Regional Transportation Authority

2005

Annual Budget and Five-Year Program

Regional Transportation Authority

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Budget & Program Ordinance

RTA Board of Directors

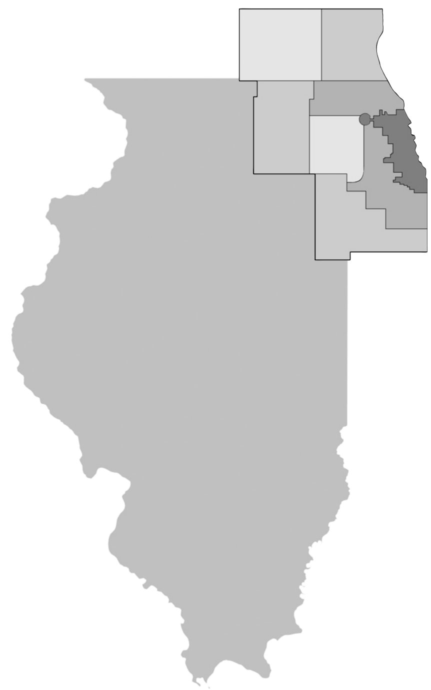
Overview

The Board of Directors of the Regional Transportation Authority (RTA) adopted the ordinance that follows approving the 2005 annual budget and two-year financial plan, and five-year capital program for the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus. The ordinance also approves the 2005 budget and program for the RTA (Agency).

The RTA is charged through an act of the Illinois Legislature with overseeing the financial stability of public transportation in the six-county region of northeastern Illinois. Chief among its responsibilities is the adoption of a balanced annual budget and capital program that consolidates the operating plans and capital programs of the RTA, CTA, Metra and Pace. The budget adopted by the Board is balanced and meets the criteria set forth in the *RTA Act.*

Although a balanced budget was adopted, the CTA as well as Metra and Pace (also known as the Service Boards) face challenges to fund and maintain service levels in the coming years. Higher security and fuel costs as well as health care costs and the increase in the number of reduced fare and paratransit trips are adding pressure to the Service Boards' ability to keep costs in line with revenues. In addition to higher operations costs, the RTA system is in need of a continuing source of local matching funds for federal capital dollars. This local funding is essential to maintain the existing transit system and to expand the system to meet future needs for more suburb-to-suburb and reverse commuting options. The RTA Board supports the Service Boards' efforts to secure additional funding for their operations and capital programs.

Six–County Area



Ordinance No. 2005–06

Adopted January 6, 2005

Approving the 2005 Budgets and 2006-2007
Financial Plans of the Service Boards, Adopting the 2005 Budget
and Program of the Authority, Appropriating Funds for the 2005 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 2005

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 "RTA") to appropriate money for the expenses and obligations of the RTA, including payment of certain public funds to the Service Boards, and to prepare and adopt a comprehensive budget and program document for fiscal year 2005; and

WHEREAS, Section 4.02 of the Act establishes certain requirements with respect to the allocation and payment of funds appropriated by the RTA to the Service Boards; and

WHEREAS, Section 2.01 of the Act authorizes and directs the RTA to adopt a Five-Year Program with respect to the operations and capital projects of the RTA and the Service Boards; and

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards for fiscal year 2005; and

WHEREAS, pursuant to Section 4.11 of the Act, the RTA has taken certain action by ordinance identifying the amounts estimated to be available for expenditure by each Service Board during fiscal year 2005 and the two following fiscal years and the times at which such amounts will be available; and

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has presented its proposed fiscal year 2005 budget and proposed 2006-2007 financial plan to the RTA for its review and the RTA has conducted public hearings with respect to its Proposed Annual Budget and Five-Year Program, and considered the proposed budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans; and

WHEREAS, on September 10, 2004, the RTA Board adopted Ordinance No. 2004-54, which called on the Service Boards to each prepare and submit to the RTA two alternate proposed budgets for 2005 and financial plans for 2006-2007, one that assumed the receipt of additional public subsidies and one that did not assume the receipt of such subsidies; and

WHEREAS, the Service Boards adopted and submitted to the RTA proposed budgets for 2005 and financial plans for 2006-2007 that were predicated on not receiving additional public subsidies; and

WHEREAS, while the aforementioned additional public subsidies have not been secured as of the date of adoption of this Ordinance, the RTA will continue to seek such additional public subsidies, as provided in Ordinance No. 2004-65, adopted by the RTA Board on November 4, 2004, and will seek to amend the 2005 budget and 2006-2007 financial plan in the event and to the extent that such additional public subsidies are secured; and

WHEREAS, pursuant to the RTA's policy regarding Service Board Financing Transactions ("Funding Policy") the RTA Board must approve the Service Boards' use of the proceeds from any Financing Transaction, as such term is defined in the Funding Policy, before such proceeds are used, and the primary use of such proceeds should be for capital programs; further, such proceeds are excluded from the Service Boards' System-Generated Revenue Recovery Ratios; and

WHEREAS, by RTA policy (Ordinance 2003-54) federal capital funds used for the capital-related portion of the operating costs of paratransit services provided under contract are appropriately considered operating revenue for the purpose of the Service Boards' System-Generated Revenue Recovery Ratios; and

WHEREAS, the RTA's Funding Policy 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 RTA recognizes that the Chicago Transit Authority (the "CTA") and the Suburban Rail Division ("Metra") have taken measures to protect their operations from terrorism and consequently have incurred significantly higher security costs, and moreover the RTA has determined that it is in the best interests of public transportation in the region to exclude certain amounts of security costs for purposes of calculating the CTA and Metra recovery ratios, thereby providing the CTA and Metra with a period of time to balance such higher security costs within their respective budgets; and

WHEREAS, on January 12, 1989 the RTA Board adopted Ordinance No. 89-2 which approved a Metra plan to restrict the proceeds from a February 1, 1989 Metra fare increase of 5% to capital projects and exclude such amount from revenues used to calculate the recovery ratio for Metra, and the RTA now finds that such exclusion places an undue burden on Metra to generate other revenues and constrain costs to attain its recovery ratio requirement and therefore such exclusion should be removed; and

WHEREAS, the RTA has determined that it is in the best interests of public transportation in the region to program certain federal capital funds, and the required amount of local matching funds in the CTA and Suburban Bus Division ("Pace") Five-Year Capital Programs to fund the capital-related portion of the operating costs of paratransit service provided under contract, provided that each

Service Board's budget and two-year financial plan demonstrate revenue and expense plans that meet the funding marks for 2005 through 2007; and

WHEREAS, the RTA recognizes the importance of continuing capital investment to ensure that the RTA system operates well and is responsive to the needs of the region, and consequently, the RTA has determined that it is in the best interests of public transportation in the region to program certain federal capital funds, and the required amount of local matching funds, in the Service Boards' Five-Year Capital Programs to fund preventive maintenance and *ADA* complementary paratransit service, provided that each Service Board's budget and two-year financial plan demonstrate revenue and expense plans that meet the funding marks for 2005 through 2007, and furthermore the RTA recognizes that programming these funds for these purposes will enable the Service Boards to use an increased amount of funds available for operating purposes as local matching funds and so utilize all available federal capital funds; and

WHEREAS, the RTA desires to facilitate the integration of fare media accepted for fare payment by Pace and the CTA by funding a portion of Pace's costs in providing service to riders using the CTA 7-day pass, U-pass, and Visitor/Fun (1-day, 2-day, 3-day and 5-day) passes (collectively, the "Additional Passes"), in addition to any CTA fare media that are already accepted by Pace and for this purpose the RTA Executive Director has executed an intergovernmental agreement, pursuant to RTA Board authorization (Ordinance 2004-44), between the RTA, the CTA, and Pace regarding Pace acceptance of CTA fare media; and

WHEREAS, the aforementioned exclusion of certain security costs from the CTA and Metra recovery ratios, removal of the exclusion of Metra's 1989 fare increase revenues from Metra's recovery ratio, allowance of the use of certain federal capital funds for paratransit operations, preventive maintenance and *ADA* complementary service, and funding of a portion of Pace's costs to accept CTA fare media are measures taken by the RTA in recognition of the financial challenges faced by the Service Boards at this time resulting from current economic conditions, which measures will be reviewed by the RTA on an ongoing basis, and in particular will be reviewed during the preparation of the 2006 and 2007 budgets, and which measures may be adjusted or removed at the discretion of the RTA in response to changing fiscal or economic conditions; and

WHEREAS, the RTA Board has determined that it is in the best interest of the RTA 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:

ARTICLE I: APPROVAL OF BUDGETS AND PROGRAMS

Section One: Service Board Budgets and Financial Plans

1.1 In compliance with the Act, the RTA has received and reviewed proposed budgets for 2005, and financial plans for 2006 and 2007, of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace") (each a "Service Board").

1.2 With respect to the proposed budgets and financial plans of the CTA, Metra and Pace (as summarized in Schedule I-B), the RTA finds as follows:

(a) Each such budget and plan shows a balance between (A) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (B) the cost of providing the services specified and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness;

(b) Each such budget and plan shows cash balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs and expenses as incurred;

(c) Each such budget and plan provides for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the jurisdiction of such Service Board sufficient to allow the Service Board to meet its required system-generated revenue recovery ratio, as set forth on Schedule I-D;

(d) Each such budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) Each such budget and plan has been prepared in accordance with sound financial practices; and

(f) Provided that each Service Board acts in conformity with the provisions of this Ordinance, each such budget and plan meets the other financial, budgetary, or fiscal requirements which the RTA has established.

1.3 Pursuant to Section 4.11 of the Act, the budgets for 2005 and financial plans for 2006 and 2007, for the CTA, Metra and Pace, 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.

1.4 The RTA's approval of each Service Board's proposed budget for 2005 and financial plan for 2006-2007 is conditioned on each Service Board taking any and all appropriate actions, which actions may include measures other than or in addition to reducing service levels, to ensure that its financial conditions and results of operations of the public transportation services subject to its jurisdiction are substantially in accordance with the proposed budget. Each Service Board will thoroughly communicate its proposed actions in this regard to the RTA for its review.

1.5 Pursuant to Section 4.11 of the Act, no more than 30 days after each fiscal quarter, each Service Board is directed to 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, as at the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two: RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2005 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2005 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2005 Annual Budget and Program shows a balance between anticipated revenues 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 on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2005 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 2005 Annual Budget and Program shows that the level of fares and charges for public transportation provided by, or under grant or purchase of service contracts of, the Service Boards is sufficient to cause the aggregate of all projected system-generated revenues from such fares and charges received in 2005 to equal at least 50 percent of the aggregate cost of providing such public transportation in 2005, as required by the Act, and as summarized in Schedule I-D.

(d) The 2005 Annual Budget and Program is based on and employs assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2005, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2005 of $13,266,488. (Total "Administrative Expenses" are summarized in Schedule I-C.)

Section Three: Five-Year Program

3.1 The Five-Year Program of the RTA for the fiscal years beginning January 1, 2005, and ending December 31, 2009, has been the subject of public hearings in each county in the metropolitan region as required by Section 2.01 of the Act. The RTA has considered public comments on the proposed Five-Year Program. The RTA hereby adopts the Five-Year Program attached as Schedule II, subject to continuing review by the RTA. The Five-Year Program capital funding total currently exceeds the amount of funds estimated to be available for capital projects, and therefore such Five-Year Program will be adjusted to reflect the actual availability of capital funds as such funding amounts are established. In accordance with Section 2.01(c) and Section 4.02(b) of the Act, no Service Board shall apply for or receive any capital grant or loan unless it is identified 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 2005 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 2005 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-F.

RTA Sales Tax Collected Within:

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

Note: Collar counties include DuPage, Kane, Lake, McHenry and Will counties.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, the Executive Director of the RTA shall provide for the payment 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 2005 Budget approved in Article I, amounts received from the State of Illinois Reduced Fare Reimbursement Program. The estimated amount of the appropriation is included within the "Service Board System Generated Revenues" on Schedule I-B.

After receipt by the RTA of funds from the State of Illinois Reduced Fare Reimbursement Program, the Executive Director shall provide for the payment 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 2005 Budget approved in Article I, the amounts specified as "RTA Discretionary Funds" 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 Operations Funding" on Schedule I-B after removal of the amounts specified as "Federal Funds (4)" and "Transfer Capital (5)" on Schedule I-B.

The Executive Director is hereby directed to provide for the 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 on Schedule I-E from other receipts and revenues of the RTA.

(c) Funds for passes: There is appropriated, for expenditure by Pace pursuant to the 2005 Budget approved in Article I, for accepting certain CTA passes, a maximum amount specified as "RTA Discretionary Funds for Passes" on Schedule I-B from other receipts and revenues of the RTA.

The Executive Director is hereby directed to provide for payment of such funds pursuant to grant agreements with each Service Board.

Section Two: Appropriation to the Regional Transportation Authority

In 2005 there is appropriated, for expenditure of operating purposes of the RTA (the Agency) the amounts specified on Schedule I-A as Agency Operations, Regional Technical Assistance and Coordination and Regional Technology and Agency Programs pursuant to the 2005 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for 2005 Agency Operations, Regional Technical Assistance and Coordination, and Regional Technology and Agency 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 2005 Annual Budget and Program of the RTA in accordance with the policies established herein.

Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to annual review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

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 such 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 the Executive Director deems 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 2005 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 I-A: **RTA Statement of Revenues and Expenditures** —
General and Agency Funds (dollars in thousands)

Revenue	**2005 Budget**	**2006 Plan**	**2007 Plan**
Sales Tax (1)	$ 697,600	$ 719,900	$ 742,930
Public Transportation Fund (PTF)	174,400	179,975	185,733
State Financial Assistance (SFA)	109,186	129,081	148,734
Reduced Fare (RF)	37,240	37,240	37,240
Other Revenue	20,941	17,338	16,201
Total Revenue	$ **1,039,367**	$ **1,083,534**	$ **1,130,838**
Operating Expenditures			
RTA Operations Funding	$ 754,493	$ 764,048	$ 786,774
Reduced Fare and Sales Tax Interest (2)	37,523	37,523	37,523
Agency Operations (3)	20,169	20,478	20,796
Regional Technical Assistance and Coordination (4) (5)	8,572	7,625	7,185
Total Operating Expenditures	$ **820,757**	$ **829,674**	$ **852,278**
Debt Service and Capital Expenditures			
Principal and Interest	$ 177,656	$ 208,973	$ 229,953
Regional Technology and Agency Programs (4) (6)	8,739	5,750	6,365
Metra Transfer Capital	23,624	14,492	14,957
Metra Federal Funds (7)	(16,472)	(9,166)	(9,166)
CTA Transfer Capital	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	$ **213,900**	**240,402**	$ **262,462**
Total Expenditures	$ **1,034,657**	$ **1,070,076**	$ **1,114,740**
Fund Balance (Undesignated/Unreserved)			
Beginning Balance	$ 1,404	$ 9,634	$ 24,792
Remainder/(Deficit) (8)	4,710	13,458	16,098
Designations/Reserves (9)	3,520	1,700	1,739
Ending Balance	$ **9,634**	$ **24,792**	$ **42,629**
% **of Total Operating Expenditures**	**1.2**%	**3.0**%	**5.0**%
Recovery Ratio (10)	**53.1**%	**52.3**%	**52.3**%

(1) The RTA sales tax figure for 2005 is $21.6 million higher than the OMB estimate of $676 million. The amounts in 2006 and 2007 grow from the 2005 RTA figure. (2) Includes Sales Tax Interest of $283 thousand each year. (3) Includes non-cash office lease amortization from 2005-2007 in the respective amounts (in thousands) of $409, $328, and $246. (4) The 2002 RTA budget established a process for reserving moneys needed to fund the longer-term nature of the RTA's Regional Technical Assistance and Coordination initiatives, and Regional Technology and Agency capital programs (similar to Service Board capital program processes). At year-end, any unspent RTA appropriation amount is reserved to fund the continuation of these initiatives. (5) Includes the estimated funds to Pace ($2 million each year) for accepting certain CTA passes. (6) The 2005 figure includes $1 million for the development of the Universal Fare Card Program. (7) Federal 5307 preventive maintenance funds included in Metra's transfer capital figures that do not flow through the RTA. (8) Equals Total Revenue less Total Expenditures. (9) Use of Regional Technical Assistance and Coordination initiatives, and Regional Technology and Agency capital program reserves to fund on-going programs. (10) Reference Schedule I-D for the 2005 recovery ratio calculations.

Schedule I-B: **Service Board Deficit Funding** (dollars in thousands)

2005 Budget	**CTA**	**Metra**	**Pace**	**Total**
Service Board System–Generated Revenues (1)	$ 470,090	$ 253,611	$ 59,682	$ 783,383
Service Board System–Generated Expenses	911,722	487,420	156,253	1,555,395
Total Service Board Deficit	$ **441,632**	$ **233,809**	$ **96,571**	$ **772,012**
Deficit Funding				
RTA Sales Tax (2)	276,307	240,961	75,691	$ 592,959
RTA Discretionary Funds (3)	165,325	—	3,361	168,686
Federal Funds (4)	—	16,472	—	16,472
Transfer Capital (5)	—	(23,624)	—	(23,624)
RTA Operations Funding	$ **441,632**	$ **233,809**	$ **79,052**	$ **754,493**
RTA Discretionary Funds for Passes (6)	—	—	2,000	2,000
Transfers to Fund Balance (7)	—	—	(1,753)	(1,753)
Federal Funds (8)	—	—	17,272	17,272
Total Service Board Deficit Funding	$ **441,632**	$ **233,809**	$ **96,571**	$ **772,012**
2006 Financial Plan				
Service Board System–Generated Revenues (1)	$ 457,966	$ 258,117	$ 60,553	$ 776,636
Service Board System–Generated Expenses	899,598	501,481	160,611	1,561,690
Total Service Board Deficit	$ **441,632**	$ **243,364**	$ **100,058**	$ **785,054**
Deficit Funding				
RTA Sales Tax (2)	$ 285,064	$ 248,690	$ 78,162	$ 611,916
RTA Discretionary Funds (3)	156,568	—	890	157,458
Federal Funds (4)	—	9,166	—	9,166
Transfer Capital (5)	—	(14,492)	—	(14,492)
RTA Operations Funding	$ **441,632**	$ **243,364**	$ **79,052**	$ **764,048**
RTA Discretionary Funds for Passes (6)	—	—	2,000	2,000
Transfers to Fund Balance (7)	—	—	(1,533)	(1,533)
Federal Funds (8)	—	—	20,539	20,539
Total Service Board Deficit Funding	$ **441,632**	$ **243,364**	$ **100,058**	$ **785,054**
2007 Financial Plan				
Service Board System–Generated Revenues (1)	$ 472,825	$ 267,213	$ 61,540	$ 801,578
Service Board System–Generated Expenses	927,325	518,112	166,380	1,611,817
Total Service Board Deficit	$ **454,500**	$ **250,899**	$ **104,840**	$ **810,239**
Deficit Funding				
RTA Sales Tax (2)	$ 294,082	$ 256,690	$ 80,719	$ 631,491
RTA Discretionary Funds (3)	160,418	—	656	161,074
Federal Funds (4)	—	9,166	—	9,166
Transfer Capital (5)	—	(14,957)	—	(14,957)
RTA Operations Funding	$ **454,500**	$ **250,899**	$ **81,375**	$ **786,774**
RTA Discretionary Funds for Passes (6)	—	—	2,000	2,000
Transfers to Fund Balance (7)	—	—	(20)	(20)
Federal Funds (8)	—	—	21,485	21,485
Total Service Board Deficit Funding	$ **454,500**	$ **250,899**	$ **104,840**	$ **810,239**

(1) Includes farebox, reduced fare and other revenue (for the CTA and Pace this includes federal 5307 funds transferred to operations for paratransit service costs). (2) Service Board statutory distribution of sales tax collected in the region as shown on Schedule I-F. (3) RTA discretionary funds include public transportation funds (PTF), RTA's 15 percent apportionment of sales tax collections and other receipts. (4) Federal 5307 funds transferred to operations for preventive maintenance. (5) Funds transferred to capital after operating needs are met. Includes proceeds from a 1989 fare increase restricted for capital investment. (6) RTA discretionary funds to Pace for accepting certain CTA passes. The amount shown represents maximum funding with disbursement based on Pace usage. (7) Favorable Service Board operating results transferred to their respective fund balance. (8) Federal 5307 funds transferred to operations for ADA complementary service and preventive maintenance. Pace figures include CMAQ and JARC funds from 2005 through 2007 in the respective amounts of $330,000, $80,000 and $4,000.

Schedule I-C: **RTA Agency Operations Administrative and Regional Services Funding** (dollars in thousands)

Administrative	Expenses	2005 Budget Revenues	Funding
Managing Services	$ 2,405	—	$ 2,405
Administrative Services	1,445	—	1,445
Finance	2,512	—	2,512
Total Administrative (1)	$ **6,362**	—	$ **6,362**
Statutory Cap	13,266		
Percent Under Cap	52.0%		
Regional Services			
Travel Information Center	$ 5,317	$ 25	$ 5,292
Americans with Disabilities Act	3,725	—	3,725
Reduced Fare and Customer Service	702	55	647
Regional Initiatives	3,654	1,524	638
Total Regional Services	$ **13,398**	$ **1,604**	$ **11,794**
Total Agency Operations	$ **19,760**	$ **1,604**	$ **18,156**

(1) Excludes building lease amortization expense (GASB 13) of $409,000.

Schedule I-D: **Recovery Ratio Calculations** (dollars in thousands)

System–Generated Recovery Ratio Revenues (1)	2005 Budget
CTA	$ 492,090
Metra	253,611
Pace	64,021
RTA	20,658
Other Revenue	4,262
Total System–Generated Recovery Ratio Revenues	$ **834,642**
System–Generated Recovery Ratio Expenses (2)	
CTA	$ 898,945
Metra	455,330
Pace	160,053
RTA	26,741
Other Expense	30,215
Total System–Generated Recovery Ratio Expenses	$ **1,571,284**
Recovery Ratios (3)	
CTA	54.7%
Metra	55.7%
Pace	40.0%
Total System–Generated Revenue Recovery Ratio	**53.1**%

(1) The CTA and Pace figures include federal 5307 receipts for paratransit service under contract. In 2005 the CTA amount is $18.8 million and Pace's figure is $7.8 million. Beginning in 2005 Metra's revenue figure includes receipts from their 1989 five percent fare increase (capital farebox financing). The amount is $9.2 million. CTA figures include Chicago Police Department (CPD) in-kind revenue with a matching amount in their expenses. The CTA amount for the CPD is $22 million. Pace did not budget in-kind ADvAntage revenue or expense in 2005 but booked $3.0 million in 2003 and reported $3.0 million through September 2004. By policy, the revenue figures for the Service Boards exclude the gain from leasing transactions restricted by ordinance for capital. The other revenue amount reflects CTA leasing transactions which are included in the total system-generated revenue recovery ratio. (2) CTA exclusions from expenses include a security exemption of $34.8 million. Metra exclusions include security of $15.2 million, depreciation of $2.9 million and transportation facility leases of $14.0 million. The deductions are allowed by the RTA Act but increased security exemptions were used for the individual CTA and Metra calculations. The amount listed as Other Expense is the sum of the additional CTA and Metra security exemptions which are added back to calculate the total system-generated revenue recovery ratio. (3) The 2005 recovery ratio marks established by the RTA Board are part of the budget approval process. The Service Boards endeavor to achieve or exceed their respective ratio to comply with their approved mark, and as permitted by the RTA Act. The CTA and Metra recovery ratio exceeds their respective marks of 52 percent and 55 percent, and Pace meets its mark of 40 percent.

Schedule I-E: **Service Board and RTA Capital Funding** (dollars in thousands)

			2005 Budget		
Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**RTA**	**Total**
FTA Capital Grants	$ 339,391	$ 181,160	$ 34,856	—	$ 555,407
IDOT Grants	46,400	27,200	6,400	—	80,000
Service Board/Other Funds (1)	6,605	29,509	59	—	36,173
Transfer Capital (2)	20,353	—	—	—	20,353
Carryover and De-obligations	36,041	14,668	300	—	51,009
Total Service Board Capital Funding	$ **448,790**	$ **252,537**	$ **41,615**	—	$ **742,942**
CTA Financing	275,000	—	—	—	275,000
Paratransit, ADA Service and Preventive Maintenance (3)	(18,767)	(16,472)	(24,725)	—	(59,964)
Total Available	$ **705,023**	$ **236,065**	$ **16,890**	—	$ **957,978**
RTA Capital Funding					
Regional Technology and Agency Programs (4)	—	—	—	$ 8,739	—

(1) Includes proceeds from Metra's 1989 fare increase of $9.2 million. (2) Discretionary RTA funding for capital. (3) Federal 5307 funds transferred to operations. (4) RTA technology-driven, region-wide initiatives and Agency capital projects (as shown on Schedule I-A). Includes $1 million for the development of the Universal Fare Card Program.

Schedule I-F: **RTA Sales Tax Distribution** (dollars in thousands)

Service Boards–2005 Budget	**City of Chicago**	**Suburban Cook County**	**Collar Counties**	**Estimated Total**
CTA	$ 179,785	$ 96,522	—	$ 276,307
Metra	—	176,957	64,004	240,961
Pace	—	48,261	27,430	75,691
Total Service Board's Sales Tax (85%)	$ **179,785**	$ **321,740**	$ **91,434**	$ **592,959**
RTA (15%)	31,727	56,778	16,136	104,641
Grand Total	$ **211,512**	$ **378,518**	$ **107,570**	$ **697,600**
Service Boards–2006 Financial Plan				
CTA	$ 185,594	$ 99,470	—	$ 285,064
Metra	—	182,361	66,329	248,690
Pace	—	49,735	28,427	78,162
Total Service Board's Sales Tax (85%)	$ **185,594**	$ **331,566**	$ **94,756**	$ **611,916**
RTA (15%)	32,752	58,511	16,721	107,984
Grand Total	$ **218,346**	$ **390,077**	$ **111,477**	$ **719,900**
Service Boards–2007 Financial Plan				
CTA	$ 191,563	$ 102,519	—	$ 294,082
Metra	—	187,952	68,738	256,690
Pace	—	51,260	29,459	80,719
Total Service Board's Sales Tax (85%)	$ **191,563**	$ **341,731**	$ **98,197**	$ **631,491**
RTA (15%)	33,805	60,305	17,329	111,439
Grand Total	$ **225,368**	$ **402,036**	$ **115,526**	$ **742,930**

Schedule I-G: **Regional Transportation Authority 2005 Monthly Cash Flow Projection** — General and Agency Funds (dollars in thousands)

	January	February	March	April	May	June
Cash Receipts						
Sales Tax	$ 54,636	$ 57,185	$ 67,084	$ 50,399	$ 51,692	$ 55,041
PTF	13,650	13,659	14,296	16,771	12,600	12,923
Reduced Fare	9,454	—	9,262	—	—	9,262
State Assistance	7,500	7,500	7,500	9,514	9,514	25,239
Investment Earnings	125	125	125	125	125	125
Other Agency	787	787	787	787	787	787
Swaps	—	—	820	—	—	1,513
Interest/Other Income—Total	912	912	1,732	912	912	2,424
Total Cash Receipts	$ **86,152**	$ **79,256**	$ **99,874**	$ **77,596**	$ **74,718**	$ **104,890**
CTA Cash Disbursements						
85% Sales Tax	$ 22,005	$ 22,670	$ 26,357	$ 20,252	$ 20,575	$ 22,000
RTA Discretionary	13,777	13,777	13,777	13,777	13,777	13,777
Reduced Fare Reimbursement	7,793	—	7,635	—	—	7,635
Capital Program	2,083	2,083	2,083	2,083	2,083	2,083
Prior Year Budget True-Up	—	—	—	(896)	(896)	(896)
Total CTA Cash Disbursements	$ 45,659	$ 38,530	$ 49,853	$ 35,217	$ 35,539	$ 44,599
Metra Cash Disbursements						
85% Sales Tax	$ 18,613	$ 19,757	$ 23,370	$ 17,189	$ 17,794	$ 18,865
Reduced Fare Reimbursement	775	—	759	—	—	759
Capital Program	83	83	83	83	83	83
2003 Budget True-Up	—	—	—	—	—	—
Total Metra Cash Disbursements	$ **19,470**	$ **19,841**	$ **24,212**	$ **17,273**	$ **17,877**	$ **19,707**
Pace Cash Disbursements						
85% Sales Tax	$ 5,823	$ 6,180	$ 7,294	$ 5,398	$ 5,569	$ 5,921
RTA Discretionary	280	280	280	280	280	280
RTA Pass Reimbursement	600	—	—	500	—	—
Reduced Fare Reimbursement	—	—	868	—	—	868
Capital Program	83	83	83	83	83	83
Prior Year Budget True-Up	—	—	—	(83)	(83)	(83)
Total Pace Cash Disbursements	$ **6,786**	$ **6,543**	$ **8,525**	$ **6,178**	$ **5,850**	$ **7,069**
RTA Operations, Debt Service and Capital						
Sales Tax Interest	$ 43	$ 37	$ 37	$ 37	$ 37	$ 37
Principal and Interest Payments	13,881	14,161	14,209	13,381	6,624	9,129
Agency Operating Expenses	1,681	1,681	1,681	1,681	1,681	1,681
Technology, Coordination and Programs	1,276	1,276	1,276	1,276	1,276	1,276
Total RTA Disbursements	$ **16,880**	$ **17,155**	$ **17,203**	$ **16,375**	**9,618**	$ **12,122**
Total Cash Disbursements	$ **88,796**	$ **82,069**	$ **99,793**	$ **75,042**	$ **68,884**	$ **83,497**
Cash Balance (1)						
Beginning	$ 90,724	$ 88,079	$ 85,266	$ 85,347	$ 87,900	$ 93,734
Ending	88,079	85,266	85,347	87,900	93,734	115,126

(1) Restricted and unrestricted cash.

July	August	September	October	November	December
$ 58,905	$ 57,579	$ 61,720	$ 59,593	$ 57,933	$ 57,766
13,760	14,726	14,395	15,430	14,898	14,483
—	—	9,262	—	—	—
—	—	—	—	—	31,728
125	125	125	125	125	125
787	787	787	787	787	912
—	—	—	—	—	7,307
912	912	912	912	912	8,344
$ 73,577	**$ 73,217**	**$ 86,289**	**$ 75,935**	**$ 73,743**	**$ 112,322**
$ 23,277	$ 22,659	$ 24,443	$ 23,596	$ 22,967	$ 23,025
13,777	13,777	13,777	13,777	13,777	13,777
—	—	7,635	—	—	—
2,083	2,083	2,083	2,083	2,083	2,083
39,137	38,519	47,938	39,457	38,828	38,885
20,394	19,995	21,318	20,588	19,994	19,840
—	—	759	—	—	—
83	83	83	83	83	83
—	—	—	—	—	—
$ 20,477	**$ 20,078**	**$ 22,160**	**$ 20,671**	**$ 20,078**	**$ 19,923**
$ 6,398	$ 6,289	$ 6,702	$ 6,470	$ 6,282	$ 6,237
280	280	280	280	280	280
500	—	—	500	—	—
—	—	868	—	—	—
83	83	83	83	83	83
—	—	—	—	—	—
$ 7,262	**$ 6,652**	**$ 7,933**	**$ 7,333**	**$ 6,645**	**$ 6,600**
$ 37	$ 37	$ 37	$ 37	$ 37	$ 37
14,639	14,843	14,867	14,019	11,910	11,113
1,681	1,681	1,681	1,681	1,681	1,681
1,276	1,276	1,276	1,276	1,276	1,276
$ 17,633	**$ 17,837**	**$ 17,861**	**$ 17,013**	**$ 14,904**	**$ 14,107**
$ 84,509	**$ 83,086**	**$ 95,892**	**$ 84,474**	**$ 80,454**	**$ 79,515**
$ 115,126	$ 104,194	$ 94,325	$ 84,722	$ 76,182	$ 69,471
104,194	94,325	84,722	76,182	69,471	102,278

Budget in Brief

Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in the six-county northeastern Illinois region as set forth by the *RTA Act.* The Act designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

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 public transportation within the six-county region and are governed by their own boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region and Pace provides bus service in the suburbs and from the suburbs to the City of Chicago (Exhibit 1-1).

Annually, the RTA Board 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 is to conform to the RTA marks. After considering public comment, the CTA, Metra and Pace board members adopt their respective budgets.

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.

In this document, the Region section represents a consolidated view of the operating budgets and financial plans of the Agency (RTA) and the three Service Boards. The Capital section identifies the source of funds and the capital programs of each Service Board. Exhibit 1-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Exhibit 1-1: **RTA Organization Structure**

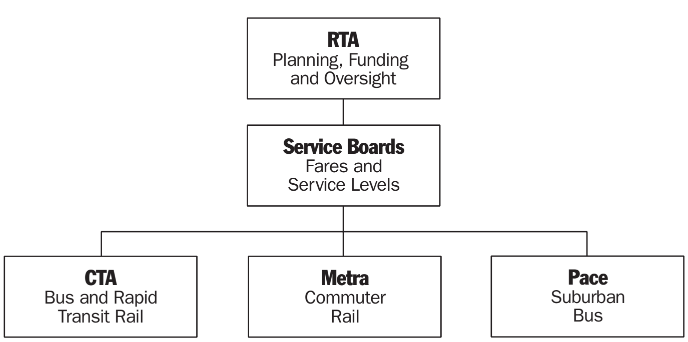
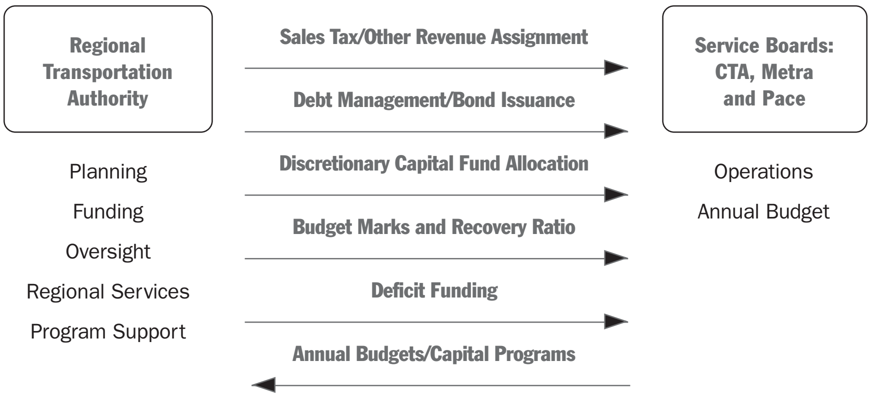


Exhibit 1-2: **Financial Relationship and Responsibilities of RTA and Service Boards**



Strategic Focus

The RTA Board of Directors has 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 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 financially sound. The region's overall business strategy is to satisfy its customers.

Challenges

The region's population and economy have grown considerably with a corresponding increase in land consumed by commercial and residential development. This has increased the region's traffic congestion, environmental issues and placed additional needs on the public transit system. However, recently, operating and capital funds available for public transportation have not kept pace with inflation and the dramatic increase in the cost of security.

Long-term viability for the region's public transit system requires focus on capital funding needs. Both federal authorization *(TEA-21)* and *Illinois FIRST* enabled our system to make considerable progress in recent years in improving the existing infrastructure and expanding service.

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. The RTA region, therefore, 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).

Through the *Illinois FIRST* program, the RTA had the authority to issue an additional $1.3 billion in Strategic Capital Improvement Program (SCIP) bonds and an additional $300 million in RTA Series bonds for capital improvements. The first $260 million of SCIP bonds was issued in June 2000. As of the end of 2004, the Agency issued $1.3 billion in bonds from this program. The 2005 Agency budget includes plans to issue the final amount of bonds under *Illinois FIRST*.

However, 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 and bring our existing system infrastructure to a state of good repair, and to service expanding market needs.

The RTA 2005-2009 five-year capital program totals $4.2 billion. This program requires continued state support through state transit bonds ("B" bonds) that provide local matching funds for federal funds, as well as $1.0 billion in additional RTA bonding authority under the SCIP.

