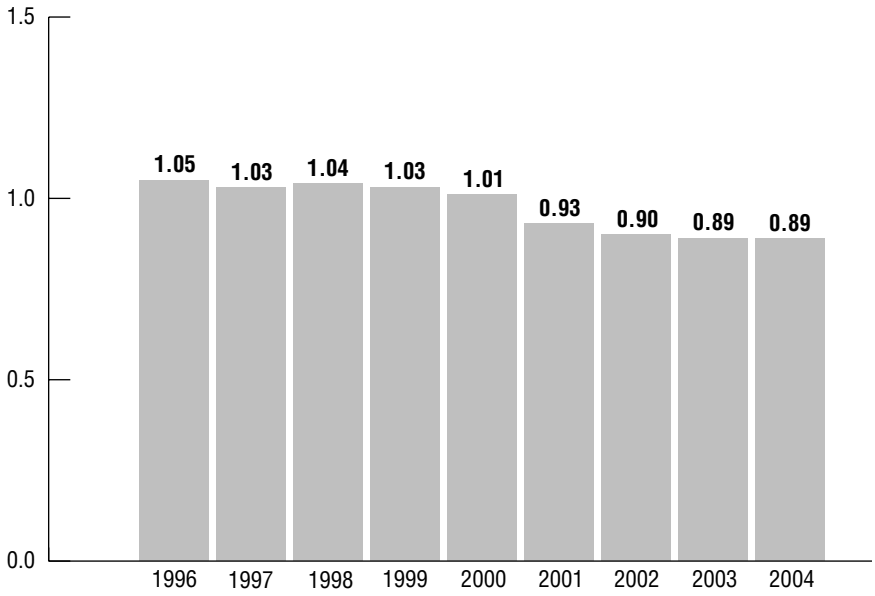
These strategies are further developed via an advertising plan that focuses on increasing ridership and the farebox recovery rate. The Strategic Plan, Comprehensive Operating Plan and Vision 2020 Plan are used to identify programs for promotional efforts. Pace has numerous strategies to increase ridership and recovery rates in each market that generally center around increasing customer retention and attracting new customers.

Service Quality

As part of redefining its services, Pace is evaluating ways to improve service provision in the suburban areas closer to Chicago (inner suburbs). One of the methods employed by Pace is a

Exhibit 6-2

Passengers Per Mile



technique called "re-farming" which is defined below. Pace's "re-farming" program is planned for implementation in the southern suburbs in 2001. After the initial service is in place, Pace plans to expand the effort system-wide.

Re-farming is a term used in the communications industry and is defined as pulling in all of the channels serving a certain bandwidth and reallocating them to improve efficiencies. At Pace, re-farming describes the process of reallocating resources used to provide service within a corridor. The result is streamlined routes, improved efficiency, and fewer passenger transfers.

Pace's re-farming project includes routes 354 and 364 along 159th Street in the southern suburbs. The service extends from Hammond, Ind., on the east to Orland Park on the west and is designed to meet at the Harvey Transportation Center (154th and Park). Connections are made to train service in Oak Forest (Rock Island), Harvey (Metra Electric) and Hegewisch (South Shore). New service, starting November 18, 2001 on Route 352 (Halsted) and Route 359 (S. Kedzie), will connect to the east-west service on 159th Street.

The re-farming project has created a through service on 159th Street, eliminating the need for riders to transfer in Harvey between the 364 and 354 buses. In addition, service improvements were made to meet the operations hours of large retail centers in Orland Park (Orland Square) and Calumet City (River Oaks).

The total cost of the service is estimated at $482,000 annually. The service is funded by the Illinois Department of Human Services and the Federal Transit Administration under the Job Access / Reverse Commute program.

Improving the ridership within the inner suburbs will be key for Pace to increase ridership and achieve its farebox recovery ratio. It is essential that services be redefined to better utilize resources.

Strategic plan initiatives that support service quality include:

- providing bus priority at traffic signals to improve fixed route bus service reliability and operating speeds;
- enhancing passenger information;
- enhancing service quality through programs such as re-farming and bikes on buses; and
- monitoring on-time performance and cost efficiency.

Cost Efficiency

Matching the supply to the demand for service is one means of maintaining system effectiveness. One way to measure supply and demand is to relate the number of passengers to the number of miles serviced, which produces the statistic of passengers per mile. Pace's passengers per mile ratio decreased from 1.05 in 1996 to 1.01 for 2000, indicating that system productivity has decreased (Exhibit 6-2).

Costs per mile have increased from 2.96 in 1996 to 3.05 in 2000, reflecting a cost increase in 2000 due mainly to new service. The cost per passenger measure follows he same trend. The cost per mile ratio recognizes that expenses tend to vary with the amount of service provided (Exhibit 6-3). From 1996 to 1999, Pace has successfully held expense growth down when measured against service miles.

As measured by passenger volume, Pace's cost efficiency shows a slight decline. However, the growing vanpool programs, which yield a high revenue-to-cost ratio and fewer passengers per vehicle mile, put downward pressure on this ratio.

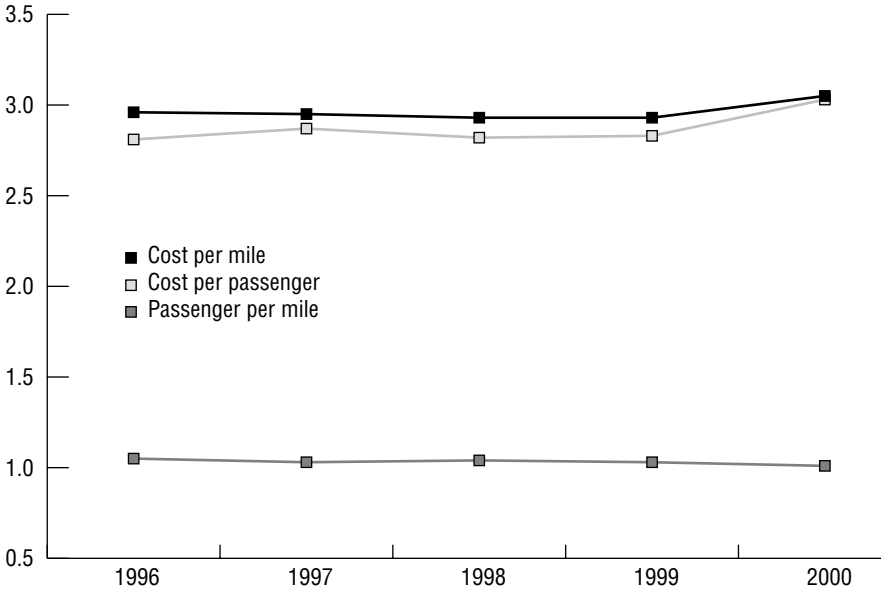
New Services

Building on the success of Pace's Vanpool Incentive Program (VIP), Pace will introduce a new Municipal Vanpool Program in 2002. For a reasonable monthly cost, Pace will lease vans to communities. A community will then have greater flexibility in serving their residents transportation needs.

Another new service is the Schaumburg Shuttle. A shoppers' shuttle service was implemented in the Woodfield, Illinois area in 2001. The service is funded at 100 percent by Schaumburg.

Exhibit 6-3

Cost Efficiency



In other service initiatives, Pace continues to place bike racks on buses and put the final touches on their new Comprehensive Operating Plan (COP). Upon its completion, the COP will become the template for future service development and design. The Intelligent Bus System (IBS) will make current services more efficient through the use of technology.

Initiatives from the strategic plan that support new services include:

- allocating service to expand Pace's express bus network; this includes the possible development of routes serving as extensions of CTA rail lines (e.g., Blue Line Extension);
- utilizing vanpool and subscription bus service, particularly in low density areas, and identifying other transit options; and
- developing appropriate levels of financial support (both public and private).

Capital Investments

Capital Investment initiatives from the strategic plan that improve customer service include:

- constructing park-n-rides and transit centers to facilitate access to, and transferring within, the Pace bus system;
- continuing to expand the availability of sheltered waiting areas throughout the Pace service area;
- implementing new technologies as they develop (including signal priority and the Intelligent Bus System); and
- pursuing additional capital improvements.

Partnerships

An External Relations Department has been created to emphasize the importance of maintaining strong relationships with Pace customers and stakeholders (riders, businesses, and community, state and federal officials). Through these relationships, Pace can form partnerships for new and improved services and initiatives.

Pace has worked with the business community to establish a myriad of services throughout the suburban area. Simply stated, businesses need employees and Pace provides an important transportation option to get people to work.

Over the past few years, Pace has established working partnerships with large employment centers to increase ridership. For example, the United Parcel Service facility in southwest suburban Hodgkins, Ill., is served by bus routes that connect with the Orange, Red and Blue CTA rapid transit lines, as well as other areas. Funding is provided, in part, by UPS. Northwestern University also has a service agreement with Pace.

The Village of Downers Grove operates the Grove Commuter Shuttle, feeding passengers to the Metra/Burlington Northern rail station in Downers Grove. This service started in 2001 will be included in Pace's budget for 2002.

In late 1999, Pace completed a stakeholder satisfaction survey of state legislators and community leaders. The objective was to determine the perceived importance of public transportation in general and Pace in particular. The results indicate that Pace has the opportunity to capitalize on the willingness of legislators and community leaders to provide support. Pace is currently in the process of developing a survey of the business community.

Pace plans to continue to expand its services by utilizing express routes, traditional routes, and vanpool service options. Services funded through a Job-Access- Reverse Commute (JARC) grant from the FTA also provide opportunities to increase ridership.

Initiatives from the strategic plan that support partnerships include:

- evaluating feeder bus services with Metra; and
- assessing the recovery rate impact from mandated programs, including the actions necessary to meet both the recovery ratio and program requirements.

Budget & Financial Plan

As discussed in the budget-in-brief, the budget and two-year financial plan submitted by Pace in November did not meet the "marks" set by the RTA Board in September. To balance Pace's budget with their "marks," the RTA hired the firm of Booz-Allen & Hamilton to study initiatives that would add rev-

Exhibit 6-4

Pace 2002 Budget and 2003-2004 Financial Plan (dollars in thousands)

Revenues	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
Passenger Revenue	$ 37,416	$ 40,827	$ 41,327	$ 42,135	$ 43,184
Reduced Fare Subsidy	3,709	3,655	3,840	3,840	3,840
Investment/other	2,713	3,612	3,430	3,432	3,470
Advertising	2,386	2,963	3,263	3,563	3,863
Gain on loss portfolio	1,939	0	0	0	0
Service Standard Savings (1)	0	0	0	(330)	(400)
ADvAntage Program (2)	579	579	970	2,600	2,950
Total Revenues	**$ 48,742**	**$ 51,636**	**$ 52,830**	**$ 55,240**	**$ 56,907**
Expenses					
Labor/Fringes (3)	$ 68,623	$ 72,602	$ 75,720	$ 78,444	$ 81,070
Parts/Supplies (3)	3,785	3,019	3,029	3,735	3,839
Utilities	1,544	1,925	1,762	1,797	1,833
Fuel (3)	4,939	4,943	4,032	4,484	4,372
Insurance	4,217	5,094	5,452	5,589	5,728
Other	7,958	7,139	7,790	8,791	9,010
Dial A Ride	10,071	10,559	11,156	11,435	11,721
Private Contract	8,153	7,562	7,920	8,118	8,321
ADA Paratransit	8,469	9,578	10,153	10,407	10,667
Vanpool	1,787	2,141	2,361	2,644	2,979
Other Services (CMAQ, JARC, Shuttle)	1,610	2,047	1,719	1,721	1,768
Service Standard Savings (1)	0	0	0	(1,664)	(2,005)
ADvAntage Program (2)	579	579	970	2,600	2,950
Total Expenses	**$ 121,735**	**$ 127,188**	**$ 132,064**	**$ 138,101**	**$ 142,253**
Operating Deficit	**$ 72,993**	**$ 75,552**	**$ 79,234**	**$ 82,861**	**$ 85,346**
Deficit Funding Summary					
RTA Operating	$ 71,772	$ 75,002	$ 79,052	$ 82,747	$ 85,229
CMAQ/JARC/Other	698	550	182	114	117
Total Deficit Funding	**$ 72,470**	**$ 75,552**	**$ 79,234**	**$ 82,861**	**$ 85,346**
Funding Surplus/Deficit (4)	**(523)**	**0**	**0**	**0**	**0**
Recovery Ratio %	**40.0**	**40.6**	**40.0**	**40.0**	**40.0**

Notes: (1) The revenue figures were set by Pace. Expense savings of $14k and $5k were added to Pace figures in 2003 & 2004. (2) This program is to be included in the budgetary statement of revenues and expenditures. The 2002 figure reflects only the amount needed to meet the established 40% recovery ratio. Using the figure Pace submitted yields a recovery ratio of 40.6%. (3) Cost savings from the Booze-Allen study were used for the budget set by the RTA Board. (4) The funding deficit in 2000 was approved by the RTA Board, Ordinance 2001-41.

enue or reduce costs without decreasing service levels or increasing fares during the planning cycle. The firm identified several programs that met these criteria.

The budget adopted for Pace by the RTA Board on December 28, 2001, balances their budget with the funding "marks" established for them in September. The RTA's funding to Pace in 2002 is set at $79.1 million an increase of 5.4 percent over last year's figure of $75 million (Exhibit 6-4). This budget incorporates contents of certain cost saving programs from the Booz-Allen & Hamilton study into the Pace 2002 budget and financial plan as illustrated on Exhibit 6-16.

System-Generated Revenues

Total system-generated revenues (Exhibit 6-5) are expected to increase from $48.7 million in 2000 to $56.9 million in 2004. This represents an increase of $8.2 million over the four-year period, or a 3.9 percent average annual increase. These revenues include: passenger revenue, reduced fare subsidy, investment/other, advertising, gain on lost portfolio, service standard savings, and the AdvAntage program. Passenger revenue totals 78 percent of total revenue in 2002, reduced fare subsidy 7 percent, investment/other revenue 7 percent, advertising revenue 6 percent, and AdvAntage program 2 percent. (Exhibit 6-6).

Passenger Revenue

Passenger, or fareboxs revenues are expected to increase from $37.4 million in 2000 to $43.2 million by 2004, a $5.8 million increase and a 3.6 percent annual growth rate (Exhibit 6-7). Fare and pass (farebox) revenues include passenger, vanpool, and other services.

Exhibit 6-5

Pace System-Generated Revenues (dollars in millions)

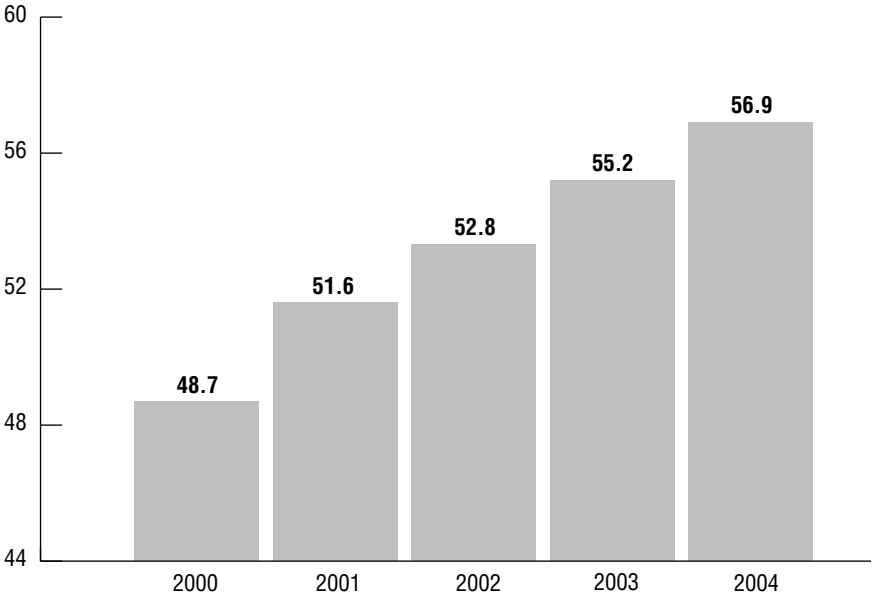
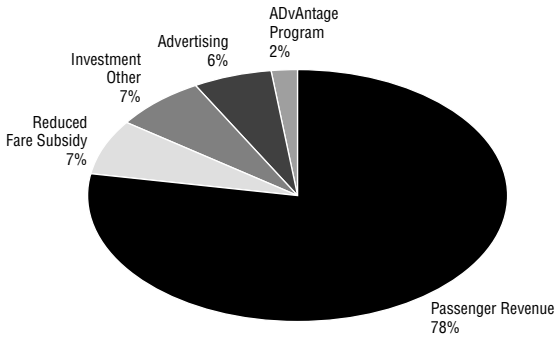


Exhibit 6-6

2002 Pace Revenues—$52.8 Million



Other services are Congestion Mitigation Air Quality (CMAQ) receipts, Job Access Reverse Commute (JARC) receipts, and shuttle service.

In 2002, passenger or farebox revenue is projected to increase $0.5 million over the 2001 estimate due mostly to the continued expansion of the vanpool program as well as implementation of the new municipal vanpool program. The new municipal vanpool program generates revenue by leasing Pace vans to communities.

Reduced Fare Subsidy

The reduced fare subsidy is expected to remain essentially constant during the planning period at about $3.8 million. In 1999, the subsidy essentially doubled due to the implementation of the Illinois FIRST Program.

Investment/Other

Pace invests its cash balances in order to receive investment income. Other income represents funding agreements from the United Parcel Service and Metra. Investment and other income combined are expected to increase from $2.7 million in 2000 to $3.5 million by 2004. The $0.8 million increase represents a 6.3 percent annual growth rate. Investment income is expected to decline due to lower cash balances, and other income is expected to increase.

Advertising

Advertising revenue is expected to increase from $2.4 million in 2000 to $3.9 million by 2004, which is a 12.8 percent annual growth rate. Pace stands to benefit from a successful long-term advertising contract that became effective in the early part of 2001.

Gain on lost portfolio

In 1999, Pace realized a one-time gain of $1.9 million resulting from an insurance transaction.

Service Standard Savings

Pace will adjust service in the outlying years based on its established service criteria. A revenue reduction of $0.3 million is planned in 2003, and $0.4 million in 2004.

ADvAntage Program

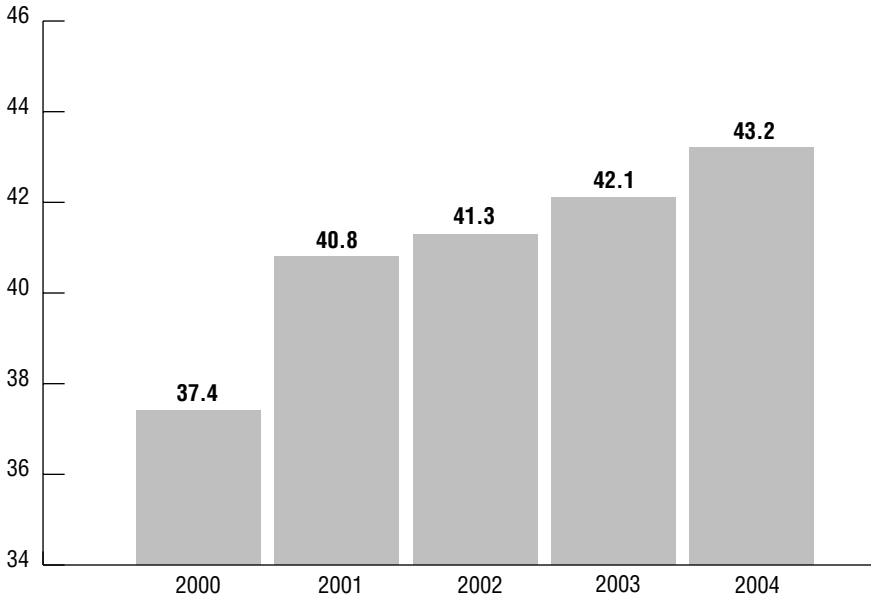
Pace enters into lease arrangements with outside entities in order to provide public transportation. This relationship can be viewed as a purchase of service agreement between Pace and the entity. Through a lease arrangement, Pace hires the entity to provide public transportation. In 2000, that amount is expected to be $0.6 million, increasing to $3 million by 2004.

Operating Expenses

Total operating expenses are forecast to increase from $121.7 million in 2000 to $142.3 million in 2004. This $20.5 million increase equals a 4 percent annual compound growth rate (Exhibit 6-8). In 2001, expenses are estimated to increase by approximately $5.5 million ($121.8 million to $127.2

Exhibit 6-7

Pace Farebox Revenue (dollars in millions)



million) or 4.3 percent from 2000. This is mainly due to continued expansion of the vanpool and ADA Paratransit program. Added services in Schaumburg and Downers Grove, along with a jump in health and utilities expenses also add to the increase.

Expenses in 2002 are expected to increase by $4.9 million ($127.2 million to $132.1 million) or 3.7 percent over 2001. Growth in vanpool and ADA Paratransit services and increases in contractor expenses and health care are the primary factors behind this increase. In 2003 and 2004, planned expenses increase by $6 million ($132.1 million to $138.1 million) and $4.2 million ($138.1 million to $142.3 million) respectively. These increases are due to inflationary cost factors.

Expense Elements

Operating expense elements include labor and fringes, parts and supplies, utilities, fuel, insurance and claims, other, dial-a-ride, private contract, ADA paratransit, vanpool, other services (CMAQ, JARC, Shuttle), service standard savings, and advantage program (Exhibit 6-4).

Labor and Fringe Costs

Labor expenses are expected to increase from $68.6 million in 2000 to $81.1 million by 2004. This is a $12.4 million increase and represents a 4.3 percent annual compound growth rate.

Parts and Supplies

Parts and supplies expenses are projected to remain about $3.8 million from 2000 to 2004.

