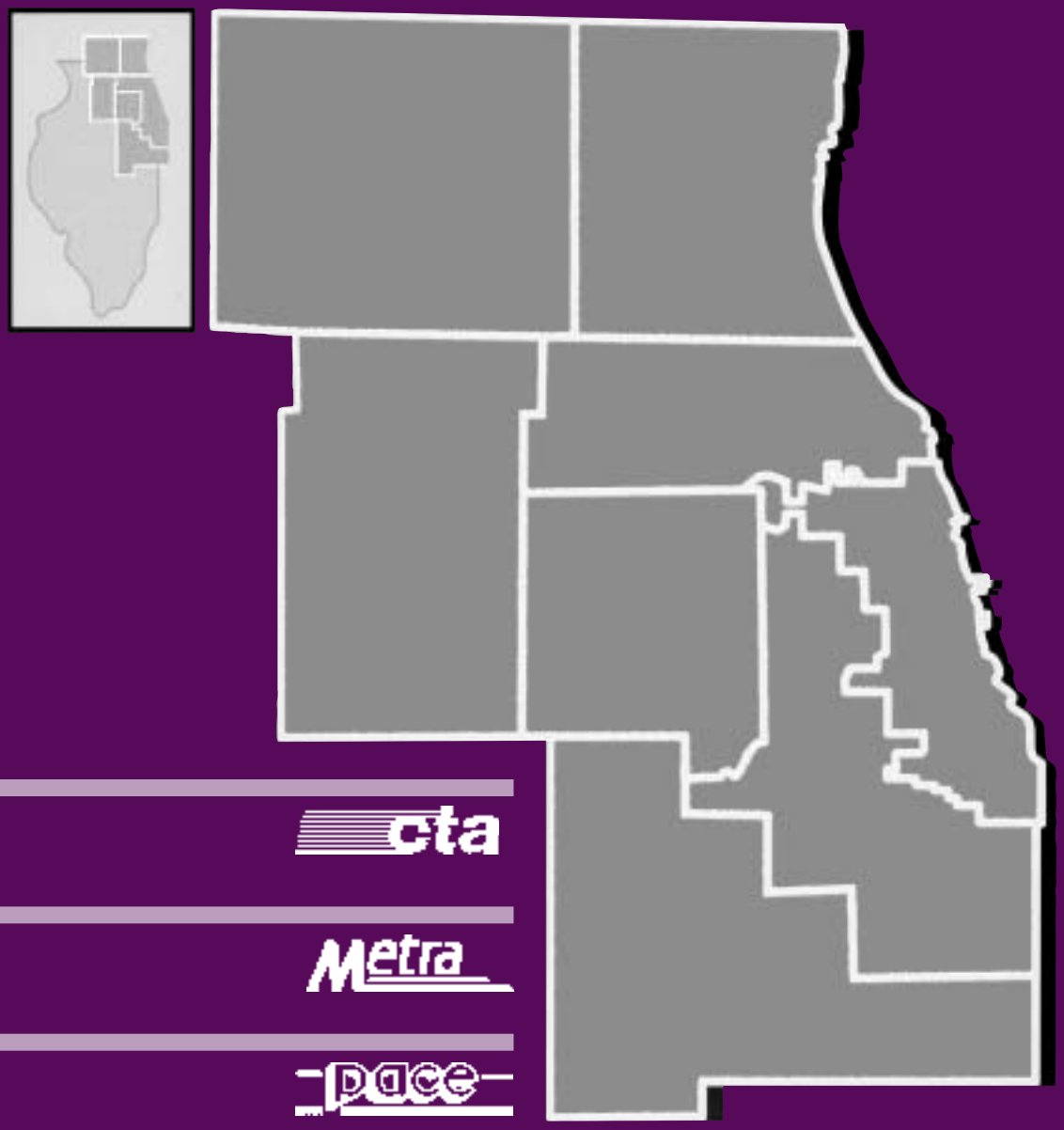
Regional Transportation Authority

2003 Annual Budget and Five-Year Program



cta

Metra

pace

Regional Transportation Authority (RTA)

RTA Main Office
175 West Jackson Boulevard
Suite 1550
Chicago,Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
175 West Jackson Boulevard
Suite 250
Chicago, Illinois 60604
(312) 913-3110

Travel Information Center
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

RTA ADA Certification Helpline
(312) 663-4357 (Voice)
(312) 913-3122 (TTY)

RTA Reduced Fare Card
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

Community Outreach
(312) 913-3144

RTA Transit Check
1-800-531-2828

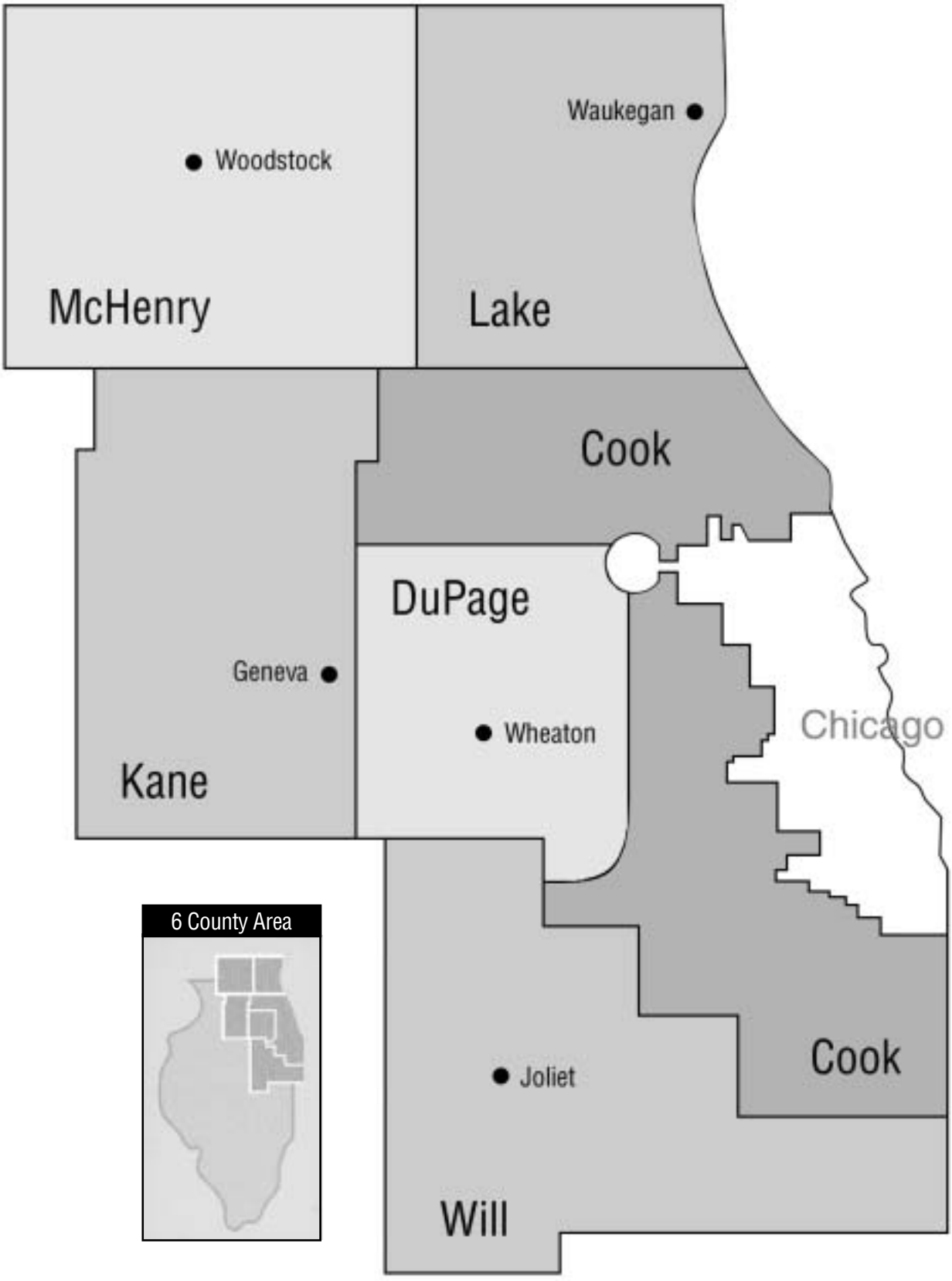
Service Boards

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

RTA Six County Region and County Seats



The Regional Transportation Authority Board of Directors

Thomas J. McCracken, Jr., Chairman
Appointing Authority: RTA Board of Directors

Patrick J. Durante
Appointing Authority: DuPage County

Allan C. Carr
Appointing Authority: Suburban Board Members of Cook County

Armando Gomez, Sr.
Appointing Authority: City of Chicago

Valerie B. Jarrett
Appointing Authority: Chicago Transit Authority

Dwight Magalis
Appointing Authority: Kane, Lake, McHenry and Will Counties

Mary M. McDonald
Appointing Authority: Suburban Board Members of Cook County

Fred T. L. Norris
Appointing Authority: Kane, Lake, McHenry, and Will Counties

Thomas H. Reece
Appointing Authority: City of Chicago

Michael Rosenberg
Appointing Authority: City of Chicago

Donald L. Totten
Appointing Authority: Suburban Board Members of Cook County

Douglas M. Troiani
Appointing Authority: Suburban Board Members of Cook County

Rev. Addie L. Wyatt
Appointing Authority: City of Chicago

Executive Director
Richard J. Bacigalupo

Regional Transportation Authority

To the riders and taxpayers of the RTA region:

The 2003 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 customer's needs. The 2003 budget and five-year capital program represents our plans to continue to provide essential services while meeting our statutory obligation to ensure the economic stability of our transit system.

Tough economic times affect everyone including your transit system. When unemployment rises, the number of work trips decreases. In northeastern Illinois transit ridership in the first six months of 2002 declined by 2.2 percent over the same period in 2001 meaning less money through the fare box to support CTA, Metra and Pace services. Transit operations are also supported through a portion of the sales taxes collected in the six-county region served by the RTA system. Higher unemployment and other economic uncertainties have decreased consumer spending resulting in lower sales tax revenues.

When economic conditions were better, the RTA had the foresight to establish 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. The RTA built upon this reserve whenever possible so that funds would be available in a less robust economy. In 2001 and 2002, reserve funds were released to the CTA, Metra and Pace to fund budget shortfalls brought about by lower than projected sales tax revenues.

For 2003, the RTA system's fund balance is at the 5 percent minimum level. However, to enable the CTA, Metra and Pace to continue to fund their budgets without service cuts or fare increases, the RTA is diverting $29.5 million from a fund originally set aside for technology projects as a one-time cash infusion for transit operations. By doing this, the RTA has given our region's transit operators much-need time to look for ways to increase revenues and cut costs. These funds also ensure that our transit system remains intact and viable so that it can be a contributor to our region's economic recovery.

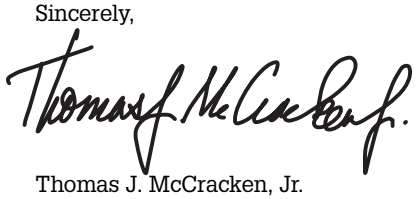
While these measures will protect the financial stability of our transit system in the near-term, we fully expect a funding decrease in 2004. But our actions in the 2003 budget have given the CTA, Metra and Pace an additional 12 months to investigate and implement revenue enhancements and cut costs. We will continue to closely monitor economic events in the months ahead and take the measures necessary to preserve transit's economic viability.

Despite the impact of a sluggish economy on transit operations, the RTA system is in the midst of an unprecedented capital improvement program made possible through the state's Illinois FIRST program and the federal government's Transportation Equity Act for the 21st Century (TEA-21). In 2002, we issued $360 million in bonds and plan to issue up to $410 million in bonds in 2003 so that these funds can continue to work to rebuild, extend and improve our transit system and stimulate the regional economy.

We will also continue in 2003 to pursue projects and studies designed to improve transit service and coordination throughout the region. And we will continue to help communities throughout the region make land use decisions that better accommodate transit service.

Although we anticipate challenges in the coming year, this 2003 budget and five-year capital plan shows that we are working together to ensure that the RTA system is able to meet its commitment to our region's mobility now and in the future.

Sincerely,



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.

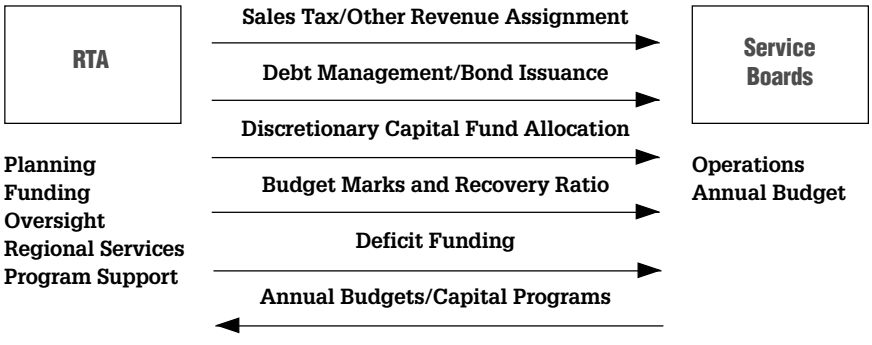
The "marks" guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that conforms to the RTA "marks." After considering public comment, the CTA, Metra and Pace board members adopt their respective budget.

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

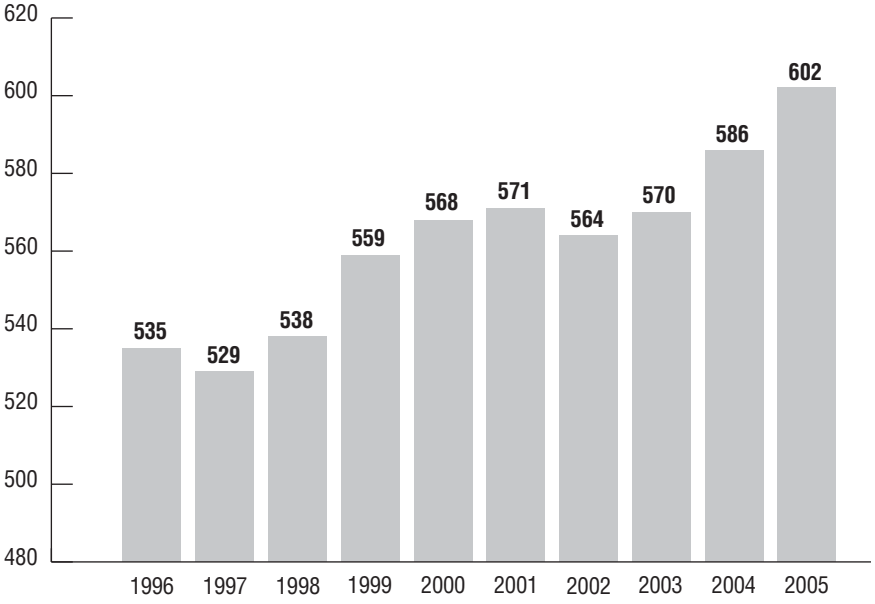


Strategic Focus

The RTA Board of Directors 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 Boards, 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 1996 through 2005. 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 has unveiled a comprehensive long-term plan for the future, Vision 2020, that focuses on designing an ideal suburban transit network.

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.

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. The CTA has begun the reconstruction of the Douglas Branch of the Blue Line and Metra has begun receiving 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.

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. Pace's Vanpool program, which includes three segments, the VIP, the corporate shuttle bus and the ADvAntage Program, will continue to add service in 2003. Pace plans to add 67 vans to its fleet of 393 and increase ridership from 1.2 million to more than 1.4 million, a 17 percent increase.

Partnerships

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

For the past three 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

Exhibit 1-3

RTA Statement of Revenues and Expenditures (dollars in thousands)

	2002 Estimate	2003 Budget
Revenue		
Sales Tax	$ 653,522	$ 673,129
Public Transportation Fund	163,381	168,282
State Financial Assistance	63,588	75,910
Reduced Fare	36,000	40,000
Investment Income & Other	16,262	14,775
Total Revenue	**$ 932,753**	**$ 972,096**
Operating Expenditures		
Operations Funding	$ 724,558	$ 752,294
Reduced Fare	36,000	40,000
Sales Tax Interest & Other	1,560	1,360
Agency Operations	17,831	18,483
Regional Technology & Coordination	4,085	5,320
Total Operating Expenditures	**$ 784,034**	**$ 817,457**
Debt Service & Capital Expenditures		
Principal and Interest	$ 111,551	$ 139,162
Regional Technology & Agency Programs	7,287	5,375
RTA Discretionary Capital	—	—
Metra Transfer Capital	38,161	25,556
CTA Transfer Capital	20,353	20,353
Total Debt Service and Capital Expenditures	**$ 177,352**	**$ 190,446**
Total Expenditures	**$ 961,386**	**$ 1,007,903**
Fund Balance (undesignated/unreserved)		
Beginning Balance	73,627	46,848
Revenues less Expenditures - Surplus/(Deficit)	(28,633)	(35,807)
Designations/Reserves	1,854	29,827
Ending Balance	**$ 46,848**	**$ 40,868**
% of Total Operating Expenditures (see page 1-6)	6.0%	5.0%

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 and through the end of 2002 the Agency will have authorization to issue $980 million. The 2003 budget includes the issuance of $260 million in SCIP bonds and $150 million in RTA bonds authorized by *Illinois FIRST*.

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.

Operating Plan

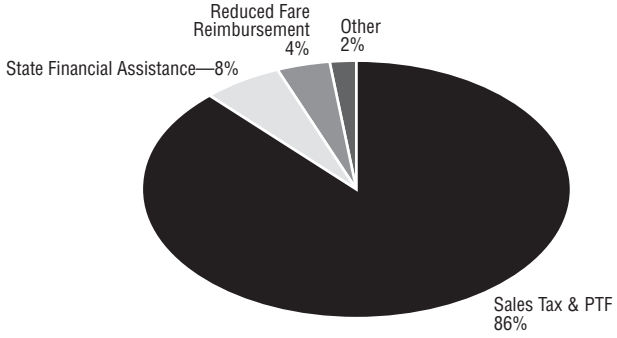
An abbreviated statement of revenues and expenditures for the 2002 estimate and the 2003 budget is presented in Exhibit 1-3. A detailed statement of RTA revenues and expenditures from 2001 through 2005 is shown in Exhibit 2-1 of the Region section.

Revenues

In 2003, total RTA revenues are projected at $972.1 million. This represents an increase of $39.3 million or 4.2 percent over the 2002 estimate of $932.8 million. Nearly 86 percent, or $841.4 million, of these receipts will be generated from RTA Sales Tax and Public Transportation Fund (PTF) receipts. State financial assistance (SFA) of $75.9 million provides 8 percent of revenues. State reduced fare reimbursement (RF) programs equal 4 percent of total revenues, or $40 million. Investment income and other revenue account for the remaining balance of $14.8 million, or 2 percent. Exhibit 1-4 illustrates this distribution.

Exhibit 1-4

2003 RTA Revenue Sources—$972.1 Million



Sales Tax

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. 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 2002 sales tax estimate and the 2003 budget year sales tax projections were developed from forecasts issued by the Illinois Bureau of the Budget (BOB). However, a continued sluggish economy pressed the use of projections which are more reasonable and prudent.

Therefore, the RTA has identified a projected sales tax shortfall of $13.5 million in 2002 when comparing the Illinois BOB estimate of $667 million and the RTA's internal estimate of $653.5 million. Using the RTA base of $653.5 million and growth rates for the 2003 budget of 3 percent (BOB growth rate is 4.2 percent off a higher base in 2002) produces an estimated sales tax shortfall of $21.9 million in 2003 between the RTA estimate of $673.1 million and BOB forecast of $695 million.

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.

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) bonds. Subject to the appropriation of funds by the state, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments.

Reduced Fare

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.

In 2002 the state reduced its funding to $36 million. The RTA is projecting a return to the $40 million reimbursement level from 2003 through 2005.

Investment Income and Other

The investment income and other revenue category consist of sales tax interest, investment income, and agency revenue. Total receipts in 2003 are budgeted at $14.8 million. The 2002 figure of $16.3 million includes $1.8 million in construction build-out credits at the new office location.

Expenditures

Total RTA expenditures (operating and capital) for 2003 are budgeted at $1,007.9 million. This amount is a 4.8 percent, or $47 million increase, over the 2002 estimate of $961.4 million. Exhibit 1-5 illustrates the expense distribution planned for 2003.

Operations Funding to Service Boards

The RTA's major expenditure is the funding of the Service Boards' operating deficits. Total operating funds to be distributed in 2003 are $752.3 million which is 3.8 percent or $27.7 million higher than 2002.

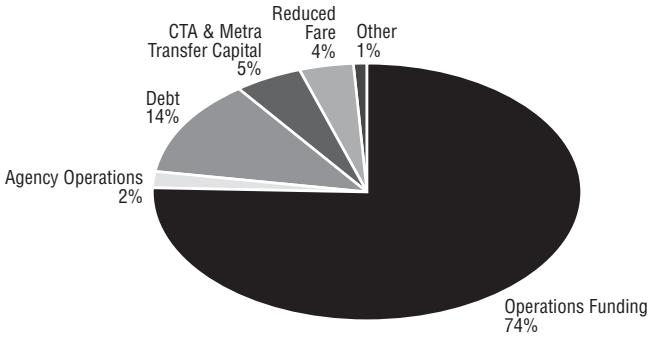
The RTA Board establishes operating and capital program funding marks for each service board to use in their proposed budget and program. These marks are set in September for the next fiscal period.

The operating budgets and two-year financial plans submitted by the CTA and Metra plans are in compliance with the RTA Board funding marks.

Pace's 2003 budget and two-year financial plan (2004-2005) and its five-year capital program for 2003-2007 issued for public review did not comply with the "marks" set by the RTA Board on Sept. 5, 2002 because these plans include the use of $7.8 million in annual funding from its capital program for yearly operations identified as capital cost of contracting. For further discussion, see recovery ratio on page 6-8 of the Pace section.

Exhibit 1-5

2003 RTA Expenditures—$1,007.9 Million



CTA

The RTA's proposed budget marks for the CTA in 2003 show a funding level of $453.5 million—an amount 2.7 percent higher than the 2002 estimate. This reflects operating costs increases, particularly in the areas of wages and health insurance.

Metra

Metra's operating funding level for the year 2003 is $216.1 million or 6.0 percent higher than the prior year. Their direct apportionment of sales tax covers this level of increase but their statutory transfer capital program will be adversely influenced as discussed below. The funding increase will be used, in part, to support higher health insurance costs.

Pace

As previously discussed Pace's proposed budget did not comply with the "marks" established for them by the RTA. Their operations funding level from the RTA for 2003 is $82.7 million, an increase of 4.7 percent over their 2002 budget of $79.4 million. Their total deficit funding in 2003 is planned at $83.2 million compared to the 2002 figure of $79.8 million.

Reduced Fare

State reduced fare reimbursements are received as revenue by the RTA, as previously described, and flow directly to the Service Boards to help defray program costs. With a reimbursement level of $40 million most operating costs for reduced fare programs are offset by this repayment.

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.

Agency operations represent on-going RTA functions to execute its planning, funding, and financial oversight responsibilities. Expenditures in 2003 of $18.5 million will be offset by estimated agency program revenues of $1.6 million and lower funding to $16.9 million an increase of 3 percent over the 2002 level of $16.4 million. More detailed information about agency expenditures and funding levels are offered in the agency section.

Regional Technology and Coordination

The RTA supports growing demands for technical assistance initiatives and coordination programs across the region. During the planning period, program expenditures will average about $4.5 million. Through its partnership efforts the RTA receives revenues from other state and local agencies to defray a portion of these costs. These receipts will average about $3.2 million annually with the balance of $1.3 million each year funded by the RTA.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to grow from $177 million in 2002 to $190 million in 2003. This increase is directly related to the increased payments of principal and interest for Service Board bond programs. The proceeds are used to fund their capital programs.

Principal and Interest

Principal and interest payments increase from almost $112 million in 2002 to approximately $139 million in 2003 to cover the issuance of bonds authorized under the state's *Illinois FIRST* program. In 2003, the RTA plans to issue $410 million under this program.

Regional Technology and Agency Programs

The proposed 2003 budget continues the RTA's commitment to region-wide capital driven technology enhancements. Expenditure plans average $4.4 million on an annual basis. However, the RTA receives reimbursement ("revenues") from federal programs and local initiatives that are projected to average about $1.7 million during the planning period. As a result, net RTA funding for these projects will be around $2.7 million each year. The agency section provides additional program and financial information.

Metra 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. Currently, Metra is the only Service Board that can use a portion of its sales tax for capital programs. In 2002, it is estimated that Metra will receive approximately $38 million while 2003 estimates are roughly $26 million. RTA discretionary funds are included in these figures. Reduced sales tax revenues have decreased the amount of funds projected to be on hand for Metra's capital programs in 2004 and 2005 after operating costs are funded.

CTA Transfer Capital

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. The annual funding for this program during the planning program is at $20.4 million.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. The 2003 proposed budget is $1,007.9 million.

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 operating expenditures for the year. 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 2002 is $46.8 million. The respective balance for the 2003 budget is $40.9 million and this meets the minimum percentage level set by the RTA Board (see page 2-18 for further detail).

Beginning Balance

The beginning balance is the amount of funds in the undesignated and unreserved fund balance after the previous year's results have been audited and the accounting books are closed. All statements in this document reflect 2001 actual results for the 2002 beginning balance. This amount is $73.6 million.

Revenues less Expenditures—Surplus/ (Deficit)

Total RTA revenue less total RTA expense produces an annual change in the fund balance. When revenue exceeds expense, a gain or surplus is added to the fund balance. If expense exceeds revenue, the fund balance is reduced by the deficit amount. 2002 and 2003 projections indicate deficit amounts of nearly $29 million and $36 million respectively.

Designations/Reserves

Certain agency program expenditures are obligated in the prior year's fund balance when the RTA Board adopts the following year's program. As funds are de-obligated and/or re-obligated changes in the fund balance take place. The entry for 2003 includes $29.5 million in reserved technology funds that will be de-obligated to cover operating funding shortfalls created by reduced sales tax and PTF revenues during the past two years.

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. The RTA's budgeted recovery ratio for 2003 is 52.4 percent. This includes a request by Metra to exclude an additional $12.4 million in transportation facility lease expenditures from their calculation from 2002 through 2005. The calculation also includes Pace's figures as presented in Exhibit 6-4. A detailed breakout of this calculation is provided in the Region section Exhibit 2-22.. (The adopted ordinance clarifies the budget figures and exclusions used. Schedule 1-D, page 7-24).

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 over 53 percent for year 2003, well above the mandated 50 percent.

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 2003 is $12 million and the agency's administrative expenses are 56 percent below this amount. *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.

Public Funding

Each section of the 2003 Program and Budget Book presents the source and

Exhibit 1-6

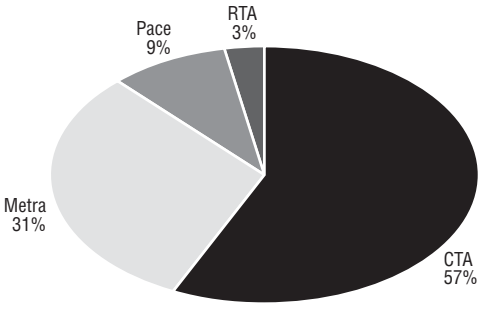
Use of RTA Funds in 2003 (dollars in millions)

	CTA	Metra	Pace	Agency	Total
(1) Receipts Allocated by Formula	$ 298.3	$ 220.0	$ 77.5	—	$ 595.8
(2) RTA Discretionary for Operating Deficit	188.4	—	9.3	—	197.7
(3) Transfer Capital	20.4	25.6	—	—	46.0
(4) RTA Funds for Agency Operations	—	—	—	18.5	18.5
(5) RTA Funds for Regional Technology, Capital & Coordination	—	—	—	10.7	10.7
(6) Principal & Interest Payments (debt service)	69.6	62.6	7.0	—	139.2
Total Used	**$ 576.7**	**$ 308.2**	**$ 93.8**	**$ 29.2**	**$ 1,007.9**

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 formula sales tax receipts and RTA discretionary capital and RTA discretionary for CTA 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 Regional Technology, Capital, & Coordination; (6) Debt service for bonds applied by formula (CTA 50%, Metra 45%, Pace 5%).

Exhibit 1-7

2003 Total Fund Use by Organization—$1,007.9 Million



use of funds through the RTA for the respective operation. The subsequent paragraphs and exhibits summarize the use of these funds for the 2003 budget.

In 2003, the RTA will receive $972.1 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 $1,007.9 million is detailed in Exhibit 1-6. The CTA will receive $577 million or 57 percent, Metra $308 million or 31 percent, Pace $94 million or 9 percent and the RTA will use $29 million or 3 percent (Exhibit 1-7).

Included in the use of RTA funds (Exhibit 1-6) is an operating discretionary amount of $197.7 million. This is budgeted to fund the operating deficits of the CTA and Pace. The 2003 budget distributes $188.4 million, or 95 percent, to the CTA and $9.3 million, or 5 percent, to Pace (Exhibit 1-8).

Capital Program

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. The 2003-2007 capital program was adopted on December 13, 2002. The total estimated capital funds available for 2003 are projected to be slightly more than $1 billion (Exhibit 1-9). The Service Boards have programmed all but $16 million of the available funds.Schedule II in the Appendices provides details of this program.

Of the estimated $1 billion of new and de-obligated funding sources for 2003, federal funding accounts for $485.1 million or 47 percent. RTA funds account for $381.2 million or 36 percent, IDOT funds account for $86.4 million or 8 percent, Service Board funds account for $40 million or 4 percent, and carryover and de-obligated funds account for $52.6 million or 5 percent (Exhibit 1-10).

On Sept. 5, 2002, 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 Dec. 13, 2002 to incorporate these changes.

In 2003 and subsequent years, the proposed RTA's budget and plan does not include discretionary capital funds. These funds are not available due to lower projected RTA Sales Tax receipts reflecting a less robust economic climate.

Exhibit 1-8

2003 Discretionary Funds for Service Board Operations—$197.7 Million

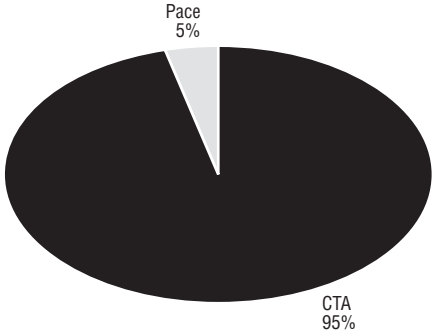


Exhibit1-9

2003 Capital Funding Sources—$1,045.3 Million

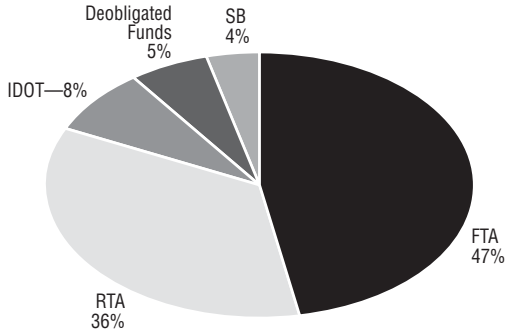


Exhibit1-10

Capital Funding in 2003 (dollars in thousands)

Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**Total**
FTA Capital Grants	$ 278,173	$ 172,272	$ 34,690	$ 485,135
IDOT Grants	46,400	33,564	6,400	86,364
Service Board/Local Funds	3,500	9,428	1,532	14,460
RTA SCIP Bonds	130,000	117,000	13,000	260,000
RTA Bonds	51,649	32,466	7,860	91,975
RTA (TBD)	8,900	—	—	8,900
Transfer Capital & Sales Tax Capital	20,353	25,556	—	45,909
Deobligations	29,020	23,544	—	52,564
Total Service Board Capital Funding	**$ 567,995**	**$ 413,830**	**$ 63,482**	**$ 1,045,307**

Operating Plan

Overview

The Chicago metropolitan area is the third most congested area in the nation according to the Texas Transportation Institute's 2002 Urban Mobility Study. 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.

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.

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 performance. 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

Exhibit 2-1

RTA Statement of Revenues and Expenditures (dollars in thousands)

	2001	2002	2003	2004	2005
Revenue	**Actual**	**Estimate**	**Budget**	**Plan**	**Plan**
Sales Tax (1)	$ 653,522	$ 653,522	$ 673,129	$ 694,473	$ 723,548
Public Transportation Fund (PTF)	164,987	163,381	168,282	173,618	180,887
State Financial Assistance (SFA)	43,662	63,588	75,910	95,934	111,896
Reduced Fare (RF)	39,531	36,000	40,000	40,000	40,000
Investment Income & Other (2)	9,068	16,262	14,775	14,701	14,987
Total Revenue	**$ 910,770**	**$ 932,753**	**$ 972,096**	**$ 1,018,726**	**$ 1,071,318**
Operating Expenditures					
Operations Funding	$ 690,245	$ 724,558	$ 752,294	$ 742,849	$ 768,366
Reduced Fare	39,531	36,000	40,000	40,000	40,000
Sales Tax Interest & Other (3)	3,744	1,560	1,360	1,360	1,360
Agency Operations	17,594	17,831	18,483	18,041	18,665
Regional Technology & Coordination	1,738	4,085	5,320	4,285	4,435
Total Operating Expenditures	**$ 752,852**	**$ 784,034**	**$ 817,457**	**$ 806,535**	**$ 832,826**
Debt Service & Capital Expenditures					
Principal and Interest	$ 83,793	$ 111,551	$ 139,162	$ 166,904	$ 187,724
Regional Technology & Agency Programs (4)	6,248	7,287	5,375	5,411	5,448
RTA Discretionary Capital	9,698	—	—	—	—
Metra Transfer Capital	34,105	38,161	25,556	19,606	23,200
CTA Transfer Capital	20,353	20,353	20,353	20,353	20,353
T**otal Debt Service and Capital Expenditures**	**$ 154,197**	**$ 177,352**	**$ 190,446**	**$ 212,274**	**$ 236,725**
Total Expenditures	**$ 907,049**	**$ 961,386**	**$ 1,007,903**	**$ 1,018,809**	**$ 1,069,551**
Fund Balance (undesignated/unreserved)					
Beginning Balance	—	73,627	46,848	40,868	40,352
Revenues less Expenditures - Surplus/(Deficit)	—	(28,633)	(35,807)	(83)	1,767
Designations/Reserves (5)	—	1,854	29,827	(433)	(482)
Ending Balance	**$ 73,627**	**$ 46,848**	**$ 40,868**	**$ 40,352**	**$ 41,637**
% of Total Operating Expenditures (see page 2-7)	9.8%	6.0%	5.0%	5.0%	5.0%

Notes (1) The sales tax figures on this schedule for 2003 are $21.9 million lower than the BoB estimate of $695 million for the same time period. The amounts in 2004 & 2005 grow from the 2003 RTA figure; (2) The 2002 RTA budget established a process for reserving moneys needed to fund the longer-term nature of its Capital and Technology programs (similar to service board capital program processes). Annual revenue from 2002 through 2005 is projected to average about $7 million. Exhibit 3-8 in the Agency section illustrates the program; (3) 2001 includes $3 million to fund the JSIF. 2002 includes $200k to cover costs to relocate the RTA office. The remaining balance each year is the sales tax interest to the service boards; (4) 2001 includes $569k for agency capital. The 2002 estimate includes $3.4 million in capital expenditures at the new RTA office location. 2002 though 2005 includes $600k for agency capital expenditures. The remaining costs each year are for regional technology programs as illustrated in the Agency section (Exhibit 3-8); (5) Recognizes certain change in fund balance from designated or reserved funds each year. The figure in 2003 includes the entire amount of $29.5 million in the technology reserve that will be transferred to the undesignated/unreserved fund balance. This one-time inflow of funds will be used to cover the projected revenue shortfalls identified in Note 1 and preserve a stable operating environment in 2003.

Boards' performance monthly by using a subset of these indicators.

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

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 2001-2005. Throughout this document, 2001 is actual data, 2002 is the estimate of year-end results, 2003 is the operating budget, and 2004-2005 is the two-year financial plan.

Revenue

As identified in Exhibit 2-1, total revenues are projected to grow from $911 million in 2001 to $1,071 million in 2005. This is an increase of $160 million over the four-year period, or a 4.1 percent compound annual growth rate.

The RTA sales tax is the primary source of revenue for the RTA. In 2001, RTA sales tax receipts of $654 million comprised 72 percent of the RTA's total revenue. Public transportation funds (PTF), state financial assistance (SFA), state reduced fare (RF), and investment

Exhibit 2-2

2001 RTA Sources of Revenue—$911 Million

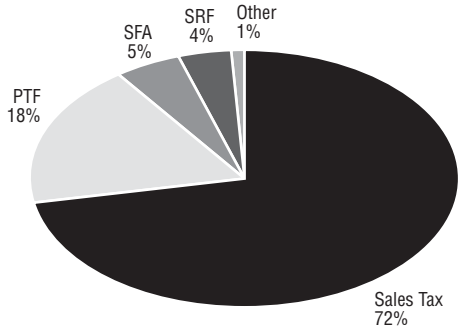


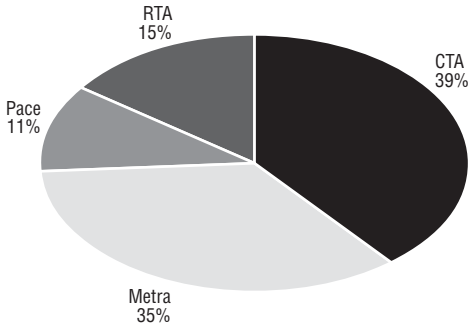
Exhibit 2-3

RTA Sales Tax Distribution Collected Within: (in percent)

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

Exhibit 2-4

2001 RTA Sales Tax Distribution by Service Board—$654 Million



income/other revenue provided the balance of RTA revenues and totaled $258 million or 28 percent of total revenue (Exhibit 2-2).

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 2001 sales tax distribution by Service Board. For the year 2001, the $654 million in sales tax was broken out in the following manner; CTA 39 percent, Metra 35 percent, Pace 11 percent, and RTA 15 percent.

Sales tax is projected to increase from $654 million in 2001 to $724 million in 2005, a compound growth rate of 2.6 percent (Exhibit 2-5).

The 2002 sales tax estimate and the 2003 budget year sales tax projections were developed from forecasts issued by the Illinois Bureau of the Budget (BOB). However, current economic conditions necessitated the use of projections which are more reasonable and prudent.

For example, through August of 2002, sales tax is just below last year's level and it does not appear likely that receipts will exceed last year's figure. Thus, the RTA has identified a projected sales tax shortfall of $13.5 million in 2002. This is the difference between the Illinois BOB estimate of $667 million and the RTA's internal estimate of $653.5 million. Using the RTA base of $653.5 million and growth rates for the 2003 budget of 3 percent (BOB growth rate is 4.2 percent off a higher base in 2002), there is an estimated sales tax shortfall of $21.9 million in 2003 between the RTA estimate and BOB forecast. The plans for 2004 and 2005 were developed from the RTA's 2003 figures using an estimated economic growth in the region of 3.2 percent and 4.2 percent respectively.

From a distribution standpoint, the City of Chicago accounted for 30 percent of the sales tax collected in 2001, suburban Cook 55 percent, and the collar counties 15 percent (Exhibit 2-6). Any economic downturn will affect the entire RTA sales tax collection area.

Exhibit 2-5

RTA Sales Tax (dollars in millions)

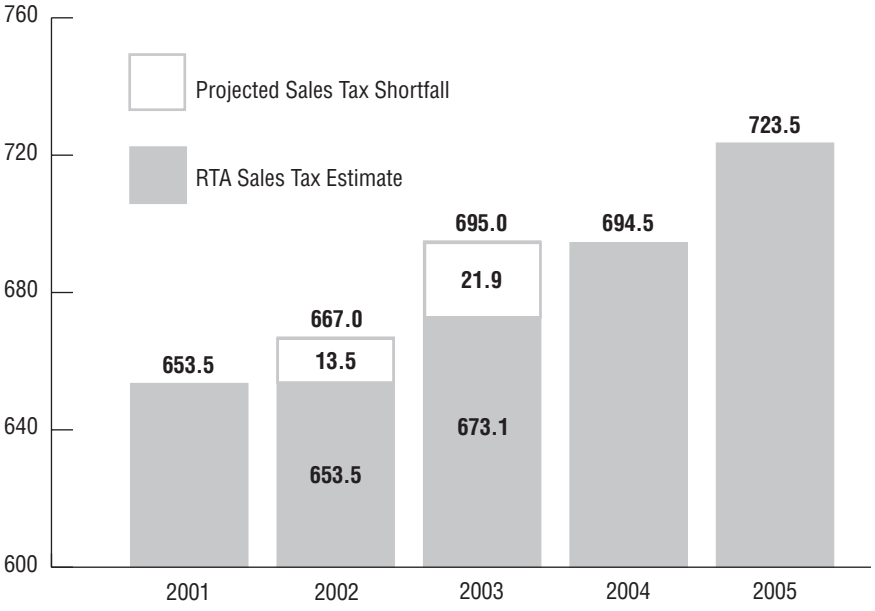
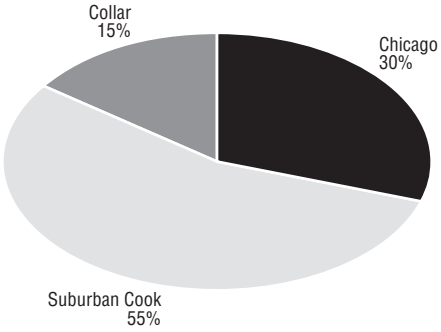


Exhibit 2-6

2001 RTA Sales Tax Collection by Area—$654 Million



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 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.

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 1989 authorization) and (SCIP Illinois First) 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 $43.7 million in 2001 and estimates $63.6 million in 2002, $75.9 million in 2003, $95.9 million in 2004, and $111.9 million in 2005.

Continuing the RTA's emphasis on capital investment, the 2003 budget includes the following assumptions on future debt issuance.

- $150 million (RTA non-SCIP) in 2003.
- $260 million (SCIP Illinois FIRST) in 2003.
- $260 million (SCIP Illinois FIRST) in 2004.
- $260 million (SCIP Illinois FIRST) in 2005.
- $50 million (RTA non-SCIP) in 2005

Reduced Fare (RF)

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 provided 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. In 2002 the state reduced its funding to $36 million. The RTA is projecting a return to the $40 million reimbursement level from 2003 through 2005.

Exhibit 2-7

RTA Operations Funding (dollars in millions)

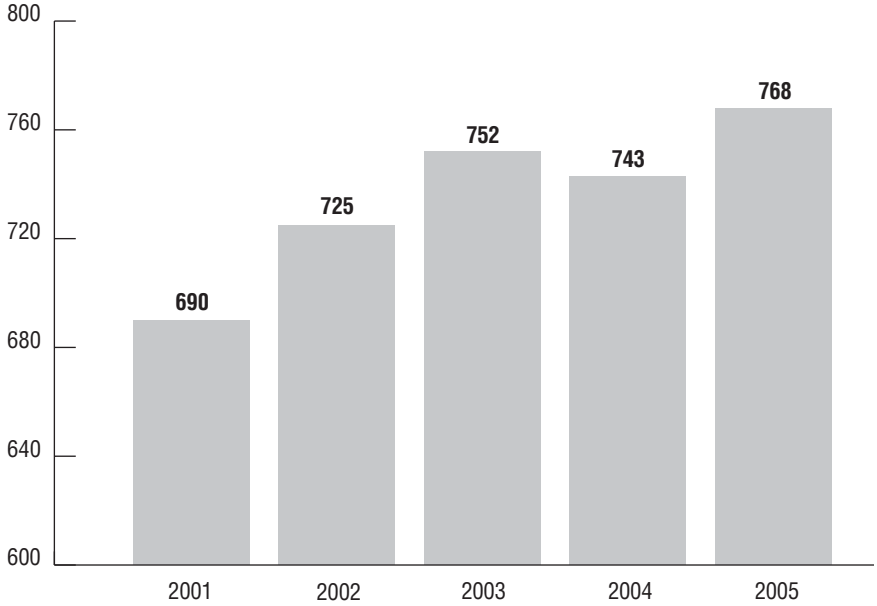


Exhibit 2-8

RTA Operations Funding by Service Board (dollars in thousands)

Operations Funding	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
CTA	$ 419,005	$ 441,632	$ 453,488	$ 441,632	$ 457,089
Metra	196,238	203,874	216,059	222,165	229,458
Pace	75,002	79,052	82,747	79,052	81,819
Total Operations Funding	**$ 690,245**	**$ 724,558**	**$ 752,294**	**$ 742,849**	**$ 768,366**

Investment Income and Other

The investment income and other revenue category consist of sales tax interest, investment income, and agency revenue. Total receipts in 2003 are budgeted at $14.8 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 2003, 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 $4.5 million for the year 2003.

Agency revenues of $8.7 million for 2003 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, state and local programs for regional planning, development and new technology efforts. The 2002 Agency budget established a process for reserving monies needed to fund the long term nature of its capital and technology programs. The statement of Regional Technology and Agency Capital Program funding (Exhibit 3-8) in the Agency section provides more detailed information regarding the funding of these initiatives.

Operating Expenditures

Exhibit 2-1 provides a summary of the RTA's operating expenditures from 2001 through 2005. Total operating expenditures are projected to grow from $753 million in 2001 to $833 million in 2005. This is an increase of $80 million over the four-year period, or a 2.6 percent annual growth rate.

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 (fare box 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 2001-2005, Service Board operations funding from the RTA is expected to increase from $690 million to $768 million. This $78 million increase represents a compound annual growth rate of 2.7 percent slightly higher than the 2.6 percent projected compound growth rate for sales tax over the same time period.