The region is pursuing several major capital programs to address expanding market needs including the CTA's Circle Line and express service to both airports and Metra's new STAR (Suburban Transit Access Route) Line and the proposed SouthEast Service Line. In addition, Metra is planning and will need funding for new infrastructure programs that reach 60 percent of its existing customer base and includes upgrades to its UP-Northwest and UP-West lines. These upgrades will increase capacity, improve service reliability and reduce operating costs.

At this time, legislation that establishes both federal and state funding has expired. Mechanisms for the continuation of these funding sources, which are needed to support the region's capital program, have not been put in place. This uncertainty is of great concern. It is critical that the next authorization bills at the federal and state level include support of these new infrastructure and market initiatives.

Service

More than 8 million residents in the six-county northeastern Illinois region live in an area that covers 3,749 square miles. The RTA system deploys more than 2,400 buses on more than 360 routes and operates more than 2,300 railcars with locomotives on 19 rail lines to service its customers. In 2003, the regional public transportation system provided 553 million trips, carrying passengers 3.6 billion miles.

The system has a replacement value of more than $24 billion (i.e., the asset value of the system's existing infrastructures). With an average asset life of approximately 20 years, the RTA system needs about $1 billion in capital funds each year just to keep the existing infrastructure in good repair.

Operating Plan

A statement of revenues and expenditures for the 2004 estimate and the 2005 budget is presented in Exhibit 1-3. The statement of RTA revenues and expenditures from 2003 through 2007 is shown in Exhibit 2-1 of the Region section.

Exhibit 1-3: **RTA Statement of Revenues and Expenditures** (dollars in thousands)

Revenue	**2004 Estimate**	**2005 Budget**
Sales Tax	$ 675,950	$ 697,600
Public Transportation Fund	168,988	174,400
State Financial Assistance	85,996	109,186
Reduced Fare	38,220	37,240
Other Revenue	25,777	20,941
Total Revenue	$ **994,931**	$ **1,039,367**
Operating Expenditures		
Operations Funding	$ 743,471	$ 754,493
Reduced Fare	38,220	37,240
Sales Tax Interest	283	283
Agency Operations (1)	19,352	20,169
Regional Technical Assistance and Coordination (2)	5,964	8,572
Total Operating Expenditures	$ **807,290**	$ **820,757**
Debt Service and Capital Expenditures		
Principal and Interest	$ 152,778	$ 177,656
Regional Technology and Agency Programs (2) (3)	7,319	8,739
Metra Transfer Capital (4)	10,676	23,624
Metra Federal Funds (4)	—	(16,472)
CTA Transfer Capital	20,353	20,353
Total Debt Service and Capital Expenditures	$ **191,126**	$ **213,900**
Total Expenditures	$ **998,416**	$ **1,034,657**
Fund Balance (Undesignated/Unreserved)		
Beginning Balance	$ 4,889	$ 1,404
Remainder/(Deficit)	(3,485)	4,710
Designations/Reserves (5)	—	3,520
Ending Balance	$ **1,404**	$ **9,634**
% of Total Operating Expenditures	0.2%	1.2%

(1) Includes Regional Services (TIC, ADA, R/F and CSC) and building lease amortization (GASB 13) in 2004 and 2005 of $416 and $409 respectively. (2) RTA Regional Technical Assistance and Coordination, Regional Technology and Agency programs are funded at budget. Regional Technical Assistance and Coordination includes RTA estimated reimbursement to Pace for accepting CTA passes. The amount in 2004 and 2005 is $0.6 million and $2.0 million respectively. (3) Includes $1 million for the Universal Fare Card Program. (4) Metra's 2005 capital program reflects a transfer capital amount of $23,624. However, the figure includes $16,472 in Federal Section 5307 preventive maintenance funds that do not flow through the RTA. (5) Use of Regional Technical Assistance and Regional Technology reserves.

Revenues

In 2005, total RTA revenues are projected at $1,039.4 million. This represents an increase of $44.4 million or 4.5 percent over the 2004 estimate of $994.9 million. Nearly 84 percent, or $872 million, of these revenues will be generated from RTA Sales Tax and Public Transportation Fund (PTF) receipts. State financial assistance (SFA) of $109.2 million provides 10 percent of revenues. State reduced fare reimbursement (RF) programs equal 4 percent of total revenues, or $37.2 million. Other revenue accounts for the remaining balance of $20.9 million, or 2 percent. Exhibit 1-4 illustrates this distribution.

Sales Tax

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

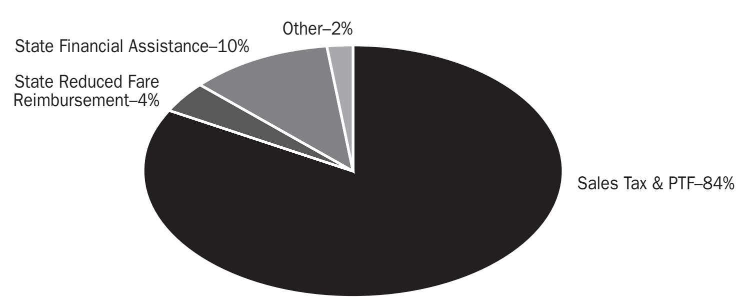
The 2004 sales tax estimate and the 2005 budget year sales tax projections were established after assessing forecasts issued by the Illinois Office of Management and Budget (OMB). Their projections pointed to RTA receipts in 2004 and 2005 of $667 million and $676 million that were only 1.8 percent and 3.2 percent greater than the RTA 2003 revenues of $655 million. Based on this information and supplementary state and regional economic data, the RTA decided to apply more upbeat estimates to 2003 figures. As a result, the RTA projected sales tax to grow to $676 million in 2004, an increase of $21 million or 3.2 percent compared to 2003 results of $655 million.

Using the RTA's 2004 base of $676 million and a growth rate of 3.2 percent produces an estimated sales tax level of $697.6 million in 2005. This is an increase of $21.6 million over the RTA 2004 estimate and a difference of $30.6 million when compared with the OMB 2004 forecast of $667 million. Using the RTA sales tax figures for 2005 combined with Public Transportation Funds (PTF) played a major role in funding service board operations at the level recognized in 2004 for 2005.

Public Transportation Funds

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. Estimated receipts in 2005 are $174.4 million.

Exhibit 1-4: **2005 RTA Revenue Sources** — $**1,039 million**



State Financial Assistance

This revenue source is state-authorized assistance to reimburse the debt service expenses for RTA 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. Projected receipts for 2005 are $109.2 million.

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 from $40 million to $36 million. However, for 2003 funding returned to $40 million less a 2 percent or $0.8 million state reserve. Because the state fiscal year begins in July (compared to the RTA's calendar year), the impact was one-half of the state's fiscal year amount or $0.4 million in 2003. For 2004, the state has again reduced its fiscal year funding ($39.2 million to $37.2 million) which reduces RTA funding by $1 million in 2004 and by $2 million in 2005.

Other Revenue

This revenue category includes sales tax interest, investment income, transit benefit program revenue, and grant funds from state and local agencies for regional coordination and technology initiatives. Total receipts in 2005 are budgeted at $20.9 million.

Operating Expenditures

Total RTA expenditures (operating, debt service and capital) for 2005 are budgeted at $1,034.7 million. This amount is 3.6 percent greater than the 2004 estimate of $998.4 million. Exhibit 1-5 illustrates the expense distribution planned for 2005.

Operation Funding

The RTA's primary expenditure is the funding of Service Board operating deficits.

The RTA Board establishes "marks" for each Service Board to use in their proposed budget and program. The marks are set in September for the next fiscal (calendar year) period. Operating marks include a recovery ratio for the next budget year and operating funds for the budget and the following two-year financial planning period. Operating funds are disbursed as budgeted unless amended by the RTA Board. The 2004 funding amount is $743.5 million.

The combined budget for operating funds to the Service Boards in 2005 totals $754.5 million (sales tax formula funds and RTA discretionary funds) which is 1.5 percent or $11 million greater than 2004 funding. In recent years, the RTA has placed increased importance on its' two-year operations funding figures, especially for the first year of the two-year financial plan. This strategy provides the Service Boards an additional year to plan operating levels. Therefore, the combined amount of formula sales tax and RTA discretionary funds for the CTA and Pace in 2005 equals the funding pledged to those Service Boards when the 2004 budget and 2005-2006 financial plan was adopted by the RTA Board in December 2003.

Metra's 2005 RTA formula sales tax funds of $241 million exceed operating needs. However, their 2005 operating deficit is $11 million higher than 2004 and accounts for the overall increase in RTA operating funds to the Service Boards for 2005.

CTA

The RTA's funding mark for CTA operations in 2005 is $441.6 million, the same as in 2004. This action was planned as described in the preceding paragraphs.

Metra

Metra's operating funding level for 2005 is budgeted at $233.8 million or 4.9 percent higher than their 2004 budget of $222.8 million. Metra's RTA Sales Tax funding and Federal Section 5307 preventive maintenance funds for operations in 2005 are budgeted at $257.4 million which exceed operating needs by $23.6 million. This amount is transferred to their capital program.

Pace

Pace's operations funding from the RTA in 2005 is $79.1 million. In addition, the RTA has agreed to fund Pace up to $2 million to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Pass in 2005. Pace also plans to use federal capital program funds of $16.9 million (Section 5307 funds that can be used for operations as provided for by federal regulations) to fund its operating deficit in 2005.

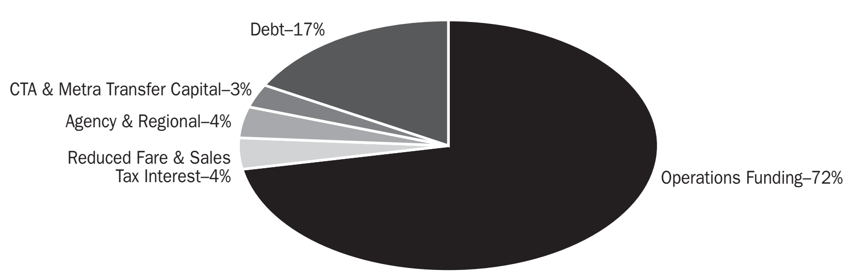
Reduced Fare

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. The 2005 reimbursement level of $37.2 million is down $1 million from the 2004 estimate.

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,

Exhibit 1-5: **2005 RTA Expenditures — $1,035 million**



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 adversely affected by sluggish interest rates and sales tax receipts. Payments in 2005 are estimated to be $0.3 million, even with 2004.

Agency and Regional Expenditures

Expenses are divided into three major groupings: Agency operations, regional technical assistance and coordination, and regional technology and capital programs (explained under Debt Service and Capital Expenditures).

Agency Operations

Agency operations represent on-going RTA functions to execute its planning, funding, and financial oversight responsibilities. Included in Agency costs for 2004 and 2005 is a building lease amortization expense required by Government Accounting Standards Bulletin No. 13 (GASB 13) of $0.4 million. In addition, the RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), *ADA* certification, Reduced Fare, and the Customer Information Center.

The budget for 2005 is $20.2 million. The increase over the 2004 estimate of $19.4 million is mainly the result of a growing number of calls to the RTA's Travel Information Center.

Regional Technical Assistance and Coordination

The RTA continues to support growing demands for technical assistance initiatives and coordination programs that encourage transit oriented improvements in the region. Programs supported include APTA (American Public Transportation Association) marketing, the Regional Technical Assistance Program (RTAP), regional corridor studies, and funding to Pace ($2 million) for accepting CTA passes.

Through partnership efforts with other state and local agencies, the RTA receives external funds that defray part of the program costs. Estimated receipts of $2.9 million in 2005 cover 45 percent of the $6.6 million program costs with the balance of funds, $3.7 million, provided by the RTA. The RTA made available $2.7 million in funds for similar initiatives in 2004.

In 2002, the RTA initiated a process to reserve the unspent balance of funds set aside in the annual budget. The 2005 budget points to the use of reserves to reduce new funding needs.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to grow from $191.1 million in 2004 to $213.9 million in 2005 an increase of $22.8 million. This growth results primarily from the change in principal and interest payments.

Principal and Interest

Principal and interest expenditures increase from $152.8 million in 2004 to $177.7 million in 2005. Payments cover the issuance of bonds, authorized by the state. This program helps fund Service Board capital projects. The increase of $24.9 million in 2005 is primarily recovered from state (SFA) funds that show an increase of $23.2 million over 2004 receipts ($109.2 million versus $86.0 million). The RTA issued $260 million in SCIP bonds in 2004 and plans to issue the final amount of SCIP bonds authorized by *Illinois FIRST* in 2005.

Regional Technology and Agency Programs

The 2005 budget continues the RTA's commitment to region-wide capital-driven technology advancement. Expenditure plans of $8.7 million next year are up $1.4 million from 2004. The major portion of this increase ($1.0 million) is directly related to funds set aside for development of the Universal Fare Card program.

The RTA also receives reimbursement (revenue) from federal programs and local initiatives that help offset part of these expenditures. In 2005, receipts of $3.3 million will lower RTA funding requirements to $5.4 million. The RTA will also use reserves from the unspent balance of funds set aside in the annual budget that have accumulated since 2002. The 2005 budget designates the use of reserves to hold down new funding requirements.

Metra Transfer Capital/Federal Funds

The RTA recognizes the importance of long-term capital investment and determined that programming certain federal funds for operating purposes will enable Metra to use an increased amount of funds available for operating purposes as local matching funds therefore utilizing all available capital funds. In 2005, Metra programmed federal (Section 5307 preventive maintenance) funds of $16.5 million for operating purposes. Total funding of $257.4 million exceeds operating needs by $23.6 million. This amount will be used for capital investment.

CTA Transfer Capital

Since 1995, the RTA has transferred a portion of its discretionary funds, available for region-wide capital or operating initiatives, to the CTA for capital investment. The annual funding for this program during the next three-year financial planning period continues at the 2004 level of $20.4 million.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance. If the amount is below 5 percent the financial plan must show full replenishment by the end of the current planning cycle.

The percentage is based on total operating expenditures for the year (as shown on Exhibit 1-3). The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods. This policy has proved its value as a sluggish economy over the past several years limited growth of sales tax receipts. However, the RTA has still funded Service Board operations as budgeted and planned.

Exhibit 1-6: **RTA Expenditures in 2005** (dollars in millions)

Public Funding	CTA	Metra	Pace	Agency	Region	Total
Receipts Allocated by Formula (1)	$ 307.1	$ 236.9	$ 79.2	—	—	$ 623.2
Discretionary for Operating Deficit (2)	165.3	—	3.4	—	—	168.7
Transfer Capital (3)	20.4	7.2	—	—	—	27.6
Funds for Agency Operations (4)	—	—	—	6.6	13.6	20.2
Funds for Regional Initiatives (5)	—	—	2.0	—	15.3	17.3
Principal and Interest Payments (Debt Service) (6)	88.8	80.0	8.9	—	—	177.7
Total Used	$ **581.6**	$ **324.1**	$ **93.5**	$ **6.6**	$ **28.9**	$ **1,034.7**

(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 funds that flow through the RTA and RTA discretionary funds to the CTA for capital. (4) RTA formula revenue and other receipts used to fund agency operations, including Agency (GSAB 13) lease amortization. Region programs include the TIC, ADA, RF and CSC. (5) RTA formula revenue and other receipts used to fund technical assistance, coordination and technology initiatives. Includes RTA reimbursement to Pace for accepting CTA 7-Day Passes, U-Passes, and Visitor Fun Passes. (6) Debt service for bonds applied by formula (CTA 50 percent, Metra 45 percent, and Pace 5 percent).

The ending fund balance for 2004 is estimated to be $1.4 million which is 0.2 percent of the total operating costs. The 2005 budget shows a year-end balance of $9.6 million or 1.2 percent of total operating expenditures. To bring the reserve back to the 5 percent policy level by the end of the financial planning period (2007) requires the RTA to hold CTA, Pace, Agency, and Regional Coordination and Technology initiatives funding steady through 2006 with a 2.9 percent increase projected for 2007. Metra will continue to operate below its statutory sales tax allotment but have reduced funds available for its capital program.

Beginning Balance

The beginning balance is the amount of funds in the undesignated and unreserved (General Fund) fund balance after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2003 actual results for the 2004 beginning balance. This amount is $4.9 million.

Remainder/Deficit

Total RTA revenues less total RTA expenses produce an annual change to the fund balance. When revenue exceeds expense, the remainder or surplus is added to the fund balance. If expenses exceed revenues, the fund balance is reduced by the deficit amount. Projections indicate that expenditures will exceed revenues in 2004 and lower the balance by $3.5 million. Revenues are projected to exceed expenses in 2005 and increase the balance by $4.7 million.

Designations/Reserves

Certain program expenditures funded by the RTA may be obligated in the prior year's fund balance when the RTA Board adopts the following year's program. Also, the unspent portion of the regional technical assistance and regional technology programs (as previously discussed) are reserved. When program funds are de-obligated and/or re-obligated a change in the fund balance can take place. In 2004, no change in designations or reserves is expected. The 2005 budget calls for the use of $3.5 million in technical assistance and technology fund reserves to help cover planned expenditures. This amount ($3.5 million) is included in the 2005 ending fund balance of $9.6 million.

Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal (calendar) 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 system-generated revenue recovery ratio for 2005 is 53.1 percent. The detailed breakdown of this calculation is provided in the Region section.

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. This statutory calculation of 53.1 percent in 2005, exceeds 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 (CAP). The CAP is $13.3 million and the Agency's administrative expenses of $6.6 million (with lease amortization expenses of $0.2 million) are more than 50 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 that comply with these stipulations.

Public Funding

Each section of the 2005 Program and Budget Book presents the source and use of funds through the RTA for the respective operation. The subsequent paragraphs and exhibits summarize the use of these funds (expenditures) for the 2005 budget.

In 2005, the RTA plans to receive $1,039.4 million in total revenue from RTA sales tax, state assistance, investment income, agency program revenues and other sources (Exhibit 1-2).

Exhibit 1-7: **2005 RTA Expenditures by Organization** — $**1,035 million**

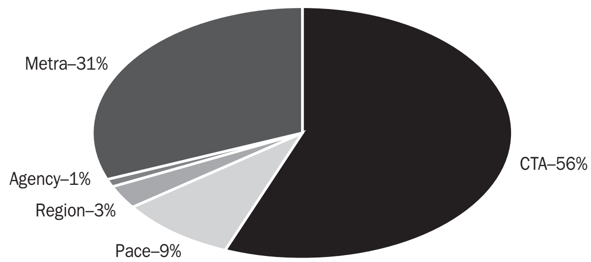


Exhibit 1-8: **2005 RTA Discretionary Funds for Service Board Operations** — $**169 million**

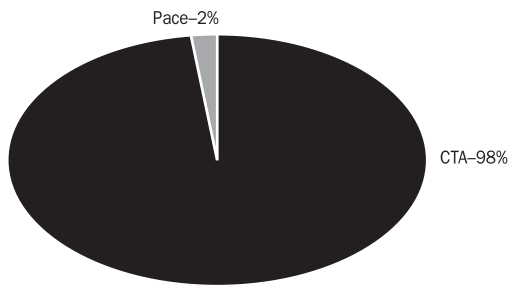


Exhibit 1-9: **RTA 2005-2009 Capital Program Marks** (dollars in millions)

		2005-2009 Capital Marks
Total Federal Funds		$ **2,567**
Local Funds	IDOT (1)	400
	RTA (2)	1,142
	Service Boards (3)	156
	Total Local Funds	$ **1,698**
	De-Obligations (4)	51
Total Service Board Funding		$ **4,343**
Federal Section 5307 Funds Transferred to Operations (5)		(406)
CTA Financing		275
Total Funds Available (RTA Marks)		$ **4,185**

(1) Illinois Department of Transportation (IDOT) Bonds. (2) RTA SCIP Bonds $1,040 million and RTA discretionary transfer capital to CTA $102 million. (3) Metra transfer capital $84 million, other Service Board funds $66 million and Local funds $6 million. (4) IDOT de-obligations $21 million, RTA bonds $9 million and RTA SCIP bonds $21 million. (5) CTA debt repayment $137 million and $104 million to provide for the capital-related portion of the costs of paratransit service under contract. Metra $53 million for preventive maintenance. Pace $112 million for ADA complementary services, preventive maintenance and to provide for the capital-related portion of the cost of paratransit service under contract.

The use of RTA funds of $1,034.7 million is detailed in Exhibit 1-6. The CTA will draw on $581.6 million or 56 percent, Metra $324.1 million or 31 percent, Pace $93.5 million or 9 percent. The agency will apply $6.6 million or 1 percent and Regional programs at $ 28.9 million will employ 3 percent (Exhibit 1-7).

Included in the use of RTA funds (Exhibit 1-6) is an operating discretionary amount of $168.7 million. This is budgeted to fund the operating deficits of the CTA and Pace. The 2005 budget distributes $165.3 million, or 98 percent, to the CTA and $3.4 million, or 2 percent, to Pace (Exhibit 1-8).

Capital Program

The capital program "marks" set by the RTA Board in September include estimated figures that the Service Boards use in the budget and program documents that they present for public hearing. When final federal appropriations numbers are determined and local funds changed, the RTA Board will consider ordinances that incorporate all the changes and bring the program in balance. The five-year program marks currently total $4.2 billion (Exhibit 1-9). The Service Boards will change their program amounts to balance with their marks. Details on their current programs are provided in the Capital section of this document (Schedule II).

Region Operating Plan

Overview

The Chicago metropolitan area is the third most congested area in the nation according to the Texas Transportation Institute's 2004 Urban Mobility Study. The region continues to expand and new markets are developing as the population increases further from Chicago's central business district. Experts predict that over the next 20 years, congestion on the region's roads will double. Therefore, what has worked to supply the travel market in the past may not work in this changing environment increasing the need for an effective public transit system to maintain mobility.

Benefiting from federal *(TEA-21)* and state *(Illinois FIRST)* funding authorizations, the region has many important initiatives underway to reconstruct and expand major transit pathways. However, the current authorizations have expired; and it is critical that future federal and state authorization legislation provide the funding needed to continue the expansion and improvement plans in the region's capital program.

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 consolidated budget and financial plan, and a collective capital program to meet the region's growing public transit needs.

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 2003-2007. Throughout this document, 2003 is actual data, 2004 is the estimate of year-end results, 2005 is the operating budget, and 2006-2007 is the two-year financial plan.

Revenue

As identified in Exhibit 2-1, total revenues are projected to grow from $956 million in 2003 to $1,131 million in 2007. This is an increase of $175 million over the four-year period, or a 4.3 percent compound annual growth rate.

The RTA Sales Tax is the primary source of revenue for the RTA. In 2003, RTA Sales Tax receipts of $655 million comprised 69 percent of the RTA's total revenue. Public Transportation Funds (PTF), State Financial Assistance (SFA), State Reduced Fare (RF), and other revenue provided the balance of RTA revenues, totaling $301 million or 31 percent (Exhibit 2-2).

Exhibit 2-1: **RTA Statement of Revenues and Expenditures** — General and Agency Funds (dollars in thousands)

Revenues	**2003 Actual**	**2004 Estimate**	**2005 Budget**	**2006 Plan**	**2007 Plan**
Sales Tax	$ 654,988	$ 675,950	$ 697,600	$ 719,900	$ 742,930
Public Transportation Fund (PTF)	164,739	168,988	174,400	179,975	185,733
Sales Tax and PTF Sub-Total	$ **819,727**	$ **844,938**	$ **872,000**	$ **899,875**	$ **928,663**
State Financial Assistance (SFA)	85,226	85,996	109,186	129,081	148,734
Reduced Fare (RF)	39,662	38,220	37,240	37,240	37,240
Other Revenue	10,934	25,777	20,941	17,338	16,201
Total Revenues	$ **955,549**	$ **994,931**	$ **1,039,367**	$ **1,083,534**	$ **1,130,838**
Operating Expenditures					
Operations Funding	752,294	743,471	754,493	764,048	786,774
Reduced Fare and Sales Tax Interest (1)	39,893	38,503	37,523	37,523	37,523
Agency Operations (2)	20,023	19,352	20,169	20,478	20,796
Regional Technical Assistance and Coordination (3)	5,291	5,964	8,572	7,625	7,185
Total Operating Expenditures	$ **817,501**	$ **807,290**	$ **820,757**	$ **829,674**	$ **852,278**
Debt Service and Capital Expenditures					
Principal and Interest	136,091	152,778	177,656	208,973	229,953
Regional Technology and Agency Programs (4)	5,404	7,319	8,739	5,750	6,365
Metra Transfer Capital	25,556	10,676	23,624	14,492	14,957
Metra Federal Funds (5)	—	—	(16,472)	(9,166)	(9,166)
CTA Transfer Capital	31,353	20,353	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	$ **198,404**	$ **191,126**	$ **213,900**	$ **240,402**	$ **262,462**
Total Expenditures	$ **1,015,905**	$ **998,416**	$ **1,034,657**	$ **1,070,076**	$ **1,114,740**
Fund Balance					
Beginning Balance (6)	65,491	4,889	1,404	9,634	24,792
Remainder/(Deficit) (7)	(60,356)	(3,485)	4,710	13,458	16,098
Designations/Reserves (8)	(246)	—	3,520	1,700	1,739
Ending Fund Balance	$ **4,889**	$ **1,404**	$ **9,634**	$ **24,792**	$ **42,629**
Percent of Total Operating Expenditures	0.6%	0.2%	1.2%	3.0%	5.0%

(1) Sales Tax Interest in 2003 is $231. From 2004 through 2007 the amount each year is $283. (2) Includes office lease amortization. The respective amounts from 2003 through 2007 are $512, $416, $409, $328, and $246. (3) Includes RTA funds to Pace for accepting certain CTA passes. The amount in 2004 is $600 thousand. From 2005 through 2007 the amount is $2 million. (4) The 2005 figure includes $1 million for the development of the Universal Fare Card program. (5) Federal Section 5307 preventive maintenance funds included in Metra's Capital Program figures (transfer capital) that do not flow through the RTA. (6) Prior year ending balance in the General Fund. Agency Fund revenues are equally offset by expenses each year. (7) Equals Total Revenues less Total Expenditures. (8) Recognizes certain changes in the fund balance from designated or reserved funds. From 2005 through 2007 the amount is the use of regional technical assistance and coordination initiatives, and regional technology and agency capital program reserves to partially fund these on-going programs.

Exhibit 2-2: **2003 RTA Sources of Revenue** — $**956 million**

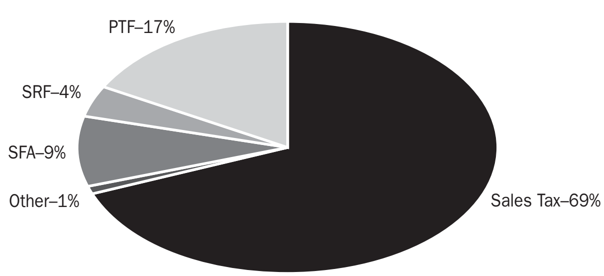


Exhibit 2-3: **RTA Sales Tax Collected Within:**

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

Exhibit 2-4: **2003 RTA Sales Tax Distribution by Service Board** — $**655 million**

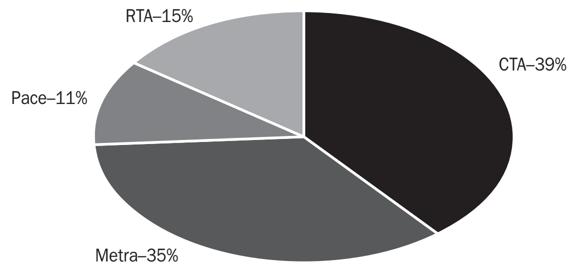
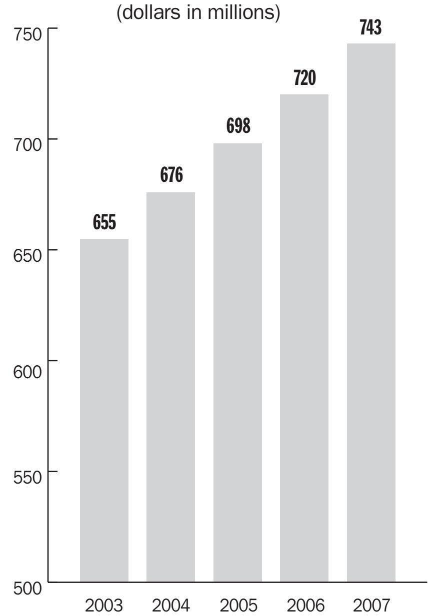


Exhibit 2-5: **RTA Sales Tax**
(dollars in millions)



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, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the state treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, 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 2003 sales tax distribution by Service Board. In 2003, the $655 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 $655 million in 2003 to $743 million in 2007, a compound growth rate of 3.2 percent (Exhibit 2-5).

The 2003 sales tax estimate and the 2004 budget year sales tax projections were developed after assessing the Illinois Office of Management and Budget (OMB) projections and other state and regional economic information. For 2004 and 2005, the RTA’s growth rate applied to 2003 results was higher than the rate used by the OMB. From a distribution standpoint, the City of Chicago accounted for 30 percent of the sales tax collected in 2003, suburban Cook 55 percent, and the collar counties 15 percent (Exhibit 2-6).

Public Transportation Funds (PTF)

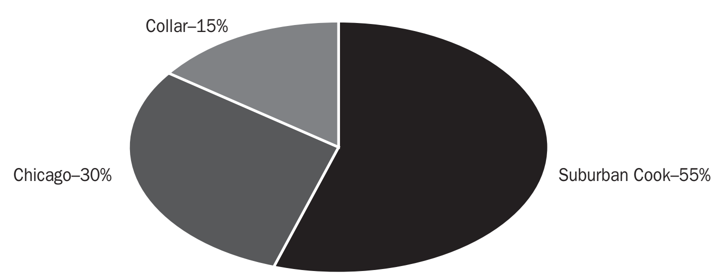
Revenue from this special fund may be paid to the RTA only upon state appropriation. In accordance with the *RTA Act*, the State Treasurer is authorized and required to transfer from the state’s General Revenue Fund an amount equal to 25 percent of net revenues realized from sales taxes. These receipts 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 in 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 that 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 (SFA)

This revenue source is state-authorized assistance to reimburse 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. The RTA received $85.2 million in 2003 and estimates $86.0 million in 2004, $109.2 million in 2005, $129.1 million in 2006, and $148.7 million in 2007.

Exhibit 2-6: **2003 RTA Sales Tax Collection by Area** — $**655 million**



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. In 2003, the state reduced its fiscal year funding to $36 million. In 2003 funding was returned to $40 million less a 2 percent (or $0.8 million) administrative fee.

In 2004, the state again reduced its fiscal year reimbursement. The amount was changed to $38 million less the 2 percent administrative fee. Because the state fiscal year begins in July, the impact on the RTA in 2003 and 2004 is one-half of the state's figure. The RTA is projecting a steady reimbursement level from 2005 through 2007 of $37.2 million.

Other Revenue

The other revenue category consists of sales tax interest, investment income, and agency revenue. Total receipts in 2005 are budgeted at $20.9 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 2005, sales tax interest is budgeted at $0.3 million.

RTA investment income is dependent on 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 and associated RTA financial transaction proceeds. This revenue source is budgeted at $11.3 million for 2005.

Agency revenues of $9.3 million for 2005 include the fees charged to employers for RTA Transit Checks. These fees offset the costs of administering this program. Also included in Agency revenues are matching funds obtained under federal, state and local programs for regional planning, development and new technology efforts.

Operating Expenditures

Exhibit 2-1 provides a summary of the RTA's operating expenditures from 2003 through 2007. Total operating expenditures are projected to grow from $818 million in 2003 to $853 million in 2007. This is an increase of $35 million over the four-year period, or a 1.1 percent annual growth rate.

Operations Funding

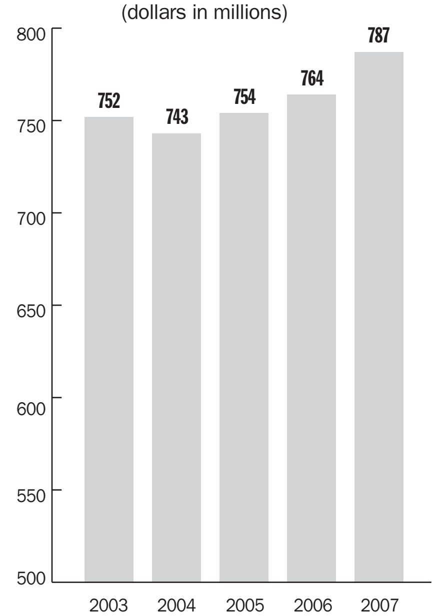
The RTA's primary expenditure is the funding of the Service Boards' operating deficits. An operating deficit is the difference between a Service Board's system-generated revenues (fare box and other revenues) and system operating expenses. The RTA provides operating funds to each Service Board equivalent 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 a positive budget variance, or PBV.

Exhibit 2-7 presents the combined funding levels for the three Service Boards.

From 2003-2007, Service Board operations funding from the RTA is expected to increase from $752 million to $787 million. This $35 million increase represents a compound annual growth rate of 1.1 percent.

Operating funds of $752 million to the Service Boards in 2003 represents a 3.8 percent increase over the 2002 figure of $725 million. However, to cover the shortfalls created by limited sales tax and PTF revenues and to maintain a level of funding in 2003 that was consistent with the 2003 financial plan set in 2002, the RTA used $29.5 million in funds that had been previously reserved for region-wide technology initiatives. The RTA also funded Service Board deficits in 2004 at the level it set for the 2004 plan in 2003 and maintained this practice in setting the 2005 funding levels.

Exhibit 2-7: **RTA Operations Funding**
(dollars in millions)



This RTA's funding strategy stabilized regional operating levels at a time when several public transit agencies across the nation faced severe service changes. However, to build the RTA fund balance back to its policy level of 5 percent of total operating expenses by the end of the three-year planning cycle requires the CTA and Pace to operate at their 2004 RTA funding level through 2006 with a 2.9 percent increase projected in 2007. Any increase in funding over these amounts represents Metra's use of its statutory sales tax for operations instead of for its capital program.

The RTA's budget mark for the CTA in 2005 is $441.6 million and is held at the same level through 2006. The 2007 financial plan amount is $454.5 million. The CTA budget reflects decreased service to reduce operating costs which may be necessary in the event additional public subsidies are not secured.

Metra's operating funding level for 2005 is $233.8 million an increase of 4.9 percent compared to their 2004 budget of $222.8 million. Metra's direct apportionment of sales tax covers this increase but their statutory transfer capital program will be adversely influenced. The funding increase will be used, in part, to support higher health insurance and natural gas costs.

Exhibit 2-8: **RTA Operations Funding by Service Board** (dollars in thousands)

Operations Funding	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
CTA	$ 453,488	$ 441,632	$ 441,632	$ 441,632	$ 454,500
Metra (1)	216,059	222,787	233,809	243,364	250,899
Pace	82,747	79,052	79,052	79,052	81,375
Total Operations Funding	$ **752,294**	$ **743,471**	$ **754,493**	$ **764,048**	$ **786,774**

(1) RTA's 2004 funding for Metra's budgeted operating deficit is $227,787. However, their estimated need is only $221,833. This positive budget variance (PBV) of $954,000 is retained by Metra for their capital program.

Pace's operations funding level of $79.1 million is held steady through 2006. The 2007 financial plan amount is $81.4 million (Exhibit 2-8).

Reduced Fare

State reduced fare reimbursements are received as revenue by the RTA and flow directly to the Service Boards to help defray program costs. With a reimbursement level of $37.2 million in 2005, most operating costs for reduced fare programs will be offset by this repayment.

Sales Tax Interest

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 for sales tax distribution. From 2004 through 2007, sales tax interest distributed by the RTA to the Service Boards is projected to be about $0.3 million annually.

Agency Operations

Agency operations represent on-going RTA functions to execute its planning, funding, and financial oversight responsibilities. In addition, the RTA coordinates and funds several region-wide initiatives. These initiatives include the Travel Information Center (TIC), the *ADA* certification program, reduced fare program, and the Customer Information Center.