Utilities

Utility expenses are projected to increase from $1.5 million in 2000 to $1.8 million by 2004. This $0.3 million increase represents a 4.4 percent annual growth rate.

Fuel

Fuel expenses are projected to decrease from $4.9 million in 2000 to $4.4 million by 2004. This represents a decrease in spending of $0.6 million during the planning period.

Insurance and Claims

Insurance and claims expenses are expected to increase from $4.2 million in 2000 to $5.7 million by 2004. This $1.5 million increase represents an 8 percent annual growth rate.

Other

Other expenses, including miscellaneous and other administrative costs, are expected to increase from $8 million in 2000 to $9 million by 2004. This is a $1.1 million increase and represents a 3.2 percent annual compound growth rate.

Dial-a-Ride

Pace subsidizes 52 dial-a-ride (DAR) service projects throughout the six-county region. Generally, townships or local municipalities, under contract with Pace, operate these services. 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. Pace contracts with several private operators for DAR service. Expenses are expected to increase from $10.1 million in 2000 to $11.7 million in 2004. This is an increase of $1.7 million, or a 3.9 percent annual growth rate, and is attributed to costs associated with the renewal of several DAR contracts.

Private Contract

Pace provides service to more than 45 communities by directly contracting with six private transit companies. These contract expenses are planned to increase slightly from $8.2 million in 2000 to $8.3 million by 2004. This increase of $0.1 million represents an annual growth rate of 0.3 percent. Pace has taken over the operations of many of these routes due to significant price increases from private contractors.

Exhibit 6-8

Pace Total Operating Expenses (dollars in millions)

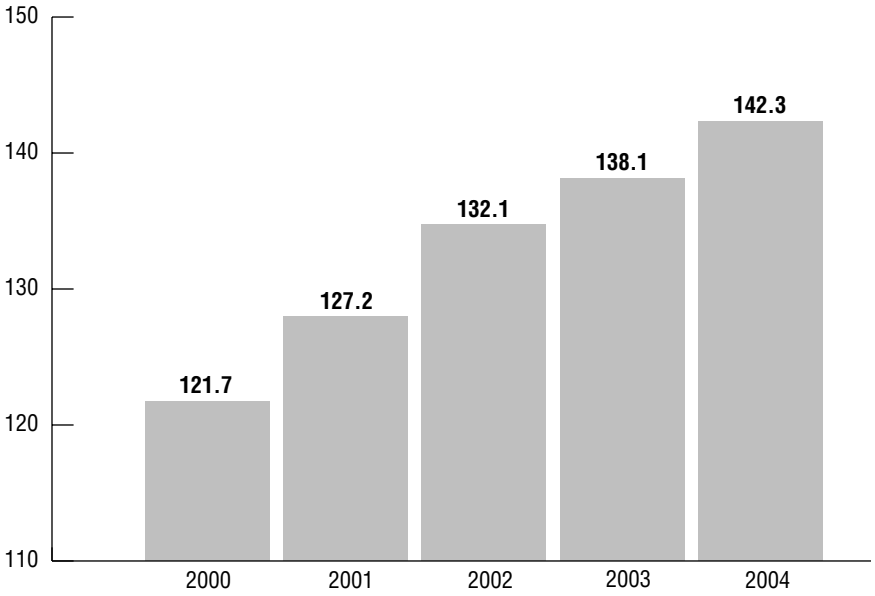


Exhibit 6-9

Vanpool—Capital Impact on Operations (dollars in millions)

Years	Capital	Revenues	Operating Expenses	Operating Deficit	Recovery Ratio %
1993	0	537	454	83	85
1994	1,092	804	788	16	98
1995	1,802	1,024	1,179	(155)	115
1996	571	1,240	1,174	66	95
1997	2,050	1,458	1,730	(272)	119
1998	2,052	1,670	1,703	(33)	102
1999	6,090	1,747	1,659	88	95
2000	3,411	1,778	1,787	(9)	101
2001	0	1,991	2,141	(150)	108
2002	5,758	2,197	2,361	(164)	107
2003-2006	23,200.00				

**Note: Planned for the years 2001-2004*

ADA Paratransit

Pace provides curb-to-curb service to approximately 33 thousand riders each month. Individuals, who are certified by the RTA and are not able to use Pace's fixed route services, can register to utilize Pace's ADA paratransit service. Demand for the program continues to grow and expenses are expected to rise from $8.5 million in 2000 to $10.7 million by 2004. This $2.2 million increase represents an annual growth rate of 5.9 percent.

Vanpool

The vanpool program is a commuting option that provides passenger vans to small groups, from five to 15 people, allowing them to commute to and from work together. The formation of vanpools has been very popular and the demand continues to grow. Pace expects further expansion of this program to 412 vans by the end of 2002. Expenses are projected to increase from $1.8 million in 2000 to $3 million by 2004. This $1.2 million increase represents a 13.6 percent annual growth rate as this successful program expands each year during the planning period.

Other Services (CMAQ, JARC, Shuttle)

Pace will continue to grow its non-traditional services from $1.6 million in 2000 to $1.8 million in 2004.

CMAQ Services

In June 1996, Pace received a Federal Congestion Mitigation/Air Quality (CMAQ) program award to cover the costs associated with the start-up and implementation of several new services. CMAQ expenses are projected at $0.2 million in 2002.

JARC Services

Pace has qualified for funding under the Job Access and Reverse Commute Program (JARC). This program provides limited (one-year) funding for new services designed to transport welfare recipients and low-income individuals to and from jobs. Expenses in 2002 are expected to be $0.5 million

Shuttle Services

Shuttle service was implemented in Schaumburg and Downers Grove in 2001. The Downers Grove service feeds passengers to the Metra/Burlington Northern rail station in Downers Grove. In 2002, expenses will be $0.5 million. In Schaumburg, a shopper's shuttle service operates in the Woodfield shopping mall area with expenses at $0.4 million in 2002.

Service Standard Savings

Pace will adjust service in the outlying years based on its established service criteria. An expense reduction of $1.7 million is planned in 2003, and $2 million in 2004.

ADvAntage Program

ADvAntage program expenses are expected to increase from $0.6 million in 2000, to $3 million by 2004.

Capital Impact on Operations

Rolling Stock

In Pace's 2002 Capital Program, rolling stock represents 70 percent of the total. The program contains funds for the replacement of 53 fixed route buses, 43 replacement paratransit buses, bus overhaul/maintenance expenses, and associated capital for the purchase of engines. As an impact on the operating budget, Pace will generally avoid cost increases by replacing outdated equipment.

Due to planned expansion, Pace's 2002 goals for the vanpool program include carrying 1.3 million passengers, which is a ridership increase of 10.3 percent over the 2001 budget estimate. From 2003 through 2006, Pace will continue its capital investment in the vanpool program. The vanpools are also expected to maintain a 93 percent recovery ratio through this period. Pace estimates that it will have 376 vans in service by the end of 2001 and plans to increase the number of vans to 412 by the end of 2002. Exhibit 6-9 summarizes the impact of the capital program.

Electrical/Signal/Communication

The program contains funds to complete the purchase and installation of Pace's Intelligent Bus System (IBS). This system will help Pace improve operating efficiency, among other customer service benefits.

Support Facilities/Equipment

Support Facilities funds are for the purchase of miscellaneous maintenance equipment, vans and trucks for the operating garages.

The 2002 equipment budget contains funds for computer databases and equipment. Phase II of the Enterprise Resource Planning System (ERP System) is planned in 2002. Replacement of fixed facility equipment and systems in Pace garages are also planned in 2002.

These improvements will generally minimize operating cost growth by replacing equipment before it becomes obsolete and requires increased maintenance.

Miscellaneous

Part of Pace's long-range plan calls for the implementation of restricted use facilities (such as exclusive toll bypass lanes and bus only exit/entrance ramps) along major highways in the region to increase the speed of certain express services. The project is expected to reduce operating costs and increase ridership.

The on-time performance and operating speed of Pace vehicles can be significantly enhanced with signal priority systems. Preliminary results of a demonstration project indicate that a 30 percent improvement in operating speeds can be gained without adversely affecting general traffic flow. These systems could significantly reduce operating costs and increase ridership.

Deficit and Funding

The operating deficits are derived from total system-generated revenues minus total operating expenses. In 2000 the deficit was $73 million. By 2004 this figure will increase to $85.3 million, a compound increase of 4 percent.

Recovery Ratio

Pace's recovery ratio equals system-generated revenues divided by system operating expenses. From 2002 through 2004, Pace's recovery ratio remains constant at 40 percent.

Capital Program

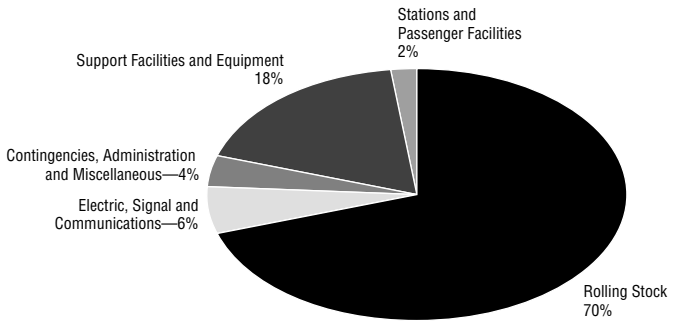
Overview

The proposed projects in Pace's 2002-2006 capital program total $227.6 million. This funding primarily provides for the replacement and expansion of rolling stock. The general categories of capital improvements and the percentage of the total capital program are: rolling stock 70 percent; electric, signal and communications 6 percent; support facilities and equipment 18 percent; passenger facilities 2 percent; and miscellaneous, contingency & administration 4 percent. These allocations are illustrated in Exhibit 6-10.

See Appendices, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of Pace's 2002-2006 Capital Program are as follows:

Exhibit 6-10

Pace Capital Program 2002-2006—$227.6 Million



Rolling Stock

In the five-year capital program, Pace plans to purchase up to 1,344 transit vehicles and perform bus upgrade and repair projects at a total cost of $159.8 million. Pace's active fleet consists of 664 fixed route buses, 393 paratransit vehicles and 427 vanpool vehicles.

Pace's 2002 rolling stock budget of $32 million includes the replacement of 53 Orion buses and the expansion of four vehicles, at a cost of $17.6 million. The Orion buses, purchased in 1990, will be more than 12 years old when the new vehicles are delivered. Four new vehicles are needed to expand bus service to the UPS facility in Hodgkins. Pace has proposed $82.8 million in 2003-2006 for the replacement of 270 buses.

In 2002, Pace also plans to spend $4 million to purchase a minimum of 50 paratransit vehicles to replace 43 paratransit buses purchased between 1994 and 1996. Seven new vehicles are needed for expansion of a municipal bus service in Skokie. The 2002 program also includes $450,000 for up to 90 wheelchair securement upgrades. Pace plans to spend $7.3 million for a minimum of 97 paratransit vehicles and $400,000 for additional wheelchair securement upgrades in the out-years of their capital program.

In addition to other rolling stock purchases, Pace's 2002 capital program includes $5.8 million for the purchase of a minimum of 174 replacement and expansion vanpool vans. This includes the purchase of 34 vans and other related equipment and services for a new Municipal Vanpool Program. In the out-years of the program, Pace plans to spend $23.2 million for an additional 696 vanpool vans and associated equipment.

RTA guidelines enable the Service Boards to be reimbursed for major bus maintenance costs which satisfy the definition of capital in accordance with generally accepted accounting principles. This program includes the replacement of bus components such as A/C condensers, alternators, regulators, drive shafts, transmission coolers, fan motors, steering shafts, and other items. Under the rolling stock category, Pace proposes $2 million for maintenance costs in 2002, with $8.3 million programmed in the out-years.

The purchase of associated capital items, estimated at a cost of $2.2 million, is also planned in 2002. The 2003-2006 capital program includes $5.4 million for associated capital purchases. Associated capital items include engines, transmissions, axle assemblies and other parts for fixed route and paratransit vehicles.

Electric, Signal and Communications

Over the five years of this program, Pace proposes $13 million for electric, signal, and communications projects.

In 2002, Pace plans to complete the purchase of an Intelligent Bus System (IBS) at a cost of $7 million. In Phase I, Pace purchased and installed the IBS computer hardware and software at four divisions. This included equipment and software for 251 buses, radio site equipment, software, and supervisor and relief vehicle equipment. Phase II funding will allow Pace to purchase and install computer hardware and software to equip its five remaining divisions as well as Pace owned, but contractor operated, vehicles. Pace has programmed $1 million in 2003 to complete the IBS purchase.

In addition, Pace proposes $5 million for the replacement of its fixed route radio dispatch system in 2003 once the current system reaches the end of its useful life.

Support Facilities and Equipment

Pace proposes to spend $41.4 million over five years for support facilities and equipment.

Of the $6.8 million for support facilities and equipment projects planned in 2002, Pace's capital program includes $4.3 million for overall improvements and upgrades at various Pace garages. Improvements include roof replacements at the South and North Divisions; purchase of bus washer brushes and pumps, overhead doors, and fluid dispensers for the Fox Valley Division; hose reels for the River Division; and a fire alarm system for the South Division. The program also contains funds for general replacement of fixed facility equipment and systems at its operating divisions.

Pace's out-year plan includes $21.6 million for improvements to garages and facilities including construction of a new garage in DuPage County and engineering for garage expansions in Evanston, North Aurora, and Bridgeview.

The 2002 program includes $850,000 for the purchase of tools, equipment, a service truck and non-revenue support vehicles for the Pace garages and headquarters. Pace also plans to replace a printing press and to conduct a pilot program to place security cameras on buses. Pace is also requesting $3.1 million for equipment and non-revenue vehicle purchases and $950,000 for office equipment and furniture in 2003-2006.

In 2002, Pace proposes a $1.7 million purchase of computers, database systems, and computer software systems to replace obsolete technology and improve the efficiency of existing systems. Included in this plan is the purchase of Phase II of an Enterprise Resource Planning System, miscellaneous computer hardware and software, Hastus system upgrades, Phase II of the Hyperion Budget System, switch upgrades, and voice recorders for paratransit. Approximately $7.3 million is programmed in the out-years for computer equipment and systems.

In addition, Pace is requesting approximately $1.2 million over the five-year program for fare box enhancements and ticket vending machines.

Passenger Facilities

Pace's five-year program includes $4.4 million for passenger facilities, including the installation of solar-powered bus stop sign pole lights, bus shelters equipped with advertising panels, bus stop signage, and other passenger amenities. In 2002, Pace is planning the construction of a new $2 million bus transfer center facility at UPS in Hodgkins. The facility will have eight bus bays, a passenger waiting area, a bus driver break room and washroom, and a supervisor's office. In exchange for building this facility, UPS agrees to donate the land to Pace for a period of 75 years.

Miscellaneous

This category provides funding for contingencies, administration and unanticipated capital. A total of $9 million is proposed over five years with $2 million estimated for 2002. $2 million of these funds are programmed for Pace's ASSET (Assistance Strategy to Strengthen and Encourage Transit) program. The pilot program, which begins in 2002, will target communities whose development plans include amenities that will benefit Pace ridership.

Reference

2001 Budget vs. 2001 Estimate

Total revenue is planned to end the year $1.6 million favorable to 2001 budgeted levels. Farebox revenue is expected to finish $0.5 million or 1.1 percent unfavorable to budget, and advertising revenue is projected to finish the year $0.7 million or 22.4 percent favorable to budget. The reduced fare subsidy is projected to finish the year at budget. Investment/other income is projected to finish the year $0.8 million or 23.1 percent favorable. The unbudgeted advantage program will be $0.6 million favorable.

Total expenses are expected to finish $2.1 million or 1.7 percent unfavorable to budget in 2001. The higher expenses are almost exclusively due to higher labor costs of $3.1 million and the unbudgeted ADvAntage program. Favorable performance in the other services category should help mitigate the labor costs.

From a total funding perspective, Pace is projected to finish $0.1 million over budget in 2001. Pace's operating deficit (expenses less revenues) is projected to be $0.5 million over budget. Favorable funding from the CMAQ/JARC/Other category of $0.4 million helps offset the unfavorable variance (Exhibit 6-11).

RTA Public Operating Funds

The RTA Sales Tax is the primary source of funding for Pace. The RTA retains 15 percent of the sales tax funds for discretionary funding, and passes on the remainder to the service boards by formula. Of this remaining amount, Pace receives 15 percent of the sales tax dollars collected within suburban Cook County and 30 percent in the collar counties. Pace's portion of sales tax is projected to grow from $69.9 million in 2000 to $82 million in 2004, which is an annual growth rate of 4.1 percent.

RTA discretionary funds for Pace operations are expected to increase from $1.9 million in 2000 to $3.3 million in 2004, an annual growth rate of 14.6 percent. The source of the RTA discretionary funds is Public Transportation Funds (PTF) and apportionments from the RTA's 15 percent share of sales tax revenue (Exhibit 6-12).

System Description

Operating Environment

Pace's service area measures 3,446 square miles. The suburban area is divided among the six counties and incorporates 270 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. The suburb-to-suburb travel market is the largest service area in the region and is primarily served by the automobile.

Fare Structure

Exhibit 6-13 lists Pace's fares for 2001. There are no fare changes proposed for fixed route and paratransit service. A fare increase of approximately 3 percent is proposed for the vanpool program.

Exhibit 6-11

Pace 2001 Budget vs. 2001 Estimate (dollars in thousands)

Revenue	2001 Budget	2001 Estimate	Variance
Farebox	$ 41,286	$ 40,827	($459)
Reduced Fare	3,655	3,655	0
Advertising	2,300	2,963	663
Investment/Other	2,778	3,612	834
ADvAntage Program	0	579	579
Total Revenue (1)	**$ 50,019**	**$ 51,636**	**$1,617**
Expenses			
Labor/Fringes	$ 69,511	$ 72,602	($3,091)
Parts/Supplies	3,134	3,019	115
Utilities	1,403	1,925	(522)
Fuel	4,511	4,943	(432)
Insurance	5,258	5,094	164
Other	7,753	7,139	614
Dial A Ride	10,438	10,559	(121)
Private Contract	8,211	7,562	649
ADA Paratransit	9,702	9,578	124
Vanpool	2,070	2,141	(71)
Other Services	3,061	2,047	1,014
ADvAntage Program	0	579	(579)
Total Expenses (1)	**$ 125,052**	**$ 127,188**	**($2,136)**
Operating Deficit	**$ 75,033**	**$ 75,552**	**($519)**
Public Funding Sources			
RTA Operations Funding	$ 75,002	$ 75,002	$ 0
CMAQ/JARC/Other	132	550	418
Total Public Funding	**$ 75,134**	**$ 75,552**	**$ 418**
Funding Surplus/Deficit	**$ 101**	**0**	**($101)**
Recovery Ratio	**40.0%**	**40.6%**	**0.6%**

(1) See Exhibit 6-15

Highway Traffic Congestion

The substantial growth in suburban population, employment, households, and office space has clogged the region's highways with traffic. Between 1980 and 1990, traffic volumes have increased 33 percent while highway miles increased by only 5 percent. Between 1988 and 1998, the office space occupancy rate for the suburbs increased from 78.8 percent to 90.5 percent. From all indications, congestion is likely to worsen considerably by the year 2010 unless new funding is provided for highway and transit improvements.

Journey-to-Work Market

The impact of these market shifts on transit ridership for the three Service Boards has been significant. Pace ridership grew by 2.2 million trips from 1980 to 1990. This growth did not parallel increases in suburb-to-suburb commuting due to several factors including the fact that more than 40 percent of Pace service operates in the suburb-to-city market which has remained flat since 1980. In addition, the biggest growth in suburb-to-suburb commuting has taken place in lower-density outlying suburbs. Pace services are concentrated in the inner suburbs and in the region's satellite cities (Aurora, Elgin, Joliet, and Waukegan). The inner suburban communities and satellite cities served by Pace have also lost population and employment from 1980 to 1990. Pace's long-range plans address this issue.

Statutory Compliance

As submitted, the Pace proposed budget did not meet either the capital program marks and/or the operating marks set by the RTA Board for 2001 through 2004. The budget and financial plan in this document reflects the figures adopted by the RTA Board on December 28, 2001.

Organization Chart

The Pace's organizational structure is comprised of three primary elements: administration, central support, and Pace-Owned divisions. Within each element, employees are classified into four areas: operations, maintenance, non-vehicle maintenance and administration. Pace underwent reorganization in the latter half of 1999 and now consists of three main areas: Internal Services, Revenue Services, and Strategic Services (Exhibit 6-14).