Operating funds of $752 million to the Service Boards in 2003 represents a 3.8 percent increase over the 2002 figure of $725 million and a 9 percent increase since 2001. However, sales tax revenue from 2001 through 2003 is projected to increase only 3 percent. To cover the shortfalls created by lower sales tax and PTF revenues and maintain a level of funding in 2003 that is consistent with last year's plan for

2003, the RTA must use $29.5 million in funds that had been previously reserved for region-wide technology initiatives.

Exhibit 2-8 provides a more detailed analysis of total operations funding by Service Board from 2001 through 2005. The RTA's proposed budget marks for the CTA in 2003 show a funding level of $453.5 million - an amount 2.7 percent higher than the 2002 estimate. This reflects operating costs increases, particularly in the areas of wages and health insurance.

Metra's operating funding level for the year 2003 is $216.1 million or 6 percent higher than the prior year. Their direct apportionment of sales tax covers this level of increase but their statutory transfer capital program will be adversely influenced as discussed below. The funding increase will be used, in part, to support higher health insurance costs.

Pace's 2003-2005 financial plans for operations and capital, detailed in the proposed 2003 budget that they released for public review, do not comply with the "marks" set by the RTA Board on Sept. 5, 2002 because their 2003-2005 submission includes the annual use of $7.8 million in capital funds for annual operating funding identified as capital cost of contracting. For further discussion, see page 6-8 (recovery ratio) of the Pace section.

Reduced Fare

State reduced fare reimbursements are received as revenue by the RTA, as described early, and flow directly to the Service Boards to help defray program costs. With a reimbursement level of $40 million most operating costs for reduced fare programs are offset by this repayment.

Sales Tax Interest and Other

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. From 2002 through 2005 sales tax interest distributed by the RTA to the service boards is projected to be about $1.4 million annually.

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 made a $3 million contribution to this fund in 2001. No further contributions are budgeted during the planning period.

RTA's budget for 2002 included operating expenditures of $0.2 million to relocate its offices. The move was required since the agency's existing lease would expire during the 4th quarter of 2002 and the new lease rate was excessive. The $0.2 million is included in the $1.6 million figure for 2002.

Agency Operations

Agency operations represent on-going RTA functions to execute its planning, funding, and financial oversight responsibilities. Agency operating expenses of $17.8 million in 2002 represent a $0.2 million or 1.3 percent increase over 2001. Certain agency program revenues (such as the transit check receipts) reduce overall agency funding requirements. Expenditures in 2003 of $18.5 million will be offset by estimated agency program revenues of $1.6 million and lower funding to $16.9 million, an increase of 3 percent over the 2002 level of $16.4 million. More detailed information about agency expenditures and funding levels are offered in the agency section.

Regional Technology and Coordination

The RTA supports growing demands for technical assistance initiatives and coordination programs across the region (for example, the Regional Technical Assistance Program (RTAP), and the Regional Transit Coordination Plan (RTCP)). From 2002 through 2005 program expenditures will average about $4.5 million. Through its partnership efforts the RTA receives revenues from other state and local agencies to defray a portion of these costs. During the four-year period, 2002 through 2005, receipts are projected to average $3.2 million leaving a balance of $1.3 million to be funded by the RTA. The agency section provides additional program and financial information.

Debt Service & Capital Expenditures

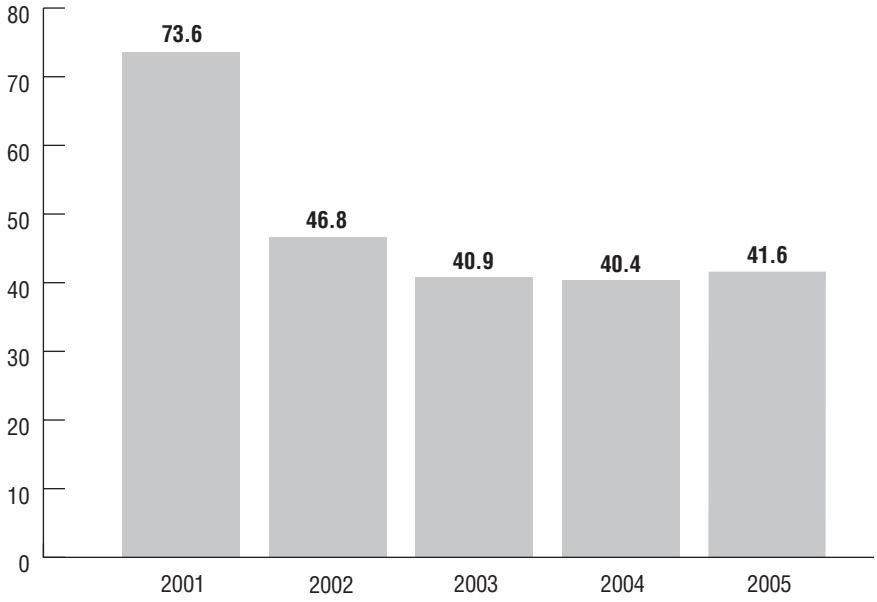
Exhibit 2-1 provides a summary of the RTA's debt service and capital expenditures from 2001-2005. Total expenditures in this category are projected to grow from $154 million in 2001 to $237 million in 2005.

Principal and Interest Payments

Principal and interest payments reflect the RTA's expenses and projected expenditures from 2001 through 2005. Payments increase from almost $84 million in 2001 to approximately $188 million in 2005 to cover the issuance of bonds authorized under the state's Illinois FIRST program. Projected state financial assistance for the SCIP bond program will help defray about 57 percent of the costs from 2001 through 2005.

Exhibit 2-9

RTA Ending Unobligated & Unreserved Fund Balance (dollars in millions)



Regional Technology and Agency Programs

The proposed 2003 budget continues the RTA's commitment to region-wide capital driven technology enhancements. From 2002 through 2005 expenditures for these programs are projected to average about $4.4 million annually. But, the RTA receives reimbursement ("revenues") from federal programs and local initiatives that are projected to average about $1.7 million during the same period of time. As a result, net RTA funding for these projects will be around $2.7 million each year. The agency section provides additional program and financial information.

RTA Discretionary Capital

The RTA has played a major role in financing Service Board capital improvements through its discretionary capital program. This program includes providing money to the service boards to use for the 20 percent "local match" that the federal government requires from local agencies on all federally funded capital projects, and funding selected capital projects at 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 2001, discretionary capital funding was approximately $10 million. Due to the current economic environment, the RTA has again proposed to defer the designation of discretionary capital funds through the planning period.

Metra Transfer Capital Program

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. The 2002 estimate and the 2003 plan also show RTA discretionary funds for this program. In 2001, the actual distribution to Metra was approximately $34 million. In 2002, it is estimated that Metra will receive approximately $38 million while 2003 through 2005 estimates are roughly $26 million, $20 million and $23 million, respectively. Reduced sales tax revenues have decreased the amount of funds projected to be on hand for Metra's capital programs after operating costs are funded.

CTA Transfer Capital Program

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, 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 2001-2005.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. From 2001 through 2005 these expenses are projected to increase from $907 million to almost $1.1 billion, this represents a compound growth rate of 4.2 percent.

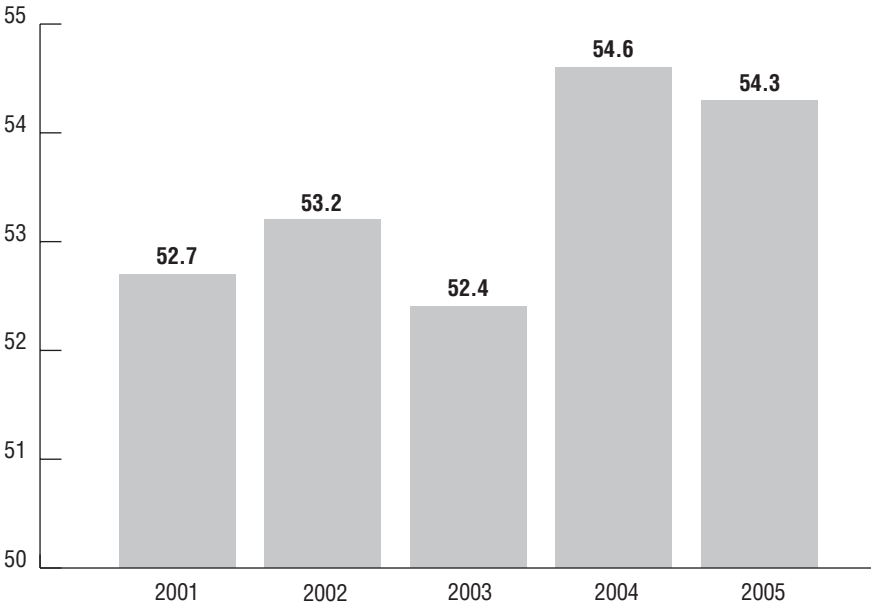
Fund Balance

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 opearting 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 2001 balance was $73.6 million. The estimated balance for 2002 is $46.8 million. The respective balances for the 2003 budget and two-year financial plan (2004 to 2005) are $40.9 million, $40.4 million, and $41.6 million, respectively (Exhibit 2-9). These 2002-2005

Exhibit 2-10

RTA Recovery Ratio (percent)



unreserved and undesignated fund balances meet the ordinance minimum 5 percent of operating expenses.

The ending balance is determined by increasing or decreasing the beginning fund balance by the annual change between revenue and expense and the de-obligation and or re-obligation of certain program funds. These revisions are described below.

The beginning balance is the amount of funds in the undesignated and unreserved fund balance after the previous years results have been audited and the accounting books are closed. All statements in this document reflect 2001 actual results for the 2002 beginning balance. This amount is $73.6 million (see page 2-18 for further detail).

Revenues less Expenditures—Surplus/ (Deficit)

Total RTA revenue less total RTA expense produces a change to the fund balance. When revenue exceeds expense a gain or surplus is added to the fund balance. If expense exceeds revenue a deficit occurs and this amount reduces the fund balance. 2002 and 2003 projections indicate deficit amounts of almost $29 million and $36 million respectively.

Designations/Reserves

Certain agency program expenditures are obligated in the prior years balance when the RTA Board adopts the following year's program. As funds are de-obligated and/or re-obligated changes in the fund balance take place. The figures in Exhibit 2-1 reflect this change. In addition, the entry for 2003 includes $29.5 million in reserved technology funds that will be de-obilgated to cover operating funding shortfalls created by reduced sales tax and PTF revenues during the past two years.

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 2003 is 52.4 percent. This includes the figures from Pace (Exhibit 6-4) and a request by Metra to exclude an additional $12.4 million in transportation facility lease expenditures from their calculation from 2002 through 2005. (See the adopted ordinance page 7-24. Schedule 1-D Note 2 for Metra, and Note 3 for Pace). The ratio is 54.6 percent in 2004 and 54.3 percent in 2005. A detailed breakout of this calculation is provided in Exhibit 2-22.

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 computes to over 53 percent in 2003, which is more than 3 percentage points above the mandated 50 percent.

Capital Program

Exhibit 2-11

Capital Program Sources, 2003 Total — $ 1,045 million

Service Board Capital Funding	Total	Percent
FTA Capital Grants	$ 485,135	47%
IDOT Grants	86,364	8
Service Board/ Other Funds	14,460	1
RTA SCIP Bonds	260,000	25
RTA Bonds	91,975	9
RTA Discretionary	—	—
RTA TBD	8,900	1
Transfer Capital	45,909	4
Deobligations	52,564	5
Total Service Board Capital Funding	**$ 1,045,307**	**100%**

At the present time the capital program funding source total for 2003 stands at $1,045 million. When Federal appropriation figures have been finalized this amount will most likely change. Detailed program information is provided in the CTA, Metra and Pace sections and a complete listing of projects can be reviewed on Schedule II in the Appendices.

Total Five-Year Program funding now stands at $4.5 billion with 35 percent for Rolling Stock. Exhibit 2-12 shows the use of funds planned for this five-year program.

Exhibit 2-12

2003-2007 Capital Program Uses (dollars in millions)

Asset Category	CTA	Metra	Pace	Total	Percent
Rolling Stock	$ 1,044	$ 403	$ 154	$ 1,601	35%
Track & Structure	189	323	—	512	11
Electric, Signal & Communications	299	152	27	478	11
Support Facilities & Equipment	469	106	57	632	14
Stations & Passenger Facilities	130	177	2	309	7
Miscellaneous	26	51	1	78	2
Acquisitions & Extensions	647	255	—	902	20
Contingencies & Administration	—	7	6	13	—
Total	**$ 2,804**	**$ 1,474**	**$ 247**	**$ 4,525**	**100%**

Reference

2002 Budget vs. 2002 Estimate

Total RTA revenues of $933 million are projected to be $23.9 million lower than 2002's budget of $956.7 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 $784 million are projected to be favorable by almost $4 million due to lower reduced fare reimbursements.

Total debt service and capital expenditures of $177.4 million, are expected to be favorable to budget by $9.7 million. Principal and interest expenditures were lower than budget as debt issuance amounts were less than plan.

Total expenditures are projected to exceed total revenue by $28.6 million, which is $10.4 million unfavorable to budget. However, the 2002 begining fund balance of $73.6 million was higher than projected and the ending fund balance of $46.8 million is estimated to be unfavorable to the budget by only $1.7 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 Service 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

Exhibit 2-13

RTA Statement of Revenues and Expenditures

2002 Budget versus 2002 Estimate (dollars in thousands)

Revenue	2002 Budget	2002 Estimate	Change
Sales Tax	$ 676,344	$ 653,522	($22,822)
Public Transportation Fund (PTF)	169,086	163,381	(5,705)
State Financial Assistance (SFA)	57,499	63,588	6,089
Reduced Fare (RF)	40,000	36,000	(4,000)
Investment Income & Other	13,741	16,262	2,521
Total Revenue	**$ 956,670**	**$ 932,753**	**($23,917)**
Operating Expenditures			
Operations Funding	$ 724,558	$ 724,558	—
Reduced Fare	40,000	36,000	4,000
Sales Tax Interest & Other	1,400	1,560	(160)
Agency Operations	17,831	17,831	—
Regional Technology & Coordination	4,100	4,085	15
Total Operating Expenditures	**$ 787,889**	**$ 784,034**	**$ 3,855**
Debt Service & Capital Expenditures			
Principal and Interest	$ 121,233	$ 111,551	$ 9,682
Regional Technology & Agency Programs	7,296	7,287	9
RTA Discretionary Capital	—	—	—
Metra Transfer Capital	38,161	38,161	—
CTA Transfer Capital	20,353	20,353	—
Total Debt Service and Capital Expenditures	**$ 187,043**	**$ 177,352**	**$ 9,691**
Total Expenditures	**$ 974,932**	**$ 961,386**	**$ 13,546**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 63,221	$ 73,627	$ 10,406
Revenues less Expenditures - Surplus/(Deficit)	(18,262)	(28,633)	(10,371)
Designations/Reserves	3,600	1,854	(1,746)
Ending Balance	**$ 48,559**	**$ 46,848**	**(1,711)**
% of Total Operating Expenditures	6.2%	6.0%	(0.2 pts)

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 suburbs in the six-county region, with limited service to areas within 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 (Exhibit 7-11).

Budget Calendar

By July 1st of each year, the Illinois Bureau of the Budget (BOB) 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 $1,275.9 million as of December 31, 2001, are divided into two types: $823.3 million in Strategic Capital Improvement Program (SCIP) bonds and $452.6 million in RTA bonds (Exhibit 2-14 and Exhibit 2-15).

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.

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.

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.

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

Exhibit 2-14

RTA General Obligation Bonds Payable (dollars in thousands)

General Obligation	Jan. 1, 2001	New Issues	Retirements	Dec. 31, 2001
1990A	$ 60,795	$ —	$ —	$ 60,795
1991A	57,800	—	2,055	55,745
1992A* and 1992B	75,085	—	4,045	71,040
1993A* and 1993B	44,830	—	39,990	4,840
1993C Refunding	22,155	—	190	21,965
1994A* and 1994B	49,255	—	4,705	44,550
1994C* and 1994D	85,270	—	2,635	82,635
1996 Refunding	149,220	—	570	148,650
1997 Refunding	97,635	—	2,360	95,275
1999 Refunding*	293,735	—	570	293,165
2000A*	260,000	—	—	260,000
2001A*	—	100,000	—	100,000
2001B Refunding	—	37,715	435	37,280
Total	**$1,195,780**	**$137,715**	**$57,555**	**$1,275,940**

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

Exhibit 2-15

RTA Debt Outstanding (dollars in thousands)

	December 31, 2001	December 31, 2002
Total Debt Outstanding	1,275,940	1,610,380
Total SCIP Principal Outstanding	823,335	968,405
Total Non-SCIP (RTA) Principal Outstanding	452,605	641,975
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized but Unissued RTA Debt	347,395	158,025

Exhibit 2-16

1992-2001 Debt Service Requirement Test (dollars in thousands)

	Sales Tax Revenue	Debt Serv. Req.	2.5 Times Debt Serv. Req.
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
2001	650,284	95,187	237,968

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 million (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 Bonds in each year for the period of 2000 to 2004. In March 2001, the RTA issued $100 million in SCIP bonds.

During 2002, the RTA had two bond offerings. The first issue was a $160 million SCIP bond offering. The second issue was a $200 million non-SCIP issue.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 2-16), 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.

The RTA and its Service Boards have put an emphasis on making sure that the bond proceeds are spent in a timely and efficient manner. Exhibit 2-17 highlights recent bond issues with the largest project-to-date expenditures.

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 opera-

Exhibit 2-17

Recent Bond Projects with the Largest Project-to-Date Expenditures (dollars in thousands)

Service Board	Bond Issue	Description	Amount
Metra	2000 A	Purchase 250 Accessible Bi-Level Cars	$102,174
CTA	2000 A	Replace up to 450 Buses (Option 2/Partial)	23,587
CTA	2000 A	Rehab CTA Douglas Branch New Start/Blue Line (Partial $)	19,409
CTA	2000 A	Install Air Conditioning on up to 490 TMC Buses	8,853
CTA	2000 A	Provide for Land Acquisition	7,546
CTA	2000 A	Perform Bus Overhaul for 200 TMC Buses	6,623
CTA	2000 A	Perform Rail Car 'C' Overhaul for Up to 450 (2400 & 3200 Series, Partial $)	5,212
CTA	2000 A	Perform Rail Car Overhaul and Upgrade Activities	5,150
Metra	2001 A	Purchase 250 Accessible Bi-Level Cars	38,683
CTA	2001 A	Rehab CTA Douglas Branch New Start/Blue Line (Partial $)	10,895
CTA	2001 A	Perform Bus Overhaul for Up to 2000 TMC Buses (4400 Series)	1,107
Metra	2002 A	Purchase 250 Accessible Bi-Level Cars	24,467
CTA	2002 A	Rehab CTA Douglas Branch New Start/Blue Line (Partial $)	4,034
CTA	2002 B	Rehab CTA Douglas Branch New Start/Blue Line	28,169

Exhibit 2-18

RTA 2001 Combined Fund Statement of Revenues & Expenditures by Fund (dollars in millions)

Revenues	**General**	**Agency**	**Debt**	**Capital**	**JSIF**	**Pension**	**Combined**
Sales Tax	$ 98.0	$ 555.5	$ —	$ —	$ —	$ —	$ 653.5
Public Transportation Funds (PTF)	165.0	—	—	—	—	—	165.0
State Financial Assistance (SFA)	43.7	—	—	—	—	—	43.7
Reduced Fare Reimbursements	—	39.5	—	—	—	—	39.5
Investment Income and Other	8.3	0.8	16.1	2.8	1.8	(2.1)	27.7
Total Revenues	**$ 315.0**	**$ 595.8**	**$ 16.1**	**$ 2.8**	**$ 1.8**	**($2.1)**	**$ 929.4**
Expenditures							
Operations Assistance to Service Boards	$ 168.9	$ 555.5	$ —	$ —	$ —	$ —	$ 724.4
Sales Tax Int to Service Boards	—	0.8	—	—	—	—	0.8
Reduced Fare Reimbursements	—	39.5	—	—	—	—	39.5
Agency Operations	19.3	—	—	—	5.0	3.3	27.6
Capital Grants	31.7	—	—	169.8	—	—	201.5
Debt Service Operating Transfer	83.8	—	(83.8)	—	—	—	—
Joint Self-Insurance	3.0	—	—	—	(3.0)	—	—
P&I Bondholder Payment	—	—	96.1	—	—	—	96.1
Bond Proceeds	—	—	—	(111.2)	—	—	(111.2)
Other	0.1	—	(1.7)	0.3	—	—	(1.3)
Total Expenditures	**$ 306.8**	**$ 595.8**	**$ 10.6**	**$ 58.9**	**$ 2.0**	**$ 3.3**	**$ 977.4**
Revenues Less Expenses	**$ 8.2**	**$ —**	**$ 5.5**	**($56.1)**	**($0.2)**	**($5.4)**	**($48.0)**

tions 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 Fund and Capital Projects Fund. Revenues and expenditures by fund type are detailed in Exhibit 2-18.

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 2-19 highlights the 2003 budget by fund type. The General and the Agency Funds are the only two funds that have annual budgets.

Exhibit 2-19

RTA Statement of Revenues and Expenditures 2003 Budget by Fund (dollars in thousands)

Revenue	General Fund	Agency Fund	Total Budget
Sales Tax	$ 100,969	$ 572,160	$ 673,129
Public Transportation Fund (PTF)	168,282	—	168,282
State Financial Assistance (SFA)	75,910	—	75,910
Reduced Fare (RF)	—	40,000	40,000
Investment Income & Other	13,415	1,360	14,775
Total Revenue	**$ 358,576**	**$ 613,520**	**$ 972,096**
Operating Expenditures			
Operations Funding	$ 197,707	$ 554,587	$ 752,294
Reduced Fare	—	40,000	40,000
Sales Tax Interest & Other	—	1,360	1,360
Agency Operations	18,483	—	18,483
Regional Technology & Coordination	5,320	—	5,320
Total Operating Expenditures	**$ 221,510**	**$ 595,947**	**$ 817,457**
Debt Service & Capital Expenditures			
Principal and Interest	$ 139,162	—	$ 139,162
Regional Technology & Agency Programs	5,375	—	5,375
RTA Discretionary Capital	—	—	—
Metra Transfer Capital	7,983	17,573	25,556
CTA Transfer Capital	20,353	—	20,353
Total Debt Service and Capital Expenditures	**$ 172,873**	**$ 17,573**	**$ 190,446**
Total Expenditures	**$ 394,383**	**$ 613,520**	**$ 1,007,903**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 46,848	—	$46,848
Revenues less Expenditures - Surplus/(Deficit)	(35,807)	—	(35,807)
Designations/Reserves	29,827	—	29,827
Ending Balance	**40,868**	—	**$ 40,868**
% of Total Operating Expenditures	—	—	**5.0%**

Debt Service Fund

The Debt Service Fund is 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 Fund

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 Fund is 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 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 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.

Exhibit 2-20

2001 Reconciliation of Budgetary Basis to GAAP Basis Accounting (dollars in thousands)

	General Fund
Excess of revenues over expenditures and other financing use-budgetary basis	**$ 3,721**
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(10,903)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	9,218
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	6,176
Total Adjustments	**$ 4,491**
Deficiency of revenues over expenditures and other financing use-GAAP basis	**$ 8,212**
Net Changes in Reserves	**$ 16,337**
Net Change in Fund Balance	**$ 24,549**

Exhibit 2-21

RTA 2001 Statement of Revenues and Expenditures General and Agency Fund (dollars in thousands)

Revenue	**2001 Budget**	**2001 Actual**	**Change**
Sales Tax	$ 669,000	$ 653,522	($15,478)
Public Transportation Fund (PTF)	168,000	164,987	(3,013)
State Financial Assistance (SFA)	47,422	43,662	(3,760)
Reduced Fare (RF)	40,000	39,531	(469)
Investment Income & Other	11,902	9,068	(2,834)
Total Revenue	**$ 936,324**	**$ 910,770**	**($25,554)**
Operating Expenditures			
Operations Funding	$ 690,245	$ 690,245	—
Reduced Fare	40,000	39,531	469
Sales Tax Interest & Other	1,400	3,744	(2,344)
Agency Operations	17,642	17,594	48
Regional Technology & Coordination	4,892	1,738	3,154
Total Operating Expenditures	**$ 754,179**	**$ 752,852**	**$ 1,327**
Debt Service & Capital Expenditures			
Principal and Interest	$ 85,132	$ 83,793	$ 1,339
Regional Technology & Agency Programs	9,610	6,248	3,362
RTA Discretionary Capital	9,698	9,698	—
Metra Transfer Capital	34,105	34,105	—
CTA Transfer Capital	20,353	20,353	—
Total Debt Service and Capital Expenditures	**$ 158,898**	**$ 154,197**	**$ 4,701**
Total Expenditures	**$ 913,077**	**$ 907,049**	**$ 6,028**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 49,078	$ 49,078	—
Revenues less Expenditures - Surplus/(Deficit)	23,247	3,721	(19,526)
Designations/Reserves	16,878	20,828	3,950
Ending Balance	**$ 89,203**	**$ 73,627**	**(15,576)**
% of Total Operating Expenditures	11.8%	9.8%	(2.0 pts)

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 2003, the year-end unreserved and undesignated fund balance has been budgeted at $40.9 million which is 5 percent of the total operating 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.
- 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

Exhibit 2-22

RTA 2001-2005 Recovery Ratio Calculation (dollars in thousands)

	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
CTA Operating Revenues	$ 464,907	$ 464,487	$ 471,078	$ 526,483	$ 536,183
CPD In-Kind Revenues	—	22,000	22,000	22,000	22,000
CTA Recovery Ratio Revenues	**464,907**	**486,487**	**493,078**	**548,483**	**558,183**
Metra Recovery Ratio Revenues	**239,987**	**242,563**	**242,615**	**249,544**	**257,905**
Pace Operating Revenues	51,773	52,449	54,128	50,243	51,688
ADvAantage In-Kind Revenues	729	970	1,320	2,525	2,925
Pace Recovery Ratio Revenues	**52,502**	**53,419**	**55,448**	**52,768**	**54,613**
RTA Revenues	**9,025**	**14,902**	**13,415**	**13,341**	**13,627**
Total Systemwide Recovery Ratio Revenues	**$ 766,421**	**$ 797,371**	**$ 804,556**	**$ 864,136**	**$ 884,328**
CTA Operating Expenses	$ 883,912	$ 906,119	$ 924,566	$ 968,115	$ 993,272
CPD In-Kind Expense	—	22,000	22,000	22,000	22,000
1988 Security Exemption	—	(10,227)	(10,227)	(10,227)	(10,227)
Less 15% Security Exemption From Reduced Fare	(4,869)	(4,425)	(4,845)	(4,845)	(4,845)
CTA Recovery Ratio Expenses	**879,043**	**913,467**	**931,494**	**975,043**	**1,000,200**
Metra Expenses	430,569	449,548	458,674	471,709	487,363
Less Depreciation Expense	(2,869)	(2,694)	(2,695)	(2,695)	(2,695)
Less Lease Transportation Facility	(2,451)	(14,990)	(14,858)	(15,297)	(15,750)
Metra Recovery Ratio Expenses	**425,249**	**431,864**	**441,121**	**453,717**	**468,918**
Pace Operating Expenses	127,176	131,326	137,289	129,409	133,624
ADvAntage In-Kind Expenses	729	970	1,320	2,525	2,925
Pace Recovery Ratio Expenses	**127,905**	**132,296**	**138,609**	**131,934**	**136,549**
RTA Expenses	**17,594**	**17,831**	**18,483**	**18,041**	**18,665**
JSIF/Other Initiatives/Expenses	**4,738**	**4,285**	**5,320**	**4,285**	**4,435**
Total Systemwide Recovery Ratio Expenses	**$ 1,454,529**	**$ 1,499,743**	**$ 1,535,027**	**$ 1,583,020**	**$ 1,628,767**
Recovery Ratios:					
CTA (1)	**52.9%**	**53.3%**	**52.9%**	**56.3%**	**55.8%**
Metra (1) (2)	**56.4%**	**56.2%**	**55.0%**	**55.0%**	**55.0%**
Pace (3)	**41.0%**	**40.4%**	**40.0%**	**40.0%**	**40.0%**
Systemwide	**52.7%**	**53.2%**	**52.4%**	**54.6%**	**54.3%**

Notes: (1) 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 excludes the proceeds from a fare increase restricted by ordinance for capital. The amounts deducted from expenses represent exclusions listed by the RTA Act; (2) Metra's recovery ratio from 2002-2005 includes a request to exclude an additional $12.4 million in transportation facility lease expenditures from their calculation. See the Ordinance in the Appendices, Schedule I-D, Note 2. (3) Pace's 2003 Budget and 2004-2005 two-year financial plan did not comply with the operating marks set by the RTA Board on September 5, 2002. Pace's figures are based on Exhibit 6-4. Pace's Marks did not comply due to their use of capital funds for operations stated as Capital Cost of Contracting. See the Ordinance in the Appendices, Schedule I-D, Note 3.

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 2-20 and Exhibit 2-21).

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 3-15.

To administer the 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 RTA's (agency's) budget and programs.

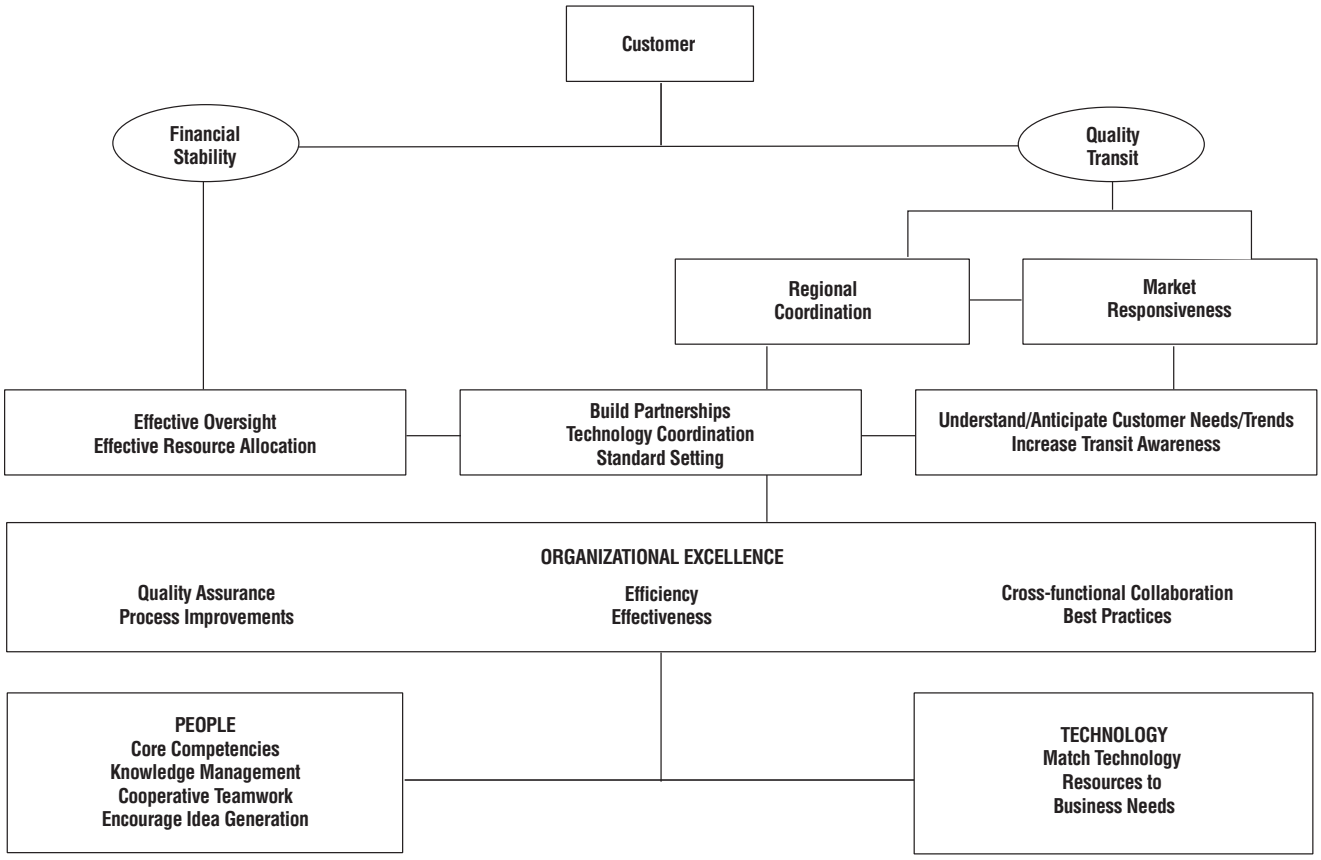
Strategic Focus

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.

Exhibit 3-1

Strategy Map



The *Federal Government Performance and Results Act* mandates that federal agencies employ results-based budgeting that is linked to strategic 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'S 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 regularly look to 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.

The RTA will continue to invest in new technologies and capital projects wisely to ensure a more effective and efficient public transportation system in the region. In the 2003 budget, the RTA has set aside $2.7 million of its discretionary funds for regional technology, coordination and assistance initiatives.

By acquiring resources through external partnerships, the agency will receive outside funding of $5.1 million to improve the regional transit system. The funding requirements for the planning period may be reviewed in the Capital & Technology section Exhibit 3-8.

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 internal process improvement initiatives are: project management, financial and program management system upgrades.

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 continue to refine core job requirements to determine the necessary training programs needed to fill any "skill gaps" in today's ever changing information technology environment.

Operating Budget and Financial Plan

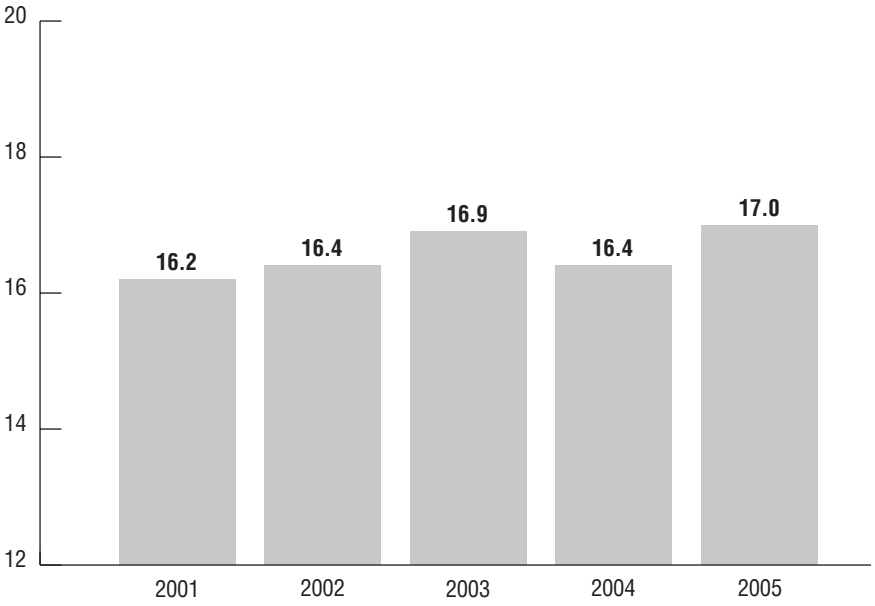
Total operations funding for 2003 is $16.9 million. This funding mark represents a 3 percent increase over the 2002 budget and estimate figure of $16.4 million. Funding for the two-year financial plan is projected at $16.4 million in 2004 and $17.0 million by 2005, a decrease of almost 3 percent and an increase of 3.5 percent, respectively (Exhibit 3-2).

Of the $16.9 million in operations funding required by the agency in 2003, $5.3 million will be used to cover administrative activities. This expense classification is capped by state statute and is 56 percent below the statutory ceiling for 2003. The remaining balance is used to support extensive regional initiatives and services.

The financial schedule presented in Exhibit 3-3 summarizes operating funding results and plans of the agency from 2001 through 2005. This schedule breaks down agency operations by expense element and 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)



Operating Revenue

The main revenue for agency operations comes from the RTA's Transit Check program. Transit Check revenue accounts for 96 percent of total agency operations revenue during the planning period. The remaining 4 percent is primarily the charge to replace lost reduced fare cards.

RTA Transit Check Fees

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. Revenues from this program are projected to grow from $1.3 million in 2001 to $1.6 million by 2005.

Exhibit 3-3

Agency Operations 2003 Budget and 2004-2005 Financial Plan (dollars in thousands)

Agency Operations by Expense Element	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Revenues					
RTA Transit Check	$ 1,282	$ 1,340	$ 1,500	$ 1,550	$ 1,600
Other Revenue	66	80	80	80	80
Total Revenues	**$ 1,348**	**$ 1,420**	**$ 1,580**	**$ 1,630**	**$ 1,680**
Expenses					
Wages	$ 5,041	$ 5,211	$ 5,444	$ 5,314	$ 5,498
Benefits	1,389	1,512	1,695	1,654	1,712
Other Personnel	235	260	278	271	281
Professional Services	712	760	712	695	719
Management Fees	4,649	4,622	4,650	4,539	4,696
Office Services	2,508	2,359	2,729	2,664	2,756
Programs	3,060	3,107	2,975	2,904	3,004
Total Expenses	**$17,594**	**$17,831**	**$18,483**	**$18,041**	**$18,665**
Total Operations Funding	**$16,246**	**$16,411**	**$16,903**	**$16,411**	**$16,985**
Agency Operations by Organization Unit					
Managing Services	$ 2,777	$ 2,023	$ 2,734	$ 2,654	$ 2,747
Government & External Affairs	948	1,044	980	951	985
Travel Information Center	4,154	4,182	4,154	4,033	4,174
Americans with Disabilities Act	2,554	2,599	2,542	2,468	2,554
Reduced Fare & Customer Service	544	577	603	585	606
Total Regional & Governmental Affairs	**$ 8,200**	**$ 8,402**	**$ 8,279**	**$ 8,038**	**$ 8,319**
Communications	$ 770	$ 1,026	$ 912	$ 885	$ 916
Finance	2,519	2,697	2,682	2,604	2,695
Planning	1,980	2,263	2,296	2,229	2,307
Total Funding by Organizational Unit	**$16,246**	**$16,411**	**$16,903**	**$16,411**	**$16,985**

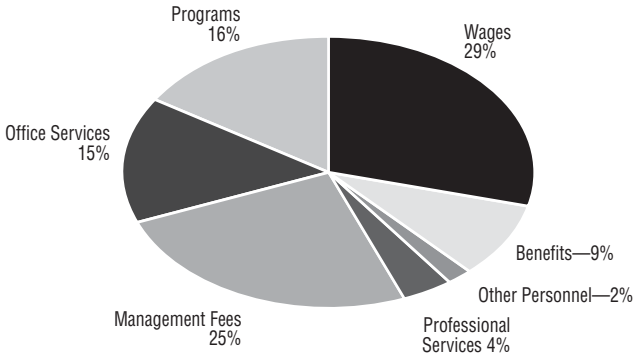
Exhibit 3-4

2003 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, Training, and Membership
Professional services	Consulting and Legal fees
Management fees	Outsourced operational fees for Reduced Fare Registration, ADA and the Travel Information Center
Office services	Printing, Photography, Equipment maintenance, Office supplies, Office rental, Utilities, Telephone, Membership 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

2003 Agency Expenses—$18.5 Million



The program has grown dramatically since the legislative changes brought about by *TEA-21*. More companies have become aware of the program through our marketing and sales efforts. The program currently has more than 1,900 participating companies. In 1998, when *TEA-21* became law, year-end sales were at just under $9 million. Year-end 2002 sales are projected to surpass $60 million with similar sales levels projected for 2003.

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. Receipts annually average about $80,000.

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 2003, human resource costs (wages, benefits, other personnel) represents 40 percent, professional services and management fees are 29 percent, office services are 15 percent, with the balance of 16 percent targeted for programs (Exhibit 3-5).

From 2003 to 2004, expenses must decline 2.3 percent to meet region-wide funding plans. Plans to achieve this reduction include eliminating the cost of temporary help and across the board reductions in office services and other personnel expenses. From 2004 to 2005, the growth rate is 3.4 percent. A summary of each expense category follows.

Wages

Estimated 2002 expenditures of $5.2 million are $0.2 million higher than 2001 actual results of $5 million. The variance is primarily attributable to salary administration changes and filling approved openings that carried over from 2001. The 2003 budget proposal calls for reduced temporary staffing that decreases the total number of budgeted positions. The variance from 2002 to 2003 includes the planned change in salary administration. Total wages are expected to increase from $5.0 million in 2001 to $5.5 million in 2005. A detailed staffing discussion is provided in the Agency reference section.

Benefits

From 2001 to 2005, benefits are expected to increase from $1.4 million to $1.7 million. This represents a compound annual growth rate of 5.4 percent. The major reason for this increase is the projected escalation of health insurance costs.

Other Personnel

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

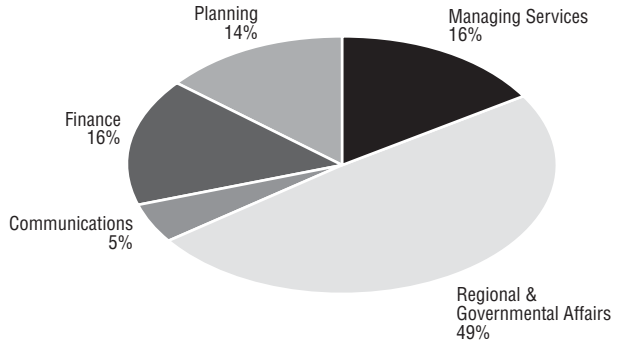
Exhibit 3-6

2003 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, Financial Planning & Analysis, Audit & Review, Treasury, Procurement, and Grants Management
Planning	Planning & Program Support (includes Market Development), Oversight & Technology, (includes Engineering & Technology, and System Planning), and Corridor Planning Studies

Exhibit 3-7

2003 Agency Funding by Operational Unit—$16.9 Million



Professional Services

From 2001 to 2005, professional services (consulting expenses and legal fees) are expected to remain essentially constant during the planning period at about $0.7 million.

Management Fees

From 2001 to 2005, management fees are expected to average about $4.6 million annually. The agency contracts with outside management companies to help provide ADA certification, to issue reduced fare cards and to operate the Travel Information Center.

Office Services

From 2001 to 2005, office services are expected to increase from $2.5 million to $2.8 million. This represents a compound annual growth rate of 2.4 percent. In 2003, the increase is due in part to higher maintenance, utilities, and property & liability insurance costs associated with the new office building.

Regional Programs

Initiatives that benefit the region-wide transit system include the Transit Check, ADA certification programs, communications and miscellaneous other programs. From 2001 to 2005, programs are expected to average $3 million annually.

Transit Check

The 2003 budget includes $0.8 million for Transit Check program expenses. When combined with transit check revenues of $1.5 million, the net results of this program for 2003 is a positive budget variance of $0.7 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 2003 budget includes $0.6 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 2003, funding for Communications will be used to continue to improve and update 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 expand the distribution of the RTA System Map and will 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 2003 budget includes $0.8 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 organiza-

tional 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 the initiatives discussed in each unit segment below please see the Agency reference section.

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. 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.

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 regions transit system. The RTA Board and its committees set policy, consider matters relating to RTA operations and compliance with the ADA Act, supervise audits, and consider planning studies, and capital program investments. The Board has six standing committees that review and recommend policy to the entire Board. See the Agency reference section 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 of 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 (JSIF), 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 2002 include working with the Service Boards to organize the Sixth Annual "Transit Symposium and Exchange." The event, targeted to all vendors including DBE-qualified entrepreneurs, attracted more than 700 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 2002 include the development of a program to identify and promote development of the core skill sets needed by Agency staff, the standardization and replacement of computer workstations, improvements to the Agency intranet and technical assistance for RTA's Regional Transit Asset Management System and the redesign of the RTA website.

In 2003, the HR department will research and implement no-cost or low-cost benefit enhancements to attract and retain employees and conduct a market comparison to ensure that the Agency maintains a competitive compensation program. The IT division's plan for 2003 includes implementing a project management software system and integrating several databases.

Regional and Governmental Affairs

The Regional and Governmental Affairs Department's functions are divided into three major categories: government affairs, external affairs, and re-

gional 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 2002 include participation in the preparation of American Public Transit Association's strategic plan for the next federal transportation reauthorization.

In 2003, Government Affairs will continue the RTA's leadership role in the preparation for the next federal reauthorization and work to preserve RTA funding in Springfield.

External Affairs

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

In 2002, External Affairs continued to increase distribution of the SMART Rider program materials to schoolchildren through the six-county region.

In 2003, the External Affairs division plans to continue its outreach programs to senior citizens and elementary school students and its distribution of the SMART Rider video and coloring book. External Affairs also plans to create a new video for senior citizens promoting the use of public transit.

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), Americans with Disabilities Act (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.

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.

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 2003 budget includes funding for the production of 75,000 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 monthly passes 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 2002 include the distribution of 500,000 RTA Visitor Maps, a new product targeted for the tourism and convention markets, the completion of a complete redesign of the RTA web site and the implementation of a content management system for the site which allows RTA staff to continually update information available to the public. The redesigned web site also improved access to the RTA web-based trip planner and use of the planner has increased from about 3,000 to about 3,500 visits per day.

Initiatives for 2003 include continued improvements to web site content that will allow the public to access most of the Agency's public documents through the Internet. The Communications Department also plans to publish updates of key brochures and maps and will continue to work to improve and install transit maps at train stations across the region. Communications will also assist Regional Services and External Affairs staff in the production and distribution of two new educational videos.

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.

In 2002, staff worked to implement the marketing and business plan developed through an internal review of the program completed in 2001. For 2003, staff will cooperate with the CTA in efforts to increase marketing opportunities and sales for 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. In 2002, as part of an Agency-wide initiative to better achieve the RTA's goals and objectives, divisions within the Finance Department were realigned and renamed to better align organizational capabilities with functional responsibilities. The Finance Department's divisions are Controller, Financial Planning and Analysis, Audit & Review, Grants Management, Treasury, and Procurement. The responsibilities and initiatives of these divisions are outlined below.