Agency operating expenses, which include the non-cash expense for lease amortization, are projected to grow from $20.0 million in 2003 to 20.8 million in 2007. More detailed information regarding the agency is presented in the Agency section.

Regional Technical Assistance and Coordination

The RTA supports growing demands for technical assistance and coordinated transit planning programs in the region through its Regional Technical Assistance Program (RTAP) and the Regional Transit Coordination Plan (RTCP). Also included in this funding category are funds paid to Pace by the RTA to accept CTA passes.

In 2005, total expenses are budgeted at $8.6 million. Through its partnership efforts, the RTA receives revenues from other state and local agencies to defray a portion of these costs. In 2005, the budget for these external funds is $2.9 million. The Agency section provides additional program and financial information.

Debt Service and Capital Expenditures

Exhibit 2-1 provides a summary of the RTA's debt service and capital expenditures from 2003-2007. Total expenditures in this category are projected to grow from $198 million in 2003 to $262 million in 2007.

Principal and Interest

Principal and interest payments reflect the RTA's expenses and projected expenditures from 2003 through 2007. Payments increase from $136 million in 2003 to $230 million in 2007 to reflect the issuance of bonds authorized under the SCIP program. Projected state financial assistance for the SCIP bond program will help defray about 62 percent of the costs from 2003 through 2007.

Regional Technology and Agency Programs

The 2005 budget continues the RTA's commitment to region-wide capital-driven technology enhancements. The 2005 budget of $8.7 million includes $1.0 million for the development of the Universal Fare Card program (UFC).

Expenses from 2006 through 2007 for these programs are projected to average about $6.1 million annually. However, the RTA receives reimbursement (revenues) from federal programs and local initiatives that reduce overall funding requirements. Funds from these sources are projected to average $3.1 million from 2005 through 2007. As a result, net RTA funding will be reduced. The Agency section provides additional program and financial information.

Metra Transfer Capital/Federal Funds

The statutory apportionment of sales tax to a Service Board can exceed its operating marks. When this occurs, the Service Board can transfer the funds to capital projects. Metra is the only Service Board to achieve this source of capital funding. However, the decline in sales tax growth in recent years has reduced Metra funds available for this program. The amount estimated to be available for Metra's capital program in 2004 is $10.7 million. Recognizing the importance of continued capital investment the RTA has determined that programming certain federal (Section 5307 preventive maintenance) funds for operating purposes during the 2005-2007 planning will enable Metra to use an increased amount of funds available for operating purposes as local matching funds and therefore utilize all available capital funds. This process provides Metra $23.6 million in transfer capital funds in 2005. Included in this amount are $16.5 million of federal funds that do not flow though the RTA to Metra.

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 program was originally funded at an annual level of $11 million from 1995 through 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 and increased to $20.4 million from 2000 to 2002. In 2003 the amount was $31.4 million. From 2004 through 2007, the amount for this program is $20.4 million.

Total Expenditures

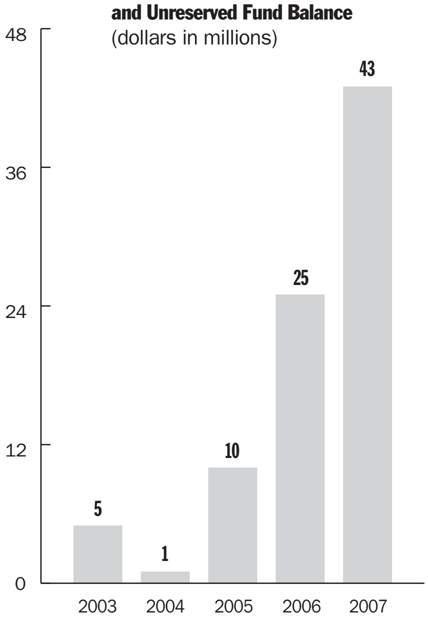
Total RTA expenditures include all operating, debt service and capital program costs. From 2003 through 2007, these expenses are projected to increase from $1.0 billion to $1.1 billion. This represents an annual compound growth rate of 2.4 percent.

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 total operating 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 2003 balance was $4.9 million. The estimated balance for 2004 is $1.4 million. The respective balances for the 2005 budget and two-year financial plan (2006 to 2007) are $9.6 million, $24.8 million, and $42.6 million, respectively (Exhibit 2-9). The unreserved and undesignated fund balance for the planning period meets policy requirements by achieving a balance of 5 percent in 2007. Fund balance policy details are outlined at the end of this section.

Exhibit 2-9: **RTA Ending Unobligated and Unreserved Fund Balance** (dollars in millions)



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.

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 2003 actual results of $4.9 million for the 2004 beginning balance.

Remainder/(Deficit)

Total RTA revenue less total RTA expense produces a change to the fund balance. When revenues exceed expenses a gain or remainder is added to the fund balance. If expenses exceed revenues, a deficit occurs and this amount reduces the fund balance. The 2004 projection indicates a deficit amount of $3.5 million. From 2005 through 2007 revenues are estimated to exceed expenditures and increase the unreserved fund balance to 5 percent of total operating expenses by the end of the 2007 financial planning period.

Designations/Reserves

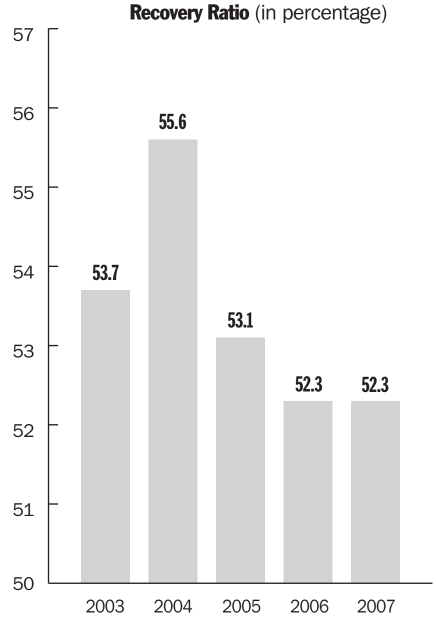
Certain agency program expenditures are obligated in the current year's balance when the RTA Board adopts the following year's program. As funds are de-obligated and/or re-obligated, changes in the fund balance take place. The figures in Exhibit 2-1 reflect these changes.

The 2002 agency budget established a process for reserving monies needed to fund the long-term nature of its technical assistance, coordination and technology capital programs. The 2005-2007 budget and financial plans calls for the use of reserved technical assistance and technology funds to help cover planned expenditures. These amounts are included in the ending fund balance figures. The Agency section provides more detailed information regarding the funding of these initiatives.

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 system-generated revenue recovery ratio in 2003 was 53.7 percent. This statutory calculation computes to more than 3 percentage points above the mandated 50 percent. The ratio is estimated to be 55.6 percent in 2004, 53.1 percent in 2005, and remain above 50 percent through 2007 (Exhibit 2-10).

Exhibit 2-10: **System–Generated Revenue Recovery Ratio** (in percentage)



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/lease-back transactions, and the 1989 Metra fare increase—even though these items are restricted for capital investment. Beginning in 2005, this revenue source is included in Metra's recovery ratio calculation. A detailed breakout of this calculation is provided in Exhibit 2-20 at the end of this section.

Capital Program

At the present time the 2005-2009 capital program funding marks total $4.2 billion. When federal, state or local appropriation figures change the Service Boards capital program may not match the program marks. When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital section of this publication.

2004 Budget Versus 2004 Estimate

Total RTA revenues of $994.9 million are projected to be $6.9 million higher than 2004's budget of $988.0 million. Sales tax and associated PTF revenues are expected to be $5.3 million higher than plan due to the recovering economic environment (Exhibit 2-11). State Financial Assistance was lower than plan because bonds were issued later in the year. As the exhibit reflects, principal and interest payments were also lower than budget. Reduced Fare Reimbursements decreased because the State reduced its appropriation which in turn reduced the expense flow from the RTA to the Service Boards. RTA interest income exceeded budget, increasing other revenue.

Total operations expenditures of $807.3 million are projected to be unfavorable by $0.5 million. Agency operations are projected to exceed the budget by $1.0 million. Increased TIC Management fees, *ADA* certifications, and a non-cash entry for building lease amortization (new GASB 13 requirement) primarily account for this variance.

Regional coordination initiatives are expected to exceed budget due to a post budget ordinance providing additional funding to Pace for their acceptance of certain CTA passes. Metra's statutory sales tax distribution increases because sales tax receipts are expected to exceed the budgeted amount.

Exhibit 2-11: **RTA Statement of Revenues and Expenditures 2004 Budget Versus 2004 Estimate**
(dollars in thousands)

Revenue	**2004 Budget**	**2004 Estimate**	**Change**
Sales Tax	$ 671,750	$ 675,950	$ 4,200
Public Transportation Fund (PTF)	167,938	168,988	1,050
State Financial Assistance (SFA)	90,632	85,996	(4,636)
Reduced Fare (RF)	39,200	38,220	(980)
Other Revenue	18,536	25,777	7,241
Total Revenue	$ **988,056**	$ **994,931**	$ **6,875**
Operating Expenditures			
Operations Funding	$ 743,471	$ 743,471	—
Reduced Fare	39,200	38,220	980
Sales Tax Interest	410	283	127
Agency Operations	18,309	19,352	(1,043)
Regional Technical Assistance and Coordination	5,364	5,964	(600)
Total Operating Expenditures	$ **806,754**	$ **807,290**	$ (**536**)
Debt Service and Capital Expenditures			
Principal and Interest	$ 160,032	$ 152,778	$ 7,254
Regional Technology and Agency Programs	7,319	7,319	—
RTA Discretionary Capital	—	—	—
Metra Transfer Capital	10,044	10,676	(632)
CTA Transfer Capital	20,353	20,353	—
Total Debt Service and Capital Expenditures	$ **197,748**	$ **191,126**	$ **6,622**
Total Expenditures	$ **1,004,502**	$ **998,416**	$ **6,086**
Fund Balance (Undesignated/Unreserved)			
Beginning Balance	$ 14,126	$ 4,889	$ (9,237)
Remainder/(Deficit)	(16,446)	(3,485)	12,961
Designations/Reserves	8,528	—	(8,528)
Ending Balance	$ **6,208**	$ **1,404**	$ (**4,804**)
% of Total Operating Expenditures	0.8%	0.2%	(0.6%)

Region Reference

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 in 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 Chair of the CTA Board, who is also an RTA Board member.

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

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

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

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

Budget Calendar

By July 1 of each year, the Office of Management and Budget (OMB) 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 *RTA 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.

Exhibit 2-12: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	Jan. 1, 2003	New Issues	Retirements	Dec. 31, 2003
1990A	$ 60,795	—	—	$ 60,795
1991A	55,745	—	—	55,745
1992A* and 1992B	66,750	—	4,550	62,200
1993A* and 1993B	2,480	—	2,480	—
1993C Refunding	21,765	—	21,765	—
1994A* and 1994B	39,595	—	5,230	34,365
1994C* and 1994D	79,835	—	3,000	76,835
1996 Refunding	148,055	—	625	147,430
1997 Refunding	90,570	—	2,545	88,025
1999 Refunding*	292,570	—	615	291,955
2000A*	256,370	—	3,825	252,545
2001A*	98,600	—	1,465	97,135
2001B Refunding*	37,250	—	30	37,220
2002A*	160,000	—	2,240	157,760
2002B	200,000	—	8,720	191,280
2003A*	—	260,000	—	260,000
2003B	—	150,000	—	150,000
2003C Refunding	—	19,055	—	19,055
Total	$ **1,610,380**	$ **429,055**	$ **57,090**	$ **1,982,345**

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

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 $1,982.3 million as of December 31, 2003, are divided into two types: $1,210.4 million in Strategic Capital Improvement Program (SCIP) bonds and $771.9 million in RTA bonds (Exhibit 2-12 and Exhibit 2-13).

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 (JSIF) 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 financial statements.

Exhibit 2-13: **RTA Debt Outstanding** (dollars in thousands)

As of	Total Debt Outstanding	Total SCIP Principal Outstanding	Total Non-SCIP (RTA) Principal Outstanding	RTA Non-SCIP Debt Cap	Authorized but Unissued RTA Debt
December 31, 2003	$ 1,982,345	$ 1,210,415	$ 771,930	$ 800,000	$ 28,070
December 31, 2004	2,201,915	1,450,800	751,115	800,000	48,885

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 financial statements.

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 financial statements

On August 10, 1999, the RTA made an advance refunding of a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation (1999) bonds to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. 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 defeased the remaining balance ($37,750,000) of Series 1993A by issuing Series 2001B. As a result, the refunded bonds have been removed from the financial statements. 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 issued two bond offerings. The first issue was a $160 million SCIP bond offering. The second issue was a $200 million non-SCIP issue.

During 2003, the RTA issued three bond offerings. On January 1, the RTA issued $150,000,000 of general obligation (2003B) bonds to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. The second issue was a $260 million SCIP bond offering on April 1. On the same day, RTA currently refunded the remaining portion ($19,055,000) of its 1993C Series general obligation bond issue. As a result the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The refunding was undertaken to reduce debt service through 2009 by $ 1.6 million (an economic gain of $ 1.6 million) which is a 6.9 percent savings on the previous debt service.

On October 13, 2004, the RTA issued one bond offering. Series 2004A for $260 million SCIP bond. The Series 2004A Bonds are also secured by the Series 2004A Debt Service Reserve Account.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 2-14), 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 2-15 highlights recent bond issues with the largest project-to-date expenditures.

Exhibit 2-14: **1994–2003 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Service Requirement
1994	$ 497,698	$ 51,978	$ 129,945
1995	513,301	76,550	191,375
1996	532,304	77,639	194,098
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	653,522	95,187	237,968
2002	647,685	113,526	283,815
2003	654,985	143,979	359,948

Exhibit 2-15: **Recent Bond Project Expenditures** (dollars in thousands)[1]

Bond Series	Service Board	Description	Amount
2002 A	CTA	Replace Financial Systems—Systemwide	$ 8,941
2002 A	CTA	Replace up to 80 Articulated M.A.N. Buses (Partial $)	5,785
2002 A	CTA	Perform Mid-life and Life Extending Bus Overhaul	5,241
2002 A	CTA	Perform Rail Car 'C' Overhaul For up to 450 Rail Cars (2400 and 3200 Series)	4,682
2002 A	CTA	Rehab CTA Douglas Branch New Start/Blue Line (Partial $)	4,034
2002 A	Metra	Purchase 250 Accessible Bi-Level Cars	78,410
2002 A	Metra	Purchase 26 Accessible Bi-Level Electric Mu Commuter Cars—MED	15,301
2002 A	Metra	Expand North Central Service	3,790
2002 A	Pace	Purchase 32 Fixed Route Buses	8,914
2002 A	Pace	Purchase 61 Fixed Route Replacement Buses and Power Packs	1,609
		Total	$ **136,708**
2002 B	CTA	Rehab CTA Douglas Branch New Start/Blue Line	$ 89,371
2002 B	CTA	Rehabilitate Dan Ryan Branch/Red Line	9,987
2002 B	CTA	D/P/I Subway Cellular Communication System	7,162
2002 B	CTA	Purchase Automated Bus Announcement System	1,888
2002 B	CTA	Perform Bus Overhaul Activities	1,308
2002 B	Metra	Replace 20 Bridges–18th to 55th Streets—RID	47,397
2002 B	Metra	Expand Southwest Service	7,131
2002 B	Metra	Expand North Central Service	6,489
2002 B	Metra	Rehab 15 Locomotives (#200–204)—MET	3,706
2002 B	Pace	Purchase 18 Fixed Route Buses	4,737
2002 B	Pace	Construct Hodgkins/Ups Transfer Facility	1,723
2002 B	Pace	Purchase 15 Paratransit Vehicles	946
		Total	$ **181,844**
2003 A	CTA	Replace Financial Systems—Systemwide	$ 24,062
2003 A	CTA	Purchase up to 59 of 200 Articulated Buses (75 Replacements and 125 Expansions)	23,766
2003 A	CTA	Rehab Dan Ryan Branch (22nd–95th Streets)/Red Line	16,413
2003 A	CTA	Perform Rail Car 'C' Overhaul for up to 450 Rail Cars (2400 and 3200 Series)	4,952
2003 A	CTA	Replace Flange Angles–North Main Line and Ravenswood	4,725
2003 A	CTA	Purchase up to 10 Articulated Buses	4,244
2003 A	CTA	Purchase 160 of 426 Replacement Buses (Flxible)	4,223
2003 A	CTA	Perform Mid-Life Bus Overhaul (6000 Series)	3,793
2003 A	Metra	Purchase 250 Accessible Bi-Level Cars	86,824
2003 A	Metra	Purchase 26 Accessible Bi-Level Electric Mu Commuter Cars—MED	7,875
2003 A	Metra	Rehabilitate up to 20 Bi-Level Cars—BNSF	2,670
2003 A	Metra	Purchase 61 Fixed Route Replacement Buses and Power Packs	747
2003 A	Pace	Provide for Associated Capital	572
2003 A	Pace	Purchase 32 Fixed Route Buses	497
		Total	$ **185,364**
2003 B	CTA	Rehabilitate Dan Ryan Branch/Red Line	$ 5,614
2003 B	CTA	D/P/I Subway Cellular Communication System	1,176
2003 B	CTA	Perform Bus Overhaul Activities	386
2003 B	Metra	Replace 20 Bridges–18th to 55th Streets—RID	20,465
2003 B	Metra	Expand North Central Service	3,355
2003 B	Metra	Expand Southwest Service	2,551
2003 B	Metra	Rehab 12 Locomotives (#148–159)—MET	2,027
2003 B	Metra	Expand North Central Service—NCS	1,230
2003 B	Pace	Improve Garages/Facilities	503
2003 B	Pace	Construct Hodgkins/Ups Transfer Facility	288
		Total	$ **37,596**

(1) Expenditures through January 15, 2005.

Fund Accounting

The accounts of the RTA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are separated in its own set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. RTA resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be utilized and the means by which spending activities are controlled.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 2-16).

General Fund

The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund such as the Agency Fund. Exhibit 2-1 shows the balance in the General Fund from 2003 through 2007. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 2-17 highlights the 2005 budget for these funds.

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

Exhibit 2-16: **RTA 2003 Combined Fund Statement of Revenues and Expenditures by Fund** (dollars in millions)

Revenues	**General**	**Agency**	**Debt**	**Capital**	**JSIF**	**Pension**	**Combined**
Sales Tax	$ 98.2	$ 556.7	—	—	—	—	$ 654.9
Public Transportation Funds	164.7	—	—	—	—	—	164.7
State Financial Assistance	85.2	—	—	—	—	—	85.2
Reduced Fare Reimbursements	—	39.7	—	—	—	—	39.7
Other Revenue	10.6	0.2	9.3	0.1	0.6	12.4	33.2
Pension Contribution	—	—	—	—	—	3.5	3.5
Total Revenues	$ **358.7**	$ **596.6**	$ **9.3**	$ **0.1**	$ **0.6**	$ **15.9**	$ **981.2**
Expenditures							
Operations Funding	$ 213.1	$ 556.7	—	—	—	—	$ 769.8
Sales Tax Interest to Service Boards	—	0.2	—	—	—	—	0.2
Reduced Fare Reimbursements	—	39.7	—	—	—	—	39.7
Agency Operations	23.3	—	—	—	3.0	3.7	30.0
Capital Grants	34.8	—	—	319.3	—	—	354.1
Debt Service Operating Transfer	136.0	—	(136.0)	—	—	—	0.0
Joint Self-Insurance	—	—	—	—	—	—	0.0
P&I Bondholder Payment	—	—	140.6	—	—	—	140.6
Bond Proceeds	—	—	(8.0)	(457.2)	—	—	(465.2)
Other	0.2	—	—	—	—	—	0.2
Total Expenditures	$ **407.4**	$ **596.6**	$ (**3.4**)	$ (**137.9**)	$ **3.0**	$ **3.7**	$ **869.4**
Revenues Less Expenses (1)	$ (**48.7**)	—	$ **12.7**	$ **138.0**	$ (**2.4**)	$ **12.2**	$ **111.8**
Fund Balance–Beginning of the Year	$ 120.0	—	$ 57.2	$ 361.3	$ 46.7	$ 74.1	$ 659.3
Fund Balance–End of the Year (2)	$ **71.3**	—	$ **69.9**	$ **499.3**	$ **44.3**	$ **86.3**	$ **771.1**

(1) Reconciliation of Budgetary basis to GAAP basis provided on Exhibit 2-18 (Total adjustments). (2) Before reserves and designations. General Fund reserves and designation totalled $66.4 in 2003 leaving an unreserved/undesignated fund balance of $4.9 million.

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.

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.

Exhibit 2-17: **RTA Statement of Revenues and Expenditures 2005 Budget by Fund** (dollars in thousands)

Revenue	**General Fund**	**Agency Fund**	**Total Budget**
Sales Tax	$ 104,640	$ 592,960	$ 697,600
Public Transportation Fund	174,400	—	174,400
State Financial Assistance	109,186	—	109,186
Reduced Fare	—	37,240	37,240
Other Revenue	20,658	283	20,941
Total Revenue	$ **408,884**	$ **630,483**	$ **1,039,367**
Operating Expenditures			
Operations Funding	$ 168,685	$ 585,808	$ 754,493
Reduced Fare	—	37,240	37,240
Sales Tax Interest	—	283	283
Agency Operations	20,169	—	20,169
Regional Technical Assistance and Coordination	8,572	—	8,572
Total Operating Expenditures	$ **197,426**	$ **623,331**	$ **820,757**
Debt Service and Capital Expenditures			
Principal and Interest	$ 177,656	—	$ 177,656
Regional Technology and Agency Programs	8,739	—	8,739
RTA Discretionary Capital	—	—	—
RTA Discretionary Capital	—	—	—
Metra Transfer Capital (1)	—	7,152	7,152
CTA Transfer Capital	20,353	—	20,353
Total Debt Service and Capital Expenditures	$ **206,748**	$ **7,152**	$ **213,900**
Total Expenditures	$ **404,174**	$ **630,483**	$ **1,034,657**
Fund Balance (Undesignated/Unreserved)			
Beginning Balance	$ 1,404	—	$ 1,404
Remainder	4,710	—	4,710
Designations/Reserves	3,520	—	3,520
Ending Balance	$ **9,634**	—	$ **9,634**
% **of Total Operating Expenditures**	—	—	**1.2**%

(1) Net effect of RTA Sales Tax and Federal Section 5307 funds.

- 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. (In 2007, the year-end unreserved and undesignated fund balance has been budgeted at $42.6 million which is 5 percent of the total operating expenditures.)
- This policy shall be in effect beginning with the adoption of the 1999 budget and each annual budget and two-year financial plan thereafter.
- The Executive Director is authorized to take such further steps as deemed necessary or appropriate to implement, administer and enforce this ordinance.

Basis of Budgeting

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

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

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

Exhibit 2-18: **2003 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of revenues over expenditures and other financing use-budgetary basis	$ (42,550)
Adjustments	
• Capital grant expenditures incurred in current year but considered in prior years' budgets	$ (1,539)
• Capital grant expenditures expected to be incurred in future years but considered in current year budget	(4,955)
• RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	386
Total Adjustments	$ (**6,108**)
Deficiency of revenues over expenditures and other financing use-GAAP basis	$ (48,658)
Net Changes in Reserves	$ (**11,944**)
Net Change in Fund Balance	$ (**60,602**)

Exhibit 2-19: **RTA 2003 Statement of Revenues and Expenditures** — General and Agency Fund (dollars in thousands)

Revenue	**2003 Budget**	**2003 Actual**	**Change**
Sales Tax	$ 673,129	$ 654,988	$ (18,141)
Public Transportation Fund	168,282	164,739	(3,543)
State Financial Assistance	75,910	85,226	9,316
Reduced Fare	40,000	39,662	(338)
Other Revenue	14,775	10,934	(3,841)
Total Revenue	$ **972,096**	$ **955,549**	$ (**16,547**)
Operating Expenditures			
Operations Funding	$ 752,294	$ 752,294	—
Reduced Fare	40,000	39,662	(338)
Sales Tax Interest	1,360	231	(1,129)
Agency Operations	18,483	20,023	1,540
Regional Technical Assistance and Coordination	5,320	5,291	(29)
Total Operating Expenditures	$ **817,457**	$ **817,501**	$ **44**
Debt Service and Capital Expenditures			
Principal and Interest	$ 139,162	$ 136,091	$ (3,071)
Regional Technology and Agency Programs	5,375	5,404	29
Metra Transfer Capital	25,556	25,556	—
CTA Transfer Capital	20,353	31,353	11,000
Total Debt Service and Capital Expenditures	$ **190,446**	$ **198,404**	$ **7,958**
Total Expenditures	$ **1,007,903**	$ **1,015,905**	$ **8,002**
Fund Balance (Undesignated/Unreserved)			
Beginning Balance	$ 46,848	$ 65,491	$ 18,643
Remainder/(Deficit)	(35,807)	(60,356)	(24,549)
Designations/Reserves	29,827	(246)	(30,073)
Ending Balance	$ **40,868**	$ **4,889**	$ (**35,979**)
% **of Total Operating Expenditures**	**5.0**%	**0.6**%	(**4.4**%)

Exhibit 2-20: **Recovery Ratio** (dollars in thousands)

Service Board Recovery Ratios					
Revenues	**2003 Actual**	**2004 Estimate**	**2005 Budget**	**2006 Plan**	**2007 Plan**
CTA—Total Operating (1)	$ 465,267	$ 516,614	$ 492,090	$ 479,966	$ 494,825
Metra—Total Operating (2)	243,673	245,014	253,611	258,117	267,213
Pace—Total Operating (3)	63,270	63,570	64,021	65,764	68,072
Total Combined Service Board Revenue (4)	$ **772,210**	$ **825,198**	$ **809,722**	$ **803,847**	$ **830,110**
Expenses					
CTA—Total Operating (1)	$ 918,753	$ 958,246	$ 933,722	$ 921,598	$ 949,325
Less Security—15% of Reduced Fare (5)	(4,974)	(4,845)	—	—	—
Less Base Security (5)	(10,200)	(10,200)	—	—	—
Less RTA Security Provision (6)	—	—	(34,777)	(35,820)	(37,253)
Total CTA Expenses	903,579	943,201	898,945	885,778	912,072
Metra—Total Operating	455,211	466,847	487,420	501,481	518,112
Less Base Security (5)	(5,000)	(5,000)	—	—	—
Less Depreciation (5)	(2,731)	(2,857)	(2,857)	(2,857)	(2,857)
Less Facility Leases (5)	(13,434)	(13,810)	(14,007)	(14,345)	(14,692)
Less RTA Security Provision (6)	—	—	(15,226)	(15,226)	(15,226)
Total Metra Expenses	434,046	445,180	455,330	469,053	485,337
Pace—Total Operating (3)	141,972	152,931	160,053	164,411	170,180
Total Combined Service Board Expenses	$ **1,479,597**	$ **1,541,312**	$ **1,514,328**	$ **1,519,242**	$ **1,567,589**
Service Board Recovery Ratio % (7)					
CTA	51.5%	54.8%	54.7%	54.2%	54.3%
Metra	56.1%	55.0%	55.7%	55.0%	55.1%
Pace	44.6%	41.6%	40.0%	40.0%	40.0%
System–Generated Revenue Recovery Ratio					
Revenues					
Total Combined Service Board	$ 772,210	$ 825,198	$ 809,722	$ 803,847	$ 830,110
Total Agency	17,413	32,494	20,658	17,055	15,918
Pace Lease Transaction (4)	2,424	—	—	—	—
CTA Lease Transaction (4)	4,262	4,262	4,262	4,262	4,262
Metra Capital Farebox Financing (2)	9,056	9,041	—	—	—
Total Revenue	$ **805,365**	$ **870,995**	$ **834,642**	$ **825,164**	$ **850,290**
Expenses					
Total Combined Service Board	$ 1,479,597	$ 1,541,312	$ 1,514,328	$ 1,519,242	$ 1,567,589
Add RTA Security Provision (6)	—	—	30,215	31,258	32,691
Total Agency	21,527	24,716	26,741	26,103	25,981
Total Expenses	$ **1,501,124**	$ **1,566,028**	$ **1,571,284**	$ **1,576,603**	$ **1,626,261**
Total System–Generated Revenue Recovery Ratio % (7)	**53.7**%	**55.6**%	**53.1**%	**52.3**%	**52.3**%

(1) The CTA revenue figure includes Federal Section 5307 funds for paratransit service under contract. In 2005 the amount is $18.8 million. Total CTA operating revenue and expense figures also include an in-kind amount of $22 million for the Chicago Police Department. (2) RTA Ordinance 2005-06 removes a RTA ordinance restriction that excluded Metra's 1988 fare increase of 5 percent (capital farebox financing) from their recovery ratio revenue. Metra's 2005 revenue figure includes receipts ($9.2 million) from this program. (3) The Pace revenue figure includes Federal Section 5307 funds for paratransit service under contract (the 2005 amount is $7.8 million) and sufficient funds for a 40 percent recovery ratio from 2005 through 2007. Pace did not budget in-kind ADvAntage revenue or expense in their 2005 Budget or their 2006-2007 Financial Plan. Pace booked $3.0 million in 2003 and reported $3.6 million through November 2004. RTA added $3.8 million to Pace's revenue and expense from 2005 through 2007. (4) By policy, the revenue figures for the Service Boards exclude the gain from leasing transactions restricted by ordinance for capital. (5) The RTA Act allows certain expense exclusions for the recovery ratio calculation. The CTA security exclusions are for a portion of reduced fare costs and a set (base) amount. Metra exclusions include a base amount for security, certain depreciation, and facility leases (station and track) exemptions. (6) In 2005, the RTA Board recognized (Ordinance 2005-06) that significantly higher security costs have been incurred to protect operations and customers and determined that it is in the best interest of public transportation to increase the security exclusion to calculate individual Service Board recovery ratios. However, the difference between the RTA Act allowance for security and the RTA security provision for the Service Boards is added back to calculate the Total System-Generated Revenue Recovery Ratio. (7) The 2005 recovery ratio marks set by the RTA Board in September are part of the RTA Act budget approval process. The 2005 CTA and Metra budgets submitted and adopted by the RTA Board include a recovery ratio that exceeds their respective marks of 52.0 percent and 55.0 percent. Pace's 2005 Budget meets its mark of 40 percent. The Total System-Generated Revenue Recovery Ratio for 2005 of 53.1 percent exceeds the 50 percent mandated by the RTA Act.

Agency 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.

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 program funding.

Operating Budget and Financial Plan

The agency budget and financial plan (Exhibit 3-1) encompasses three primary categories which are agency operations (administration and regional services), regional technical assistance and coordination, and regional technology and agency capital programs.

The 2005 budget of $37.5 million shows 17 percent or almost $6.6 million for Administration, $13.6 million or 37 percent for Regional Services, $8.6 million or 23 percent for regional technical assistance and coordination, and $8.7 million or 23 percent for capital programs that include $8.6 million for capital-related regional technology programs and $0.1 million for agency programs (Exhibit 3-2).

Exhibit 3-1: **Agency Expenditures** — Operations, Technical Assistance and Coordination, and Technology and Capital Programs (dollars in thousands)

Expenditures	Actual 2003	Estimate 2004	Budget 2005	Plan 2006	Plan 2007
Administration	$ 6,017	$ 6,142	$ 6,542	$ 6,631	$ 6,723
Regional Services	14,006	13,210	13,627	13,847	14,073
Agency Operations Total (1)	$ **20,023**	$ **19,352**	$ **20,169**	$ **20,478**	$ **20,796**
Regional Technical Assistance and Coordination Total (1)	$ 5,291	$ 5,964	$ 8,572	$ 7,625	$ 7,185
Regional Technology and Capital Programs Total (1)	5,404	7,319	8,739	5,750	6,365
Total Expenditures	$ **30,718**	$ **32,635**	$ **37,480**	$ **33,853**	$ **34,346**

(1) Total amount shown on Exhibit 2-1. These appropriations represent the legal level of budgetary control as outlined in the annual RTA budget ordinance. The RTA Executive Director is authorized to transfer up to 10 percent from each of these items.

Exhibit 3-2: **2005 Agency Expenses** — $**37.5 million**

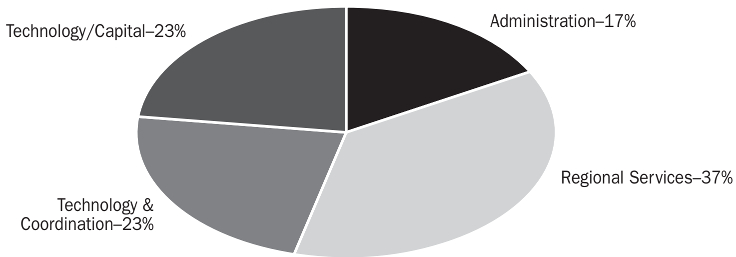
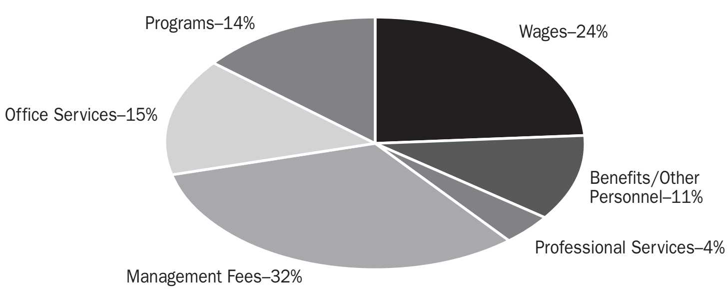


Exhibit 3-3: **2005 Agency Operations**

Category	General Description
Wages	Salaries, Overtime, and Temporary Help.
Benefits/Other Personnel	Benefits Include: FICA, Health Insurance, Pension, Unemployment Compensation, and Workers Compensation. Other Personnel Includes: 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, and Publications.
Program Support	ADA Applicant Appeals and Paratransit Trips, RTA Map, TIC Advertising, TV Production, Marketing, Transit Check Fees, Legislative Consulting.

Exhibit 3-4: **2005 Agency Operating Expenses by Category** — $**20.2 million**



Operations by Expense Category

One method used to review total agency operations is by expense category. These categories are listed in Exhibit 3-3.

The agency operating expense elements include wages, benefits and other personnel, professional services, management fees, office services, and certain regional programs. Of the total expenses budgeted in 2005, human resource costs (wages, benefits and other personnel) represent 35 percent, professional services and management fees are 36 percent, office services are 15 percent, with the balance of 14 percent targeted for agency programs (Exhibit 3-4).

Expenditures by category from 2003 through 2007 are presented in Exhibit 3-5. Expenses from 2005 through 2007 will average $20.5 million with a growth rate of 1.5 percent from 2005 through 2007. A summary of each expense category follows.

Wages

Estimated 2004 expenditures of $4.9 million are $0.5 million lower than 2003 actual results of $5.4 million. The variance is primarily attributable to an administration change that now assigns these and other related costs (e.g. benefits and business expenses) to regional technical assistance and technology programs to more accurately reflect the cost of these programs. The 2005 budget and 2006-2007 financial plan continue this practice and also call for reduced temporary staffing.

Benefits and Other Personnel

From 2003 to 2007, benefits and other personnel costs are expected to average almost $2.3 million. Nominal changes in healthcare programs helped minimize cost increases. Other personnel expenses such as business travel, training, and memberships continue at curtailed levels.

Professional Services

Professional services (consulting services and legal fees) are expected to remain constant during the planning period at about $0.9 million annually.

Management Fees

During the planning period (2005-2007), management fees are expected to average $6.5 million. The agency contracts with other companies to handle the *ADA* certification process, to issue reduced fare cards and to operate the Travel Information Center (TIC). The rise in costs from 2003 through the planning period is primarily attributable to increased TIC call center activity and *ADA* certifications.

Office Services

Office service expenditures, which average $3.1 million during the planning period, are expected to remain relatively constant. Major expenditures include office lease (including lease amortization—GASB 13), utilities, telephone, and office supplies.