Exhibit 6-12

Pace Sources of Operating Funding (dollars in thousands)

RTA	2000 Actual	2001 Estimate	2002 Budget	2003 Plan	2004 Plan
85% Sales Tax	$ 69,889	$ 71,589	$ 75,073	$ 78,447	$ 81,976
RTA Discretionary Funds	1,883	3,413	3,979	4,300	3,253
Total RTA Funding	**$ 71,772**	**$ 75,002**	**$ 79,052**	**$ 82,747**	**$ 85,229**

Exhibit 6-13

Current Fare Structure

Regular Fares	Full Fare	Reduced Fare
Full Fare	$1.50	$0.75
Transfer to Pace/CTA	$0.30	$0.15
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 Pass	$25.00	
Subscription Bus (Monthly)	$110.00	
Local Fares		
Full Fare	$1.25	$0.60
Transfer to Pace/CTA*	$0.55	0.30
Local 10 Ride Plus Ticket	$12.50	$6.00
Express Fares		
Premium (Routes 210, 355 & 855)	$3.00	$1.50
Route 835 (Zone Fares)	$3.90	$1.95
Premium 10 Ride Plus Ticket (210, 355 & 855)	$30.00	$15.00
Other		
Dial-a-Ride	$1.60	$0.80
ADA Paratransit Services/Local Share	$3.00/$ 2.50	
Special Services (Non-ADA)	$5.00	
Shuttle Bug Fares and Route 921	$0.50	
Shuttle Bug Fares and Route 712	$0.25	
Shuttle Bug Transfer to Pace/CTA	$1.80	

**Local transfers are free of charge*

Exhibit 6-14

Pace Organization Chart

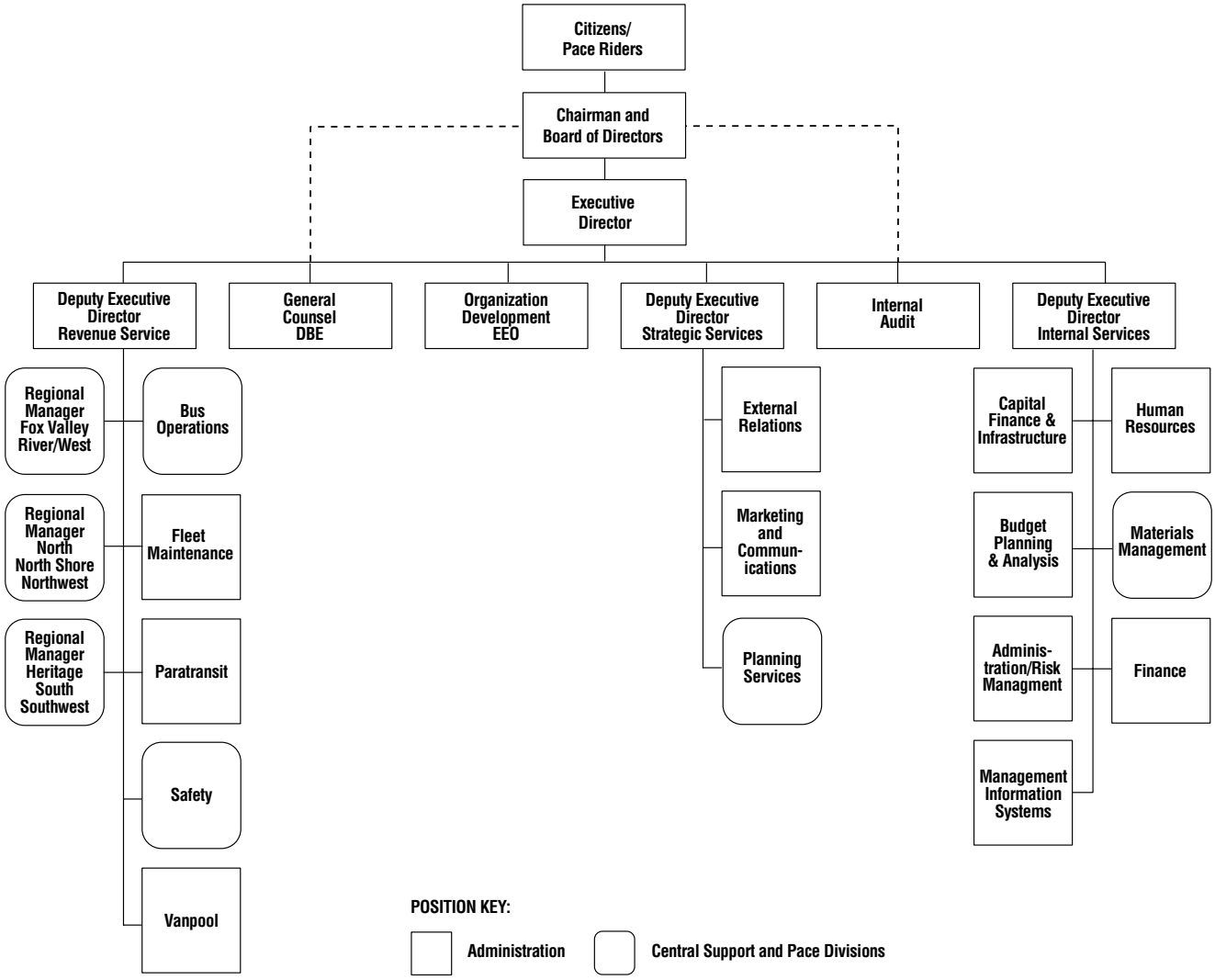


Exhibit 6-15

Pace 2001 Estimate, Pace Submittal Compared to RTA Adoption (dollars in thousands)

Revenues	Pace Submittal	Change	RTA Adoption
Passenger Revenue	$ 40,827	$ 0	$ 40,827
Reduced Fare Subsidy	3,655	0	3,655
Investment/Other	3,612	0	3,612
Advertising	2,963	0	2,963
ADvAntage Program (1)	0	579	579
Total Revenues	**$ 51,057**	**$ 579**	**$ 51,636**
Expenses			
Labor/Fringes	$ 72,602	$ 0	$ 72,602
Parts/Supplies (2)	3,636	(617)	3,019
Utilities	1,925	0	1,925
Fuel	4,943	0	4,943
Insurance	5,094	0	5,094
Other (2)	7,349	(210)	7,139
Dial-a-Ride	10,559	0	10,559
Private Contract	7,562	0	7,562
ADA Paratransit	9,578	0	9,578
Vanpool	2,141	0	2,141
Other Services (CMAQ, JARC, Shuttle)	2,047	0	2,047
ADvAntage Program (1)	0	579	579
Total Expenses	**$ 127,436**	**($248)**	**$ 127,188**
Total Operating Deficit	**$ 76,379**	**($827)**	**$ 75,552**
Deficit Funding Summary			
RTA Operating	$ 75,002	$ 0	$ 75,002
CMAQ/JARC/Other	550	0	550
Total Deficit Funding	**$ 75,552**	**0**	**$ 75,552**
Funding Surplus/Deficit	**($827)**	**$ 827**	**0**
Recovery Ratio %	**40.1**	**0.5**	**40.6**

Notes: (1) This program is to be included in the budgetary statement of revenues and expenditures. The 2001 figure reflects only the amount that has been estimated by Pace. (2) Cost savings (parts/ supply expenses that can be capitalized) and Pace projected PBV ($210k compared to a Pace estimate of $500k) from the Booze-Allen study.

Exhibit 6-16

Pace 2002 Budget, Pace Submittal Compared to RTA Adoption (dollars in thousands)

Revenues	**Pace Submittal**	**Change**	**RTA Adoption**(3)
Passenger Revenue	$ 41,327	$ 0	$ 41,327
Reduced Fare Subsidy	3,840	0	3,840
Investment/Other	3,430	0	3,430
Advertising	3,263	0	3,263
ADvAntage Program (1)	2,200	(1,230)	970
Total Revenues	**$ 54,060**	**($1,230)**	**$ 52,830**
Expenses			
Labor/Fringes	$ 75,720	$ 0	$ 75,720
Parts/Supplies (2)	3,640	(611)	3,029
Utilities	1,762	0	1,762
Fuel (2)	4,832	(800)	4,032
Insurance	5,452	0	5,452
Other (2)	8,242	(452)	7,790
Dial-a-Ride	11,156	0	11,156
Private Contract	7,920	0	7,920
ADA Paratransit	10,153	0	10,153
Vanpool	2,361	0	2,361
Other Services (CMAQ, JARC, Shuttle)	1,719	0	1,719
ADvAntage Program (1)	2,200	(1,230)	970
Total Expenses	**$ 135,157**	**($3,093)**	**$ 132,064**
Total Operating Deficit	**$ 81,097**	**($1,863)**	**$ 79,234**
Deficit Funding Summary			
RTA Operating	$ 79,052	$ 0	$ 79,052
CMAQ/JARC/Other	182	0	182
Capital Cost of Contracting	7,760	(7,760)	0
Total Deficit Funding	**$ 86,994**	**($7,760)**	**$ 79,234**
Funding Surplus/Deficit	**$ 5,897**	**($5,897)**	**0**
Recovery Ratio %	**40.0**	**0.0**	**40.0**

Notes: (1) This program is to be included in the budgetary statement of revenues and expenditures. The 2002 RTA Adoption figure reflects only the amount needed to meet the established 40% recovery ratio. Using the Pace figure in the RTA adopted budget would yield a recovery ratio of 40.6%. (2) Cost savings from the Booze-Allen study used for the basis of RTA adoption. Cost saving entries are Parts & Supplies $611k ($550k to capital & $61k adjusted inventory value), Fuel $800k and Other (various productivity improvements) $452k of the $480 identified by the study.(3) Pace to meet this budget without service cuts outside of its normal practice of dropping poorly performing routes.

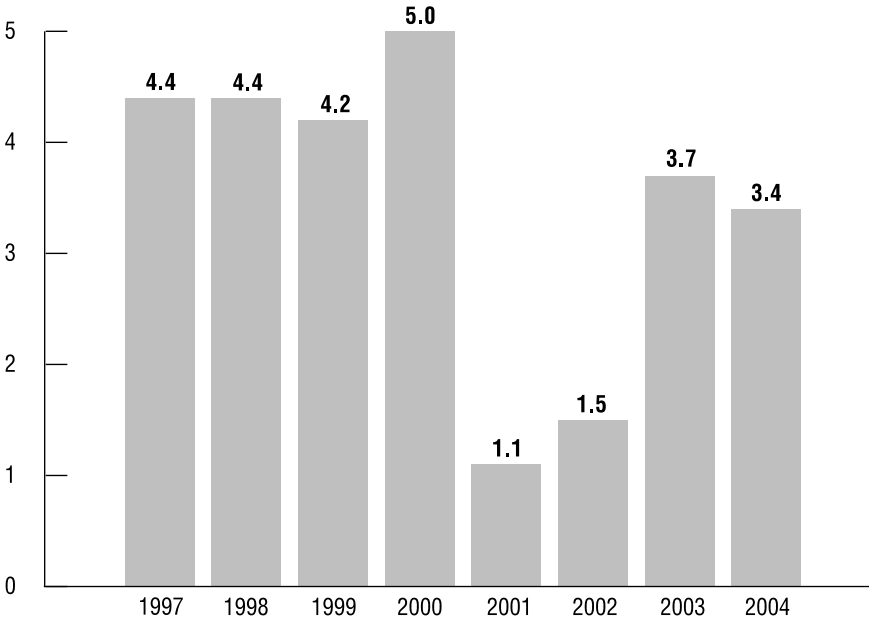
Supplemental Data

National Economic Projections

The gross domestic product (GDP) is the total value of U.S. goods and services. The U.S. GDP grew at a 4.5 percent annual rate from 1997 through 2000. However, growth from April through June of 2001, rose at an annual rate of 0.2 percent, the slowest in eight years. Prospects for growth in the second half of 2001 look even softer and the terrorist attacks of September 11th have caused further weakness in the economy. In order to stimulate the economy, the Federal Reserve has cut interest rates several times this year, and the government cut taxes.

Exhibit 7-1

1997-2004 Change in U.S. Gross Domestic Product (in percent)



Source: Blue Chip Economic Indicators, October 2001.

Using Blue Chip Economic Indicators' monthly survey of almost 100 leading domestic and international economists, the general consensus is that the U.S. economy has entered its first recession in a decade. The economy shrank 0.4 percent on an annual basis in the third quarter and is expected to contract 1.1 percent in the fourth quarter. They expect a rebound to begin in the first quarter of 2002 and growth to increase at a 4 percent annual rate by the fourth quarter.

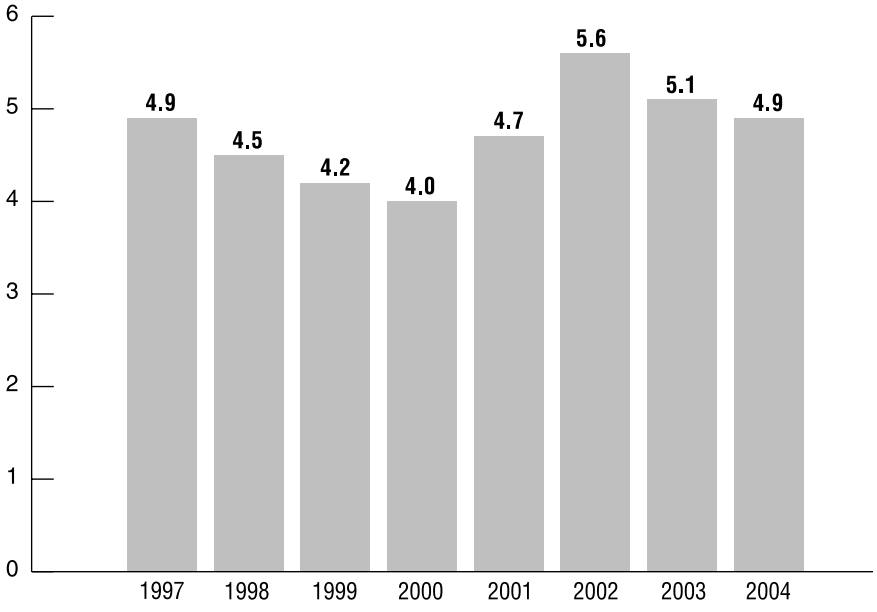
Exhibit 7-1 highlights the annual GDP percent change from 1997 through 2004. The 2001 and 2002 time period is projected to be the weakest over this seven-year period.

According to a U.S. Labor Department report, unemployment averaged 4 percent in calendar year 2000, the lowest since a 3.5 percent average in 1969. However, payrolls have steadily declined in 2001 and plummeted in October posting the largest drop in more than two decades. Payrolls fell by 415,000 in October after declining by 199,000 in September. October's unemployment rate was 5.4 percent and reflected job losses after the terrorist attack.

Exhibit 7-2 shows the U.S. annual unemployment rate from 1997-2004. The unemployment rate had dropped almost a full percentage from 1997 to 2000, but is now on the upswing.

Exhibit 7-2

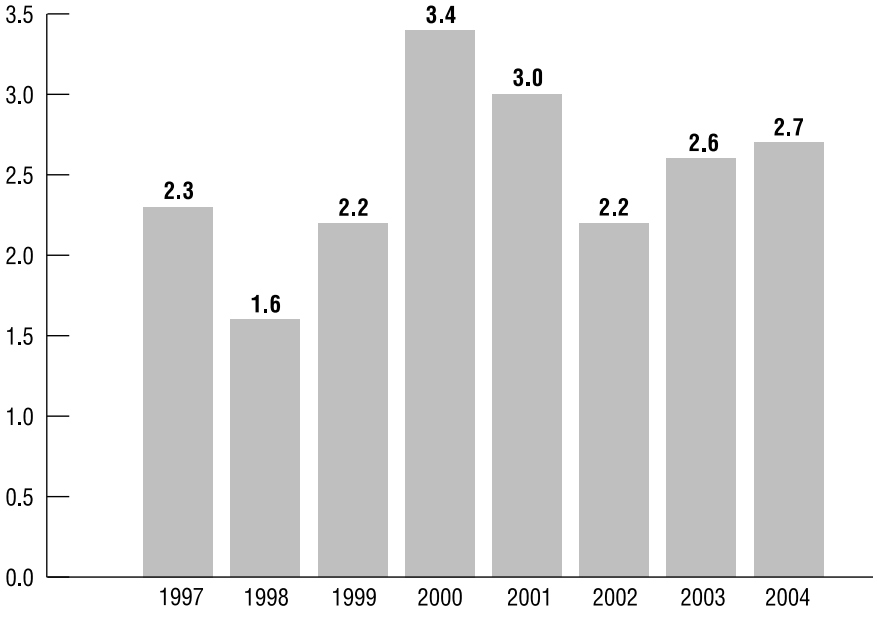
1997-2004 U.S. Unemployment Rate (in percent)



Source: Blue Chip Economic Indicators, October 2001.

Exhibit 7-3

1997-2004 Change in U.S. Consumer Price Inflation (in percent)



Source: Blue Chip Economic Indicators, October 2001.

The unemployment rate is expected to peak in 2002 at a 5.6 percent rate.

Exhibit 7-3 shows the annual trends in the consumer price index (CPI) from 1997 through 2004. U.S. consumer prices (CPI) increased in 2000 at a 3.4 percent rate. This marked the largest calendar increase in ten years. In the first quarter of 2001, the CPI rose at an annualized rate of 4.2 percent. Higher energy prices were the main culprit for the increase in inflation. However, expectations of weaker overall economic activity, coupled with the recent decline in energy prices, have produced a decline in inflationary expectations. The consensus now predicts the CPI to be up 3 percent on an annual basis in 2001 and drop below the 3 percent rate from 2002 through 2004.

State of Illinois Sales Tax Projections

Exhibit 7-4 compares the State of Illinois' sales tax growth rate versus the RTA's from 1997 through 2000. As illustrated, there is a strong relationship between sales tax growth in the State and the RTA's growth. Even though the state's fiscal year runs from July 1st to June 30th and the RTA's figures are based on the calendar year, the growth rates in 1999 were exact. However in 2000, the state's growth rate exceeded the RTA's (6 percent for the RTA versus 7.5 percent for the State). This was a result of the economy weakening in the second half of last year. Since the State's fiscal year ended in June, their results were unaffected by the slowing economy.

Based on the current economic environment, the State of Illinois' Budget Office is revising its revenue projections downward for its 2002 fiscal budget. The Illinois economy has now slowed more than anticipated in 2001 and the latest revenue report from the State places September sales tax lower than in the prior year.

RTA Region

The following sections summarize the population and employment trends in the six-county RTA region. These trends have a significant impact on the demand for public transportation services and on ridership results.

Population Trend

As shown in Exhibit 7-5, the population of the RTA region grew by 11.2 percent between 1990 and 2000. This compares to the overall population growth in the United States, which increased 13.1 percent. The southern and western portion of the United States showed the largest growth over the last ten years.

Since 1990, most of the region's population growth has taken place in the suburbs. Exhibit 7-6 illustrates the annual population growth rates on the basis of 1990 by county. The most dynamic growth occurred in McHenry County, where the population has shown a compound annual growth of 3.5 percent. Will County has grown by 3.4 percent annually between 1990 through 2000. The population in Cook County has shown the lowest annual growth in population in the region over the last ten years, with just a 0.5 percent annual compound growth rate.

In 2000, Cook County represented 67 percent of the total RTA population of approximately 8.1 million. DuPage County makes up 11 percent of the region, followed by Lake County at 8 percent. Will, Kane, and McHenry County account for the remaining 14 percent. The population distribution for 2000 is illustrated on Exhibit 7-7.

Employment Trend

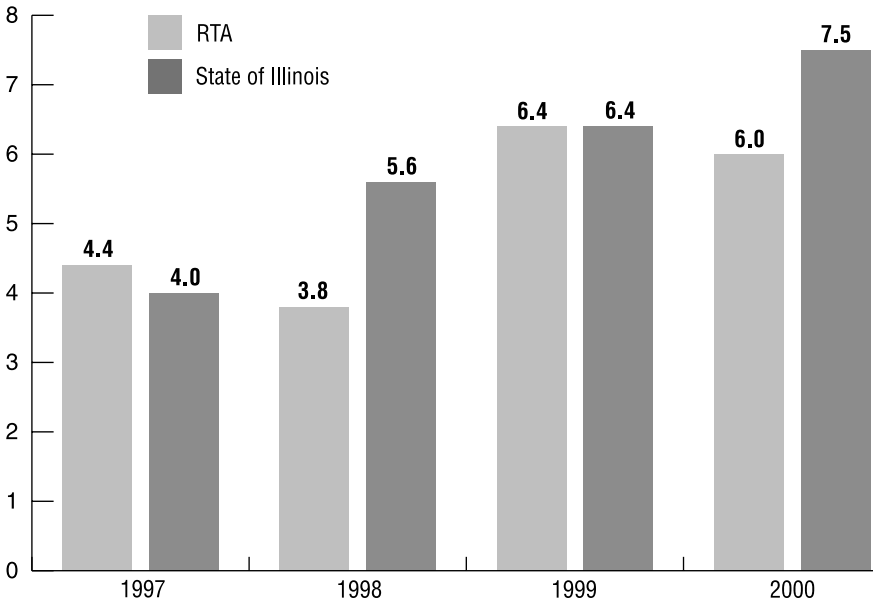
The economy was strong through the latter half of the 1990's creating many jobs. Exhibit 7-8 provides a comparison between the national unemployment level over the last four years, the state of Illinois, and the RTA region by county. Every county in the RTA region, with the exception of Cook, has had an unemployment rate equal to or lower than the national and the state averages from 1997 through 2000. In 2000, DuPage's unemployment rate was 2.6 percent. McHenry, Lake and Kane counties had unemployment rates below 4 percent. The national and state unemployment level was at 4 percent and 4.4 percent in 2000, respectively.

The Illinois employment situation has worsened during 2001, as Illinois appears to be entering a period of modest economic growth following the unusually long economic expansion of the 1990's. However, Illinois labor markets remain healthier than they have been over much of the past twenty years. The Illinois unemployment rate ended calendar year 2000 at 4.7 percent. In March of 2001, the Illinois rate exceeded 5 percent for the first time in 50 months and it has stayed above 5 percent. The gap between the Illinois and U.S. unemployment rates has also worsened.

The 16.6 percent employment growth in the RTA region shown by Woods and Poole Economics Forecast between 1990 and 2000 greatly outpaced the 11.2 percent population growth recorded by the U.S. Census Bureau.

Exhibit 7-4

RTA 1997-2000 Sales Tax Growth vs. The State (in percent)



Source: Illinois Department of Revenue.

Exhibit 7-5

Population Trend (in thousands)

Area	1970	1980	1990	2000
Cook	5,499.18	5,246.50	5,104.42	5,376.74
DuPage	489.11	661.53	785.58	904.16
Kane	251.90	279.00	319.63	404.12
Lake	383.11	442.61	519.85	644.40
McHenry	111.66	148.24	185.23	260.08
Will	249.03	325.07	359.28	502.27
Total	**6,983.98**	**7,102.96**	**7,273.99**	**8,091.77**

Source: United States Census Bureau.

Employment totals from 1970 through 2020 by county are presented in Exhibit 7-9. The last actual year is 1998, values from 1999 through 2020 are based on the Woods & Poole forecast.