An overall achievement for this department in 2002 was the issuance of $360 million in bonds made available through the state's Illinois FIRST program. In the process, the rating agencies reaffirmed the rating upgrades the RTA received in 1999, which are "AA" from Standard & Poor's and Fitch IBCA and "Aa2" from Moody's Investors Service, Inc. The RTA's insured ratings are "AAA" from Standard & Poor's and Fitch IBCA and "Aaa" from Moody's based on a Municipal Bond Insurance Policy issued by MBIA Insurance Corporation.

Controller

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

Achievements for 2002 include a certificate of excellence in financial reporting from the Government Finance Officers Association (GFOA) for the 2001 comprehensive annual financial report (CAFR). 2001 also included the full implementation of the new government accounting standards which resulted in significant modifications to the presentation of government financial statements including the CAFR and the Combining reports.

Initiatives in 2003 include maintaining high standards in preparation of the Annual Combining and CAFR reports that have earned this division seven successive GFOA awards.

Financial Planning and Analysis

Formerly Budget & Finance, Financial Planning & Analysis is responsible for the development of the annual operating budget, two-year financial plan and five-year capital budget, as well as the subsequent analysis of performance against those plans. The division also provides analytical support to management and the RTA Board.

Achievements in 2002 include the GFOA's distinguished budget presentation award, which is the highest form of recognition for a state or local agency budget.

Initiatives in 2003 include the continuation of the work standards that enabled this division to receive its sixth-consecutive GFOA award. Staff will continue to lead efforts to improve financial information including more timely and robust reporting on Agency spending and obligations by providing seamless links to integrated Agency databases.

Audit & Review

Formerly the Oversight Division, Audit & Review examines agency activities, and external audits of the service boards. Responsibilities for oversight of service board capital project management and rail safety have been shifted to the RTA Planning Department's Oversight and Technology Development division.

Achievements in 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.

In 2003, Audit & Review will work closely with the Grants Management Division to identify and implement process improvements in grants management for the capital program as well as the RTA's planning and development programs. This will include integrating financial data with the overall financial information system.

Grants Management

Grants Management, formerly the Capital and Programming Division, is responsible for the management of capital program grants as well as the RTA planning and development programs.

Achievements 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 worked to streamline the capital grant program with the Service Boards.

In 2003, Grants Management plans to work closely with Audit & Review to identify and implement process improvements in grants management for the capital program and the RTA planning and development programs.

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 2002 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.

Initiatives in 2003 include assistance with issuance of new bonds available

under the Illinois FIRST program and working with Finance divisions to upgrade and improved integrated Agency databases.

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 2002 include continued review of office services and procurement procedures to further agency objectives to reduce costs and working with the Information Technology division to automate and improve processes and move toward a paperless procurement environment.

Initiatives for 2003 include the development and implementation of procedures for posting procurement opportunities on the RTA web site.

Planning

The Planning Department works to ensure an integrated regional public transportation system through comprehensive planning and coordination with service providers. In 2002, the Planning Department realigned its structure as part of an Agency-wide initiative to align organizational capabilities with functional responsibilities. The department now consists of three divisions with five supporting units. The three divisions are: Planning and Program Support, Oversight and Technology Development and Corridor Planning Studies. The responsibilities and initiatives of each division and their supporting units are outlined below.

Planning and Program Support Division

This division created in 2002 consists of two entities: Market Development and Program Support.

Market Development

Market Development is responsible for developing the annual Regional Technical Assistance Program (RTAP), managing station area planning studies, and developing and managing a program of ongoing surveys related to regional transit usage.

Achievements in 2002 include the completion of four station area planning studies and three county transit plans, and the initiation of seven station area planning studies. Many of these studies have led to local policy changes that enhance transit usage, increase funding opportunities, and create physical improvements. Market Development also developed the 2003 RTAP, adding to the program of projects six station area planning studies, four service board initiatives, one corridor study, and one county transit plan. Other achievements included the development of a survey focused on regional transit issues and RTA initiatives.

Initiatives for 2003 include conducting additional surveys, administering RTAP, and managing multiple station area planning studies.

Program Support

Program Support serves as the RTA's liaison with other regional planning bodies, provides department-wide integration, performs user research, and manages the multi-year effort to ensure a comprehensive and coordinated public transportation system for the region - known as the Regional Transit Coordination Plan (RTCP).

Achievements in 2002 include initiation of the Fare Coordination and Service Coordination components of the RTCP and completion of the Information and Physical Coordination Study. Information coordination was furthered by development of prototype way-finding signs, maps, and a kiosk interface - all of which use common transfer symbols, logos and icons to convey a seamless regional transit system. These items were tested in focus groups consisting of city and suburban transit customers.

In 2003, Program Support will provide customer research and design services directed towards an integrated set of RTA information products, including those listed above. Program Support will also initiate the Systems Analysis component of the RTCP. This effort will investigate the combined impacts, including benefits and costs, of improvements within all areas of coordination: information, physical connections, service and fares. Work with other regional planning bodies in 2003 will concentrate on development and approval of the 2030 Regional Transportation Plan.

Oversight and Technology Development (OTD) Division

The OTD Division, which consists of three entities: Oversight, Engineering and Technology and System Planning was created in 2002 as a result of an agency realignment of responsibilities between the Finance and Planning Departments.

Oversight

Oversight is responsible for CTA Rail Safety Oversight and capital Project Management Oversight (PMO) for the Service Boards. As the designated oversight agency for safety and security on the CTA's rapid transit system, the RTA assures compliance with the Federal State Safety Oversight Rule for Rail Fixed Guideway Systems. Ongoing activities include investigation of major CTA rail accidents and annual safety audits. Initiatives for 2003 include establishing procedures for performing, documenting and reporting control processes to ensure that operating personnel are complying with established rules and guidelines.

Engineering & Technology Unit

Engineering and Technology is responsible for conducting research and development studies of emerging transit technologies. It manages the development and coordination of 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 2002 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). They also developed a pilot project for implementation of a Multi-Modal Information Kiosk (MMIK) concept for the region. 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).

Initiatives and ongoing activities for 2003 include the field demonstration and evaluation of the ITS projects mentioned above. They will also continue to oversee the implementation of the CTA and Pace transit management systems while developing a real-time bus information system concept.

System Planning

System Planning provides analytic support for investigations of longer-term plans, projects, and policies, which impact the development of the region's transit system. It also leads efforts to develop new tools / techniques and conducts technical reviews in support of capital investment decisions.

In 2002, working with the RTA's Information Technology Division, they completed the redesign of the Regional Transportation Asset Management System (RTAMS) and significantly expanded the RTAMS' user base. This web-enabled system was developed in-house, and currently allows RTA, Service Board, and staff from other agencies to retrieve information on the usage and investments in the region's transit assets. Building on the success of this project, the next generation of RTAMS will be developed in 2003 based on user needs.

Other initiatives for 2003 include completion of the Skokie Swift Station Location Feasibility Study, the Regional Traffic Simulation with Transit Signal Priority research project, and work on an investigation of traffic and pedestrian improvements on Western Avenue.

Corridor Planning Studies Division

The Corridor Planning Studies Division is responsible for developing and managing RTA led corridor level and regional planning studies of major transit capital investments in the Chicago metropolitan area. Corridor Planning provides direct program and project management for RTA led studies as well as technical, administrative and financial guidance in connection with RTAP Corridor Planning grants to local agencies.

Achievements for 2002 include initiation of the second phase of study for the Northwest Corridor, a highly developed area of suburban municipalities located in northwest Cook and northeast DuPage counties. This second phase is designed to develop transportation investment options and to provide an analysis of these options at a sufficient level of detail to assist local decision makers in the selection of a preferred alternative. In 2002, the CTA, Metra and Pace developed conceptual proposals which were presented for public comment and will be evaluated against a variety of performance measure beginning in 2003. As part of the second study, the Northwest Municipal Conference initiated a complementary study in 2002 of transit supportive land use policies and local financing mechanisms. Also during 2002, the Joliet Arsenal Development Authority (JADA) initiated a study of transportation capital and service needs for the former Joliet Arsenal and surrounding area.

New initiatives for 2003 include a joint study with IDOT and DuPage County stakeholders of transit alternatives along the Central DuPage Corridor which is comprised of the area on west end of the Eisenhower Expressway (I-290) and the East-West Tollway (I-88). In addition, the Village of South Holland and the South Suburban Mayors & Managers Association will lead a study of transit supportive land use policies and local financing mechanisms for communities along the South Suburban Commuter Rail Corridor. Finally, the RTA and the Village of Arlington Heights will undertake a joint study to develop a local profile/constituent value system for the Northwest Corridor. The study will define and quantify corridor planning standards for mobility, connectivity, efficiency and local preferences to support the development and the selection of a locally preferred transportation alternative for this corridor.

Capital & Technology

Capital & Technology

The Agency's capital and technology plans during the planning period are predominantly channeled to technology initiatives that utilize operating and capital moneys to improve public transit mobility throughout the region.

Operating initiatives include market development efforts for the Regional Technical Assistance Program (RTAP) and region-wide coordination programs that bring together comprehensive planning efforts such as the Regional Transit Coordination Plan (RTCP). In addition, capital and technology funds will be used to develop and manage regional strategies to relieve congestion in areas like the Northwest Corridor.

Funds for capital programs concentrate on employing technologies that encourage more customers to use the regions transit system. These initiatives are creating a system that keeps customers informed and on time. Efforts include Active Transit Station Signs (ATSS), Transit Signal Priority (TPS), Multi-Modal Information Kiosk (MMIK) and the Regional Transportation Asset Management System (RTAMS). Agency capital appropriations of $0.6 million each year are used to enhance information technology programs and preserve the office environment.

By partnering with other state or local agencies the RTA receives revenues from external entities to back many regional programs. For example, the Agency's 2003 budget includes $3.3 million for technology and coordination initiatives and $1.8 million for technology capital programs. In addition, the proceeds generated from RTA financing transactions are channeled to these initiatives. This source is projected to provide $2 million in 2003.

The combined revenue from these resources in 2003 of $7.1 million will fund program expenditures of approximately $10.7 million. The RTA plans to set aside funding of approximately $3.3 million to cover the shortfall of $3.6 million. The balance of funding required in 2003 of $0.3 million will be provided by prior reserves, Exhibit (3-8).

Exhibit 3-8

Statement of Regional Technology & Agency Capital Program Funding (dollars in thousands)

Revenues	**Actual 2001**	**Estimate 2002**	**Budget 2003**	**Plan 2004**	**Plan 2005**
Technology/R & D and Coordination	—	$ 3,166	$ 3,297	$ 3,120	$ 3,229
Technology Capital	—	1,176	1,797	1,833	1,870
Financing Transactions	—	2,800	2,000	2,000	2,000
Total Revenue	—	**$ 7,142**	**$ 7,094**	**$ 6,953**	**$ 7,099**
Expenditures					
Technology/R & D and Coordination	—	$ 4,085	$ 5,320	$ 4,285	$ 4,435
Technology Capital	—	3,287	4,775	$ 4,811	4,848
Agency Capital	—	600	600	600	600
Total Expenditures	—	**7,972**	**$ 10,695**	**$ 9,696**	**$ 9,883**
Revenues less Expenditures - surplus/(deficit)	—	**($830)**	**($3,601)**	**($2,743)**	**($2,784)**
RTA Reserved Funds					
Technology/R & D and Coordination	—	$ 1,165	$ 1,777	$ 1,165	$ 1,206
Technology & Agency Capital	—	2,011	1,476	$ 2,011	2,060
Total RTA Funds Reserved (1) (2)	**($1,996)**	**$ 3,176**	**$ 3,253**	**$ 3,176**	**$ 3,266**
Annual Change in Reserved Funds	**($1,996)**	**$ 2,346**	**($348)**	**$ 433**	**$ 482**
Cumulative Fund Balance		**$ 350**	**$ 2**	**$ 435**	**$ 917**

Notes: (1) Includes $600k in 2002 through 2005 for Agency Capital; (2) The reserved fund balance in 2001 includes $851k in agency capital reserves, $159k in financial transaction fund earnings. Reductions include $2305k for a required 2% investment holdback and a paper loss in investment value of $701k. The moneys in 2002 through 2005 represent appropriations the RTA has set aside in its plans to fund technology and capital initiatives.

Reference

2002 Budget vs. 2002 Estimate

The total operations funding requirement (expenses less revenues) is expected to be even with budget in 2002 (Exhibit 3-9).

Agency revenues and expenditures are projected to equal plan and meet the 2002 budgeted funding level of $16,411. Overages in TIC and ADA management fees, and program costs for regional legal services will be offset by lower expense for wages (salaries and temporaries), other personnel costs (memberships and training) and professional/consulting services.

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 (CAU), 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 increased use of fixed route services by people with disabilities.

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, an annual average of 9,167 certifications. A revised program was implemented in 1999 and became fully operational in 2000. Through the revised program, applicants for *ADA* paratransit services make appointments through the RTA for interviews and assessments at one of five sites located throughout the six-county region. Each applicant is interviewed by a trained professional; and when necessary, applicants are provided a physical assessment to determine their functional abilities to use the fixed route buses or trains and/or a cognitive assessment. The 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) 663-HELP (4357, voice) or (312) 913-3122 (TTY for the hearing impaired).

Exhibit 3-9

Agency 2002 Budget vs 2002 Estimate (dollars in thousands)

Agency Operations by Expense Element	2002 Budget	2002 Estimate	Variance
Revenues			
RTA Transit Check	$ 1,365	$ 1,340	(25)
Other Revenue	55	80	25
Total Revenues	**$ 1,420**	**$ 1,420**	—
Expenses			
Wages	$ 5,282	$ 5,211	71
Benefits	1,510	1,512	(2)
Other Personnel	321	260	61
Professional Services	805	760	45
Management Fees	4,475	4,622	(147)
Office Services	2,498	2,359	139
Programs	2,940	3,107	(167)
Total Expenses	**$ 17,831**	**$ 17,831**	—
Total Operations Funding	**$ 16,411**	**$ 16,411**	—

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 2001, the RTA initiated the third phase of a project to provide an operational ATSS demonstration system at four CTA rail locations. In 2002, the ATSS demonstration project was 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. In 2002, the demonstration project was expanded and signs were scheduled for placement in selected passenger terminals at O'Hare and Midway airports. The additional signs will provide both transit and highway information. The demonstration project includes the procurement of hardware and software, systems integration and construction.

Parking Management Guidance Systems (PMGS)

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. In May of 2000, the RTA conducted the Phase I Feasibility Study to develop functional requirements, standard specifications, design, and a general deployment strategy for demonstration projects in support of this promising technology. The Phase II study was initiated in 2002 as part of the RTA's Regional Technical Assistance Program (RTAP). The scope of work encompasses 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)

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. 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. Building on the success of the 2001 pilot program, the RTA continued to improve RTAMS in 2002 by redesigning the graphical interface, 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.

Regional Transit Intelligent Transportation Systems Plan (RTIP)

The 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 information 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 ensur-

ing 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. Completion of the various elements of the overall integration plan has resulted in (1) mapping data for more than 6,600 traffic signals in the RTA region; (2) identification of potential transit routes and roadway corridors, and (3) operation impact analysis. The upcoming 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 in this corridor is scheduled for the 2003 RTAP Program.

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 JARC funds for northeastern Illinois. In this capacity, the RTA acts both as a grantee and a grantor of JARC 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 provides 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.

Exhibit 3-10

Transit Check Program (in thousands)

	1999	2000	2001	2002 Est.
Total Face Value	19,678	30,105	33,269	60,000
Quantity (new checks sold)	415	625	708	855
New Companies	428	426	334	400

Exhibit 3-11

TIC (calls in thousands)

	1998	1999	2000	2001	2002 Est.
Calls Accepted	2,794	2,667	2,757	2,742	2,800
Call Capture Rate (%)	95.0	94.1	96.7	97.6	96.9
Average Response Time (sec)	41	50	27	21	26
Average Talk Time (sec)	122	138	138	134	129

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. 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.

In 2002, the RTA and its partners initiated a series of complementary substudies, 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, completed in 2002, will included 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 initiated service coordination and a fare coordination studies.

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 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 2002 sales are projected to be at $60 million (exhibit 3-10). The RTA currently has 3,128 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 second floor level at 175 West Jackson Boulevard in downtown Chicago, provides walk-in customers with maps, timetables and schedules for the CTA, Metra and Pace without charge. The center also sells monthly passes 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 2001, approximately 25,000 customers visited the Customer Service Center. The Customer Service area currently uses electronic kiosks where customers can access and print CTA, Metra and Pace schedules as well as trip plans from the RTA's Internet-based trip planner. In addition, RTA system maps, CTA maps as well as miscellaneous brochures detailing various programs and seasonal services are available to the public. The center also sells both CTA and Pace 30-day passes.

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 2003 budget includes funding for the production of 75,000 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 and the contractor has continued to meet these requirements.

A reduced fare smart card has been offered as a pilot program since 2000. About 2,200 smart cards are currently being used by reduced fare customers. 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. This initiative has been well received by many reduced fare riders.

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 TIC phone number is 836-7000, and is accessible from every area code in the region.

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. Conversely, when the call capture rate is above 96 percent, an incentive payment is paid. In 2002, the call-capture rate averaged 96.65 percent, and is estimated to finish 2002 at 96.9 percent (Exhibit 3-11). In 2002, the average response time was 26 seconds.

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 2003 cap allowance is $12 million. The agency spending of $5.3 million is 56 percent below the administrative cap (Exhibit 3-12).

Exhibit 3-12

2003 Agency Statutory Cap

(dollars in thousands)

	Admin
Total Revenues	-
Expenses	5,281
Funding	5,281
Statutory Cap	12,033
Percent under Cap	56.1

Organization

Budgeted positions in 2003, including the RTA Board and temporaries, total 99.7 people (Exhibit 3-13). This is a full time equivalent (FTE) decrease of 0.2 people from 2002 staffing levels of 99.9. Organizational realignment of Capital and Programming from Planning to Finance as Grants Management explains the change from 2002 to 2003 between these units and increased efficiencies through technology allow reductions in temporary services thus decreasing the overall budget positions in 2003.

The agency organization chart is presented in Exhibit 3-14.

Exhibit 3-13

Agency Budgeted Positions

	2001	2002	2003	2004	2005
By Group					
Board	13.0	13.0	13.0	13.0	13.0
Agency and Regional Services	81.2	84.2	84.8	84.8	84.8
FTE (Temporary Assistants)	6.0	2.7	1.9	—	0.9
Total	**100.2**	**99.9**	**99.7**	**97.8**	**98.7**
By Organizational Unit					
Managing Services	26.9	27.9	27.7	26.3	26.8
Regional & Governmental Affairs	26.3	26.0	26.0	25.5	25.9
Communications	5.0	5.0	5.0	5.0	5.0
Finance	21.0	21.0	22.0	22.0	22.0
Planning	21.0	20.0	19.0	19.0	19.0
Total	**100.2**	**99.9**	**99.7**	**97.8**	**98.7**

Exhibit 3-14

Agency Organization Chart, Summary by Operating Division

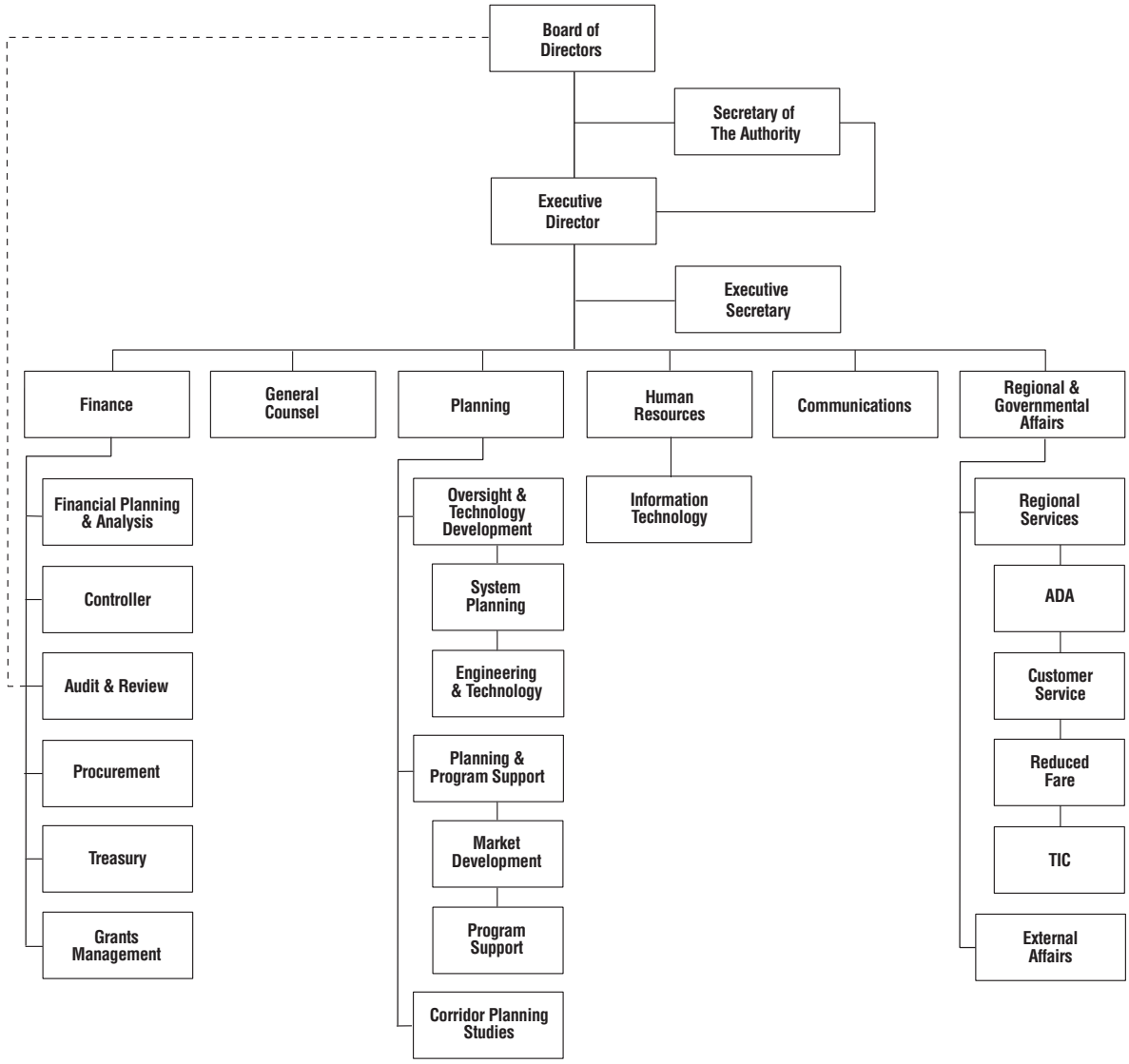


Exhibit 3-15

RTA Board Committees

Committee	Description
Administrative	Considers matters relating to the operation of the RTA which are not otherwise within the jurisdiction of another committee including contracting policies, personnel policies and issues, marketing and advertising, and litigation.
Audit	Authorizes and supervises all audits and reviews, considers matters related to investment performance and review of financial controls.
Chairman's Coordinating	Considers matters referred to it by the Chairman of the Board of Directors. The members of this committee are comprised of the Chairman of the Board and the Chairmen of the standing committees of the RTA.
Finance	Considers issues related to revenues and expenses, including the operating budgets and financial programs of the RTA and the Service Boards.
Mobility Limited	Considers ADA Paratransit Certification and other issues relating to the provision of public transportation services to the elderly and persons with disabilities.
Planning	Considers system planning issues, which include the RTA and Service Board capital programs and plans, 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 the region's largest transit operator providing service on 134 bus routes and seven rapid transit routes. The CTA is governed by the seven-member Chicago Transit Board.

Strategic Focus

The CTA's strategic focus for 2003 includes an aggressive capital improvement program. These projects will advance its ongoing efforts to rebuild the system, sustain the momentum of ridership gains that have been building over the last several years, and improve the product to its customers. The core principle guiding the CTA is its pledge to deliver on-time, clean, safe and friendly service.

Exhibit 4-1

Annual CTA Ridership (riders in millions)

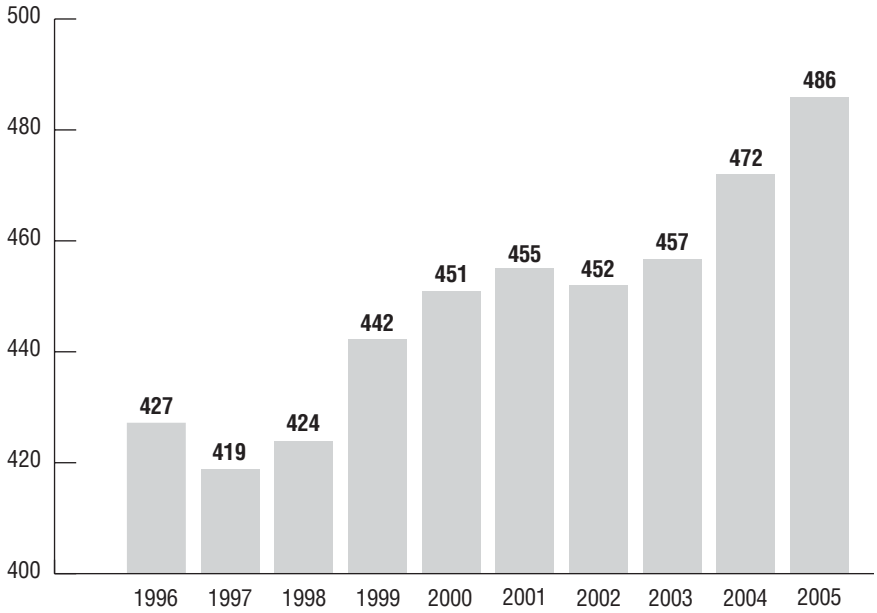


Exhibit 4-2

CTA Annual Ridership By Mode (in millions)

	1999	2000	2001	2002	2003
Bus	299.1	302.1	301.7	298.4	300.3
Rail	141.7	147.2	151.7	151.9	154.9
Paratransit/Taxi	1.1	1.2	1.5	1.5	1.6
Total Ridership	**441.9**	**450.5**	**454.9**	**451.8**	**456.8**

Ridership

Ridership is estimated at 451.8 million trips by the end of 2002. This is 3 million trips or 0.7 percent below 2001. (Exhibit 4-1). The decline in ridership is the first drop in five years. Bus ridership is forecasted at 298.4 million trips. Compared to prior year, bus ridership is 3.2 million or 1.1 percent lower. (Exhibit 4-2). Rail ridership is projected at 151.9 million and is slightly over prior year by 0.2 million or 0.1 percent. Paratransit is expected to end the year at 1.5 million trips, 4 percent higher than prior year.

Nationally, public transit ridership fell 2.4 percent in the first quarter of 2002 compared to the same period in 2001 (Source: APTA). For public transit agencies in major metropolitan urban

Exhibit 4-3

CTA Average Daily Ridership (in thousands)

	1999	2000	2001	2002	2003
Weekday	1,436	1,466	1,481	1,468	1,484
Saturday	830	848	862	855	864
Sunday	537	557	577	575	581

areas, the ridership loss was even higher: Boston's Massachusetts Bay Transportation Authority ridership fell 3.2 percent and Philadelphia's commuter line fell 3.4 percent in the first quarter of 2002. San Francisco's transit agency, BART, saw the largest decrease, 9 percent, reflecting in part the drastic downturn in the technology-dominated local economy. The CTA's ridership slipped by 0.8 percent during the same period. Metra and Pace also recorded losses. Because the CTA, Metra, and Pace are interconnected; ridership fluctuations on any system can impact the others. Approximately 8 percent of Metra riders and 38 percent of Pace riders use the CTA's service daily to complete their journey.

The CTA is the largest transit provider in the region, carrying more than 80 percent of all public transit riders in the City of Chicago and 40 surrounding suburbs. The CTA also has the largest share of suburban customers, carrying more than 45 percent of suburban transit riders in its service area. Average weekday ridership is approaching 1.5 million, while Saturday and Sunday average ridership is at 855,000 and 575,000 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 CTA's University Pass (U-Pass) program for college students, have also provided new opportunities to attract and retain customers.

Service Quality

The CTA has continued to work on renewing and upgrading its existing bus fleet. For example, 2002 marked the completion of the procurement of 484 Nova buses with the delivery of 176 40-foot air-conditioned, accessible Nova buses. To improve the reliability of the bus fleet, the midlife overhaul of 208 buses manufactured by TMC and the pneumatic valve change-out on the 5300 and 6000 series buses were completed. The process of overhauling 64 1995 New Flyer buses has started and is expected to be completed by the end of 2003. With the addition of new air-conditioned buses as well as air-conditioning upgrades on some older buses, 91 percent of the bus fleet will be equipped with air-conditioning in 2002.

Rail cars are also being continually upgraded. For example, the midlife overhaul on 598 2600 series rail cars serving the Blue, Red, Brown, and Purple Lines will be completed by the end of 2002. The rehabilitation program is expected to add 15 years of service life. The installation of air control units on the 2200 series and the change-out of the inverters on the 2400 series rail cars have also been completed. These programs have improved the reliability of the rail fleet.

Adopt-A-Station, a program launched by the CTA in 1997 to establish partnership between community organizations, local businesses and individuals, continued to add new sponsors during the year. Stations are adopted for a period of two years during which adopting organizations are given an opportunity to revitalize rail stations to reflect the history and diversity of their communities. New participants involved in the Adopt-A-Station program in 2002 were the Chinatown Chamber of Commerce for the Cermak-Chinatown station on the Red Line, Live Bait Theater for the Sheridan station on the Red Line, and 95th Street Coalition.

In May 2002, the CTA rolled out its Bike & Ride program to coincide with the city's Bike Chicago 2002 program. Bike racks are now available on two additional bus routes, the No. 65 Grand and No. 75 74th/75th. The hours that bikes are allowed on trains were lengthened to include all times except for weekday rush periods.

The CTA is also implementing technologies that will provide customers with faster and more efficient service. The Chicago Card was introduced in the fall of 2002, offering customers the added convenience of touch and go access. More durable than Transit Cards, customers will not lose the remaining value on the Chicago Card if it is lost or stolen, once the card is registered. Additional features will be added as the technological capability is developed.

In order to provide faster and more convenient service, the CTA implemented a number of service improvements on the rail system. These enhancements include running longer trains and adding trains to provide more frequent service. Some of the service expansions included:

- **Orange Line**: Earlier morning and later evening service and more trains added.
- **Red Line**: More frequent Saturday service during the day and early evening.
- **Blue Line**: More frequent weekday evening rail service.
- **Purple Line**: More frequent weekday early and evening rail service.
- **Green Line**: Longer trains (six cars) were added during a.m. and p.m. rush hours.

New Services

The CTA's on-going effort to provide a better link between residential communities and job locations resulted in regular bus route evaluations to make route adjustments and identify the potential of adding new experimental bus routes. The X55 Garfield Express and X80 Irving Park Express bus routes were part of an experimental plan that began in June 2002 and operated weekdays for the purpose of supplementing local service and enabling customers to reach their destinations quickly and directly. The X98 Avon Express was another six-month experimental service to Avon Products Inc. facility in north suburban Morton Grove. The Avon Express route was designed to make reverse commuting convenient and economical for customers who travel to the suburbs.

Another new weekday service was the No. 168 UIC-Pilsen Express bus route that connects the UIC and Pilsen communities on the near southwest side with the UPS facility in Hodgkins.

Since 1998, the CTA has added 12 new bus routes, improved service on 70 bus routes, and provided new bus service to two suburbs, Dolton and Calumet City. For the year 2002, CTA has also improved bus service on many routes to offer its customers greater flexibility and convenience. These service enhancements included increasing weekday and weekend service hours, adding more buses to fill the expanded schedule, and increasing accessible bus routes with the acquisition of Nova buses. The following is a list of some of the bus routes that have had service improvements:

No.	Bus Route
20	Madison
146	Marine/Michigan Express
156	LaSalle
X49	Western Express
53	Pulaski
60	Blue Island
62	Archer
70	Division
82	Kimball-Homan
147	Outer Drive Express
126	Jackson
53A	South Pulaski
2	Hyde Park Express
4	Cottage Grove

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 of renovating the Cermak (Douglas) branch of the Blue Line. On September 10, 2001, the CTA broke ground on the 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. The renovation project is on schedule and on budget through the third quarter of 2002.

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.

Work continues on plans to expand capacity on the Brown Line. This project is designed to relieve congestion, meet anticipated increases in ridership, eliminate slow zones, and improve service delivery and passenger comfort. In addition, it will make the Brown Line accessible to all CTA customers, in accordance with the Americans with Disabilities Act (ADA). The design will be finalized in Spring 2003 and the CTA is working to secure a Full-Funding Grant Agreement with the federal government. Plans are for construction to begin in 2003.

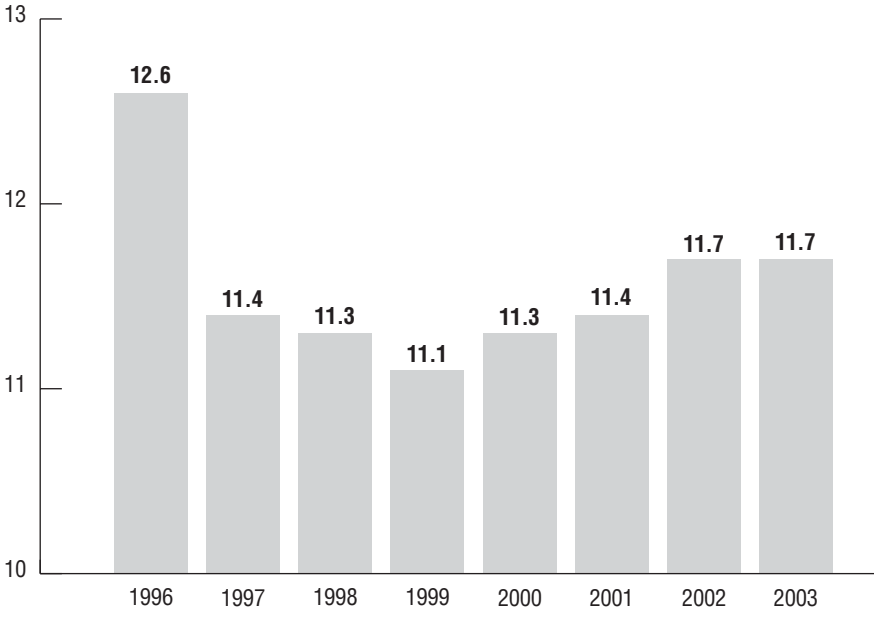
Renovation of the Dan Ryan Branch of the Red Line will also begin in 2003. The current infrastructure is more than 30 years old and houses some of the most heavily used stations in the system. Renovation plans involve upgrading the bus turnaround at 95th Street and eight stations located between Cermak Road and 87th Street. The work at each station will include replacing platform canopies, architectural components, existing escalators, station entrances and station houses, platform finishes, curb cuts and installing bus shelters.

One of the sharpest turns on the rail system, Harrison Curve will be reconfigured in 2003, allowing more trains to travel into the Loop per hour. By straightening the curve, Green and Orange Line trains will be able to increase their speed, relieving congestion and improving travel times for all four lines (Brown, Purple, Orange and Green) that use the Loop's elevated tracks. In addition, straightening the curve will reduce rail and wheel noise.

Clark Junction will also be upgraded. Currently the CTA's busiest rail crossing on a 24-hour basis with 876 train movements on weekdays, Clark Junction is used by Red, Brown and Purple Line Express trains. At present, signal capacity allows trains on any track to operate 120 seconds apart. The new bi-directional system will allow trains to travel through the junction faster, thereby relieving congestion and improving travel times for Red, Brown and Purple Line Express customers.

Exhibit 4-4

CTA Budgeted Positions (in thousands)



Even with all of these ambitious initiatives and projects, the CTA still has a great deal of work to do. It needs $5 billion over the next five years to bring the entire system into a state of good repair. Currently, the CTA has identified approximately $3.1 billion toward that goal and must secure an additional $1.9 billion to meet its needs. Despite the recent success in acquiring state and federal capital funds, the CTA is still faced with a sizeable list of unmet capital needs.

Today's CTA rail system is centered on the Loop. This works well for Loop-bound trips, but it means indirect service for customers making crosstown trips. A proposed Circle Line will connect all of Chicago's transit lines to one another in what amounts to a Super Loop.

The Circle Line is an important initiative that will be presented as a New Start proposal for inclusion in the reauthorization of the federal transportation funding legislation (TEA-21) next year. By further improving connections between CTA and Metra, the Circle Line will create valuable, time-saving shortcuts for customers on multiple bus and rail routes. The proposal will link all of CTA's and Metra's rail lines with only 6.6 miles of new or rebuilt elevated and subway tracks. Eight of 11 new or rebuilt stations would create connections between CTA and/or Metra lines where none currently exist. The Circle Line is included in the City of Chicago's Central Area Plan, which outlines concepts that address growth in the downtown area over the next 20 years.

Another new initiative is an underground busway that would allow CTA customers to bypass surface traffic via a link running from the West Loop to Michigan Avenue. The CTA is also working on a plan to offer express rail service from downtown to O'Hare for travelers. Under this plan, passengers could check their bags and get their boarding passes downtown, hop on an express train and get to the airport in just under a half hour.

A number of suburbs have expressed interest in the CTA rail service expansion into their communities as well. For example, Skokie is very interested in having the Yellow Line extended from Dempster up to Old Orchard. The Village of Schaumburg and neighboring communities are interested in having the Blue Line extend out to their cities. Oak Brook has also inquired into having the Blue Line extended. Additionally, there is interest in having the Orange Line extended from Midway Airport to Ford City, and extending the Red Line further south.

Partnerships

The CTA works to maintain partnerships with many groups. Their efforts to strengthen their relationship with riders has been discussed earlier in this section. The CTA also works to create partnerships with its workforce, 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 11,716 positions for 2003, 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).

The CTA has reached labor contract agreements with all unions except the Amalgamated Transit Union, Local 241, which represents bus operators. That agreement is in arbitration.

The CTA will use technology to increase its overall operating efficiency through a major Enterprise Resource Plan (ERP) system, named "Link It", that will standardize information gathering and computer processes so that different computer systems can better share information. Staff from a number of departments has worked together to plan for this program, and by the end of 2002, a vendor will have begun 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.

The CTA has also pursued cost savings in its purchasing practices and by finding lower cost manufacturers. These efforts have saved the CTA several million dollars over the past few years.

Mobility Impaired

To better serve customers with disabilities, the CTA increased paratransit service by implementing its Mobility Direct service. Mobility Direct expands the CTA's Taxi Access Program (TAP) and provides voucherless subscription service for people with disabilities. Mobility Direct is a curbside subscription service offering a more convenient option for customers who take at least two round trips weekly, and enabling the CTA to meet increasing demand for paratransit in a more cost-efficient way. Like TAP, Mobility Direct services are available 24 hours a day, 7 days a week. The program's advantages over TAP include that customers do not have to purchase TAP vouchers in advance or book each trip separately.

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.

Over the past decade, the City of Chicago has provided the CTA with more than $750 million in capital improvements. This substantial investment in the CTA's infrastructure is vital to obtaining a state of good repair throughout the system.

Chicago's Department of Transportation (CDOT) and the CTA are also working together on an underground transfer tunnel connecting the Roosevelt/State Red Line subway with the neighboring Green/Orange Line elevated station. The renovation of the tunnel will provide an attractive, accessible connection outside the Loop for people who need to transfer between Red, Green and Orange Line trains and will be especially convenient for customers traveling to and from Midway Airport. Work is scheduled to be completed by the end of 2002.

Legislators

The Full Funding Agreement for the CTA Blue Line Douglas Branch Reconstruction Project was signed at a formal ceremony on January 19, 2001. 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.

Illinois FIRST and the federal TEA-21 transportation funding authorization have provided the funding that has made the CTA's capital improvements possible. The CTA is one of only two transit agencies in the country that run a 24-hour transit operation. The Metropolitan Transit Authority of New York is the other. The fact that more people are riding the CTA compared to five years ago means customers are choosing public transit and recognizing the value. Managing the money the CTA now has and securing adequate funding in the future are the main financial challenges the agency faces in the years ahead.

The reauthorization of TEA-21 is essential for the CTA to obtain funding to meet the future needs of customers. The support the CTA has received from all levels of government acknowledges that public transit is an important part of the solution to regional traffic congestion. TEA-21 is designed to meet the challenges of improving safety as traffic continues to increase at record levels, protecting and enhancing communities and the natural environment as transit agencies provide transportation, and advancing America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2003 through 2005, conforms to the established RTA marks set on September 5, 2002. The CTA's operating funding marks were set at $453.5 million in 2003, $441.6 million in 2004, and $457.1 million in 2005. The CTA met this target. The CTA's recovery ratio mark was set by the RTA at 52 percent for 2003, which the CTA has exceeded in its budget submission. The CTA's statement of revenues and expenses, which includes the recovery ratio, is presented in Exhibit 4-5.

Exhibit 4-5

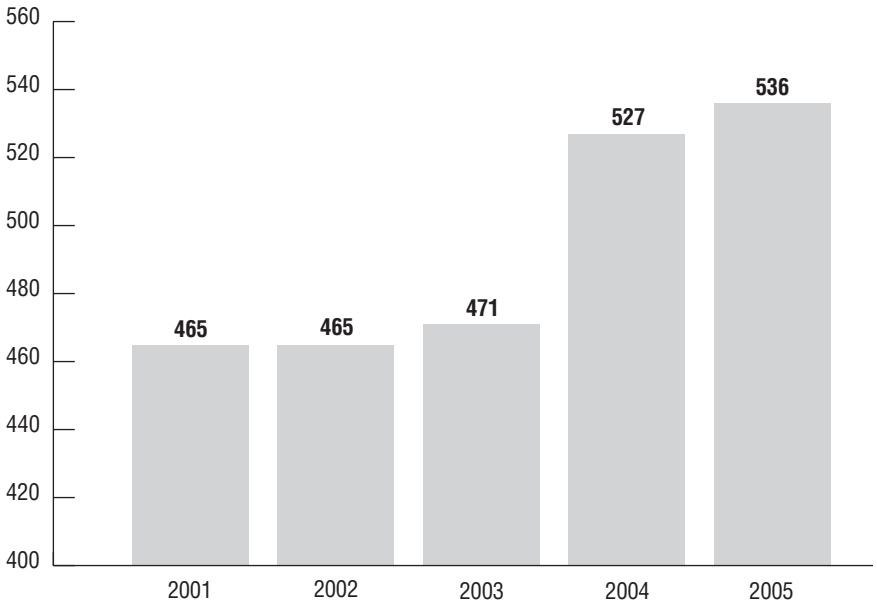
CTA 2003 Budget and 2004-2005 Financial Plan (dollars in thousands)

System-Generated Revenues:	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Passenger Revenue	$ 373,811	$ 375,557	$ 376,132	$ 401,564	$ 413,324
Reduced Fare Subsidy	32,463	29,500	32,300	32,300	32,300
Other Revenue	58,633	59,430	62,646	92,619	90,559
Total Revenues	**$ 464,907**	**$ 464,487**	**$ 471,078**	**$ 526,483**	**$ 536,183**
Operating Expenses:					
Labor	$ 629,619	$ 655,000	$ 686,912	$ 722,000	$ 742,000
Material	64,879	64,544	67,466	67,050	67,050
Fuel	23,326	18,500	22,375	22,375	22,700
Power	21,835	20,895	21,296	22,000	22,000
Insurance & Claims	44,000	39,000	17,568	22,000	22,000
Purchase of Security Services	22,512	24,200	24,813	25,770	26,648
Purchase of Paratransit Services	32,314	35,150	37,215	39,075	41,029
All Other	45,427	48,830	46,921	47,845	49,845
Total Operating Expenses	**$ 883,912**	**$ 906,119**	**$ 924,566**	**$ 968,115**	**$ 993,272**
Operating Deficit	**$ 419,005**	**$ 441,632**	**$ 453,488**	**$ 441,632**	**$ 457,089**
Recovery Ratio % (A)	**52.9%**	**52.7%**	**52.4%**	**55.7%**	**55.2%**

(A) Items excluded from expenses are security at 15% of reduced fare and 1988 security expenses of $10,227. In-kind revenues and expense from the Chicago Police Department of $22,000 are included.

Exhibit 4-6

CTA System-Generated Revenues (dollars in millions)



System-Generated Revenues

Total system-generated revenues are expected to increase from $465 million in 2001 to $536 million in 2005. This is an increase of $71 million over the four-year period, which is a 3.6 percent average annual increase. System-generated revenue includes: passenger revenue, reduced fare reimbursement, and other revenue (Exhibit 4-6).

Passenger revenue comprises 80 percent of the CTA's total operating revenues. The reduced fare subsidy and other revenue equally account for the remaining 20 percent (Exhibit 4-7).

Passenger Revenue

Passenger revenue is expected to increase from $374 million in 2001 to $413 million by 2005, a $39 million increase, or 2.5 percent annual growth rate.

Revenues from fares are forecast at $375.6 million in 2002, a favorable increase to the prior year of $1.7 million. This increase is attributable to a higher average fare (83.1¢ in 2002 versus 82.2¢ in 2001) as more customers opt to pay using cash or undiscounted fare media (Exhibit 4-8).