Regional Programs

Initiatives that benefit the region-wide transit system include the RTA/CTA Transit Benefit Program (RTA Transit Check), *ADA* certification, advertising and marketing programs. From 2005 to 2007, expenses are expected to average about $2.9 million annually.

The 2005 budget includes $0.7 million for the RTA Transit Check program expenses that are administered by the agency's Regional Services division.

Exhibit 3-5: **Agency Operations Expense by Category** (dollars in thousands)

	Actual 2003	Estimate 2004	Budget 2005	Plan 2006	Plan 2007
Wages	$ 5,436	$ 4,896	$ 4,769	$ 4,863	$ 4,960
Benefits/Other Personnel	2,089	2,292	2,230	2,274	2,318
Professional Services	889	832	885	902	920
Management Fees	5,283	5,665	6,360	6,486	6,615
Office Services	2,988	2,913	3,110	3,082	3,055
Regional Programs	3,338	2,754	2,815	2,871	2,928
Agency Operations Total	**$ 20,023**	**$ 19,352**	**$ 20,169**	**$ 20,478**	**$ 20,796**

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 2005 budget includes $1.0 million for *ADA* programs. Most of this budget item relates to the provision of paratransit trips to and from the satellite offices.

The Communications Department provides videos, maps, advertising, and publications that promote the regional transit system. Outreach activities support the agency's ongoing corridor studies, the Universal Fare Card program, and Intelligent Transportation Systems (ITS) projects. Other program initiatives include legislative consulting and legal services. These programs cover the remaining balance of $0.9 million in expenditures for 2005.

Operations by Organization Group

Another method used to review agency operations is by organizational grouping (Administration and Regional Services). These groupings, which can also be broken down by expense category, are a means used to determine statutory compliance with the agency administrative CAP (discussed later in this section) and highlight the operational services provided. The principal organizational groupings are identified in Exhibit 3-6. The distribution of the $20.2 million appropriated by the 2005 Budget is a follows: Administration 33 percent, TIC 26 percent, *Americans with Disabilities Act (ADA)* 18 percent, Reduced Fare/Customer Service/Transit Check 7 percent, and support services 16 percent (Exhibit 3-7). Expenditures by primary service from 2003 through 2007 are shown in Exhibit 3-8.

Administration

Administration expenses are expected to increase from $6.0 million in 2003 to $6.7 million in 2007. This $0.7 million increase represents an annual compound growth rate of 2.8 percent. This increase is primarily the result of pension, healthcare and job growth. The Administration category includes the agency's executive office, legal, financial, administrative services and communications functions.

The executive office includes the RTA Board of Directors, the RTA Executive Director and the Secretary to the Authority. The Executive Director executes the policy decisions of the Board and staffs the agency to carry out its statutory mission. The Secretary of the Authority provides support functions to the Board by working with staff to ensure that the Board is supplied with the information and ma-

Exhibit 3-6: **2005 Agency Operations**

Groups	Organizations
Administration	Board of Directors, Executive Director, Secretary to the Authority, General Counsel, Communications, Administrative Services, and Finance
Regional Services	Travel Information Center, Americans with Disabilties Act, Reduced Fare, Customer Service Center, Transit Check. Government Affairs, External Affairs, Planning and Program Management (Support Services).

Exhibit 3-7: **2005 Agency Operating Expenses by Organization Group** — $**20.2 million**

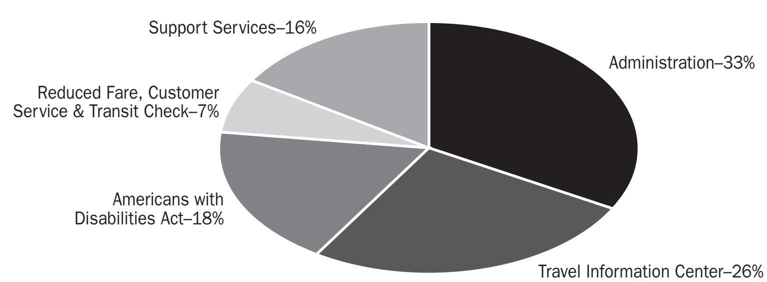


Exhibit 3-8: **Agency Operations Expense by Organization Group** (dollars in thousands)

	Actual 2003	Estimate 2004	Budget 2005	Plan 2006	Plan 2007
Administration Total	**$ 6,017**	**$ 6,142**	**$ 6,542**	**$ 6,631**	**$ 6,723**
Regional Services					
Travel Information Center	4,541	4,792	5,317	5,422	5,530
Americans with Disabilities Act	3,033	3,284	3,725	3,799	3,874
Reduced Fare, Customer Service and Transit Check	1,467	1,219	1,372	1,399	1,427
Support Services	4,965	3,915	3,213	3,227	3,242
Regional Services Total	**$ 14,006**	**$ 13,210**	**$ 13,627**	**$ 13,847**	**$ 14,073**
Agency Operations Total	**$ 20,023**	**$ 19,352**	**$ 20,169**	**$ 20,478**	**$ 20,796**

terials necessary to fulfill its statutory role. The Secretary also maintains the official records of the RTA Board and ensures compliance with the *Freedom of Information Act* and the *Open Meetings Act.*

The General Counsel ensures statutory and regulatory compliance, manages litigation, reviews all legal documents, manages the Joint Self Insurance Fund (JSIF) and oversees the agency's Affirmative Action program, Disadvantaged Business Enterprise program and compliance with the *Civil Rights Act.*

The Finance Department executes the agency's funding and oversight responsibilities outlined in the *RTA Act*. The Finance Department's divisions are Controller, Financial Planning and Analysis, Audit and Review, Grants Management, Financial Development and Treasury.

In 2004, the Controller division received a certificate of excellence in financial reporting from the Government Finance Officer's Association (GFOA) for its Comprehensive Annual Financial Report (CAFR). Financial Planning and Analysis was also recognized by the GFOA with the distinguished budget presentation award. Both GFOA awards are the highest form of peer recognition for the financial practices of a state or local agency.

For 2005, the Finance Department intends to continue the reporting excellence that has enabled it to achieve consistent recognition for the CAFR and budget documents. The department will also continue to pursue the prudent fiscal practices in the management of its bond program that have enabled it to achieve a AA bond rating, which is the highest of any transit agency in the nation. The department will also continue to work with staff agency-wide to improve reporting processes.

Administrative Services includes a wide range of support functions (Human Resources, Information Technology and Procurement) that assist the entire agency in the execution of its statutory responsibilities. The entire department has worked to streamline and improve processes and products, including the creation of electronic forms, implementation and maintenance of database products for agency initiatives, improvement of the agency Intranet and continued evaluation and expansion of employee benefit offerings.

The Communications Department assists management in the formulation and execution of agency communication goals. Its activities include the production of publications, presentations, videos and advertisements that explain and promote the agency's goals and initiatives.

In 2004, Communications assisted in the development of presentations and testimony for the Northeastern Illinois Regional Transportation Task Force, prepared information for distribution during the Illinois General Assembly's fall veto session and expanded distribution of the RTA System Map through a newly formed partnership with the U.S. Postal Service.

In 2005, Communications plans to increase its outreach through monthly newsletters and through the creation of materials for use by senior staff when making presentations on RTA initiatives throughout the region. The department also plans to adjust its advertising programs to promote a wider variety of RTA initiatives that encourage transit usage and to oversee a revision and upgrade of the agency's web site.

Regional Services

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 11,000 calls each day. The TIC phone number is 836-7000, and is accessible from every area code in the region.

From 2003 to 2007, total expenses for the TIC are expected to increase by $1.0 million, which represents an annual compound growth rate of 5 percent. This increase is primarily the result of increased call activity. The 2005 budget includes $5.3 million to cover TIC expenses. Most of this budget item, 88 percent is the management fee covering the agency's contract with an outside firm to operate the TIC.

The TIC's call volume increased dramatically in 2004 and surpassed 4 million for the first time. Most of this increase relates to the use of cell phones by customers checking for service availability.

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 2004, the call-capture rate averaged 94.0 percent. (Exhibit 3-9).

Americans with Disabilities Act—Special Services Certification

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.

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 by 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.

The *ADA* Paratransit Certification Program began operation in 1993 after the pas-

Exhibit 3-9: **Travel Information Center** (calls in thousands)

	2000	2001	2002	2003	2004
Calls Accepted	2,757	2,742	2,931	3,484	4,109
Call Capture Rate %	96.7	97.6	96.6	95.6	94.0
Average Response Time (in seconds)	27	21	26	25	31

sage of the *Americans with Disabilities Act.* Originally a self-certification program, 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. 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 ensure that applicants being certified for *ADA* paratransit services are truly in need of paratransit.

More than 11,000 applications for *ADA* certification were received in 2004, an increase of 1,000 applications from 2003 or a 10 percent annual growth rate. About 34,500 riders are currently eligible to use paratransit services.

From 2003 to 2007 total expenses for *ADA* programs are expected to increase from $3.0 million to $3.9 million, a growth rate of 6.3 percent.

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).

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 309,000 reduced fare permits issued in the six-county region.

The 2005 budget includes funding for the production of 92,000 cards. Service effectiveness is measured by the turnaround time for producing and distributing re duced fare 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 3,000 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 Customer Service Center

The RTA Customer Service Center, located on the second floor 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 access to this service.

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.

From 2003 to 2007, expenses for the RTA Reduced Fare program and the customer service center are expected to average about $0.7 million annually.

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. The program distributes RTA Transit Checks, which are vouchers that are used to purchase transit passes for CTA, Metra, Pace, South Shore Railroad or vanpool services, as well as CTA fare cards.

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. 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. As of January 1, 2005, employers can let employees set aside pre-tax salaries up to $105 a month ($1,260 a year) to pay commuting costs.

In an effort to extend 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 employees both RTA Transit Checks and CTA fare cards. In 2005, the program will offer CTA Chicago Cards (smart cards) for those wishing to purchase CTA monthly passes. The smart card will enable participants to take advantage of the ability to automatically add value to the same card each month.

The program has grown dramatically since the legislative changes initiated in June 1998 under *TEA-21.* In 1998, year-end sales were at just under $9 million. In 2004, total sales were more than $57 million (Exhibit 3-10). Currently, about 3,000 companies participate.

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

Support Services

Support services are divided into three major categories: government affairs, external affairs, and planning and program management.

Exhibit 3-10: **Transit Check Program** (in thousands)

	2001	2002	2003	2004
Total Face Value	$ 38,663	$ 57,592	$ 58,442	$ 57,179
Quantity	839	1,102	1,050	1,013
New Companies	334	375	289	186

Government Affairs works with federal, state, local governments, and with legislative consultants to address industry and regional concerns. Government Affairs also works on legislative issues with industry trade organizations such as the American Public Transit Association (APTA) and the Illinois Public Transit Association (IPTA).

In 2004, Government Affairs supported agency participation in the Northeastern Illinois Regional Transportation Task Force as well as continued efforts in Congress to pass a new federal transportation authorization.

For 2005, Government Affairs will support the agency's participation in the Illinois Legislature's joint Committee on Mass Transportation and work to pursue the region's interests as a new federal transportation authorization makes its way through Congress.

External Affairs develops and implements the agency's outreach programs and services, which promote the use of transit, such as distribution of the SMART Rider program materials to schoolchildren throughout the six-county region and video presentation programs for senior citizens promoting the use of public transit. External Affairs will continue its distribution of SMART Rider videos and coloring books in 2005 as well as participating in school programs throughout the six-county region. External Affairs will also continue visiting senior centers throughout the region to assist seniors in registering for the RTA Reduced Fare Program.

Program management develops and oversees the regional service programs discussed previously in this section. Planning management develops and oversees the technical assistance and capital technology programs discussed below.

Support services are expected to average about $3.2 million during the 2005-2007 planning period.

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 2005 cap allowance is $13.3 million. Agency spending of almost $6.6 million (that includes $0.2 million for non-cash lease amortization) is more than 50 percent below the administrative cap. Without the non-cash entry the percent under cap is 52 percent (Exhibit 3-11).

Exhibit 3-11: **2005 Agency Statutory Cap** (dollars in thousands)

Administration	
Expenses (1)	6,542
Statutory Cap	13,266
Percent Under Cap	50.7%

(1) Includes $180,000 for building lease amortization (GASB 13). Without this amount, the agency would be 52 percent under cap.

2004 Budget Versus 2004 Estimate

The total operations expense is expected to be $1.0 million higher than the 2004 budget of $18.3 million (Exhibit 3-12). The RTA building lease amortization (GASB 13) in the amount of $416,000 was not part of the 2004 budget. The 2004 estimate includes this figure.

In addition, reduced office service and other personnel and program costs could not offset increased pension, legal services, paratransit trip services, and TIC management fees. TIC fees exceeded plan as contractual incentive standards were exceeded. Building utility and telephone networking expenditures are below those planned for the new office location. Close administration of business travel and consulting services also held costs under budget.

As permitted in the annual RTA Budget Ordinance, transfers cover this variance.

Regional Technical Assistance and Coordination

The next area of the agency's overall budget presented is its technical assistance and coordination initiatives which serve the entire region. By partnering with other state and local agencies, the RTA is able to offset a portion of a program's funding requirement by receiving revenues from these entities. Receipts are posted as revenue in the general fund and are included in the "other revenue" line item figure shown on Exhibit 2-1 of the Region section. The difference between this revenue and the total line-item expenditure figure shown on Exhibit 2-1 is the RTA appropriation (funding) amount. At year-end, any unspent funds are reserved to fund the continuation of these longer-term programs. Exhibit 3-13 illustrates the revenue, expense, and funding amounts from 2003 through 2007 for the technical assistance and coordination initiatives discussed below as well as these amounts for the regional technology (capital programs) discussed later in the section.

Expenses

As shown on Exhibit 3-13, expenses for technical assistance and coordination in 2003 were $5.3 million and show a plan of $7.2 million in 2007. The 2005 budget shows expenditures of $8.6 million which

Exhibit 3-12: **Agency 2004 Budget Versus 2004 Estimate Expenditures by Group** (dollars in thousands)

	Budget 2004	Estimate 2004	Variance
Administration Total	$ **5,756**	$ **6,142**	$ (**386**)
Regional Services			
Travel Information Center	$ 4,199	$ 4,792	$ (593)
Americans with Disabilities Act	2,865	3,284	(419)
Reduced Fare, Customer Service and Transit Check	1,395	1,219	177
Support Services	4,094	3,915	179
Regional Services Total	$ **12,553**	$ **13,210**	$ (**657**)
Total Agency Operations (1)	$ **18,309**	$ **19,352**	$ (**1,043**)

(1) Transfers cover this variance as permitted in the annual RTA Budget Ordinance.

Exhibit 3-13: **Regional Technical Assistance and Coordination and Regional Technology and Agency Capital Programs** (dollars in thousands)

Regional Technical Assistance and Coordination	Actual 2003	Estimate 2004	Budget 2005	Plan 2006	Plan 2007
Revenue (1)	$ 3,297	$ 2,626	$ 2,930	$ 2,330	$ 1,900
Expense (2)	$ **5,291**	$ **5,964**	$ **8,572**	$ **7,625**	$ **7,185**
RTA Funding	1,994	3,338	5,642	5,295	5,285
Regional Technology and Agency Capital					
Revenue (1)	$ 1,797	$ 1,340	$ 3,298	$ 2,898	$ 3,203
Technology Expense	4,804	6,719	8,614	5,625	6,240
Agency Capital Expense	600	600	125	125	125
Total Expense (2)	$ **5,404**	$ **7,319**	$ **8,739**	$ **5,750**	$ **6,365**
RTA Funding	3,607	5,979	5,441	2,852	3,162
Total RTA Funding	$ **5,601**	$ **9,317**	$ **11,083**	$ **8,147**	$ **8,447**
Funding From Prior Reserves (3)	—	—	3,520	1,700	1,739
Total Additional Funds Appropriated	$ **5,601**	$ **9,317**	$ **7,563**	$ **6,447**	$ **6,708**

(1) Included in Other Revenue on Exhibit 2-1. (2) Expense as shown on Exhibit 2-1 in the Region section. (3) Use of reserves as shown in Exhibit 2-1.

includes $2 million in RTA funds to Pace for accepting certain CTA passes. This same amount for Pace is included in the 2006 and 2007 financial plan with an amount of $0.6 million estimated in the 2004 figure.

Regional technology and coordination initiatives include market development efforts such as station area planning and transit-oriented development planning through the Regional Technical Assistance Program (RTAP) and studies to promote and enable better coordination between transit agencies such as a Universal Fare Card. In addition, funds will be used to develop and manage regional strategies to relieve congestion through Corridor studies such as the Cook-DuPage Corridor and the Southeast Rail Corridor. The RTA's focus is to help communities evaluate and develop policies and funding mechanisms that will support transit in a specific corridor.

Regional Technical Assistance Program (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. Typical projects that are supported by RTAP include station area plans, transit-supportive land use, county transit plans and corridor planning studies.

Station Area Plans/ Transit Supportive Land Use

Station area plans and local transit improvement projects, supported through RTAP, allow communities to pursue an integrated approach to transit and land use planning. Station area plans are based on the tenets of transit-supportive development-mixed land uses, higher density residential developments, and pedestrian-friendly environments-and often include complementary improvements and enhancements to the community's transit facilities. Local transit improvement projects focus on transit-supportive land use relative to bus operations or the development of new local transit services, such as reverse-commute oriented shuttle bus services and community circulators.

The RTA's 2005 RTAP list includes the following station area and transit supportive land use planning projects: Bellwood Transit-Oriented Development Plan, Buffalo Grove Transit-Oriented Development Plan, Cicero Station Area Plan, Elmwood Park Station Area Plan, Justice Commuter Railroad Station Feasibility Study, Melrose Park-Lake Street Transit Improvement Plan, Naperville Circulator Implementation Plan, Orland Park-LaGrange Road Travel Improvement Plan, and the Villa Park Station Area Plan.

County Transit Plans

County transit plans explore demographics and transit service options and support long-range planning. To date, transit plans have been developed through RTAP for DuPage, Kane, Lake and McHenry counties. The DuPage Mayors and Managers Conference is currently directing an RTAP-supported follow-up to the DuPage Area Transit Plan that will develop service plans for an inaugural set of community circulators.

Corridor Planning

Corridor studies provide an opportunity for local officials, citizens and regional planning organizations to objectively explore a wide range of possible transportation improvements and select the best solutions.

The RTA's corridor planning approach includes a comprehensive multi-modal travel market analysis to understand travel patterns and clarify mobility issues. For example, the RTAP-funded Northwest Corridor Study used operator-developed alternative proposals and alignments from the CTA, Metra, Pace and the Illinois Toll Highway Authority for a balanced analysis of alternatives. The Northwest Corridor Study also included analysis of transit-supportive land use needs and local funding sources.

The RTA is currently participating in studies of the Cook-DuPage Corridor, the SouthEast Rail Corridor and the North Shore Corridor. The Cook-DuPage Study will develop and evaluate multi-modal transportation improvements. The SouthEast Rail study will evaluate transit-supportive land use and local financing and the North Shore Corridor study will include a travel market analysis to establish the need and optimal location for new stations and an extension to the CTA's Skokie Swift rail line.

As part of this process, the RTA is working with local communities to develop corridor planning standards so that local values and perspective are included in the evaluation of transportation improvements. Initially, the RTA is helping communities in the Cook-DuPage Corridor to develop standards to screen how well transportation improvement options meet local expectations and preferences. These standards will subsequently be customized for application throughout the region.

Regional Transit Coordination Plan (RTCP)

The RTA emphasizes coordination and inter-connection of the regional transit system through the 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.

The RTCP is intended to serve as the regional framework for a series of evaluations and recommendations in the areas of physical coordination, information coordination, service coordination and fare coordination.

Physical Coordination

This effort included a transfer location study, completed in 2001, that identified, classified and prioritized the approximately 300 locations in the RTA region where it is currently 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.

Information Coordination

Information coordination improves signs, maps and schedules to allow transit riders to confidently use the system. The RTA is currently developing standards for new products such as way-finding signs and local area maps for interagency transfer locations and a system-wide rail-to-rail transfer map. Existing information products, such as route maps and schedules, will also be refined to better indicate transfer opportunities. The RTA has obtained a federal grant to develop standards for and implement prototypes of new and refined information products related to interagency travel.

Service Coordination

This component of the RTCP explores options to better connect regional travel markets with components of the existing transit system. As part of this effort, the RTA selected 15 activity centers for analysis based on total employment, social services, and regional attractions. The study found that while downtown Chicago, the Schaumburg area, and the Oak Brook area each attract about 1.5 million trips per day only the Chicago destination had multiple options for direct transit trips. Through an RTAP grant, another service coordination study is enabling Pace and local businesses along Metra's North Central Service line to explore options for shuttle-bus service from multiple stations, in conjunction with additional train service that will start by the end of 2005.

Fare Coordination

In 2004, the RTA, and the Service Boards established a committee to evaluate and plan the implementation of a universal fare card (UFC). An analysis began to develop a detailed implementation plan and a cost analysis and to draft specifications that could be used to select for a vendor to manufacture and implement a universal fare system. This analysis will also include an assessment of the capital and operating costs associated with introducing a universal fare system.

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 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 Technology and Capital Programs

The final area of the agency budget is its regional and agency capital programs. Similar to technical assistance and coordination programs, the agency partners with other state and local agencies to bring in external funds that help defray RTA funding requirements. At year-end any unspent funds are reserved as discussed in the technical assistance and coordination section. Exhibit 3-13 also shows the revenue, expense, and funding amounts from 2003 through 2007 for these initiatives.

Expenses

Expenses in 2003 were $5.4 million and show a plan of $6.4 million in 2007. The 2005 budget amount of $8.7 million includes $1 million for the Universal Fare Card Program and $0.1 million for agency capital. This agency capital amount remains constant in the 2006 and 2007 financial plan. These funds are used to enhance information technology programs and preserve the office environment.

Technology funds are used for technologies that encourage more customers to use the region's transit system by improving communication with riders and between service operators. Efforts include Active Transit Station Signs (ATSS), Transit Signal Priority (TPS), Multi-Modal Information Kiosk (MMIK) and the Regional Transportation Asset Management System (RTAMS). Technologies can be used to deliver "real-time" information regarding transit service schedules and parking availability as well as enable transit operators to better maintain posted schedules.

Regional Transit Intelligent Transportation Systems Plan (RTIP)

The RTA established the Regional Transit Intelligent Transportation Systems Plan, referred to as ITS, as a blueprint for the coordinated development of technology solutions to traditional transit problems. The RTA's ITS Program ensures compliance with the regional and national ITS architectures and standards as required by the U.S. Department of Transportation (USDOT). The national vision for ITS is multi-state corridor programs that facilitate information-sharing between transit and highway agencies, as well as police, fire, and emergency services. Benefits include operational efficiencies, service improvements, and expanded trip-planning options for the public. The Gary-Chicago-Milwaukee (GCM) ITS Priority Corridor Coalition, coordinates information-sharing and ITS for the 16-county tri-state area.

As members of the GCM Coalition, the RTA, CTA, Metra, and Pace are concurrently evaluating and implementing a number of ITS technologies that will improve information sharing (Illinois Transit Hub and RTAMS), traveler information, operational efficiency and service.

Illinois Transit Hub

The Illinois Transit Hub (ITH) is an internal and external communication system that centrally collects and distributes regional transit information. The ITH relies on utilizing technologies from vehicle location, scheduling and incident management systems implemented by the transit operators.

Regional Transportation Asset Management System (RTAMS)

The RTAMS database was developed by the RTA to improve access to and coordinate the tremendous amount of transit data gathered by the RTA and its Service Boards. Through RTAMS, users can quickly retrieve and cross-reference a wide variety of information about the RTA system. In addition to Service Board data, RTAMS content has been significantly expanded through partnerships with other agencies such as the Illinois and Chicago Departments of Transportation, the Illinois State Toll Highway Authority (ISTHA), the Illinois Commerce Commission (ICC), the Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC). Additions to and evaluations of the RTAMS database are ongoing.

Traveler Information

Active Transit Station Signs (ATSS) are variable message signs designed to provide real-time "next train" or "next bus" arrival information in countdown format, as well as transit advisory messages like service delays, through an interface with the CTA's and Pace's control systems. ATSS is currently being demonstrated in four key CTA stations: at Davis Street and Cumberland Avenue, and at O'Hare and Midway airports, in partnership with the CTA and the Chicago Department of Aviation.

The RTA and project partners have developed a kiosk system that combines destination information from the Chicago Convention and Tourism Bureau with trip planning and transit information. Demonstration kiosks are available to the public at locations, including the Chicago Cultural Center, Navy Pier, Shedd Aquarium, Palmer House Hilton, Union Station, Metra Randolph Street Station, and Midway Airport.

Operational Efficiency

Parking Management Guidance Systems (PMGS) provide real-time information about parking availability for transit facilities. Through the use of vehicle detection technologies, parking information and route guidance will be displayed on variable message signs located on major arterials and expressways. A PMGS field demonstration for the Tinley Park/Hickory Creek corridor of the Metra Rock Island District line will be conducted in 2005.

Service Improvements

Transit Signal Priority (TSP) is a tool that can improve transit operating efficiency while complementing the region's ongoing efforts to reduce traffic congestion. TSP strategies move in-service transit vehicles, either buses or streetcars, through traffic signal-controlled intersections with significantly less queuing and delay, and minimal impacts on pedestrian safety and general purpose traffic.

The RTA has established a Regional TSP Integration Plan that includes both transit and traffic elements for a multi-jurisdictional system. The operational impacts of TSP were evaluated on various transit routes and roadway segments using a simulation model. Through RTAP, the RTA is coordinating TSP field deployments for the CTA and Pace.

Organizational Structure

The agency's budgeted positions are provided in Exhibit 3-14. In 2004, two departments realigned their structure as part of an agency-wide initiative to align organizational capabilities with functional responsibilities. The Human Resources Department was renamed Administrative Services and now consists of three divisions: Human Resources, Information Technology, and Procurement. The Communications Department had a support unit that handled the RTA/CTA Transit Benefit Program. With the realignment, this unit now is part of Regional Services.

The changes in budgeted positions for Regional Services and Technology were made to more accurately reflect the total costs associated with technology initiatives and their implementation.

The RTA Board committee structure is detailed in Exhibit 3-15 and the agency's organization chart is presented in Exhibit 3-16.

Exhibit 3-14: **Agency Budgeted Positions**

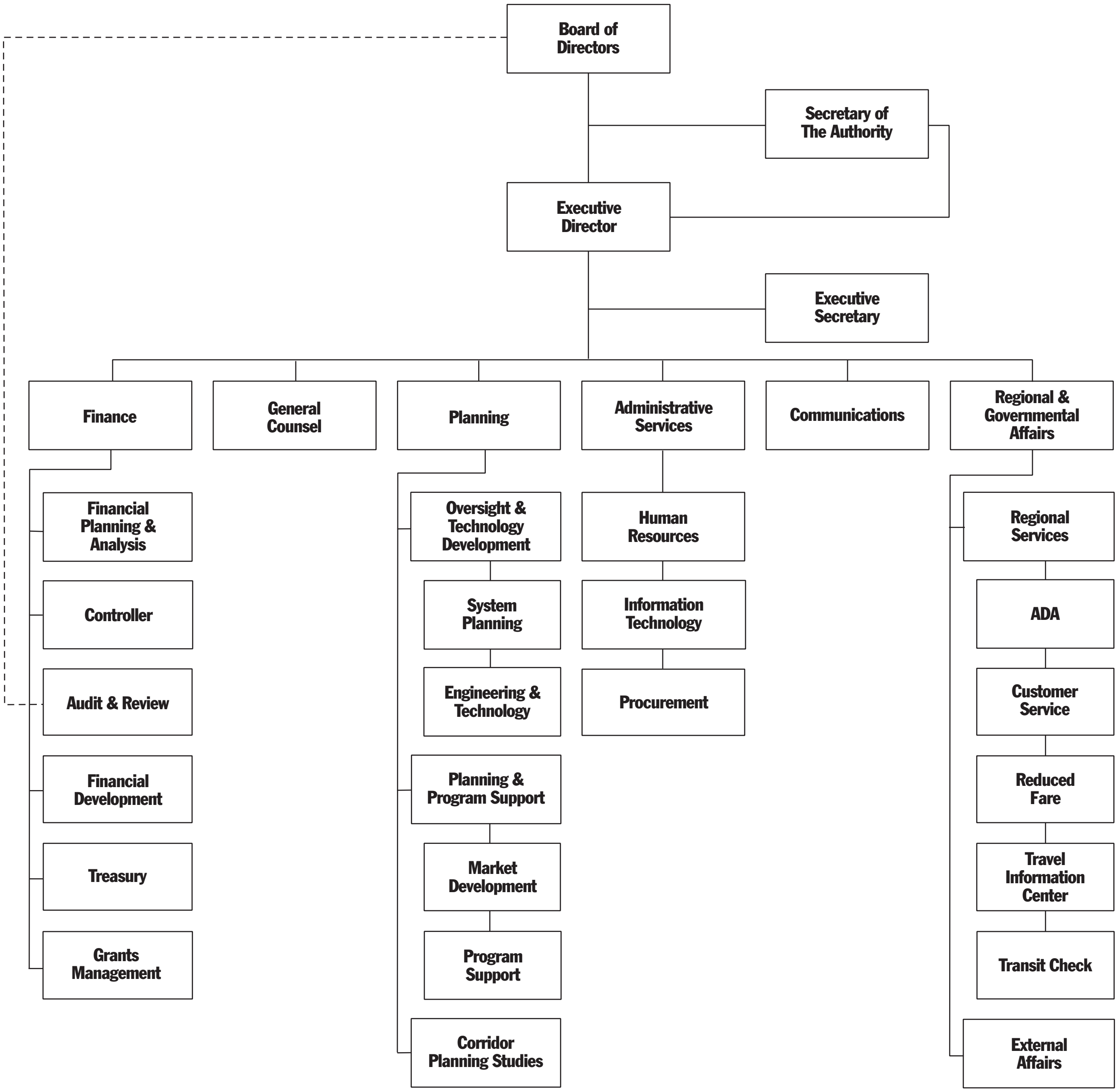
	2003	2004	2005	2006	2007
Board	13.0	13.0	13.0	13.0	13.0
Administration	38.8	39.2	41.2	41.2	41.2
Total Administration	51.8	52.2	54.2	54.2	54.2
Regional Services (1)	47.9	39.8	32.0	32.0	32.0
Technology	—	9.0	17.0	17.0	17.0
Total	99.7	101.0	103.2	103.2	103.2

(1) Includes (FTE) Assistants.

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.

Exhibit 3-16: **Agency Organization Chart** — Summary by Operating Division



CTA Operating Plan

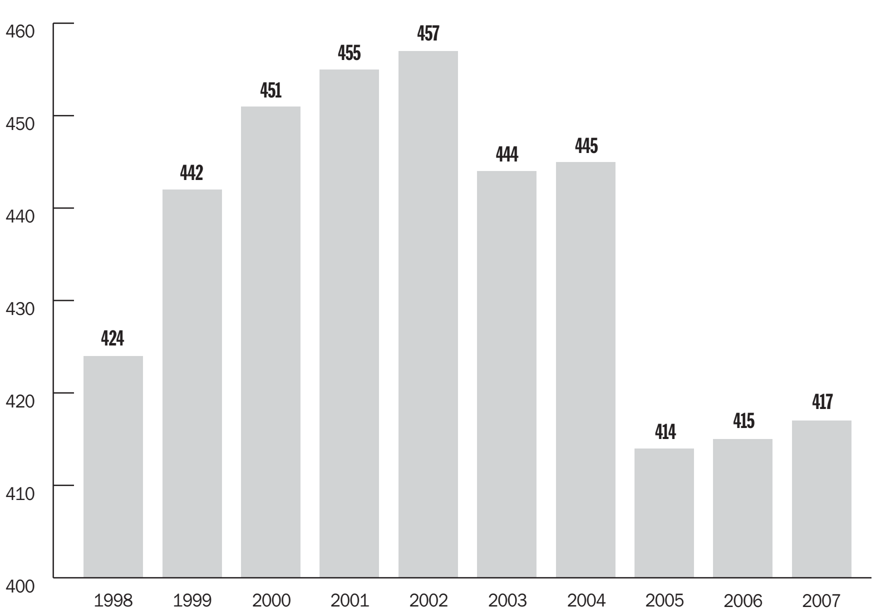
Overview

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 152 bus routes and seven rapid transit routes. The CTA is governed by the seven-member Chicago Transit Board.

Service

The CTA operates the second largest public transportation system in the United States. Average weekday ridership on its bus and rail system is 1.4 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

Exhibit 4-1: **CTA Ridership** (in millions)



Bus operations include 2,017 buses traveling over 152 routes covering 2,273 miles and more than 12,500 bus stops. Rail service includes seven routes and utilizes 1,190 train cars traveling over 289 miles of track. The CTA contracts with three carriers and taxicab companies to provide curb-to-curb paratransit service to persons with disabilities whose needs cannot be met by the CTA's fixed route bus and rail system. In 2004, CTA provided more than 2.1 million paratransit rides at a cost of about $23 per ride.

Ridership

Ridership in 2004 was an estimated 445.5 million trips. This is 1.4 million trips or 0.3 percent higher than 2003 (Exhibit 4-1) and is the result of an increase of 3 percent in weekend ridership. Bus ridership is forecasted at 295.4 million trips in 2004. Compared to 2003, bus ridership is 3.6 million or 1.2 percent higher (Exhibit 4-2). Rail ridership is projected at 147.9 million in 2004 and is lower than the prior year by 2.4 million or 1.6 percent which is attributed to increased rail construction. Paratransit is expected to end the year at 2.1 million trips, 9.7 percent higher than 2003. Average weekday ridership is 1.4 million, while average ridership on Saturday and Sunday is 851,000 and 575,000 respectively (Exhibit 4-3). The CTA expects its ridership levels to increase by a compound growth rate of 0.4 percent from 2003 through 2007. Total vehicle miles in 2004 increased from 2003 levels due to ridership increases. However, the CTA expects vehicle miles to remain flat from 2005 through 2007 (Exhibit 4-4).

Service Quality

The CTA has continued to work at improving bus service and upgrading its bus fleet. The ongoing effort includes the continued delivery of new low-floor articulated, or accordion-style buses and an increase in routes that are *ADA* accessible. In addition, nearly all the fleet is now fully air-conditioned. The CTA conducts a program of mid-life overhauls to its bus fleet. The overhaul process includes rebuilding or upgrading the engine and transmission, heater replacement, air conditioning overhaul, and rebuilt ramps or lifts for mobility devices.

About 92 percent of the CTA's buses are equipped with an automated bus announcement system. This system provides audible announcements and electronic signs that display the upcoming stop. It also determines the position of the bus by using a combination of global positioning satellites, odometer inputs that provide distance traveled, and a gyroscope that observes changes in direction. By the end of 2004, all buses in the fleet will feature this technology.

In 2004, the CTA completed the renovation work on five of the eight stations that are part of the $483 million rehabilitation of the Cermak (Douglas) branch of the Blue Line. These stations have state-of-the-art canopies and displayed art work, and are *ADA* accessible. With the completion of these stations, half of the CTA's 144 rail stations are now accessible. Customers will also experience faster trips as a result of the fully rebuilt track and structure.

In January 2004, the CTA completed the replacement of the warning systems at eight Yellow Line grade crossings in Skokie and two Purple Line grade crossings in Evanston. The work included the installation of new gates, flashers, bells and backup batteries.

New Services

In January, Chicago Card Plus,™ a new electronic farecard managed through an online account, was introduced. The Chicago Card Plus™ enables customers to simply touch the card against a target on a bus farebox or rail turnstile. Because the card is sensor responsive, bus boarding is quicker. It also provides the convenience of automatically adding value to the card through an account-based system. Through September, almost 62,000 Chicago Cards and more than 67,000 Chicago Card Plus farecards are in use.

The CTA broke ground in March 2004 on rehabilitation work on the Dan Ryan branch of the Red Line. The $294 million project is scheduled to be completed in 2006. The rehabilitation work will bring about more reliable and efficient rapid transit service to the South Side of the city and the 45,000 customers who use this branch each day.