Similar to population trends, suburban jurisdictions have led the region in employment growth since 1990. The total employment in the five "collar" counties from 1990 to 2000 increased by 40 percent, which is equal to a 3.4 percent compound annual growth rate. Increases were shown in all suburban areas, ranging from 43.9 percent (3.7 percent annually) in Will County to 28.4 percent (2.5 percent annually) in Kane County.

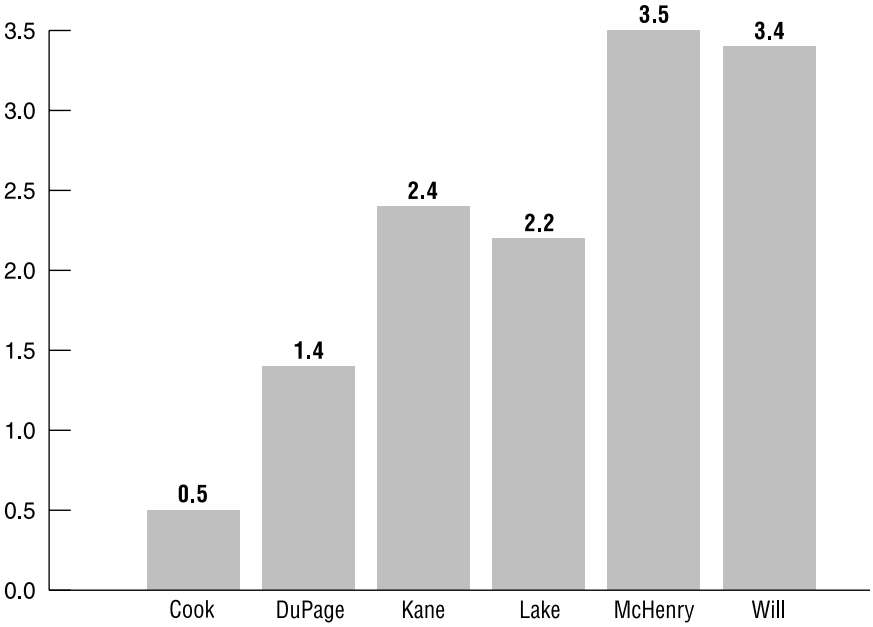
Meanwhile, the employment in Cook County increased by 7.7 percent (0.7 percent annual growth). However, in 2000 Cook County still represented 67 percent of the total RTA region employment (in 1990 this proportion was 72 percent).

The employment distribution trend in the RTA region by economic sectors is illustrated in Exhibit 7-10. The most dynamic growth has taken place in the service sector, with the biggest loss from manufacturing.

Exhibit 7-11 shows the actual distribution of employment in the RTA region during 1998. Services make up the largest distribution of employment with 32 percent. Retail trade is next at 15 percent, followed by manufacturing at 14 percent. Government employment and finance/insurance/real estate represent 11 percent and 10 percent of employment, respectively.

Exhibit 7-6

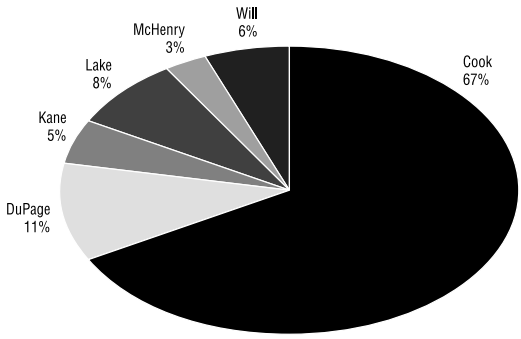
1990-2000 Annualized Growth Rates of RTA Region Population (in percent)



Source: United States Census Bureau.

Exhibit 7-7

2000 RTA Region Population Distribution by County



Source: United States Census Bureau.

Exhibit 7-8

Unemployment Rates 1997-2000 (in percent)

	1997	1998	1999	2000
United States	**4.9**	**4.5**	**4.2**	**4.0**
Illinois	**4.7**	**4.5**	**4.3**	**4.4**
Six-County Area	**4.5**	**4.3**	**4.1**	**4.2**
Cook	5.0	4.7	4.5	4.7
DuPage	2.9	2.7	2.7	2.6
Kane	4.2	3.9	3.8	3.9
Lake	3.5	3.7	3.4	3.6
McHenry	3.5	3.5	3.2	3.2
Will	4.4	4.2	4.0	4.0

Source: Illinois Department of Employment Security.

Exhibit 7-9

Employment Trends (in thousands)

Area	1970	1980	1990	2000	2010	2020
Cook	2,809.25	2,913.49	3,135.36	3,377.30	3,579.12	3,828.71
DuPage	158.83	289.47	509.44	729.25	851.14	949.57
Kane	110.04	133.62	175.50	225.35	261.57	294.59
Lake	166.94	211.19	298.93	417.53	515.78	608.56
McHenry	42.26	56.76	83.77	117.11	143.45	167.34
Will	88.47	102.31	125.01	179.90	217.83	258.97
Total	**3,375.79**	**3,706.84**	**4,328.01**	**5,046.44**	**5,568.89**	**6,107.74**

Source: Woods & Poole Economics Forecast, 2001.

Exhibit 7-10

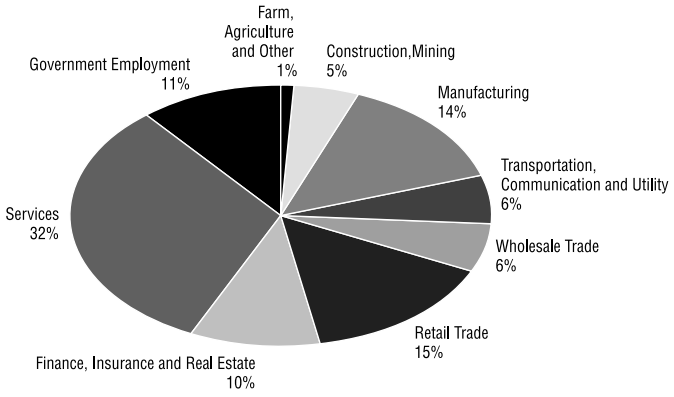
Distribution of Employment (by percent)

	1970	1980	1990	2000	2010	2025
Percent of Jobs in Manufacturing	28.07	21.89	15.40	13.02	11.93	10.43
Percent of Jobs in Services	18.66	23.28	29.41	34.42	36.28	39.27
Percent of Jobs in Farming	0.31	0.26	0.16	0.11	0.09	0.07
Percent of Jobs in Government	12.66	12.89	11.59	10.43	9.94	9.40

Source: Woods & Poole Economics Forecast, 2001.

Exhibit 7-11

1998 RTA Region Distribution of Employment



Source: Woods & Poole Economics Forecast, 2001.

Exhibit 7-12

Office Occupancy Rates (percent)

1st Quarter	Downtown	Suburban
1988	88.7	78.8
1990	87.9	79.9
1992	83.5	81.0
1994	80.6	82.9
1996	82.9	88.4
1998	87.7	90.5
1999	89.5	91.0
2000	91.7	89.5
2001	92.0	89.5

Source: Prime Group Realty Trust.

Another indicator of employment strength is the downtown real estate market, which has had large blocks of unoccupied space and bargain rents available as a result of overbuilding in the 1980s. Exhibit 7-12 shows that downtown office occupancy rates decreased from 1988 through 1994. At the same time, suburban occupancy rates, which historically have been lower, increased. Both markets report a significant gain in occupancy rates between 1994 and 2001. The increase in suburban office space increases demand in suburban corridors served by Metra and Pace. The challenge faced by Metra and Pace is how to serve the growing suburb-to-suburb, and city-to-suburb (reverse commute) markets better and more efficiently.

As a result of the slowing economy, it is expected that vacancy rates for office space will begin to increase throughout the remainder of 2001 and into 2002.

Exhibit 7-13

2002 RTA Budget Calendar (dates listed are for 2001)

2002 Budget, 2003-2004 Financial Plan and Five-Year (2002-2006) Capital Program

6/6	Finance Committee meeting; 2002 budget call release.
8/1	Deadline for Service Board Capital Program Submittals.
8/2 - 8/31	RTA analysis of the Service Board's preliminary five-year capital program. Agency and Service Board staff discuss issues. RTA staff prepares the preliminary capital program funding "marks."
8/16	Service Boards submit macro budget and two-year financial plan to the RTA.
8/17 - 31	RTA staff analysis of the Service Board's macro budget and two-year financial plan. Agency and Service Board staffs discuss business issues.
9/4 - 9/7	RTA staff prepares the budget, the two-year financial plan and the five-year capital program summaries for management review.
9/10	RTA staff submits for management review, the finance and ordinance information required to: (1) set the operating "funding marks" for the 2002 budget and the 2003-2004 financial plan of each Service Board, (2) set the 2002 budget "recovery ratio" for each Service Board.
9/14	RTA Planning Committee and Finance Committee meetings to review and discuss the preliminary five-year capital program funding "marks."
9/14	Finance Committee meeting to review each Service Board's budget and two-year financial plan, and discuss the ordinance setting the operating "funding marks" and "recovery ratio."
9/14	RTA Board meeting to discuss and adopt the ordinance which sets the operating "funding marks" from 2002 through 2004, the 2002 recovery ratio and the preliminary five-year capital program "marks" for each Service Board.
9/14 - 10/12	Service Boards develop detailed budgets, two-year financial plans and preliminary five-year capital programs. Staff of the RTA and Service Boards meet to review issues.
10/15 - 11/14	Service Board's release their budget, two-year financial plan and preliminary five-year capital program documents to the public, attend county board meetings and hold public hearings.
10/15 - 12/14	FTA releases FY 2002 Apportionments in the Federal Register.
10/15 - 12/14	Negotiations regarding the FTA Sections 5309 allocation between NE Illinois and NW Indiana are conducted between the RTA and NIRPC.
11/6 - 11/8	RTA Board Committees and the Board review the Agency budget.
11/8 - 12/7	RTA Board Members and staff present highlight summaries of the regions proposed budget, two-year financial plan and preliminary five-year capital program to County Committees and their Boards.
11/15	Service Board proposed budgets; two-year financial plans and revised five-year capital programs are submitted to the RTA.
11/16	CATS Work Program Committee meets to recommend the FTA Section 5309 allocation between NE Illinois and NW Indiana.
11/16 - 29	RTA staff consolidates the proposed budget, financial plan and revised capital program information of the Service Boards and Agency into the RTA's proposed 2002 Annual Budget and Five-Year Program document.
11/30	The RTA's proposed 2002 Annual Budget and Five-Year Program document is available for public inspection.
12/11	RTA holds public hearings on the consolidated 2002 budget, 2003-2004 financial plan and 2002-2006 capital program.
12/13	CATS Policy Committee authorizes the CATS Executive Director to execute the endorsement of the FTA Section 5307 allocation between NE Illinois and NW Indiana.
12/14	RTA Planning Committee, Finance Committee and RTA Board meet to review and adopt an ordinance for the 2002 budget, the 2003-2004 financial plan and the revised five-year capital program. RTA Board fails to adopt budget.
12/18	RTA Board meets again to review and adopt an ordinance for the 2002 budget, the 2003-2004 financial plan and the revised five-year capital program. RTA Board fails to adopt budget.
12/28	RTA Board adopts an ordinance for the 2002 budget, the 2003-2004 financial plan and the revised five-year capital program.

Exhibit 7-14

Five-Year Capital Program (Schedule II) by Service Board and Project Number

		2002	2003	2004	2005	2006	Total
CTA Rolling Stock–Bus							
21.803	Perform Bus Maintenance Activities (TC) – Systemwide	5,088,250	5,088,250	5,088,250	5,088,250	5,088,250	25,441,250
21.806	Perform Mid-Life (6000 Series) and Life Extending Overhaul (4400 Series) – Systemwide	12,639,913	8,800,000	8,800,000	0	0	30,239,913
31.054	Purchase a Minimum of 75 Articulated Buses – Systemwide (Partial $)	23,000,000	0	0	0	0	23,000,000
31.054	Purchase a Minimum of 957 Replacement Buses (467 Flxible and 490 TMC)– Systemwide (Partial $)	0	63,045,000	69,205,600	655,620	0	132,906,220
50.017	Purchase Automated Bus Announcement System – Systemwide	11,000,000	0	0	0	0	11,000,000
	Total CTA Rolling Stock–Bus	**51,728,163**	**76,933,250**	**83,093,850**	**5,743,870**	**5,088,250**	**222,587,383**
	Total CTA Bus	**51,728,163**	**76,933,250**	**83,093,850**	**5,743,870**	**5,088,250**	**222,587,383**
CTA Rolling Stock–Rail							
22.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation – Systemwide	8,000,000	3,000,000	3,000,000	6,084,000	61,060,000	81,144,000
22.906	Perform Rail Car Maintenance Activities (TC) – Systemwide	5,959,670	5,959,670	5,959,670	5,959,670	5,959,670	29,798,350
132.055	Implement Test Cars for New Technology Demonstration on up to 8 Rapid Transit Cars (2400 Series, Partial $) – Systemwide	5,000,000	0	6,000,000	5,000,000	0	16,000,000
132.056	Replace a Minimum of 610 Rail Cars (2200 and 2400 Series, Partial $) – Systemwide	35,469,300	40,131,300	133,526,000	177,000,000	123,000,000	509,126,600
	Total CTA Rolling Stock–Rail	**54,428,970**	**49,090,970**	**148,485,670**	**194,043,670**	**190,019,670**	**636,069,950**
CTA Track & Structure–Rail							
171.036	Renew Structure at the Logan Square Connector – Blue and Red Lines	1,400,000	0	0	0	0	1,400,000
171.036	Renew Structure at the South Loop – Blue and Red Lines	0	0	5,304,500	0	0	5,304,500
171.133	Repair Track and Structure Defects – Systemwide	5,400,804	5,400,804	5,400,804	5,400,804	5,400,804	27,004,020
171.217	Replace Flange Angles – North Main Line and Ravenswood	10,448,100	9,834,543	10,129,579	3,376,441	0	33,788,663
173.022	Rehab Viaducts and Retaining Walls at the Main Street – Evanston/ Purple Line	6,719,155	0	5,627,544	11,880,764	8,290,790	32,518,253
181.045	Upgrade Track – Addison to O'Hare (Partial $)/ Blue Line	2,000,000	8,963,820	8,963,820	8,963,820	0	28,891,460
181.046	Replace Ties on the North Main Line/ Red Line and Ravenswood/ Brown Line	8,494,931	8,427,422	8,072,767	0	0	24,995,120
181.047	Renew Right-of-Way and Footwalk – Systemwide	3,361,353	3,462,194	3,566,059	3,672,950	3,783,203	17,845,759
194.138	Rehab Clark Junction (Southport to Armitage, Partial $) – Red and Brown Lines	43,200,000	0	0	0	0	43,200,000
194.139	Rehabilitate Dan Ryan Branch (22nd St. to 95th St., Partial $) – Red Line (Design/Construct)	79,547,165	145,021,986	0	0	0	224,569,151
	Total CTA Track & Structure–Rail	**160,571,508**	**181,110,769**	**47,065,073**	**33,294,779**	**17,474,797**	**439,516,926**
CTA Electric, Signal & Communications–Rail							
121.018	Replace/ Upgrade Power Distribution and Signals (Partial $) – State Street Subway	0	37,103,417	36,966,327	44,871,058	0	118,940,802
121.018	Replace/ Upgrade Power Distribution and Signals (Partial $) – Yellow Line	18,768,241	0	0	0	0	18,768,241
	Total CTA Electric, Signal & Communications–Rail	**18,768,241**	**37,103,417**	**36,966,327**	**44,871,058**	**0**	**137,709,043**
CTA Support Facilities & Equipment–Rail							
74.066	Expand 98th Shop Capacity – Red Line	0	0	1,092,727	0	0	1,092,727
	Total CTA Support Facilities & Equipment	**0**	**0**	**1,092,727**	**0**	**0**	**1,092,727**
CTA Stations & Passenger Facilities–Rail							
141.272	Provide for Design Engineering for a Minimum of 5 Rail Stations Reconstruction – Blue and Purple Lines	0	1,630,037	1,440,124	0	0	3,070,161
141.273	Reconstruct a Minimum of 5 Rail Stations (Partial $) – Howard/ Red Line, O'Hare/ Blue Line and Evanston/ Purple Line	983,454	14,337,983	38,306,702	0	83,683,759	137,311,898
	Total CTA Stations & Passenger Facilities–Rail	**983,454**	**15,968,020**	**39,746,826**	**0**	**83,683,759**	**140,382,059**
CTA Acquisitions & Extensions–Rail							
194.115	Expand CTA Ravenswood Line/ Design and Construction/ Ravenswood – Brown Line	24,550,156	27,983,616	75,256,446	56,600,702	77,354,029	261,744,949
194.117	Reconstruct Douglas Branch – Blue Line (Partial $)	35,000,000	55,000,000	85,000,000	85,000,000	40,320,353	300,320,353
194.817	Rehab CTA Douglas Branch Debt Service/ Blue Line (Partial $)	10,500,000	0	0	0	0	10,500,000
	Total CTA Acquisitions & Extensions–Rail	**70,050,156**	**82,983,616**	**160,256,446**	**141,600,702**	**117,674,382**	**572,565,302**
	Total CTA Rail	**304,802,329**	**366,256,792**	**433,613,069**	**413,810,209**	**408,852,608**	**1,927,335,007**
CTA Electric, Signal, & Communications–System							
52.018	Implement Control Center and SCADA Operation System Projects – Systemwide	3,624,360	0	2,500,000	0	0	6,124,360
53.016	Implement Systemwide Communication Upgrades – Systemwide	6,889,000	5,000,000	16,390,905	5,000,000	5,000,000	38,279,905
	Total CTA Electric, Signal, & Communications–System	**10,513,360**	**5,000,000**	**18,890,905**	**5,000,000**	**5,000,000**	**44,404,265**
CTA Support Facilities & Equipment–System							
42.023	Improve Facilities – Systemwide	4,554,791	4,691,435	4,832,178	4,977,020	5,126,418	24,181,842
61.059	Implement Computer Systems – Systemwide	9,051,125	3,825,909	3,079,966	2,504,677	2,455,304	20,916,981
62.09	Replace Financial Systems – Systemwide	10,000,000	6,556,362	0	4,000,000	2,000,000	22,556,362
70.023	Improve Bus/ Rail Facilities – Systemwide	3,904,276	3,904,276	3,904,276	3,904,276	3,904,276	19,521,380
73.059	Improve Facilities – Systemwide	13,541,555	1,647,000	0	53,325,290	54,925,976	123,439,821
76.041	Replace/ Upgrade Hoists, Escalators, and Elevators – South Shop/Loop/ Red Line	3,060,000	15,567,198	2,185,454	2,250,962	2,318,530	25,382,144