Exhibit 4-7

2003 CTA Revenues—$471 Million

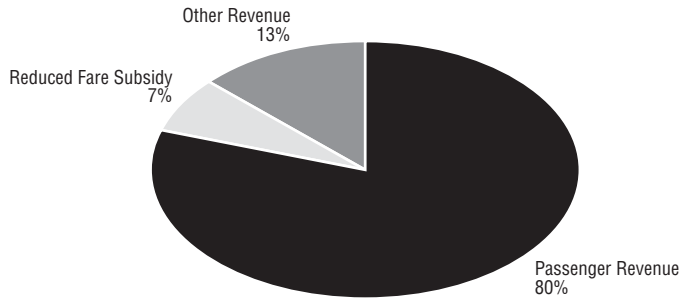


Exhibit 4-8

CTA Average Fare Calculation (revenue and ridership in thousands)

	2001	2002	2003	2004	2005
Passenger Revenue	$ 373,811	$ 375,557	$ 376,132	$ 401,564	$ 413,324
System Ridership	454,868	451,841	456,786	471,860	486,016
Average Fare	$ 0.822	$ 0.831	$ 0.823	$ 0.851	$ 0.850

Exhibit 4-9

CTA Fare Structure

	Full	Reduced
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 with Fare Card (1)	$ 0.30	$ 0.15
Transit Card with $11 value (pre-valued) (2)	$ 10.00	None
Transit Card with $22 value (pre-valued) (2)	20.00	None
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 (3)	$ 36.00	None
Express Surcharge (4)	$ 0.25	$ 0.25
Rush Shuttle Fares (5)	$ 1.00	None
128 Soldier Field Express	$ 1.00	$ 0.50
154 Wrigley Field Express (6)	$ 5.00	

Comments: (1) Second transfer within two hours is free; (2) Sold at Jewel, Dominick's, Cub Foods, Currency Exchanges, and the Internet; (3) Sold by Metra; use with Metra monthly ticket; (4) Downtown on bus routes 2, 6, 14, and 147; (5) To/ from downtown Metra stations during rush hour; (6) 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.

Higher ridership is the reason for the increased fare revenues in 2003. Revenue from fares is estimated at $376.1 million in 2003, which is $0.6 million higher than the 2002 forecast.

The CTA expects to collect $401.6 million in fare revenue during 2004, a 6.8 percent increase over the 2003 operating budget. The average fare is expected to increase by approximately 3¢ or 3.4 percent, and ridership is expected to be 15.1 million higher or 3.3 percent.

Fare revenue is projected at $413.3 million in 2005, an increase of 2.9 percent. This increase is due to projected ridership growth of 3 percent.

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. These funds are split between the three Service Boards based on their reduced fare revenues. The CTA estimates its share at $32.3 million per year from 2003-2005.

Other Revenue and Investment Income

This category includes: advertising, charters, concessions, contributions from local governments (Chicago-$3 million and Cook County-$2 million), investment income and other revenue (Exhibit 4-10). Revenue for this category was approximately $59 million in 2001, and is expected at $91 million in 2005. Reasons for this increase include more lease transactions and other revenue enhancement strategies.

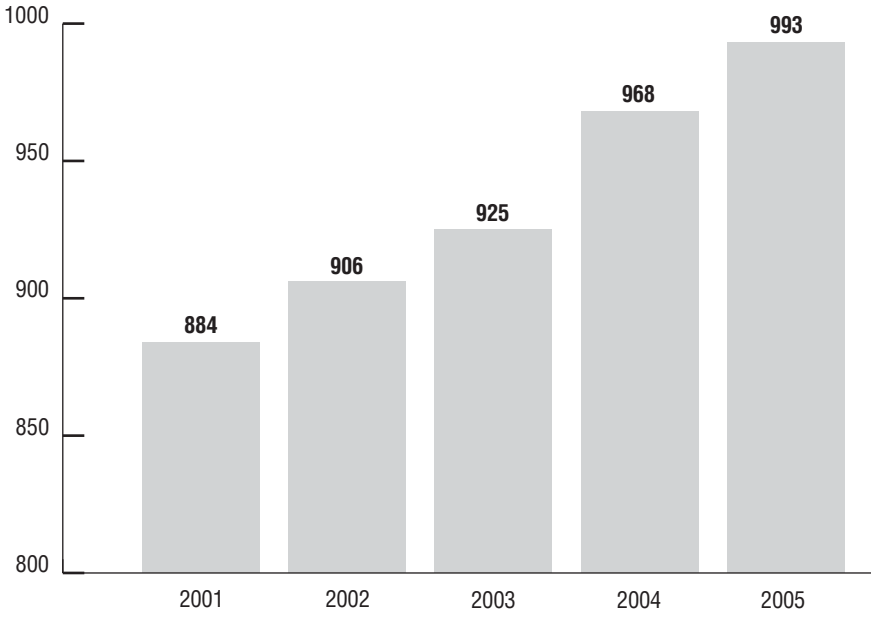
Exhibit 4-10

All Other Revenue (dollars in thousands)

All Other Revenues	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Advertising, Charter, and Concessions	$ 20,372	$ 21,738	$ 24,598	$ 32,500	$ 33,000
Investment Income	10,674	4,864	4,864	6,000	8,900
Contribution from Local Government Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	22,587	27,828	28,184	49,119	43,659
Total All Other Revenues	**$ 58,633**	**$ 59,430**	**$ 62,646**	**$ 92,619**	**$ 90,559**

Exhibit 4-11

CTA Total Operating Expenses (dollars in millions)



Operating Expenses

Total operating expenses are forecast to increase from $884 million in 2001 to $993 million in 2005. This $109 million increase equals a 3 percent annual compound growth rate (Exhibit 4-11).

Calendar year 2002 operating expenses are estimated at $906.1 million. This is 2.5 percent higher than the 2001 actual expense of $883.9 million. The expense growth is due mainly to higher labor expenses.

The 2003 expense budget of $924.6 million is 2 percent higher than the 2002 projected results. As in 2002, higher labor expenses represent the major increase. However, a lower level of funding for the Injuries and Damages Reserve provides some offset.

The 2004 and 2005 financial projections show operating expenses of $968.1 million and $993.3 million, respectively. The 2004 financial projection represents an increase of 4.7 percent over the 2003 operating budget. The 2005 financial projection represents an increase of 2.6 percent over the 2004 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 75 percent of the CTA's total expenses. Base wages represent about two thirds of that total, while fringe benefits, which are primarily medical insurance and pension costs, represent the remaining one third. Materials, used primarily for maintenance, are 7 percent of total expenses. Fuel and power represent 4 percent of the CTA's expenditures. Insurance and claims represent 2 percent of total spending. Paratransit services, security, and other expenses comprise the remaining 12 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 $630 million in 2001 to $742 million in 2005. This is a $112 million increase or a 4.2 percent compound annual growth rate. Wage and health insurance increases contribute to the higher expense (Exhibit 4-13).

Labor expense for 2002 is estimated at $655 million; this is $25.4 million or 4 percent more than last year. The CTA has reached labor contract agreements with all unions except the Amalgamated Transit Union, Local 241, which represents bus operators. That agreement is in arbitration.

Labor Expenses are projected to increase in 2003 even though no new positions were added to the budget. Labor expenses are forecast to cost $686.9 million in 2003, an increase of $31.9 million or 4.9 percent over 2002. This increase is due to a combination of wage increases to accommodate expenses for cost of living, health insurance and workers' compensation.

Exhibit 4-12

2003 CTA Operating Expenses—$925 Million

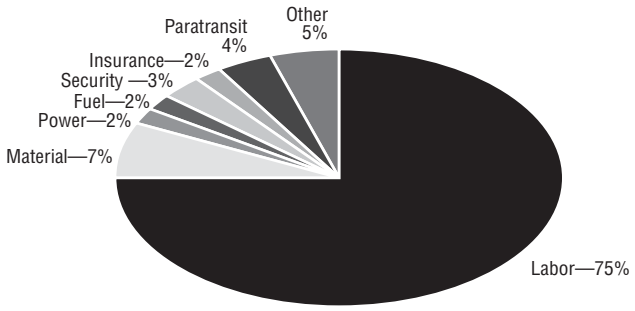


Exhibit 4-13

CTA Labor Expense Growth (in thousands)

	2001	2002	2003	2004	2005
Labor Expense	$ 629,619	$ 655,000	$ 686,912	$ 722,000	$ 742,000
% Change from Prior Year	2.2%	4.0%	4.9%	5.1%	2.8%

Exhibit 4-14

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

	2001	2002	2003	2004	2005
Fuel Cost	$ 23,326	$ 18,500	$ 22,375	$ 22,375	$ 22,700
Gallons	23,399	22,100	22,375	22,375	22,700
Cost Per Gallon	$ 0.997	$ 0.837	$ 1.000	$ 1.000	$ 1.000

Overall, labor expenses of $722 million in 2004 and $742 million in 2005 are projected to rise 5.1 percent and 2.8 percent, respectively. This is the result of increases in labor rates, health insurance and workers' compensation expenses.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expense is forecast at approximately $65 million in 2001 and 2002, and then rises to $67 million from 2003-2005.

Fuel

The CTA estimates fuel expense at $18.5 million for 2002. The assumption is 22.1 million gallons at 84¢ per gallon (Exhibit 4-14). The cost per gallon is lower than 2001 actual results.

The CTA forecasts the need for 22.4 million gallons of diesel fuel in the 2003 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 actual.

The 2004 and 2005 financial projections hold diesel fuel costs steady at $1.00 per gallon, the same cost budgeted for 2003. This assumes the purchase of more than 22 million gallons.

Power

Electric power expense for the rail system is forecast at $20.9 million in 2002, which is $0.9 million less than the prior year. This decrease largely reflects lower consumption due to facility energy efficiencies and construction on the system.

Expenses for power increase by $0.4 million in 2003 and then gain another $0.8 million in 2004. Power costs remain steady in 2005.

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 2002 forecast is $39 million and is lower from the prior year by $5 million.

The 2003 Funding of the Provision for Injuries and Damages is $17.6 million versus an estimate of $39 million for 2002. The decrease in 2003 is due to larger historical levels of funding for this provision in 2001 and 2002 with proceeds from one-time real estate and leasing transactions. In 2004 and 2005, the CTA projects this expense to be at $22 million.

As shown in Exhibit 4-15, the CTA expects to reduce its bus and rail accidents per 100,000 over the next couple of years. This will help the CTA 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 $24.2 million in 2002, which represents a $1.7 million or 7.6 percent increase from prior year (Exhibit 4-16). The events of September 11, 2001 have forced the 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. From 2003-2005, security expenses increase between $600,000 to $1 million each year. Increased costs are due to inflation and greater coverage.

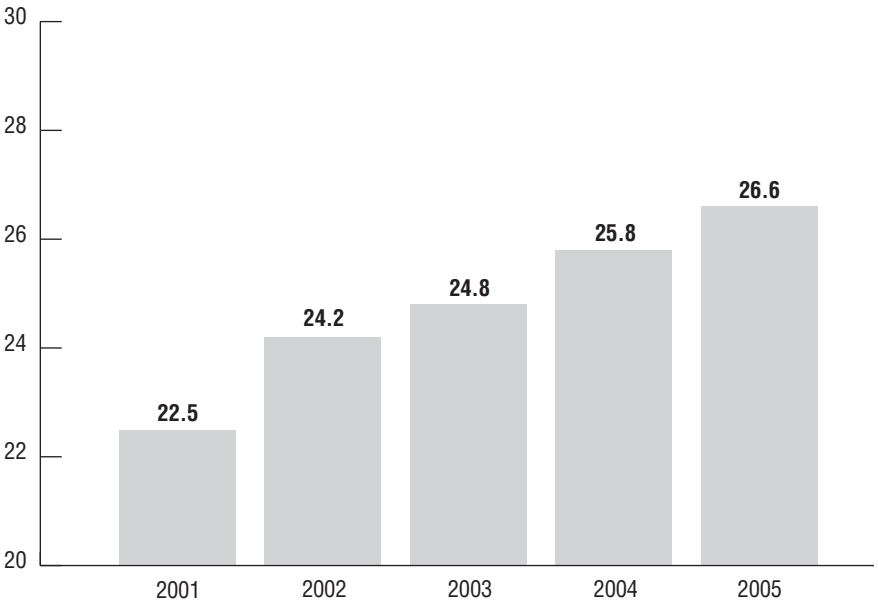
Exhibit 4-15

CTA Claims and Safety Statistics (dollars in thousands)

	2001	2002	2003
Claims	$ 44,000	$ 39,000	$ 17,568
Bus Accidents per 100,000 Miles	6.44	6.20	6.00
Rail Accidents per 100,000 Miles	0.10	0.10	0.09

Exhibit 4-16

CTA Purchase of Security Services (dollars in millions)



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 $35.2 million in 2002, which is $2.8 million or 8.8 percent more than prior year. Paratransit trips are forecast at 1.2 million trips for the current year, an increase of approximately 47,000 trips over the previous year. Almost all of this growth has occurred in the door-to-door service provided by the special services' carriers.

Purchase of paratransit services is expected to increase by over 5 percent annually from 2003-2005 reflecting increased service demand and inflation. The CTA continues to increase accessibility of mainline services for customers with disabilities. By year-end 2003, 100 percent of its buses will be accessible. Additionally, the planned rehabilitation of "L' Stations for the Blue and Brown Lines will make 24 more stations accessible when these projects are completed.

All Other Expenses

Other Expenses include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expense. The current 2002 forecast equals $48.8 million and is higher than prior year by $3.4 million or 7.5 percent (Exhibit 4-18).

The 2003 budget is $46.9 million, which is lower than the 2002 estimate by $1.9 million. The decrease is due to efficiencies in contractual services. Expenses for other services are forecasted to rise in 2004 and 2005 above 2003 levels as a result of inflation.

CTA Capital Impact on Operations

The CTA spent $356 million on capital expenditures in 2001. The CTA is expected to spend over $1 billion from 2001-2003 (Exhibit 4-19).

Bus System

The CTA's goal is to keep no bus in service past the industry standard retirement age of 12 years. In special circumstances, buses may be kept in service 14 years, but extension beyond 14 creates significant maintenance problems that affect service quality. Any such extension should be based on a life-extending rehabilitation of the buses. All buses should be rehabilitated at mid-life (after six or seven years of service). This ensures reliability and customer comfort, and will reduce maintenance expenses.

By the end of 2002, the CTA will have taken delivery of 484 air conditioned, fully accessible Nova buses. The CTA is also scheduled to receive 226 air conditioned and fully accessible articulated buses by year-end 2003. The new bus purchase demonstrates CTA's commitment to its customers by providing new, air conditioned, and fully accessible buses.

The CTA's articulated bus fleet also continues to be improved. These buses carry more passengers than a standard 40-foot bus, and are used on CTA's most heavily traveled routes. CTA entered into a contract with North American Bus Industries during 2001 for the procurement of up to 226 fully accessible articulated buses. The 2003 Budget will continue funding the final option of

Exhibit 4-17

CTA Paratransit Cost and Statistics

	2001	2002	2003
Total Cost of Paratransit Services (in thousands)	$ 32,314	$ 35,150	$ 37,215
Average Cost per Trip	$ 23.45	$ 23.05	$ 23.43
Number of Trips (in thousands)			
Paratransit	1,165	1,212	1,262
Taxi	273	284	296
Average Cost per Trip by Mode			
Paratransit	$ 24.82	$ 25.57	$ 26.39
Taxi	$ 13.08	$ 13.13	$ 13.14

Exhibit 4-18

CTA All Other Expenses (dollars in thousands)

All Other Expenses:	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Utilities	$ 18,119	$ 17,735	$ 18,666	$ 19,034	$ 19,829
Maintenance and Repair	14,376	13,830	12,484	12,729	13,261
Advertising and Promotion	1,490	1,633	5,006	5,105	5,318
Contractual Services	15,283	17,900	15,549	15,855	16,517
Provision for Passenger Security	4,869	4,550	4,845	4,940	5,147
Leases and Rentals	7,273	8,160	8,460	8,626	8,987
Travel, Training, Seminars and Dues	770	789	945	964	1,004
Warranty and Other Credits	(19,438)	(20,347)	(20,557)	(20,961)	(21,838)
General Expenses	2,685	4,580	1,523	1,553	1,620
Total All Other Expenses	**$ 45,427**	**$ 48,830**	**$ 46,921**	**$ 47,845**	**$ 49,845**

Exhibit 4-19

CTA Capital Statistics (dollars in thousands)

	1999	2000	2001	2002	2003
Total Capital Expenditures	$ 199,540	$ 280,406	$ 355,869	$ 337,472	$ 324,654
CTA Bus Vehicles	1,878	1,863	1,919	2,015	1,973
Average Age of Buses (years)	9.3	10.0	8.7	8.6	7.9
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (years)	16.0	16.9	18.0	19.0	20.0
Bus Routes Offering Lift Service	75	73	78	110	110
ADA Accessible Stations	50	50	64	64	72

this contract, budgeting nearly $28 million to purchase new articulated buses to meet the growing demand for bus service. The prototype bus will arrive in fall 2002, production of the buses will begin, and delivery is scheduled to be completed by year-end 2003.

Over the next five years, the CTA plans to spend over $164 million on additional purchases of new low floor and air conditioned buses. By year-end 2003 CTA will make significant progress towards its goal of having its entire bus fleet air conditioned and fully accessible. These buses will primarily be used to replace models that entered service in 1985-1991. Replacing this outdated equipment will increase the comfort for thousands of CTA customers. Twenty-five of these bus replacements will be composite body buses, using durable polymer frame technology to create a lighter heavy-duty bus, with resulting savings in fuel and maintenance.

Other customer-focused improvements to the CTA's existing buses are also on the capital agenda. The CTA has completed Operation Clearview on the bus fleet. This program utilizes a protective plastic coating to minimize damage done to window glass by vandals. Clearview has also funded the installation of security video cameras and recorders on the bus fleet. The CTA is also installing an automated announcement system on the bus fleet and will continue the bus preventive maintenance program aimed at reducing costs and improving service.

The CTA is also improving service reliability through routine replacement of major mechanical components subject to extensive wear. With fewer road calls and fewer buses taken out of service due to mechanical problems, the CTA bus service will be more reliable as a direct result of this preventive maintenance program.

The CTA plans to spend $10.3 million in 2003 to conduct mid-life overhauls on buses. The 2003-2007 Capital Program provides a total of $20.5 million in funding for the completion of the Flxible (6000 Series) bus overhaul program. Finally, the CTA will overhaul 90 TMC (Series 4400) buses and 65 New-Flyer (Series 5800) buses through its heavy maintenance program. With a projected service life of 12-13 years, the CTA's plan calls for the complete overhaul of a bus approximately five to seven years after it enters service. The bus overhaul program ensures that CTA's bus fleet is kept in a state of good repair to serve CTA's customers.

Rail System

The Blue Line is the CTA's second busiest rail line, averaging 122,376 passengers per weekday in 2002 (January through July). The Cermak (Douglas) Branch of the Blue Line provides an average of 8,902 rides each weekday.

Using TEA-21 and Illinois FIRST funds, the much anticipated reconstruction of the Blue Line's Cermak (Douglas) Branch will continue into 2003 and beyond. In addition to the nearly $155.3 million al-

ready funded for planning, design work and construction, more than $67 million is budgeted for partial construction needs in 2003, and a total of $482 million is projected to be spent. This project will include the reconstruction of the eight elevated stations and over five miles of elevated structure and track work. The purchase and installation of new signal/communications equipment, plus miscellaneous work on the right-of-way and track are also included.

The Brown Line is the third busiest rail line serving 47,000 customers each weekday. Clark Junction is the location where the Brown, Purple and Red Line trains merge, just north of the Belmont Station. The rehab of this location alone is expected to cost $60.7 million and will provide enhanced operating efficiency by speeding service for CTA's customers.

The five-year capital improvement program allocates $658.5 million for the purchase of 406 rail cars that will replace the aging 2200 and 2400 Series fleet and provide additional cars to meet service requirements due to the Brown Line Capacity Expansion Project. The 2200 Series cars have been in service for more than 30 years and are beyond their expected service lives. The 2400 Series have been in service for more than 26 years and will be beyond their expected service lives by the time new replacement cars are received in 2006. The schedule replacement of cars that are beyond their expected service life continues the CTA's effort in the rebuilding of the rail car fleet and improving rail car accessibility for all of the CTA's customers. Based on current ridership patterns, the CTA anticipates expanding the rail fleet to meet future increased service demands. The CTA's 2003-2007 capital program also sets aside $3.4 million in 2003 for the overhaul and upgrade of the CTA's rail fleet, representing the first installment of nearly $114 million in projected funding during the next five years.

The CTA will complete and continue overhaul initiatives in 2003 that include a targeted overhaul of the 2400 Series rail cars and the continuation of the quarter-life overhaul of the 3200 Series rail cars. Beyond 2003 the CTA will begin the mid-life rehab of the 3200 Series rail cars and the quarter-life overhaul of the 2600 Series cars. Capital funding also provides for a test project that will evaluate the use of new state-of-the-art subsystems such as passenger controlled doors, onboard communications systems, and advanced technology propulsion and braking systems on a selected group of modified CTA rail cars. This project continues the CTA's effort to incorporate the most efficient technologies into system operations.

The upgrading of Loop Signals & Interlockings is a key component of modernizing the carrying capacity of CTA's elevated system. Located at the northwest corner of the Loop, this control point handles hundreds of train movements each day on the Green, Brown, Orange, and Purple Lines. As rail ridership grows, requiring longer and more frequent trains, this element of CTA's infrastructure will need capital investment.

The CTA's capital budget provides $53.1 million for final design work and initial construction needs on the Brown Line in 2003, with $54.1 million having already been budgeted on project planning and design. Current projections estimate an additional $345.4 million will be allocated to the Brown Line expansion over the next five years and future funds of $130.3 million to complete the capacity expansion project. This project will extend platforms at 18 stations to accommodate eight-car trains and increase capacity by 33 percent. Sixteen stations will be reconstructed. Thirteen will have elevators installed to provide improved accessibility for all customers, the other three are at-grade and will be made accessible through the use of ramps. Signal, electrical and communications upgrades will be made as well.

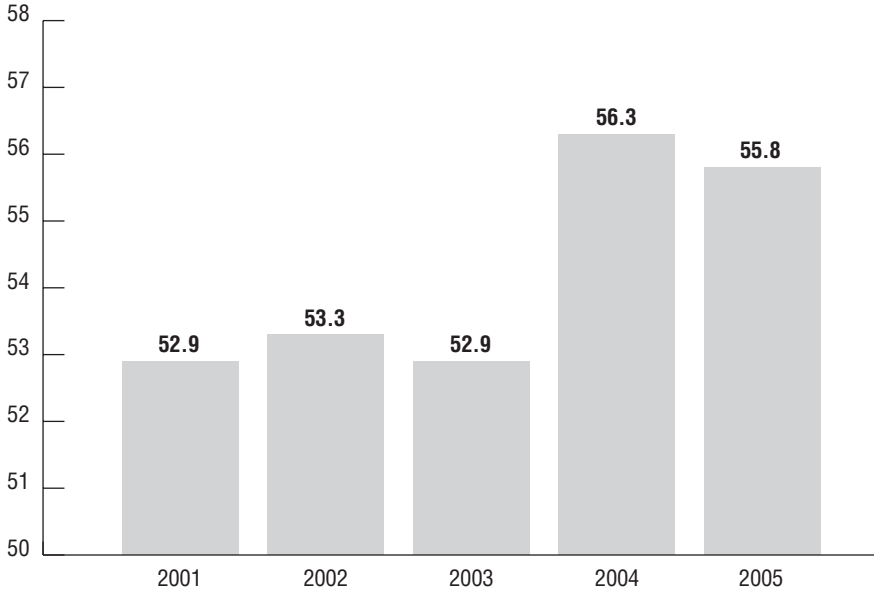
The Dan Ryan Branch of the Red Line has not had any major rehabilitation work since the branch was built more than 30 years ago. This project will provide for rail station upgrades, reconstruction of a bus bridge and bus turnarounds, as well as track and signal system replacement. In order to provide for minimal service disruption, construction is scheduled to begin in 2003. The 2003-2007 capital program allocates $50.6 million in 2003 for continuing design and construction work and $170.1 million to complete construction in the five-year program.

In addition, $145 million has been provided in 2003-2007 to prepare the Blue Line for future express service to O'Hare Airport. This upgrade includes both track and signal upgrades for the Congress/Dearborn Subway and track upgrades on the section from Addison to O'Hare.

In addition to the improvements realized through the reconstruction of the Cermak (Douglas) Branch of the Blue Line, the Brown Line and the Red Line (Dan Ryan Branch) projects, $38.4 million will be budgeted in 2003 to provide improvements and upgrades to the CTA's rail system infrastructure. A viaduct at Main Street on the Evanston Purple Line will be reconstructed. Footwalks used by maintenance staff and by passengers in case of emergencies will be replaced/renewed. Right-of-way, ties, track, and structure will be replaced, eliminating slow zones and maintaining heightened service standards. The CTA will also replace and upgrade power distribution and support structures for $39 million over the five-year plan using a recently completed System Master Plan.

Exhibit 4-20

CTA 2001-2005 Recovery Ratio (percent)



Facility Improvements

There are 34 station rehabilitation projects funded in the five years. There are eight within the rehabilitation of the Cermak (Douglas) Branch of the Blue Line, nine included in the Dan Ryan–Red Line rehab, and 16 in the Brown Line Capacity Expansion project. In addition, Howard Station on the Red Line is included in the 2003-2007 capital improvement program. After renovation, these stations will be more welcoming and more accessible to all.

The CTA will spend nearly $11.4 million on facility improvements in 2003, including upgrades to bus facilities, rail station amenities, and various support facilities throughout the system. Also in 2003, $7.5 million provides for project planning and design of two new needed bus maintenance facilities and, in the five-year program, $236.4 million is allocated to construct or improve the CTA's support facilities. The CTA will also spend over $28.4 million for other miscellaneous bus facility improvements including bus turnarounds, repair of systemwide roofs, and upgrading ventilation systems at the bus overhaul facility located at South Shops.

The 2003 Budget includes an additional $15.8 million to repair and renovate the elevators and escalators in the CTA's stations and $6.8 million in the remainder of the five year program for various other locations throughout the CTA system including escalators on the Red Line. Escalators facilitate the transfer of passengers from station to street and in the downtown area, from one rail line to another. Many of these escalators exceed the average service life of 20 years; others need extensive mechanical overhaul to bring them to a state of good repair.

Unscheduled maintenance has increased over the years and a complete overhaul and/or replacement of these systems is expected to produce cost savings in the CTA's operating budget.

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 certain exclusions. The CTA forecasts that it will achieve a recovery ratio of 52.9 percent in 2003, higher than the 52 percent mark set by the RTA. Since 1989, the CTA has used 15 percent of the funding from the state's reduced fare reimbursement to cover some security costs. This particular amount is excluded from expenses when calculating the recovery ratio.

There are two factors that are new in the 2002 estimate and 2003-2005 plan which increase the recovery ratio. The first is the inclusion of in-kind services for security provided by the Chicago Police Department. This amount is equal to $22 million and is included as both a revenue and expense in the recovery ratio calculation. The second is the exclusion of additional security expenses from the recovery ratio. Starting in 2002, the CTA's 1988 security expenditures of $10.2 million are now being excluded from the recovery ratio as well per Section 27a of the Metropolitan Transit Act.

The CTA's recovery ratio was 52.9 percent in 2001, and is expected to be at 53.3 percent in 2002. In 2003 and 2004, the CTA recovery ratio is expected to be at 52.9 percent and 56.3 percent, respectively. The ratio is at 55.8 percent in 2005 (Exhibit 4-20).

Capital Program

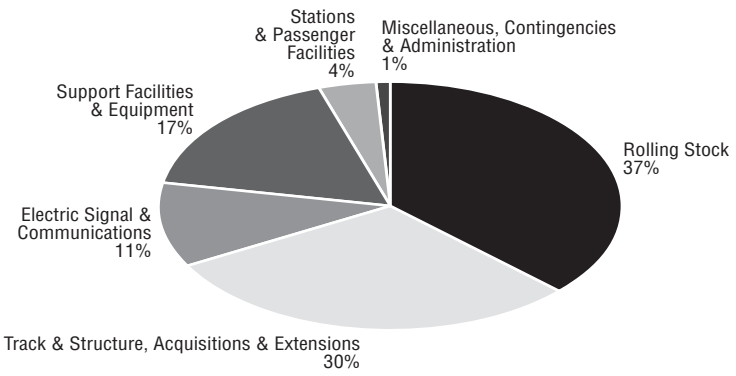
Overview

The proposed projects in the CTA's 2003-2007 capital program total $2.8 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 37 percent, track & structure, acquisitions & extensions at 30 percent, electric, signal and communications at 11 percent, support facilities and equipment at 17 percent, stations and passenger facilities at 4 percent, and miscellaneous at 1 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 2003-2007 capital program are as follows:

Exhibit 4-21

CTA 2003-2007 Capital Program



Rolling Stock

The 2003-2007 capital program includes $262.9 million in the bus rolling stock category. The CTA's bus fleet consists of approximately 1,964 vehicles. The 2003-2007 capital program contains $199.8 million for replacement of a minimum of 916 buses. The primary focus of the CTA's bus rolling stock investment is the replacement of 426 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 2003, on-going bus purchases totaling $80.5 million are planned to complete the replacement of a minimum of 75 M.A.N. articulated buses, and to purchase a minimum of 25 buses. The 25 bus replacements will be composite body buses, using durable polymer frame technology to create a lighter heavy-duty bus, with resulting savings in fuel and maintenance.

In addition, $59.9 million is budgeted for capital-eligible bus maintenance activities and life extending overhaul over the five-year program with $19.3 million planned in 2003. This category also includes $3.2 million for the installation of particulate filters to reduce emissions.

The rail rolling stock category includes $780.9 million in 2003-2007 to rehabilitate or purchase CTA rail cars.

The CTA's rail fleet consists of approximately 1,190 CTA cars. The 2003-2007 capital program contains $192.6 million to rehabilitate rapid transit rolling stock. Of this total, $146.9 million will be used to start the overhaul and mid-life rehabilitation for rail cars in the 2400 and 3200 Series. This mid-life rehabilitation will enable the cars to reach original useful life estimates of 25 years. The five-year program includes $586.4 million for the replacement of 2200 and 2400 Series rail cars. In addition, the CTA's five-year plan includes $1.9 million for the testing of new technology on rail cars.

Track & Structure, Acquisitions & Extensions

The track & structure and acquisitions & extensions category includes $836.4 million in 2003-2007 to rehabilitate and expand existing rail lines. The CTA rail system contains 289 total track miles, including yard track. 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 & structure and acquisitions & extensions 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 $335.1 million over the next five years, with $81.2 million programmed in 2003;

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 $311.9 million over the next five years, with $55.2 million programmed in 2003;

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 $56.2 million through 2006, with $50.7 million programmed in 2003;

4) Structural improvements at a cost of $27.2 million on both the North Main Line and the Ravenswood Line, with $11.5 million planned in 2003;

5) The renewal of track work on the Blue Line from Addison to O'Hare, at a cost of $20.9 million, with $3.7 million programmed in 2003;

6) The $19.2 million replacement of ties and fasteners on the North Main Line and Ravenswood, with $9.8 million programmed in 2003; and

7) The $10.8 million replacement of ties in the State Street Subway on the Red Line.

Electric, Signal & Communications

The electric, signal, and communications category totals $299.5 million for the proposed five year program, with $20.7 million programmed in 2003. 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 $169 million. $8.7 million is planned in 2003 for this project to provide for replacement and modernization of the traction power distribution cable and associated components and continued implementation of a workers ahead warning system. 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. The five-year program also includes $76.5 million to upgrade signals and interlocking at Tower 18 on the Loop Elevated tracks. $3.8 million is programmed in 2003 for this project. Other improvements in this category include system-wide communication upgrades for the bus, rail and support functions throughout the CTA system, at a cost of $38.7 million over the five-year program. The 2003 funding of $7 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 $15.5 million, with $1.2 million programmed in 2003. The improvements include computer network upgrades and the purchase of a backup mobile control center.

Support Facilities and Equipment

The 2003-2007 capital program includes $468.8 million in the support facilities and equipment category. The CTA's 2003-2007 program includes $176.7 million for improvements and upgrades to the bus and rail facilities, and associated elements. 2003 funding of $7.5 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. Future funding will provide for the design for a new or expanded 98th Street Yard and the design and construction of facilities.

The CTA's five-year program also includes upgrades to bus turnarounds and rail stations. The CTA has allocated $18.1 million in 2003 for these upgrades. Future funding of $70.1 million will continue the bus turnaround and rail station improvements. Also, the CTA is proposing $58.3 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 $26.2 million, to implement new and upgraded data processing systems. The CTA is allocating $5.9 million in 2003 for computer purchases, which includes server upgrades and replacement of desktop computers and other equipment. Also, $9.6 million is programmed for replacement of financial systems, with $4.8 million planned in 2003. Upgrades to the Automatic Fare Control system are also planned at a cost of $65.6 million in the CTA's 2003-2007 Capital Program, with $30.9 million planned in 2003. The purchase of non-revenue vehicles is planned at a cost of $62.3 million over five years, with $13 million programmed in 2003.

Stations and Passenger Facilities

The stations and passenger facilities category totals $130.1 million for the proposed five year program with $41.1 million programmed in 2003. 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) 2003-2007 capital program currently has $58.2 million programmed for reconstruction of the Howard station and design work for the Wilson station;

2) Station design and engineering for four Blue, Red and Purple Line stations is planned at a cost of $9.2 million. The stations are: Belmont on the O'Hare Blue Line; and Dempster on the Evanston Purple Line; and Wilson on the Red Line; and

3) The replacement or upgrade of elevators and escalators systems at a cost of $22.7 million is also planned with $15.8 million programmed in 2003.

Miscellaneous, Contingencies & Administration

The miscellaneous, contingencies and administration category totals $25.5 million over the five years of the program. The CTA has programmed $5.1 million for its Quality Assurance Program and for Program Management in 2003.

Reference

2002 Budget vs. 2002 Estimate

The CTA expects a balanced budget for 2002.

Revenues

Revenues from fares are forecasted at $375.6 million and compare unfavorably to the budget by $13.3 million or 3.4 percent. The lower fare revenue is due to lower ridership. The average fare for 2002 is estimated to be 83¢, which is on par with budget. The economic slowdown continues to be the most likely reason behind the decline in fare revenue (Exhibit 4-22).

The reduced fare subsidy is the State of Illinois' reimbursement to the CTA for providing discounted fares to disabled, elderly, and student customers. The Reduced Fare Reimbursement is projected at $29.5 million which is $2.8 million below budget due to a reduction in funding in the State's 2002 fiscal year budget. Ridership for reduced fare customers, however, continues to exceed prior year.

Other revenue is expected to be $7.5 million favorable to plan. The categories listed below reflect this line item.

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 annually contribute $3 million and $2 million, respectively, to the operations of CTA.

Revenues from advertising, charter, and concessions are projected to be below budget by $8.5 million. This shortfall is due to lower minimum guaranteed revenues as a result of a soft economy.

Investment income is estimated at $4.9 million, $5.8 million lower than budget. This is due primarily to lower investment rates and lower cash balances available for investing. Interest rates are about 300 basis points below historical levels as the Federal Reserve continues to lower short-term interest rates in its attempts to spur economic growth.

All other revenues are projected at $27.8 million, which is $21.8 million higher than budget. The increase is due to extraordinary revenue from an innovative bus lease transaction, the closing of another lease transaction, a lawsuit settlement, and the proceeds from property sales.

Exhibit 4-22

CTA 2002 Budget vs 2002 Estimate (dollars in thousands)

	2002 Budget	2002 Estimate	Variance
System-Generated Revenues:			
Passenger Revenues	$ 388,890	$ 375,557	($13,333)
Reduced Fare Subsidy	32,300	29,500	(2,800)
Other Revenue	51,966	59,430	7,464
Total Revenues	**$ 473,156**	**$ 464,487**	**($ 8,669)**
Operating Expenses:			
Labor	$ 667,597	$ 655,000	$ 12,597
Material	66,949	64,544	2,405
Fuel	23,000	18,500	4,500
Power	22,700	20,895	1,805
Insurance & Claims	23,000	39,000	(16,000)
Purchase of Security Services	22,989	24,200	(1,211)
Purchase of Paratransit Services	33,591	35,150	(1,559)
All Other	54,962	48,830	6,132
Total Operating Expenses	**$ 914,788**	**$ 906,119**	**$ 8,669**
Operating Deficit	**$ 441,632**	**$ 441,632**	**$ —**
Recovery Ratio %	**52.0%**	**53.3%**	**1.3 pts.**

Exhibit 4-23

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

	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
85% Sales Tax	$ 258,933	$ 263,255	$ 265,129	$ 272,469	$ 282,760
RTA Discretionary Funds	160,072	178,377	188,359	169,163	174,329
Total Funding	**$ 419,005**	**$ 441,632**	**$ 453,488**	**$ 441,632**	**$ 457,089**

Expenses

Calendar year 2002 operating expenses are estimated at $906.1 million and are projected to be favorable to the budget by $8.7 million or 1 percent. All expense categories are expected to finish the year under budget except for the provision for injuries and damages, security, and paratransit. The expense reductions are related to the cost containment strategies implemented to ensure that the CTA achieves a balanced budget in 2002.

Labor expense is projected at $655 million and is $12.6 million or 1.9 percent below budget. The decrease in labor expense is related to the implementation of cost containments and operational efficiencies. The CTA reached a collective bargaining agreement with the Craft Union Coalition, which represents 11 trade unions. The agreement provides wage increases and improved pension and health care benefits for employees. For the CTA, the agreement offers work rule changes that will allow for more cost-efficient operations. The CTA has reached labor contract agreements with all unions except the Amalgamated Transit Union, Local 241, which represents bus operators. That agreement is in arbitration.

Material expense is forecasted at $64.5 million, $2.4 million or 3.6 percent favorable to the budget. The reduction in material expenses is associated with lower maintenance parts and components usage. This is related to the ongoing modernization of the bus and rail vehicles, rehabilitation and preventative maintenance on the bus and rail fleets, and higher capitalization of vehicle components.

Fuel expense for revenue equipment is expected to finish the year at $18.5 million. This is $4.5 million or 19.6 percent under budget. The 2002 budget assumed an average price of $1.00 per gallon and 23 million gallons. Fuel prices and consumption have been running below budget and are estimated to end the year at an average price of 84¢ and 22.1 million gallons, leading to savings in fuel expenses.

Electric power expense for the rail system is forecasted at $20.9 million, or $1.8 million less than budget. This is a result of lower tax expense and lower consumption. The lower consumption is attributable to facility energy efficiencies and construction on the system.

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 2002 forecast is $39 million and is above budget by $16 million. The increase in funding reflects management's use of the proceeds from the innovative lease transactions to reduce outstanding liabilities.

Security is strategically deployed throughout the system to provide 24-hour coverage, seven days a week. This service is provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expense is estimated at $24.2 million, $1.2 million above budget. After the terrorist attacks in New York and Washington D.C. on September 11, 2001, the CTA expanded the security coverage throughout the system to protect customers and employees.

The purchase of paratransit expense is estimated at $35.1 million, $1.6 million or 4.6 percent higher than budget. Paratransit trips are projected to finish the year at 1.5 million trips, 97,948 trips or 7 percent over the 2002 budget. This curbside service is provided by three carriers and taxicab companies.

Other services include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital jobs, and other general expenses. The current forecast equals $48.8 million and is below budget by $6.1 million. The lower expenses resulted primarily from a higher allocation of overhead and fixed expenses to capital projects, lower heating costs as a result of lower natural gas prices, and lower data processing, accounting, engineering, and other consulting services as a result of belt-tightening.

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 1.3 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 2.2 percent between 2001 and 2005.

RTA discretionary funds for the CTA are expected to range between $160 million and $174 million from 2001 to 2005. Apportionments from the RTA's

Exhibit 4-24

CTA Ridership and Miles (riders and miles in thousands)

	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Ridership	454,868	451,841	456,786	471,764	485,933
Vehicle Miles	125,427	129,900	130,925	130,925	130,925
Passengers Per Mile	3.6	3.5	3.5	3.6	3.7

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 slightly below 1.5 million. In 2002, 451.8 million trips are projected.

The CTA's service area is composed of the 220 square miles of the City of Chicago and 40 surrounding suburbs.

The CTA has 1,964 buses operating over 142 routes, making more than 24,031 weekday trips. 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 1.5 million paratransit and taxi trips are projected.

Operating Data

The CTA expects its ridership levels to increase by a compound growth rate of 1.7 percent from 2001 through 2005. Total vehicle miles in 2002 and 2003 increase from 2001 levels due to ridership increases. However, the CTA expects vehicle miles to remain flat from 2003 through 2005 (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, meets 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 formed 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 1960s, 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 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, the CTA Board Members, Chief of Staff to the Chairman, and Secretary of the CTA Board report to the Chairman of the Board.

General Counsel

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

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 the CTA staff as it works to fulfill its goals and mission.

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

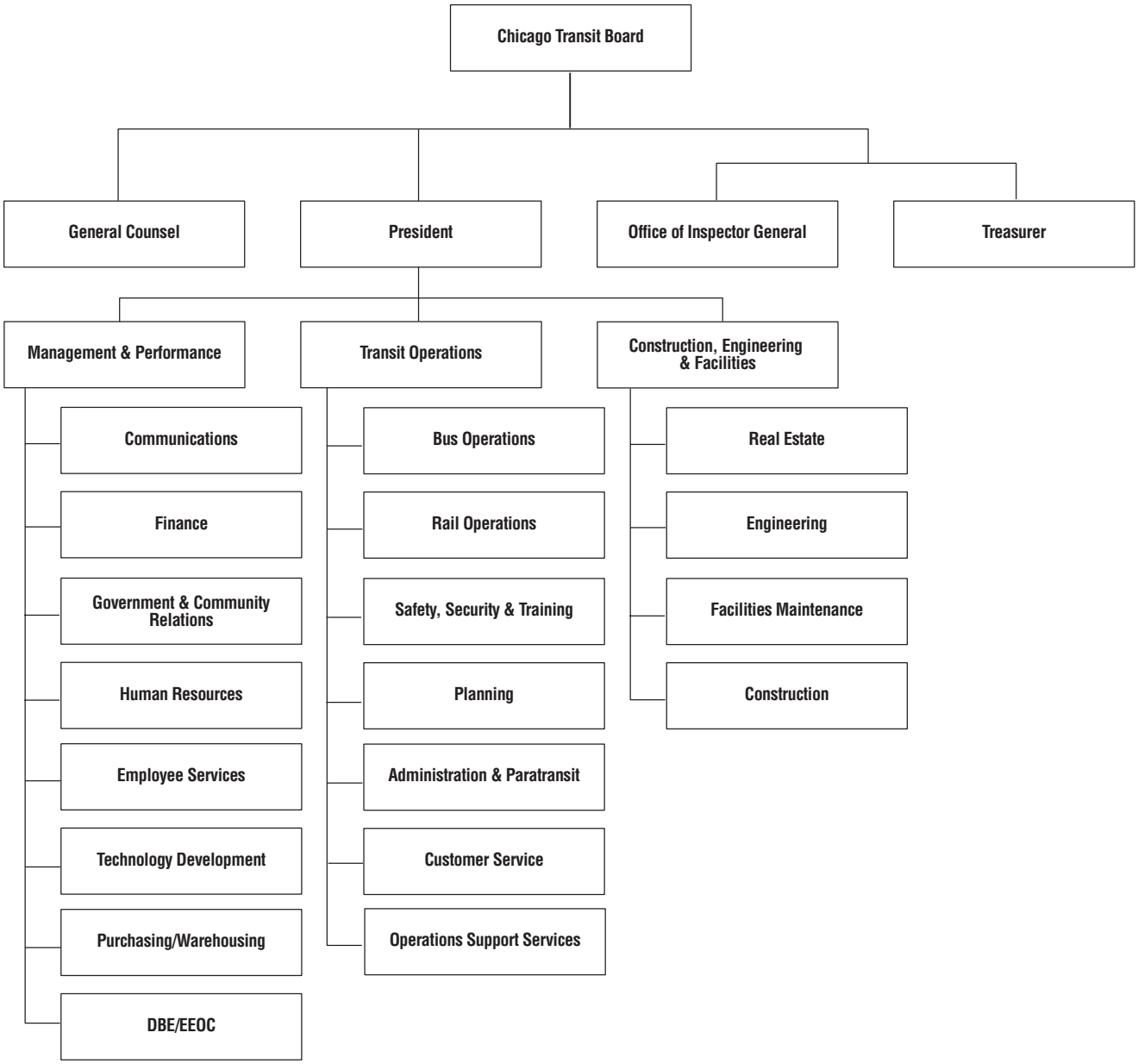
The primary responsibilities of the Treasury department include management of farebox equipment and investments.

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

Exhibit 4-25

CTA Organization Chart



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, environmental affairs, and operations support. Transit Operations represents the largest percentage of the 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 Maintenance

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

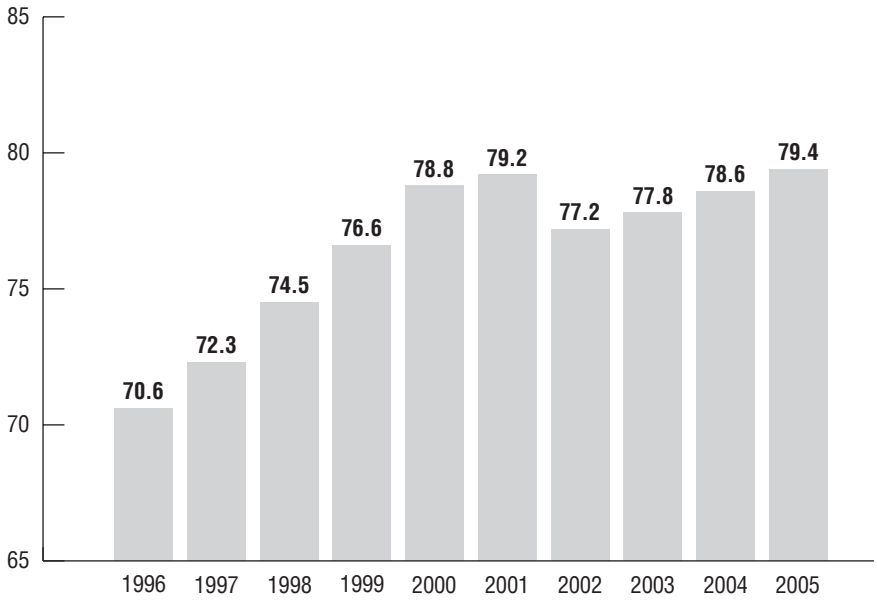
Overview

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 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. The customer perspective is discussed in the following subsections.