In May, a new bus route began a 180-day trial run serving a newly developed manufacturing campus on the Southeast Side —the #X99 Chicago Manufacturing Campus Express.

A new summer shuttle service was introduced on an experimental basis. The Chinatown/Pilsen shuttle provided free service on Saturdays, Sundays and holidays between the South Loop, Museum Campus and Chinatown and Pilsen neighborhoods.

Capital Investments

The CTA spent $484 million on capital programs in 2003. The CTA is expected to spend more than $1.4 billion on capital projects between 2003 and 2005 (Exhibit 4-5).

In spring 2004, the CTA signed a full-funding grant agreement with the Federal Transit Administration (FTA). Under this agreement, the FTA will contribute $423.1 million in funding to the $530 million Brown Line project. Federal funding for this project is a combination of $245.5 million in New Start funding and $177.6 million from formula funds. The RTA, the Illinois Department of Transportation and the CTA will fund the remaining cost of $106.8 million.

The CTA staff has developed a computer program that measures elements of the schedule performance of its buses. The data collected will be used to combat bus bunching. The new, more accurate method of data collection provides the CTA's eight bus garages with reports that enable managers to quickly identify trends and make adjustments. When fully implemented, it will enable CTA bus operations to determine, on a route-by-route basis, whether performance problems are the result of operator error, outdated schedules or external factors.

Bus System

The CTA's aggressive campaign to upgrade its bus fleet also includes a program of mid-life overhauls. In 2004, CTA began a power train overhaul for the Flxible 6000 series buses, rear sidewall replacement for the Flxible 5300 series and completion of the overhaul of all 65 New Flyer 5800 series buses. The overhaul includes rebuilding or upgrading the engine and transmission, replacing the pre-heater,

Exhibit 4-2: **CTA Annual Ridership by Mode** (in millions)

	2001	2002	2003	2004	2005
Bus	301.7	303.3	291.8	295.4	296.6
Rail	151.7	152.4	150.3	147.9	148.5
Paratransit/Taxi	1.4	1.6	1.9	2.1	2.2
Total Ridership	**454.8**	**457.3**	**444.0**	**445.4**	**447.3**

Exhibit 4-3: **CTA Average Daily Ridership** (in thousands)

	2001	2002	2003	2004	2005
Weekday	1,481	1,482	1,437	1,417	1,427
Saturday	862	878	855	851	866
Sunday	577	586	570	575	586

Exhibit 4-4: **CTA Ridership and Miles** (riders and miles in thousands)

	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
Ridership	444,065	445,459	447,351	449,139	450,936
Vehicle Miles	133,507	137,296	136,762	136,762	136,762
Passengers Per Mile	3.3	3.2	3.3	3.3	3.3

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2001	2002	2003	2004	2005
Total Capital Expenditures	$ 356,758	$ 490,101	$ 484,062	$ 457,887	$ 470,304
Bus Vehicles	1,919	2,013	1,991	2,017	2,038
Average Age of Buses (in Years)	8.9	8.5	9.5	8.9	8.9
Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in Years)	18.0	19.0	20.0	21.0	22.0
Bus Routes Offering Lift Service	78	125	131	144	148
ADA Accessible Stations	64	64	66	72	72

overhauling the air conditioning, installing seating fabric, improving destination signs and rebuilding ramps or lifts for mobility devices. The improved overall condition of the vehicles will improve performance and reliability, as well as extend the service life of the CTA buses.

Rail System

The Dan Ryan Branch of the Red Line has added trains and increased frequency to keep up with customer demand. It has eight-car trains with rush hour intervals at 3-5 minutes with ridership of 15.8 million. Customers enjoy new amenities such as upgraded air conditioning systems and frequent rush hour service. In addition, seven stations along the line, from Sox-35th to 87th, will receive upgrades that include new flooring, enhanced lighting, refurbished platform canopies, new customer assistance kiosks and improved signs.

A proposed new rail service called the Circle Line would leverage the CTA's ongoing investment in its rail infrastructure by connecting nearly all of the city's major employment and special event destinations with CTA and Metra rail lines. 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 CTA has obtained funding to conduct a comprehensive alternatives analysis for the Circle Line project that will lead to the selection of a locally preferred alternative, and to perform the necessary analysis to prepare a draft environmental impact statement.

By the end of 2004, a request for proposal will be released for the manufacture of new "L" cars that are expected to commence delivery in 2008. The new rail cars will use AC (alternating current) traction motor propulsion instead of the DC (direct current) motors that power the existing fleet. Converting to a more modern AC system will improve reliability and reduce the growing costs of maintaining an outdated system.

System–Wide Improvements

The 2005 capital program includes the $56 million renovation of the Howard 'L' Station on Chicago's North Side. The station is a busy boarding and transfer point. An estimated 17,200 riders change trains at the station each day, and another 6,000 people enter the station from the street. The project is slated for completion in 2007.

In 2004, the CTA relocated its headquarters to 567 W. Lake Street. By owning the building, the CTA eliminated lease payments from its operating expenses. This investment reduces the CTA's operating expenses by an average of $7.7 million annually.

Partnerships

The CTA works to maintain partnerships with many groups. The CTA's efforts to strengthen its relationship with its riders is evident from the information discussed previously in this section. The CTA also works to create partnerships with its workforce, vendors, the mobility impaired, the City of Chicago, the legislature and its security agencies.

Vendors

The CTA Purchasing Department pursues 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 tried to implement cost savings in its purchasing practices by seeking out lower cost manufacturers. This effort has 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, 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. One of the program's advantages over TAP is 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 municipalities. 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 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 $826 million in capital improvements. This substantial investment in the CTA's

Exhibit 4-6: **CTA 2005 Budget and 2006–2007 Financial Plan** (dollars in thousands)

System–Generated Revenues	**2003 Actual**	**2004 Estimate**	**2005 Budget**	**2006 Plan**	**2007 Plan**
Passenger Revenue	$ 367,906	$ 396,093	$ 376,793	$ 363,427	$ 370,374
Reduced Fare Subsidy	33,161	31,275	30,590	30,590	30,590
Other Revenue	42,200	67,246	62,707	63,949	71,861
Total Revenues	$ **443,267**	$ **494,614**	$ **470,090**	$ **457,966**	$ **472,825**
Operating Expenses					
Labor	$ 667,860	$ 683,419	$ 646,444	$ 630,495	$ 651,497
Material	59,188	60,930	59,749	54,707	52,142
Fuel	24,477	26,681	27,465	23,510	22,554
Power	21,058	23,192	24,168	23,961	23,907
Insurance and Claims	17,568	22,000	19,000	27,000	30,000
Purchase of Security Services	24,780	27,902	34,777	35,820	37,253
Purchase of Paratransit Services	42,350	48,778	52,473	57,025	61,972
All Other	39,471	43,343	47,646	47,080	48,000
Total Operating Expenses	$ **896,752**	$ **936,245**	$ **911,722**	$ **899,598**	$ **927,325**
Operating Deficit	$ **453,486**	$ **441,632**	$ **441,632**	$ **441,632**	$ **454,500**
Recovery Ratio % (1)	**51.5**%	**54.8**%	**54.7**%	**54.2**%	**54.3**%

(1) Items excluded from expenses are for security. In-kind revenues and expenses from the CPD of $22,000 are included. Exhibit 2-20 in the Region section provides the details for this calculation.

infrastructure includes the Roosevelt Connector project, replacement of the elevated span at Wacker Drive and Wells, the renovated Chicago Avenue station on the Red Line and the elevated Library-State/Van Buren station.

Chicago's Department of Transportation (CDOT) and the CTA worked together to complete the renovation of the Jackson station on the Red Line in 2004. The $16.9 million project included an underground transfer tunnel that provides a pedway connection between the Red and Blue lines. The 660-foot platform features brighter and more energy efficient-lighting, new acoustical panels and communications equipment, and street identifier signs showing various views of State Street. In addition, work began on the renovation of Lake Street subway station on the Red Line. This project will rebuild the station's mezzanine and platform between Lake and Randolph streets. The new areas will feature ceramic tile walls and ceilings, and brighter and more energy-efficient lighting.

Legislators

State and federal funding have been crucial to the CTA's ability to rebuild the system. Specifically, City of Chicago Mayor Richard M. Daley, U.S. House Speaker Dennis Hastert, Governor Rod R. Blagojevich, the Illinois Congressional delegation, and the state's *Illinois FIRST* program have provided the financial support needed to help start the CTA on the road to a state of good repair. With the infusion of capital, the bus and rail fleet has yielded visible results as more new air conditioned, accessible buses replace aging vehicles. It also helps speed up the renovation and replacement of older rail cars. Without *Illinois FIRST,* the CTA has indicated that the century old Cermak branch of the Blue Line would have been torn down instead of rebuilt.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2005 through 2007, conforms to the established RTA marks set on September 10, 2004. The CTA's operating funding marks were set at $441.6 million for 2005 and 2006, and $454.5 million for 2007. The CTA met these targets but considers this level of funding inadequate to meet its needs and is seeking additional funding. The CTA's recovery ratio mark was set by the RTA at 52.0 percent for 2005, 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 4-6. The narrative that follows portrays the outlook for the three year planning period (2005-2007) if additional funding is not received.

System–Generated Revenues

Total system-generated revenues are expected to increase from $443 million in 2003 to $473 million in 2007. This is an increase of $30 million over the four-year period, a 1.9 percent average annual increase. System-generated revenues include: passenger revenue, reduced fare reimbursement, and other revenue (Exhibit 4-7).

Passenger revenue comprises 80 percent of the CTA's total operating revenues. The reduced fare subsidy and other revenue account for equal shares of the remaining 20 percent (Exhibit 4-8).

Exhibit 4-7: **CTA System–Generated Revenues** (dollars in millions)

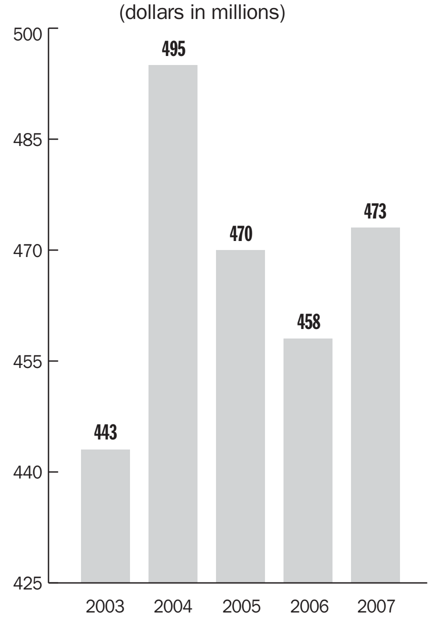


Exhibit 4-8: **2005 CTA Revenues — $470 million**

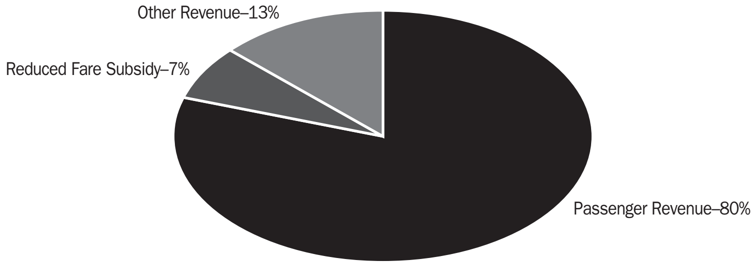


Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2003	2004	2005	2006	2007
Passenger Revenue	$ 367,906	$ 396,093	$ 376,793	$ 363,427	$ 370,374
System Ridership	444,065	445,459	447,351	451,601	457,110
Average Fare	$ 0.83	$ 0.89	$ 0.84	$ 0.80	$ 0.81

Exhibit 4-10 : **CTA Fare Structure**

	Full Fare	Reduced Fare (1)
Basic Cash Fare and Transit Cards	$ 1.75	$ 0.85
Paratransit		
Special Services (2)	$ 3.50	None
Chicago Taxi Access Program Voucher (2)	3.50	None
University Pass	$ 0.60	$ 0.70
First Transfer with Fare Card	$ 0.25	$ 0.15
Allows two additional rides within two hours of issue. Transfers are not valid for travel in reverse direction on the route of issue.		
Full Fare Chicago Card	$ 1.75	$ 0.85
For every $10 purchase, $11 of value is added to the card.		
Transit Card Packs		
Ten-Pack	$ 15.00	None
Twenty-Pack	None	13.50
Passes		
1-Day	$ 5.00	None
7-Day	20.00	None
30-Day	75.00	35.00
Visitor Passes		
1-Day	$ 5.00	None
2-Day	9.00	None
3-Day	12.00	None
5-Day	18.00	None
Link-Up Pass	$ 36.00	None
Sold by Metra; use with Metra monthly ticket.		
Express Surcharge	$ 0.25	$ 0.25
Downtown on bus routes 2, 6, 14 and 147.		
Rush Shuttle Fares	$ 1.00	None
To/from downtown Metra stations during rush hour.		
128 Soldier Field Express	$ 1.00	$ 0.50
154 Wrigley Field Express	$ 5.00	Per carload

(1) Reduced fares are for children 7 through 11 years old. Grade and high school students with CTA riding permit. Seniors age 65+ and riders with disabilities with RTA reduced fare riding permit. (2) Current fare is $1.75. Increase to $3.50 has been delayed until mid-2005.

Passenger Revenue

Passenger revenue is expected to increase from $368 million in 2003 to $370 million by 2007, a $2 million increase or 0.2 percent annual growth rate (Exhibit 4-9).

A 25¢ increase in the base fare is the reason for the projected increase in fare revenues for 2004 compared to 2003 results. Revenue from fares is estimated at $376.8 million in 2005, which is $19.3 million lower than the 2004 forecast.

The CTA fare structure is shown in Exhibit 4-10.

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 2005 fiscal year budget, the appropriation for reduced fare for the RTA region is $37.2 million. These funds are split between the three Service Boards based on their reduced fare revenues. The CTA estimates its share at $30.6 million per year from 2005 through 2007.

Other Revenue and Investment Income

This category includes advertising, charters, concessions, contributions from local governments, investment income, the funding for paratransit services under contract, and other revenue (Exhibit 4-11). Revenue for this category was approximately $42 million in 2003 and is expected at $72 million in 2007. Reasons for this increase include more revenue enhancement strategies.

Operating Expenses

Total operating expenses are forecast to increase from $897 million in 2003 to $927 million in 2007. This $30 million increase equals a 0.8 percent compound annual growth rate (Exhibit 4-12).

Calendar year 2004 operating expenses are estimated at $936.2 million. This is 4.3 percent higher than the 2003 actual expense of $896.8 million. The increase is due mainly to higher healthcare, pension and workers compensation costs in labor expenses.

Exhibit 4-11: **All Other Revenue** (dollars in thousands)

All Other Revenues	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
Advertising, Charter and Concessions	$ 21,846	$ 23,996	$ 24,313	$ 24,500	$ 27,861
Investment Income	3,025	2,079	2,949	2,949	5,500
Contribution from Local Government Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	12,329	36,171	30,445	31,500	33,500
Total All Other Revenues	$ **42,200**	$ **67,246**	$ **62,707**	$ **63,949**	$ **71,861**

The 2005 budget of $911.7 million for operating expenses is 2.6 percent lower than the 2004 projected results. The 2006 and 2007 financial projections show operating expenses of $899.6 million and $927.3 million, respectively. The 2006 financial projection represents an increase of 1.3 percent over the 2005 operating budget. The 2007 financial projection represents an increase of 3.1 percent over the 2006 budget.

Expense Elements

The 2005 operating expense components include labor, material, fuel, power, insurance/claims, security, paratransit services, and other. Labor expenses, including fringes, represent 70 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 6 percent of the CTA's expenditures. Insurance, claims and security represent 6 percent of total spending. Paratransit services and other expenses comprise the remaining 11 percent. The other expense category includes items such as lease, utility, and contractual services (Exhibit 4-13).

Labor Costs

Labor expenses are expected to decrease from $668 million in 2003 to $651 million in 2007. This is a $17 million decrease or a 0.62 percent compound annual decline (Exhibit 4-14).

Labor expense for 2004 is estimated at $683 million; this is $15.6 million or 2.3 percent more than 2003. This is due to the annualization of the 2003 wage rate increase for the union contract, increased health care and workers compensation expenses and one more operating workday in 2004. The wage rate increases added approximately $16.0 million of cost to 2004 that were part of the arbitrator's award.

Labor Expenses are projected to decrease in 2005. Labor expenses are forecast at $646.4 million in 2005, a decrease of $37.0 million or 5.4 percent from 2004. This decrease is due to a combination of a partial hiring freeze, restrictions on overtime, a freeze on salary increases for exempt employees, the elimination of 250 staff positions and the proposed service cuts for rail and bus services which would effect about 1,000 positions (Exhibit 4-15). Overall, labor expenses of $630.5 million are projected to decrease 2.5 percent in 2006 and then increase 3.3 percent to $651.5 million in 2007.

Exhibit 4-13: **2005 CTA Operating Expenditures** — $**912 million**

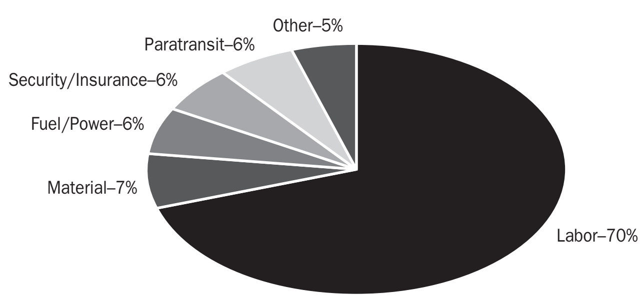
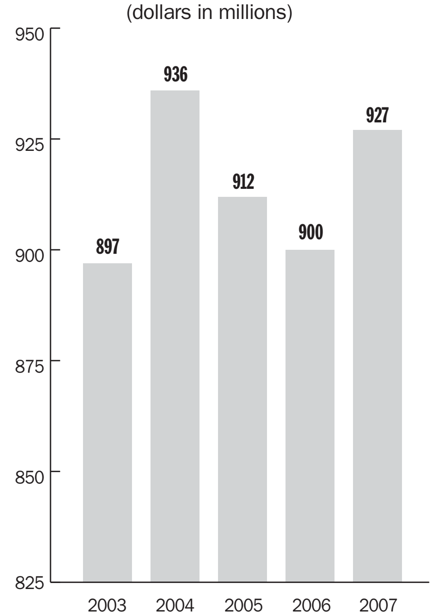


Exhibit 4-12: **CTA Total Operating Expenses** (dollars in millions)



Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expense is forecast at approximately $60.9 million in 2004, $59.7 million in 2005, $54.7 million in 2006, and $52.1 million in 2007. The reduction in material expense is mainly due to increased capital investment in new vehicles, overhauls of existing vehicles and replacement/renewal of facilities infrastructure.

Fuel

The CTA estimates fuel expense at $26.7 million for 2004, assuming 22.0 million gallons at $1.21 per gallon (Exhibit 4-16). The cost per gallon is higher than 2003 actual results due to higher fuel prices.

The CTA forecasts the need for 19.6 million gallons of diesel fuel in the 2005 budget. Due to the uncertainty surrounding energy prices, the CTA estimates the cost of fuel to be about $1.40 per gallon.

Power

Electric power expense for the rail system is forecast at $23.2 million in 2004, which is $2.1 million higher than in the prior year. This increase largely reflects increased service on the system.

Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2003	2004	2005	2006	2007
Labor Expense	$ 667,860	$ 683,419	$ 646,444	$ 630,495	$ 651,497
% Change from Prior Year	0.6	2.3	(5.4)	(2.5)	3.3

Exhibit 4-15: **CTA Budgeted Positions** (in thousands)

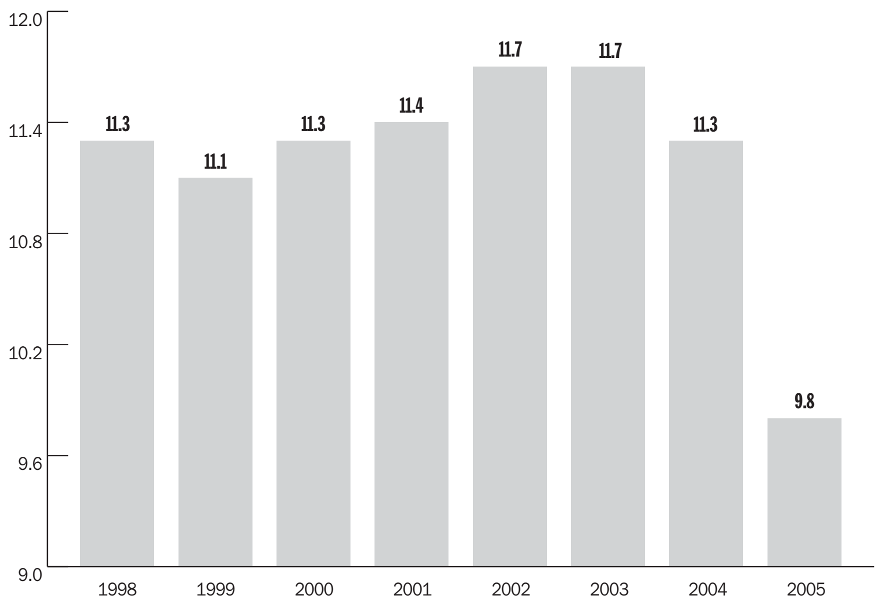


Exhibit 4-16: **CTA Fuel Cost and Gallons** (cost and gallons in thousands)

	2003	2004	2005
Fuel Cost	$ 24,477	$ 26,681	$ 27,465
Gallons	22,051	22,000	19,618
Cost Per Gallon	$ 1.110	$ 1.213	$ 1.40

Exhibit 4-17: **CTA Claims and Safety Statistics** (dollars in thousands)

	2003	2004	2005
Claims	$ 17,568	$ 22,000	$ 19,000
Bus Accidents per 100,000 Miles	5.69	5.90	5.60
Rail Accidents per 100,000 Miles	0.10	0.15	0.14

Expenses for power increase $1.0 million in 2005 and decline slightly by $0.2 million in 2006. Power costs remain steady in 2007.

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 2004 forecast is $22.0 million and is higher than the prior year by $4.4 million.

The 2005 Funding of the Provision for Injuries and Damages is $19.0 million versus an estimate of $22.0 million for 2004. In 2006 and 2007, the CTA projects this expense at $27 million and $30 million, respectively.

As shown in Exhibit 4-17, the CTA expects to reduce its bus and rail accidents per 100,000 miles 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 $27.9 million in 2004, which represents a $3.1 million increase from prior year (Exhibit 4-18).

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, employees, and infrastructure. The 2005 budget is $34.8 million, and for 2006 and 2007 security expenses are expected to increase $1.0 million and $1.5 million, respectively. Increased costs are due to inflation and greater coverage.

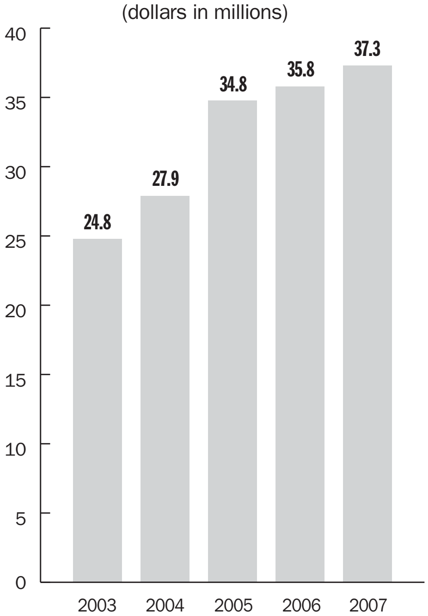
Purchase of Paratransit Services

The CTA provides door-to-door paratransit service for 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 the three carriers and by taxicab companies in the CTA's paratransit program continues to increase this expense (Exhibit 4-19).

Expenses for paratransit service are projected at $48.8 million in 2004, which is $6.4 million or 15.1 percent more than prior year. Paratransit trips are forecast at 2.1 million trips for the current year, an increase of approximately 113,000 trips over the previous year. Almost all of this growth has occurred in the door-to-door service provided by the special service carriers.

Purchase of paratransit services is expected to increase by more than 8.5 percent annually from 2005 to 2007 reflecting increasing service demand and inflation. The CTA continues to increase accessibility of mainline services for customers with disabilities. By year-end 2004, 100 percent of the CTA's buses will be accessible. Additionally, the CTA is continuously improving its rail stations tobe more *ADA* compliant and has established a zero tolerance policy for lift failures.

Exhibit 4-18: **CTA Purchase of Security Services**
(dollars in millions)



All Other Expenses

Other Expenses include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expense. The current 2004 forecast equals $43.3 million and is higher than prior year by $3.8 million or 9.6 percent (Exhibit 4-20).

The 2005 budget is $47.6 million, which is higher than the 2004 estimate by $4.3 million due to increases in contractual services. Expenses for other services are forecasted to decline slightly in 2006 and to increase in 2007 above 2005 levels as a result of inflation.

Deficit

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

Funding

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 account for slightly less than half of the CTA's operating budget.

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. Of this 85 percent, the CTA receives 100 percent of the sales tax collected in Chicago and 30 percent of the sales tax collected in suburban Cook County.

RTA discretionary funds for the CTA are expected to range between $194 million and $160 million from 2003 to 2007. Apportionments from the RTA's 15 percent share of the sales tax revenue and the state's Public Transportation Fund (PTF) are the sources of the RTA's discretionary funds (Exhibit 4-21).

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 54.7 percent in 2005, higher than the 52.0 percent mark set by the RTA.

There are three factors that have had a positive impact on the recovery ratio in recent years. 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 ex-

Exhibit 4-19: **CTA Paratransit Cost and Statistics**

	2003	2004	2005
Total Cost of Paratransit Services (in thousands)			
Paratransit	$ 36,272	$ 41,891	$ 45,063
Taxi	6,079	6,887	7,410
Average Cost per Trip	21.81	23.01	23.82
Number of Trips (in thousands)			
Paratransit	1,479	1,592	1,655
Taxi	463	527	548
Average Cost per Trip by Mode			
Paratransit	$ 24.53	$ 26.31	$ 27.23
Taxi	13.14	13.06	13.52

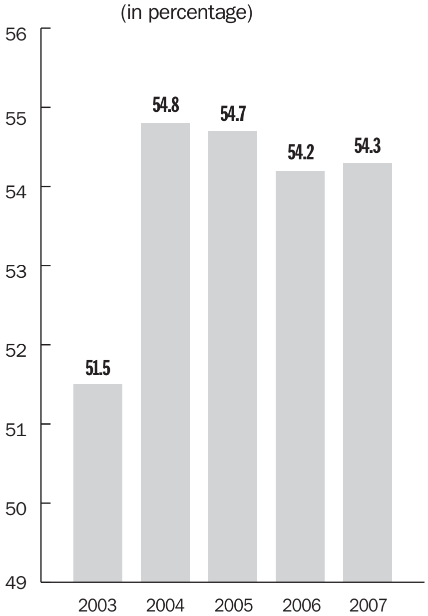
Exhibit 4-20: **CTA All Other Expenses** (dollars in thousands)

All Other Expenses	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
Utilities	$ 18,069	$ 17,768	$ 17,588	$ 17,349	$ 17,718
Advertising and Promotion	3,231	3,292	4,956	4,968	4,993
Contractual Services	26,023	26,172	32,333	31,894	32,573
Leases and Rentals	7,449	7,254	3,096	3,054	3,119
Travel, Training, Seminars and Dues	2,637	2,259	2,801	2,763	2,822
Warranty and Other Credits	(20,219)	(20,041)	(20,471)	(20,192)	(20,623)
General Expenses	2,281	6,640	7,343	7,243	7,398
Total All Other Expenses	$ **39,471**	$ **43,344**	$ **47,646**	$ **47,079**	$ **48,000**

Exhibit 4-21: **Chicago Transit Authority Sources of Public Funding** (dollars in thousands)

	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
85% Sales Tax	$ 259,505	$ 267,795	$ 276,307	$ 285,064	$ 294,082
RTA Discretionary Funds	193,983	173,837	165,325	156,568	160,418
Total Funding	$ **453,488**	$ **441,632**	$ **441,632**	$ **441,632**	$ **454,500**

Exhibit 4-22: **CTA 2003–2007 Recovery Ratio** (in percentage)



penses from the recovery ratio. Starting in 2005, all of the CTA's purchases of security services are being excluded from the recovery ratio. Finally, revenue from funds for paratransit services under contract are included in the calculation. This program was started in 2003 with an initial amount of $16.5 million and is expected to reach $19.9 million in 2007.

The CTA's recovery ratio was 51.5 percent in 2003 and is expected to be at 54.8 percent in 2004. In 2005 and 2006, the CTA recovery ratio is expected to be 54.7 percent and 54.2 percent, respectively. The ratio is at 54.3 percent in 2007 (Exhibit 4-22).

2004 Budget Versus 2004 Estimate

The CTA expects a balanced budget for 2004.

Revenues

Revenues from fares are forecast at $396.1 million and compare favorably to the budget by $2.5 million or 0.6 percent. The higher fare revenue is due to a higher average fare realized from the fare increase. The average fare for 2004 is estimated to be 89¢, which is 0.2 percent higher than budget. In January 2004, the CTA increased the full fare cash price by 25¢ and eliminated discounts on transit cards in March. Prices for passes were held constant and discounts were provided on Chicago Card purchases (Exhibit 4-23).

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 below budget by $1.0 million. Ridership for reduced fare customers, however, continues to exceed prior year.

Other revenue is expected to be $.7 million unfavorable 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 services, and concessions are projected to be below budget by $0.3 million or 1.0 percent. This short-fall is due to lower investment by businesses in advertising as a result of a sluggish economy.

Investment income is estimated at $2.1 million, $0.9 million or 30.7 percent lower than budget. This is due primarily to low interest rates. Interest rates are the lowest they have been in 40 years due to Federal Reserve Board rate cuts.

All other revenues are projected at $36.2 million, $0.5 million higher than budget.

Expenses

Calendar year 2004 operating expenses are estimated at $936.2 million and are projected to be unfavorable to the budget by $0.8 million or 0.1 percent. Four of the expense categories are expected to finish the year over budget: fuel, power, paratransit and security. This is primarily due to market prices, increased deployment of security and increased demand for paratransit services. The other three categories: labor, material, and other are forecast to finish under budget due to cost containment strategies implemented to ensure that the CTA achieves a balanced budget in 2004.

Labor expense is projected at $683.4 million and is $1.6 million or 0.2 percent below budget. The decrease in labor expense is related to the implementation of cost containments and operational efficiencies. Overtime was managed very tightly, a freeze on exempt salary increases was implemented, and vacancies that were not service-related were not filled.

Material expense is forecasted at $60.9 million, $5.1 million or 7.7 percent favorable to the budget. The reduction in material expenses is due to increased capital investment in new vehicles, overhauls of existing vehicles and replacement/renewal of facilities infrastructure.

Exhibit 4-23: **CTA 2004 Budget Versus 2004 Estimate** (dollars in thousands)

System–Generated Revenues	**2004 Budget**	**2004 Estimate**	**Variance**
Passenger Revenues	$ 393,562	$ 396,093	$ 2,531
Reduced Fare Subsidy	32,300	31,275	(1,025)
Other Revenue	67,935	67,246	(689)
Total Revenues	$ **493,797**	$ **494,614**	$ **817**
Operating Expenses			
Labor	$ 685,027	$ 683,419	$ 1,608
Material	66,000	60,930	5,070
Fuel	23,000	26,681	(3,681)
Power	22,000	23,192	(1,192)
Insurance and Claims	22,000	22,000	—
Purchase of Security Services	25,042	27,902	(2,860)
Purchase of Paratransit Services	45,113	48,778	(3,665)
All Other	47,246	43,344	3,902
Total Operating Expenses	$ **935,428**	$ **936,246**	$ (**818**)
Operating Deficit	$ **441,631**	$ **441,632**	(**1**)
Recovery Ratio %	**54.7**%	**54.8**%	(**0.1**) pts.

Fuel expense for revenue equipment is expected to finish the year at $26.7 million. This is $3.7 million or 16.0 percent higher than budget. The 2004 budget assumed an average price of $1 per gallon for 22 million gallons. Fuel prices and consumption have been running above budget and are estimated to end the year at an average price of $1.10 for 24.3 million gallons. The average price was lowered by using a fuel hedge program and charging the cost differential of switching to an ultra low sulfur fuel to a federal grant (CMAQ) for part of the year. Without these two offsets, the average price per gallon would have been $1.20 and the total fuel expense would have been $2.5 million higher.

Electric power expense for the rail system is forecasted at $23.2 million or $1.2 million higher than budget. The higher expense is due to increased service in the system.

The provision for injuries and damages represents the expense for claims and litigation for injuries and damages that occur on the CTA's property or with the CTA's vehicles. The 2004 forecast is $22.0 million and is on par with budget.

Security service is provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expense is estimated at $27.9 million and $2.9 million more than budget. In addition to the services contracted by the CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide dedicated services to CTA at an estimated cost of $22 million.

Purchase of paratransit expenses are estimated at $48.8 million, which is $3.7 million or 8.1 percent higher than budget. Paratransit trips are projected to finish the year at 2.1 million trips, 188,000 trips or 10 percent over the 2004 budget. This curbside service is provided by three carriers and taxicab companies.

Other services include utilities, rent, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital jobs, and other general expenses. The current forecast equals $43.3 million and is below budget by $3.9 million. The lower expenses resulted primarily from a higher allocation of overhead and fixed expenses to capital projects, and from lower advertising, data processing, accounting, engineering, and other consulting services resulting from cost controls placed on all expenditures.

The recovery ratio, which measures the amount of operating expenses that the CTA funds from the revenues it generates, is forecast at 54.77 percent, which is above budget by 0.1 percentage points.

Statutory Compliance

The *RTA Act* requires that each Service Board must meet the six criteria, which are detailed in the Region section of this book, for approval of its budget. The CTA budget, as submitted, meets each of the criteria.

Organizational Structure

The CTA organization consists of the following divisions (Exhibit 4-24).

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 appoints three subject to the approval of the State Senate and the Mayor of Chicago.

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

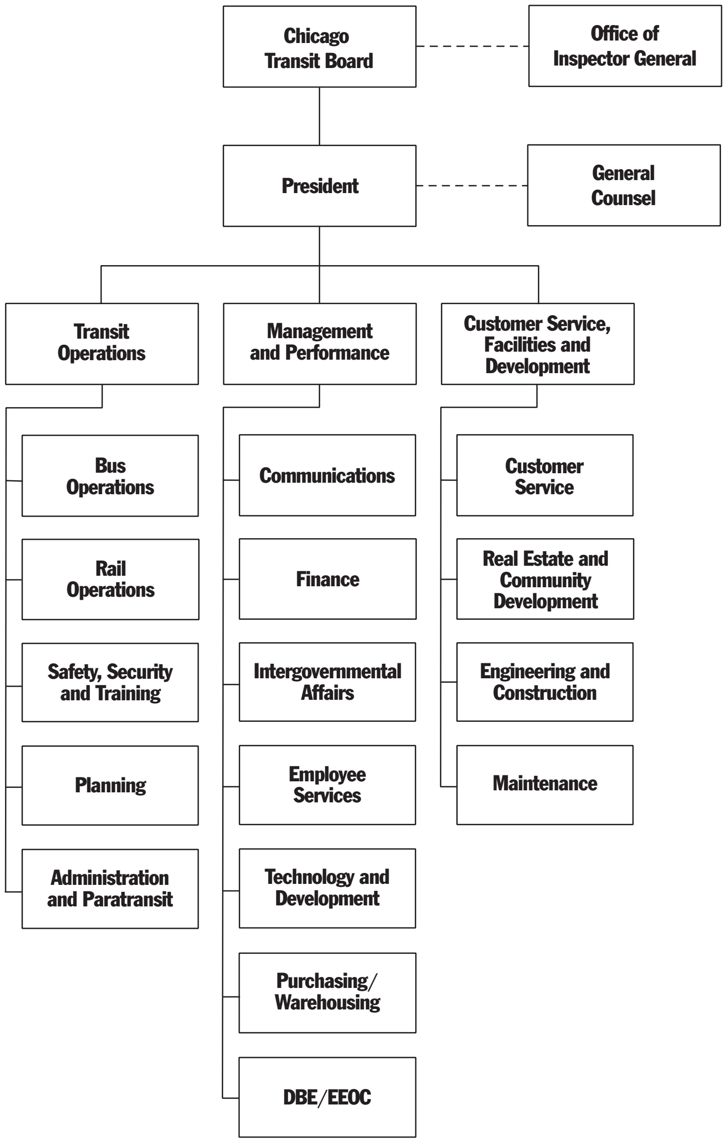
Office of Inspector General

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.