		2002	2003	2004	2005	2006	Total
84.059	Purchase Equipment and Non-Revenue Vehicles – Systemwide	11,821,005	8,130,408	8,374,320	8,625,337	8,884,247	45,835,317
102.039	Implement Automated Fare Control (AFC) Projects – Systemwide	13,393,980	45,440,000	2,121,800	1,092,700	2,251,000	64,299,480
190.037	Provide for Land Acquisition – Systemwide	10,000,000	5,000,000	5,000,000	0	0	20,000,000
	Total CTA Support Facilities & Equipment–System	**79,326,732**	**94,762,588**	**29,497,994**	**80,680,262**	**81,865,751**	**366,133,327**
CTA Stations & Passenger Facilities–System							
110.011	Improve Systemwide Signage Program – Systemwide	0	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
	Total CTA Stations & Passenger Facilities Total–System	**0**	**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**	**12,000,000**
		2002	2003	2004	2005	2006	Total
CTA Miscellaneous–System							
190.033	Implement Quality Assurance Program – Systemwide	370,156	381,261	392,699	404,470	416,611	1,965,197
193.81	Provide for Unanticipated Capital – Systemwide	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
202.205	Provide for Program Management – Systemwide	4,000,000	4,000,000	4,000,000	0	0	12,000,000
202.218	Expand Transit Options – Systemwide	3,000,000	0	0	0	0	3,000,000
	Total CTA Miscellaneous–System	**9,370,156**	**6,381,261**	**6,392,699**	**2,404,470**	**2,416,611**	**26,965,197**
		2002	2003	2004	2005	2006	Total
CTA Contingencies & Administration–System							
000.000	Provide for Project Administration	44,379,934	55,389,083	52,972,744	59,216,740	61,897,818	273,856,319
	Total CTA Contingencies & Administration–System	**44,379,934**	**55,389,083**	**52,972,744**	**59,216,740**	**61,897,818**	**273,856,319**
	Total CTA System	**143,590,182**	**164,532,932**	**110,754,342**	**150,301,472**	**154,180,180**	**723,359,108**
	Total CTA	**500,120,674**	**607,722,974**	**627,461,261**	**569,855,551**	**568,121,038**	**2,873,281,498**
		2002	2003	2004	2005	2006	Total
Metra Rolling Stock–Rail							
3104	Purchase a Minimum of 26 New Diesel Locomotives – MET (Partial $)	17,660,000	37,512,000	0	0	0	55,172,000
3301	Rehabilitate a Minimum of 15 Locomotives (#185-199) – MET (Partial $)	1,550,000	0	0	0	0	1,550,000
3308	Rebuild Air Brakes – MET (Partial $)	3,100,000	3,200,000	3,200,000	3,300,000	3,400,000	16,200,000
3310	Purchase a Minimum of 300 New Accessible Bi-Level Cars – MET (Partial $)	68,827,640	18,533,634	142,783,126	0	0	230,144,400
3401	Rehabilitate a Minimum of 15 Locomotives (#200-214, Partial $) – MET	4,818,000	4,640,000	0	0	0	9,458,000
3402	Overhaul and Upgrade a Minimum of 75 Traction Motors – MWD, RID, UPR, and BNSF	750,000	0	0	0	0	750,000
3403	Rehabilitate up to 20 Bi-Level Cars – BNSF (Partial $)	0	4,523,000	0	0	0	4,523,000
3404	Rehabilitate a Minimum of 20 Commuter Rail Cars (#7221-7240) – UPR (Partial $)	0	6,250,000	3,800,000	0	0	10,050,000
3406	Improve Cars and Locomotives – MET	500,000	0	0	0	0	500,000
3407	Overhaul Traction Motors on Highliner Cars – MED	750,000	0	0	0	0	750,000
3408	Replace Wheels – MET	500,000	500,000	550,000	600,000	650,000	2,800,000
3409	Replace Commuter Car Batteries – MET	500,000	500,000	550,000	600,000	650,000	2,800,000
3410	Purchase up to 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars (Repl., Partial $) – MED	11,605,000	28,000,000	32,000,000	0	0	71,605,000
3605	Install Locomotive Air Conditioning and Other Improvements – MET	150,000	0	0	0	0	150,000
96-003	Install FRA Window Glazing – MET	0	250,000	0	250,000	0	500,000
96-124	Overhaul Traction Motors – MET	0	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-151	Rehabilitate a Minimum of 122 Cars – MWD	0	4,000,000	4,000,000	6,000,000	7,470,000	21,470,000
AC-101	Rehabilitate a Minimum of 119 Cars – BNSF	0	5,616,000	5,000,000	5,000,000	5,020,000	20,636,000
AF-111	Rehabilitate Locomotives (GMC/EMD) – MET	0	4,000,000	9,630,000	9,275,000	3,000,000	25,905,000
AF-171	Overhaul Traction Motors on the Highliner Cars – MED	0	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
AG-151	Rehabilitate Cars (Amerail) – MET	0	0	0	0	8,000,000	8,000,000
AG-152	Improve Cars and Locomotives – MET	0	500,000	500,000	500,000	500,000	2,000,000
AG-181	Replace Rolling Stock – MED	0	0	0	20,000,000	30,000,000	50,000,000
AH-121	Install Locomotive Air Conditioning and Other Improvements – Systemwide	0	150,000	150,000	150,000	150,000	600,000
	Total Metra Rolling Stock–Rail	**110,710,640**	**120,174,634**	**204,163,126**	**47,675,000**	**60,840,000**	**543,563,400**
		2002	2003	2004	2005	2006	Total
Metra Track & Structure–Rail							
2038	Renewal of Salt Creek Bridge – MWD-W	0	2,000,000	0	0	0	2,000,000
2112	Replace Bridges – UPR-N (Partial $)	4,673,503	22,608,997	49,560,990	31,069,010	6,397,500	114,310,000
2715	Rehabilitate Retaining Walls – UPR-West Line	500,000	0	0	0	0	500,000
2927	Replace 4 Bridges, 57th-60th Streets – RID (Partial $)	4,000,000	5,000,000	4,000,000	3,500,000	0	16,500,000
2931	Fill Bridges – MET	500,000	0	0	0	500,000	1,000,000
2933	Construct Belmont Road Grade Separation – BNSF	0	4,000,000	0	0	0	4,000,000
2943	Reconstruct Bridge 17-1 – MED	2,000,000	3,000,000	0	0	0	5,000,000
3316	Improve Crossings (Road and Track) – RID, MED, MWD	1,800,000	0	0	0	0	1,800,000
3325	Replace 21 Bridges, 18th - 55th Streets – RID (Partial $)	15,468,750	36,093,750	38,512,500	8,350,000	7,100,000	105,525,000
3338	Replace Bridge Deck Insulation – BNSF	150,000	0	0	0	0	150,000
3419	Provide for Rail Grinding (all Railroads) – MET	150,000	0	0	0	0	150,000
3421	Purchase Plant Welding Services – MET	150,000	0	0	0	0	150,000
3422	Provide for Rail Grinding – UPR	130,000	0	0	0	0	130,000
3426	Install New Rail – MWD-W	1,500,000	0	0	0	0	1,500,000
3427	Improve North Central Service – NCS (Partial $)	4,000,000	4,000,000	1,000,000	0	0	9,000,000
3428	Replace Rail – UPR-West Line	1,000,000	0	0	0	0	1,000,000
3432	Reconstruct Bridge Z-108 (Elgin) – MWD-W	0	0	0	0	1,000,000	1,000,000
3433	Reconstruct Halsted Street Bridge (#96) – RID	0	0	0	0	1,800,000	1,800,000
3435	Replace Northwest Line Bridges on Track 2 – UPR-NW (Partial $)	12,000,000	4,000,000	0	0	0	16,000,000
3438	Rehabilitate Retaining Walls – UPR-West Line	0	1,000,000	0	1,000,000	1,000,000	3,000,000
3442	Install Right-of-Way Fencing – MET (IDOT GRF)	100,000	0	0	0	0	100,000
3444	Rehabilitate Catenary Structure – MED	800,000	0	0	0	0	800,000
3512	Provide for J Line Improvements – MWD-North Line	0	0	0	4,000,000	3,000,000	7,000,000
3519	Install New Crossovers at LaVergne and Congress Park – BNSF (Partial $)	3,100,000	5,600,000	0	0	0	8,700,000
3611	Install Ties, Ballast, Switch Heaters – BNSF	1,950,000	0	0	0	0	1,950,000
3612	Install Ties and Ballast – MWD-North Line	2,000,000	0	0	0	0	2,000,000
3613	Install Ties and Ballast – RID	3,000,000	0	0	0	0	3,000,000
3614	Install Ties and Ballast – UPR	2,200,000	0	0	0	0	2,200,000

		2002	2003	2004	2005	2006	Total
3615	Provide for Rail Grinding – BNSF	40,000	0	0	0	0	40,000
3619	Purchase and Construction of Undercutting – BNSF	200,000	0	0	0	0	200,000
3620	Provide for Undercutting and Surfacing – RID	2,000,000	0	0	0	0	2,000,000
3621	Provide for Undercutting at Stations – UPR	400,000	0	0	0	0	400,000
3622	Replace Rail Relay and Switches – BNSF	1,150,000	0	0	0	0	1,150,000
3623	Replace Rail – MED	1,000,000	0	0	0	0	1,000,000
3627	Bridge Upgrades – MWD	200,000	0	0	0	0	200,000
3628	Reconstruct Hickory Creek Bridge (#339) – RID	500,000	0	0	0	0	500,000
3630	Rehabilitate Retaining Wall – BNSF	200,000	0	0	0	0	200,000
3631	Rehabilitate Retaining Wall – RID	500,000	0	0	0	0	500,000
3632	Purchase Intertrack Fencing and Installation – BNSF	150,000	0	0	0	0	150,000
3634	Purchase and Install Right-of-Way Fencing – UPR	100,000	0	0	0	0	100,000
96-008	Rehabilitate Retaining Wall – BNSF	0	350,000	300,000	350,000	0	1,000,000
96-015	Replace Rail – MED	0	1,000,000	0	1,000,000	2,000,000	4,000,000
96-017	Replace Ties and Ballast – MED	0	0	1,500,000	0	2,000,000	3,500,000
96-018	Replace Ties and Ballast – MWD-W	0	0	0	0	2,000,000	2,000,000
96-019	Replace Rail – MWD-W	0	1,500,000	2,000,000	2,000,000	2,000,000	7,500,000
96-020	Replace Rail – MWD-North Line	0	0	0	1,000,000	0	1,000,000
96-072	Replace Ties and Ballast – MWD-North Line	0	2,000,000	0	2,000,000	2,000,000	6,000,000
96-073	Provide for Rail Grinding (all Railroad Stations) – MET	0	300,000	300,000	300,000	300,000	1,200,000
96-074	Install Right-of-Way Fencing – MET	0	100,000	100,000	100,000	100,000	400,000
96-104	Replace Rail – RID	0	1,000,000	0	0	0	1,000,000
96-107	Replace Rail – UPR	0	1,500,000	2,000,000	2,000,000	2,000,000	7,500,000
96-116	Replace Ties and Ballast – UPR	0	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
96-126	Rehabilitate Retaining Wall – MET	0	0	1,000,000	0	1,000,000	2,000,000
96-128	Rehabilitate Catenary Structure – MED	0	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-133	Provide for Undercutting at Stations – UPR	0	400,000	400,000	400,000	400,000	1,600,000
96-137	Replace Ties and Ballast – SWS	0	0	0	0	1,500,000	1,500,000
96-184	Renew Bridge # 377 at Hickory Creek – RID	0	0	0	0	500,000	500,000
96-276	Replace Ties and Ballast – RID	0	2,000,000	1,000,000	2,000,000	1,000,000	6,000,000
96-302	Upgrade Bridges – MWD	0	500,000	500,000	500,000	500,000	2,000,000
AC-201	Provide for Undercutting – BNSF	0	470,000	500,000	500,000	500,000	1,970,000
AC-204	Recondition Bridges – UPR	0	800,000	800,000	800,000	800,000	3,200,000
AC-207	Renew 73rd St Bridge (#9-1) – MED	0	0	0	0	500,000	500,000
AC-208	Replace Sacramento Boulevard Bridge – MWD-W	0	0	0	800,000	14,000,000	14,800,000
AD-202	Inspect New Rail – MET	0	100,000	100,000	50,000	50,000	300,000
AD-203	Install Right-of-Way Fencing – UPR	0	200,000	200,000	200,000	200,000	800,000
AD-204	Replace Handrailing and Walkways – UPR	0	300,000	300,000	300,000	0	900,000
AD-211	Re-Install Intertrack Fencing – BNSF	0	150,000	150,000	150,000	150,000	600,000
AD-214	Provide for Rail Grinding – BNSF	0	40,000	40,000	40,000	0	120,000
AE-201	Replace Ties, Ballast, Switch Heaters – BNSF	0	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
AE-202	Replace Rail and Switches – BNSF	0	900,000	800,000	800,000	800,000	3,300,000
AE-242	Rehabilitate Montrose Avenue Bridge (A-36) – MWD-North Line	0	0	0	0	600,000	600,000
AE-243	Rehabilitate 75th Street Bridge (#82) – RID	0	0	0	0	600,000	600,000
AE-244	Rehabilitate Gresham Area Bridges – RID	0	0	0	0	1,000,000	1,000,000
AE-245	Rehabilitate Palos Park Area Bridges – SWS	0	0	0	0	1,000,000	1,000,000
AF-211	Upgrade Crossings (Road and Track) – RID, MED, MWD	0	2,200,000	2,500,000	2,500,000	2,500,000	9,700,000
AF-213	Provide for Rail Grinding – UPR	0	130,000	130,000	130,000	130,000	520,000
AF-241	Rehabilitate Bridge #9-43 At 76th Street – MED	0	0	0	375,000	1,250,000	1,625,000
AG-207	Replace Ties and Ballast – UPR	0	1,000,000	1,000,000	0	0	2,000,000
AG-214	Purchase Welding Services – MET	0	150,000	150,000	150,000	150,000	600,000
AH-226	Provide for Undercutting and Surfacing – RID	0	0	0	1,000,000	1,000,000	2,000,000
	Total Metra Track & Structure–Rail	**67,612,253**	**108,592,747**	**113,043,490**	**71,564,010**	**67,527,500**	**428,340,000**
Metra Electric, Signal & Communications–Rail							
2539	Install Bi-Directional Signaling, 11th - 67th – MED	0	0	0	1,000,000	1,000,000	2,000,000
2545	Install Bi-Directional Signaling, 67th-115th – MED	900,000	0	0	0	0	900,000
2623	Upgrade Centralized Traffic Control (CTC) at Kensington, CCF – MED	0	600,000	400,000	0	0	1,000,000
2835	Replace Transmission Lines – MED	0	0	700,000	0	0	700,000
2938	Renew A5 Interlocker, CCF – MWD	0	0	0	2,000,000	4,000,000	6,000,000
2939	Renew Gresham Interlocker, Consolidated Control Facility (CCF) – RID	0	0	1,000,000	3,000,000	3,000,000	7,000,000
2941	Upgrade Harvey Electrical Substation – MED	500,000	0	0	0	0	500,000
2942	Provide for Electronic Conversion of Drawings – MED	0	150,000	150,000	150,000	150,000	600,000
3241	Upgrade Lake Street Interlocker – CUS (Partial $)	9,000,000	12,000,000	10,250,000	7,450,000	0	38,700,000
3242	Renew Interlocker – UPR	0	600,000	0	0	0	600,000
3246	Replace Catenary Wire – MED	0	0	0	0	1,200,000	1,200,000
3248	Install Electrical Backup Generators for Hot Air Blowers – MWD, RID, SWS, MED	1,000,000	1,000,000	1,000,000	0	0	3,000,000
3334	Install Crossing Recorders – MET	0	0	0	600,000	0	600,000
3337	Upgrade Lake Street Interlocker – UPR (Partial $)	1,000,000	1,500,000	2,500,000	10,000,000	1,000,000	16,000,000
3339	Upgrade Electrical Equipment at Vollmer Road – MED	0	0	0	0	800,000	800,000
3340	Replace of 4KV Transmission Lines – MED	0	0	0	700,000	900,000	1,600,000
3439	Install Passenger Information Display Systems (PIDS) – MET	5,500,000	2,000,000	2,500,000	0	0	10,000,000
3440	Upgrade West Line Signal – MWD-W	0	900,000	0	0	0	900,000
3446	Install Fiber Optic Cable – BNSF (Partial $)	3,600,000	1,300,000	4,200,000	5,700,000	4,700,000	19,500,000
3453	Install Pedestrian Crosswalk Signals – MET	600,000	0	0	0	0	600,000
3454	Install Train Information Management System (Partial $) – MET	3,000,000	3,000,000	0	0	0	6,000,000
3514	Upgrade Turnouts at Crystal Lake Junction – UPR-NW	2,000,000	0	0	0	0	2,000,000
3516	Replace Switch Heaters – RID and MWD	1,500,000	1,000,000	0	0	0	2,500,000
3640	Replace Signal Bridge – BNSF	150,000	0	0	0	0	150,000
3645	Provide for Communications Equipment – MET	300,000	0	0	0	0	300,000
3646	Removal of Automated Revenue Collection System (ARCS) Cable – MED	300,000	0	0	0	0	300,000
3648	Replace Batteries – UPR	300,000	0	0	0	0	300,000
96-023	Install Crossing Protection – BNSF	0	0	0	0	800,000	800,000

		2002	2003	2004	2005	2006	Total
96-034	Replace Batteries – UPR	0	300,000	300,000	300,000	0	900,000
96-037	Install Coded Track Signals at Lake Forest - Rondout – MWD-North Line	0	0	1,000,000	700,000	700,000	2,400,000
96-038	Install Coded Track Signals, B12-B35 – MWD	0	0	0	0	500,000	500,000
96-046	Renew Union Depot (UD) Interlocker, Consolidated Control Facility (CCF) – RID	0	0	0	0	300,000	300,000
96-219	Provide for Crossing Improvements – RID	0	0	400,000	0	0	400,000
AC-305	Install Coded Track, Kensington-Matteson – MED	0	0	0	1,500,000	1,500,000	3,000,000
AC-306	Install Crossing Recorders – MET	0	0	0	0	600,000	600,000
AC-308	Install Coded Track, Mokena-Joliet – RID	0	0	0	500,000	0	500,000
AD-307	Install Signal, Crystal Lake-McHenry – UPR-NW	0	0	0	0	500,000	500,000
AD-310	Renew Lake Bluff Interlocker – UPR-N	0	0	0	500,000	0	500,000
AD-320	Upgrade Communications Equipment –MET	0	880,000	230,000	0	0	1,110,000
AG-373	Remove Automated Revenue Collection System (ARCS) Cable – MET	0	0	0	200,000	0	200,000
AG-374	Replace Cab Radios – MET	0	0	0	1,050,000	1,050,000	2,100,000
AH-378	Upgrade Fire Alarm at Western Avenue Yard – MWD	0	250,000	0	0	0	250,000
	Total Metra Electric, Signal & Communications–Rail	**29,650,000**	**25,480,000**	**24,630,000**	**35,350,000**	**22,700,000**	**137,810,000**
Metra Support Facilities & Equipment–Rail							
2848	Upgrade B-1 Building – UPR	0	0	0	0	1,500,000	1,500,000
2850	Construct Crystal Lake Welfare Facilities – UPR-NW	1,100,000	0	0	0	0	1,100,000
2959	Purchase Enterprise Resource Planning System – 547 W. Jackson Blvd. – MET	7,650,000	8,050,000	6,300,000	1,500,000	0	23,500,000
3103	Purchase Maintenance Tracking System – MET	0	1,500,000	1,500,000	0	0	3,000,000
3258	Replace HVAC at 547 West Jackson Blvd – MET	0	0	0	0	6,000,000	6,000,000
3259	Improve 547 West Jackson Exterior – MET	2,000,000	0	0	0	0	2,000,000
3349	Improve Facilities at California Ave. and Western Ave. Interlocker – UPR	0	1,500,000	1,850,000	1,500,000	1,500,000	6,350,000
3350	Rebuild 547 West Jackson Exterior – MET	0	0	0	0	1,600,000	1,600,000
3462	Upgrade Substation Building – MED	500,000	0	0	0	0	500,000
3463	Provide for Capital Vehicle Leases – MET	400,000	0	0	0	0	400,000
3476	Improve Fueling Facilities – MET	1,700,000	1,000,000	0	0	0	2,700,000
3517	Construct Welfare Facilities – MED, RID	0	300,000	0	0	0	300,000
3635	Expand Commuter Control Center – UPR	500,000	0	0	0	0	500,000
3651	Improve Office Building – 547 W Jackson – MET	400,000	0	0	0	0	400,000
3653	Construct Blue Island Yard Storage Building – RID	1,500,000	0	0	0	0	1,500,000
3655	Purchase Office Equipment – 547 W. Jackson Blvd. – MET	280,000	0	0	0	0	280,000
3657	Provide for MIS Equipment – 547 W. Jackson Blvd. – MET	750,000	0	0	0	0	750,000
3658	Provide for Client Server Software – 547 W. Jackson Blvd. – MET	500,000	0	0	0	0	500,000
3661	Provide for Office Furniture – 547 W. Jackson Blvd. – MET	160,000	0	0	0	0	160,000
3664	Renew Facilities – RID, MED, MWD	1,000,000	0	0	0	0	1,000,000
96-014	Purchase Office Equipment – MET	0	280,000	280,000	280,000	280,000	1,120,000
96-045	Purchase Equipment and Vehicles – MET	0	1,000,000	3,600,000	2,500,000	2,600,000	9,700,000
96-326	Provide for Capital Vehicle Leases – MET	0	400,000	400,000	400,000	400,000	1,600,000
AC-406	Upgrade Substation Building – MED	0	500,000	500,000	500,000	500,000	2,000,000
AD-452	Improve Facilities – MET	0	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
AF-408	Provide for Engineering – MET	0	2,500,000	2,500,000	2,500,000	0	7,500,000
AF-451	Purchase Management Information Systems (MIS) Equipment – MET	0	1,000,000	1,300,000	1,300,000	1,500,000	5,100,000
AF-452	Purchase Client Server Software – MET	0	500,000	500,000	500,000	500,000	2,000,000
AG-414	Provide for Kensington Yard Facilities – MED	0	0	0	0	1,200,000	1,200,000
AG-454	Purchase Office Furniture – MET	0	160,000	160,000	160,000	160,000	640,000
AH-411	Renewal of Yards and Shops – MET	0	1,000,000	26,000,000	22,000,000	0	49,000,000
	Total Metra Support Facilities & Equipment–Rail	**18,440,000**	**21,190,000**	**46,390,000**	**34,640,000**	**19,240,000**	**139,900,000**
Metra Stations & Passenger Facilities–Rail							
1528	Construct New Station at 93rd Street/ South Chicago Branch – MED	534,375	427,500	0	0	0	961,875
2482	Construct New Burlington Northern Tollway Station – BNSF	0	0	0	0	6,500,000	6,500,000
2633	Construct New Pingree Road Station – UPR-NW	0	1,400,000	0	0	0	1,400,000
2661	Provide for Oak Park Intermodal Transportation Center – UPR-West Line	356,250	285,000	0	0	0	641,250
2757	Improve Randolph Street Station – MED	9,000,000	0	0	0	0	9,000,000
2779	Rehabilitate Cicero Station Parking Lot – BNSF	0	0	650,000	0	0	650,000
2880	Construct Cicero Avenue Station – BNSF	0	0	0	2,500,000	2,000,000	4,500,000
2883	Rehabilitate College Avenue Station – UPR-W (Partial $)	3,750,000	3,500,000	0	0	0	7,250,000
2970	Rehabilitate Dee Road Station – UPR-NW Line	1,650,000	0	0	0	0	1,650,000
2971	Rehabilitate Edison Park Station – UPR-NW	1,700,000	0	0	0	0	1,700,000
2974	Rehab Crystal Lake Depot – UPR-NW	900,000	0	0	0	0	900,000
2976	Expand Robbins Station Parking – RID	0	600,000	0	0	0	600,000
3171	Improve Bartlett Station – MWD-W	0	0	0	3,300,000	0	3,300,000
3173	Improve Schaumburg Station – MWD-W	3,250,000	0	0	0	0	3,250,000
3180	Construct Aurora Station Parking – BNSF	0	0	0	0	2,500,000	2,500,000
3275	Improve Stations (ADA) – MET	250,000	0	0	0	0	250,000
3276	Install Station Signs – MET	0	250,000	250,000	250,000	250,000	1,000,000
3280	Restore 99th Street-Beverly Station – RID	0	0	2,050,000	0	0	2,050,000
3367	Rehabilitate National Street Station – MWD-W	0	1,500,000	0	0	0	1,500,000
3373	Expand Downers Grove Parking – BNSF	0	875,000	0	0	0	875,000
3378	Design Engineering of the Olympia Fields Parking – MED	2,750,000	0	0	0	0	2,750,000
3384	Provide for Orland Park-143rd Street Parking – SWS (Partial $)	750,000	0	0	1,750,000	0	2,500,000
3465	Design Engineering/ Construction Platforms and Pedestrian Exits – CUS	250,000	500,000	1,500,000	1,000,000	0	3,250,000
3468	Reconstruct 6 South Chicago Branch Stations – MED (Partial $)	6,000,000	5,500,000	5,000,000	0	0	16,500,000
3471	Construct Willow Springs Station – MHC	0	700,000	0	0	0	700,000
3479	Expand Medinah Station Parking – MWD-W	0	0	0	0	800,000	800,000
3487	Construct New Romeoville Station – MHC	0	0	0	0	1,000,000	1,000,000