Exhibit 5-2

Riders and Miles (in thousands)

	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Total Riders	82,337	80,358	80,962	81,770	82,588
South Shore Elimination (1)	(3,130)	(3,109)	(3,132)	(3,163)	(3,195)
Total Metra Riders	**79,207**	**77,249**	**77,830**	**78,607**	**79,393**
Total Revenue Car Miles	31,547	31,935	31,838	32,047	31,935
South Shore Elimination (1)	(2,491)	(2,444)	(2,436)	(2,450)	(2,442)
Total Metra Revenue Car Miles	**29,056**	**29,491**	**29,402**	**29,597**	**29,493**
Total Passenger Miles	1,828,079	1,784,313	1,796,599	1,814,565	1,832,712
South Shore Elimination (1)	(92,071)	(91,451)	(91,869)	(92,788)	(93,716)
Total Metra Passenger Miles	**1,736,008**	**1,692,862**	**1,704,730**	**1,721,777**	**1,738,996**

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

Ridership

Metra's set another record for ridership in 2001 with 79.2 million passenger trips. This was 0.5 percent gain over 2000's ridership of 78.8 million, and marked the sixth straight year of record ridership (Exhibit 5-1).

Early in 2002, Metra recognized that ridership in its core market, the Chicago Central Business District, was declining in concert with the declining economy. Through August 2002, Metra posted a 4 percent decrease over the same period in 2001. However, by year-end, Metra projects that it will have provided 77.2 million trips (excluding South Shore), a decline of 2.5 percent. 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 1998 and 2002 average daily load counts by service period. Trains operating in the reverse peak direction, during midday, evening, 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 3 percent gain, during this five-year period, which is attributed to increased employment levels in downtown Chicago. However, current economic conditions have reversed this trend.

In general, Metra's ridership levels are dependent upon the success of its customer-driven business strategies, a strong regional economy, and worsening traffic congestion. The recent effects of the economic downturn and a decline in the rate of absorption of downtown office space may signify the end of a period of employment growth from the region. The regional economic and employment trends and their effect on ridership are analyzed in the Appendices.

Service Quality

To deliver on its objective to provide service that is customer-driven, flexible and personalized, Metra knows that an understanding of customer needs and their interests is critical to meet rider needs. Metra periodically conducts on-

Exhibit 5-3

Average Daily Passenger Loads by Service Period, July-June (in thousands)

Service Period	July 1997-June 1998	July 2001-June 2002	Change	% Change
Peak Direction	234	242	8	3.3
Reverse Peak	11	13	3	22.9
Midday	26	30	4	16.7
Evening	15	16	2	10.1
Total Weekday	**286**	**302**	**16**	**5.6**
Saturday	48	55	7	14.5
Sunday	27	32	5	18.1

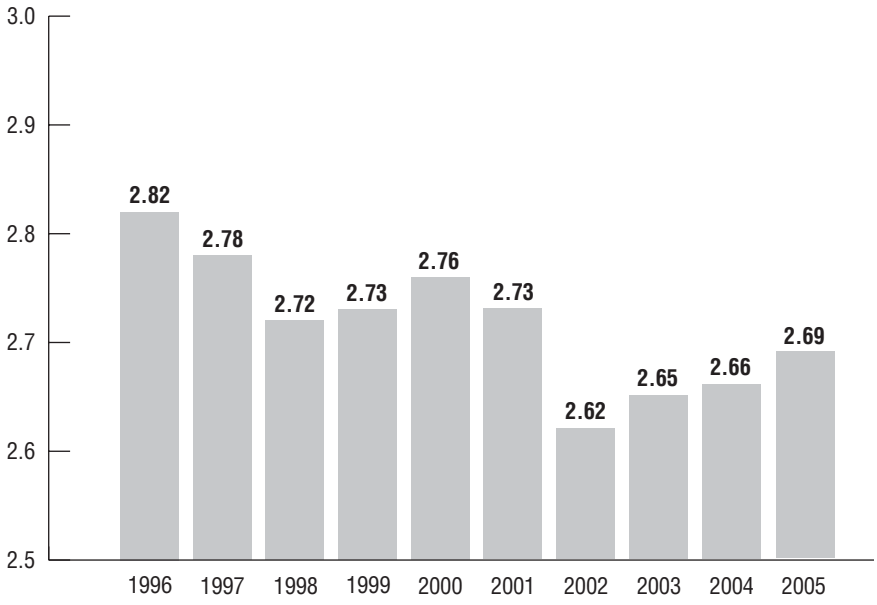
Exhibit 5-4

On-Time Performance

Year	Delays	% On-Time
1997	5,247	97.2
1998	7,961	95.8
1999	9,257	95.2
2000	7,688	96.0
2001	6,287	96.8

Exhibit 5-5

Passengers Per Revenue Car Mile



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 in attracting and retaining riders. This data provides direction for planning, scheduling and marketing activities. For example, Metra's goal to provide 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 1997.

Metra's on-time performance in 2001 was higher than the prior three years. However, in 2001 weather-related delays accounted for only 1.4 percent of all delays. In 2000 alone, weather accounted for 7 percent of all delays. Through June 2002, on-time performance averaged 96.4 percent.

To support its objective of improved customer communications, especially regarding service conditions, Metra has developed and deployed several initiatives. To improve on-board communication, Metra has installed a satellite-based vehicle location and communication system that significantly improves on-board communications. 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 informing customers about service conditions and in allowing Metra's operations staff to respond to service disruptions. Metra completed system-wide installation of TIMS in late 2001.

Passenger information delivered through TIMS 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 stations.

New Services

To be responsive to changing customer needs, Metra continuously looks for ways to expand and improve its service, within 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, Metra monitors and reports 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 2001. The decrease from 1996 figures is attributable, in part, to the North Central Service, which began in August 1996. (In the case of a new service, the number of miles increases faster than ridership, thereby decreasing the passenger per mile ratio).

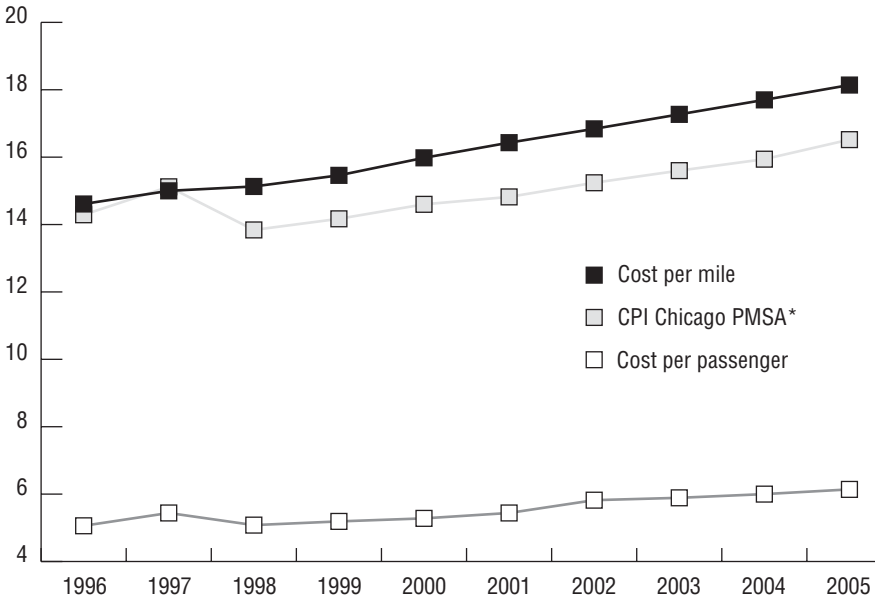
Metra strives to strike a balance between mile increases due to service expansions and passenger growth. 2001 shows a slight decrease in the passenger-per-mile ratio to 2.73, while the 2002 estimate shows a further decline to 2.62. According to their 2003 budget, Metra estimates a ratio of 2.65, which is expected to increase to 2.69 by 2005 (Exhibit 5-5).

Service Changes

With limited federal and local funding available for service changes, the implementation of major service changes may be constrained in 2003. However, Metra has developed a re-

Exhibit 5-6

Cost Efficiency and Effectiveness



**Note: CPI = Consumer Price Index; PMSA = Primary Metropolitan Statistical Area.*

vised schedule for the Rock Island Line that adds a new mainline express train during each rush hour and provides a major restructuring of off-peak train service, providing customers with greatly reduced travel times. Metra also is reviewing possible weekend service revisions on the Union Pacific Northwest Line to fill existing service gaps, as well as the addition of more off-peak trains on the North Central Service. All improvements are subject to the sufficient availability of resources.

Service Expansion

In July 2002, a $54 million federal grant was released for New Start improvements on three Metra routes. This grant marked the second installment of three federal full-funding grant agreements targeted to support Metra's ability to expand commuter service by 2005. Under the agreements, Metra will receive 57 percent of the total $558 million cost from federal funds. The state of Illinois—primarily through Illinois FIRST—the RTA, Metra and communities along the three routes will provide the 43 percent local share.

Components of Metra's "New Start" program include infrastructure work that will allow Metra to improve its peak and off-peak service. The work includes more second track on its Chicago-to-Antioch North Central Service allowing additional passenger trains to efficiently share the route with freight trains; improvement of the Chicago-to-Orland Park SouthWest Service route plus an extension of this line to Manhattan; and the extension of the Chicago-to-Geneva Union Pacific West Line to Elburn. These projects serve communities that are experiencing significant population growth and economic development, with forecasts for continued growth.

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.

Metra's capital investments have helped them remain cost efficient and effective. For example, one way to measure whether costs are being contained and efficiency maintained is by cost-per-revenue-car-mile. This measure recognizes that costs 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, when compared to the Consumer Price Index (CPI).

The cost-per-passenger ratio, which measures cost effectiveness, is designed to examine how well vehicles are deployed to serve riders. As Exhibit 5-6 illustrates, Metra's cost-per-passenger ratio has outperformed the CPI.

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

Exhibit 5-7

Metra 2003 Budget and 2004-2005 Financial Plan (dollars in thousands)

System-Generated Revenues	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Passenger Revenue (1)	$ 183,294	$ 184,290	$ 189,358	$ 191,252	$ 193,165
Reduced Fare Subsidy	2,929	2,612	3,040	3,040	3,040
Other Revenue	53,764	55,661	50,217	55,252	61,700
Total Revenues	**$ 239,987**	**$ 242,563**	**$ 242,615**	**$ 249,544**	**$ 257,905**
Expenses					
Operations (2)	$ 160,192	$ 168,100	$ 171,465	$ 175,138	$ 180,883
Maintenance	179,768	193,988	196,577	201,238	208,254
Administration	34,268	35,057	35,815	36,751	38,112
Fuel/Power	27,398	25,751	26,108	26,667	27,238
Insurance & Claims	12,942	11,201	12,845	15,637	15,980
Regional Services	16,001	15,451	15,864	16,278	16,896
Total Expenses	**$ 430,569**	**$ 449,548**	**$ 458,674**	**$ 471,709**	**$ 487,363**
Net Results	**$ 190,582**	**$ 206,985**	**$ 216,059**	**$ 222,165**	**$ 229,458**
Recovery Ratio % (3)	**56.4%**	**56.2%**	**55.0%**	**55.0%**	**55.0%**

Notes: (1) Also referred to as fare or farebox revenue. Excludes Metra's 5% Capital Farebox Financing Program. (2) Operations include the following expenses: Transportation, and Downtown Stations. (3) See the Ordinance in the Appendices, Schedule 1-D, Note 2.

on-time performance which 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 represents 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

Metra's 2003 Operating Budget and 2004-2005 Financial Plan aggressively deals with the challenges of a weakened economy and certain external costs that are beyond Metra's control. The fragile economy and its effects on ridership and revenues demand that Metra uses maximum measures to meet their dual mandates of providing safe, reliable, and quality service to the region while living within the constraints of the revenue recovery ratio requirements. This challenge has been made more difficult in 2002 because Metra has been forced to absorb significantly greater than budgeted health insurance expenses, principally from the national rail carriers contract health insurance plan, and higher security charges in the aftermath of the Sept. 11, 2001 terrorist attacks.

Early in 2002, Metra recognized that ridership in its core market of serving the central business district of Chicago was declining in concert with the declining economy and lower employment levels. Discretionary non-rush-hour ridership also was adversely affected.

Despite all of these challenges, Metra's proposed 2003 operating budget achieves a 55 percent recovery ratio (Exhibit 5-7). This includes the impact of a 5 percent fare increase that was enacted on June 1, 2002. This was Metra's first fare increase in six years and only its fourth in 18 years. See the Fare structure section located in the Reference section.

The RTA has set total operations funding levels for Metra at $216.1 million, $222.2 million, and $229.5 million for 2003, 2004, and 2005. The RTA Board also set a recovery ratio of 55 percent from 2003 through 2005. Metra's 2003 budget is in compliance with the funding marks set by the RTA Board on Sept. 5, 2002. Metra's recovery ratio from 2002-2005 reflects the exclusion of approximately $12.4 million in expenditures additional to the amounts excluded in prior years. See the Ordinance in the Appendices section, Schedule 1-D, Note 2 regarding budget compliance and adoption.

System-Generated Revenues

Metra's system-generated revenue is primarily derived from passenger operating receipts, which comprise 78 percent of the total revenue planned for 2003 (Exhibit 5-8). Passenger revenues for 2003 are projected to be $189 million, which is $3 million less than the 2002 Budget. Weaknesses in the

Exhibit 5-8

2003 Metra System-Generated Revenues—$242.6 Million

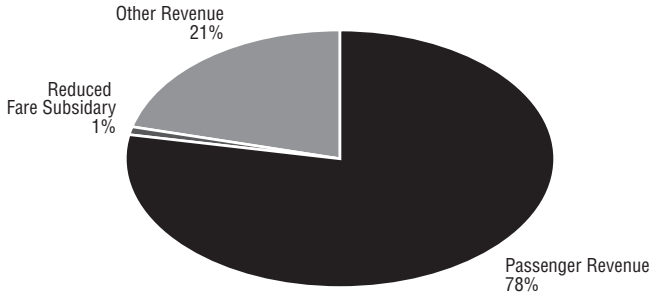


Exhibit 5-9

Ticket Sales by Ticket Type (in thousands)

	July 2000-June 2001	July 2001-June 2002	Change	% Change
Monthly	1,153	1,142	(11)	(0.9%)
25-Ride	14	14	—	1.4%
Ten-Ride	1,923	1,839	(84)	(4.4%)
Regular One-Way	6,131	5,820	(311)	(5.1%)
Conductor	4,918	4,670	(248)	(5.0%)
Weekend	1,057	1,036	(21)	(2.0%)
Link-Up	51	50	(1)	(1.8%)
PlusBus	13	14	1	10.3%

economy and employment have impacted Metra's core ridership and discretionary trips. Conductor ticket sales have experienced the greatest decline since the increase to the surcharge from $1 to $2 was put in effect on June 1, 2002. See Ticket Sales by Ticket Type (Exhibit 5-9).

Total system-generated revenue and passenger revenue are projected to recover slowly over the period of 2003 through 2005, primarily due to increased ridership. For 2003, Metra is anticipating a less than 1 percent increase in ridership and a very slight increase in revenue. The revenue increase is attributed to the 5 percent fare increase implemented on June 1, 2002.

Total system-generated revenues are expected to increase from $240 million in 2001 to $257.9 million in 2005. This represents an increase of $17.9 million or an annual compound growth of 1.8 percent (Exhibit 5-7).

Passenger Revenue

Passenger revenue, or farebox revenue, is estimated to increase from $183.3 million in 2001 to $193.2 million by 2005. This increase of $9.9 million represents a 1.3 percent annual growth rate. Metra's passenger revenue increases can also be traced to changing rider and ticket trends previously discussed. Additional trains on the Rock Island District and the new North Glenview station on the Milwaukee North Line have also 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. Proceeds from this program average about $9.4 million annually during the planning period.

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 $3 million in 2003, is expected to remain constant during this planning cycle.

Other Revenue

The other revenue category represents 21 percent of Metra's total revenue for 2003. 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 $53.8 million in 2001 to $61.7 million in 2005, which is a 3.5 percent annual growth rate.

Operating Expenses

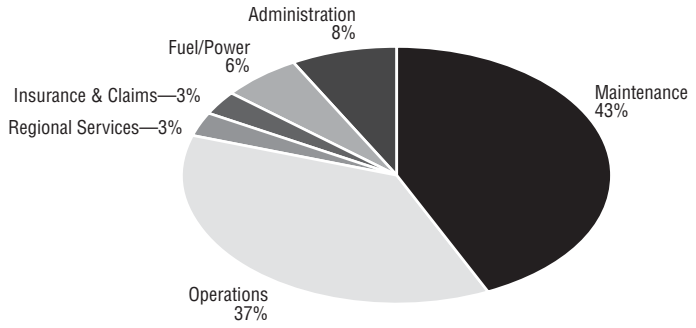
Total operating expenses are forecast to increase from $430.6 million in 2001 to $487.4 million in 2005. This $56.8 million increase represents a 3.1 percent annual compound growth rate and reflects the expansion and improvement of services in addition to external cost pressures.

Several external factors have put cost pressure on Metra's budget. These include: higher health insurance premiums and security charges.

Metra's proposed 2003 operating budget of $458.7 million is projected to grow by 2 percent from the 2002 estimate. Growth in operating expense has been curtailed by effective use of capi-

Exhibit 5-10

2003 Metra Operating Expense Elements—$458.7 Million



tal program money and by constant review of ongoing programs for savings and reductions.

In 2004 and 2005, expenses will increase by 2.8 percent and 3.3 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 2003 total expenditures breakdown is: operations 37 percent, maintenance 43 percent, administration 8 percent, fuel and power 6 percent, insurance and claims 3 percent and regional services expenditures 3 percent (Exhibit 5-10).

Metra has completed new wage agreements with labor unions that represent 85 percent of contract employees. 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 and are still under negotiation. The 2003 Budget includes estimated expense growth consistent with the pattern of a recently ratified freight labor agreement.

Operations

Operating expenses are expected to increase from $160.2 million in 2001 to $180.9 million in 2005. The growth in this cost category of $20.7 million represents a 3.1 percent compound annual growth rate (Exhibit 5-7).

Maintenance

Maintenance expenses are expected to increase from $179.8 million in 2001 to $208.3 million in 2005. This $28.5 million increase represents an annual compound growth rate of 3.7 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 $34.3 million in 2001 to $38.1 million in 2005. The $3.8 million increase represents a compound annual growth of 2.7 percent.

Fuel and Power

Fuel expenses are projected to decrease from $20.2 million in 2001 to $19.5 million in 2005. Diesel fuel costs are currently estimated at an average of 76 cents per gallon compared to the budgeted cost at 88 cents per gallon in 2002.

As illustrated in Exhibit 5-7, the combined fuel and power costs of are expected to decrease from $27.4 million in 2001 to $27.2 million in 2005. This $0.2 million decrease represents a compound annual decrease rate of 0.1 percent.

Insurance and Claims

Expenses for insurance and claims are expected to increase from $12.9 million in 2001 to $15.9 million by 2005. This $3 million increase represents a compound annual growth rate of 5.4 percent.

Regional Services

Regional Services expenses are expected to increase from $16 million in 2001 to $16.9 million by 2005. This $0.9 million increase represents a compound annual growth rate of 1.4 percent. Inflationary pressure is the primary reason for this projected increase.

Capital Impact on Operations

In Metra's 2003 capital program, the largest categories of capital investment are rolling stock at $171.3 million, acquisitions and extensions at $73.4 million, track and structure at $62 million, stations and parking at $43.9 million, support facilities and miscellaneous at $18.9 million, and signal/electrical at $34.6 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 infrastructure in order to maintain and/or improve performance levels, service and customer satisfaction. Highlights of some of the major investments' impact on operations are as follows.

Rolling Stock

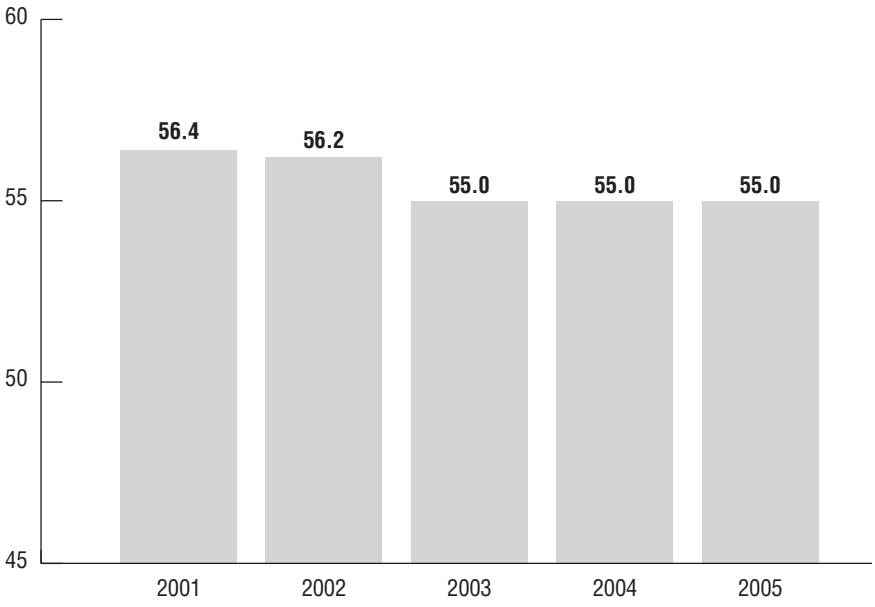
The Americans with Disabilities Act (ADA) of 1990 mandates accessibility at key commuter stations and on at least one car per train. Metra has completed accessibility work at all but one of their 73 key stations. Metra has one

designated key station in each 5-mile fare zone. Work on the remaining key station (Jefferson Park on the Union Pacific Northwest Line) is expected to be completed this year. Metra also provided the key station a visual system which displays the same information as the public address system voice announcements.

Metra's five-year capital program contains funding for the purchase of 300 new bi-level commuter cars, 26 new accessible electric cars and 27 new diesel electric locomotives. The new locomotives and cars will ensure continued service reliability by replacing aging equipment and adding rolling stock needed for Metra's three New Start projects. Metra expects to take delivery of the first of the new bi-level cars in 2003.

Exhibit 5-11

Metra 2001-2005 Recovery Ratio (percent)



Acquisitions and Extensions

Metra's expansion projects are budgeted in this category. Contracts for construction on the North Central, the Union Pacific West line, and the SouthWest services were awarded in the second quarter of 2002 and construction is expected to begin before year-end, therefore the impact on operations is not yet realized. The forecast is as follows:

North Central Line

The planned improvements to the North Central line includes a series of infrastructure work that allows an improvement in the peak and off-peak services. Specifically, the work includes more second track allowing additional trains to more efficiently share the Chicago-to-Antioch North Central Service route with freight trains.

Union Pacific West Line

The extension of the Union Pacific West line will extend the service of Chicago-to-Geneva Union Pacific West Line to Elburn.

SouthWest Line

The improvement of the Chicago-to-Orland Park SouthWest Service route will extend service to Manhattan.

These projects serve communities that are experiencing significant population growth and economic development, with forecasts for continued growth.

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 plans to significantly increase activities associated with the rehabilitation and replacement of bridges and retaining walls over the next five years due to the infusion of Illinois FIRST funds, Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Equity Act for the 21st Century (TEA-21). Projects include work on the Union Pacific Northwest Line, which reaches completion on the Union Pacific North Line and the Rock Island District. Each of these projects will take multiple years to complete and will be accomplished without major service disruption.

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. 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

Most of Metra's station program consists of the rehabilitation or expansion of existing stations to serve Metra's increasing ridership. The five-year program also focus on the Commuter Parking program, which is to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Both station and parking improvements are performed in accordance with all requirements of the Americans with Disabilities Act.

Facilities and Equipment

The capital program contains funds for the procurement of an Enterprise Resource Planning system. The system will replace Metra's currently outdated financial accounting 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.

Deficit and Funding

System-generated revenues (fares and other revenue) total 55 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 deductions for funded depreciation and leases (Exhibit 5-11).

Metra's recovery ratio from 2002 through 2005 includes a request to exclude an additional $12.4 million in transportation facility lease expenditures from their calculation. See the Ordinance in the Appendices section, Schedule 1-D, Note 2 regarding budget compliance and adoption.

Capital Program

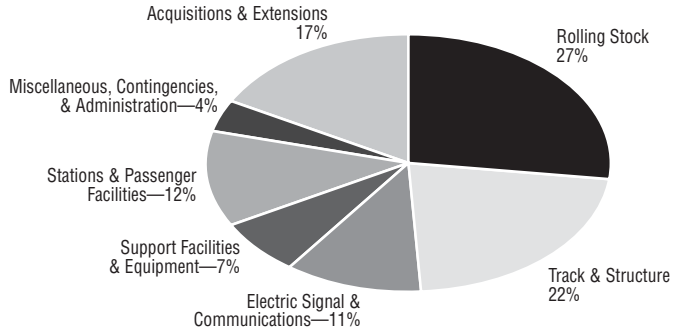
Overview

Metra's proposed 2003-2007 capital program totals $1.5 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 27 percent; track and structure at 22 percent; electric, signal, and communications at 11 percent; support facilities and equipment at 7 percent; stations and parking at 12 percent; acquisitions, extensions and expansions at 17 percent; and contingencies, administration and miscellaneous at 4 percent (Exhibit 5-12).

See Appendices, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of Metra's 2003-2007 Capital Program are as follows:

Exhibit 5–12

Metra 2003-2007 Capital Program



Rolling Stock

The five-year rolling stock program totals $402.6 million, with $171.3 million planned for the first year. Metra's fleet includes 130 locomotives, 780 non-electric cars and 223 self-propelled electric cars. The 2003-2004 capital program includes $44.4 million for the on-going purchase of a minimum of 27 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 $9 million for the rehabilitation of 27 locomotives. Also, Metra's five-year capital program includes $161.3 million for the on-going purchase of a minimum of 300 ADA-compliant bi-level commuter rail cars, including $76.3 million programmed in 2003. The 2003-2007 capital program includes $60 million for the purchase of a minimum of 26 accessible bi-level electric multi-unit commuter cars. Over the five-year program, $61.4 million is also allocated for the rehabilitation of a minimum of 281 commuter rail cars.

Track and Structure

The track and structure category totals $323.1 million over the five years of the program, with $62.4 million planned for 2003.

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 $189.4 million, are planned over the five-year program. The 2003-2007 bridge rehabilitation and replacement program includes $74 million for the Union Pacific North Line, $62.8 million on the Rock Island Line, $2.5 million for the Union Pacific Northwest Line, $22.8 million on the Milwaukee District-West Line, $11.9 million on the Metra Electric Line, $9 million on the Milwaukee District-North Line, and $1 million on the Southwest Service.

Among the other 2003-2007 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 $6 million, with $4 million in 2003;

2) Improvements between Rondout and Fox Lake on the Milwaukee District-North Line planned at $7 million in 2006-2007; and

3) Grade separation work at Belmont Road on the Burlington Northern Santa Fe Line is planned in 2003 at a cost of $4 million, with $6 million programmed in 2004-2005.

Electric, Signal & Communications

A total of $152.2 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 2003 program provides $34.6 million for numerous projects throughout the system.

The $40.7 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 2003.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of $2 million, in 2003 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 million in 2003 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 $15.6 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. $1.5 million is planned in 2003 for this project.

Support Facilities and Equipment

The support facility and equipment component of the capital program totals $106.1 million for the 2003-2007 planning period, with $13.9 million in 2003. Support facilities and equipment includes rail car and locomotive maintenance buildings, storage yards, work crew headquarters, maintenance vehicles and equipment, office buildings, and associated computer hardware and software.

Metra's 2003 program includes $2 million for construction of two new commuter coach yards, one located northwest of the Woodstock Station and the other north of the McHenry Station on the Union Pacific Northwest Line. In addition, Metra's 2003 program includes $1.3 million for the replacement of non-revenue vehicles and support equipment, and $1 million for various upgrades of electrical substations. Over the life of the five-year program, Metra plans to spend $87.8 million on support facilities, yards, shops, substations and non-revenue vehicles, with $52.9 million for specific yard improvements.

In 2003, $5.7 million is planned for exterior improvements, partial HVAC replacement, and the purchase of office equipment and furniture for Metra's administrative headquarters. Metra plans to spend $6.7 million in the out years for improvements at its headquarters.

Stations and 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 $177.1 million is programmed for stations and parking. In 2003, $43.9 million is allocated for these projects.

The 2003 program contains several major station projects:

1) The $3.9 million for rehabilitation of the Randolph Street Station and concourse in downtown Chicago;

2) The $2.4 million for reconstruction of six stations on the South Chicago Branch of the Metra Electric District;

3) The $3.1 million for rehabilitation and expansion of the College Avenue Station on the Union Pacific West Line;

4) The $2.4 million for improvements to the Schaumburg Station on the Milwaukee District West Line;

5) The $2.2 million for construction of the Laraway Station on the Southwest Service Line;

6) The $2 million for the construction of the Manhattan Station on the Southwest Service Line;

7) The $1.5 million for construction of the Grayslake Station on the North Central Service Line; and

8) The $1.5 million National Street Station rehabilitation on the Milwaukee District Line;

The 2003 program includes two $1.6 million construction projects for parking at the new Elburn and LaFox Stations on the Union Pacific West Line. An additional $5.3 million is allocated in 2003 to address parking concerns at numerous other stations throughout the system.

Out-year funding of $7 million is programmed for the construction of a new Burlington Northern Santa Fe Tollway Station and $8 million to rehabilitate the Roosevelt Road Station on the Metra Electric District.

Acquisitions & Extensions

Over the five years of the program, Metra is planning to spend $254.9 million for extension and expansion on three lines. In 2003, Metra's proposed program contains $73.4 million for these extensions and expansions. The North Central Service, between Antioch and Chicago, will be expanded and upgraded to enable the operation of 22 daily trains. Also, 2003 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 2003-2007 capital program includes $58.3 million for miscellaneous items, and contingencies and administration, with $14.2 million programmed in 2003.

Reference

2002 Budget versus 2002 Estimate

Total revenue is expected to finish $3.2 million, or 1.3 percent unfavorable to budget for 2002. This is primarily due to lower passenger revenue. Ridership is projected to be unfavorable to budget by 4.5 million, or 5.5 percent. Other revenues are expected to be favorable to budget by $5 million, assuming existing contracts and traffic levels on other railroads continue at current levels.

Expenses are forecast to finish on budget for 2002. Unfavorable operating and maintenance costs have been offset by favorable insurance, fuel and administration costs. Exhibit 5-13 details the variance between the 2002 budget and 2002 estimate.

RTA Public Operating Funds

The RTA Sales Tax is the primary source of 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 RTA sales tax dollars from suburban Cook County, and 70 percent RTA sales tax collected from the collar counties. Metra's sales tax funding is projected to grow at an annual rate of 2.8 percent during the period 2001-2005 (Exhibit 5-14).

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 2002 to compensate for lower sales tax receipts. The amount is projected to be $7.8 million.

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 301,800. Peak period ridership represents 80 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 13 percent higher during a weekday peak period than during off-peak hours.

Fare Structure

On June 1, 2002, Metra implemented a 5 percent fare increase, its first in six years. The fare hike was 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 down-

Exhibit 5-13

Metra 2002 Budget vs. 2002 Estimate (dollars in thousands)

Revenues	2002 Budget	2002 Estimate	Variance
Passenger Revenue	$ 192,633	$ 184,290	($8,343)
Reduced Fare Subsidy	2,920	2,612	(308)
Other Revenue	50,194	55,661	5,467
Total Revenues	**$ 245,747**	**$ 242,563**	**($3,184)**
Expenses			
Operations	$ 162,315	$ 168,100	($5,785)
Maintenance	187,852	193,988	(6,136)
Administration	36,089	35,057	1,032
Fuel/Power	28,688	25,751	2,937
Insurance & Claims	18,200	11,201	6,999
Regional Services	16,477	15,451	1,026
Total Expenses	**$ 449,621**	**$ 449,548**	**$ 73**
Operating Deficit	**$ 203,874**	**$ 206,985**	**($3,111)**
Recovery Ratio %	**55.3%**	**56.2%**	**1.2 pts**

town Chicago station. The zone system does not apply to the South Shore fares, which 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 $1.85 for a one-way trip. The incremental charge is 40¢ for more zones (Exhibit 5-15).

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, and with the inclusion of recovery ratio considerations (see Schedule 1-D, Note 2 in the Ordinance), meets each of these criteria.

Organization Chart

Metra's administrative organization chart is presented on the following page (Exhibit 5-16).

Exhibit 5-14

Sources of Public Funding (dollars in thousands)

	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
85% Sales Tax	$ 225,826	$ 231,183	$ 233,632	$ 241,771	$ 252,658
Additional capital funding	4,517	7,772	7,983	—	—
Total Funding	**$ 230,343**	**$ 238,955**	**$ 241,615**	**$ 241,771**	**$ 252,658**
Operating Deficit	**$ 190,582**	**$ 206,985**	**$ 216,059**	**$ 222,165**	**$ 229,458**
Positive Budget Variance	5,656	(3,111)	—	—	—
Additional capital funding	—	—	7,983	—	—
Sales Tax for Capital Projects	34,105	35,081	17,573	19,606	23,200
Total Funding	**$ 230,343**	**$ 238,955**	**$ 241,615**	**$ 241,771**	**$ 252,658**

Exhibit 5-15

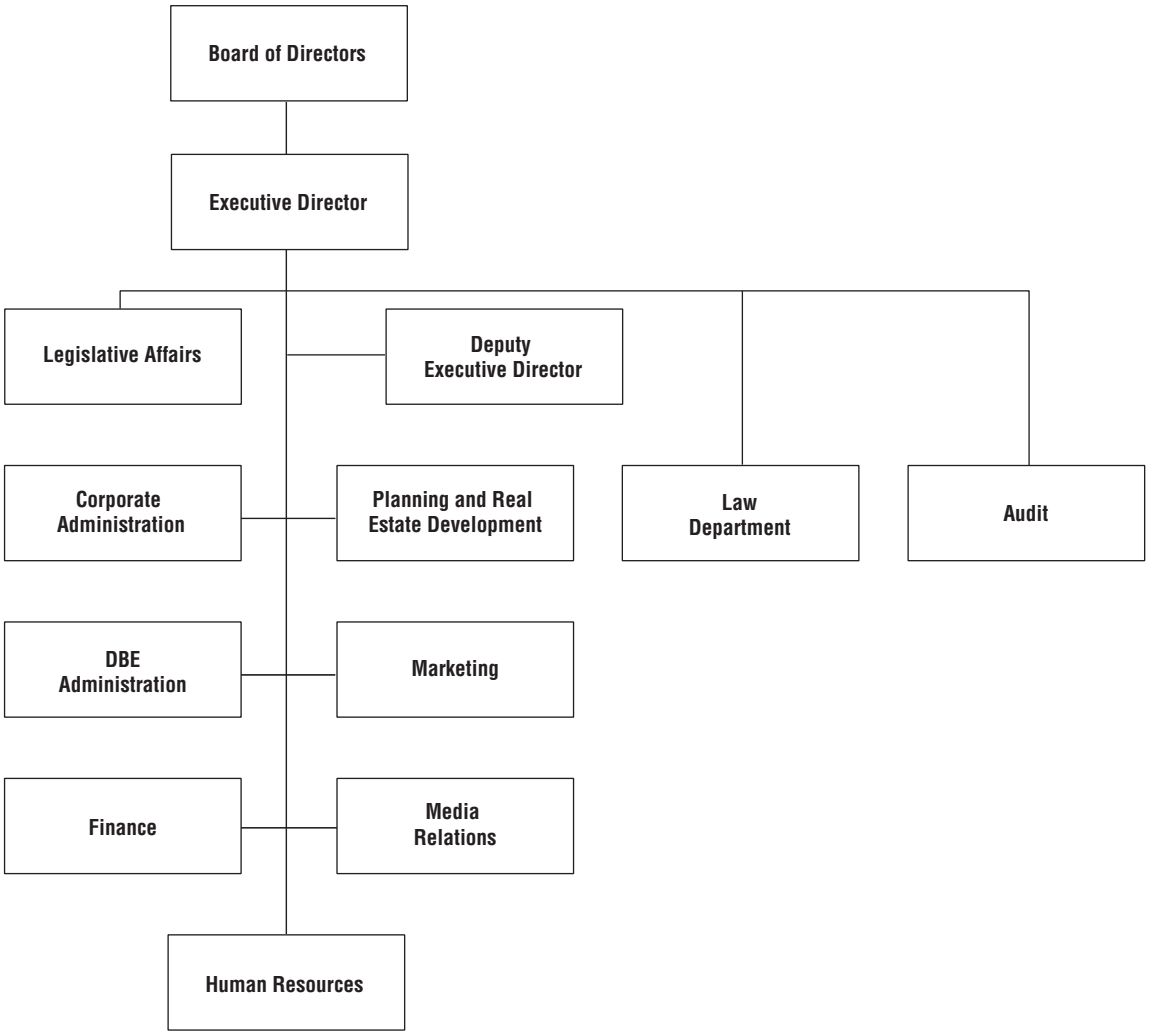
Metra Ticket Pricing Formula

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.*

Exhibit 5-16

Metra Organizational 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 April 2002, Pace unveiled a new long range Comprehensive Operating Plan (COP) called Vision 2020. The plan outlines the goals and overall direction for Pace for the 21st century. Vision 2020 calls for a revamping of the entire Pace system over the next 15 years so that it will have the potential to serve a greater number of suburban customers through a combination of express and localized services. Pace has initiated a nearly two-year process of public hearings in more than 200 communities to solicit input on transit needs. Vision 2020 also includes plans for bus signal priority, bus-only lanes, regional transportation centers providing coordinated links between the region's transit services and localized flexible transit services.

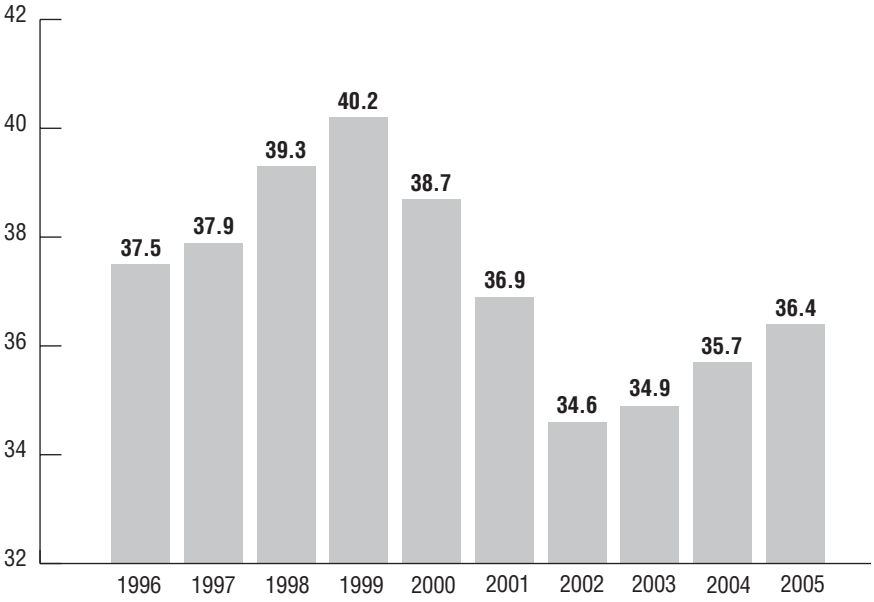
Ridership

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. Ridership also declined in 2001 to 36.9 million, and it is expected to decrease again in 2002 to 34.6 million. Pace had fare increases in 2000 and 2001. Vanpool ridership is expected to increase in 2002, due to the continued expansion of the program. However, vanpool increases are not expected to offset declines in fixed route, Dial-a-Ride and ADA Paratransit ridership.

Ridership is expected to increase from 34.9 million in 2003 to 36.4 million in 2005 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

Exhibit 6-1

Pace Ridership (in millions)



a 1.5 million increase in ridership and represents a 2.1 percent annual compound growth rate (Exhibit 6-1).

Ridership is projected to grow a modest 0.9 percent or 321,000 riders in 2003. 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 segments:

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.

Exhibit 6-2

Passengers Per Mile

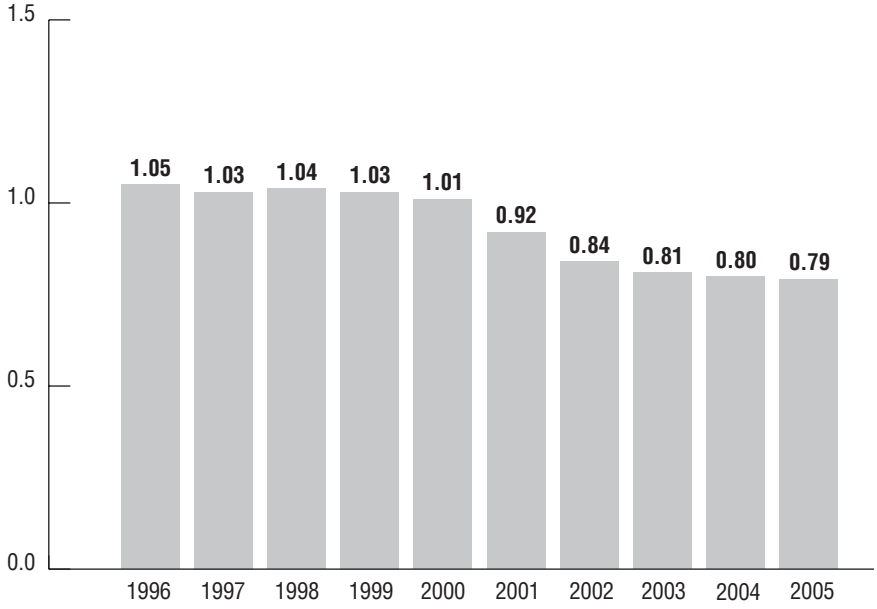
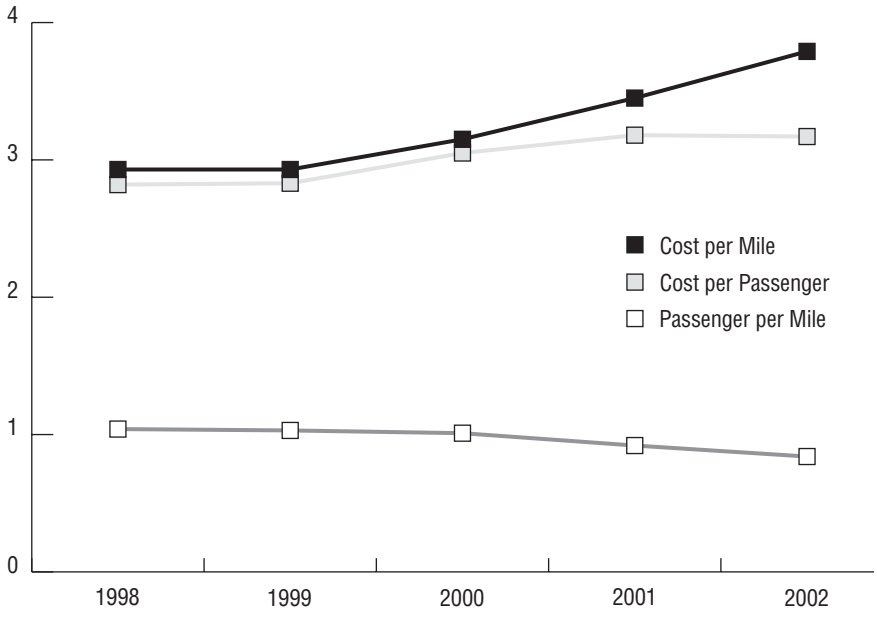


Exhibit 6-3

Cost Efficiency



Service Quality

As part of redefining its services, Pace is evaluating ways to improve service provision. One goal of its Vision 2020 Plan is to gather public input from throughout the region to introduce improved localized services and connecting services between suburbs. Pace then plans to restructure its 240 existing routes to meet most of the needs outlined through this public meeting process.

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 by using comfortable tour-style buses on some its longest routes and adding bike racks to all of its 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 0.92 for 2001, indicating that system productivity has decreased (Exhibit 6-2).

Costs per mile have increased from 2.96 in 1996 to 3.18 in 2001, and are projected to be $3.19 in 2002. The cost per passenger measure follows the same trend. The cost per mile ratio recognizes that expenses tend to vary with the amount of service provided (Exhibit 6-3). 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 introduced a new Municipal Vanpool Program in 2002. For a reasonable monthly cost, Pace will lease vans to

Exhibit 6-4

Pace 2003 Budget and 2004-2005 Financial Plan (dollars in thousands)

Revenues	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Passenger Revenue	$ 40,646	$ 41,796	$ 42,539	$ 46,273	$ 46,968
Reduced Fare Subsidy	3,657	3,348	3,720	3,720	3,720
Investment/other	4,477	4,260	4,539	1,832	2,173
Advertising	2,993	3,045	3,330	3,600	4,000
Service Standard Savings	—	—	—	(5,182)	(5,173)
Total Revenues	**$ 51,773**	**$ 52,449**	**$ 54,128**	**$ 50,243**	**$ 51,688**
Expenses					
Labor/Fringes	$ 73,186	$ 75,534	$ 79,030	$ 85,167	$ 89,411
Parts/Supplies	3,496	3,532	3,626	3,677	3,725
Utilities	1,679	1,281	1,445	1,474	1,504
Fuel	5,209	4,256	4,426	4,426	4,426
Insurance	5,862	5,681	6,441	6,602	6,767
Other	5,873	7,761	8,289	8,496	8,709
Dial A Ride	10,631	11,085	12,148	12,452	12,763
Private Contract	7,556	7,657	8,136	8,340	8,548
ADA Paratransit	9,419	9,664	10,492	10,755	11,023
Vanpool	2,054	2,066	2,479	2,902	3,344
Other Services (CMAQ, JARC, Shuttle)	2,211	2,809	2,427	2,488	2,550
Service Standard Savings	—	—	(1,650)	(17,370)	(19,146)
Total Expenses	**$ 127,176**	**$ 131,326**	**$ 137,289**	**$ 129,409**	**$ 133,624**
Operating Deficit	**$ 75,403**	**$ 78,877**	**$83,161**	**$79,166**	**$ 81,936**
Deficit Funding Summary					
RTA Operating	$ 75,002	$ 79,052	$ 82,747	$ 79,052	$ 81,819
CMAQ/JARC/Other	426	780	414	114	117
Total Deficit Funding	**$ 75,428**	**$ 79,832**	**$ 83,161**	**$ 79,166**	**$ 81,936**
Funding Surplus/Deficit	**25**	**955**	—	—	—
Recovery Ratio % (1)	**41.0**%	**40.4**%	**40.0**%	**40.0**%	**40.0**%
AdVantage Contribution	729	970	1,320	2,525	2,925

(1) Includes revised AdVantage contributions from Pace.