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. Intergovernmental Affairs monitors transit legislation that affects the CTA on the regional and national level. The Human Resources and Employee Services department includes human resources, industrial relations, benefit services, medical services, and program compliance. The Technology Development department is responsible for management information systems. The Purchasing/Warehousing department replenishes and manages inventory. The DBE/EEO/Contract Compliance department ensures that discriminatory practices are not followed in regard to contracting, employment, or service delivery.

Exhibit 4-24: **CTA Organization Chart**



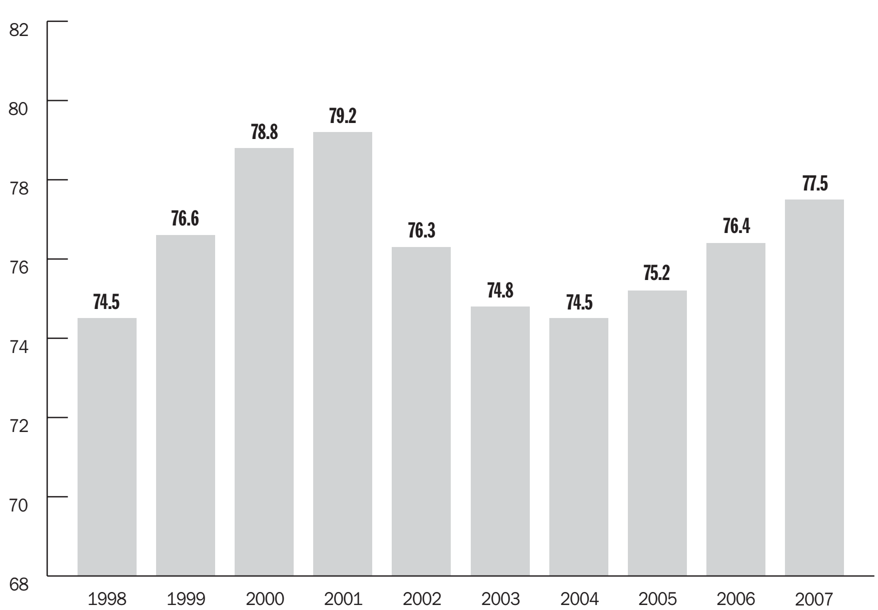
Metra Operating Plan

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 appointed directors and is selected by the concurrence of five directors.

Exhibit 5-1: **Metra Ridership** (in millions)



Service

The Metra system is comprised of 11 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 229 local rail stations in more than 100 communities. Metra provides safe, reliable commuter rail service with an average weekday ridership of 296,200. Peak period ridership represents 80 percent of the total average weekday trips.

Metra operates 59.5 percent of its trains on weekdays, 25.7 percent on Saturdays and 14.8 percent on Sundays and holidays. The trains' operating speeds are 10 percent higher during a weekday peak period than during off-peak hours.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, the two largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana.

Metra's hub is the downtown Chicago Business District, which feeds service to all of its 11 lines. Approximately one-half of all commuter trips made from the suburbs to downtown Chicago are currently made on Metra.

Exhibit 5-2: **Riders and Miles** (in thousands)

	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
Total Riders	77,772	77,532	78,320	79,494	80,687
South Shore Elimination (1)	(2,961)	(3,045)	(3,075)	(3,121)	(3,168)
Total Metra Riders	**74,811**	**74,487**	**75,245**	**76,373**	**77,519**
Total Revenue Car Miles	32,528	32,683	32,653	32,559	32,653
South Shore Elimination (1)	(2,524)	(2,479)	(2,515)	(2,510)	(2,515)
Total Metra Revenue Car Miles	**30,004**	**30,204**	**30,138**	**30,049**	**30,138**
Total Passenger Miles	1,751,895	1,757,262	1,767,898	1,794,417	1,833,002
South Shore Elimination (1)	(88,452)	(91,328)	(91,858)	(93,236)	(94,471)
Total Metra Passenger Miles	**1,663,443**	**1,665,934**	**1,676,040**	**1,701,181**	**1,738,531**

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

Ridership

Metra's ridership for the year 2003 totaled 74.8 million passenger trips. This was a 1.9 percent decline from 2002 ridership of 76.3 million (Exhibit 5-1). In 2004, Metra's ridership stabilized with projected passenger trips at 74.5 million (excluding South Shore), which is nearly the same as in 2003. 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 Chicago's downtown. 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 1999 and 2004 average daily load counts by service period. Trains operating in the reverse peak direction during midday and on weekends have realized the greatest percentage gains. These gains are attributed to Metra's efforts 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, peak direction trains have realized a slight decrease (1.7 percent) during the five-year period. This is attributed to decreased employment levels in downtown Chicago. For the January–November 2004 period, average monthly regional employment was up 1.7 percent from the same period of 2003. Despite an overall increase in employment, there are indications that Metra's primary travel market, downtown Chicago, is not performing as well as the region as a whole. For example, the occupancy rates of downtown offices averaged 85.9 percent for the second and third quarters of 2004, a decline of more than one percentage point from last year.

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 effects of a stagnant economy and a decline in the rate of absorption of downtown office space may signify the end of a period of employment growth. The regional economic and employment trends and their effect on ridership are analyzed in the Appendices.

Service Quality

To deliver on its objective to provide service that is customer-driven, flexible and personalized, Metra realizes that an understanding of customer needs is critical. Metra periodically conducts on-board surveys to measure various service attributes. Metra not only measures general rider satisfaction, but also collects information on what service attributes are considered the most valuable 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 1999.

Metra's on-time performance in 2003 was 97.1 percent, the highest level in most recent five-year period and the best of all the passenger railroads in the United States. In 2004, the on-time performance averaged 96.9 percent, which is ahead of the five-year average of 96.3 percent and was again the highest rate in the nation.

Exhibit 5-4: **On–Time Performance**

Year	Delays	% On-Time
1999	9,257	95.2
2000	7,688	96.0
2001	6,287	96.8
2002	6,809	96.5
2003	5,627	97.1

Exhibit 5-3: **Average Daily Passenger Loads by Service Period** — July through June (in thousands)

Service Period	July 1999-June 2000	July 2003-June 2004	Change	% Change
Peak Direction	240	236	(4)	(1.7)
Reverse Peak	13	14	1	9.6
Midday	30	31	1	2.8
Evening	17	16	—	0.0
Total Weekday	**300**	**296**	(**3**)	(**1.1**)
Saturday	53	57	3	6.5
Sunday	30	33	3	10.5

Exhibit 5-5: **Passengers Per Revenue Car Mile**

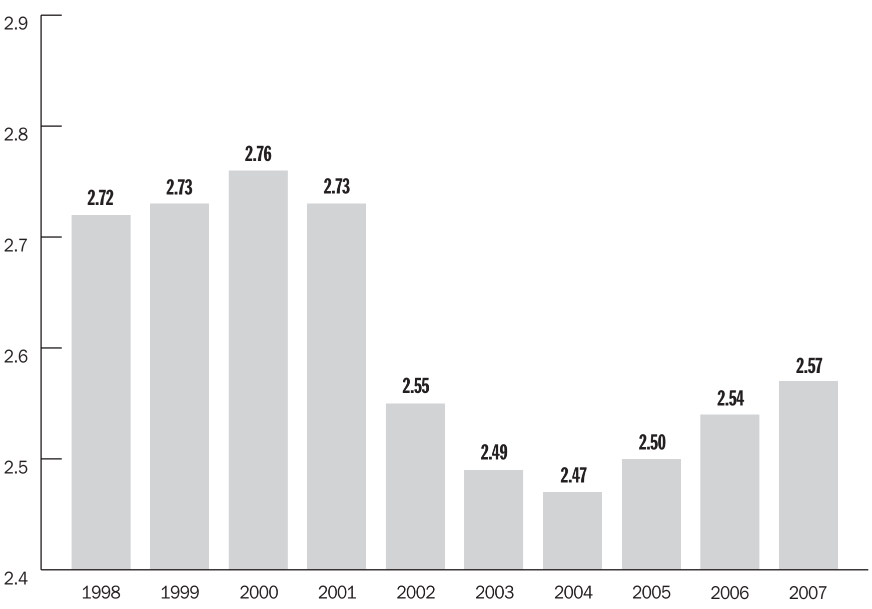
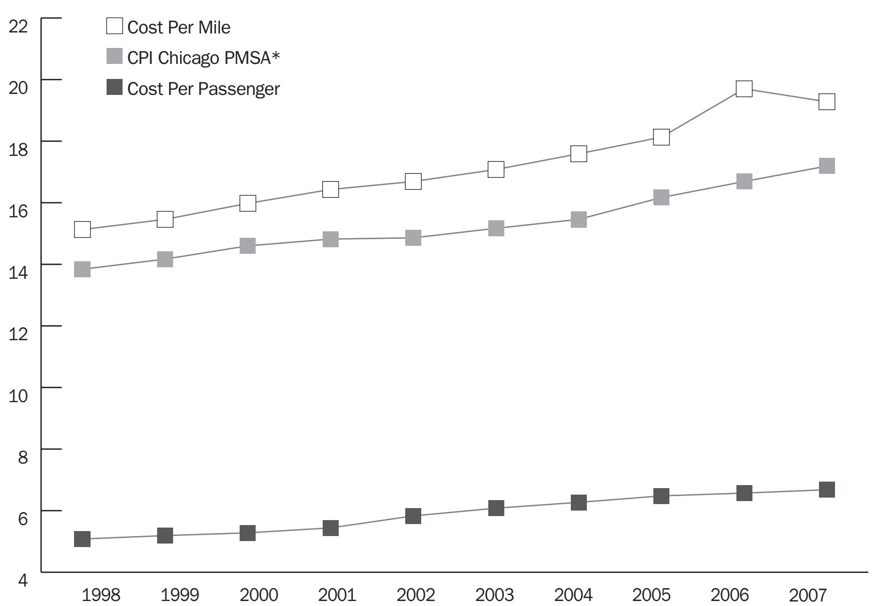


Exhibit 5-6: **Cost Efficiency and Effectiveness** (in dollars)



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 it to track average daily passenger loadings by service period (see Exhibit 5-3) and by line to analyze trends. In addition, Metra monitors and reports trains with occupancy rates exceeding 95 percent. This information is valuable support for service change decisions.

Another, more general measurement of system-wide effectiveness is made by dividing the number of passengers by the number of miles of service, thereby calculating passengers-per-revenue-car-mile. Metra's passengers-per-revenue-car-mile ratio decreased from 2.72 in 1998 to 2.49 in 2003. The decrease from 1998 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 of service increase prior to actual ridership, thereby temporarily decreasing the passenger-per-mile ratio.

Metra strives to strike a balance between increases in miles of service due to expansions and passenger growth. In 2003, the passenger-per-mile ratio decreased slightly to 2.49 and the 2004 estimate shows a further decline to 2.47. According to Metra's 2005 budget, the passenger-per-mile ratio of 2.50 is expected to increase to 2.57 by 2007 (Exhibit 5-5).

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 increased at a slower rate than the Consumer Price Index (CPI).

Another measurement, which is used to calculate whether costs are being contained and efficiency maintained, is the 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 generally held expenses in-line when compared to increases in the CPI.

Service Expansion

Over the past five years, the Northeast Illinois region achieved a major milestone through the federal *TEA-21* legislation. Metra entered into three full-funding grant agreements with the federal government for system expansion.

By the end of 2005, Metra projects that it will complete all three New Start projects funded under *TEA-21.* These projects will double the amount of service currently offered on the North Central Service (NCS), expand service farther into Kane County on the Union Pacific West (UP-W) Line, and increase and expand service on the SouthWest Service (SWS) Line.

Metra will double service along its NCS Line to Antioch providing more peak and off-peak travel opportunities for riders with the potential for expansion to weekend services. Five new stations are being constructed at Grayslake, Schiller Park, Franklin Park, Rosemont and Cicero. Infrastructure improvements along the line include the addition of a second track, crossovers, signals and track configurations to enhance overall safety. These improvements will free track capacity resulting in reduced travel times and improved service for NCS commuters as well for commuters on the Milwaukee District West Line.

Work is also underway on the nine-mile extension of the UP-W Line from Geneva to Elburn. New stations will be built at Elburn and LaFox. A new rail yard will be built at Elburn which will free track capacity for passenger and freight trains. Additional tracks and signals will enhance safety for all trains operating on the line. Initially, a total of 600 parking spaces will be constructed at Elburn and LaFox to ease congestion and provide relief to the Geneva station.

In addition, the SWS Line will be extended to Manhattan and the service schedule will grow significantly from 16 to 30 daily trains offering more peak and off-peak travel choices for riders. New stations will be constructed at New Lenox, Palos Heights and Manhattan. Three miles of new track will be installed and 12 miles of presently freight-only track will be upgraded to allow for the increase in commuter trains. Signal upgrades will enhance safety and improve travel times for commuters. More than 4,000 parking spaces will also be added along the line.

Maintenance and Modernization

To maintain on-time performance and enhance safety, Metra ensures all aspects of the transit system are properly maintained. These include bridge rehabilitations, locomotive upgrades, including the replacement of air conditioners, seats, lights and other components.

In March of 2003, Metra unveiled the first of its 300 new bi-level gallery cars and the first of 27 new locomotives. The stainless steel cars offer enhanced features, including larger windows and wider stairwells and are compliant with the *Americans with Disabilities Act (ADA)* of 1990.

The *ADA* mandates that key commuter stations and at least one car per train be accessible to persons with disabilities. As a result, Metra has designated one station in each five-mile fare zone as a key station. Key station improvements may include accessible parking, curb cuts, ramps and/or elevators, wider doorways, new or rebuilt restrooms, tactile strips to mark the edge of the platforms and improved signage.

Metra's system has 73 key stations. In addition to the normal station rehabilitation program, Metra has spent $35 million on special projects to make the system accessible.

Safety and Security

Metra provides employee incentives to those regularly meeting goals. Key among these goals is workplace safety. A safe workplace correlates with a safe environment both for Metra employees and Metra commuters.

Metra's investments in staff training programs and incentive plans have resulted in substantial dividends, including commuter satisfaction and industry recognition. In 2003, Metra won the E.H. Harriman Gold Medal for the least reportable injuries. The awards are given to the three railroads in each class with the fewest Federal Railroad Administration (FRA) reportable injuries. Metra has won seven Harriman awards.

In addition to routine workplace safety training, Metra employees have also been trained to recognize and observe potential safety hazards in and around trains, stations and tracks. Metra is the only railroad organization in the country to train all of its 4,000 employees in terrorism awareness and emergency procedures. The total 2004 programmed expenditures for Metra's security and emergency preparedness were more than $3 million and will reach $5 million in 2005.

As part of these investments, security cameras are being installed at several downtown train stations. Metra is also installing emergency signage involving LED technology in strategic locations through Metra's downtown terminals. The signs will alert commuters in advance to emergency situations and can display pre-programmed or free form messages to assist Metra in communicating with customers.

In addition, Metra installed a train tracking system using Global Positioning System (GPS) technology in 2001. GPS monitors the position and movement of all trains in real-time.

GPS offers Metra's operations professionals a snapshot that details the overall system information regarding the performance of every train during an operational day. The real-time information supports and delivers a more effective response to any service disruptions or emergencies and leads to enhanced overall safety.

Metra also encourages and provides safety training and education opportunities within the community.

Metra has been a partner with Operation Lifesaver for more than 15 years. Operation Lifesaver is a public education program designed to reduce the number of crashes, deaths, and injuries at highway-rail intersections. Operation Lifesaver concentrates on education, enforcement, and engineering, but education is the most important aspect for Metra. After a spate of accidents in 2004 involving children, Metra launched a more aggressive campaign designed to distribute information regarding railroad safety directly to the public. The "Look, Listen and Live" campaign blitz included not only safety videos, but also a series of newspaper ads, safety posters, screen savers, employee badges and Operation Lifesaver contact cards that remind everyone of the importance of observing railroad safety rules and of discussing these rules with children.

Partnerships

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.

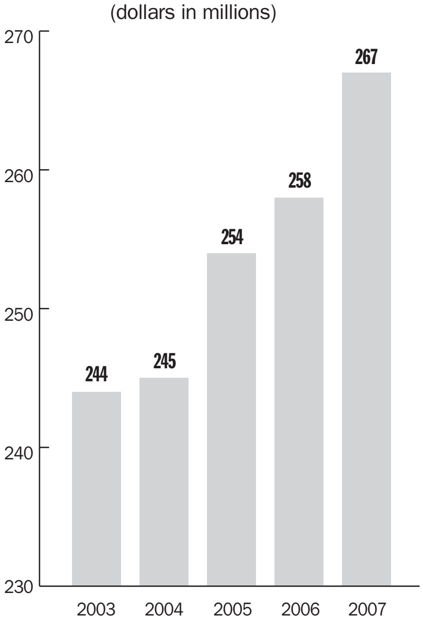
Commuter trains share and/or cross freight lines on all but one Metra route. In recent years, partnerships with other railroads have gained significant importance due to a booming railroad freight industry. The enormous flow of freight

Exhibit 5-7: **Metra 2005 Budget and 2006–2007 Financial Plan** (dollars in thousands)

System–Generated Revenues	**2003 Actual**	**2004 Estimate**	**2005 Budget**	**2006 Plan**	**2007 Plan**
Passenger Revenue (1)	$ 182,075	$ 182,678	$ 184,505	$ 187,272	$ 190,081
Reduced Fare Subsidy	2,961	3,007	3,040	3,085	3,132
Other Revenue (1)	58,637	59,329	66,066	67,760	74,000
Total Revenues	**$ 243,673**	$ **245,014**	$ **253,611**	$ **258,117**	$ **267,213**
Operations (2)	$ 169,798	$ 176,004	$ 182,750	$ 189,009	$ 195,559
Maintenance	196,250	200,170	204,165	211,403	218,980
Administration	35,343	35,047	36,067	37,340	38,693
Fuel/Power	27,434	26,718	33,988	32,974	33,180
Insurance and Claims	12,937	14,646	15,990	16,406	16,832
Regional Services (3)	13,449	14,262	14,460	14,349	14,868
Total Expenses (1)	$ **455,211**	$ **466,847**	$ **487,420**	$ **501,481**	$ **518,112**
Net Results (4)	$ **211,538**	$ **221,833**	$ **233,809**	$ **243,364**	$ **250,899**
Recovery Ratio % (5)	**56.1**%	**55.0**%	**55.7**%	**55.0**%	**55.1**%

(1) Revenues and expenses on expanded NCS, UP-W and SWS lines services scheduled to commence in 2006 are not part of the 2006-2007 financial plan. Other revenue includes the proceeds from Metra's 5 percent capital farebox financing program. The amount in 2005 is $9.2 million. (2) Operations include the following expenses: Transportation and Downtown Stations. (3) Includes $0.6 million for a New Start public outreach project in 2005. (4) or operating deficit. (5) Includes allowable expense deductions (funded depreciation, security and lease). In 2005 the amount is $32.1 million. Federal 5307 funds transferred from the capital program to operations are classified as "other public funding" and are not used in the recovery ratio calculation; but proceeds from Metra's 5 percent capital farebox financing program which are restricted for capital programs are used in the calculation.

Exhibit 5-8: **Metra System-Generated Revenues** (dollars in millions)



traffic through the Chicago region slows commuter trains, negatively affecting 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. Such coordination has improved communication and significantly reduced Metra train delays caused by freight interference.

Budget and Financial Plan

Economic recovery in the region has been slow, and previously predictable costs such as diesel fuel and security are escalating dramatically. Metra is also responding to the needs and demands of heightened security concerns by instituting unprecedented security measures to protect the safety of passengers, employees, and property. At the same time, Metra is continuing a concerted effort to raise the awareness of safety around trains and rail road tracks among school children, parents, riders, and the general public.

Metra's 2005 Operating Budget and 2006-2007 Financial Plan was developed with the objectives of controlling expenses, while striving to meet the continuing challenges of improving service and complying with increasingly complex regulatory and security mandates. The agency will operate within their statutory funding limits in 2005 without the need of a fare increase.

System–Generated Revenues

Total system-generated revenues are expected to increase from $243.7 million in 2003 to $267.2 million in 2007. This represents an increase of $23.5 million or an annual compound growth of 2.3 percent (Exhibits 5-7 and 5-8).

Metra's system-generated revenue is primarily derived from passenger operating receipts, which comprise 73 percent of the total revenue planned for 2005 (Exhibit 5-9). Passenger revenues for 2005 are projected to be $184.5 million, which is one percent higher than the forecast for 2004 and $2.6 million higher than the 2004 budget. Metra is projecting that the economy and downtown employment will begin to improve.

Total system-generated revenue and passenger revenue are projected to recover slowly over the period of 2005 through 2007. For 2005, Metra expects to provide 75.2 million trips, a 1 percent increase from the estimated 2004 trips of 74.5 million.

Exhibit 5-9: **2005 Metra Revenues — $253.6 million**

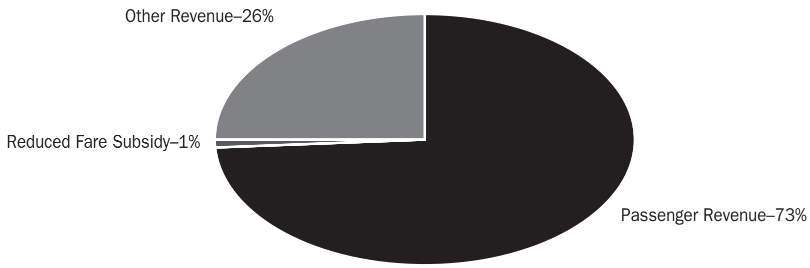
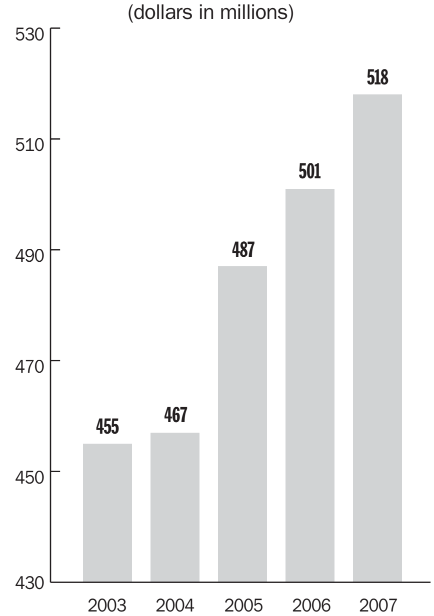


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	July 2002–June 2003	July 2003–June 2004	Change	% Change
Monthly	1,118	1,114	(5)	(0.4)
25-Ride	14	14	(0)	(0.7)
Ten-Ride	1,703	1,677	(27)	(1.6)
Regular One-Way	5,687	5,733	45	0.8
Conductor	4,031	4,131	101	2.5
Weekend	1,027	1,127	100	9.7
Link-Up	54	54	—	—
PlusBus	16	16	—	—

Exhibit 5-11: **Metra Total Operating Expenses**
(dollars in millions)



Passenger Revenue

Passenger revenue, or farebox revenue, is estimated to increase from $182.1 million in 2003 to $190.1 million by 2007.

This increase of $8.0 million represents a 1.1 percent annual growth rate. Metra's passenger revenue increases can be attributed to changing ridership and ticket trends, such as longer trip length and increased one-way conductor and weekend ticket sales (Exhibit 5-10). The average trip length for the January–November period was 22.4 miles in 2004, which was 1 percent higher than for the same period in 2003.

No fare increases were used to develop the 2005 budget and 2006–2007 financial plan. Metra's fare structure is presented at the end of this section (Exhibit 5-16).

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 2005, is expected to increase slightly during the planning cycle.

Other Revenue

The other revenue category represents 26 percent of Metra's total revenue for 2005. The components of this category are investment income, joint facility and lease revenue, advertising income, capital grant project reimbursements, miscellaneous non fare-generated income, and the proceeds from Metra's 5 percent capital farebox financing program. This program was not included in Metra's revenue figures prior to 2005. Capital farebox financing is budgeted at $9.2 million in 2005. The Other Funding category is expected to grow from $58.6 million in 2003 to $74.0 million in 2007, which is a 6.0 percent annual growth rate.

Operating Expenses

Total operating expenses are forecast to increase from $455.2 million in 2003 to $518.1 million in 2007. This $62.9 million increase represents a 3.3 percent annual compound annual growth rate (Exhibit 5-11).

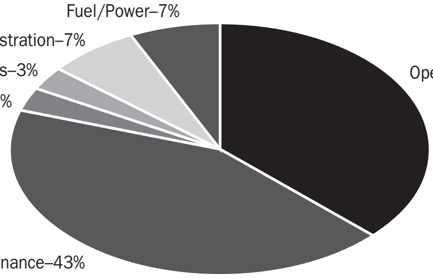
Several external factors have placed cost pressures on Metra's budget. These include: higher security, diesel fuel and health insurance costs.

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. Homeland Security mandates have resulted in a $3.7 million budget increase over 2004 to a projected level of $15.2 million in the 2005 budget. The increases include police and contract security services as well as planning, coordination, and training with other agencies. Security costs for 2005 are projected to be at a level that is 9.6 percent higher than the 2004 forecast, and 31.8 percent higher than the 2004 budget.

Another of the more significant and volatile components of operating expenses is diesel fuel. Although Metra negotiated a fixed price of $0.80 per gallon for 2004, spot market prices have reached $1.40 per gallon during the year and continue to fluctuate. Metra is projecting an average price of $1.10 per gallon for 2005 or 38 percent over the 2004 budget, but anticipates stabilization and moderation in the markets to $1.05 in 2006 and 2007.

Nationwide, health insurance costs have been increasing, and the rail industry is not exempt from this trend. Metra's health insurance premium increased by 9 percent for 2004. In 2005, health insurance is projected to increase 8 percent.

Exhibit 5-12: **2005 Metra Expenses — $487.4 million**



Metra has labor agreements in place with all 16 of its labor unions for employees involved in Metra's directly owned and operated rail lines. Metra has entered into three-year extensions of three labor agreements that cover approximately two-thirds of its unionized work forces. Purchase of service carrier labor agreements expire at the end of 2004. The national labor organizations and the freight railroads will begin negotiations in 2005.

Metra's proposed 2005 operating expenses of $487.4 million are projected to grow by 4.4 percent from the 2004 estimate. Growth in operating expense has been curtailed by effective use of capital program money and by constant review of ongoing programs for savings and reductions.

In 2006 and 2007, total expenses will increase by 2.9 percent and 3.3 percent, respectively. Inflation is the major cost factor (Exhibit 5-7).

Expense Elements

Operating expense components include operations, maintenance, administration, fuel and power, insurance and claims, and regional services expenses. Metra's 2005 total expenditures comprise operations 37 percent, maintenance 43 percent, administration 7 percent, fuel and power 7 percent, insurance and claims 3 percent and regional services and other expenditures 3 percent (Exhibit 5-12).

Operations

This category includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support functions. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations.

Operating expenses are expected to increase from $169.8 million in 2003 to $195.6 million in 2007. The growth in this cost category of $25.8 million represents a 3.6 percent compound annual growth rate (Exhibit 5-7).

Maintenance

This category includes two types of activities: maintenance of way and maintenance of equipment. Maintenance of way activities include the maintenance of track, structures, communications and facilities to maintain operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to maintain overall track and structure conditions.

Maintenance of equipment activities include regular repairs, inspection and preventive maintenance on passenger train equipment to ensure that equipment is safe and in good working order to support the on-time performance and passenger demand for seating.

Maintenance expenses are expected to increase from $196.3 million in 2003 to $219.0 million in 2007. This $22.7 million increase represents a compound annual growth rate of 2.8 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 activities include general support functions for the organization that ensure overall corporate goals and regulations are met. The organizations include human resources, the Labor Management Committee, information systems, training, accounting and other support areas. Management of the Metra owned and operated rail services are also included in this category.

Administration expenses are expected to increase from $35.3 million in 2003 to $38.7 million in 2007. The $3.4 million increase represents a compound annual growth of 2.3 percent.

Fuel and Power

Fuel expenses are projected to increase from $27.4 million in 2003 to $33.2 million in 2007 (Exhibit 5-7). This $5.7 million increase represents a compound annual growth of 4.9 percent.

Insurance and Claims

Insurance and claims belong to the centralized expense items. Metra reports these expenses on the financial schedules based upon each carrier's representative share of the cost items.

Expenses for insurance and claims are expected to increase from $12.9 million in 2003 to $16.8 million by 2007. This $3.9 million increase represents a compound annual growth rate of 6.8 percent.

Regional Services

Metra is also responsible for setting fare and service levels, capital improvement planning and oversight, and service planning. Expenses for these functions are included in this category.

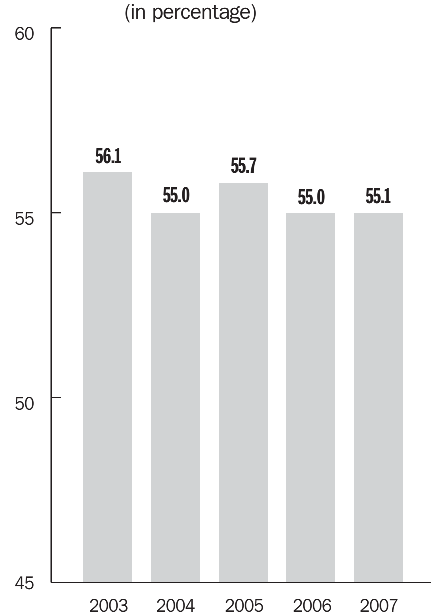
Regional Services expenses are expected to increase from $13.4 million in 2003 to $14.9 million by 2007. This $1.5 million increase represents a compound annual growth rate of 2.5 percent.

Exhibit 5-13: **Sources of Public Funding** (dollars in thousands)

	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
85% RTA Sales Tax	$ 226,241	$ 233,463	$ 240,961	$ 248,690	$ 256,690
RTA Funds (1)	15,374	—	—	—	—
Federal Funds	—	—	16,472	9,166	9,166
Total Funding	$ **241,615**	$ **233,463**	$ **257,433**	$ **257,856**	$ **265,856**
Operating Deficit	211,538	221,833	233,809	243,364	250,899
Transfer Capital (2)	$ 30,077	$ 11,630	$ 23,624	$ 14,492	$ 14,957

(1) The RTA provides the Service Boards with the amount of funds appropriated by ordinance each year. Additional funds were needed in 2003. (2) Funds exceeding operating needs are transferred to the capital program. 2003 and 2004 include Metra PBV funds of $4,521 and $954, respectively.

Exhibit 5-14: **Metra 2003-2007 Recovery Ratio** (in percentage)



Deficit

The operating deficit is derived from total system-generated revenues minus total operating expenses. Metra's 2005 budget deficit is $233.8 million (Exhibit 5-7). This deficit is offset by public funding to reach a balanced budget.

Funding

The RTA Sales Tax is the major source of public funds from the RTA to Metra and is used to fund the budgeted operating deficit. By statute, the RTA retains 15 percent of the sales tax receipts and passes the remaining balance of 85 percent to the service boards. Of this remaining amount, Metra receives 55 percent of the RTA sales tax collected from suburban Cook County, and 70 percent RTA sales tax collected from the collar counties. Metra's budgeted statutory sales tax receipts in 2005 are $241 million. The RTA also recognizes the importance of continuing capital investment and has determined that by programming certain federal funds (Section 5307 preventive maintenance) for operating purposes will enable Metra to use an increased amount of funds available for operating purposes as local matching funds and therefore utilize all available capital funds. In 2005, Metra has programmed federal funds of $16.5 million for operating purposes. Total funding of $257.4 million exceeds operating needs by $23.6 million. This transfer capital amount will be used for capital investment.

In addition, any 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 (Exhibit 5-13).

Recovery Ratio

Metra's recovery ratio equals system-generated revenues, including the proceeds from Metra's capital farebox financing program, divided by system-operating expenses, less deductions for funded depreciation, leases, and security (Exhibit 5-14). The Region section provides the detailed recovery ratio calculation.

2004 Budget Versus 2004 Estimate

Total revenue is expected to finish $1.1 million, or 0.5 percent unfavorable to budget for 2004. Passenger revenues are projected to be favorable to budget by $0.7 million or 0.4 percent. Other revenues, however, are expected to be unfavorable to budget by $1.8 million due to lower capital credits and interest income. Investment income for 2004 is projected to be lower due to the combination of lower available cash balances and lower than expected interest rates. Capital credits were not as high as projected due to several factors, but sales of old, unneeded equipment are expected to mitigate the impact.

Metra is meeting the challenges of lower revenues through active cost control and cost recovery programs.

Expenses are forecast to finish $2.1 million or 0.4 percent below budget for 2004. Unfavorable operations and regional services costs have been offset by favorable maintenance, administration, fuel, and insurance costs. Exhibit 5-15 details the variance between the 2004 budget and 2004 estimate.

Statutory Compliance

The *RTA Act* requires that each service board meet six criteria, which are detailed in the Region's Reference section, for Board approval of its budget. The Metra budget, as submitted, meets each of these criteria.

Fare Structure

On June 1, 2002, Metra implemented a 5 percent fare increase, which was the first in six years. The fare hike was only the fourth fare increase in the 19 years of Metra's management of the Northeast Illinois commuter rail system.

Commuter rail fares are set according to travel between designated fare zones, which are set at five-mile intervals beginning at each rail line's downtown Chicago station. The zone system does not apply to the South Shore fares, which 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 each additional zone (Exhibit 5-16).

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-17.

Exhibit 5-15: **Metra 2004 Budget Versus 2004 Estimate** (dollars in thousands)

Revenues	**2004 Budget**	**2004 Estimate**	**Variance**
Passenger Revenue	$ 181,948	$ 182,678	$ 730
Reduced Fare Subsidy	3,040	3,007	(33)
Other Revenue	61,150	59,329	(1,821)
Total Revenues	$ **246,138**	$ **245,014**	$ (**1,124**)
Expenses			
Operations	$ 174,720	$ 176,004	$ (1,284)
Maintenance	201,012	200,170	842
Administration	35,711	35,047	664
Fuel/Power	27,145	26,718	427
Insurance and Claims	16,624	14,646	1,978
Regional Services	13,713	14,262	(549)
Total Expenses	$ **468,925**	$ **466,847**	$ **2,078**
Operating Deficit (1)	$ **222,787**	$ **221,833**	$ **954**
Recovery Ratio %	**55.0**%	**55.0**%	—

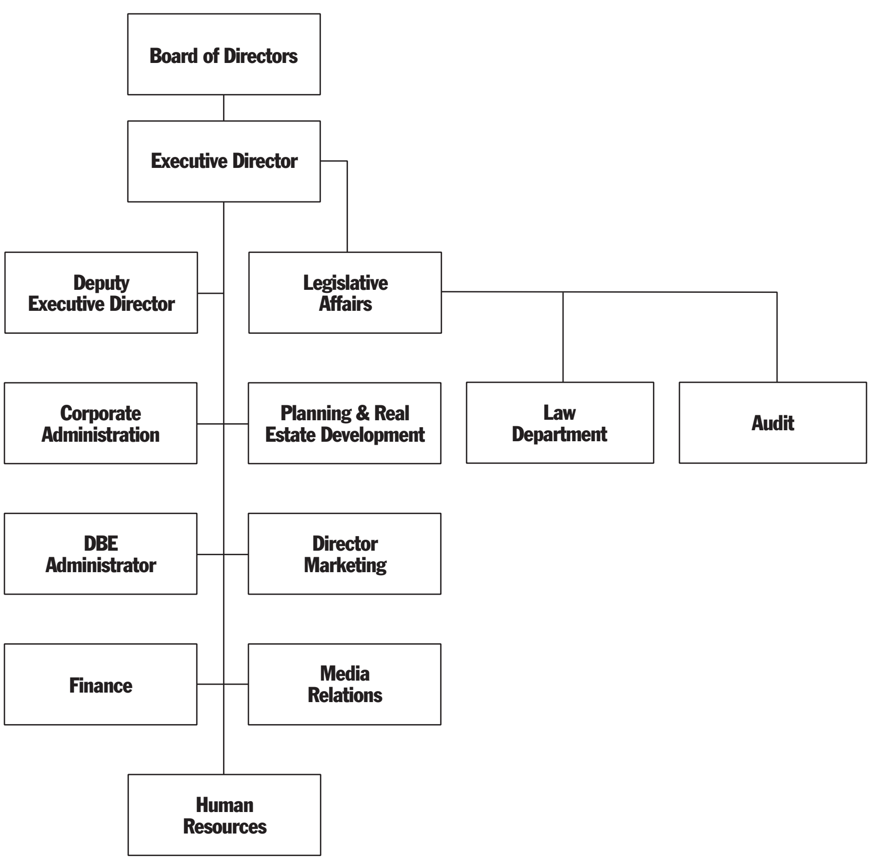
(1) The variance represents a positive budget variance (PBV).