		2002	2003	2004	2005	2006	Total
3488	Construct West Side of North Glenview Station – MWD-North Line	1,450,000	0	0	0	0	1,450,000
3492	Provide for Parking Lot Improvements – MET	200,000	200,000	200,000	200,000	200,000	1,000,000
3556	Improve Hazel Crest Station Parking – MED	302,500	0	0	0	0	302,500
3562	Expand Mont Clare Station Parking – MWD-W	325,000	0	0	0	0	325,000
3566	Expand Mokena Station Parking – RID	425,000	0	0	0	0	425,000
3572	Expand Dee Road Station Parking – UPR-NW Line	750,000	0	0	0	0	750,000
3573	Expand Elmhurst Station Parking – UPR-West Line	800,000	0	0	0	0	800,000
3589	Design Engineering of Laraway Road New Station – SWS	650,000	0	0	0	0	650,000
3636	Replace LaSalle Street Station Escalators – RID	700,000	0	0	0	0	700,000
3665	Upgrade Stations – MED	400,000	0	0	0	0	400,000
3666	Improve Randolph Street Station Concourse – MED	0	2,500,000	0	0	0	2,500,000
3668	Install ADA Tactiles and Ramps – MET	500,000	0	0	0	0	500,000
3671	Improve Ingleside Station – MWD-North Line	525,000	0	0	0	0	525,000
3672	Improve Northbrook Station MWD - North Line	2,600,000	0	0	0	0	2,600,000
3673	Improve Gresham Station – RID	750,000	0	0	0	0	750,000
3674	Improve Tinley Park Station – RID	2,000,000	0	0	0	0	2,000,000
3678	Improve OTC Concourse – UPR (Partial $)	4,800,000	1,200,000	0	0	0	6,000,000
3693	Perform Parking Appraisals – MET	250,000	0	0	0	0	250,000
3695	Provide for Station and Parking Engineering – MET	6,300,000	0	0	0	0	6,300,000
96-079	Improve Cumberland Station (ADA) – UPR-NW	0	0	0	2,050,000	0	2,050,000
96-083	Improve Fox River Grove Station – UPR-NW	0	0	0	0	1,500,000	1,500,000
96-086	Improve McHenry Station (ADA) – UPR-NW	0	0	0	1,000,000	0	1,000,000
96-129	Improve Platforms & Ramps (ADA) – MET	0	500,000	500,000	500,000	500,000	2,000,000
96-292	Provide for Protective Land Acquisition – MET	0	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
96-293	Provide for Parking Appraisals – MET	0	250,000	250,000	250,000	250,000	1,000,000
96-295	Provide for Station and Parking Engineering – MET	0	5,500,000	5,500,000	5,500,000	5,500,000	22,000,000
96-307	Upgrade Stations – MED	0	600,000	600,000	600,000	600,000	2,400,000
AD-502	Improve West Hinsdale Station – BNSF	0	0	0	0	750,000	750,000
AD-510	Construct 80th Avenue Station – RID	0	0	2,000,000	1,350,000	0	3,350,000
AD-511	Expand Hickory Creek Station – RID	0	0	0	1,000,000	0	1,000,000
AD-513	Replace Oak Forest Station – RID	0	0	0	0	2,000,000	2,000,000
AD-514	Improve Cary Station – UPR-NW	0	0	0	0	1,250,000	1,250,000
AD-555	Construct 80th Avenue Station Parking – RID	0	0	0	1,000,000	0	1,000,000
AE-501	Replace Downers Grove Station – BNSF	0	0	1,500,000	0	0	1,500,000
AE-504	Improve Station Accessibility (ADA) – MET	0	250,000	250,000	250,000	500,000	1,250,000
AE-507	Rehabilitate 115th Street-Morgan Park Station – RID	0	0	0	0	2,500,000	2,500,000
AE-555	Construct South Chicago Branch Parking – MED	0	0	0	750,000	750,000	1,500,000
AE-558	Construct Fox Lake Station Parking – MWD-North Line	0	0	0	700,000	0	700,000
AF-501	Improve Harlem Avenue Station – BNSF	0	0	0	0	3,000,000	3,000,000
AF-531	Improve Glen Ellyn Station – UPR-West Line	0	0	0	2,000,000	0	2,000,000
AG-502	Rehabilitate Belmont Road Station – BNSF	0	0	0	0	2,500,000	2,500,000
AG-503	Improve Halsted Street Station – BNSF	0	800,000	0	0	0	800,000
AG-518	Construct Libertyville Platform – MWD-North Line	0	175,000	0	0	0	175,000
AH-511	Improve Flossmoor Station – MED	0	0	0	0	1,250,000	1,250,000
AH-523	Improve Robbins Station – RID	0	0	0	750,000	0	750,000
AH-544	Improve Winnetka Station – UPR-N	0	0	0	0	2,500,000	2,500,000
	Total Metra Stations & Passenger Facilities–Rail	**54,868,125**	**30,512,500**	**23,250,000**	**29,700,000**	**41,600,000**	**179,930,625**
Metra Miscellaneous–Rail							
2886	Provide for System Mapping Enhancements – MET	100,000	0	0	0	0	100,000
2989	Provide for Advertising – MET	0	100,000	100,000	100,000	0	300,000
2990	Provide for Material Handling Additive – MET	2,000,000	2,000,000	2,000,000	2,000,000	0	8,000,000
2991	Provide for Railroad Protective Liability Insurance – MET	150,000	150,000	150,000	150,000	0	600,000
3288	Provide for Capital Project Security – MET	100,000	0	0	0	0	100,000
3689	Provide for Capital Project Oversight – 547 W. Jackson Blvd. – MET	500,000	0	0	0	0	500,000
3694	Provide for Miscellaneous Engineering – MET	2,000,000	0	0	0	0	2,000,000
3696	Provide for Unanticipated Capital – MET	1,000,000	0	0	0	0	1,000,000
96-296	Provide for Unanticipated Capital – MET	0	1,000,000	1,000,000	1,000,000	0	3,000,000
96-318	Provide for Capital Project Security – MET	0	100,000	100,000	100,000	0	300,000
AH-751	Provide for Capital Project Oversight – MET	0	500,000	400,000	0	0	900,000
	Total Metra Miscellaneous–Rail	**5,850,000**	**3,850,000**	**3,750,000**	**3,350,000**	**0**	**16,800,000**
Metra Acquisitions & Extensions–Rail							
2981	Expand North Central Service – NCS (Partial $)	28,750,000	28,000,000	43,332,159	20,000,000	18,476,237	138,558,396
2982	Extend Southwest Service – SWS (Partial $)	29,793,842	28,563,619	47,638,093	20,090,663	6,043,780	132,129,997
2983	Extend Union Pacific – UPR-West Line (Partial $)	20,000,000	12,000,000	12,000,000	12,000,000	14,989,449	70,989,449
3394	Provide for New Starts Land Acquisition – MET	2,000,000	5,500,000	3,500,000	0	0	11,000,000
	Total Metra Acquisitions & Extensions–Rail	**80,543,842**	**74,063,619**	**106,470,252**	**52,090,663**	**39,509,466**	**352,677,842**
Metra Contingencies & Administration–Rail							
3698	Provide for Project Administration – MET	400,000	0	0	0	0	400,000
3699	Provide for Contingencies – MET	3,165,139	0	0	0	0	3,165,139
AD-798	Provide for Project Administration – MET	0	500,000	500,000	500,000	0	1,500,000
	Total Metra Contingencies & Administration–Rail	**3,565,139**	**500,000**	**500,000**	**500,000**	**0**	
	Total Metra Rail	**371,239,999**	**384,363,500**	**522,196,868**	**274,869,673**	**251,416,966**	**1,804,087,006**
	Total Metra	**371,239,999**	**384,363,500**	**522,196,868**	**274,869,673**	**251,416,966**	**1,804,087,006**
Pace Rolling Stock–Bus							
3607	Purchase Wheelchair Securement Upgrades – Systemwide	450,000	400,000	0	0	0	850,000
3701	Purchase a Minimum of 18 Accessible Fixed Route Buses – Systemwide	5,510,000	0	0	0	0	5,510,000
3701	Purchase a Minimum of 32 Accessible Fixed Route Buses – Systemwide	9,990,000	0	0	0	0	9,990,000
3701	Purchase a Minimum of 7 Accessible Fixed Route Buses – Systemwide	2,100,000	0	0	0	0	2,100,000
3701A	Purchase a Minimum of 270 Fixed Route Buses – Systemwide	0	21,747,247	30,677,247	15,787,247	14,597,247	82,808,988
3702	Purchase a Minimum of 15 Replacement Paratransit Vehicles – Systemwide	975,000	0	0	0	0	975,000

		2002	2003	2004	2005	2006	Total
3702	Purchase a Minimum of 28 Replacement Paratransit Vehicles – Systemwide	1,820,000	0	0	0	0	1,820,000
3702	Purchase a Minimum of 4 Buses (<30') and 3 Paratransit Vehicles (Expansion) – Skokie	1,200,000	0	0	0	0	1,200,000
3702A	Purchase a Minimum of 97 Paratransit Vehicles – Systemwide	0	3,080,000	0	750,000	3,500,000	7,330,000
3704	Purchase a Minimum of 140 Vanpool Vans – Systemwide	4,500,000	0	0	0	0	4,500,000
3704	Purchase a Minimum of 34 Vans for Municipal Vanpool – Systemwide	1,258,000	0	0	0	0	1,258,000
3704A	Purchase a Minimum of 696 Vanpool Vehicles and Equipment – Systemwide	0	5,800,000	5,800,000	5,800,000	5,800,000	23,200,000
3705	Provide for Bus Overhaul/ Maintenance – Systemwide	2,000,000	2,000,000	2,000,000	2,100,000	2,200,000	10,300,000
3706	Purchase Associated Capital Items – Systemwide	2,160,000	2,000,000	1,400,000	1,000,000	1,000,000	7,560,000
3708A	Provide for Extended Warranties – Systemwide	0	100,000	100,000	100,000	100,000	400,000
	Total Pace Rolling Stock–Bus	**31,963,000**	**35,127,247**	**39,977,247**	**25,537,247**	**27,197,247**	**159,801,988**
Pace Electric, Signal & Communications–Bus							
3635	Purchase Intelligent Bus System (IBS) (Phase II) – Systemwide	7,000,000	1,000,000	0	0	0	8,000,000
3709A	Replace Systemwide Radio System – Systemwide	0	5,000,000	0	0	0	5,000,000
	Total Pace Electric, Signal, & Communications–Bus	**7,000,000**	**6,000,000**	**0**	**0**	**0**	**13,000,000**
Pace Support Facilities & Equipment–Bus							
3710	Purchase Maintenance, Support Equipment and Support Vehicles – Systemwide	850,000	860,000	680,000	600,000	1,000,000	3,990,000
3711A	Purchase Office Equipment/ Furniture – Systemwide	0	200,000	250,000	250,000	250,000	950,000
3712	Purchase Computers, Computer Software Systems – Systemwide	1,710,000	1,740,000	2,430,000	1,250,000	1,840,000	8,970,000
3713	Improve Garages/ Facilities – Systemwide	1,507,000	3,850,000	3,000,000	3,100,000	3,050,000	14,507,000
3713	Improve Garages/ Replace Roofs at South Division and North Division	2,775,000	0	0	0	0	2,775,000
3715A	Purchase Farebox Enhancements/ Vending Machines – Systemwide	0	300,000	300,000	300,000	300,000	1,200,000
3716A	Expand Facilities – Systemwide	0	6,000,000	0	2,600,000	0	8,600,000
3717A	Provide for Facilities Environmental Compliance – Systemwide	0	100,000	100,000	100,000	100,000	400,000
	Total Pace Support Facilities & Equipment–Bus	**6,842,000**	**13,050,000**	**6,760,000**	**8,200,000**	**6,540,000**	**41,392,000**
Pace Stations & Passenger Facilities–Bus							
3618	Construct Hodgkins/ UPS Transfer Facility	2,000,000	0	0	0	0	2,000,000
3719A	Install Shelters/ Signs/ Passenger Amenities – Systemwide	0	600,000	600,000	600,000	600,000	2,400,000
	Total Pace Stations & Passenger Facilities–Bus	**2,000,000**	**600,000**	**600,000**	**600,000**	**600,000**	**4,400,000**
Pace Miscellaneous–Bus							
3720A	Provide for Capital ASSET Grant Program – Systemwide	0	500,000	500,000	500,000	500,000	2,000,000
3721A	Provide for Unanticipated Capital – Systemwide	0	250,000	250,000	250,000	250,000	1,000,000
	Total Pace Miscellaneous–Bus	**0**	**750,000**	**750,000**	**750,000**	**2,250,000**	**3,000,000**
Pace Contingencies & Administration–Bus							
3724	Provide for Contingencies	498,803	0	0	0	0	498,803
3725	Provide for Project Administration	1,549,166	1,000,000	1,000,000	1,000,000	1,000,000	5,549,166
	Total Pace Contingencies & Administration–Bus	**2,047,969**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**6,047,969**
	Total Pace Bus	**49,852,969**	**56,527,247**	**49,087,247**	**36,087,247**	**36,087,247**	**227,641,957**
	Total Pace	**49,852,969**	**56,527,247**	**49,087,247**	**36,087,247**	**36,087,247**	**227,641,957**
	Grand Total	**921,213,642**	**1,048,613,721**	**1,198,745,376**	**880,812,471**	**855,625,251**	**4,905,010,461**

Glossary

Accessible service A term used to describe service that is accessible to non-ambulatory disabled riders. This includes fixed route bus service with wheelchair lifts or dial-a-ride service with wheelchair lift-equipped vehicles.

Accessible As defined by FTA, a site, building, facility, or portion thereof that complies with defined standards and that can be approached, entered, and used by physically disabled people.

ADA The *Americans with Disabilities Act* of 1990. This federal Act requires many changes to ensure that people with disabilities have access to jobs, public accommodations, telecommunications and public services, including public transit. Many capital projects described in this document are being implemented to comply with the *ADA*.

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

Administration Expense Expense of labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Ambulatory disabled A person with a disability that does not require the use of a wheelchair. This would describe individuals who use a mobility aid other than a wheelchair or have a visual or hearing impairment.

Appropriation A legal term meaning that a certain amount of funds for a given operating or capital purpose may legally be expended; the RTA appropriates funds for expenditures.

Balanced Scorecard (BSC) Dr. David Norton and Dr. Robert Kaplan introduced the Balanced Scorecard concept in the early 90s. The BSC translates an organization's vision and strategy into a comprehensive set of objectives and performance measures that provides the framework for a strategic measurement and management system. The BSC is organized around four distinct perspectives—financial, customer, internal, and learning and growth. The name reflects the balance provided between short- and long-term objectives, financial and non-financial measures, past and future oriented indicators, and external (shareholder and customer) and internal performance perspectives.

Budget Funds allocated by the RTA Board for a particular purpose; each year the RTA Board approves a budget document for the upcoming year that allocates all the funds expected to be available in the upcoming year. Funds are allocated either by "programming" them or by "appropriating" them.

Budget marks The *Regional Transportation Authority Act*, as amended in 1983, calls for the RTA to advise each of its Service Boards by September 15 of each year of its required revenue recovery ratio for the subsequent year, and the public funding to be available. These figures are referred to as budget marks.

Bus bunching Bus bunching is a traffic scenario when more than one bus arrives at the same time. This phenomenon is a subject of several CTA initiatives aimed at reducing service problems through improved field management of traffic and schedules.

Bus Rapid Transit (BRT) BRT combines the quality of rail transit and the flexibility of buses. It can operate on exclusive transitways, HOV lanes, expressways, or ordinary streets. A BRT system combines intelligent transportation systems technology, priority for transit, cleaner and quieter vehicles, rapid and convenient fare collection, and integration with land use policy.

Capacity Utilization The percentage of seats occupied in a train at a given point in time.

Car mile or vehicle mile A single bus, rapid transit car, or commuter rail car traveling one mile.

CATS The Chicago Area Transportation Study Policy Committee is designated by the state and local officials as the Metropolitan Planning Organization (MPO) for the northeastern Illinois region. The MPO is responsible together with the state for carrying out the urban transportation planning process in this region. The northeastern Illinois region includes: Cook, DuPage, Kane, Lake, McHenry and Will Counties and a portion of Kendall County. CATS was formed in 1955 to develop the first comprehensive long-range transportation plan for the region. This plan, completed in 1962, had a horizon year of 1980 and included many recommendations that were to become part of the present highway and transit networks. The success of that planning effort led to CATS being made a permanent agency.

CTA The Chicago Transit Authority, created by state legislation, began operations in 1947 and operates bus and rapid transit service in the City of Chicago and several suburbs.

CMAQ (Congestion Mitigation/Air Quality Grant) A federal grant program designed to support transportation projects that reduce traffic congestion.

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.

Dead head Time when a transit vehicle is traveling toward a yard, shop, or the start of a run but is not in revenue service. Car miles include deadhead miles.

Deficit For a particular Service Board, the difference between system-generated revenues and system operating expenses. The deficit is sometimes referred to as the "public funding requirement." The RTA's current practice is to provide operating funds to each Service Board equivalent to their budgeted deficit for the year as opposed to the

actual deficit. For the RTA, its deficit or surplus equals total revenues (sales tax, PTF, FTA operating funds, interest income) less operating funding, debt service technology, and capital funding (RTA Capital and RTA discretionary funding of Service Board capital).

Dial-a-Ride Service Paratransit service that requires the user to call ahead and schedule service.

Discretionary funds Funds that the RTA allocates, at its discretion, to the Service Boards. These funds include the 15 percent of the RTA Sales Tax and PTF.

Elderly A term used to describe individuals who are 65 years of age or older. This age is used to qualify for the RTA Senior Citizen Reduced Fare Card. Note that some paratransit services define elderly individuals at an age other than 65.

Express Bus (or route) A suburban or intercity bus that operates a portion of its route without stops or with a limited number of stops.

Favorable performance Stems from a comparison of actual results to budgeted levels; favorable performance would be expenses under budget or revenues over budget.

Farebox revenue Revenues gained from passengers and other fare subsidies exclusive of the State reduced fare subsidy program. Also excludes interest income and advertising revenues. May be referred to as "system-generated" revenues.

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

Feeder Bus Services Pace bus service which serves Metra stations.

Financial plan In addition to an annual budget, the *Regional Transportation Authority Act*, as amended in 1983, requires the RTA and its Service Boards to develop a financial plan for the two years subsequent to the upcoming budget year. In combination with the annual budget, this provides a three-year projection of expenses, revenues, and public funding requirements.

Fiscal year The calendar year is the fiscal year for the RTA, CTA, Metra and Pace. For the State of Illinois it is July 1 - June 30 and for the Federal Government it is October 1 - September 30.

Fixed Route Service Pace buses that operate according to fixed schedules and routes.

Flexible funds Federal funds made available by TEA-21 that can be used for various transportation projects, including both highway and mass transit projects. Allocation of these funds is at the discretion of state and local agencies.

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 workers' compensation, social security costs and other allowances.

FTA Federal Transit Administration. This term is also used to indicate operating assistance that was provided by the FTA through 1998. The FTA generally provided funding for operations and capital. There are several federal programs that provide funding for the RTA. Section 9 funds were available for capital and operating purposes. Section 3, Congestion Mitigation/Air Quality Improvement, Surface Transportation and Interstate Transfer funds were available for capital only.

Full Funding Grant Agreement (FFGA) The Federal Transit Administration (FTA) is required to use a full funding grant agreement (FFGA) in providing financial assistance for new start projects. The FTA also has the discretion to use an FFGA in awarding federal assistance for other major capital projects. The FFGA defines the project, including cost and schedule; commits to a maximum level of federal financial assistance (subject to appropriation); establishes the terms and conditions of federal financial participation; covers the period of time for completion of the project; and helps to manage the project in accordance with federal law. The FFGA assures the grantee of predictable federal financial support for the project (subject to appropriation) while placing a ceiling on the amount of that federal support.

Full time equivalent position (FTE) A position (or positions) that total 1,950 hours of annual service.

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

Fund balance The excess of funding over deficit for a given period of time. In this document the reference is to the unreserved/undesignated funds in the agency and general fund.

Grants Moneys received from local, Federal and State governments to provide capital or operating assistance.

Headway The time span between service vehicles (bus or rail) on the specified routes.

Illinois FIRST A series of legislation passed by the Illinois legislature to fund capital improvements for the state's Infrastructure, Roads, Schools and Transit.

Intelligent Bus System (IBS) IBS is the new bus communications system for Pace that includes radio voice and data communications, Computer-Aided Dispatching (CAD) and Global Positioning Satellite (GPS)-based Automatic Vehicle Location (AVL) functions.

Intelligent Transportation Systems (ITS) Intelligent Transportation Systems have been defined as: "The application of advanced sensor, computer, electronics, and communication technologies and management strategies - in an integrated manner—to increase the safety and efficiency of the surface transportation system." ITS is a national effort that was designed to promote the use of advanced technologies in multimodal transportation. While the

use of advanced technologies in transportation has been ongoing for many years, the creation of the ITS program has accelerated the pace of innovation and integration of technologies into the transportation system.