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.

In other service initiatives, Pace continues to place bike racks on buses and put the final touches on their new Vision 2020 plan. Upon its completion, the Vision 2020 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.

Exhibit 6-5

Pace System-Generated Revenues (dollars in millions)

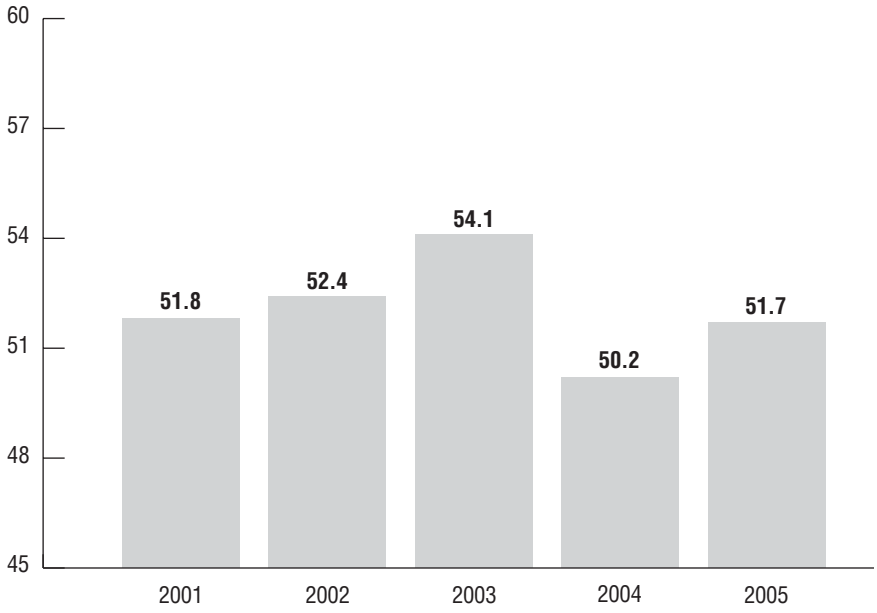
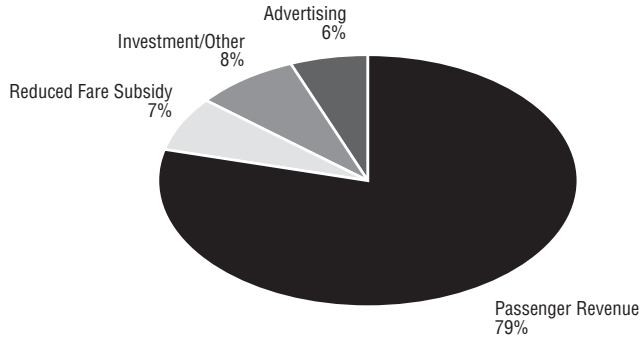


Exhibit 6-6

2003 Pace Revenues—$54.1 Million



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.

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 are growing and 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.

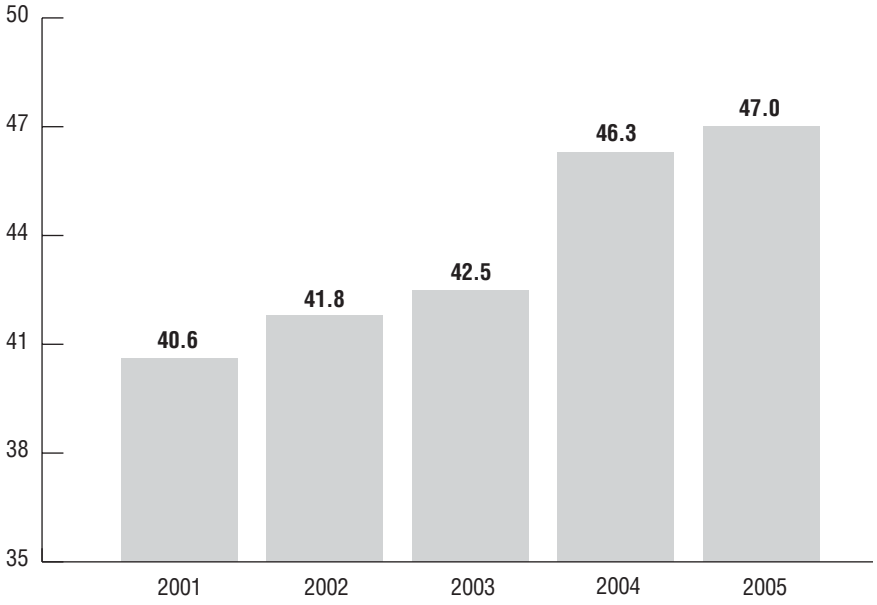
Budget and Financial Plan

Pace's 2003 budget and two-year financial (2004-2005) plan and its five year capital program for 2003-2007 issued for public review did not comply with the "marks" set by the RTA Board on September 5, 2002 because these plans included the use of $7.8 million in annual funding from its capital program for yearly operations identified as capital cost of contracting. Pace has not provided the RTA with any plan showing which operating services would be benefited by such a proposal and which capital plans would not be undertaken.

A budget and financial plan that meets the "marks" set by the RTA Board this past September is shown as Exhibit 6-4.The budget and financial plan proposed by Pace is shown as Exhibit 6-13.

Exhibit 6-7

Pace Farebox Revenue (dollars in millions)



System-Generated Revenues

Total system-generated revenues (Exhibit 6-5) are expected to remain essentially constant from 2001 to 2005 at about $51.7 million. These revenues include: passenger revenue, reduced fare subsidy, investment/other, advertising and service standard savings. Passenger revenue totals 79 percent of total revenue in 2003, reduced fare subsidy 7 percent, investment/other revenue 8 percent, and advertising revenue 6 percent. (Exhibit 6-6).

Passenger Revenue

Passenger, or farebox revenues are expected to increase from $40.6 million in 2001 to $47.0 million by 2005, a $6.3 million increase and a 3.7 percent annual growth rate (Exhibit 6-7). Fare and pass (farebox) revenues include passenger, vanpool, and other services. Other services are Congestion Mitigation Air Quality (CMAQ) receipts, Job Access Reverse Commute (JARC) receipts, and shuttle service.

In 2003, passenger or farebox revenue is projected to increase $0.7 million over the 2002 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 $3.7 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 decrease from $4.5 million in 2001 to $2.2 million by 2005. The $2.3 million decrease represents a 16.5 percent annual decrease rate. Investment income is expected to decline due to lower cash balances.

Advertising

Advertising revenue is expected to increase from $3 million in 2001 to $4 million by 2005, which is a 7.5 percent annual growth rate. Pace stands to benefit from a successful long-term advertising contract that became effective in the early part of 2001.

Service Standard Savings

Pace will adjust service in the outlying years based on established service criteria.

Operating Expenses

Total operating expenses are forecast to increase from $127.2 million in 2001 to $133.6 million in 2005. This $6.4 million increase equals a 1.2 percent annual compound growth rate (Exhibit 6-8). In 2002, expenses are estimated to increase by approximately $4.1 million ($127.2 million to $131.3 million) or 3.2 percent from 2001.

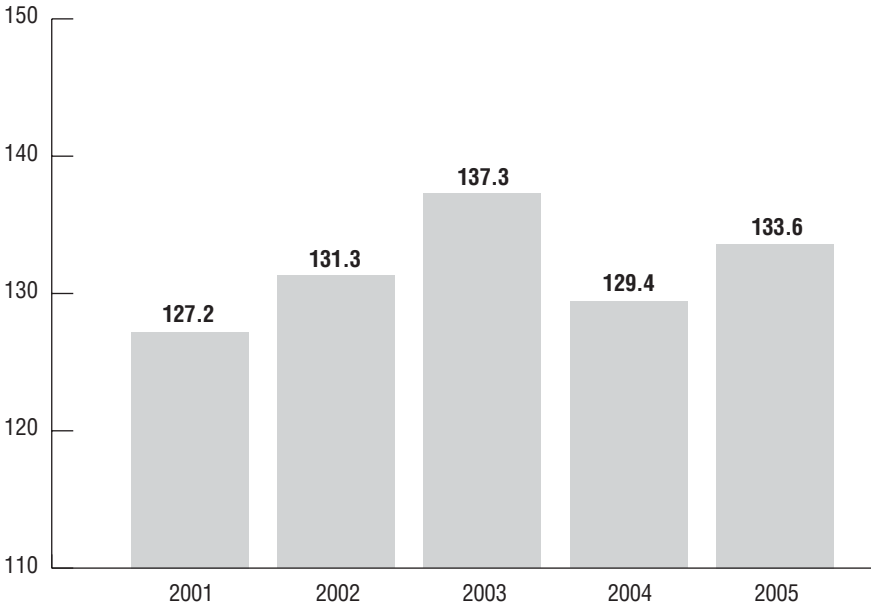
Expenses in 2003 are expected to increase by $6 million ($131 million to $137 million) or 4.3 percent over 2002. Growth in vanpool and ADA Paratransit services and increases in contractor expenses and health care are the primary factors behind this increase. In 2004, planned expenses decrease by $7.9 million (from $137.3 million to $129.4 million); in 2005 expenses increase by $4.2 million (from $129.4 million to $133.6 million).

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), and service standard savings (Exhibit 6-4).

Exhibit 6-8

Pace Total Operating Expenses (dollars in millions)



Labor and Fringe Costs

Labor expenses are expected to increase from $73.2 million in 2001 to $89.4 million by 2005. This is a $16.2 million increase and represents a 5.1 percent annual compound growth rate.

Parts and Supplies

Parts and supplies expenses are projected to increase from $3.5 million in 2001 to $3.7 million to 2005. This $0.2 million increase represents a 1.6 percent increase rate.

Utilities

Utility expenses are projected to decrease from $1.7 million in 2001 to $1.5 million by 2005. This $0.2 million decrease represents a 2.7 percent annual decrease rate.

Fuel

Fuel expenses are projected to decrease from $5.2 million in 2001 to $4.4 million by 2005. This represents a decrease in spending of $0.8 million during the planning period. Fuel prices are forecast to decline based on anticipated lower future prices.

Insurance and Claims

Insurance and claims expenses are expected to increase from $5.9 million in 2001 to $6.8 million by 2005. This $0.9 million increase represents a 3.7 percent annual growth rate.

Other

Other expenses, including miscellaneous and other administrative costs, are expected to increase from $5.9 million in 2001 to $8.7 million by 2005. This is a $2.8 million increase and represents a 10.4 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 $10.6 million in 2001 to $12.8 million in 2005. This is an increase of $2.1 million, or a 4.7 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 $7.6 million in 2001 to $8.5 million by 2005. This increase of $0.9 million represents an annual growth rate of 3.1 percent. Pace has taken over the operations of many of these routes due to significant price increases from private contractors.

ADA Paratransit

Pace provides curb-to-curb service to approximately 33,000 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 $9.4 million in 2001 to $11 million by 2005. This $1.6 million increase represents an annual growth rate of 4 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 460 vans by the end of 2003. Expenses are projected to increase from $2.1 million in 2001 to $3.3 million by 2005. This $1.2 million increase represents a 13 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 $2.2 million in 2001 to $2.6 million in 2005.

CMAQ Services

Pace continues to initiate new fixed route services in accordance with the federal Congestion Mitigation/Air Quality (CMAQ) program award which funds grants to cover the costs associated with the start-up and implementation of several new services. CMAQ program expenses are projected at $0.2 million in 2003.

JARC Services

Pace continues to qualify 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 $1.3 million.

Shuttle Services

Shuttle services were 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 2003, expenses will be $0.5 million. In Schaumburg, a shopper's shuttle service operates in the Woodfield shopping mall area with expenses also at $0.5 million in 2003.

Service Standard Savings

Pace will adjust service in the outlying years based on established service criteria.

Capital Impact on Operations

Rolling Stock

In Pace's 2003 Capital Program, rolling stock represents 78 percent of the total. The program contains funds for fixed route buses, paratransit buses, vanpool vehicles, and associated capital for bus overhaul/maintenance expenses. As an impact on the operating budget, Pace will generally avoid cost increases by replacing outdated equipment. Exhibit 7-12 in the Appendices provides complete program details.

Due to planned expansion, Pace's 2003 goals for the vanpool program include carrying 1.4 million passengers, which is a ridership increase of 20 percent over the 2002 budget estimate. From 2003 through 2007, Pace will continue its capital investment in the vanpool program. The vanpools are also expected to maintain a 108.2 percent recovery ratio through this period. Pace estimates that it will have 393 vans in service by the end of 2002 and plans to increase the number of vans to 460 by the end of 2003.

Electrical/Signal/Communication

The program contains funds to complete the third phase of the purchase and installation of Pace's Intelligent Bus System (IBS) and Phase I of a radio and farebox system replacement project. These systems 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 2003 equipment budget contains funds for improvements to garages, computers and computer systems, office and maintenance equipment and non-revenue vehicles.

These improvements will generally minimize operating cost growth by replacing equipment before it becomes obsolete and requires increased maintenance.

Station and Passenger Facilities

The 2003 program contains funds for the purchase and installation of bike rack ad frames, Phase I money to purchase 500 schedule display tubes, and 25 LED signal lights.

Deficit and Funding

The operating deficits are derived from total system-generated revenues minus total operating expenses. Additional service standard saving programs are needed for Pace to meet the marks set by the RTA Board.

Recovery Ratio

Pace's 2003 budget and two-year financial plan (2004-2005) and its five-year capital program for 2003-2007 issued for public review did not comply with the "marks" set by the RTA Board on Sept. 5, 2002 because these plans include the use of $7.8 million in annual funding from its capital program for yearly operations identified as capital cost of contracting. Pace has not provided the RTA with any plan showing which Pace operating services would be benefited by such a proposal and which Pace capital plans would not be

undertaken. Moreover, a lawsuit by Pace brought against the RTA in January 2001 to challenge the RTA's budget authority has resulted in the deferral of any consideration of this matter until the resolution of the suit. The case was dismissed by the trial court and judgment entered in the RTA's behalf on May 30, 2002. Pace has since chosen to appeal the dismissal of its complaint. Their recovery ratio is based on the figures presented as Exhibit 6-4. From 2003 through 2005, the 40 percent ratio meets the marks set by the RTA Board on Sept. 5, 2002.

In 1994, Pace expanded the vanpool program to include the ADvAntage program. This program is designed to provide a transit alternative to persons with disabilities who commute on a regular basis to work or rehabilitative workshops.

Pace has a relationship with certain entities which in which Pace leases a vehicle to that entity for that entity to provide public transportation. This relationship is viewed as an implied purchase of service where Pace looks for the entity to provide public transportation. As such, Pace is to include the revenues and expenses associated with the provision of public transportation incurred by such entities in its recovery ratio. In 2003, the amount is $1.3 million.

Capital Program

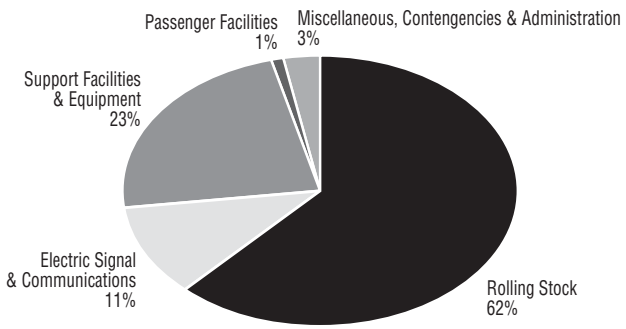
Overview

The proposed projects in Pace's 2003-2007 capital program total $247 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 62 percent; electric, signal and communications 11 percent; support facilities and equipment 23 percent; passenger facilities 1 percent; and miscellaneous, contingency & administration 3 percent. These allocations are illustrated in Exhibit 6-9.

See Appendices, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of Pace's 2003-2007 Capital Program are as follows:

Exhibit 6-9

Pace 2003-2007 Capital Program



Rolling Stock

In the five-year capital program, Pace plans to purchase up to 1,278 transit vehicles and perform bus upgrade and repair projects at a total cost of $154 million. Pace's active fleet consists of 674 fixed route buses, 356 paratransit vehicles and 519 vanpool vehicles.

Pace's 2003 fixed route rolling stock budget of $26.5 million includes the replacement of 56 Eldorado buses, and 36 Ikarus buses. The Eldorado buses, purchased in 1997, will be more than 7 years old and the Ikarus buses, purchased in 1992 will be more than 12 years old when these new vehicles will be delivered.

In 2003, Pace also plans to spend $2.8 million to purchase a minimum of 44 paratransit vehicles to replace 44 Eldorado vehicles purchased in 1996. All of the vehicles being replaced will either have exceeded the four-year useful life requirement or 100,000 miles by the time the new vehicles are delivered. In addition to other rolling stock purchases, Pace's 2003 capital program includes $7.1 million for the purchase of a minimum of 190 vanpool vans. There are currently 45 vans provided to townships and municipalities, etc. under the municipal vanpool program. Also, $405,000 are included in the 2003 capital program for additional wheelchair securement upgrades.

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 $3.3 million for these maintenance costs in 2003.

The purchase of associated capital items, estimated at a cost of $1.5 million, is also planned in 2003. The 2004-2007 capital program includes $6 million for associated capital purchases. Associated capital items include engines, transmissions, axle assemblies and other parts for fixed route and paratransit vehicles.

Electric, Signal & Communications

Over the five years of this program, Pace proposes $26.7 million for electric, signal, and communications projects.

In 2003, Pace plans to continue its purchase of an Intelligent Bus System (IBS) at a cost of $1.7 million. In Phase I, Pace purchased and installed computer hardware and software at three divisions. This included equipment and software for 285 buses, radio site equipment, software, and supervisor and relief vehicle equipment. Phase II funding allowed Pace to purchase and install computer hardware and software to equip its six remaining divisions as well as Pace owned, contractor operated, vehicles. Phase III funding will allow Pace to purchase Intelligent Bus Systems (IBS) equipment such as Automatic Vehicle Location (AVL), Global Positioning System (GPS), annunciators for contractor operated vehicles, and Traffic Signal Priority devices.

In addition, Pace plans to start system-wide replacement of its radio and farebox systems at a Phase I cost of $1.4 million. The 2003 funding scope involves the assessment and design of new radio and farebox systems to replace the existing systems, and facilitate fare integration between the region's transit modes.

Support Facilities & Equipment

Pace proposes to spend $57.3 million over five years for support facilities and equipment.

Of the $6.5 million for support facilities and equipment projects planned in 2003, Pace's capital program includes $2.2 million for overall improvements and upgrades at various Pace garages. Improvements include fume monitoring systems and fluid dispensing upgrades. Also included is the completion of the renovation of the West Division garage including upgrades to the drivers' room, seal coating and striping of park and ride lots, and tuckpointing at Heritage and North Division garages. The program also contains funds for general replacement of fixed facility equipment and systems at its operating divisions.

Pace's out-year plan includes $15 million for improvements and upgrades at various garages. Total project improvements include interior renovation, installation of HVAC and heat recovery units, fume monitoring systems, and fluid dispensing systems.

The 2003 program includes $1.6 million for the purchase of miscellaneous maintenance equipment, 44 cars for headquarters and the garages, and 5 mini vans used to transport people with disabilities to the ADA certification program. Pace is also purchasing a high volume copier and two vinyl cutters/plotters and thermal vinyl printer for the graphics department for $200,000.

In 2003, Pace proposes a $2.5 million purchase of computers, database systems, and computer software systems as well as continued funding for the Document Management System, and Phase II of a new Enterprise Resource Planning System. Approximately $12.3 million is programmed in the out-years for computer equipment and systems.

Passenger Facilities

Pace's five-year program includes $2.3 million for passenger facilities, including the installation of 70 bike rack ad frames, 500 bus stop poles and signs, 25 LED signal lights, schedule display tubes and other passenger amenities. In 2003, Pace is planning to purchase and install about 500 schedule display tubes for $0.2 million which display route information on bus stop poles. 2003 is the first year of the program which will be funded over five years, if successful. In addition, a minimum of 70 bike rack ad frames will be installed on fixed route buses for $50,000 and 500 bus stop signs and poles and 25 LED signal lights will be installed on the top of bus stop signs for $35,000.

Miscellaneous

This category provides funding for contingencies, administration and unanticipated capital. A total of $6.6 million is proposed over five years with $1.6 million estimated for 2003. Contingencies are used to cover costs over the budgeted amounts and project administration covers the in-house staff salaries associated with undertaking and completing a capital project.

Reference

2002 Budget versus 2002 Estimate

Total revenue is planned to end the year $0.6 million favorable to 2002 budgeted levels. Farebox revenue is expected to finish $0.5 million or 1.1 percent favorable to budget, and advertising revenue is projected to finish the year $0.2 million or 6.7 percent unfavorable to budget. The reduced fare subsidy is projected to finish the year $0.5 million or 12.8 percent unfavorable to budget. Investment/other income is projected to finish the year $0.8 million or 24.2 percent favorable.

Total expenses are expected to finish the year $0.2 million unfavorable to budget. The unfavorable parts/supply, fuel, insurance costs and other services offset the favorable labor, Private Contract, ADA and Vanpool services.

From a funding perspective, Pace is projected to finish $0.6 million favorable to budget in 2002. Pace's operating deficit (expenses less revenues) is projected to be $0.4 million favorable to budget. These amounts combine for a total funding surplus of $1 million in 2002 (Exhibit 6-10).

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 $70.7 million in 2001 to $79.6 million by 2005. This is an annual growth rate of 3.2 percent.

RTA discretionary funds for Pace operations are expected to decrease from $4.3 million in 2001 to $2.2 million in 2005, an annual decrease rate of 12.2 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 6-11).

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 6-12 lists Pace's fares for 2002. There is no fare increase proposed for fixed route and paratransit service in 2003.

Exhibit 6-10

Pace 2002 Budget vs. 2002 Estimate (dollars in thousands)

Revenue	2002 Budget	2002 Estimate	Variance
Passenger Revenue	$ 41,327	$ 41,796	$ 469
Reduced Fare Subsidy	3,840	3,348	(492)
Investment/Other	3,430	4,260	830
Advertising	3,263	3,045	(218)
Total Revenue	**$ 51,860**	**$ 52,449**	**$ 589**
Expenses			
Labor/Fringes	$ 75,720	$ 75,534	$ 186
Parts/Supplies	3,029	3,532	(503)
Utilities	1,762	1,281	481
Fuel	4,032	4,256	(224)
Insurance	5,452	5,681	(229)
Other	7,790	7,761	29
Dial A Ride	11,156	11,085	71
Private Contract	7,920	7,657	263
ADA Paratransit	10,153	9,664	489
Vanpool	2,361	2,066	295
Other Services (CMAQ, JARC, Shuttle)	1,719	2,809	(1,090)
Total Expenses	**$ 131,094**	**$ 131,326**	**($ 232)**
Operating Deficit	**$ 79,234**	**$ 78,877**	**$ 357**
Public Funding Sources			
RTA Operations Funding	$ 79,052	$ 79,052	$ —
CMAQ/JARC/Other	182	780	598
Total Public Funding	**$ 79,234**	**$ 79,832**	**$ 598**
Funding Surplus/Deficit	**$ —**	**$ 955**	**$ 955**
Recovery Ratio (1)	**40.0%**	**40.4%**	**0.4%**

(1) The 2002 estimate includes revised ADvAntage figures from Pace.

Exhibit 6-11

Pace Sources of Operating Funding (dollars in thousands)

RTA	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
85% Sales Tax	$ 70,735	$ 72,512	$ 73,399	$ 76,062	$ 79,598
RTA Discretionary Funds	4,267	6,540	9,348	2,990	2,221
Total RTA Funding	**$ 75,002**	**$ 79,052**	**$ 82,747**	**$ 79,052**	**$ 81,819**
CMAQ/JARC/Other	426	780	414	114	117
Total Funding	**$ 75,428**	**$ 79,832**	**$ 83,161**	**$ 79,166**	**$ 81,936**

Statutory Compliance

As previously noted, Pace's proposed budget and two-year financial plan, and capital program as submitted to the RTA does not comply with the marks set by the RTA Board. Article I, Section 1.3 of Ordinance 2002-83 spells out their approved budget and financial plan that will be effective five working days after the start of Pace's fiscal year.

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. These activity areas are defined by the Federal Transit Administration Section 15 reporting requirements which apply to all public transit operators. Pace is organized into three main areas: Internal Services, Revenue Services, and Strategic Services (Exhibit 6-14).

Exhibit 6-12

Current Fare Structure

	Full Fare	Reduced Fare
Regular Fares		
Full Fare	$ 1.50	$ 0.75
Transfer to Pace/CTA	$ 0.30	$ 0.15
Passes (all times)		
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
**Local transfers are free of charge*		
Express Fares		
Premium (Routes 210, 355 & 855)	$ 3.00	$ 1.50
Route 835 (Zone Fares)	4.10	2.05
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	

Exhibit 6-13

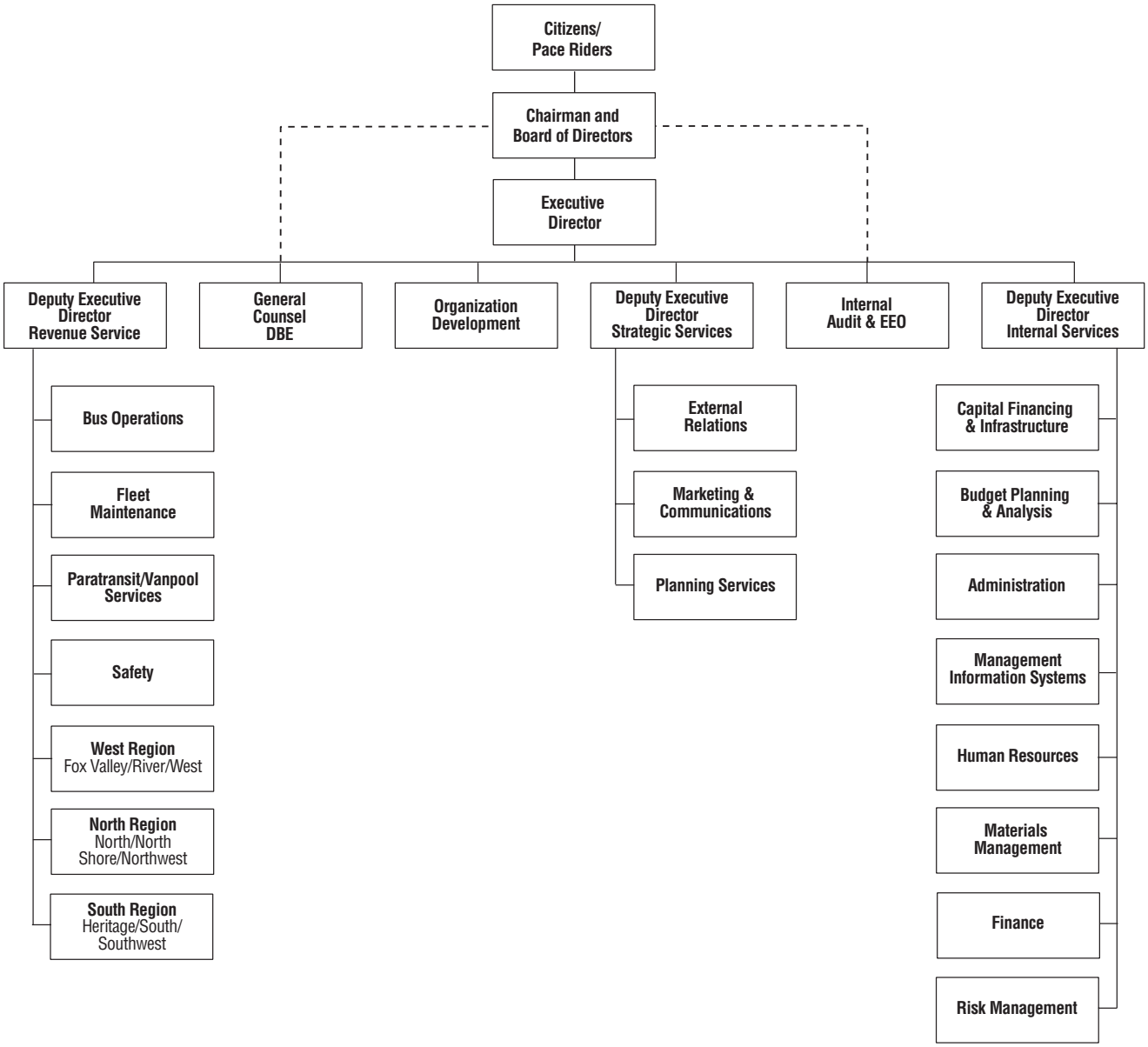
Pace 2003 Budget and 2004-2005 Financial Plan Submittal (1) (dollars in thousands)

Revenues	2001 Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan
Passenger Revenue	$ 40,646	$ 41,796	$ 42,539	$ 46,273	$ 46,968
Reduced Fare Subsidy	3,657	3,348	3,720	3,720	3,720
Investment/other	4,477	4,260	4,539	1,832	2,173
Advertising	2,993	3,045	3,330	3,600	4,000
Service Standard Savings	—	—	—	—	—
Total Revenues	**$ 51,773**	**$ 52,449**	**$ 54,128**	**$ 55,425**	**$ 56,861**
Expenses					
Labor/Fringes	$ 73,186	$ 75,534	$ 79,030	$ 85,167	$ 89,411
Parts/Supplies	3,496	3,532	3,626	3,677	3,725
Utilities	1,679	1,281	1,445	1,474	1,504
Fuel	5,209	4,256	4,426	4,426	4,426
Insurance	5,862	5,681	6,441	6,602	6,767
Other	5,873	7,761	8,289	8,496	8,709
Dial A Ride	10,631	11,085	12,148	12,452	12,763
Private Contract	7,556	7,657	8,136	8,340	8,548
ADA Paratransit	9,419	9,664	10,492	10,755	11,023
Vanpool	2,054	2,066	2,479	2,902	3,344
Other Services (CMAQ, JARC, Shuttle)	2,211	2,809	2,427	2,488	2,550
Service Standard Savings	—	—	(1,650)	(4,428)	(6,213)
Total Expenses	**$ 127,176**	**$ 131,326**	**$ 137,289**	**$ 142,351**	**$ 146,557**
Operating Deficit	**$ 75,403**	**$ 78,877**	**$ 83,161**	**$ 86,926**	**$ 89,696**
Deficit Funding Summary					
RTA Operating	$ 75,002	$ 79,052	$ 82,747	$ 79,052	$ 81,819
CMAQ/JARC/Other	426	780	414	114	117
Sub-Total Deficit Funding	**$ 75,428**	**$ 79,832**	**$ 83,161**	**$ 79,166**	**$ 81,936**
Funding Surplus/Deficit	25	955	—	(7,760)	(7,760)
Capital Cost of Contracting (2)	—	—	7,760	7,760	7,760
Net Funding Available	**$ 25**	**$ 955**	**$ 7,760**	**$ —**	**$ —**
Recovery Ratio % (with Advantage Contribution)	**40.7%**	**40.0%**	**40.0%**	**40.0%**	**40.0%**
AdVantage Contribution	—	125	1,320	2,525	2,925

Notes: (1) Pace's Board approved budget and financial plan figures submitted to the RTA by November 15, 2002; (2) Pace's 2003 Budget and Two-Year Financial Plan (2004-2005) and the Five-Year Capital Program for 2003-2007 issued for public review did not comply with the marks set by the RTA Board on September 5, 2002 because these plans include the use of $7.8 million in annual funding from its capital program for yearly operations identified as capital cost of contracting. Pace has not provided the RTA with any plan showing which Pace operating systems would be benefited by such a proposal and which Pace capital plans would not be undertaken.

Exhibit 6-14

Pace Organizational Chart



Supplemental Data

National Economic Projections

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 begun its recovery from its first recession in a decade. The survey respondents forecast 2.7 percent and 2.9 percent growth of gross domestic product (GDP) in the third and fourth quarter of 2002, respectively. GDP is the total value of U.S. goods and services.

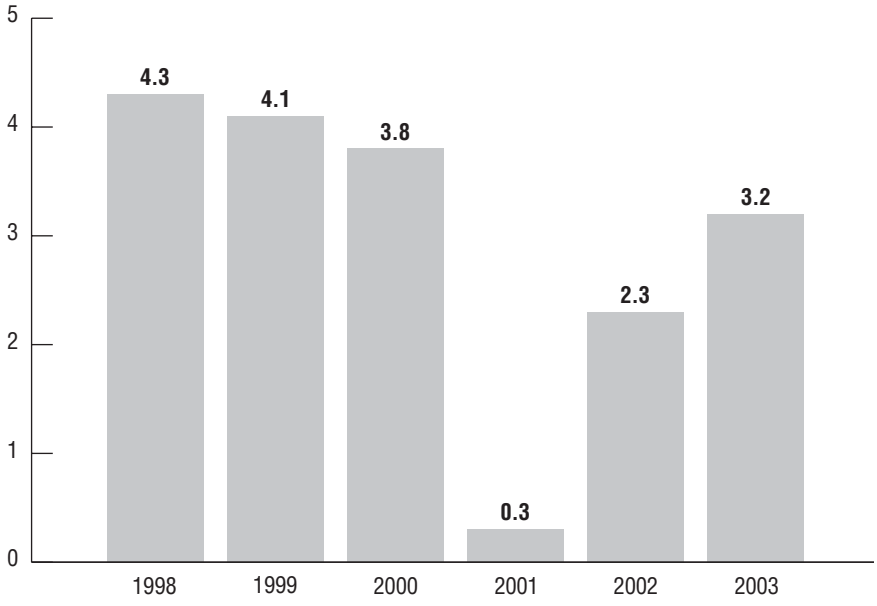
Exhibit 7-1 highlights the annual GDP percent change from 1998 through 2003. The 2001 and 2002 time period is projected to be the weakest over this six-year period, with annual growth rates of 0.3 percent and 2.3 percent, respectively. Growth is expected to increase in 2003 to 3.2 percent.

Exhibit 7-2 shows the U.S. annual unemployment rate from 1998-2003. The unemployment rate had dropped almost a half percentage point from 1998 to 2000. U.S. unemployment averaged 4.8 percent in calendar year 2001 which was the highest level in several years. The U.S. un-employment rate has increased even further during 2002 and now stands at 5.9 percent. The unemployment rate is expected to peak in 2002 at a 5.9 percent rate, and then drop slightly to 5.8 percent in 2003. Job growth should pick up once the economy begins to gain some steam.

Exhibit 7-3 shows the annual trends in the consumer price index (CPI) from 1998 through 2003. U.S. consumer prices (CPI) reached a peak in 2000 at a 3.4 percent rate. This marked the largest calendar increase in ten years. However, weaker overall economic activity since 2001 has produced a decline in inflationary expectations. The CPI was at 2.8 percent in 2001, and is expected to be at 1.6 percent and 2.4 percent in 2002 and 2003, respectively.

Exhibit 7-1

1998-2003 U.S. Gross Domestic Product (in percent)



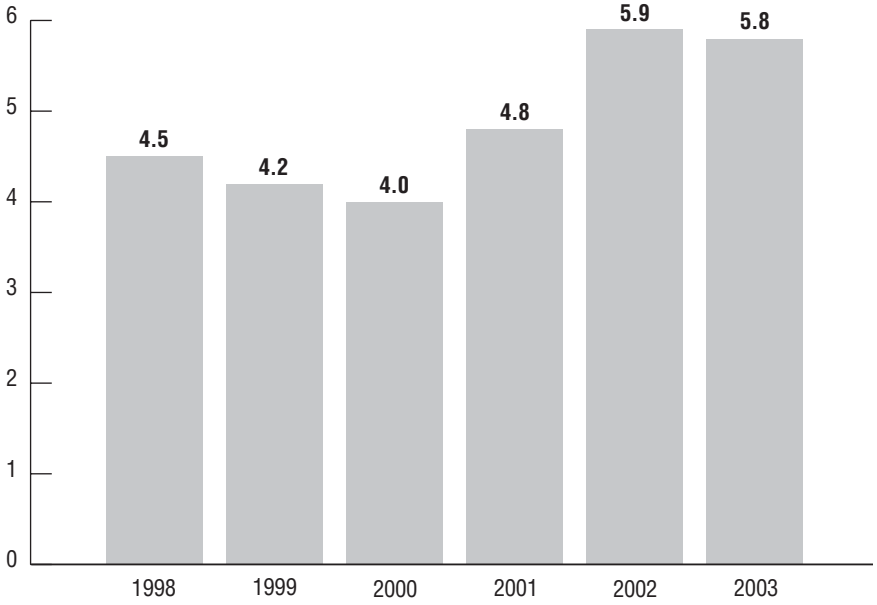
Source: Blue Chip Economic Indicators

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.

Exhibit 7-2

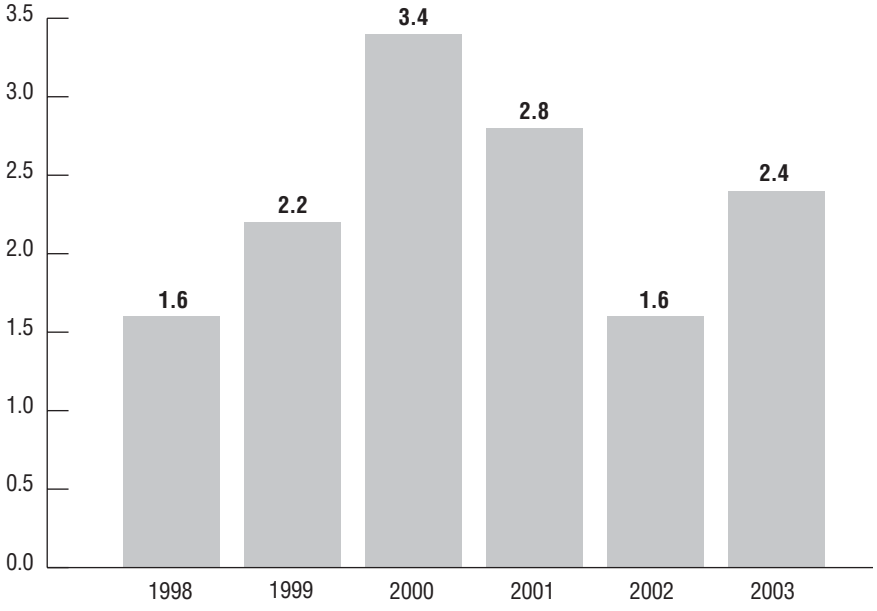
1998-2003 U.S. Unemployment Rate (in percent)



Source: Blue Chip Economic Indicators

Exhibit 7-3

1998-2003 U.S. Consumer Price Inflation (in percent)



Source: Blue Chip Economic Indicators

Population Trend

As shown in Exhibit 7-4, the population of the RTA region grew by 11.2 percent (7.3 million to 8.1 million) 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 decade.

Since 1990, most of the region's population growth has taken place in the suburbs. Exhibit 7-5 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. 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. The total RTA region grew at a 1.1 percent annual 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 7-6.

Employment Trend

The economy was strong through the latter half of the 1990s creating many jobs. Exhibit 7-7 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, had an unemployment rate equal to or lower than the national and the state averages from 1998 through 2000.

Exhibit 7-4

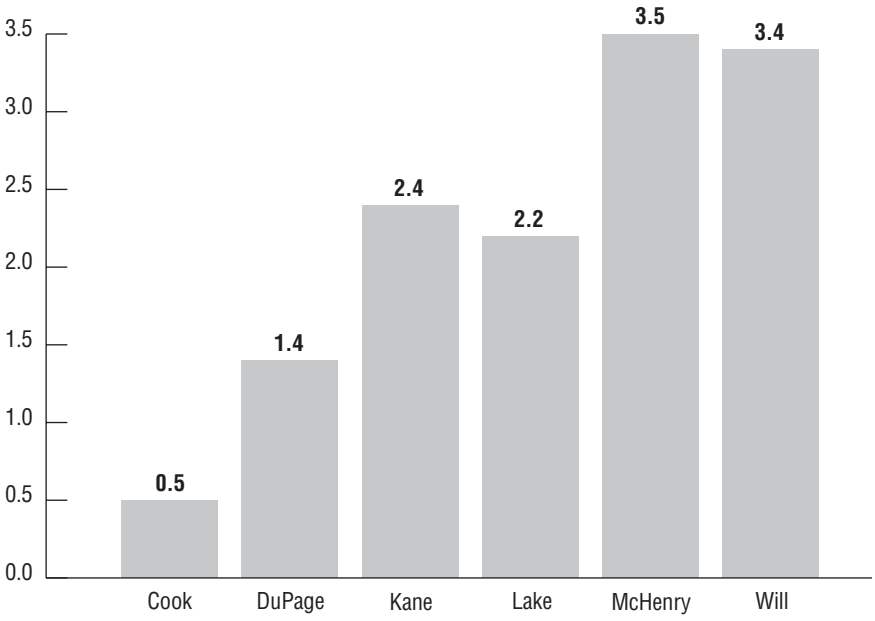
Population Trend by County (in thousands)

	1990	2000	Percent Change
Cook	5,104	5,377	5.3%
DuPage	786	904	15.0
Kane	320	404	26.3
Lake	520	644	23.8
McHenry	185	260	40.5
Will	359	502	39.8
Total	**7,274**	**8,091**	**11.2%**

Source: United States Census Bureau

Exhibit 7-5

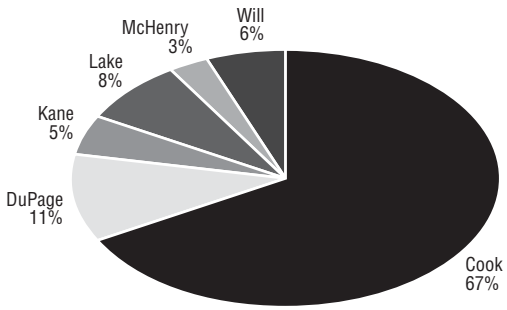
RTA Region Population Annualized Growth Rates 1990-2000 (percent)



Source: United States Census Bureau

Exhibit 7-6

RTA Region Population Distribution by County—2000



Source: United States Census Bureau

Over the last two years, the unemployment rate has worsened on a national, regional, and local level. The gap between the Illinois and U.S. unemployment rates has remained constant over the last couple of years, with the Illinois unemployment rate approximately a half percentage point higher. Among the six counties in the RTA region, Cook County's unemployment rate of 7 percent for August 2002 was 0.8 points higher than the state of Illinois level and 1.3 points higher than the national figure. DuPage County had the lowest unemployment rate in the RTA region in August 2002, with a 4.9 percentage.

Suburban jurisdictions have led the Region in employment growth since 1990. The total employment in the five "collar" counties is almost 33 percent of the region's total. Cook County now makes up about 67 percent of the total, compared to 1980, when Cook County made up 79 percent of the Region's work force. Employment levels were at 3.7 million for the Region in 1980, 4.3 million in 1990, and are now more than 5 million (Exhibit 7-8).

The employment distribution trend in the RTA region by economic sectors is illustrated in Exhibit 7-9. The most dynamic growth has taken place in the service sector, with the biggest loss in the manufacturing sector. Services make up the largest distribution of employment with 34 percent. Retail trade is next at 15 percent, followed by manufacturing at 13 percent. Government employment and finance/insurance/real estate represent 10 percent of employment, respectively.

The region experienced steady growth in wages and salaries throughout the late 1990s. The income levels of residents of the Region are relatively higher than the nation as a whole. Within the six counties of the Region, per capita income is highest in DuPage and Lake Counties, as illustrated in Exhibit 7-10.