Exhibit 5-16: **Metra Ticket Pricing Formula**

Ticket Type	**Period of Validity**	**Number of Rides**	**Pricing Basis**
Monthly (1)	Calendar Month	Unlimited	27.0 times one-way fare
10-Ride (1)	One Year	Ten	8.5 times one-way fare
One-Way (1)	One Year	One	Base fare plus increments
Weekend	Saturday/Sunday	Unlimited	Flat rate–$5.00

(1) 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 5-17: **Metra's Organization Chart**



Pace 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.

Service

Pace's mission is to provide efficient, well-integrated transportation services that meet the travel needs of the suburban Chicago area. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. Effective suburban mobility provides line-haul and community-based services that provide access between nearby and distant destinations. Achieving this mission will require restructuring the current fixed routes and developing passenger facilities.

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. Pace service includes approximately 160 regular routes, 60 feeder routes, 500 van pool vehicles, 360 Pace-owned paratransit vehicles, and various subscription, seasonal, and shuttle routes. The suburb-to-suburb travel market is the largest service area in the region and is primarily served by the automobile.

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 and a strategy to create a true suburban transportation network through route restructuring. Vision 2020 also includes plans for bus signal priority, bus-only lanes, localized flexible transit services and regional transportation centers that provide coordinated links between the region's transit services.

Pace already works with 210 communities to plan, design, and deliver services. The 2020 plan identifies nearly 100 service areas for further study in partnership with communities. To better support a service area that spans walkable suburban neighborhoods, satellite cities, and rural communities, Pace will expand its current offerings (e.g., fixed route, commuter rail feeder, employer shuttle, and route-deviation service) and further customize the mix of tailored, flexible community-based services (e.g., demand response service, curb-to-curb van service, and subscription routes) based on detailed studies of travel markets and local interests and conditions. Vision 2020 addresses three service levels, Low, Medium, and High, which reflect the spectrum of population and employment density found in Pace's service area. Service levels, based on expected ridership, are defined by the primary types of service provided.

Located at rail stations, community downtowns, shopping centers, and other activity centers, 16 regional and 150 community transportation centers will provide community-based services and comfortable convenient waiting areas for customers to make connections between transit services. To achieve high service levels at low cost, Pace will employ Bus Rapid Transit (BRT) features, such as limited stops, simple routes, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority, and bus lanes on expressway/toll way and arterial line haul routes.

To develop an effective regional arterial and community-based transit system, Pace began route restructuring initiatives in 2000. Consistent with Pace's Vision 2020, the goals of route restructuring include faster and more efficient and effective service, as well as an enhanced image of transit as an alternative to the automobile. Pace began its restructuring initiative in 2000 and has already restructured routes in Elgin, along the Halsted Corridor, and in the vicinity of Orland Square Mall. As a result of strong community involvement and a comprehensive service design, Pace's North Shore initiative has already yielded preliminary recommendations that will improve ridership on several bus routes in Evanston, Skokie, Lincolnwood, Wilmette, and surrounding communities. Drawing on direction from stakeholders, extensive public outreach, focus groups, and community input, the Fox Valley/Southwest DuPage restructuring initiative will yield funding alternatives and a comprehensive service design for implementation in Naperville, Aurora, Lisle, Bolingbrook, and Warrenville beginning in spring 2005. With direct input from employers and employees and a survey of travel patterns, the North Central Shuttle Service initiative addresses the feasibility of providing shuttle bus service from current and future Metra North Central Line rail stations to nearby employment sites. Future restructuring plans include outreach initiatives in South/Southwest Cook/Will County, West Cook/Elgin, North/NW Cook, and North Lake/McHenry areas.

Pace is also planning to implement a number of other support initiatives. By upgrading and modernizing the traffic signals along 154th street, Park Avenue, and Halsted Street, the Harvey Transportation Center Transit Signal Priority (TSP) initiative will greatly improve Pace service reliability and enhance operations at the transit terminal. Pace is also aggressively pursuing a Region-Wide Transit Signal Priority (TSP) initiative for major arterial routes.

Pace's Queue Jump Study project will select a concept design for a short stretch of bus lanes at intersections with existing dedicated right-turn bays that will enable buses to by-pass waiting queues of traffic, thereby increasing both the speed of the buses and service efficiency. The Express Bus Network project will yield an expressway/tollway service relying on high-occupancy vehicle lanes or dedicated rights-of-way to connect major regional activity centers and park-n-ride lots. The Bus Rapid Transit (BRT) Corridor Implementation project will allow rubber-tired vehicles to approach the speed and service quality of light rail transit through a combination of technologies, design features, operating practices, and marketing approaches.

Together, these efforts support Pace's new marketing strategy called Speed. This strategy introduces new service concepts and addresses the need for public transportation to compete with the automobile.

Ridership

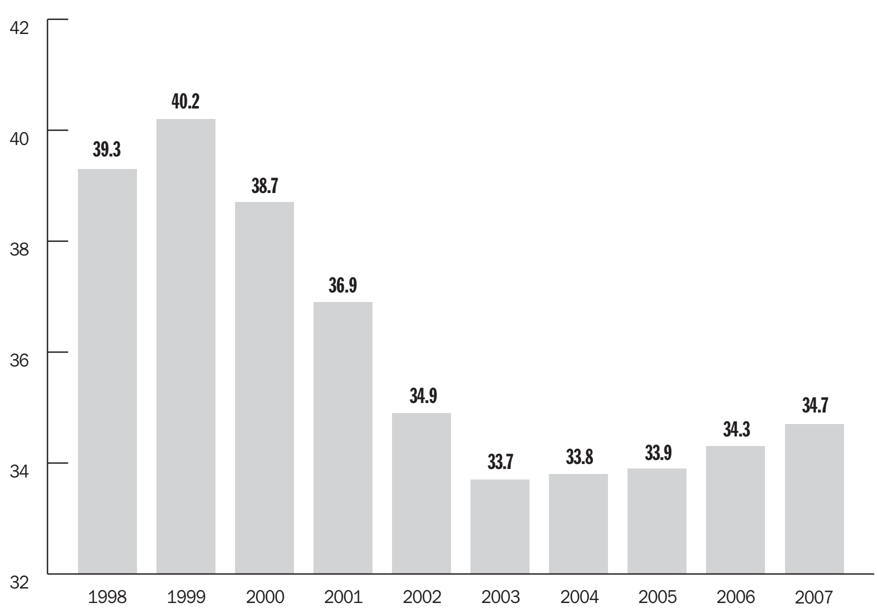
Pace's ridership grew steadily from 1996 to 1999 topping 40 million riders in 1999. However, in the intervening years, ridership has declined by 6.5 million passengers or 16.1 percent to 33.7 million in 2003. This is partially attributed to Pace fare increases in 2000 and 2001. Ridership is expected to continue to increase marginally in 2004 and 2005 and more significantly in 2006 and 2007, reaching 34.7 million (Exhibit 6-1).

Dial-a-Ride ridership is expected to remain level in 2004 and increase in 2005. Vanpool and *ADA* Paratransit ridership are expected to increase in 2004. This trend is expected to continue in 2004 for Vanpool and to a lesser extent for *ADA* Paratransit. These increases are expected to offset a slight decline in fixed-route ridership in 2004. Fixed Route ridership is expected to increase marginally in 2005. Service segments are explained in the expense elements section.

To reverse the decline in fixed-route ridership, Pace has made efforts to improve its services on a number of levels. Over the past decade, Pace has replaced older buses with vehicles that are accessible to passengers who use mobility aids. As of July 2003, all Pace routes feature wheelchair accessible buses. Since 2002, all Pace fixed-route buses have also been equipped with a bike rack, giving people who don't live within walking distance of a bus route a way to use public transit.

Pace's ridership is also expected to increase as a result of the RTA/CTA agreement concerning Pace's acceptance of the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes which began in September 2004. Also in 2004, Pace initiated the Campus Connection Pass to make Pace travel less

Exhibit 6-1: **Pace Ridership** (in millions)



expensive and more convenient for post-secondary school students. In July, Pace launched Ride DuPage, a user friendly system that consolidates all scheduling and dispatching and provides a single point of contact for DuPage paratransit riders. Ride DuPage will increase the availability, affordability, and reliability of paratransit services.

Pace expects ridership to increase from 33.9 million in 2005 to 34.7 million in 2007 due to growth in the fixed route ridership base and continued expansion of the vanpool, municipal vanpool, and *ADA* programs, including Ride DuPage. This 0.8 million increase in ridership represents a 1.1 percent annual compound growth rate.

Pace provides services to three major markets: 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 commute 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. Over the same period, the suburbs grew 7.5 percent in population and suburban employment increased 14.3 percent. Pace's largest market is suburb-to-suburb trips.

The Customer

Market research reveals marked 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 purchasing 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 in the suburb-to-city market. While the suburb-to-suburb and city-to-suburb markets exhibit greater growth potential, they are more difficult to serve cost-effectively. Pace's strategy for each market is identified as follows:

Suburb-to-City:

Increase focus on efficient elements, eliminate low productivity elements, and re-invest 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 outsourced operations, and heavily promote low-cost, higher revenue services such as vanpools.

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 ratio. 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 focus on attracting new customers and increasing customer retention.

Service Quality

As part of redefining its services, Pace is evaluating ways to improve service provisioning. One goal of its Vision 2020 Plan is to gather public input from throughout the region to introduce improved local service and connecting service between suburbs. Pace then plans to continue to restructure its existing routes to meet 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:

- restructuring routes to make service faster, more effective, and more efficient within a regional arterial and community-based system;
- providing bus priority at traffic signals to improve fixed-route service reliability and operating speeds;
- enhancing passenger information by providing expected, in addition to scheduled, arrival times through the use of intelligent transportation systems;
- enhancing service quality by using comfortable tour-style buses on longer routes and adding bike racks to all of its buses; and
- monitoring on-time performance and cost efficiency.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to relate the number of passengers to the number of miles serviced. Pace's passengers per mile ratio decreased from 1.04 in 1998 to 0.82 in 2003, indicating that system efficiency has decreased (Exhibit 6-2).

The cost per mile measurement recognizes that expenses tend to vary with the amount of service provided (Exhibit 6-3). Cost per mile has increased from $3.16 in 2000 to $3.38 in 2003, and is projected to rise to $3.63 in 2004. Pace has been less successful holding down expense growth

Exhibit 6-2: **Passengers Per Mile**

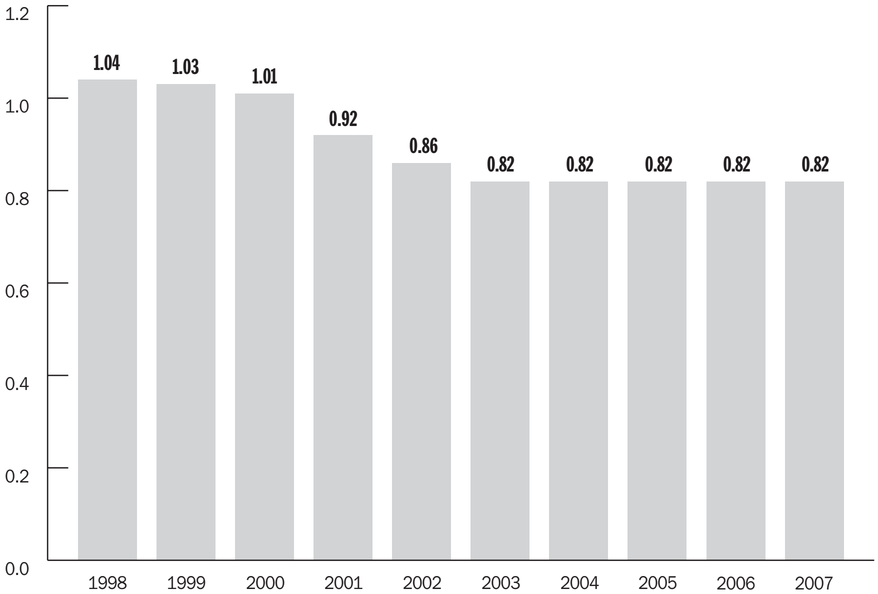
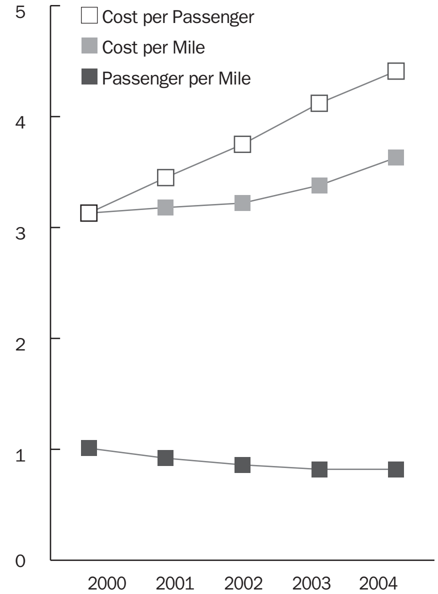


Exhibit 6-3: **Cost Efficiency**



with respect to passenger volume than with respect to service-miles. Pace's cost-per-passenger has increased from $3.13 in 2000 to $4.12 in 2003, and is projected to rise to $4.41 in 2004.

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 communities. A community will then have greater flexibility in serving its residents' transportation needs. Another relatively new service is the Schaumburg Shuttle, a service for shoppers implemented in the Woodfield Mall area in 2001. The service is funded at 100 percent by the Village of Schaumburg.

Initiatives from the strategic plan that support new services include:

- allocating service to expand Pace's express bus network, including routes serving as extensions of CTA rail lines;
- 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 Investment

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management.

Recent advances in communications technology will help synchronize services, improve response time to requests for service, and provide real-time status to customers. In 2004, Pace completed its Intelligent Bus System (IBS) implementation. Through vehicle location tracking, the IBS will reduce operating costs while improving on-time performance, reducing waiting times, coordinating transfers to other Pace buses, and providing visual and verbal announcements of bus stops. The WebWatch feature of Pace's Internet site allows Pace customers to obtain the actual upcoming arrival time of a bus at a given location by selecting the route name or number and the direction of travel.

Rolling Stock

Pace will avoid increases in the cost of operating vehicles by replacing outdated equipment. The program contains funds for fixed route buses, paratransit replacement buses, vanpool vehicles, and associated capital for bus overhaul/maintenance expenses.

In 2005, Pace intends to replace 27 fixed-route buses which have exceeded their useful lives. The new vehicles will be a mix of 30, 35, and 40-foot traditional transit buses.

Pace plans to purchase 165 vanpool vehicles for program expansion and to replace vehicles which have exceeded their useful life. Pace's 2005 goals for the vanpool program include carrying 1.4 million passengers, which is a ridership increase of 4.0 percent over the 2004 estimate. The recovery performance of the four vanpool programs in 2005 is expected to range from 68.7 percent for the ADvAntage program to 143.6 percent for the Corporate Shuttle Program. Pace estimates that it will have 500 vans in service by the end of 2004 and plans to increase the number of vans to 520 by the end of 2005.

Support Facilities/Equipment

The program contains funds for the purchase of the second phase of the replacement of the existing ten-year-old farebox system and the purchase of computer hardware and software, including continuation funding for the HP300 Migration. The program also contains funds for improvements to garages and passenger facilities, maintenance and support equipment for Pace garages, office furniture, and copiers. These improvements will generally reduce the growth of operating costs by replacing equipment before it requires increased maintenance or becomes obsolete.

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. 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 is served by bus routes that connect with the Orange and Red CTA rapid transit lines, as well as other areas. Funding is provided, in part, by UPS.

In 2003, Pace completed a stakeholder satisfaction survey of government leaders and the business community. 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 government officials and business leaders to provide support.

Budget and Financial Plan

The Pace budget and financial plan presented in this document corresponds to the marks set by the RTA on September 10, 2004. The marks set the total RTA funding levels at $79.1 million for 2005 and 2006, and $81.4 million for 2007. The RTA has also agreed to fund Pace at an amount up to $2 million in each of these years to accept certain CTA passes. The RTA has set Pace's recovery ratio for 2005 at 40.0 percent, the same level as in 2004. Pace's budget and financial plan is presented in Exhibit 6-4.

System–Generated Revenues

Total system-generated revenues (Exhibit 6-5) were $60.2 million in 2003. Revenues of $59.7 million are expected in 2004 before climbing to $64.3 million by 2007 at a compound annual growth rate of 2.5 percent over the three-year period. These revenues also include passenger (farebox) revenue, reduced fare subsidy, and advertising/investment/other. In 2005, passenger (farebox) revenue is expected to account for 65 percent, funding for paratransit 13 percent, reduced fare subsidy 6 percent, and advertising/investment/other revenue 16 percent (Exhibit 6-6).

Passenger Revenue

Despite the CTA's decision to raise its base fare to $1.75 on January 1, 2004, Pace did not increase its base fare. On January 1, 2004, however, Pace did lower the price of the first transfer to from 30¢ to 25¢ to match that of the CTA. At this time, Pace has no plans to raise its fares in 2005, but Pace may have to adjust its fare structure if the CTA decides to raise fares as part of an effort to balance its budget. Pace's fare structure is presented at the end of this section (Exhibit 6-11).

Although passenger or farebox revenue is projected to decrease by $0.8 million to $39.3 million in 2005, local share contributions for Dial-a-Ride service are expected to increase by $0.6 million. Vanpool revenue is expected to grow by $0.1 million due to continued program expansion. During its first full year of operation, the Ride DuPage program is expected to generate revenue of $0.6 million.

Passenger or farebox revenues are expected to increase from $39.3 million in 2005 to $40.2 million by 2007, a $0.9 million increase that corresponds to a 1.1 percent compound 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), Job Access Reverse Commute (JARC), and shuttle service receipts.

Reduced Fare Subsidy

The reduced fare subsidy is expected to remain stable during the planning period at approximately $3.5 million. In 1999, the subsidy essentially doubled due to the implementation of the *Illinois FIRST* program.

Advertising/Investment/Other

Advertising revenue is expected to increase from $3.3 million in 2003 to $4.1 million by 2007, a 5.0 percent compound annual growth rate. In September 2003, the Pace Board of Directors approved a revenue-generating multi-year contract with Transit Television Network (TTN) of Orlando for the installation of on-board broadcasting monitors. In January 2004, the Transit Television Network debuted on two of the four buses that serve Pace Route 757 Northwest Connection between the Forest Park Transit Center and Woodfield Mall in Schaumburg. The 15-inch color screens will air informational programming on all fixed-route buses. Fully funded by TTN, the project will provide Pace with a minimum of $0.5 million during the five-year agreement. A fixed column on the left edge of the screen will provide up-to-the-minute details on that particular bus route through a link with Pace's Intelligent Bus System.

Other revenue represents funding agreements from the United Parcel Service and Metra. It also includes income from investments of cash balances and sufficient funds, ranging from $0.5 million in 2005 to $2.7 million in 2007, to enable Pace to achieve a 40 percent recovery ratio in each year.

Operating Expenses

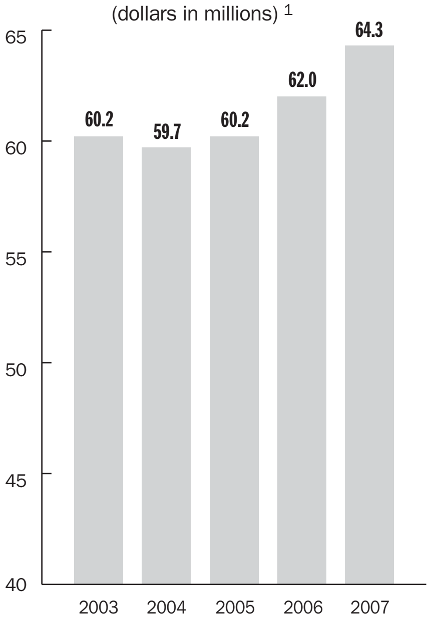
Total operating expenses are forecast to increase $27.5 million from $138.9 million in 2003 to $166.4 million in 2007 (Exhibit 6-8), a compound annual growth rate of 4.6 percent. Growth in vanpool and *ADA* Paratransit services and increases in contractor expenses and health care costs are the primary factors behind the increases.

Exhibit 6-4: **Pace 2004 Budget and 2005–2006 Financial Plan** (dollars in thousands)

Revenues	**2003 Actual**	**2004 Estimate**	**2005 Budget**	**2006 Plan**	**2007 Plan**
Passenger Revenue (1)	$ 39,396	$ 40,094	$ 39,318	$ 39,766	$ 40,211
Reduced Fare Subsidy	3,408	3,485	3,478	3,478	3,478
Advertising/Investment/Other (2)	7,267	8,603	9,642	10,678	12,283
Funding for Paratransit (3)	10,155	7,546	7,783	8,042	8,300
Total Revenues (4) (5)	$ **60,226**	$ **59,728**	$ **60,221**	$ **61,964**	$ **64,272**
Expenses					
Labor/Fringes	$ 77,473	$ 83,779	$ 86,459	$ 90,273	$ 94,064
Parts/Supplies	3,346	3,647	3,884	3,950	4,044
Utilities	1,486	1,582	1,643	1,673	1,709
Fuel	5,397	6,465	6,678	7,120	7,120
Insurance	7,238	7,350	7,162	7,479	7,807
Other	7,258	8,754	10,332	9,018	9,428
Dial–A–Ride	11,464	11,750	12,624	12,876	13,159
Private Contract	7,608	8,112	8,540	8,711	8,902
ADA Paratransit	10,978	11,629	12,530	12,780	13,061
Vanpool	2,431	2,868	3,032	3,274	3,536
Other Services (6)	4,249	2,606	2,261	2,327	2,395
Ride DuPage	—	547	1,108	1,130	1,155
Total Expenses (4)	$ **138,928**	$ **149,089**	$ **156,253**	$ **160,611**	$ **166,380**
Operating Deficit	$ **78,702**	$ **89,361**	$ **96,032**	$ **98,647**	$ **102,108**
Deficit Funding Summary					
RTA Operating	82,747	79,052	79,052	79,052	81,375
RTA Pass Reimbursement (7)	—	600	2,000	2,000	2,000
Federal CMAQ and JARC Funds	1,295	1,054	330	80	4
Federal 5307 Funds (8)	2,247	976	16,942	20,459	21,481
Total Deficit Funding	$ **86,289**	$ **81,682**	$ **98,324**	$ **101,591**	$ **104,860**
Funding Surplus/Deficit (Revenue Less Expense)	**7,587**	(**7,679**)	**2,292**	**2,944**	**2,752**
Recovery Ratio % (9)	**43.4**%	**41.6**%	**40.0**%	**40.0**%	**40.0**%

(1) Includes vanpool, municipal vanpool, Ride DuPage, and other services. (2) Includes sufficient funds for a 40 percent recovery ratio from 2005 through 2007. (3) Pace's proposed budget included these figures as public funding. However, since the capital-related costs of paratransit service under contract are characterized as operating expenses under GAAP, the funding is recognized as operating revenue as shown on this schedule. Federal Section 5307 funds for ADA complementary paratransit service are classified as other funding and can not be used in the recovery ratio calculation. (4) Excludes ADvAntage Program—in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation. The amount in 2003 was $3 million. The figure is $3.8 million from 2004 through 2007. (5) Excludes lease-back transaction revenue in 2003 of $2,424 that is restricted for capital funding. Pace's submission for the 2005-2007 Budget and Financial Plan included $2.0 million in revenue for pass reimbursement. This amount is additional RTA funding, as shown below, and cannot be used in the recovery ratio calculation. (6) Includes CMAQ, JARC, and shuttle services. (7) Estimated RTA funds to Pace for accepting certain CTA passes. Pace did not include any funds in the 2004 estimate. (8) No additional subsidies were received from the state legislature to support operations. Federal Section 5307 funding (preventive maintenance and ADA complimentary) transferred from the capital program to operations. (9) The recovery ratio in 2005 of 40 percent corresponds to the Mark set for Pace by the RTA Board on September 10, 2004. Sufficient funds were added to Other Revenue to meet the 40 percent recovery ratio figure for the 2005 budget and two-year financial plan.

Exhibit 6-5: **Pace System–Generated Revenues** (dollars in millions) 1



(1) Includes sufficient funds for a 40 percent recovery ratio from 2005 through 2007.

Exhibit 6-6: **2005 Pace Revenues** — $**60.2 million**

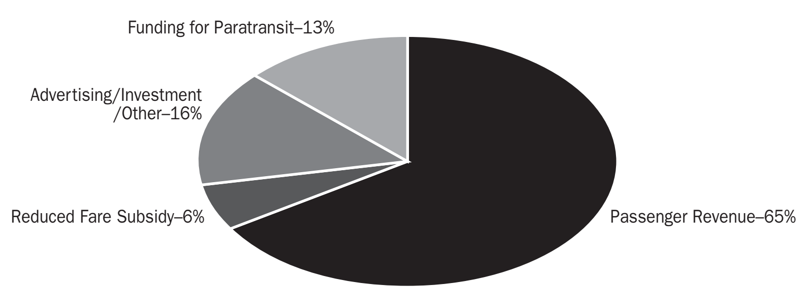


Exhibit 6-7: **Pace Farebox Revenue**
(dollars in millions)

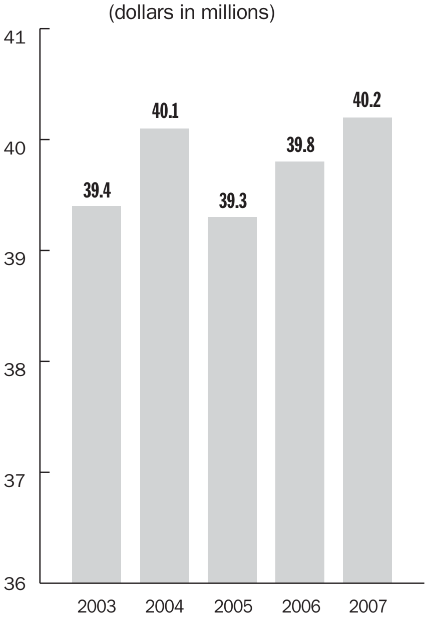
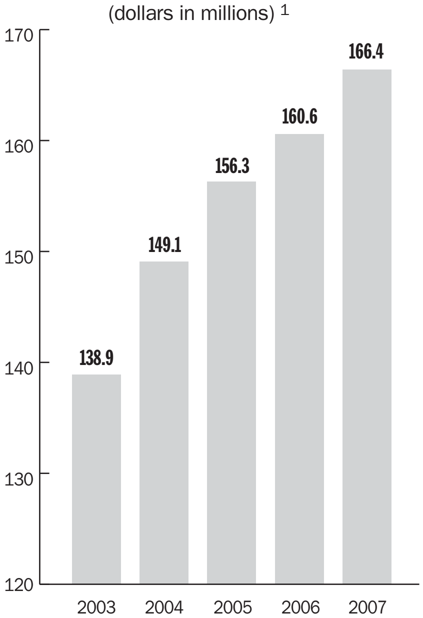


Exhibit 6-8: **Pace Total Operating Expenses**
(dollars in millions) [1]



(1) Excludes ADvAntage Program–in-kind expenses.

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 Ride DuPage (Exhibit 6-4).

Labor and Fringe Costs

Labor expenses which accounted for 55 percent of total operating expenses in 2003 are expected to increase from $77.5 million in 2003 to $94.1 million by 2007. This $16.6 million increase represents a 5.0 percent compound annual growth rate.

Parts and Supplies

Parts and supplies expenses are projected to increase from $3.3 million in 2003 to $4.0 million by 2007. This $0.7 million increase represents a 4.9 percent compound annual growth rate.

Utilities

Utility expenses are projected to increase from $1.5 million in 2003 to $1.7 million by 2007. This $0.2 million increase represents a 3.6 percent compound annual growth rate.

Fuel

Fuel expenses which accounted for 4 percent of total operating expenses in 2003 are projected to increase from $5.4 million in 2003 to $7.1 million in 2006. This $1.7 million increase represents a compound annual growth rate of 9.7 percent. Fuel expense is expected to remain at $7.1 million in 2007.

Insurance and Claims

Insurance and claims expenses are expected to increase from $7.2 million in 2003 to $7.8 million by 2007. This $0.6 million increase represents a 1.9 percent compound annual growth rate.

Other

Other expenses, including miscellaneous and other administrative costs, are expected to increase from $7.3 million in 2003 to $10.3 million in 2005. This $3.1 million increase represents a 19.3 percent compound annual growth rate. Other expenses are then expected to decline to $9.0 million in 2006 and rebound to $9.4 million in 2007.

Dial–A–Ride

Pace contracts directly with 30 private operators to provide Dial-A-Ride (DAR) service. The communities served cover a portion of the costs through 41 local share agreements. Pace also has service agreements with local governments for the operation of 33 other Dial-A-Ride projects. Generally, the village or township, under contract with Pace, operates these services. Pace subsidizes these services based on a funding formula. Dial-A-Ride expenses are expected to increase from $11.5 million in 2003 to $13.2 million by 2007. This increase of $1.7 million, corresponding to a 3.5 percent compound annual growth rate, is attributed in part to expected increases in ridership.

Private Contract

Pace provides fixed route service in 39 communities by contracting directly with six private transit companies. Private contract expenses are expected to increase from $7.6 million in 2003 to $8.9 million by 2007. This increase of $1.3 million, corresponding to a compound annual growth rate of 4.0 percent, results primarily from significant increases in contractors' renewal rates. Labor and fringe benefit costs, especially healthcare, are expected to continue to rise faster than inflation.

ADA Paratransit

In 2005, Pace expects to provide curb-to-curb service to approximately 419,000 riders. Individuals certified by the RTA who are unable to use Pace's fixed route services can register for Pace's *ADA* paratransit service. Demand for the program continues to grow and expenses are expected to rise from $11.0 million in 2003 to $13.1 million by 2007. This $2.1 million increase, representing a compound annual growth rate of 4.4 percent, is a result of both expected continued increases in ridership and contractor renewal rates that outpace inflation.

Vanpool

The vanpool program is a commuting option that provides passenger vans to small groups of five to 15 people, allowing them to commute together to and from work. The formation of vanpools has been very popular and the demand continues to grow. Pace expects further expansion of this program, already the second largest in the nation, to 520 vans by the end of 2005. Pace's Vanpool program is comprised of four elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle, and the ADvAntage

Exhibit 6-9: **Pace Sources of Operating Funding** (dollars in thousands)

RTA	2003 Actual	2004 Estimate	2005 Budget	2006 Plan	2007 Plan
85% Sales Tax	$ 70,995	$ 73,299	$ 75,691	$ 78,161	$ 80,719
RTA Discretionary Funds	11,752	5,753	3,361	891	656
RTA Pass Reimbursement	—	600	2,000	2,000	2,000
Total RTA Funding	82,747	79,652	81,052	81,052	83,375
Use of Fund Balance (1)	—	7,679	—	—	—
Other Federal Funds (2)	3,542	2,030	17,272	20,539	21,485
Total Funding	$ **86,289**	$ **89,361**	$ **98,324**	$ **101,591**	$ **104,860**

(1) Pace funds available from prior years' funding surplus. (2) JARC, CMAQ and 5307 funds.

Program, and the Municipal Vanpool Program. The VIP service, the core element of the program, is projected to achieve ridership of 664,000 with 208 vans by the end of 2005. Pace estimates that by the end of 2005 the Corporate Shuttle Program will have 26 vans transporting employees between suburban employers and nearby CTA, Metra, and Pace facilities. By the end of 2005, the ADvAntage element of the vanpool program is expected to have 224 vans transporting individuals with disabilities to work sites or rehabilitative workshops. Pace projects that the Municipal Vanpool Program, which allows local municipalities to provide public transportation within their communities, will have 62 vans in service in 2005. Vanpool expenses are projected to increase from $2.4 million in 2003 to $3.5 million by 2007. This $1.1 million increase represents a 9.8 percent compound annual growth rate.

Other Services (CMAQ, JARC, Shuttle)

Pace's funding of its non-traditional services is projected to decline from $4.2 million in 2003 to $2.4 million by 2007. This $1.9 million decrease represents a 13.4 percent compound annual decline.

CMAQ Services

Pace offers fixed route services in accordance with the federal Congestion Mitigation/Air Quality (CMAQ) program which funds grants to cover the costs associated with the start-up and implementation of several new services. Pace expects to receive only $179,000 in CMAQ funding in 2005 despite projected program expenses of $818,000.

JARC Services

Pace qualifies for funding under the Job Access and Reverse Commute Program (JARC). This program provides one to two year funding for new services designed to transport welfare recipients and low-income individuals to and from jobs. Pace expects to receive only $151,000 in JARC funding in 2005 despite projected expenses of $250,000.

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 2005, expenses of $0.7 million are expected to be offset by revenue of $0.6 million including local subsidy. In Schaumburg, a shoppers' trolley service operates in the Woodfield Mall area. In 2005, the cost of this shuttle is expected to be $0.4 million, all of which will continue to be funded by the Village of Schaumburg. During the academic year, the Northwestern University Shuttle provides service between the campus and several transit stops in Evanston. In 2005, approximately 90 percent of the $0.1 million expense is expected to be offset by revenue including local subsidy.

Ride DuPage

Launched in mid 2004, Ride DuPage consolidates all scheduling and dispatching and provides a single point of contact for paratransit riders in this county. Expenses for this program are projected to increase at a 2.1 percent compound annual growth rate from $1.1 million in 2005 to $1.2 million by 2007.

Deficit

The operating deficits are derived from total system-generated revenues minus total operating expenses. In 2003, Pace ended the year with a funding balance (positive budget variance) of $7.6 million. Pace expects to finish 2004 with a net funding deficit of $7.7 million, but expects to finish each of the next three years with funding surpluses ranging from $2.3 to $2.9 million.

Funding

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 allocates the remainder to the service boards by formula. Of this remaining amount, Pace receives 15 percent of the sales tax collected within suburban Cook County and 30 percent of the sales tax collected in the collar counties. Pace's portion of sales tax is projected to grow from $71.0 million in 2003 to $80.7 million by 2007. This $9.7 million increase corresponds to a compound annual growth rate of 3.3 percent.

The sources of the RTA discretionary funds include Public Transportation Funds (PTF), apportionments from the RTA's 15 percent share of sales tax revenue, and investment income and other revenue. In 2003, the RTA provided additional discretionary funding by transferring funds from a technology reserve to unreserved funds to maintain the level of funding ($82.7 million) set in 2002 for 2003. This one-time infusion of funds provided more time to plan for an expected downturn in available funds in 2004 due to the continued sluggish economy.