ISTEA *Intermodel Surface Transportation Efficiency Act* of 1991, which amended the Federal Transit Act. Among other changes, ISTEA introduced new sources of flexible funds and increased the funding authorized for mass transit.

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

Linked trip A single, one-way trip without regard for the number of vehicles boarded to make the trip (i.e., a home to work trip taken by boarding a bus, to a train, to another bus represents one linked trip or three unlinked trips; for ridership reporting purposes the CTA uses unlinked trips).

Mobility limited An individual who has a physical impairment, including impaired sensory, manual, or speaking abilities that result in functional limitations.

Maintenance expense Expenses of labor, materials, services, and equipment used to repair and service transit vehicles and service vehicles.

New initiative A new program or service that the RTA may approve separately from the agency or a Service Board's regular budget. The RTA may attach special criteria to measure the success of a new initiative.

Non-ambulatory disabled A person who has a disability that requires them to use a wheelchair.

Northeastern Illinois Planning Commission (NIPC) NIPC is the official comprehensive planning agency for the six-county Chicago metropolitan area. The Commission was created by the Illinois General Assembly in 1957 and assigned three broad responsibilities: to conduct research required for planning for the region; to prepare comprehensive plans and policies to guide the development of the region; and to advise and assist local governments.

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.

Off-Peak Non-rush hour time periods.

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 the CTA.

Paratransit service Any transit service that is not conventional fixed-route bus service. This includes dial-a-ride, fixed-route deviation, shared-ride taxicab, and vanpool services.

Passenger mile A single passenger traveling one mile.

Peak period Morning or evening rush hour.

Positive budget variance or PBV Calculated as the difference between a Service Board's budgeted and actual deficit, it results when the actual deficit is less then budgeted. Since the RTA funds the budgeted deficit, this difference represents available funds for the Service Boards.

Program (verb) To commit funds, for a given capital purpose, without necessarily appropriating these funds for expenditure. When the RTA Board passes its official budget document, 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.

Program (noun) Refers to groupings of expense accounts with related expenditures (i.e., operations, maintenance, administration, and capital program).

Public Transportation Fund(s) or PTF Each month the State transfers from its General Revenue Fund into the public Transportation Fund an amount equal to 25 percent of the RTA Sales Tax collected in the previous month. All funds deposited in the Public Transportation Fund are allocated to the RTA to be used at its discretion for the benefit of the Service Boards.

Public funding Funding received from the Regional Transportation Authority. Generally refers to funding for operating expenses.

Purchase of paratransit service The amount of money paid to outside vendors to provide door-to-door transportation to certified disabled riders.

Recovery ratio Equals system-generated revenues (fares plus advertising and interest income) divided by system operating expenses less funded depreciation and exempt CTA security expenses. 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 percent for a given year.

Reduced fares Discounted fares for children age 7-11, grade and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except paratransit riders.

Revenue car mile Car mile during which the vehicle is in revenue service (i.e., picking up passengers).

Reverse commute City-to-suburb commute. Refers to the fact that most riders commute from the suburbs to the city.

Ridership (unlinked passenger trips) Each passenger counted each time that person boards a vehicle.

Rolling Stock Public transportation vehicles including commuter rail cars, locomotives, rapid transit cars, buses and vans.

RTA Sales Tax 1 percent in Cook County, 0.25 percent in the collar counties of DuPage, Kane, Lake McHenry and Will. 85 percent of the Sales Tax is fully distributed to the Service Boards by the RTA according to formulas established by the *RTA Act*. 15 percent of the Sales Tax is retained by the RTA and distributed to the Service Boards at its discretion.

Sales Tax Designated for Capital or transfer capital—statutory The difference between a Service Board's entitlement (85 percent Sales Tax plus FTA operating funds) and its budgeted or actual deficit, whichever is greater. These funds, which are over and above operating needs, are generally used for capital purposes. Metra is currently the only Service Board that generates by statute sales tax for capital.

SCIP bonds The RTA was authorized under the Act to issue $500 million of bonds for public transportation projects approved by the Governor of the State as part of the RTA's Strategic Capital Improvement Program (SCIP Program). Effective January 1, 2000, *the Act* was amended to authorize the RTA to issue an additional $260 million of SCIP bonds in each year for the period of 2000 through 2004.

Series B Bonds State Transportation Bonds used as all or a portion of the local share required to match federal funds for public transportation capital projects.

Service Boards The term refers to the region's three transit operators—CTA, Metra and Pace.

Signal Priority Transit signal priority either gives or extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs.

Special service As defined by the FTA, a transportation service specifically designed to serve the needs of persons who, by reason of disability, are unable to use mass transit systems designed for the use of the general public.

Subscription service This term is used to describe special services users who ride on a frequent and regular basis and follow a prescribed schedule. This is currently defined as a minimum of three times per week between the same origin and destination.

Subsidy Funds received from another source that 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.

TEA-21 *The Transportation Equity Act for the 21st Century* (TEA-21), signed into law by President Clinton on June 9, 1998, provides a six-year reauthorization of the federal transit program and the necessary contract authority needed to fully fund the fiscal year 1998 obligation limitations contained in the fiscal year 1998 *Department of Transportation Appropriations Act*.

T-FLEx (Transit Finance Learning Exchange) The exchange exists as a strategic alliance of transit agencies formed to leverage mutual strengths and continuously improve transit finance leadership, development, training practices and information sharing. Its purpose is to evolve the finance function into a value-added business partner within each transit authority. Members meet twice annually in a facilitated workshop environment to develop and share best practices in active roundtable work sessions

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

Unreserved Fund Balance The balance of funds that have not been reserved, designated or programmed into the budget, financial plan or capital program.

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

Public Hearings Legal Notice

Regional Transportation Authority Hearings on Proposed Five-Year Program for Fiscal Years 2002-2006 and Annual Program and Budget for Fiscal Year 2002.

Notice is hereby given that the Regional Transportation Authority (RTA) will hold public hearings on its proposed Five-Year Program for Fiscal Years 2002-2006 (January 1, 2002 to December 31, 2006) and Annual Program and Budget for Fiscal Year 2002.

Any person may present views orally at the hearings or by submitting written material at any time, no later than the close of business on Tuesday, December 11, 2001. Copies of the proposed Five-Year Program for Fiscal Years 2002-2006 and the Annual Program and Budget for Fiscal Year 2002 will be available for public inspection in the office of the RTA, 181 W. Madison Street, Suite 1900, Chicago, Illinois 60602. The document will be available at most public libraries as well as township, city and village offices in the six-county RTA region prior to the hearings.

Any person requiring special assistance, such as interpreter for the deaf, or another type of facilitator at these hearings, may call the RTA at (312) 917-0700 no later than Monday, December 3, 2001 so that proper arrangements can be made.

Overview

Section 4.01 of the RTA Act directs the RTA to hold public hearings on its annual consolidated budget and financial plan, prior to Board consideration of the ordinance adopting the budget and plan. This year, the RTA held its public hearings on December 11, from 4:30 to 6:00 p.m., in nine locations throughout the six-county region (Exhibit 7-15). Court reporters are present to take testimony and the court transcripts are on file at the RTA.

As has been the case for a number of years the hearings have been lightly attended. This year, only one person provided testimony at the downtown Cook County location. There were no attendees at any of the other hearings. A summary of this testimony follows:

Cook County

Testimony received at the downtown location advocated increased RTA system coordination. Testimony also recommended that the RTA capital program consider light rail. In addition, testimony promoted the idea of the formation of a transit district by the counties that ring the RTA region to purchase service from Metra.

Exhibit 7-15

RTA Hearings Schedule for Fiscal Years 2002-2006 and Annual Program and Budget for Fiscal Year 2002

Listed below are the locations of the Public Hearings
scheduled to be held from 4:30 p.m. - 6:00 p.m. on TUESDAY, DECEMBER 11, 2001.

COOK COUNTY—CENTRAL
James R. Thompson Center
Room 9-040
100 West Randolph
Chicago, IL 60601

COOK COUNTY—NORTH
Village of Arlington Heights
Council Room
33 S. Arlington Heights Road
Arlington Heights, IL 60005

COOK COUNTY—SOUTH
Village of Flossmoor
Committee Room
2800 Flossmoor Road
Flossmoor, IL 60422

COOK COUNTY—WEST
Riverside Town Auditorium
27 Riverside Road
Riverside, IL 60546

DuPAGE COUNTY
Wheaton City Hall Building
Conley Room, Lower Level
303 West Wesley
Wheaton, IL 60187

KANE COUNTY
St. Charles City Council Chambers
City Hall, 2nd Floor
2 E. Main Street
St. Charles, IL 60174

LAKE COUNTY
Village Hall Board Room
850 Waukegan Road
Deerfield, IL 60015

McHENRY COUNTY
Woodstock City
Council Chambers
121 W. Calhoun
Woodstock, IL 60098

WILL COUNTY
Will County Courthouse
Courtroom 100
14 W. Jefferson
Joliet, IL 60432

ORDINANCE NO. 2001-83

An Ordinance Approving the 2002 Budgets and 2003-2004 Financial Plans of the Service Boards, Adopting the 2002 Budget and Program of the Authority, Appropriating Funds for the 2002 Budgets, Adopting the Five-Year Program, Allocating Certain Revenues of the RTA to the Respective Service Boards, and Taking Certain Other Actions with Respect to the Budget and Program for Fiscal Year 2002.

WHEREAS, Section 4.01 of the Regional Transportation Authority Act, as amended (the "Act"), directs the Board of Directors of the Regional Transportation Authority (the "Authority") to appropriate money for the expenses of the Authority, including payment of certain public funds to the Service Boards, and to prepare and adopt a comprehensive budget and program document for FY2002; and

WHEREAS, Section 4.02 of the Act establishes certain requirements with respect to the allocation and payment of funds appropriated by the Authority to the Service Boards; and

WHEREAS, Section 2.01 of the Act authorizes and directs the Authority to adopt a Five-Year Program with respect to the operations and capital projects of the Authority and the Service Boards; and

WHEREAS, Section 4.11 of the Act authorizes and directs the Authority to review the budgets and financial plans of the Service Boards for the FY2002; and

WHEREAS, the Authority has taken certain action by ordinance identifying the amounts estimated to be available for expenditure for operating purposes by each Service Board during the FY2002 and the two following fiscal years and the times at which such amounts will be available; and

WHEREAS, each Service Board has presented its budget and financial plan to the Authority for its review and the Authority has conducted public hearings with respect to its Proposed Annual Budget and Five-Year Program, and considered the budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans; and

WHEREAS, the Authority's Funding Policy, as amended by Ordinance 93-25, states that the Service Boards may use funds from Positive Budget Variances (PBV) for "one-time, finite life operating programs" and that "the Service Boards will propose the use of PBV funds for operating purposes subject to approval of the RTA Board and inclusion in the annual budget and two-year financial plan"; and

WHEREAS, the Board has determined that it is in the best interest of the Authority to take the following actions in order to carry out its powers and duties under the Act.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:
Adopted December 28, 2001.

ARTICLE I
Approval of Budgets and Programs

Section One: Service Board Budgets and Financial Plans

1.1 In compliance with the Act, the Regional Transportation Authority (the "RTA") has received and reviewed a proposed budget for FY2002, and a financial plan for FY2003 and 2004 of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division ("Metra"), and the Suburban Bus Division ("Pace"), (each a "Service Board").

1.2 With respect to the proposed budgets and financial plans of the CTA, Metra and Pace (as summarized in Schedule I-B), the RTA finds as follows:

(a) Each such budget and plan shows a balance between (A) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (B) the cost 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;

(b) Each such budget and plan shows cash balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs and expenses as incurred;

(c) Each such budget and plan provides for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the jurisdiction of such Service Board sufficient to allow the Service Board to meet its required system-generated revenue recovery ratio, as set forth on Schedule I-D;

(d) Each such budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) Each such budget and plan has been prepared in accordance with sound financial practices; and

(f) Provided that each Service Board acts in conformity with the provisions of this Ordinance, each such budget and plan meets the other financial, budgetary, or fiscal requirements which the RTA has established.

1.3 Pursuant to Section 4.11 of the Act, the budgets for FY2002 and financial plans of the Service Boards for FY2003 and 2004 as presented to the RTA, are hereby approved provided, however, in the event that a budget or financial plan is inconsistent with the provisions of this Ordinance, the provisions of this Ordinance shall govern.

1.4 No more than 45 days after each quarter, each Service Board is directed to report to the RTA its financial condition and results of operation for review by the RTA for conformity with the approved budget.

Section Two: RTA Annual Budget and Program

2.1 The RTA has received and reviewed the FY2002 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The FY2002 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The FY2002 Annual Budget and Program shows a balance between anticipated revenue from all sources, including the application of the RTA Fund Balance, and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest when due, as summarized in Schedule I-A.

(b) The FY2002 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-G.

(c) The FY2002 Annual Budget and Program shows that the level of fares and charges for mass transportation by the respective Service Boards is sufficient to cause the aggregate of all projected system-generated revenues from such fares and charges to equal at least 50 percent of the aggregate cost of providing public transportation in FY2002, as defined in the Act, as summarized in Schedule I-A.

(d) The budgeted "Administration" expenses of the RTA for FY2002, within the meaning of Section 4.01(c) of the Act, do not exceed the maximum administrative expenses permitted for FY2002 of $11,460,092. (FY2002 "Administration" expenses are summarized on Schedule I-C).

Section Three: Five-Year Program

3.1 The Five-Year Program of the RTA for the fiscal years beginning January 1, 2002, and ending December 31, 2006, has been the subject of public hearings in each county as required by Section 2.01 of the Act. The RTA has considered public comment on the proposed Five-Year Program. The RTA hereby adopts the Five-Year Program attached as Schedule II subject to continuing review. In accordance with Section 2.01(c) and 4.02(b) of the Act, no Service Board shall apply for any capital grant unless it is included in the RTA Five-Year Program.

ARTICLE II
Appropriation of Funds and Certain Other Actions

Section One: Appropriation for each Service Board

The following amounts for FY2002 are appropriated for payment to each Service Board from the enumerated sources of funds and for the specified objects and purposes. The total appropriations as shown on Schedule I-A for RTA Operations Funding represents the legal level of budgetary control.

1.1 Statutory RTA Taxes

There is appropriated, for expenditure by each Service Board pursuant to the FY2002 Budget approved in Article I, 85% of the RTA receipts from taxes imposed pursuant to Section 4.03 of the Act and allocated according to the percentages listed below and specified in Section 4.01(d) of the Act, and from the State and Local Sales Tax Reform Fund pursuant to Section 4.01(e) of the Act. The estimated amount of the appropriation is specified as "Sales Tax - 85%" on Schedule I-B.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, the Executive Director shall pay to each Service Board the specified proportionate share of such proceeds.

1.2 Reduced Fare Reimbursement

There is appropriated, for expenditure by each Service Board pursuant to the FY2002 Budget approved in Article I, amounts received from the State of Illinois Reduced Fare Reimbursement Program. The estimated amount of the appropriation is included in the Service Board system generated revenues on Schedule I-B.

After receipt by the RTA of the state funds from the Reduced Fare Reimbursement Program, the Executive Director shall pay to each Service Board the proportionate share of such proceeds.

1.3 Discretionary Funds of the RTA — Public Transportation Fund, 15% Sales Tax, Other RTA Revenues

(a) Operating Programs: There is appropriated, for expenditure by each Service Board pursuant to the FY2002 Budget approved in Article I, the amounts specified as "RTA Discretionary (PTF, Sales Tax and Other)" on Schedule I-B from other receipts and revenues of the RTA, or so much as may be necessary such that the actual amounts appropriated for each Service Board under paragraphs 1.1, 1.2, and 1.3(a) of this section equal the amounts specified as "RTA Funding" on Schedule I-B, exclusive of CMAQ and JARC funding.

The Executive Director is hereby directed to make payment of such funds as soon as may be practicable upon their receipt provided that each Service Board is in compliance with the requirements of Section 4.11 of the Act and this Ordinance.

(b) Capital Programs: There is appropriated, for expenditure by the Service Boards for projects specified on Sched-

Allocations (in percent)

	Collected Within Chicago	Collected Within Suburban Cook County	Collected in DuPage, Kane, Lake, McHenry and Will Counties
CTA	100	30	0
Metra	0	55	70
Pace	0	15	30
Total	**100**	**100**	**100**

Schedule 1-A

RTA Statement of Revenues and Expenditures Includes Funding for the Service Boards (dollars in thousands)

Revenues	**2002 Budget**	**2003 Plan**	**2004 Plan**
Sales Tax (1)	$ 692,000	$ 719,682	$ 748,472
Public Transportation Funds (PTF)	173,000	179,921	187,118
Projected Revenue Shortfall (2)	(19,570)	(20,363)	(21,167)
State Financial Assistance (SFA)	57,499	80,871	98,184
State Reduced Fare Reimbursements	40,000	40,000	40,000
Investment Income and Other (3)	13,741	12,423	12,783
Total Revenues	**$ 956,670**	**$ 1,012,534**	**$ 1,065,390**
Expenses			
Operations Funding (4)	$ 724,558	$ 758,501	$ 783,887
Sales Tax Interest to Service Boards	1,400	1,400	1,400
State Reduced Fare Reimbursements to Service Boards	40,000	40,000	40,000
Agency Operations (5)	17,831	18,665	19,291
Total Operating Expenditures	**$ 783,789**	**$ 818,566**	**$ 844,578**
Funds available before Debt Service, Technology, and Capital	**$ 172,881**	**$ 193,968**	**$ 220,812**
Debt Service, Technology, and Capital			
Principal and Interest Payments (6)	$ 121,233	$ 124,470	$ 148,598
RTA Technology and Capital (7)	11,396	8,133	8,385
Metra Transfer Capital (8)	38,161	39,060	40,870
CTA Transfer Capital	20,353	20,353	20,353
Other (9)	(3,600)	0	0
Total Debt Service, Technology, and Capital	**$ 187,543**	**$ 192,016**	**$ 218,206**
Revenues less Expenditures/(Deficit)	(14,662)	1,952	2,606
Ending Fund Balance (10)	**$ 48,559**	**$ 50,511**	**$ 53,117**
Percent of RTA Expenditures (11)	5.0	5.0	5.0
Recovery Ratio % (12)	51.9	51.7	51.7

Notes: *(1) Sales Tax distributions are presented on Schedule I-F. (2) Sales tax and PTF combined. (3) Includes Sales Tax Interest, Agency Revenue, and RTA Investment Income. (4) RTA Funding as presented on Schedule I-B. (5) Reference Schedule I-C for 2001 detail. (6) Includes $720 in bonds issued during 2002, and $260 million each in 2003 and 2004. (7) Reference the RTA column of Schedule I-E. (8) Reflects statutory sales tax for capital and RTA transfer capital. (9) Reversal of funds designated in 2001 for RTA relocation. (10) Reflects projected 2001 Ending Fund Balance and 2002-2004 projections. (11) Reflects minimum acceptable fund balance as percentage of expense level per 1998 RTA Board ordinance.(12) Reference Schedule 1-D for Recovery Ratio calculations.*

ule II, and pursuant to the first year of the Five-Year Program approved in Article I, the amounts specified as "Transfer Capital and Sales Tax Capital" in the FY2002 section on Schedule I- E from other receipts and revenues of the RTA.

The Executive Director is hereby directed to make payment of such funds pursuant to grant agreements with each Service Board.

Section Two: Appropriation to the Regional Transportation Authority

There is appropriated, for expenditure of operating purposes of the RTA, the amounts included on Schedule I-C and for capital and technology purposes of the RTA, the amount specified as Transfer Capital and Sales Tax Capital for the CTA and Metra, and the amount specified for RTA (Agency) technology and capital projects in the FY2002 section on Schedule I-E pursuant to the FY2002 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for FY2002 Agency Operating Expenditures (Administrative and Regional Services) and Agency (RTA) Technology and Capital Expenditures represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10 percent from each of these items.

ARTICLE III
Implementation

The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance and to prepare and disseminate the Five-Year Program of the RTA in accordance with the policies established herein.