Exhibit 7-7

Unemployment Rates 1998-2002 (in percent)

	1998	1999	2000	2001	August 2002
United States	**4.5%**	**4.2%**	**4.0%**	**4.8%**	**5.7%**
Illinois	**4.5**	**4.3**	**4.4**	**5.4**	**6.2**
County					
Cook	4.7	4.5	4.7	5.9	7.0
DuPage	2.7	2.7	2.6	3.8	4.9
Kane	3.9	3.8	3.9	5.2	6.2
Lake	3.7	3.4	3.6	4.6	5.4
McHenry	3.5	3.2	3.2	4.6	5.4
Will	4.2	4.0	4.0	5.2	6.6

Source: Illinois Department of Employment Security

Exhibit 7-8

Employment Trends by County (in thousands)

County	**1980**	**Percent**	**1990**	**Percent**	**2000**	**Percent**
Cook	2,913	78.6%	3,135	72.5%	3,350	66.7%
DuPage	289	7.8	509	11.8	709	14.1
Kane	134	3.6	175	4.0	242	4.8
Lake	211	5.7	299	6.9	419	8.3
McHenry	57	1.5	84	1.9	118	2.3
Will	102	2.8	125	2.9	185	3.7
Total	**3,706**	**100.0%**	**4,327**	**100.0%**	**5,023**	**100.0%**

Source: U.S. Department of Commerce-Bureau of Economic Analysis

Exhibit 7-9

Employment Distribution by Industry (in thousands)

	1980	**Percent**	**1990**	**Percent**	**2000**	**Percent**
Services	862	23.3%	1,273	29.4%	1,694	34.4%
Retail	573	15.5	666	15.4	715	14.5
Manufacturing	812	21.9	667	15.4	639	13.0
Government	477	12.9	501	11.6	529	10.7
Finance, Insurance, & Real Estate	334	9.0	437	10.1	492	10.0
Wholesale	268	7.2	297	6.9	290	5.9
Transportation and Public Utilities	205	5.5	246	5.7	285	5.8
Construction	144	3.9	204	4.7	234	4.8
Other	31	0.8	36	0.8	43	0.9
Total	**3,706**	**100.0%**	**4,327**	**100.0%**	**4,921**	**100.0%**

Source: U.S. Department of Commerce-Bureau of Economic Analysis

Exhibit 7-10

Region Per Capita Income (dollars)

	1980	**1990**	**2000**
Cook	$ 11,884	$ 22,186	$ 33,704
DuPage	13,985	28,067	46,611
Kane	11,410	21,196	29,942
Lake	13,432	29,054	46,640
McHenry	11,558	21,966	31,571
Will	10,564	18,963	26,664

Source: U.S. Department of Commerce-Bureau of Economic Analysis

Exhibit 7-11

2003 RTA Budget Calendar (Dates listed are for 2002)
2003 Budget, 2004-2005 Financial Plan and Five-Year (2003-2007) Capital Program

5/2	Finance Committee meeting; 2003 budget call release.
8/1	Deadline for Service Board Capital Program Submittals.
8/2 - 9/5	RTA analysis of the Service Board's preliminary five-year capital program. RTA and Service Board staff discuss issues. RTA staff prepares the preliminary "capital program marks".
8/16	Service Boards submit macro budget and two-year financial plan to the RTA.
8/19 - 9/5	RTA staff analysis of the Service Board's macro budget and two-year financial plan. RTA and Service Board staffs discuss business issues. RTA staff prepares the budget, the two-year financial plan and the preliminary five-year capital program summaries for management review. RTA staff submits for management review, the finance & ordinance information required to: (1) set the operating "funding marks" for the 2003 budget & the 2004-2005 financial plan of each Service Board, (2) set the 2003 budget "recovery ratio" for each Service Board, and (3) set the preliminary (2003-2007) five-year "capital program marks".
9/5	RTA Planning Committee and Finance Committee meetings to review and discuss the preliminary five-year "capital program marks". 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". RTA Board meeting to discuss and adopt the ordinance which sets the operating "funding marks" from 2003 through 2005, the 2003 "recovery ratio" and the preliminary five-year "capital program marks" for each Service Board.
9/6 - 10/11	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.
10/14 - 11/14	Service Boards release their budget, two-year financial plan and preliminary five-year capital program documents to the public, present these documents to County Boards.
10/14 - 12/13	FTA releases federal fiscal year 2003 Apportionment's in the Federal Register.
10/14 - 12/13	Negotiations regarding the FTA Sections 5309 allocation between NE Illinois and NW Indiana are conducted between the RTA and NIRPC.
11/5 - 11/7	RTA Board Committees and the RTA Board review the RTA Agency budget.
11/8 - 12/6	RTA Board Members & staff present highlight summaries of the regions proposed budget, two-year financial plan & 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.
11/15	CATS Work Program Committee meets to recommend the FTA Section 5309 allocation between NE Illinois and NW Indiana.
11/15 - 11/29	RTA staff consolidates the proposed budget, financial plan and revised capital program information of the Service Boards and Agency into the RTA's proposed 2003 Annual Budget and Five-Year Program document.
12/4	The RTA's proposed 2003 Annual Budget & Five-Year Capital Program document is available for public inspection.
12/10	RTA holds public hearings on the consolidated 2003 budget, 2004-2005 financial plan and 2003-2007 capital program.
12/13	RTA Planning Committee, Finance Committee & RTA Board meet to review and adopt an ordinance for the 2003 budget, the 2004-2005 financial plan and the revised five-year capital program.

Exhibit 7-12

Five-Year Capital Program (Schedule II) by Service Board and Project Number

		2003	2004	2005	2006	2007	Total
CTA Rolling Stock-Bus							
021.803	Perform Bus Overhaul Activities (4400, 5300 and 5800 Series)-South Shops	—	7,588,250	7,588,250	7,588,250	7,588,250	30,353,000
021.803	Perform Bus Overhaul Activities (4400, 5300 and 5800 Series)-South Shops	5,088,250	—	—	—	—	5,088,250
021.803	Perform Bus Overhaul Activities (4400, 5300 and 5800 Series)-South Shops	2,500,000	—	—	—	—	2,500,000
021.803	Perform Bus Overhaul Activities (4400, 5300 and 5800 Series)-South Shops	1,449,587	—	—	—	—	1,449,587
021.806	Perform Mid-Life Bus Overhaul (6000 Series)-South Shops	10,260,800	—	—	—	—	10,260,800
021.806	Perform Mid-Life Bus Overhaul (6000 Series)-South Shops	—	10,260,800	—	—	—	10,260,800
031.054	Purchase a Minimum of 75 Articulated Buses (Option II) and a Minimum of 160 of 426 Replacement Buses (Flxible, Partial $)-Systemwide	35,350,223	—	—	—	—	35,350,223
031.054	Purchase a Minimum of 75 Articulated Buses (Option II) and a Minimum of 160 of 426 Replacement Buses (Flxible, Partial $)-Systemwide	45,183,951	—	—	—	—	45,183,951
031.054	Purchase a Minimum of 366 Replacement Buses (266 of 426 Flxible and 100 of 490 TMC, Partial $)-Systemwide	—	86,912,964	652,145	—	31,717,500	119,282,609
202.012	Design and Installation of Bus Engine Modifications for Low Sulfur Diesel-Systemwide	3,239,855	—	—	—	—	3,239,855
	Total CTA Rolling Stock-Bus	**$ 103,072,666**	**$ 104,762,014**	**$ 8,240,395**	**$ 7,588,250**	**$ 39,305,750**	**$ 262,969,075**
CTA Rolling Stock-Rail							
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2400 and 3200 Series, Partial $)-Skokie Shops	3,498,000	—	—	—	—	3,498,000
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2400, 2600 and 3200 Series, Partial $)-Skokie Shops	—	3,498,000	7,093,944	53,966,624	78,882,046	143,440,614
022.906	Perform Rail Car Overhaul Activities-Systemwide	3,354,689	—	—	—	—	3,354,689
022.906	Perform Rail Car Overhaul Activities-Systemwide	—	8,459,670	8,459,670	8,459,670	8,459,670	33,838,680
022.906	Perform Rail Car Overhaul Activities-Systemwide	5,959,670	—	—	—	—	5,959,670
022.906	Perform Rail Car Overhaul Activities-Systemwide	2,500,000	—	—	—	—	2,500,000
132.055	Implement Test Cars for New Technology Demonstration-Systemwide	—	—	1,855,700	—	—	1,855,700
132.056	Replace a Minimum of 706 Rail Cars (2200 and 2400 Series, Partial $) -Systemwide	36,381,786	—	—	—	—	36,381,786
132.056	Replace a Minimum of 706 Rail Cars (2200 and 2400 Series, Partial $)-Systemwide	26,463,643	—	—	—	—	26,463,643
132.056	Replace a Minimum of 706 Rail Cars (2200 and 2400 Series, Partial $)-Systemwide	—	95,213,558	209,052,208	114,937,324	104,368,132	523,571,222
	Total CTA Rolling Stock-Rail	**$78,157,788**	**$107,171,228**	**$226,461,522**	**$177,363,618**	**$191,709,848**	**$780,864,004**
CTA Track & Structure-Rail							
171.036	Repair Structure Defects-South Loop	—	6,561,716	—	—	—	6,561,716
171.133	Repair Track and Structure Defects-Systemwide	5,400,804	—	—	—	—	5,400,804
171.133	Repair Track and Structure Defects-Systemwide	—	5,400,804	5,400,804	5,400,804	5,400,804	21,603,216
171.217	Replace Flange Angles-North Main Line and Ravenswood	11,467,077	—	—	—	—	11,467,077
171.217	Replace Flange Angles-North Main Line and Ravenswood	—	11,811,090	3,937,027	—	—	15,748,117
181.040	Replace Ties-North Main Line	7,313,935	—	—	—	—	7,313,935
181.040	Replace Ties-North Main Line	—	7,527,133	—	—	—	7,527,133
181.045	Upgrade Track-Addison to O'Hare-O'Hare/Blue Line	3,657,213	—	—	—	—	3,657,213
181.045	Upgrade Track-Addison to O'Hare-O'Hare/Blue Line	—	—	10,451,814	6,794,601	—	17,246,415
181.046	Replace Ties-State Street Subway/Red Line	—	1,133,872	—	—	9,186,331	10,320,203
181.046	Replace Ties-State Street Subway/Red Line	460,884	—	—	—	—	460,884
181.047	Renew Right-of-Way and Footwalk-Systemwide	—	4,158,025	4,282,766	4,411,140	4,543,551	17,395,482
181.047	Renew Right-of-Way and Footwalk-Systemwide	4,036,918	—	—	—	—	4,036,918
182.040	Replace Ties-Ravenswood/Brown Line	—	1,885,713	—	—	—	1,885,713
182.040	Replace Ties-Ravenswood/North Main Line	2,512,439	—	—	—	—	2,512,439
194.139	Rehabilitate Dan Ryan Branch (22nd St. to 95th St., Partial $)-Red Line (Design/Construct)	14,138,690	—	—	—	—	14,138,690
194.139	Rehabilitate Dan Ryan Branch (22nd St. to 95th St., Partial $)-Red Line (Design/Construct)	1,160,763	—	—	—	—	1,160,763
194.139	Rehabilitate Dan Ryan Branch (22nd St. to 95th St., Partial $)-Red Line (Design/Construct)	—	—	—	5,584,485	—	5,584,485
194.139	Rehabilitate Dan Ryan Branch (22nd St. to 95th St., Partial $)-Red Line (Design/Construct)	35,355,843	—	—	—	—	35,355,843
	Total CTA Track & Structure-Rail	**$ 85,504,566**	**$ 38,478,353**	**$ 24,072,411**	**$ 22,191,030**	**$ 19,130,686**	**$ 189,377,046**
CTA Electric, Signal & Communications-Rail							
121.018	Replace/Upgrade Power Distribution and Signals-Systemwide	8,678,655	—	—	—	—	8,678,655
121.018	Replace/Upgrade Power Distribution and Signals-Systemwide	—	7,874,060	50,405,116	68,364,682	33,545,820	160,189,678
162.046	Upgrade Loop Signals and Interlocking-Tower 18, Loop Elevated Line	3,822,603	—	—	—	—	3,822,603
162.046	Upgrade Loop Signals and Interlocking-Tower 18, Loop Elevated Line	—	3,822,603	22,935,612	22,935,612	22,935,613	72,629,440
	Total CTA Electric, Signal & Communications-Rail	**$ 12,501,258**	**$ 11,696,663**	**$ 73,340,728**	**$ 91,300,294**	**$ 56,481,433**	**$ 245,320,376**
CTA Stations & Passenger Facilities-Rail							
076.041	Replace/Upgrade Escalators and Elevators-Systemwide	—	1,347,259	1,484,411	2,703,360	1,312,333	6,847,363
076.041	Replace/Upgrade Escalators and Elevators-Systemwide	15,819,351	—	—	—	—	15,819,351
141.272	Provide for Station Design Engineering-Wilson Station/Red Line and Belmont/Blue	3,225,505	—	—	—	—	3,225,505
141.272	Provide for Station Design Engineering-Wilson Station/Red Line, Belmont/Blue	—	—	—	2,076,811	3,911,722	5,988,533
141.273	Reconstruct Howard, Wilson, Sheridan and Lawrence Rail Stations-Red Line	14,872,823	—	—	—	—	14,872,823
141.273	Reconstruct Howard, Wilson, Sheridan and Lawrence Rail Stations-Red Line	—	21,341,656	21,981,907	—	—	43,323,563
	Total CTA Stations & Passenger Facilities-Rail	**$ 33,917,679**	**$ 22,688,915**	**$ 23,466,318**	**$ 4,780,171**	**$ 5,224,055**	**$ 90,077,138**
CTA Acquisitions & Extensions-Rail							
194.115	Expand CTA Ravenswood Line/Design and Construction/ Ravenswood (Partial $)-Brown Line	30,379,590	—	—	—	—	30,379,590
194.115	Expand CTA Ravenswood Line/Design and Construction/ Ravenswood (Partial $)-Brown Line	1,520,000	—	—	—	—	1,520,000
194.115	Expand CTA Ravenswood Line/Design and Construction/ Ravenswood (Partial $)-Brown Line	—	100,969,262	51,920,808	51,920,808	51,920,808	256,731,686
194.115	Expand CTA Ravenswood Line/Design and Construction/ Ravenswood (Partial $)-Brown Line	10,620,410	—	—	—	—	10,620,410
194.115	Expand CTA Ravenswood Line/ Design and Construction/ Ravenswood (Partial $)-Brown Line	12,660,000	—	—	—	—	12,660,000

		2003	2004	2005	2006	2007	Total
194.117	Reconstruct Douglas Branch (Partial $)-Blue Line	12,500,000	—	—	—	—	12,500,000
194.117	Reconstruct Douglas Branch (Partial $)-Blue Line	—	97,500,000	97,500,000	58,883,649	—	253,883,649
194.117	Reconstruct Douglas Branch (Partial $)-Blue Line	68,750,000	—	—	—	—	68,750,000
	Total CTA Acquisitions & Extensions-Rail	**$136,430,000**	**$198,469,262**	**$149,420,808**	**$110,804,457**	**$ 51,920,808**	**$ 647,045,335**
	Total CTA Rail	**$346,511,291**	**$378,504,421**	**$496,761,787**	**$406,439,570**	**$324,466,830**	**$1,952,683,899**
CTA Electric, Signal & Communications-System							
052.018	Implement Control Center Projects-Control	1,166,000	—	—	—	—	1,166,000
052.018	Implement Control Center Projects-Control	—	583,000	233,200	1,929,730	11,600,330	14,346,260
053.016	UpgradeCommunication System-Systemwide	6,996,000	—	—	—	—	6,996,000
053.016	Upgrade Communication System-Systemwide	—	10,707,850	6,996,000	6,996,000	6,996,000	31,695,850
	Total CTA Electric, Signal & Communications-System	**$ 8,162,000**	**$ 11,290,850**	**$ 7,229,200**	**$ 8,925,730**	**$ 18,596,330**	**$ 54,204,110**
CTA Support Facilities & Equipment-System							
042.023	Upgrade and Improve Bus and Rail Facilities-Systemwide	—	8,729,658	8,991,548	9,261,066	9,392,130	36,374,402
042.023	Upgrade and Improve Bus and Rail Facilities-Systemwide	10,064,389	—	—	—	—	10,064,389
061.059	Implement Computer Systems-Systemwide	—	6,024,589	4,630,073	4,754,857	4,897,586	20,307,105
061.059	Implement Computer Systems-Systemwide	5,906,850	—	—	—	—	5,906,850
062.090	Replace Financial Systems-Merchandise Mart	—	2,401,960	2,401,960	—	—	4,803,920
062.090	Replace Financial Systems-Merchandise Mart	4,803,920	—	—	—	—	4,803,920
070.023	Correct Deficiences of Bus and Rail Facilities-Systemwide	4,095,724	—	—	—	—	4,095,724
070.023	Correct Deficiences of Bus and Rail Facilities-Systemwide	3,904,276	—	—	—	—	3,904,276
070.023	Correct Deficiences of Bus and Rail Facilities-Systemwide	—	3,904,276	3,904,276	3,904,276	3,904,276	15,617,104
073.059	Improve Facilities-Systemwide	—	11,934,120	40,000,477	57,903,190	59,321,308	169,159,095
073.059	Improve Facilities-Systemwide	7,547,678	—	—	—	—	7,547,678
084.059	Purchase Equipment and Non-Revenue Vehicles-Systemwide	3,448,977	—	—	—	—	3,448,977
084.059	Purchase Equipment and Non-Revenue Vehicles-Systemwide	—	12,131,437	12,363,666	11,524,857	13,307,978	49,327,938
084.059	Purchase Equipment and Non-Revenue Vehicles-Systemwide	9,529,079	—	—	—	—	9,529,079
102.039	Implement Automated Fare Control (AFC) Systems-Systemwide	—	27,949,020	1,274,120	2,624,622	2,915,000	34,762,762
102.039	Implement Automated Fare Control (AFC) Systems-Systemwide	27,366,020	—	—	—	—	27,366,020
102.039	Implement Automated Fare Control (AFC) Systems-Systemwide	3,500,000	—	—	—	—	3,500,000
190.037	Provide for Land Acquisition-Systemwide	—	11,660,000	11,660,000	11,660,000	11,660,000	46,640,000
190.037	Provide for Land Acquisition-Systemwide	11,660,000	—	—	—	—	11,660,000
	Total CTA Support Facilities & Equipment-System	**$ 91,826,913**	**$ 84,735,060**	**$ 85,226,120**	**$101,632,868**	**$105,398,278**	**$ 468,819,239**
CTA Stations & Passenger Facilities-System							
110.011	Improve Signage Program-Systemwide	—	—	3,602,940	3,498,000	3,498,000	10,598,940
150.028	Implement Security Projects-Systemwide	—	7,141,750	7,579,000	7,579,000	—	22,299,750
150.028	Implement Security Projects-Systemwide	7,141,750	—	—	—	—	7,141,750
	Total CTA Stations & Passenger Facilities-System	**$ 7,141,750**	**$ 7,141,750**	**$ 11,181,940**	**$ 11,077,000**	**$ 3,498,000**	**$ 40,040,440**
CTA Miscellaneous-System							
190.033	Implement Quality Assurance Program-	—	457,887	471,623	485,760	500,341	1,915,611
190.033	Implement Quality Assurance Program-	444,550	—	—	—	—	444,550
202.205	Provide for Program Management-Systemwide	4,664,000	—	—	—	—	4,664,000
202.205	Provide for Program Management-Systemwide	—	4,664,000	4,664,000	4,664,000	4,499,659	18,491,659
	Total CTA Miscellaneous-System	**$ 5,108,550**	**$ 5,121,887**	**$ 5,135,623**	**$ 5,149,760**	**$ 5,000,000**	**$ 25,515,820**
	Total CTA System	**$112,239,213**	**$108,289,547**	**$108,772,883**	**$126,785,358**	**$132,492,608**	**$ 588,579,609**
Total for CTA Service Board		**$561,823,170**	**$591,555,982**	**$613,775,065**	**$540,813,178**	**$496,265,188**	**$2,804,232,583**
Metra Rolling Stock-Rail							
3104	Purchase a Minimum of 27 New Diesel Locomotives (Partial $)-MET	41,765,000	—	—	—	—	41,765,000
3104	Purchase a Minimum of 27 New Diesel Locomotives (Partial $)-MET	2,600,000	—	—	—	—	2,600,000
3310	Purchase a Minimum of 300 New Accessible Bi-Level Cars (Partial $)-MET	76,316,760	—	—	—	—	76,316,760
3310	Purchase a Minimum of 300 New Accessible Bi-Level Cars (Partial $)-MET	—	85,000,000	—	—	—	85,000,000
3401	Rehabilitate a Minimum of 15 Locomotives (#200-214, Partial $)-MET	4,700,000	—	—	—	—	4,700,000
3403	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)-BNSF	—	4,523,000	—	—	—	4,523,000
3404	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)-UPR	2,996,140	—	—	—	—	2,996,140
3404	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)-UPR	—	3,800,000	—	—	—	3,800,000
3410	Purchase a Minimum of 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars (Repl., Partial $)-MED	28,716,250	—	—	—	—	28,716,250
3410	Purchase a Minimum of 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars (Repl., Partial $)-MED	—	31,283,750	—	—	—	31,283,750
3701	Rehabilitation of a Minimum of 12 Locomotives (#148-#159)-MET	4,300,000	—	—	—	—	4,300,000
3702	Overhaul and Upgrade a Minimum of 75 Traction Motors-MWD, RID, UPR and BNSF	1,000,000	—	—	—	—	1,000,000
3703	Install Locomotive Air Conditioning and Other Improvements-MET	150,000	—	—	—	—	150,000
3704	Install Window Glazing Required by FRA-MET	250,000	—	—	—	—	250,000
3705	Improve Cars and Locomotives-MET	250,000	—	—	—	—	250,000
3706	Overhaul Traction Motors-MED	1,000,000	—	—	—	—	1,000,000
3707	Rebuild Air Brakes-MET	5,000,000	—	—	—	—	5,000,000
3708	Replace Wheels-MET	2,000,000	—	—	—	—	2,000,000
3709	Replace Commuter Car Batteries-MET	300,000	—	—	—	—	300,000
96-003	Install Window Glazing Required by FRA-MET	—	—	250,000	—	125,000	375,000
96-124	Overhaul Traction Motors-MET	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-151	Rehabilitate a Minimum of 122 Cars-MWD	—	4,000,000	7,000,000	7,470,000	3,000,000	21,470,000
AC-101	Rehabilitate a Minimum of 119 Cars-BNSF	—	5,616,000	5,000,000	5,000,000	5,020,000	20,636,000
AF-111	Rehabilitate Locomotives (GMC/EMD)-MET	—	8,480,000	4,175,000	—	—	12,655,000
AF-171	Overhaul Traction Motors on the Highliner Cars-MED	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
AF-181	Overhaul Fleet Components-MET	—	7,475,000	7,650,000	7,825,000	8,000,000	30,950,000
AG-151	Rehabilitate Cars (Amerail)-MET	—	—	—	8,000,000	—	8,000,000
AG-152	Improve Cars and Locomotives-MET	—	500,000	500,000	500,000	500,000	2,000,000
AG-181	Design and Engineering for the Replacement of Bi-Level Electric Multi-Unit Commuter Cars (Partial $)-MED	—	—	—	—	2,000,000	2,000,000
AH-121	Install Locomotive Air Conditioning and Other Improvements-MET	—	150,000	150,000	150,000	150,000	600,000
	Total Metra Rolling Stock-Rail	**$171,344,150**	**$152,827,750**	**$ 26,725,000**	**$ 30,945,000**	**$ 20,795,000**	**$ 402,636,900**
Metra Track & Structure-Rail							
2038	Renew Salt Creek Bridge -MWD-West Line	—	2,000,000	—	—	—	2,000,000
2112	Replace Bridges (Partial $)-UPR-North Line	11,966,990	—	—	—	—	11,966,990
2112	Replace Bridges (Partial $)-UPR-North Line	3,825,550	—	—	—	—	3,825,550
2112	Replace Bridges (Partial $)-UPR-North Line	—	905,260	45,080,000	4,830,000	7,360,500	58,175,760
2927	Replace 4 Bridges, 57th-60th Streets (Partial $)	4,000,000	—	—	—	—	4,000,000
2927	Replace 4 Bridges, 57th-60th Streets (Partial $)	—	5,000,000	3,500,000	—	—	8,500,000

		2003	2004	2005	2006	2007	Total
2931	Fill Bridges-MET	—	—	—	—	500,000	500,000
2933	Construct Belmont Road Grade Separation-BNSF	4,000,000	—	—	—	—	4,000,000
2933	Construct Belmont Road Grade Separation-BNSF	—	3,000,000	3,000,000	—	—	6,000,000
2943	Reconstruct Bridge 17-1, Riverdale-MED	3,000,000	—	—	—	—	3,000,000
3325	Replace 21 Bridges, 18th-55th Streets (Partial $)-RID	8,421,250	—	—	—	—	8,421,250
3325	Replace 21 Bridges, 18th-55th Streets (Partial $)-RID	—	21,938,750	5,980,000	1,955,000	—	29,873,750
3419	Provide for Rail Grinding-MET	150,000	—	—	—	—	150,000
3420	Provide for New Rail Inspection-MET	100,000	—	—	—	—	100,000
3421	Provide for Rail Welding-MET	150,000	—	—	—	—	150,000
3422	Provide for Rail Grinding-UPR	130,000	—	—	—	—	130,000
3427	Improve North Central Service (Partial $)-NCS	4,000,000	—	—	—	—	4,000,000
3427	Improve North Central Service (Partial $)-NCS	—	2,000,000	—	—	—	2,000,000
3432	Reconstruct Bridge Z-108 (Elgin)-MWD-West Line	—	—	1,000,000	—	—	1,000,000
3433	Reconstruct Halsted Street Bridge (#96)-RID	—	—	1,800,000	—	—	1,800,000
3435	Replace Northwest Line Bridges on Track 2 (Partial $)-UPR-Northwest Line	2,500,000	—	—	—	—	2,500,000
3438	Rehabilitate Retaining Walls-UP-West Line	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
3442	Install Right-of-Way Fencing-MET	100,000	—	—	—	—	100,000
3512	Provide for "J" Line Improvements-MWD-North Line	—	—	—	4,000,000	2,500,000	6,500,000
3626	Upgrade Bridges-MED	—	—	—	—	3,000,000	3,000,000
3632	Purchase and Install Intertrack Fencing-BNSF	150,000	—	—	—	—	150,000
3634	Purchase and Install Right-of-Way Fencing-UPR	200,000	—	—	—	—	200,000
3711	Purchase and Install Ties, Ballast and Switch Heaters-BNSF	500,000	—	—	—	—	500,000
3712	Purchase and Install Ties and Ballast-MWD-North Line	2,000,000	—	—	—	—	2,000,000
3714	Purchase and Install Ties and Ballast-UPR	2,000,000	—	—	—	—	2,000,000
3716	Renew Double-Track Grade Crossings-RID, MED, SWS and MWD	2,200,000	—	—	—	—	2,200,000
3717	Perform Track Undercutting-BNSF	800,000	—	—	—	—	800,000
3718	Perform Track Undercutting at Stations-UPR	800,000	—	—	—	—	800,000
3719	Replace Rail and Switches-BNSF	1,100,000	—	—	—	—	1,100,000
3720	Replace Rail-MED	1,000,000	—	—	—	—	1,000,000
3721	Replace Rail-MWD-West Line	1,500,000	—	—	—	—	1,500,000
3722	Replace Rail-RID	1,000,000	—	—	—	—	1,000,000
3723	Replace Rail-UPR	1,400,000	—	—	—	—	1,400,000
3724	Upgrade Bridges-MWD	250,000	—	—	—	—	250,000
3783	Construct Bunker Road Grade Separation-UP-West Line	5,200,000	—	—	—	—	5,200,000
3783	Construct Bunker Road Grade Separation-UP-West Line	—	1,200,000	—	—	—	1,200,000
96-008	Rehabilitate Retaining Walls -BNSF	—	220,000	300,000	350,000	350,000	1,220,000
96-015	Replace Rail-MED	—	—	1,000,000	1,000,000	1,000,000	3,000,000
96-017	Replace Ties and Ballast-MED	—	1,200,000	—	1,200,000	1,200,000	3,600,000
96-073	Provide for Rail Grinding (all Railroad Stations)-MET	—	200,000	300,000	—	100,000	600,000
96-074	Install Right-of-Way Fencing-MET	—	100,000	100,000	—	50,000	250,000
96-104	Replace Rail-RID	—	—	1,000,000	1,000,000	1,000,000	3,000,000
96-107	Replace Rail-UPR	—	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
96-116	Replace Ties and Ballast-UPR	—	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
96-126	Rehabilitate Retaining Walls-MET	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-128	Rehabilitate Catenary Structure -MED	—	1,000,000	1,000,000	1,000,000	700,000	3,700,000
96-133	Provide for Undercutting at Stations-UPR	—	800,000	800,000	1,000,000	1,000,000	3,600,000
96-137	Replace Ties and Ballast-SWS	—	—	—	1,500,000	—	1,500,000
96-166	Rehabilitate 75th and 79th Street Bridges-MED	—	—	—	—	3,000,000	3,000,000
96-172	Replace Golf Road Bridge (A-82.5)-MWD-North Line	—	—	—	3,500,000	3,500,000	7,000,000
96-184	Renew Bridge # 377 at Hickory Creek-RID	—	—	—	500,000	1,500,000	2,000,000
96-276	Replace Ties and Ballast-RID	—	1,000,000	2,000,000	1,500,000	1,500,000	6,000,000
96-302	Upgrade Bridges-MWD	—	500,000	500,000	500,000	500,000	2,000,000
AC-201	Provide for Undercutting-BNSF	—	500,000	500,000	600,000	600,000	2,200,000
AC-204	Recondition Bridges-UPR	—	800,000	800,000	800,000	800,000	3,200,000
AC-207	Renew 73rd Street Bridge (#9-1)-MED	—	—	—	500,000	2,000,000	2,500,000
AC-208	Replace Sacramento Boulevard Bridge -MWD- West Line	—	—	—	800,000	14,000,000	14,800,000
AD-202	Inspect New Rail-MET	—	100,000	50,000	—	50,000	200,000
AD-203	Install Right-of-Way Fencing-UPR	—	200,000	200,000	200,000	200,000	800,000
AD-204	Replace Handrailing and Walkways-UPR	—	200,000	200,000	200,000	200,000	800,000
AD-211	Re-Install Intertrack Fencing-BNSF	—	150,000	150,000	—	75,000	375,000
AD-214	Provide for Rail Grinding-BNSF	—	40,000	40,000	—	—	80,000
AE-201	Replace Ties, Ballast and Switch Heaters-BNSF	—	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
AE-202	Replace Rail and Switches-BNSF	—	800,000	800,000	1,000,000	1,000,000	3,600,000
AE-242	Rehabilitate Montrose Avenue Bridge (A-36)-MWD-North Line	—	—	—	600,000	1,400,000	2,000,000
AE-243	Rehabilitate 75th Street Bridge (#82)-RID	—	—	—	600,000	600,000	1,200,000
AE-244	Rehabilitate Gresham Area Bridges-RID	—	—	—	1,000,000	3,000,000	4,000,000
AE-245	Rehabilitate Palos Park Area Bridges-SWS	—	—	—	—	1,000,000	1,000,000
AE-271	Rehabilitate Gresham Area Retaining Walls-RID	—	—	—	1,500,000	1,500,000	3,000,000
AF-211	Upgrade Crossings (Road and Track)-RID, MED, MWD	—	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
AF-213	Provide for Rail Grinding-UPR	—	130,000	130,000	—	75,000	335,000
AF-241	Rehabilitate Bridge #9-43 at 76th Street-MED	—	—	—	—	375,000	375,000
AG-214	Provide for Rail Welding-MET	—	150,000	150,000	—	75,000	375,000
AH-226	Provide for Undercutting and Surfacing-RID	—	—	1,000,000	1,000,000	—	2,000,000
AK-203	Install Ties and Ballast-MWD	—	—	2,000,000	1,000,000	1,000,000	4,000,000
AK-233	Replace Rail-MWD	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
AK-248	Rehabilitate Fox River Bridge (Z-100)-MWD- West Line	—	—	—	3,000,000	2,000,000	5,000,000
AK-255	Renew Bridge #275 (Old 96th Avenue)-RID	—	—	—	—	3,000,000	3,000,000
	Total Metra Track & Structure-Rail	**$ 62,443,790**	**$ 55,334,010**	**$ 84,580,000**	**$ 47,835,000**	**$ 72,910,500**	**$ 323,103,300**
Metra Electric, Signal & Communications							
2539	Install Bi-Directional Signaling, 11th-67th-MED	—	—	1,000,000	1,000,000	1,600,000	3,600,000
2623	Upgrade Centralized Traffic Control (CTC) at Kensington, CCF-MED	—	400,000	—	—	—	400,000
2623	Upgrade Centralized Traffic Control (CTC) at Kensington, CCF-MED	600,000	—	—	—	—	600,000
2749	Upgrade Crossing Signals-UPR	700,000	—	—	—	—	700,000
2835	Replace AC Transmission Lines-MED	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
2938	Renew A5 Interlocker, CCF-MWD	—	—	—	2,000,000	4,000,000	6,000,000
2939	Renew Gresham Interlocker, Consolidated Control Facility (CCF)-RID	—	800,000	3,000,000	3,000,000	—	6,800,000
2942	Provide for Electronic Conversion of Drawings-MED	150,000	—	—	—	—	150,000
2942	Provide for Electronic Conversion of Drawings-MED	—	150,000	150,000	—	75,000	375,000
3241	Upgrade Lake Street Interlocker (Partial $)-CUS	—	10,250,000	7,450,000	8,000,000	6,000,000	31,700,000
3241	Upgrade Lake Street Interlocker (Partial $)-CUS	9,000,000	—	—	—	—	9,000,000
3246	Replace Catenary Wire-MED	—	—	—	—	1,200,000	1,200,000
3334	Install Crossing Recorders-MET	—	—	600,000	—	—	600,000
3337	Upgrade Lake Street Interlocker (Partial $)-UPR	2,000,000	—	—	—	—	2,000,000
3337	Upgrade Lake Street Interlocker (Partial $)-UPR	—	2,000,000	9,000,000	2,000,000	2,000,000	15,000,000

		2003	2004	2005	2006	2007	Total
3339	Upgrade Electrical Equipment at Vollmer Road-MED	300,000	—	—	—	—	300,000
3339	Upgrade Electrical Equipment at Vollmer Road-MED	—	300,000	—	—	—	300,000
3439	Install Passenger Information Display Systems (PIDS)-MET	3,400,000	—	—	—	—	3,400,000
3439	Install Passenger Information Display Systems (PIDS)-MET	—	2,500,000	—	—	—	2,500,000
3440	Upgrade West Line Signal-MWD-West Line	1,000,000	—	—	—	—	1,000,000
3446	Install Fiber Optic Cable (Partial $)-BNSF	—	5,200,000	5,700,000	4,700,000	—	15,600,000
3446	Install Fiber Optic Cable (Partial $)-BNSF	3,000,000	—	—	—	—	3,000,000
3454	Install Train Information Management System (Partial $)-MET	1,500,000	—	—	—	—	1,500,000
3454	Install Train Information Management System (Partial $)-MET	—	1,500,000	—	—	—	1,500,000
3516	Replace Switch Heaters-MET	—	1,000,000	—	—	—	1,000,000
3516	Replace Switch Heaters and Generators-MET	2,000,000	—	—	—	—	2,000,000
3519	Install New Crossovers at LaVergne and Congress Park (Partial $)-BNSF	5,600,000	—	—	—	—	5,600,000
3640	Replace Signal Bridge-BNSF	150,000	—	—	—	—	150,000
3733	Install Pedestrian Crosswalk Signals-RID	1,000,000	—	—	—	—	1,000,000
3741	Install Air Compressors at Yards-UPR	—	1,500,000	—	—	—	1,500,000
3741	Install Air Compressors in Yards-UPR	2,000,000	—	—	—	—	2,000,000
3742	Replace Communications Equipment-MET	880,000	—	—	—	—	880,000
3745	Relocate Passenger Assistance Link Center-MET	750,000	—	—	—	—	750,000
3746	Upgrade Fire Alarm at Western Avenue Yard-MWD	250,000	—	—	—	—	250,000
3748	Replace Backup Batteries-UPR	300,000	—	—	—	—	300,000
96-023	Install Crossing Protection-BNSF	—	—	800,000	—	—	800,000
96-034	Replace Batteries-UPR	—	300,000	300,000	300,000	300,000	1,200,000
96-037	Install Coded Track Circuits at Lake Forest-Rondout-MWD-North Line	—	—	1,000,000	700,000	700,000	2,400,000
96-038	Install Coded Track Circuits, B12-B35-MWD	—	—	—	—	500,000	500,000
96-046	Renew Union Depot (UD) Interlocker, Consolidated Control Facility (CCF)-RID	—	—	—	—	300,000	300,000
96-115	Upgrade Coded Track Circuits-UPR	—	—	1,200,000	1,600,000	800,000	3,600,000
96-219	Provide for Crossing Improvements-RID	—	—	—	400,000	—	400,000
AC-305	Install Coded Track, Kensington-Matteson-MED	—	—	—	1,500,000	1,500,000	3,000,000
AC-308	Install Coded Track, Tinley Park-Joliet-RID	—	—	500,000	—	—	500,000
AD-310	Renew Lake Bluff Interlocker-UP-Northwest Line	—	—	—	500,000	—	500,000
AD-312	Replace Signal Bridge-BNSF	—	250,000	—	—	—	250,000
AD-320	Upgrade Communications Equipment-MET	—	—	230,000	—	—	230,000
AG-308	Install Pedestrian Crosswalk Signals-MET	—	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
AG-373	Remove Automated Revenue Collection System (ARCS) Cable-MET	—	—	—	200,000	—	200,000
AG-374	Replace Cab Radios-MET	—	—	—	—	1,050,000	1,050,000
AK-376	Replace Fiber Optic Cable-MED	—	—	—	2,000,000	—	2,000,000
AK-377	Install Computer-Aided Police Dispatch System-MET	—	600,000	—	—	—	600,000
	Total Metra Electric, Signal & Communications-Rail	**$34,580,000**	**$29,750,000**	**$33,930,000**	**$30,900,000**	**$23,025,000**	**$152,185,000**
Metra Support Facilities & Equipment-Rail							
2848	Upgrade B-1 Building at Western Avenue Yard-UPR and MWD	—	—	—	1,800,000	—	1,800,000
3103	Purchase Rolling Stock Maintenance Tracking System-MET	—	1,500,000	—	—	—	1,500,000
3258	Replace HVAC at 547 West Jackson Blvd-MET	4,500,000	—	—	—	—	4,500,000
3258	Replace HVAC at 547 West Jackson Blvd-MET	—	3,500,000	—	—	—	3,500,000
3259	Improve 547 West Jackson Exterior-MET	—	1,000,000	—	—	—	1,000,000
3345	Upgrade 14th Street Yard-BNSF	500,000	—	—	—	—	500,000
3349	Improve Facilities at California Avenue and M19 A Yards and Western Avenue Interlocker-UPR	—	—	1,000,000	1,000,000	1,000,000	3,000,000
3350	Rebuild 547 West Jackson Exterior-MET	—	—	—	—	1,000,000	1,000,000
3350	Rebuild 547 West Jackson Exterior-MET	600,000	—	—	—	—	600,000
3450	Replace Fueling Systems-MET	—	150,000	—	—	—	150,000
3462	Upgrade Substation Building-MED	1,000,000	—	—	—	—	1,000,000
3750	Construct Two New Commuter Coach Yards-UP-Northwest Line	2,000,000	—	—	—	—	2,000,000
3751	Construct Building Improvements at 547 W Jackson-MET	550,000	—	—	—	—	550,000
3755	Purchase Office Equipment and Furniture-MET	480,000	—	—	—	—	480,000
3756	Purchase Equipment and Vehicles-MET	1,000,000	—	—	—	—	1,000,000
3756	Purchase Equipment and Vehicles-MET	300,000	—	—	—	—	300,000
3759	Purchase MIS Equipment-MET	1,000,000	—	—	—	—	1,000,000
3760	Purchase Client Server Software-MET	500,000	—	—	—	—	500,000
3764	Renew Buildings, Equipment and Facilities-MET	1,500,000	—	—	—	—	1,500,000
96-045	Purchase Equipment and Vehicles-MET	—	1,500,000	1,500,000	1,002,987	2,388,000	6,390,987
AC-406	Upgrade Substation Building-MED	—	500,000	500,000	500,000	500,000	2,000,000
AD-409	Renovate 547 West Jackson Headquarters-MET	—	—	—	600,000	600,000	1,200,000
AD-452	Improve Facilities-MET	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
AF-401	Upgrade 14th Street Yard-BNSF	—	—	500,000	500,000	500,000	1,500,000
AF-451	Purchase Management Information Systems (MIS) Equipment-MET	—	1,300,000	1,300,000	750,000	750,000	4,100,000
AF-452	Purchase Client Server Software-MET	—	500,000	500,000	250,000	250,000	1,500,000
AG-414	Provide for Kensington Yard Facilities-MED	—	—	2,100,000	—	1,400,000	3,500,000
AH-411	Renewal of Yards and Shops-MET	—	—	1,000,000	20,800,000	25,000,000	46,800,000
AK-409	Improve Western Avenue Yard-MWD	—	—	600,000	—	—	600,000
AK-427	Construct Waukegan Crew Facility-UP-North Line	—	200,000	1,500,000	—	—	1,700,000
AK-441	Install Fueling Facility at OTC Platforms-UPR	—	—	—	3,000,000	—	3,000,000
AK-455	Purchase Office Equipment and Furniture-MET	—	480,000	480,000	480,000	480,000	1,920,000
	Total Metra Support Facilities & Equipment-Rail	**$13,930,000**	**$12,130,000**	**$12,480,000**	**$32,182,987**	**$35,368,000**	**$106,090,987**
Metra Stations & Passenger Facilities-Rail							
1528	Construct New Station at 93rd Street/ South Chicago Branch-MED	534,375	—	—	—	—	534,375
2482	Construct New Burlington Northern Tollway Station-BNSF	—	—	—	—	7,000,000	7,000,000
2633	Construct New Pingree Road Station-UPR- Northwest Line	—	1,400,000	—	—	—	1,400,000
2661	Construct Oak Park Intermodal Transportation Center-UP-West Line	356,250	—	—	—	—	356,250
2757	Improve Randolph Street Station-MED	1,400,000	—	—	—	—	1,400,000
2779	Rehabilitate Cicero Station Parking Lot-BNSF	—	650,000	—	—	—	650,000
2880	Construct Cicero Avenue Station-BNSF	—	—	—	1,500,000	1,000,000	2,500,000
2883	Rehabilitate College Avenue Station (Partial $)-UPR-West Line	3,100,000	—	—	—	—	3,100,000
2971	Rehabilitate Edison Park Station-UPR-Northwest Line	1,100,000	—	—	—	—	1,100,000
2976	Expand Robbins Station Parking-RID	700,000	—	—	—	—	700,000
2977	Construct Palos Heights Station-SWS	300,000	—	—	—	—	300,000
3170	Upgrade Palos Heights Station Access-SWS	500,000	—	—	—	—	500,000
3171	Improve Bartlett Station-MWD-West Line	—	1,600,000	1,700,000	—	—	3,300,000
3173	Improve Schaumburg Station-MWD-West Line	2,400,000	—	—	—	—	2,400,000
3195	Expand West Chicago Station Parking-UP-West Line	100,000	—	—	—	—	100,000
3195	Expand West Chicago Station Parking-UP-West Line	500,000	—	—	—	—	500,00
3272	Reconstruct Platforms-CUS	900,000	—	—	—	—	900,000
3276	Install Station Signs-MET	—	200,000	250,000	250,000	250,000	950,000
3280	Restore 99th Street-Beverly Station-RID	—	1,355,000	1,520,000	—	—	2,875,000