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the Federal Transit Administration (FTA) and with the Illinois Department of Transportation (IDOT) for any monies available for funding of the RTA Annual Budget and Five-Year Program. The Executive Director is authorized to furnish such additional information, assurances, certif-

Schedule 1-B

Service Board Deficit Funding (dollars in thousands)

2002	**CTA**	**Metra**	**Pace**	**Total**
Service Board System Generated Revenue	$ 473,156	$ 245,747	$ 54,060	$ 772,963
Service Board Operating Expenses	914,788	449,621	135,157	1,499,566
Service Board Deficit	**$ 441,632**	**$ 203,874**	**$ 81,097**	**$ 726,603**
Revenue/Cost Savings (1)	0	0	(1,863)	(1,863)
Total Service Board Deficit	**$ 441,632**	**$ 203,874**	**$ 79,234**	**$ 724,740**
Deficit Funding				
Sales Tax - 85% (% of total, distributed by area collected)	$ 274,172	$ 238,955	$ 75,073	$ 588,200
RTA Discretionary (PTF, Sales Tax & Other)	167,460	0	3,979	171,439
Sales Tax for Transfer Capital - Metra Statutory	0	(35,081)	0	(35,081)
RTA Funding	**$ 441,632**	**$ 203,874**	**$ 79,052**	**$ 724,558**
CMAQ	0	0	110	110
Welfare to Work/JARC	0	0	72	72
Service Board Deficit Funding	**$ 441,632**	**$ 203,874**	**$ 79,234**	**$ 724,740**
2003				
Service Board System Generated Revenue	$ 485,965	$ 255,335	$ 55,240	$ 796,540
Service Board Operating Expenses	939,453	468,701	138,115	1,546,269
Service Board Deficit	**$ 453,488**	**$ 213,366**	**$ 82,875**	**$749,729**
Revenue/Cost Savings (1)	0	0	(14)	(14)
Total Service Board Deficit	**$ 453,488**	**$ 213,366**	**$ 82,861**	**$ 749,715**
Deficit Funding				
Sales Tax - 85% (% of total, distributed by area collected)	$ 284,069	$ 249,213	$ 78,447	$ 611,729
RTA Discretionary (PTF, Sales Tax & Other)	178,319	0	4,300	182,619
Sales Tax for Transfer Capital - Metra Statutory	0	(35,847)	0	(35,847)
RTA Funding	**$ 462,388**	**$ 213,366**	**$ 82,747**	**$ 758,501**
CMAQ	0	0	114	114
Positive Budget Variance For Capital (2)	(8,900)	0	0	(8,900)
Service Board Deficit Funding	**$ 453,488**	**$ 213,366**	**$ 82,861**	**$ 749,715**
2004				
Service Board System Generated Revenue	$ 512,580	$ 265,262	$ 56,907	$ 834,749
Service Board Operating Expenses	988,840	487,660	142,258	1,618,758
Service Board Deficit	**$ 476,260**	**$ 222,398**	**$ 85,351**	**$ 784,009**
Revenue/Cost Savings (1)	0	0	(5)	(5)
Total Service Board Deficit	**$ 476,260**	**$ 222,398**	**$ 85,346**	**$ 784,004**
Deficit Funding				
Sales Tax - 85% (% of total, distributed by area collected)	$ 294,308	$ 259,917	$ 81,976	$ 636,201
RTA Discretionary (PTF, Sales Tax & Other)	181,952	0	3,253	185,205
Sales Tax for Transfer Capital - Metra Statutory	0	(37,519)	0	(37,519)
RTA Funding	**$ 476,260**	**$ 222,398**	**$ 85,229**	**$ 783,887**
CMAQ	0	0	117	117
Service Board Deficit Funding	**$ 476,260**	**$ 222,398**	**$ 85,346**	**$ 784,004**

Notes: (1) Revenue enhancements and/or cost savings required for Pace to meet each specific mark set by the RTA Board.These separate marks are the recovery ratio, capital program marks, and the operating funding marks. (2) When these funds materialize, they will be accounted for in the capital program.

ications and amendments as the FTA and IDOT may require in connection with the applications or the projects. The Executive Director is authorized and directed on behalf of the RTA to execute and deliver grant agreements and all subsequent amendments thereto between the RTA and the FTA and between the RTA and IDOT. Further, the Executive Director is authorized and directed to take such action as is necessary or appropriate to implement, administer, and enforce said agreements and all subsequent amendments thereto on behalf of the RTA.

The Executive Director is authorized and directed to file the FY2002 Annual Budget and Program and a copy of this Ordinance with the Governor, General Assembly, the Comptroller of the State of Illinois, the Mayor of the City of Chicago and the Auditor General of the State of Illinois along with an appropriate certification that this budget and program meet the requirements of the Act.

Schedule 1-B-1

Pace 2002 Budget, Pace Submittal compared to RTA Adoption (dollars in thousands)

Revenues	Pace Submittal	Change	RTA Adoption (3)
Passenger Revenue	41,327	-	41,327
Reduced Fare Subsidy	3,840	-	3,840
Investment/other	3,430	-	3,430
Advertising	3,263	-	3,263
ADvAntage Program (1)	2,200	(1,230)	970
Total Revenues	**54,060**	**(1,230)**	**52,830**
Expenses			
Labor/Fringes	75,720	-	75,720
Parts/Supplies (2)	3,640	(611)	3,029
Utilities	1,762	-	1,762
Fuel (2)	4,832	(800)	4,032
Insurance	5,452	-	5,452
Other (2)	8,242	(452)	7,790
Dial A Ride	11,156	-	11,156
Private Contract	7,920	-	7,920
ADA Paratransit	10,153	-	10,153
Vanpool	2,361	-	2,361
Other Services (CMAQ, JARC, Shuttle)	1,719	-	1,719
ADvAntage Program (1)	2,200	(1,230)	970
Total Expenses	**135,157**	**(3,093)**	**132,064**
Total Operating Deficit	**81,097**	**(1,863)**	**79,234**
Deficit Funding Summary			
RTA Operating	79,052	-	79,052
CMAQ/JARC/Other	182	-	182
Capital Cost of Contracting	7,760	(7,760)	-
Total Deficit Funding	**86,994**	**(7,760)**	**79,234**
Funding Surplus/Deficit	**5,897**	**(5,897)**	**-**
Recovery Ratio %	40.0	0.0	40.0

***Notes**: (1) This program is to be included in the budgetary statement of revenues and expenditures. The 2002 figure in the RTA proposal reflects only the amount needed to meet the established 40% recovery ratio. Using the Pace figure in the RTA adopted budget would yield a recovery ratio of 40.6% (2) Revenue enhancements and/or cost savings from the Booze-Allen study used for the basis of RTA proposal. Cost saving entries are Parts & Supplies $611k, Fuel $800k and Other (various productivity improvements) $452k. (3) Pace to meet this budget without service cuts outside of its normal practice of dropping poorly performing routes.*

Schedule 1-C

RTA Proposed 2002 Agency Operations Funding (dollars in thousands)

	Expense	Revenue	Funding
Agency Administration			
Managing Services	$ 2,199	–	$ 2,199
Communications	544	–	544
Finance	2,419	–	2,419
Total Administration (1)	**$ 5,162**	–	**$ 5,162**
Statutory Cap	$ 11,460		
Percent Under Cap	55		
Regional Services			
Government Affairs	$ 1,054	–	$ 1,054
Planning	2,070	–	2,070
Transit check & Program Support	2,355	1,365	970
ADA	2,616	55	2,561
Reduced Fare & Customer Service	583	–	583
Travel Information Center	4,011	–	4,011
Total Regional Services	$ 12,669	$ 1,420	$ 11,249
Total Operations	$ 17,831	$ 1,420	$ 16,411

***Notes:** (1) Does not include an expected $0.2 million in relocation costs. This would lower the percent under the statutory cap to 53%.*

Schedule 1-D

Recovery Ratio Calculations (dollars in thousands)

Recovery Ratio Revenues	**2002**	**2003**	**2004**
CTA (1)	$ 473,156	$ 485,965	$ 512,580
Metra (2)	245,747	255,335	265,262
Pace	54,060	55,240	56,907
RTA	12,341	11,023	11,383
Total Revenue	**$ 785,304**	**$ 807,563**	**$ 846,132**
Recovery Ratio Expenses			
CTA (3)	909,943	934,608	983,995
Metra (4)	444,389	463,403	482,294
Pace	135,157	138,115	142,258
RTA Agency Operations	17,831	18,665	19,291
RTA Technology Initiatives	7,196	7,533	7,785
Total Recovery Ratio Expenses	**$ 1,514,516**	**$ 1,562,324**	**$ 1,635,623**
Recovery Ratios %			
CTA	52.0	52.0	52.1
Metra	55.3	55.1	55.0
Pace	40.0	40.0	40.0
Systemwide % (5)	**51.9**	**51.7**	**51.7**

***Notes**: (1) Excludes: CTA 's revenues from leasing transactions of $4.3 million each year. (2) Excludes: Metra's 5% Capital Farebox Financing Program of $9.6 million, $10.0 million, and $10.2 million from 2002 to 2004, respectively. (3) Excludes: CTA's security exemption of $4.8 million each year. (4) Excludes: Metra's depreciation charges of $2.7 million each year. Metra's lease transportation facility charges of $2.5 million in 2002, $2.6 million in 2003, and $2.7 million in 2004.(5) The recovery ratios for 2002, 2003, and 2004 represent those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as approved by the RTA Act. By policy, the revenue figures for the CTA and Metra exclude the gain from leasing transactions restricted by ordinance for capital. The amounts deducted from expenses represent exclusions listed by the RTA Act.*

Schedule 1-E

2002 Service Board and RTA Capital Funding (dollars in thousands)

Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**RTA**	**Total**
FTA Capital Grants	$ 229,401	$ 182,885	$ 31,190	0	$ 443,476
IDOT Grants	46,400	12,451	6,400	0	65,251
Service Board/Local Community Funds	213	16,486	1,050	0	17,749
RTA SCIP II Bonds	130,000	117,000	13,000	0	260,000
RTA Bonds II	27,570	0	6,970	0	34,540
RTA Discretionary	0	0	0	0	0
Transfer Capital and Sales Tax Capital (1)	20,353	38,161	0	0	58,514
Carryover and Deobligations (2)	13,587	3,107	3,182	0	19,876
Total Service Board Capital Funding (3)	**$ 467,524**	**$ 370,090**	**$ 61,792**	**0**	**$ 899,406**
RTA (Agency) Technology and Capital Projects (4)				**$ 11,396**	

***Notes:** (1) Includes Metra Statutory and CTA and Metra Transfer Capital. (2) To be used for higher priority capital projects. (3) Based on December 14, 2001 capital program marks presented at the Planning Committee. (4) Designates capital for RTA relocation in the amount of $3,600. Another $600 is appropriated for RTA Capital projects and the remaining $7,196 is appropriated for transit enhancement projects.*

Schedule 1-F

RTA Sales Tax Distribution (dollars in thousands)

	City of Chicago	Suburban Cook County	All Other Counties	Estimated Amounts
2002 Service Boards = 85%				
CTA	$ 178,495	$ 95,677	0	$ 274,172
Metra	0	175,408	63,547	238,955
Pace	0	47,839	27,234	75,073
Total Service Board	$ 178,495	$ 318,924	$ 90,781	$ 588,200
RTA = 15%	31,499	56,281	16,020	103,800
Total	**$ 209,994**	**$ 375,205**	**$ 106,801**	**$ 692,000**
2003 Service Boards = 85%				
CTA	$ 184,815	$ 99,254	0	$ 284,069
Metra	0	181,967	67,246	249,213
Pace	0	49,627	28,820	78,447
Total Service Board	$ 184,815	$ 330,848	$ 96,066	$ 611,729
RTA = 15%	32,614	58,386	16,953	107,953
Total	**$ 217,429**	**$ 389,234**	**$ 113,019**	**$ 719,682**
2004 Service Boards = 85%				
CTA	$ 191,348	$ 102,960	0	$ 294,308
Metra	0	188,760	71,157	259,917
Pace	0	51,480	30,496	81,976
Total Service Board	$ 191,348	$ 343,200	$ 101,653	$ 636,201
RTA = 15%	33,767	60,565	17,939	112,271
Total	**$ 225,115**	**$ 403,765**	**$ 119,592**	**$ 748,472**

Schedule 1-G

Regional Transportation Authority 2002 Monthly Cash Flow Projection, General and Agency Funds (dollars in thousands)

Cash Receipts:	**January**	**February**	**March**	**April**	**May**	**June**
Sales Tax	$ 53,410	$ 53,153	$ 65,583	$ 50,389	$ 51,398	$ 55,178
PTF	14,432	14,363	17,737	12,547	12,800	13,745
Projected Rev. Shortfall	(1,424)	(1,452)	(1,559)	(1,637)	(1,676)	(1,732)
Reduced Fare	0	10,000	0	0	10,000	0
State Assistance	3,617	3,617	3,617	3,617	3,617	3,617
Interest/Other Grants	1,145	1,145	1,145	1,145	1,145	1,145
Total Cash Receipts	**$ 71,180**	**$ 80,826**	**$ 86,523**	**$ 66,061**	**$ 77,284**	**$ 71,953**
Cash Disbursements:						
CTA:						
85% Sales Tax	$ 21,253	$ 21,151	$ 26,097	$ 19,964	$ 20,364	$ 21,861
Reduced Fare Reimb.	0	8,310	0	0	8,310	0
RTA Discretionary	13,955	13,955	13,955	13,955	13,955	13,955
Transfer Capital	0	5,088	0	0	5,088	0
Total Funding	**$ 35,208**	**$ 48,504**	**$ 40,052**	**$ 33,919**	**$ 47,717**	**$ 35,816**
Metra:						
85% Sales Tax (1)	$ 18,384	$ 18,295	$ 22,574	$ 17,400	$ 17,748	$ 19,054
Reduced Fare Reimb.	0	730	0	0	730	0
Transfer Capital	0	770	0	0	770	0
Total Funding	**$ 18,384**	**$ 19,795**	**$ 22,574**	**$ 17,400**	**$ 19,248**	**$ 19,054**
Pace:						
85% Sales Tax	$ 5,762	$ 5,734	$ 7,075	$ 5,467	$ 5,576	$ 5,986
Reduced Fare Reimb.	0	960	0	0	960	0
RTA Discretionary	331	331	331	331	331	331
Total Funding	**$ 6,093**	**$ 7,025**	**$ 7,406**	**$ 5,798**	**$ 6,867**	**$ 6,317**
RTA Operations:						
Sales Tax Interest	$ 116	$ 116	$ 116	$ 116	$ 116	$ 116
Principal and Interest Payments	9,551	12,979	11,615	10,804	4,422	8,215
Agency Operating Expenses	1,486	1,486	1,486	1,486	1,486	1,486
RTA Capital & Tech (2)	950	950	950	950	950	950
Total Cash Disbursements	**$ 12,103**	**$ 15,531**	**$ 14,167**	**$ 13,356**	**$ 6,974**	**$ 10,767**
Cash Balance: (3)						
Beginning (4)	140,000	137,855	141,070	114,333	115,988	118,140
Ending	137,855	141,070	114,333	115,988	118,140	122,125

***Notes**: (1) Includes Transfer Capital-Metra Statutory. (2) Agency Capital Projects and Transit Enhancement Projects.(3) Restricted and unrestricted cash. (4) Beginning 2002 Cash Balance forecast based on the 2001 Quarterly Investment Report.*

continued on next page

Schedule 1-G…continued from previous page

Regional Transportation Authority 2002 Monthly Cash Flow Projection, General and Agency Funds (dollars in thousands)

Cash Receipts:	**July**	**August**	**September**	**October**	**November**	**December**	**Year**
Sales Tax	$ 57,932	$ 59,329	$ 61,308	$ 57,873	$ 56,835	$ 57,533	$ 679,921
PTF	14,433	14,782	15,277	14,418	14,159	14,307	173,000
Projected Rev. Shortfall	(1,635)	(1,606)	(1,626)	(1,617)	(1,619)	(1,987)	(19,570)
Reduced Fare	0	10,000	0	0	10,000	0	40,000
State Assistance	5,966	5,966	5,966	5,966	5,966	5,967	57,499
Interest/Other Grants	1,145	1,145	1,145	1,145	1,145	1,146	13,741
Total Cash Receipts	**$ 77,841**	**$ 89,616**	**$ 82,070**	**$ 77,785**	**$ 86,486**	**$ 76,966**	**$ 944,591**
Cash Disbursements:							
CTA:							
85% Sales Tax	$ 22,953	$ 23,506	$ 24,290	$ 22,929	$ 22,519	$ 22,795	$ 269,682
Reduced Fare Reimb.	0	8,310	0	0	8,310	0	33,240
RTA Discretionary	13,955	13,955	13,955	13,955	13,955	13,955	167,460
Transfer Capital	0	5,088	0	0	5,089	0	20,353
Total Funding	**$ 36,908**	**$ 50,859**	**$ 38,245**	**$ 36,884**	**$ 49,873**	**$ 36,750**	**$ 490,735**
Metra:							
85% Sales Tax (1)	$ 20,005	$ 20,487	$ 21,171	$ 19,984	$ 19,626	$ 19,867	$ 234,595
Reduced Fare Reimb.	0	730	0	0	730	0	2,920
Transfer Capital	0	770	0	0	770	0	3,080
Total Funding	**$ 20,005**	**$ 21,987**	**$ 21,171**	**$ 19,984**	**$ 21,126**	**$ 19,867**	**$ 240,595**
Pace:							
85% Sales Tax	$ 6,285	$ 6,436	$ 6,651	$ 6,278	$ 6,166	$ 6,242	$ 73,658
Reduced Fare Reimb.	0	960	0	0	960	0	3,840
RTA Discretionary	331	331	331	331	331	338	3,979
Total Funding	**$ 6,616**	**$ 7,727**	**$ 6,982**	**$ 6,609**	**$ 7,457**	**$ 6,580**	**$ 81,477**
RTA Operations:							
Sales Tax Interest	$ 116	$ 116	$ 116	$ 116	$ 116	$ 124	$ 1,400
Principal and Interest Payments	10,312	12,619	12,695	11,880	7,677	8,464	121,233
Agency Operating Expenses	1,486	1,486	1,486	1,486	1,486	1,485	17,831
RTA Capital & Tech (2)	950	950	950	950	950	946	11,396
Total Cash Disbursements	**$ 12,864**	**$ 15,171**	**$ 15,247**	**$ 14,432**	**$ 10,229**	**$ 11,019**	**$ 151,860**
Cash Balance: (3)							
Beginning (4)	122,125	126,724	132,450	139,041	144,118	148,870	140,000
Ending	126,724	132,450	139,041	144,118	148,870	150,829	150,829

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Regional Transportation Authority

Illinois

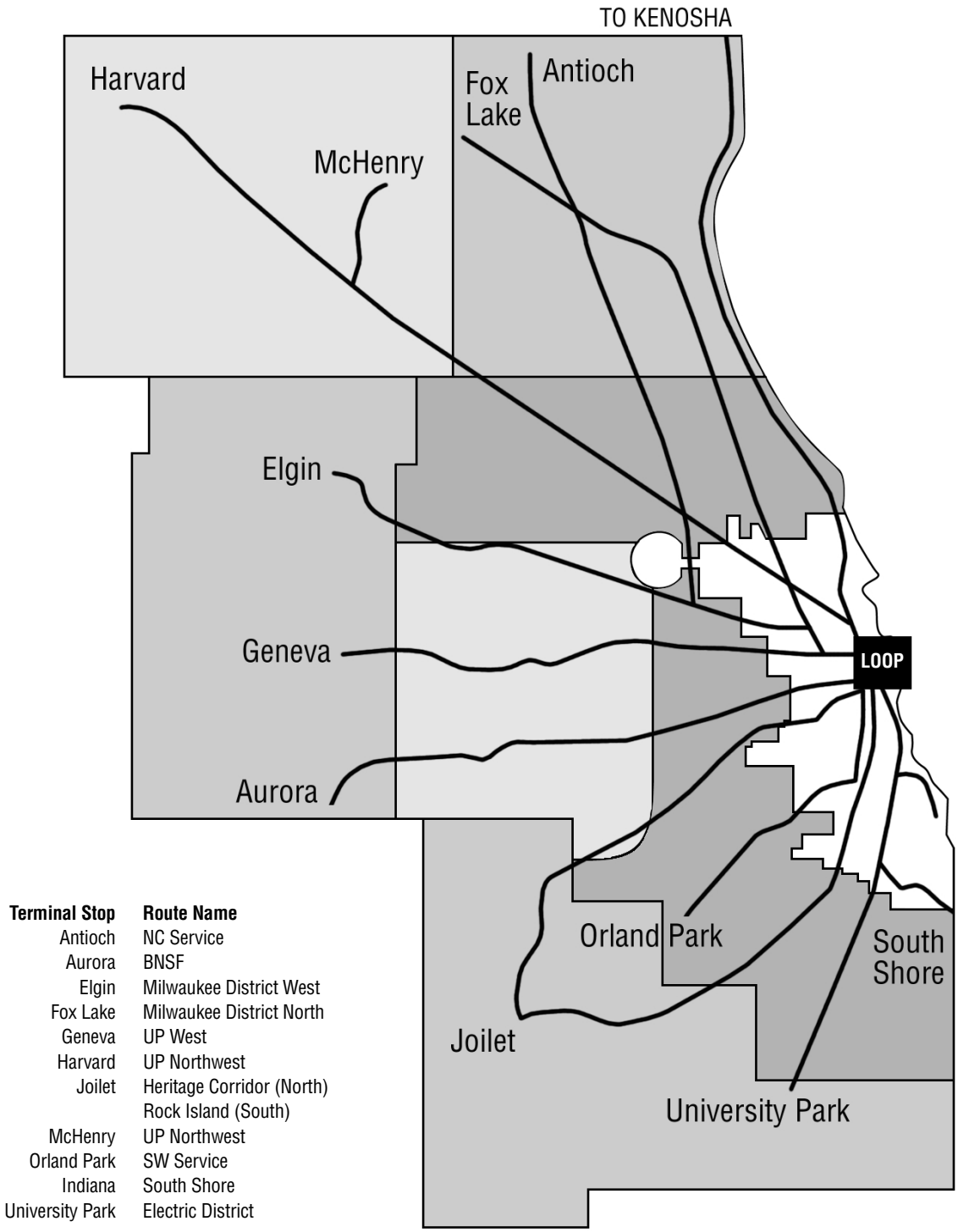
For the Fiscal Year Beginning

January 1, 2001

President

Executive Director

RTA System



Terminal Stop	Route Name
Antioch	NC Service
Aurora	BNSF
Elgin	Milwaukee District West
Fox Lake	Milwaukee District North
Geneva	UP West
Harvard	UP Northwest
Joilet	Heritage Corridor (North)
	Rock Island (South)
McHenry	UP Northwest
Orland Park	SW Service
Indiana	South Shore
University Park	Electric District

Regional Transportation Authority (RTA)

RTA Main office
181 West Madison Street
Suite 1900
Chicago,Illinois 60602
(312) 917-0700
www. rtachicago.com

RTA Customer Service
181 West Madison Street
Ground Floor
Chicago, Illinois 60602
(312) 917-0734

Travel Information Center
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

RTA ADA Certification Helpline
(312) 917-4357 (Voice)
(312) 917-1338 (TTY)

RTA Reduced Fare Card
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

Community Outreach
(312) 917-1412
RTA Transit Check
1-800-531-2828

Service Boards

Chicago Transit Authority (CTA)
Merchandise Mart Plaza
P.O. Box 3555
Chicago,Illinois 60654
(312) 664-7200 extension 4020
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6760
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 228-4261
www.pacebus.com