		2003	2004	2005	2006	2007	Total
3367	Rehabilitate National Street Station-MWD-West Line	1,500,000	—	—	—	—	1,500,000
3371	Improve Main Street-Evanston Station-UP-North Line	600,000	—	—	—	—	600,000
3383	Expand Washington Heights Station Parking-RID	60,000	—	—	—	—	60,000
3465	Design Engineering/ Construction Platforms and Pedestrian Exits-CUS	—	—	1,500,000	1,000,000	—	2,500,000
3468	Reconstruct 6 South Chicago Branch Stations (Partial $)-MED	420,731	—	—	—	—	420,731
3468	Reconstruct 6 South Chicago Branch Stations (Partial $)-MED	—	6,300,000	5,000,000	1,300,000	—	12,600,000
3468	Reconstruct 6 South Chicago Branch Stations (Partial $)-MED	2,000,000	—	—	—	—	2,000,000
3471	Construct Willow Springs Station-MHC	250,000	—	—	—	—	250,000
3481	Expand Roselle Station Parking-MWD-West Line	280,000	—	—	—	—	280,000
3487	Construct New Romeoville Station-MHC	—	—	—	—	1,000,000	1,000,000
3489	Construct Manhattan Station and Parking-SWS	2,000,000	—	—	—	—	2,000,000
3492	Provide for Parking Lot Improvements-MET	—	200,000	200,000	200,000	200,000	800,000
3553	Improve Ivanhoe Station Parking-MED	116,250	—	—	—	—	116,250
3558	Construct Fox Lake Station Parking-MWD-North Line	400,000	—	—	—	—	400,000
3559	Expand Vernon Hills Station Parking-NCS	380,000	—	—	—	—	380,000
3565	Construct Tinley Park-80th Avenue Parking-RID	1,085,000	—	—	—	—	1,085,000
3568	Replace Robbins Station and Parking-RID	350,000	—	—	—	—	350,000
3570	Expand Oak Lawn Station Parking-SWS	400,000	—	—	—	—	400,000
3576	Construct Elburn Station Parking-UP-West Line	1,600,000	—	—	—	—	1,600,000
3577	Expand Great Lakes Station Parking-UP-North Line	350,000	—	—	—	—	350,000
3578	Construct La Fox Station Parking-UP-West Line	1,600,000	—	—	—	—	1,600,000
3579	Expand Winthrop Harbor Parking-UP-North Line	194,700	—	—	—	—	194,700
3585	Construct Franklin Park Station-NCS	800,000	—	—	—	—	800,000
3586	Construct Grayslake Station-NCS	1,500,000	—	—	—	—	1,500,000
3587	Construct Rosemont Station-NCS	1,200,000	—	—	—	—	1,200,000
3588	Construct Schiller Park Station-NCS	850,000	—	—	—	—	850,000
3589	Construct Laraway Road Station-SWS	2,200,000	—	—	—	—	2,200,000
3666	Improve Randolph Street Station Concourse-MED	2,500,000	—	—	—	—	2,500,000
3678	Improve OTC Concourse (Partial $)-UPR	—	1,520,000	—	—	—	1,520,000
3774	Improve Station Platforms and Ramps (ADA)-	500,000	—	—	—	—	500,000
3775	Improve Station ADA Accessibility-MET	250,000	—	—	—	—	250,000
3777	Upgrade Davis Street-Evanston Station-UPR-N	350,000	—	—	—	—	350,000
3792	Provide for Land Acquisitions for Station Parking-MET	1,000,000	—	—	—	—	1,000,000
3793	Perform Parking Appraisals-MET	250,000	—	—	—	—	250,000
3795	Perform Station and Parking Engineering-MET	2,000,000	—	—	—	—	2,000,000
3795	Perform Station and Parking Engineering-MET	5,000,000	—	—	—	—	5,000,000
96-086	Improve McHenry Station (ADA)-UP-Northwest Line	—	—	—	1,600,000	1,400,000	3,000,000
96-129	Improve Platforms and Ramps (ADA)-MET	—	500,000	500,000	500,000	500,000	2,000,000
96-292	Provide for Land Acquisitions-MET	—	3,840,700	2,000,000	1,600,000	900,000	8,340,700
96-293	Provide for Appraisals to Develop Parking-MET	—	250,000	250,000	—	125,000	625,000
96-295	Provide for Station and Parking Engineering-MET	—	7,000,000	7,000,000	7,000,000	7,000,000	28,000,000
96-307	Upgrade Stations-MED	—	600,000	600,000	600,000	600,000	2,400,000
AC-506	Rehabiltate 59th Street-Hyde Park Station-MED	—	—	—	1,000,000	800,000	1,800,000
AD-510	Construct 80th Avenue Station-RID	—	—	3,000,000	2,000,000	—	5,000,000
AD-514	Improve Cary Station-UP-Norhtwest Line	—	—	—	2,400,000	—	2,400,000
AD-551	Expand Aurora Station Parking-BNSF	—	—	500,000	—	—	500,000
AE-501	Replace Downers Grove Station-BNSF	—	—	—	—	1,500,000	1,500,000
AE-504	Improve Station Accessibility (ADA)-MET	—	250,000	350,000	350,000	350,000	1,300,000
AE-507	Rehabilitate 115th Street-Morgan Park Station-	—	—	—	1,500,000	1,000,000	2,500,000
AG-502	Rehabilitate Belmont Road Station-BNSF	—	—	—	—	1,000,000	1,000,000
AG-512	Rehabilitate 103rd Street Station-RID	—	—	—	—	500,000	500,000
AG-515	Rehabilitate Forest Glen Station-MWD-North	—	—	1,500,000	800,000	—	2,300,000
AH-519	Rehabilitate Mayfair Station-MWD-North Line	—	—	1,100,000	1,000,000	—	2,100,000
AH-543	Rehabilitate Hubbard Woods Station-UP-North	—	—	—	3,000,000	2,100,000	5,100,000
AH-544	Improve Winnetka Station-UP-North Line	—	1,400,000	1,600,000	—	—	3,000,000
AK-505	Rehabilitate Hollywood Station-BNSF	—	—	1,000,000	—	—	1,000,000
AK-506	Rehabilitate Western Springs Stations-BNSF	—	—	—	2,000,000	1,150,000	3,150,000
AK-511	Rehabilitate Roosevelt Road Station-MED	—	—	—	4,000,000	4,000,000	8,000,000
AK-515	Rehabilitate 95th Street-Chicago State University Station-MED	—	—	500,000	—	—	500,000
AK-520	Install Paving at Various Parking Lots in Chicago-MET	—	—	—	2,000,000	2,000,000	4,000,000
AK-526	Rehabilitate 107th Street-Beverly Station-RID	—	—	—	1,400,000	1,400,000	2,800,000
AK-529	Rehabiltiate Mokena Station-RID	—	—	—	—	1,050,000	1,050,000
AK-530	Rehabilitate New Lenox Station-RID	—	—	—	1,000,000	—	1,000,000
AK-533	Rehabilitate Gladstone Park Station-UP-Northwest Line	—	—	—	—	550,000	550,000
AK-545	Rehabilitate Winthrop Harbor Station-UP-North	—	—	—	—	750,000	750,000
	Total Metra Stations & Passenger Facilities-Rail	**$ 43,877,306**	**$ 27,065,700**	**$ 30,070,000**	**$ 38,000,000**	**$ 38,125,000**	**$ 177,138,006**
Metra Miscellaneous							
2989	Provide for Capital Project Related Advertising-MET	—	100,000	100,000	100,000	100,000	400,000
2989	Provide for Capital Project Related Advertising-MET	100,000	—	—	—	—	100,000
2990	Provide for Material Handling Additive-MET	—	5,000,000	5,000,000	5,000,000	5,000,000	20,000,000
2990	Provide for Material Handling Additive-MET	5,000,000	—	—	—	—	5,000,000
2991	Provide for Railroad Protective Liability Insurance-MET	—	150,000	150,000	150,000	150,000	600,000
2991	Provide for Railroad Protective Liability Insurance-MET	150,000	—	—	—	—	150,000
3288	Provide for Capital Project Security-MET	100,000	—	—	—	—	100,000
3689	Provide for Capital Project Oversight-547 W. Jackson Blvd.-MET	500,000	—	—	—	—	500,000
3689	Provide for Capital Project Oversight-547 W. Jackson Blvd.-MET	—	500,000	500,000	500,000	500,000	2,000,000
3786	Purchase System Mapping Enhancement-MET	100,000	—	—	—	—	100,000
3794	Perform Miscellaneous Engineering-MET	2,000,000	—	—	—	—	2,000,000
3796	Provide for Unanticipated Capital-MET	1,200,000	—	—	—	—	1,200,000
96-296	Provide for Unanticipated Capital-MET	—	3,862,823	3,731,487	936,865	222,650	8,753,825
96-318	Provide for Capital Project Security-MET	—	100,000	100,000	100,000	100,000	400,000
AF-408	Provide for Engineering for Capital Projects-MET	—	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000
	Total Metra Miscellaneous-Rail	**$ 9,150,000**	**$ 12,212,823**	**$ 12,081,487**	**$ 9,286,865**	**$ 8,572,650**	**$ 51,303,825**
Metra Acquisitions & Extensions							
2981	Expand North Central Service (Partial $)-NCS	31,400,000	—	—	—	—	31,400,000
2981	Expand North Central Service (Partial $)-NCS	—	29,370,480	20,000,000	18,937,036	—	68,307,516
2982	Extend Southwest Service (Partial $)-SWS	—	32,356,387	15,090,663	12,281,394	—	59,728,444
2982	Extend Southwest Service (Partial $)-SWS	4,000,000	—	—	—	—	4,000,000
2982	Extend Southwest Service (Partial $)-SWS	27,800,000	—	—	—	—	27,800,000
2983	Extend Union Pacific (Partial $)-UP-West Line	5,800,000	—	—	—	—	5,800,000
2983	Extend Union Pacific (Partial $)-UP-West Line	—	17,000,000	17,000,000	15,959,049	—	49,959,049
3394	Provide for New Starts Land Acquisition-MET	4,400,000	—	—	—	—	4,400,000
3394	Provide for New Starts Land Acquisition-MET	—	3,500,000	—	—	—	3,500,000
	Total Metra Acquisitions & Extensions-Rail	**$ 73,400,000**	**$ 82,226,867**	**$ 52,090,663**	**$ 47,177,479**	—	**$ 254,895,009**

		2003	2004	2005	2006	2007	Total
Metra Contingencies & Administration							
3798	Provide for Project Administration-MET	200,000	—	—	—	—	200,000
3798	Provide for Project Administration-MET	200,000	—	—	—	—	200,000
3798	Provide for Project Administration-MET	100,000	—	—	—	—	100,000
3799	Provide for Contingencies-MET	798,325	—	—	—	—	798,325
3799	Provide for Contingencies-MET	2,518,265	—	—	—	—	2,518,265
3799	Provide for Contingencies-MET	846,746	—	—	—	—	846,746
3799	Provide for Contingencies-MET	230,290	—	—	—	—	230,290
3799	Provide for Contingencies-MET	111,175	—	—	—	—	111,175
AD-798	Provide for Project Administration-MET	—	500,000	500,000	500,000	500,000	2,000,000
	Total Metra Contingencies & Administration	**$ 5,004,801**	**$ 500,000**	**$ 500,000**	**$ 500,000**	**$ 500,000**	**$ 7,004,801**
	Total Metra Rail	**$ 413,730,047**	**$ 372,047,150**	**$ 252,457,150**	**$ 236,827,331**	**$ 199,296,150**	**$ 1,474,357,828**
Total for Metra Service Board		**$ 413,730,047**	**$ 372,047,150**	**$ 252,457,150**	**$ 236,827,331**	**$ 199,296,150**	**$ 1,474,357,828**
Pace Rolling Stock-Bus							
3607	Purchase a Min. of 81 Wheelchair Securement Upgrades-Systemwide	405,000	—	—	—	—	405,000
3800	Purchase a Min. of 10 of 56 30' Fixed Route Accessible Buses-Systemwide	2,500,000	—	—	—	—	2,500,000
3800	Purchase a Min. of 166 Fixed Route Accessible Buses-Systemwide	—	16,830,000	14,000,000	14,000,000	9,450,000	54,280,000
3800	Purchase a Min. of 18 of 56 30' Fixed Route Accessible Buses-Systemwide	4,500,000	—	—	—	—	4,500,000
3800	Purchase a Min. of 28 of 56 30' Fixed Route Accessible Buses-Systemwide	7,680,000	—	—	—	—	7,680,000
3801	Purchase a Min. of 14 of 36 40' Fixed Route Accessible Buses-Systemwide	4,410,000	—	—	—	—	4,410,000
3801	Purchase a Min. of 16 of 36 40' Fixed Route Accessible Buses-Systemwide	5,040,000	—	—	—	—	5,040,000
3801	Purchase a Min. of 6 of 36 40' Fixed Route Accessible Buses-Systemwide	2,320,000	—	—	—	—	2,320,000
3802	Purchase a Min. of 209 Paratransit Vehicles-Systemwide	—	840,000	3,150,000	5,670,000	5,800,000	15,460,000
3802	Purchase a Min. of 44 Replacement Paratransit Vehicles-Systemwide	2,816,000	—	—	—	—	2,816,000
3803	Provide for Extended Warranties-Systemwide	—	100,000	100,000	100,000	100,000	400,000
3804	Purchase a Minimum of 140 Vanpool Vans-Systemwide	5,130,000	—	—	—	—	5,130,000
3804	Purchase a Min. of 50 Vans for Municipal Vanpool Program-Systemwide	2,000,000	—	—	—	—	2,000,000
3804	Purchase a Min. of 577 Vanpool Vans-Systemwide	—	5,000,000	6,560,000	5,520,000	6,000,000	23,080,000
3805	Provide for Bus Overhaul-Systemwide	—	3,300,000	3,300,000	3,300,000	3,300,000	13,200,000
3805	Provide for Bus Overhaul-Systemwide	3,300,000	—	—	—	—	3,300,000
3806	Provide for Associated Capital Items-Systemwide	400,000	—	—	—	—	400,000
3806	Provide for Associated Capital Items-Systemwide	1,100,000	—	—	—	—	1,100,000
3806	Provide for Associated Capital Items-Systemwide	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
	Total Pace Rolling Stock-Bus	**$ 41,601,000**	**$ 27,570,000**	**$ 28,610,000**	**$ 30,090,000**	**$ 26,150,000**	**$ 154,021,000**
Pace Electric, Signal & Communications-Bus							
3635	Purchase and Installation of Intelligent Bus System (IBS)-Phase III-Systemwide	1,660,000	—	—	—	—	1,660,000
3807	Design Replacement Radio and Farebox System-Phase I-Systemwide	1,448,000	—	—	—	—	1,448,000
3808	Replace Systemwide Radio System-Phase II	—	—	13,000,000	—	—	13,000,000
3809	Replace Systemwide Farebox System-Phase II	—	10,620,000	—	—	—	10,620,000
	Total Pace Electric, Signal & Communications-Bus	**$ 3,108,000**	**$ 10,620,000**	**$ 13,000,000**	**—**	**—**	**$ 26,728,000**
Pace Support Facilities & Equipment-Bus							
3614	Purchase and Installation of an Enterprise Resource Planning System (Partial)-Systemwide	1,000,000	—	—	—	—	1,000,000
3614	Purchase and Installation of an Enterprise Resource Planning System (Partial)-Systemwide	—	3,000,000	—	—	—	3,000,000
3810	Purchase Maintenance/ Support Equipment and Vehicles-Systemwide	1,564,000	—	—	—	—	1,564,000
3810	Purchase Maintenance/ Support Equipment and Vehicles-Systemwide	50,000	—	—	—	—	50,000
3810	Purchase Maintenance/ Support Equipment and Vehicles-Systemwide	—	809,080	799,080	999,080	999,080	3,606,320
3812	Purchase Computers, Computer Software Systems-Systemwide	1,525,000	—	—	—	—	1,525,000
3812	Purchase Computers, Computer Software Systems-Systemwide	—	1,580,000	1,120,000	3,290,000	3,280,000	9,270,000
3815	Purchase Office Equipment-Systemwide	200,000	—	—	—	—	200,000
3815	Purchase Office Equipment/Furniture-Systemwide	—	200,000	250,000	250,000	250,000	950,000
3816	Improve Garages/Facilities-Systemwide	350,000	—	—	—	—	350,000
3816	Improve Garages/Facilities-Systemwide	760,000	—	—	—	—	760,000
3816	Improve Garages/Facilities-Systemwide	—	3,705,000	2,750,000	4,000,000	4,500,000	14,955,000
3816	Improve Garages/Facilities-Systemwide	1,100,000	—	—	—	—	1,100,000
3817	Provide for Expansion of Facilities-Systemwide	—	—	—	8,000,000	11,000,000	19,000,000
	Total Pace Support Facilities & Equipment-Bus	**$ 6,549,000**	**$ 9,294,080**	**$ 4,919,080**	**$ 16,539,080**	**$ 20,029,080**	**$ 57,330,320**
Pace Stations & Passenger Facilities-Bus							
3818	Purchase and Install a Minimum of 70 Bike Rack Ad Frames-Systemwide	50,000	—	—	—	—	50,000
3818	Purchase and Install Bike Rack Ad Frames-Systemwide	—	100,000	100,000	100,000	100,000	400,000
3819	Purchase a Minimum of 500 Schedule Display Tubes for Bus Stops-Systemwide	200,000	—	—	—	—	200,000
3819	Purchase Schedule Display Tubes for Bus Stops-Systemwide	—	200,000	200,000	200,000	150,000	750,000
3820	Purchase/Install a Minimum of 500 Bus Stop Signs and Poles, and 25 LED Signal Lights-Systemwide	35,000	—	—	—	—	35,000
3820	Purchase/Install Bus Stop Signs and Poles, and 25 LED Signal Lights-Systemwide	—	100,000	100,000	100,000	600,000	900,000
	Total Pace Stations & Passenger Facilities-Bus	**$ 285,000**	**$ 400,000**	**$ 400,000**	**$ 400,000**	**$ 850,000**	**$ 2,335,000**
Pace Miscellaneous-Bus							
3822	Provide for Unanticipated Capital-Systemwide	—	250,000	250,000	250,000	250,000	1,000,000
	Total Pace Miscellaneous-Bus	—	**$ 250,000**	**$ 250,000**	**$ 250,000**	**$ 250,000**	**$ 1,000,000**
Pace Contingencies & Administration-Bus							
3824	Provide for Contingencies	74,744	—	—	—	—	74,744
3824	Provide for Contingencies	296,000	—	—	—	—	296,000
3824	Provide for Contingencies	225,011	—	—	—	—	225,011
3825	Provide for Project Administration	1,000,000	—	—	—	—	1,000,000
3825	Provide for Project Administration	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
	Total Pace Contingencies & Administration	**$ 1,595,755**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 5,595,755**
	Total Pace-Bus	**$ 53,138,755**	**$ 49,134,080**	**$ 48,179,080**	**$ 48,279,080**	**$ 48,279,080**	**$ 247,010,075**
Total for Pace Service Board		**$ 53,138,755**	**$ 49,134,080**	**$ 48,179,080**	**$ 48,279,080**	**$ 48,279,080**	**$ 247,010,075**
Grand Total RTA 2003-2007 Capital Improvement Program		**$ 1,028,691,972**	**$ 1,012,737,212**	**$ 914,411,295**	**$ 825,919,589**	**$ 743,840,418**	**$ 4,525,600,486**

Glossary

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.

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.

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 buses arrive 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 bud-

geted deficit for the year as opposed to the actual deficit. For the RTA, its deficit or surplus equals total revenues (sales tax, PTF, interest and other income) less operating funding, debt service, technology, and capital funding (RTA Capital and RTA discretionary funding of Service Board capital).

Depreciation Expiration in the service life of fixed assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. The portion of the cost of a fixed asset, other than a wasting asset, charged to expense during a particular period.

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; however, the only FTA funding currently available to the RTA is for capital projects.

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.

Full Funding Grant Agreement (FFGA) The Federal Transit Administration (FTA) is required to use a 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.

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).

Maintenance expense Expenses of labor, materials, services, and equipment used to repair and service transit vehicles and service vehicles.

Mobility limited An individual who has a physical impairment, including impaired sensory, manual, or speaking abilities that result in functional limitations.

Modified Accrual Basis A type of accounting whereby revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become both "measurable" and "available" to finance expenditures of the current period. "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period.

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 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 2003-2007 and Annual Program and Budget for 2003.

Notice is hereby given that the Regional Transportation Authority (RTA) will hold public hearings on its proposed Five-Year Program for 2003-2007 (January 1, 2003 to December 31, 2007) and Annual Program and Budget for 2003.

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 10, 2002. Copies of the proposed Five-Year Program for 2003-2007 and the Annual Program and Budget for 2003 will be available for public inspection in the office of the RTA, 175 W. Jackson Blvd., Suite 1550, Chicago, Illinois 60604. 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) 913-3200 no later than Monday, December 2, 2002 so that proper arrangements can be made.

Listed on Exhibit 7-13 are the locations of the Public Hearings scheduled to be held from 4:30 p.m. - 6:00 p.m. on Tuesday, December 10, 2002.

Exhibit 7-13

RTA Hearings Schedule for Fiscal Years 2003-2007 and Annual Program and Budget for 2003

Cook County—Central
James R. Thompson Center
Room 9-034
100 West Randolph
Chicago, Illinois 60601

Cook County—North
Village of Arlington Heights
Council Room
33 S. Arlington Heights Road
Arlington Heights, Illinois 60005

Cook County—South
Village of Flossmoor - Board Room
2800 Flossmoor Road
Flossmoor, Illinois 60422

Cook County—West
Riverside Town Auditorium
27 Riverside Road
Riverside, Illinois 60543

DuPage County
Wheaton City Hall Building
Conley Room, Lower Level
303 West Wesley
Wheaton, Illinois 60187

Kane County
St. Charles - City Hall
Committee/Conference Room
2 E. Main Street
St. Charles, Illinois 60174

Lake County
Division of Transportation
600 W. Winchester Road
Libertyville, Illinois 60048

McHenry County
Woodstock City - Council Chambers
121 W. Calhoun
Woodstock, Illinois 60098

Will County
Will County Courthouse
Courtroom 100
14 W. Jefferson
Joliet, Illinois 60432

Hearings 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 10. As in the past, the hearings took place from 4:30 to 6:00 p.m., in nine locations throughout the six-county region.

RTA staff and court reporters took testimony for RTA Board consideration prior to Board adoption of the 2003 budget, two-year financial plan and the five-year capital program. A summary of this testimony follows:

Pace Activity

A number of people attended the hearings and submitted written testimony, primarily in response to urging by Pace. Pace left flyers on buses, and put a notice on their web site, stating that Pace would cut bus routes if the RTA did not allow Pace to use federal capital funding for operations. Testimony generally reacted to the proposed service reductions, calling for more transit service not less.

The RTA Act leaves service decisions to the Service Boards. The RTA Board does establish funding levels. The RTA position on the Pace proposal to use federal capital funding for operations is summarized below, and explained more fully in the letter (Exhibit 7-14) used by the RTA to respond to the written testimony received:

- The RTA has already increased its operating funding to Pace by 4.7 percent in 2003.
- Pace has not responded to the RTA call for a plan detailing their use of the federal capital funding.
- On an on-going basis, the CTA, Metra, and Pace must balance budgets to maintain effective service levels.

A common misconception appears to be the notion that the RTA was blocking Pace from receiving the federal funding. Pace does receive this capital funding. Pace is looking to spend this funding on operations rather than capital investment.

Other Testimony

Testimony advocated increased RTA system coordination, including bus to rail connections. Testimony also recommended improved marketing of transit service available. In addition, testimony suggested higher taxes in the suburbs to pay for increased service. Some testimony maintained that better service delivery and bus shelters would attract more riders. One attendee recommended converting the Metra Electric Line to a CTA "L" Line. Finally, one attendee complimented the RTA on the improved information on its web site.

A copy of all testimony received is available to the RTA Board.

RTA Letter in Response to Pace Issue

December 11, 2002

Dear Concerned Taxpayer and Rider:

Thank you for writing to express your concerns regarding Pace's 2003 operating budget. Your letter will be included as part of the public comments for the RTA's public hearings for the 2003 Annual Budget and Five-Year Program.

This is the second year that Pace has requested to use "capital costs of contracting" to balance their budget. As part of last year's budget process, the RTA engaged the services of a consultant to help Pace look for ways to cut and manage costs with minimal impact to its services. At the time, Pace indicated that it would examine the potential cost savings found through this study. However, the Pace finance department largely ignored this study; and the 2003 budget, submitted by Pace, does not identify the application of any of these cost-saving measures.

Again this year, Pace has requested the use of "capital costs of contracting"; and again, the RTA is prepared to reject this request. Why? There are several reasons. The most important is that Pace has not provided the RTA with any plan showing which Pace operating services would be benefited by such a proposal and which Pace capital plans would not be undertaken. Why the Pace finance department has provided no plan to the RTA remains a mystery. The RTA has a statutory responsibility to adopt and monitor the budgets of the CTA, Metra and Pace. It would be a disservice to the region's taxpayers if the RTA permitted any of these agencies to divert capital funds to operations without being provided the level of detail needed to determine whether this is reasonable and prudent as well as in accordance with sound financial practices.

The 2003 budget for Pace that is proposed by the RTA already includes a 4.7 percent increase in funding over the previous year. In the current economic climate, any increase in funding for a public agency is notable. The RTA has used every resource available to fund this increase. However, our forecasts show that if the economy does not begin to rebound in the next year, all the region's transit operators (CTA, Metra and Pace) must find ways to hold down costs and improve revenues in 2004.

From an operating perspective, Pace expenditures continue to grow at a rate that exceeds inflation. It is in all of our best interests that Pace has a balanced budget that allows them to maintain effective service levels and that brings uncontrolled cost growth into line. There may be ways to achieve such a balanced budget without using valuable federal capital funds or making drastic service reductions. The RTA will continue to work with Pace to achieve this goal.

Sincerely,

Richard J. Bacigalupo
Executive Director

ORDINANCE NO. 2002-83

An Ordinance Approving the 2003 Budgets and 2004 - 2005 Financial Plans of the Service boards, Adopting the 2003 Budget and Program of the Authority, Appropriating Funds for the 2003 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 2003.

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 FY2003; 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 FY2003; 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 FY2003 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 13, 2002

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 FY2003, and a financial plan for FY2004 and 2005 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, and Metra (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 Due to Pace's proposed use of capital funding to fund operating costs, the RTA does not find that the budget and financial plan as proposed by Pace meets Sections 1.2 (d) and 1.2 (e) above. Pursuant to Section 4.11 of the Act, the budgets for FY2003 and financial plans for FY2004 and FY2005 for Pace, as presented in the attached Schedules I-B and I-B-1, 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. The attached budget and financial plan for Pace will be effective five working days after the start of Pace's fiscal year.

1.4 Pursuant to Section 4.11 of the Act, the budgets for FY2003 and financial plans for FY2004 and FY2005, for the CTA and Metra, as presented in the attached Schedule I-B, 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.

1.5 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 FY2003 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The FY2003 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The FY2003 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 FY2003 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 FY2003 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 FY2003, as defined in the Act, as summarized in Schedule I-A.

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**

(d) The budgeted "Administration" expenses of the RTA for FY2003, within the meaning of Section 4.01(c) of the Act, do not exceed the maximum administrative expenses permitted for FY2003 of $12,033,097. (FY2003 "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, 2003, and ending December 31, 2007, 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 FY2003 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 FY2003 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 FY2003 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 FY2003 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 Schedule II, and pursuant to the first year of the Five-Year Program approved in Article I, the amounts specified as Transfer Capital in the FY2003 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 for the CTA and Metra, and the amount specified for the RTA (the Agency) as Regional Technology, Coordination and Capital in the FY2003 section on Schedule I-E pursuant to the FY2003 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for FY2003 Agency Operating Expenditures (Administrative and Regional Services), Regional Technology and Coordination Expenditures, and Capital Expenditures for Regional Technology and Agency Capital Programs represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% 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, certifications 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 FY2003 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-A

RTA Statement of Revenues and Expenditures (dollars in thousands)

Revenue	**2003 Budget**	**2004 Plan**	**2005 Plan**
Sales Tax (1)	$ 673,129	$ 694,473	$ 723,548
Public Transportation Fund (PTF)	168,282	173,618	180,887
State Financial Assistance (SFA)	75,910	95,934	111,896
Reduced Fare (RF)	40,000	40,000	40,000
Investment Income & Other (2)	14,775	14,701	14,987
Total Revenue	**$ 972,096**	**$ 1,018,726**	**$ 1,071,318**
Operating Expenditures			
Operations Funding	$ 752,294	742,849	$ 768,366
Reduced Fare	40,000	40,000	40,000
Sales Tax Interest & Other	1,360	1,360	1,360
Agency Operations	18,483	18,041	18,665
Regional Technology & Coordination (2)	5,320	4,285	4,435
Total Operating Expenditures	**$ 817,457**	**$ 806,535**	**$ 832,826**
Debt Service & Capital Expenditures			
Principal and Interest	$ 139,162	$ 166,904	$ 187,724
Regional Technology & Agency Programs (2)	5,375	5,411	5,448
RTA Discretionary Capital (3)	-	-	-
Transfer Capital	45,909	39,959	43,553
Total Debt Service and Capital Expenditures	**$ 190,446**	**$ 212,274**	**$ 236,725**
Total Expenditures	**$ 1,007,903**	**$ 1,018,809**	**$ 1,069,551**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 46,848	$ 40,868	$ 40,352
Revenues less Expenditures - Surplus/(Deficit)	(35,807)	(83)	1,767
Designations/Reserves (4)	29,827	(433)	(482)
Ending Balance	**$ 40,868**	**$ 40,352**	**$ 41,637**
% of Total Operating Expenditures	5.0%	5.0%	5.0%
Recovery Ratio (5)	**52.4**%	**54.6**%	**54.3**%

Notes: (1) The sales tax figure for 2003 is $21.9 million lower than the BoB estimate of $695 million. The amounts in 2004 & 2005 grow from the 2003 RTA sales tax figure. (2) Adoption of the 2002 RTA budget established a process for reserving funds to support long-term region-wide agency sponsored technology, coordination and capital/technology programs (similar to the service board capital program process). Funds from state and local sources plus RTA financing transactions are used to help offset program costs. Budgeted receipts in 2003 of $7.1 million will be used to help fund budgeted expenditures of $10.7 million. (3) Due to the current economic environment, the RTA has deferred funding through the planning period. (4) Recognizes changes in reserved or unreserved funds. The figure in 2003 includes the entire amount of $29.5 million in the technology reserve that will be transferred to the undesignated/unreserved fund balance. This one-time inflow of funds will be used to cover revenue shortfalls in sales tax and PTF funds during the past two years. (5) Reference Schedule I-D for recovery ratio calculations.

Schedule 1-B

Service Board Deficit Funding (dollars in thousands)

2003 Budget	**CTA**	**Metra**	**Pace**	**Total**
Service Board System Generated Revenue	$ 471,078	$ 242,615	$ 54,128	$ 767,821
Service Board Operating Expenses	924,566	458,674	137,289	1,520,529
Service Board Deficit	**$ 453,488**	**$ 216,059**	**$ 83,161**	**$ 752,708**
Deficit Funding				
Sales Tax–85% (% of total, distributed by area collected)	$ 265,129	$ 233,632	$ 73,399	$ 572,160
FTA Operating Assistance	—	—	—	—
RTA Discretionary (PTF, Sales Tax & Other)	188,359	—	9,348	197,707
Transfer Capital	—	(17,573)	—	(17,573)
RTA Operations Funding	**$ 453,488**	**$ 216,059**	**$ 82,747**	**$ 752,294**
CMAQ/JARC	—	—	414	414
Service Board Deficit Funding	**$ 453,488**	**$ 216,059**	**$ 83,161**	**$ 752,708**
2004 Plan				
Service Board System Generated Revenue	$ 526,483	$ 249,544	$ 50,243	$ 826,270
Service Board Operating Expenses	968,115	471,709	129,409	1,569,233
Service Board Deficit	**$ 441,632**	**$ 222,165**	**$ 79,166**	**$ 742,963**
Deficit Funding				
Sales Tax–85% (% of total, distributed by area collected)	$ 272,469	$ 241,771	$ 76,062	$ 590,302
RTA Discretionary (PTF, Sales Tax & Other)	169,163	—	2,990	172,153
Transfer Capital	—	(19,606)	—	(19,606)
RTA Operations Funding	**$ 441,632**	**$ 222,165**	**$ 79,052**	**$ 742,849**
CMAQ/JARC	—	—	114	114
Service Board Deficit Funding	**$ 441,632**	**$ 222,165**	**$ 79,166**	**$ 742,963**
2005 Plan				
Service Board System Generated Revenue	$ 536,183	$ 257,905	$ 51,688	$ 845,776
Service Board Operating Expenses	993,272	487,363	133,624	1,614,259
Service Board Deficit	**$ 457,089**	**$ 229,458**	**$ 81,936**	**$ 768,483**
Deficit Funding				
Sales Tax—85% (% of total, distributed by area collected)	$ 282,760	$ 252,658	$ 79,598	$ 615,016
RTA Discretionary (PTF, Sales Tax & Other)	174,329	—	2,221	176,550
Transfer Capital	—	(23,200)	—	(23,200)
RTA Operations Funding	**$ 457,089**	**$ 229,458**	**$ 81,819**	**$ 768,366**
CMAQ/JARC	—	—	117	117
Service Board Deficit Funding	**$ 457,089**	**$ 229,458**	**$ 81,936**	**$ 768,483**

Schedule 1-B-1

Pace 2003 Budget and Two-Year Financial Plan

Pace Submittal compared to RTA Adoption (dollars in thousands)

2003 Budget	Pace Submittal	RTA Change	Adoption
Total Operating Deficit	**$ 83,161**	—	**$ 83,161**
Deficit Funding Summary			
RTA Operating	82,747	—	82,747
CMAQ/JARC/Other	414	—	414
Sub-Total	**$ 83,161**	—	**$ 83,161**
Capital Cost of Contracting (1)	7,760	(7,760)	—
Total Funding	**$ 90,921**	**($7,760)**	**$ 83,161**
Net Funding — Surplus/(Deficit)	**$ 7,760**	**($7,760)**	—
Recovery Ratio % (2)	**40.0%**	—	**40.0%**
2004 Plan			
Total Operating Deficit	**$ 86,926**	**($7,760)**	**$ 79,166**
Deficit Funding Summary			
RTA Operating	79,052	—	79,052
CMAQ/JARC/Other	114	—	114
Sub-Total	**$ 79,166**	—	**$ 79,166**
Capital Cost of Contracting (1)	7,760	(7,760)	—
Total Funding	**$ 86,926**	**($7,760)**	**$ 79,166**
Net Funding — Surplus/(Deficit)	—	—	—
Recovery Ratio % (2)	**40.0%**	—	**40.0%**
2005 Plan			
Total Operating Deficit	**$ 89,696**	**($7,760)**	**$ 81,936**
Deficit Funding Summary			
RTA Operating	81,819	—	81,819
CMAQ/JARC/Other	117	—	117
Sub-Total	**$ 81,936**	—	**81,936**
Capital Cost of Contracting (1)	7,760	(7,760)	—
Total Funding	**$ 89,696**	**($7,760)**	**$ 81,936**
Net Funding — Surplus/(Deficit)	—	—	—
Recovery Ratio % (2)	40.0%	—	40.0%

Notes: (1) Pace's 2003 budget, its two-year financial plan, and its 2003 five-year capital program did not comply with the "marks" set by the RTA Board on Sept. 5, 2002 because these plans include the use of $7.8 million in annual funding from its capital program for yearly operations identified as capital cost of contracting. Pace has not provided the RTA with any plans of which Pace operating services would be benefited by such a proposal and which Pace capital plans would not be undertaken. Moreover, a lawsuit by Pace brought against the RTA has resulted in the deferral of any consideration of this matter until resolution of the suit. (2) ADvAntage contribution figures are added to total revenues and total expenses to calculate the recovery ratio. The Pace and RTA statement of revenue and expense for 2003, 2004 and 2005 both include the same respective amounts of $1,320, $2,525, and $2,925 for the computation. The RTA has been unable to ascertain if these figures provided by Pace represent all of the possible ADvAntage contribution amounts which could be included in this item.

Schedule 1-C

RTA Proposed 2003 Agency Operations Funding (dollars in thousands)

Agency Administration	Expense	Revenue	Funding
Managing Services	$ 2,234	—	$ 2,234
Communications	522	—	522
Finance	2,525	—	2,525
Total Administration	**$ 5,281**	—	**$ 5,281**
Statutory Cap	12,033		
Percent Under Cap	56.1%		
Regional Services			
Government Affairs	$ 980	—	$ 980
Planning	2,296	—	2,296
Transit check & Program Support	2,547	1,500	1,047
ADA	2,542	—	2,542
Reduced Fare & Customer Service	658	55	603
Travel Information Center	4,179	25	4,154
Total Regional Services	**$ 13,202**	**$ 1,580**	**$ 11,622**
Total Operations	**$ 18,483**	**$ 1,580**	**$ 16,903**

Schedule 1-D

Recovery Ratio Calculations (dollars in thousands)

Recovery Ratio Revenues	2003 Budget	2004 Plan	2005 Plan
CTA	$ 493,078	$ 548,483	$ 558,183
Metra	242,615	249,544	257,905
Pace	55,448	52,768	54,613
RTA	13,415	13,341	13,627
Total Revenue	**$ 804,556**	**$ 864,136**	**$ 884,328**
Recovery Ratio Expenses			
CTA	$ 931,494	$ 975,043	$ 1,000,200
Metra	441,121	453,717	468,918
Pace	138,609	131,934	136,549
RTA Agency Operations	18,483	18,041	18,665
RTA Technology and Coordination	5,320	4,285	4,435
Total Recovery Ratio Expenses	**$ 1,535,027**	**$ 1,583,020**	**$ 1,628,767**
Recovery Ratios			
CTA (1)	52.9%	56.3%	55.8%
Metra (1) (2)	55.0%	55.0%	55.0%
Pace (3)	40.0%	40.0%	40.0%
Systemwide (4)	**52.4%**	**54.6%**	**54.3%**

Notes: (1) By policy, the revenue figures for the CTA and Metra exclude the gain form leasing transactions restricted by "ordinance for capital. Also by policy, the Metra revenue figures excludes the proceeds from a fare increase restricted by ordinance for capital. The amounts deducted from expenses represent exclusions listed by the RTA Act. (2) Metra's recovery ratio from 2003-2005 reflects the exclusion of approximately $12 million in expenditures additional to that excluded in prior years. The RTA has indicated agreement with excluding costs of this magnitude "provided that the costs represent security costs up to $5 million, or transportation facility acquisition costs to the" extent Metra can provide documentation supporting exclusion under criteria in the RTA Act. (3) Pace's 2003 budget, its two-year financial plan, and its 2003 five-year capital program did not comply with the "marks" set by the RTA Board on Sept. 5, 2002 because these plans include the use of $7.8 million in annual funding from its capital program for yearly operations identified as capital cost of contracting. Pace has not provided the RTA with any plans of which Pace operating services would be benefited by such a proposal and which Pace capital plans would not be undertaken. Moreover a lawsuit by Pace brought against the RTA has resulted in the deferral of any consideration of this matter until resolution of the suit. Includes ADvAntage contributions of $1,320, $2,525 and $2,925 for 2003, 2004, and 2005 respectively. (4) The recovery ratios for 2003, 2004, and 2005 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

Service Board and RTA Capital Funding (dollars in thousands)

Five-Year Capital Program Service Board Capital Funding for 2003	CTA	Metra	Pace	RTA	Total
FTA Capital Grants	$ 278,173	$ 172,272	$ 34,690	—	$ 485,135
IDOT Grants	46,400	33,564	6,400	—	86,364
Service Board/Local Community Funds	3,500	9,428	1,532	—	14,460
RTA SCIP Bonds	130,000	117,000	13,000	—	260,000
RTA Bonds	51,649	32,466	7,860	—	91,975
RTA (TBD)	8,900	—	—	—	8,900
Transfer Capital (1)	20,353	25,556	—	—	45,909
Deobligations	29,020	23,544	—	—	52,564
Total Service Board Capital Funding (2)	**$ 567,995**	**$ 413,830**	**$ 63,482**	—	**$ 1,045,307**
Regional Technology, Coordination and Capital (3)				**$ 10,695**	

Notes: (1) Discretionary and statutory program. (2) The Capital Program for 2003 (Schedule II) is $1,028.7 million which is $16.6 million below (funds not yet programmed) the total funding amount of $1,045.3 million on this schedule. (3) Region-wide initiatives funded by the RTA for technology & coordination, agency capital projects, and capital programs that are technology driven.

Schedule 1-F

RTA Sales Tax Distribution (dollars in thousands)

2003 Budget, Service Boards = 85%	**City of Chicago**	**Suburban Cook County**	**All Other Counties**	**Estimated Amounts**
CTA	$ 171,578	$ 93,551	—	$ 265,129
Metra	—	171,509	62,122	233,632
Pace	—	46,775	26,624	73,399
Total Service Boards	**$ 171,578**	**$ 311,835**	**$ 88,746**	**$ 572,160**
RTA = 15%	30,279	55,030	15,661	100,969
Grand Total (1)	**$ 201,857**	**$ 366,865**	**$ 104,407**	**$ 673,129**
2004 Plan, Service Boards = 85%				
CTA	$ 176,029	$ 96,440	—	$ 272,469
Metra	—	176,807	64,964	241,771
Pace	—	48,220	27,842	76,062
Total Service Boards	**$ 176,029**	**$ 321,467**	**$ 92,806**	**$ 590,302**
RTA = 15%	31,064	56,730	16,377	104,171
Grand Total	**$ 207,093**	**$ 378,197**	**$ 109,183**	**$ 694,473**
2005 Plan, Service Boards = 85%				
CTA	$ 182,366	$ 100,394	—	$ 282,760
Metra	—	184,056	68,602	252,658
Pace	—	50,197	29,401	79,598
Total Service Boards	**$ 182,366**	**$ 334,648**	**$ 98,002**	**$ 615,016**
RTA = 15%	32,182	59,055	17,295	108,532
Grand Total	**$ 214,548**	**$ 393,703**	**$ 115,297**	**$ 723,548**

Note: (1) Sales tax distributions are based on the BoB estimate for 2003 in the amount of $695 million.

Schedule 1-G

RTA 2003 Monthly Cash Flow Projection, General and Agency Funds (dollars in thousands)

Cash Receipts	**January**	**February**	**March**	**April**	**May**	**June**
Sales Tax	$ 56,000	$ 57,000	$ 64,185	$ 48,773	$ 49,744	$ 53,847
PTF	13,915	13,928	17,057	12,193	12,436	13,462
Reduced Fare	—	10,000	—	—	10,000	—
State Assistance	4,769	4,769	4,769	4,769	4,769	4,769
Interest/Other Grants	1,231	1,231	1,231	1,231	1,231	1,231
Total Cash Receipts	**$ 75,915**	**$ 86,928**	**$ 87,242**	**$ 66,966**	**$ 78,180**	**$ 73,309**
Cash Disbursements						
CTA						
85% Sales Tax	$ 19,323	$ 19,708	$ 21,333	$ 22,320	$ 22,858	$ 23,621
Reduced Fare Reimb.	—	9,162	—	—	5,490	—
RTA Discretionary	15,020	15,020	15,020	15,020	15,020	15,020
Transfer Capital	—	5,088	—	—	5,088	—
Total Disbursements	**$ 34,343**	**$ 48,978**	**$ 36,353**	**$ 37,340**	**$ 48,456**	**$ 38,641**
Metra						
85% Sales Tax	$ 16,843	$ 17,178	$ 18,595	$ 19,456	$ 19,925	$ 20,590
Reduced Fare Reimb.	—	863	—	—	517	—
Total Disbursements	**$ 16,843**	**$ 18,041**	**$ 18,595**	**$ 19,456**	**$ 20,442**	**$ 20,590**
Pace						
85% Sales Tax	$ 5,292	$ 5,397	$ 5,842	$ 6,113	$ 6,260	$ 6,469
Reduced Fare Reimb.	—	1,025	—	—	724	—
RTA Discretionary	572	572	572	572	572	572
Total Disbursements	**$ 5,864**	**$ 6,993**	**$ 6,414**	**$ 6,685**	**$ 7,555**	**$ 7,041**
RTA Operations						
Sales Tax Interest	$ 113	$ 113	$ 113	$ 113	$ 113	$ 113
Principal and Interest Payments	12,582	12,615	12,738	13,066	4,777	10,212
Agency Operating Expenses	1,540	1,540	1,540	1,540	1,540	1,540
RTA Technology & Coordination	891	891	891	891	891	891
Total Disbursements	**$ 15,127**	**$ 15,160**	**$ 15,283**	**$ 15,610**	**$ 7,322**	**$ 12,756**
Total Cash Disbursements	**$ 72,176**	**$ 89,172**	**$ 76,645**	**$ 79,091**	**$ 83,776**	**$ 79,028**
Cash Balance (1)						
Beginning (2)	163,244	166,983	164,739	175,337	163,212	157,617
Ending	166,983	164,739	175,337	163,212	157,617	151,898

Notes: (1) Restricted and unrestricted cash. (2) Beginning 2003 Cash Balance forecast based on the 2002 Quarterly Investment Report.

Schedule 1-G

RTA 2003 Monthly Cash Flow Projection, General and Agency Funds (dollars in thousands)

Cash Receipts	**July**	**August**	**September**	**October**	**November**	**December**	**Year**
Sales Tax	$ 56,340	$ 57,698	$ 59,623	$ 56,283	$ 55,272	$ 55,952	$ 670,717
PTF	14,085	14,425	14,906	14,071	13,818	13,986	168,282
Reduced Fare	—	10,000	—	—	10,000	—	40,000
State Assistance	7,882	7,882	7,882	7,882	7,882	7,886	75,910
Interest/Other Grants	1,231	1,231	1,231	1,231	1,231	1,231	14,775
Total Cash Receipts	**$ 79,538**	**$ 91,236**	**$ 83,642**	**$ 79,467**	**$ 88,203**	**$ 79,055**	**$ 969,684**
Cash Disbursements							
CTA							
85% Sales Tax	$ 22,298	$ 21,897	$ 22,167	$ 22,051	$ 22,071	$ 27,019	$ 266,666
Reduced Fare Reimb.	—	9,162	—	—	9,261	—	33,075
RTA Discretionary	15,020	15,020	15,020	15,020	15,020	15,022	180,242
Transfer Capital	—	5,088	—	—	5,089	—	20,353
Total Disbursements	**$ 37,318**	**$ 51,167**	**$ 37,187**	**$ 37,071**	**$ 51,441**	**$ 42,041**	**$ 500,336**
Metra							
85% Sales Tax	$ 19,436	$ 19,087	$ 19,322	$ 19,221	$ 19,239	$ 23,565	$ 232,457
Reduced Fare Reimb.	—	863	—	—	872	—	3,115
Total Disbursements	**$ 19,436**	**$ 19,950**	**$ 19,322**	**$ 19,221**	**$ 20,111**	**$ 23,565**	**$ 235,572**
Pace							
85% Sales Tax	$ 6,106	$ 5,997	$ 6,071	$ 6,039	$ 6,044	$ 7,404	$ 73,034
Reduced Fare Reimb.	—	1,030	—	—	1,030	—	3,810
RTA Discretionary	572	572	572	572	572	572	6,858
Total Disbursements	**$ 6,678**	**$ 7,599**	**$ 6,643**	**$ 6,611**	**$ 7,646**	**$ 7,976**	**$ 83,702**
RTA Operations							
Sales Tax Interest	$ 113	$ 113	$ 113	$ 113	$ 113	$ 113	$ 1,360
Principal and Interest Payments	13,614	13,943	14,028	13,280	8,709	9,600	139,162
Agency Operating Expenses	1,540	1,540	1,540	1,540	1,540	1,540	18,483
RTA Technology & Coordination	891	891	891	891	891	891	10,695
Total Disbursements	**$ 16,159**	**$ 16,488**	**$ 16,572**	**$ 15,825**	**$ 11,254**	**$ 12,144**	**$ 169,700**
Total Cash Disbursements	**$ 79,590**	**$ 95,203**	**$ 79,724**	**$ 78,727**	**$ 90,452**	**$ 85,726**	**$ 989,310**
Cash Balance (1)							
Beginning (2)	$ 151,898	$ 151,846	$ 147,879	$ 151,798	$ 152,538	$ 150,289	
Ending	151,846	147,879	151,798	152,538	150,289	143,618	

Notes: (1) Restricted and unrestricted cash. (2) Beginning 2003 Cash Balance forecast based on the 2002 Quarterly Investment Report.

The Government Finance Officers Association of the United States and Canada (GFOA) present an award of Distinguished Presentation to the Regional Transportation Authority for its annual budget for the fiscal year beginning 2002.

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

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