Funding for 2004 was set in 2003 at $79.1 million. In 2004, the RTA Board determined that it was in the best interest of public

Exhibit 6-10: **Pace 2004 Budget Versus 2004 Estimate** (dollars in thousands)

Revenue	**2004 Budget**	**2004 Estimate**	**Variance**
Passenger Revenue (1)	$ 40,609	$ 40,094	$ (515)
Reduced Fare Subsidy	3,510	3,485	(25)
Advertising/Investment/Other	7,508	8,603	1,095
Funding for Paratransit (2)	7,213	7,546	333
Total Revenue	$ **58,840**	$ **59,728**	$ **888**
Expenses			
Labor/Fringes	$ 83,169	$ 83,779	$ (610)
Parts/Supplies	3,526	3,647	(121)
Utilities	1,684	1,582	102
Fuel	4,987	6,465	(1,478)
Insurance	7,406	7,350	56
Other	7,784	8,754	(970)
Dial–A–Ride	12,491	11,750	741
Private Contract	8,023	8,112	(89)
ADA Paratransit	10,931	11,629	(698)
Vanpool	2,720	2,868	(148)
Other Services (CMAQ, JARC, Shuttle)	4,299	2,606	1,693
Ride DuPage	—	547	(547)
Total Expenses	$ **147,020**	$ **149,089**	$ (**2,069**)
Operating Deficit	$ **88,180**	$ **89,361**	$ (**1,181**)
Public Funding Sources			
RTA Operations Funding	$ 79,052	$ 79,052	—
RTA Pass Reimbursement	—	600	600
Other Federal Funds	1,675	2,030	355
Pace Funds	7,453		(7,453)
Total Public Funding	$ **88,180**	$ **81,682**	$ (**6,498**)
Funding Surplus/Deficit	—	$ (**7,679**)	$ (**7,679**)
ADvAntage Program—In-Kind (3)	—	$ **3,842**	$ **3,842**
Recovery Ratio %	**40.0**%	**41.6**%	**1.5**%

(1) Passenger revenue includes Van Pool, Municipal Van Pool, Ride DuPage, and Other Services. (2) Pace's 2003 estimate included this figure as public funding. However, since the capital-related costs of paratransit service are characterized as operating expenses under GAAP, the funding becomes operating revenue as shown on this schedule. (3) The ADvAntage Program—in-kind revenue and expense (of equal amount) is included in the recovery ratio calculation.

transportation to provide additional funds to Pace for accepting certain CTA passes. The RTA will fund up to $2 million for this program which started in September 2004. The estimated amount in 2004 is $0.6 million with the maximum amount of $2 million funded from 2005 through 2007.

Total RTA funding is estimated to reach $79.7 million in 2004, then hold steady at $81.1 million in 2005 and 2006 and increase to $83.4 million in 2007 (Exhibit 6-9).

Recovery Ratio

Pace's recovery ratio equals system-generated revenues divided by system operating expenses. As a result of the inclusion of the revenue for the funding of paratransit service under contract beginning in 2003, Pace achieved a recovery ratio of 43.4 percent that year. A recovery ratio of 41.6 percent is expected in 2004. From 2005 through 2007, Pace projects a recovery ratio of 40 percent.

2004 Budget Versus 2004 Estimate

Total revenue is projected to end the year $0.9 million favorable to budget. Farebox or passenger revenue is expected to finish the year $0.5 million or 1.3 percent unfavorable. The reduced fare subsidy is projected to finish the year close to budget. Advertising/ investment/other revenue is projected to finish the year $1.1 million or 14.6 percent favorable to budget. Funding for paratransit is projected to finish the year $0.3 million or 4.6 percent favorable to budget.

Total expenses are expected to finish the year $2.1 million unfavorable to budget. Expenses for fuel, other, *ADA* paratransit, and labor/fringe are expected to be $1.5, $1.0, $0.7, and $0.6 million unfavorable to budget, respectively. Expenses for Other services (CMAQ, JARC, and shuttle) and Dial-A-Ride are expected to be $1.7 and $0.7 million favorable to budget. In 2004, the estimated expenses for Ride DuPage are $0.5 million.

Pace's operating deficit (expenses less revenues) is projected to be $1.2 million unfavorable to budget. From a funding perspective, Pace is projected to finish $6.5 million unfavorable to budget, despite the inclusion in the estimate of RTA pass reimbursement of $0.6 million. These amounts combine for a total funding deficit of $7.7 million in 2004 (Exhibit 6-10).

Statutory Compliance

Pace's proposed 2005 budget and 2006-2007 two-year financial plan, and 2005 recovery ratio submitted to the RTA complies with the operating marks set by the RTA Board.

Fare Structure

Pace's current fare structure is shown in Exhibit 6-11. No fare increase is planned for the 2005 budget.

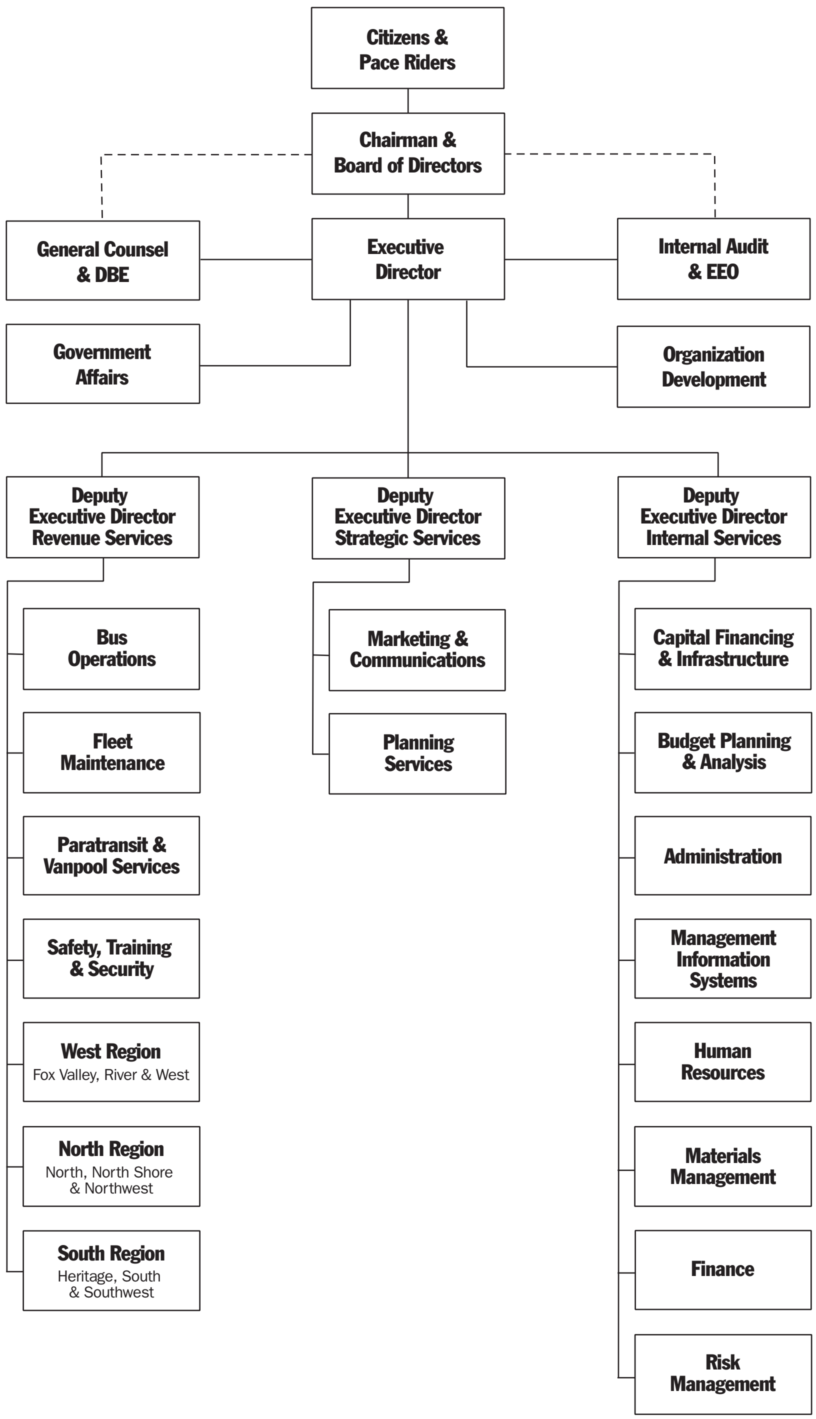
Exhibit 6-11: **Current Fare Structure**

Regular Fares	**Full Fare**	**Reduced Fare**
Full Fare	$ 1.50	$ 0.75
Transfer to Pace/CTA	0.25	0.10
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 (Haul Pass)	25.00	—
Student Summer Pass	40.00	—
Subscription Bus (Monthly)	110.00	—
Local Fares		
Full Fare	$ 1.25	$ 0.60
Transfer to Pace/CTA (Local Transfers are Free)	0.55	0.25
Local 10-Ride Plus Ticket	12.50	6.00
Express Fares		
Premium (Routes 210, 355 and 855)	$ 3.00	$ 1.50
Route 835 (Zone Fares)	4.10	2.05
Special Express Fare (891 and 892)	2.00	1.00
Premium 10-Ride Plus Ticket (210, 355 and 855)	30.00	15.00
Other		
Dial–A–Ride	$ 1.60	$ 0.80
ADA Paratransit Services/Local Share	3.00	2.50
Special Services (Non–ADA)	5.00	—
Subscription Bus (1000 series)	3.00	—

Organizational Structure

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 6-12).

Exhibit 6-12: **Pace Organizational Chart**



Capital Program

Regional Overview

The *RTA Act* requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuing review so that the RTA may budget and expend funds available to the region with maximum efficiency.

The RTA Board must adopt a five-year capital program every year. The RTA's five-year capital program describes the nature, location, and budget by project and by fiscal year of all anticipated Service Board capital improvements. Public hearings are held in each county in the northeastern Illinois region to inform the public and government officials of the Authority's capital development plans.

The RTA Strategic Plan, adopted by the RTA Board, emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's $27 billion in assets (as measured in terms of replacement value) to good condition and extending or expanding service when demand is justified and funding available.

Exhibit 7-1: **2005 Capital Funding Sources** (dollars in thousands)

Source	Amount	Percent
Federal Transit Administration (FTA)/Other	$ 529,153	74
Illinois Department of Transportation (IDOT)	80,000	11
Service Boards	36,173	5
Regional Transportation Authority (RTA)	20,353	3
De-Obligated Funds	51,009	7
Total	**$ 716,688**	**100**
CTA Financing	275,000	
Paratransit Service, ADA Complementary Service and Preventive Maintenance (5307)	(59,964)	
Total Service Boards Available	**$ 931,724**	

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

2005–2009 Capital Program Marks Issues

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

Source of Funds

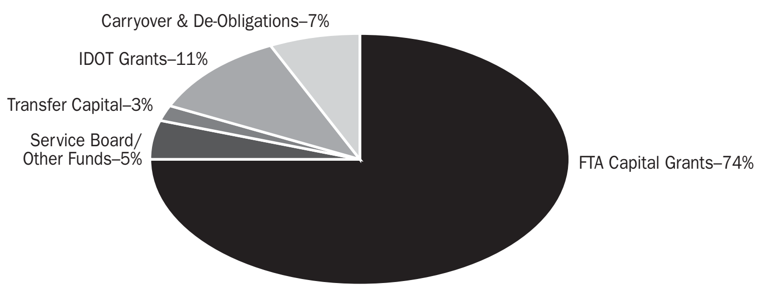
The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the RTA, the Illinois Department of Transportation (IDOT), and the Service Boards. The total new capital funds available for 2005 are projected at $665.7 million, using the final federal appropriation figures published in the December 29, 2004 Federal Register.

On September 10, 2004, the RTA adopted the preliminary capital funding marks; and on February 3, 2005, these marks were revised to incorporate various local and federal funding changes that were proposed by the Service Boards and the RTA.

Exhibit 7-2: **Capital Funding in 2005** (dollars in thousands)

Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**Total**
FTA Capital Grants	$ 322,591	$ 174,610	$ 31,952	$ 529,153
IDOT Grants	46,400	27,200	6,400	80,000
Service Board/Other Funds	6,606	29,509	58	36,173
RTA SCIP Bonds	—	—	—	—
Transfer Capital	20,353	—	—	20,353
Carryover and De-Obligations	36,041	14,668	300	51,009
Total Service Board Capital Funding	$ **431,991**	$ **245,987**	$ **38,710**	$ **716,688**
CTA Financing	275,000			275,000
Paratransit Service, ADA Complementary Service and Preventive Maintenance	(18,767)	(16,472)	(24,725)	(59,964)
Total Service Board Available	$ **688,224**	$ **229,515**	$ **13,985**	$ **931,724**

Exhibit 7-3: **2005 Capital Program Sources** — $**717 million**



Of the estimated $716.7 million of new and de-obligated funding sources for 2005, federal funding accounts for $529.2 million or 74 percent. IDOT funds account for $80 million or 11 percent, RTA funds account for $20.3 million or 3 percent, Service Board funds account for $36.2 million or 5 percent, and carryover and de-obligated funds account for $51 million or 7 percent (Exhibits 7-1, 7-2 and 7-3).

Federal

The RTA receives federal funds authorized under Section 5307 and Section 5309 of the *Transportation Equity Act for the 21st Century (TEA-21). TEA-21* is the legislation that provided funding for federal surface transportation programs, including transit, and was signed into law on June 9, 1998, as a six-year (1998-2003) reauthorization of the federal transportation program. Legislation temporarily extending *TEA-21* was passed by the U.S. House and Senate and was signed by President Bush on September 30, 2004. The legislation extended federal transit and highway programs authorized under *TEA-21* for eight months and will continue to fund service transportation activities through May 31, 2005.

The reauthorization retains Section 5307 and Section 5309 transit capital funding programs. Section 5307 funding includes the Formula program, while Section 5309 funding includes Fixed Guideway, New Start, and Bus programs. Flexible funding is also available to transit through the Congestion Mitigation and Air Quality (CMAQ) Program, the Surface Transportation Program (STP), the Clean Fuels Formula Program and the Job Access and Reverse Commute (JARC) Program.

TEA-21 provided guarantees that authorized levels of funding would be appropriated for the formula-based funding programs. Section 5309 Fixed Guideway and Section 5307 Formula funds are allocated nationally on a formula basis. Section 5309 New Start and Bus funds are allocated on a discretionary basis.

On November 20, 2004, the Congress passed the FFY 2005 *Omnibus Appropriation Act (*H.R. 4818) that included the federal transit program. As outlined in the bill, the final total nationwide funding for transit in FFY 2005 is $7.644 billion, an increase of $378 million or 5.2 percent over last year. On December 29, 2004, the Federal Register detailing the FFY 2005 federal transit funding appropriations was published. This notice indicated both the total FFY 2005 apportionment as well as the amount currently available for capital programs based on the eight-month extension of *TEA-21.* Also, the recipients can only apply to the FTA for the funds that are currently available.

In addition, the RTA decreased the Section 5307 funding mark for 2005 by $60 million to allow the use of these funds in the Service Boards' operating budgets to pay for the capital-related portion of the operating costs of contracted paratransit service, preventive maintenance and *ADA* complementary service, as applicable, for the CTA, Metra and Pace. The out-year Section 5307 funding amounts for the Service Boards were also decreased for the same reason.

For planning purposes, the fiscal years 2006 through 2009 federal marks are based on the reauthorization of the *TEA-21* legislation using the Senate's bill. These proposed federal marks reflect the current funding picture which will likely change as reauthorization discussions continue.

As outlined in the December 29th Federal Register, 2005 funding includes $175.6 million in Section 5309 New Start funding: $124 million for CTA's Douglas and Ravenswood lines capital projects and $51.6 million for Metra's commuter rail extensions and upgrades.

Flexible funds are another source of federal funding for the RTA 2005-2009 capital program. Flexible funds are legislatively-specified funds that may be used either for transit or highway purposes. This provision was first included in the *Intermodal Surface Transportation Efficiency Act of 1999 (ISTEA)* and was continued with the *TEA-21*. Flexible funds include Federal Highway Administration (FHWA), Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ).

Flexible fund programs enable a local area to choose to use certain federal surface transportation funds based on local planning priorities, not on a restrictive definition of program eligibility. Since the enactment of *ISTEA*, FHWA funds transferred to the FTA have provided a substantial new funding source for transit projects. FHWA funds transferred to FTA can be used for a variety of transit improvements such as new fixed guideway projects; bus purchases; construction and rehabilitation of rail stations; maintenance facility construction and renovations; alternative-fuel bus purchases; bus transfer facilities; multimodal transportation centers; and technologically advanced fare collection systems.

When FHWA funds are transferred to FTA, they are transferred to one of the following three programs: Urbanized Area Formula Program (Section 5307), Non-urbanized Area Formula Program (Section 5311); or Elderly and Persons with Disabilities Program (Section 5310). Once they are transferred to FTA for a transit project, the funds are administered as FTA funds and take on all the requirements of the FTA program. Transferred funds may use the same non-federal matching share that the funds would have been subject to if they were used for highway purposes and administered by FHWA. In urbanized areas of more than 200,000 population, the decision on the transfer of flexible funds is made by the Metropolitan Planning Organization (MPO). In the RTA region, the MPO is the Chicago Area Transportation Study (CATS) Policy Committee.

The new federal re-authorization bill is expected to retain CMAQ and STP as flexible funding programs. The Service Boards' proposed capital programs include projects that could be funded by these flexible programs.

All of these federal funds must be matched by local funding sources. The federal government provides 80 percent of the cost of capital projects funded with Section 5307 and 5309 funds. Local funding sources provide the remaining 20 percent match.

RTA

Transit in northeastern Illinois began a new era in 1999 with the substantial capital funding commitment provided by the $12 billion *Illinois FIRST* program. *Illinois FIRST*, a Fund for Infrastructure, Roads, Schools and Transit, was designed to meet the state's most pressing infrastructure needs. The entire *Illinois FIRST* program provided $2 billion in bonding authority for transit capital improvements, for distribution by both the RTA at $1.6 billion and Illinois Department of Transportation (IDOT) at $380 million. In addition, IDOT granted $75 million in Operation Green Light funds to northeastern Illinois for regional transit improvements since 2000. The $1.6 billion RTA Bond program (Strategic Capital Improvement Program also known as SCIP) increased the region's ability to address the backlog of capital projects to repair, replace, or upgrade rolling stock and existing infrastructure and to provide significant levels of funding for the CTA and Metra expansions and extensions.

The CTA used their SCIP fund allocation for projects such as the purchase of standard and articulated buses, the reconstruction of the Douglas Branch of the Blue Line and the capacity expansion of the Brown Line, the reconstruction of the Dan Ryan Branch of the Red Line, and mid-life and life-extending overhaul of buses and rail cars.

Using RTA SCIP Bonds, Metra was able to purchase 300 new bi-level commuter cars and 26 electric cars. Metra also used these funds for the replacement of bridges on the Union Pacific North Line and the North Central Service and Southwest Service New Start Projects.

Similarly, Pace was able with their SCIP funds to purchase 139 new buses, 75 vanpool vans, improve garages and facilities, and program funds for the upcoming replacement of the farebox system for their fixed route buses.

Since no legislation authorizing new SCIP funding in 2005 was passed by the State of Illinois, no RTA SCIP funding is available to the Service Boards for programming in 2005. The preliminary marks adopted in September included $260 million in SCIP funds for 2005, based on the RTA's anticipation and desire that the Illinois General Assembly and Governor would take action during the recently concluded veto session to authorize additional bonding authority to replace the expiring SCIP program. Given that no such authority was established, the revised marks remove the additional SCIP funding from the 2005 capital program. To date, Metra and Pace removed SCIP funding from their program while the CTA is in the process of doing the same.

In 2005, the RTA has allocated $20.3 million of its discretionary funds to the CTA for capital projects. These transfers, which began in 1995, provide a fund for projects to do vital maintenance for CTA buses and trains, track and structure, and facilities and to reduce demands on the CTA's operating budget.

In past years, the RTA has been able to provide a portion of its remaining sales tax proceeds, after funding agency operations, for use by the Service Boards to address the backlog of unfunded capital needs. Due to the limited growth in RTA Sales Tax receipts, the RTA is not able to allocate any additional funds to the Service Boards for capital projects in the 2005 program.

State

Other sources of local funding for the 2005-2009 capital plan are the State of Illinois Regular Bond and Other Bonds programs. The Other Bonds program would provide funds for certain projects not eligible for regular bonds because of the short useful life of the assets. The State of Illinois Regular Bond program is used in addition to RTA sources to provide the required 20 percent local match for federal funds.

In 1999, the Illinois State legislature authorized $380 million for the Series "B" Bond program to be administered by the Illinois Department of Transportation (IDOT). The 2005 RTA Marks maintain the IDOT Regular Bond ("B" Bond) and IDOT Other Bond (replacing General Revenue Fund or GRF) funding sources in an amount totaling $80 million, based on the historical commitment of the Illinois General Assembly, Governor and Illinois Department of Transportation to ensure that sufficient local matching funds are made available to secure available federal capital funding for critical transit projects in the region. Further, a demonstration of stable local funding is essential in order to support Illinois' interest in the pending federal reauthorization efforts. It is important to note that if the Illinois General Assembly fails to authorize the IDOT bonds during the upcoming Spring 2005 legislative session, another reduction to the marks may be needed, with corresponding additional reductions to the capital program.

Service Boards

In addition to the funding sources described above, the 2005-2009 capital programs submitted by the Service Boards include funding for capital needs from their own fund balances and other external sources. The Service Boards have contributed to their capital investment programs by constraining operating costs to free up funds for capital investments.

Transfer capital is funds that can be used for operations but have, through cost containment, been reallocated for use on capital improvement projects. A total of $23.6 million has been allocated in transfer capital for Metra in 2005. These funds originate from Metra's statutorily-allocated percentage of the RTA Sales Tax. In addition, the Service Boards will use $6.7 million of their operating funds for capital projects. Metra will use $5.9 million in local community and other funds for their 2005 capital program.

Carryover and De-Obligations

For 2005, the Service Boards have proposed to use de-obligated funds in the total amount of $51 million. Usually, the Service Boards de-obligate previously approved funds from reserved, completed or deferred capital projects and re-use it for higher priority projects in current year or provide the federal match for the current year's federal funds.

Exhibit 7-4: **RTA Capital Program Obligations**
(dollars in millions)

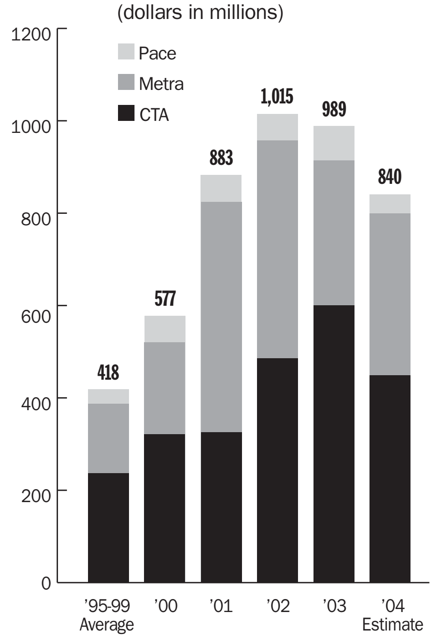
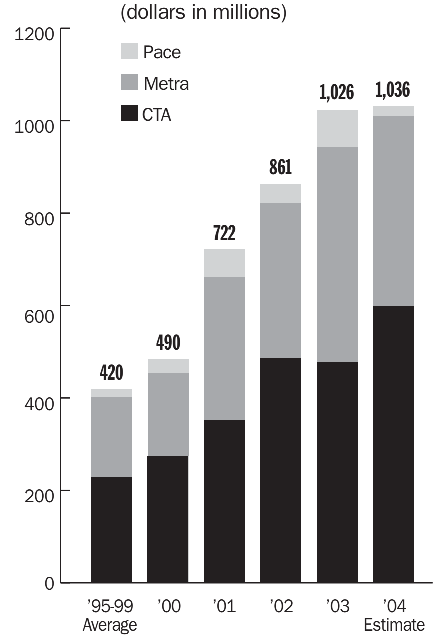


Exhibit 7-5: **RTA Capital Program Expenditures**
(dollars in millions)



Use of Funds

The RTA capital program increased dramatically in 2000 primarily as a result of the increased funding included in the *Illinois FIRST* program. The 1999 program totaled $552.7 million. The average funding level from 2000 through the 2004 program was $918.8 million, a 60 percent increase. The CTA, Metra and Pace have responded by significantly increasing their project implementation performance. An average of $418 million was obligated annually by the Service Boards from 1995 through 1999. From 2000 through 2004 (projected), the Service Boards have awarded an annual average of $861 million in contracts. Project spending has also increased substantially, from an average of $420 million per year from 1995 through 1999 to $827 million from 2000 through 2004 (projected). Exhibits 7-4 and 7-5 illustrate these trends. These results show that the Service Boards are putting the monies available to good use, providing benefits to public transportation riders.

The primary emphasis of the 2005 capital program is to continue efforts to bring the system's assets to a state of good repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionalities of equipment, facilities and rolling stock.

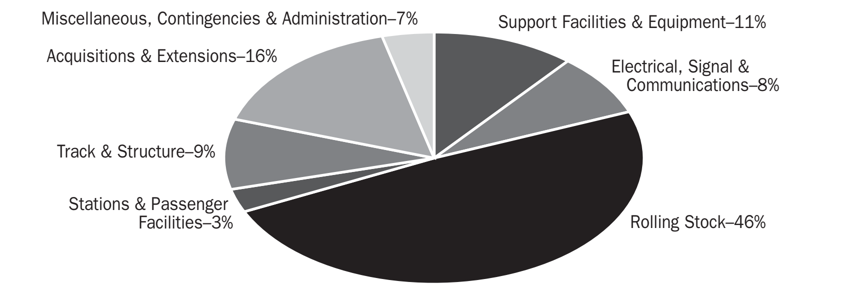
In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system expansion. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved.

Investments in the capital program can also be broken down by various asset categories. Exhibits 7-6 and 7-7 show that $2,198 million or 49 percent of the program is proposed to be spent on rolling stock and station and parking facilities which are considered to have the greatest direct impact on transit users. Substantial investment in other infrastructure is also critical to maintaining safe, reliable transportation services.

The 2005-2009 capital programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibits 7-8 through 7-10. Some of the more significant projects included in the proposed 2005-2009 capital program are:

- $983.4 million for the purchase of 406 CTA rail cars,
- $205.7 million for the purchase of 426 CTA buses,
- $175.1 million for the rehabilitation of CTA rapid transit cars
- $185.9 million for the reconstruction of the CTA Douglas Branch of the Blue Line,
- $359.4 million for the expansion of the CTA Ravenswood Brown Line,

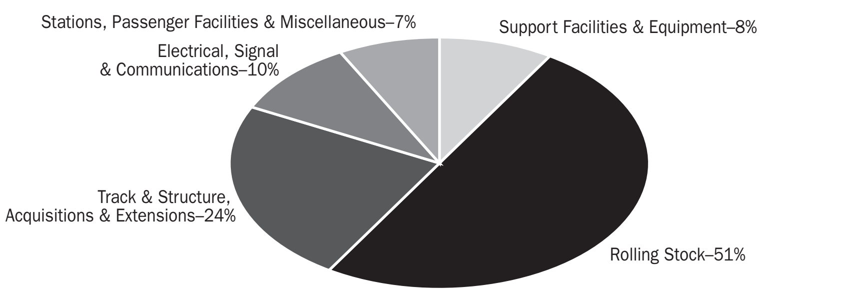
Exhibit 7-6: **2005-2009 Capital Program — $4,436 million**



Exhibits 7-7: **2005–2009 Capital Program Uses** (dollars in millions)

Asset Category	CTA	Metra	Pace	Total	Percent
Rolling Stock	$ 1,426	$ 514	$ 110	$ 2,050	46
Track and Structure	123	257	—	380	9
Electrical, Signal and Communications	275	86	15	376	8
Support Facilities and Equipment	225	226	37	488	11
Stations and Passenger Facilities	35	111	2	148	3
Miscellaneous	152	61	—	213	5
Acquisitions and Extensions	555	157	—	712	16
Contingencies and Administration	—	66	3	69	2
Total by Service Board	**$ 2,791**	**$ 1,478**	**$ 167**	**$ 4,436**	**100.00**

Exhibit 7-8: **CTA 2005-2009 Capital Program — $2,791 million**



- $39.5 million for the reconstruction of the CTA Dan Ryan Branch (22nd Street to 95th Street),
- $254.4 million for the replacement and upgrade of the CTA power distribution and signal system,
- $373.0 million for the purchase of Metra Electric District rail cars.
- $65.6 million for the rehabilitation of Metra commuter rail cars,
- $22.0 million for the rehabilitation of Metra locomotives,
- $31.1 million for the extension of the Metra Southwest Service,
- $45.6 million for the expansion of the Metra North Central Service,
- $38.9 million for the extension of the Metra Union Pacific West Line,
- $37.5 million for the bridge rehabilitation on the Metra Union Pacific North Line,
- $14.8 million for the bridge rehabilitation on the Metra Rock Island Line,
- $85.0 million for the construction of new Metra Electric District yard and shops,
- $41.9 million for the alternative analysis and preliminary engineering for 4 proposed New Start projects,
- $43.1 million for the purchase of 123 Pace buses,
- $28.5 million for the purchase of 363 Pace paratransit vehicles,
- $30.4 million for the purchase of 782 Pace vanpool vehicles and associated equipment,
- $13.0 million for the purchase of a replacement fixed-route radio system, and
- $15.1 million for the construction, expansion and improvements to Pace garages.

CTA Overview

The proposed projects in the CTA's 2005-2009 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 51 percent, track and structure (including acquisitions and extensions) at 24 percent, electrical, signal and communications at 10 percent, support facilities and equipment at 8 percent, stations and passenger facilities at 1 percent, and miscellaneous at 6 percent. The general categories of capital improvements comprising the CTA's Capital Program are illustrated in Exhibit 7-8. As mentioned in the source of funds section, the CTA must reduce their capital program to bring it into balance with the revised marks for 2005 that include the deletion of SCIP funding and a reduction in federal funding.

See Exhibit 7-11, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of the CTA's 2005-2009 capital program are as follows:

Rolling Stock

The 2005-2009 capital program includes $267.4 million for bus rolling stock. The CTA's bus fleet consists of approximately 1,900 vehicles. The 2005-2009 program contains $205.7 million for replacement of a minimum of 426 buses. These buses will have reached the industry standard retirement age of 12 years by the end of the five-year program. Continued operation of these buses imposes unnecessarily high maintenance and operating costs and reduces service reliability for the CTA's customers. All new buses will be air conditioned, low-floor and fully accessible to the disabled. In 2005, on-going bus purchases totaling $5.2 million are planned.

One of the goals of the CTA capital program is to maintain a vehicle fleet which is within the industry standard retirement age of 12 years. This allows the CTA to reduce maintenance and operating costs and to maintain service reliability for riders. In November 2004, the CTA awarded a contract to New Flyer of America, Inc. for new buses.

In addition, $61.7 million is budgeted for capital-eligible bus maintenance activities and life extending overhaul over the five-year program with $7.6 million planned in 2005. The CTA will continue the overhaul program of the Flxible and New Flyer buses in 2005. Beyond 2005, the CTA will begin the mid-life rehabilitation of the Nova buses.

The rail rolling stock category includes $1.16 billion in the 2005-2009 program to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of approximately 1,190 CTA cars. The 2005-2009 capital program contains $175.1 million to rehabilitate rapid transit rolling stock. Of this total, $142.8 million will be used to continue the overhaul and mid-life rehabilitation for rail cars in the 2200, 2400, 2600 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 $983.4 million for the replacement of 2200 and 2400 Series rail cars and to provide additional cars to meet the service requirements of the Brown Line capacity expansion. The CTA's rail cars have a design life of 25 years. The 2200 Series cars, which currently operate on the Blue Line, have been in service for over 30 years. These cars have folding doors and cannot accommodate passengers using wheelchairs. The 2400 Series cars, which currently operate on the Purple and Green lines, were built between 1976 and 1978 and will be reaching the end of their useful life in the next year or two. The CTA also plans to purchase 56 rail cars for the Brown Line capacity expansion.

Track Structure/Acquisitions and Extensions

The track and structure category includes $678.1 million in 2005-2009 to rehabilitate and expand existing rail lines with $269.5 million programmed in 2005. The CTA rail system contains 286.6 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 and structure program are:

1) Funding is programmed to reimburse the CTA for costs associated with the reconstruction of the Douglas Branch of the Blue Line. $118.8 million is programmed for 2005 with an additional $67.1 million programmed for 2006.

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 $359.4 million over the next five years, with $78.7 million programmed in 2005;

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 $39.5 million programmed in 2005;

4) Structural improvements at a cost of $3.9 million on both the North Main Line and the Ravenswood Line programmed in 2005;

5) Rehabilitation of the viaducts and retaining walls on the Purple Line in Evanston, at a cost of $10.2 million, with $8.4 million programmed in 2005; and

6) Preliminary engineering for the Circle Line connector and the Ogden Avenue corridor, with $9.5 million programmed in 2006.

Work is nearly complete on the reconstruction of the Douglas Blue Line Branch. The CTA awarded a contract for this work to Kiewit Delgado Joint Venture and the construction work was initiated in the summer of 2001. On October 9, 2002, the CTA Board approved a proposal to reduce the contract completion date by 255 days, revising the milestone for substantial completion to January 31, 2005. Construction for this project is 99 percent complete as of the end of January 2005.

Funding for 2005 and 2006 totaling $186 million is programmed to reimburse the CTA for costs associated with the reconstruction of the Douglas Branch of the Blue Line.

The scope of the project includes:

- reconstructing 5 miles of elevated track and structure from Polk Street to Keeler Avenue (west of the Pulaski Station);
- renovating or replacing 8 of the 11 stations (all *ADA* accessible);
- reconstructing 3 major bridges at Western, Ogden, and Keeler Avenues;
- upgrading or replacing the 3 existing substations and constructing 2 new substations;
- replacing the signal and communications system; and
- improving the 54th Street rail yard.

Renewal of the Douglas Branch was necessitated by the severe deterioration of the track and structure, which was literally rusting apart. The Douglas Branch had far more slow zones than any other part of the CTA system. With the completion of the work on the elevated track and structure and track on the ballasted portion of this line, the CTA has removed all slow zones on the Douglas Branch.

The CTA is maintaining full weekday service during the reconstruction. As outlined in the scope, the CTA has now opened eight new stations. The CTA completed all the structural and track work as of August 2003.

Regarding the Brown Line Capacity Expansion, this is the largest capital improvement project undertaken by the CTA. $79 million is programmed for this project in 2005. The goal of the Brown Line project over the next five years is to provide fully accessible stations capable of supporting eight-car trains to increase capacity and to bring the stations along the line to a state of good repair. This expansion effort will be accomplished while maintaining current rail service during construction. The CTA signed a Full Funding Grant Agreement with the FTA for the Brown Line in January 2004. The CTA expects construction to begin for this project in 2005.

Major features of the improvement project are:

- Stations: Rehabilitation of Brown Line stations is necessary to alleviate crowding, increase ridership capacity,

improve passenger flow and make each station *ADA* compliant;
- Trackwork: Realign sections of trackwork at some stations to accommodate the increased platform size, to improve railroad operation and to berth an eight-car train on a straight section of platform;
- Traction Power Conversion: Construct five new traction power substations, upgrade equipment at two remaining substations and retire two substations. Additional power is needed to run the eight-car trains;
- Signals: Upgrade/replace train control system, provide bi-directional signaling and renew grade crossing signal protection; and
- Communication: Provide a new fiber optic communication system between all of the stations and the CTA Control Center.

The Dan Ryan Branch was built in 1969 and has not had any major rehabilitation work since that time. Track deficiencies at multiple locations throughout the branch have required CTA to institute slow zones of 35 mph or less on 12 percent of the line. The CTA initiated this rehabilitation project in 2002 in order to coordinate construction with IDOT's planned reconstruction of the Dan Ryan Expressway. Completion is planned in 2006. The 2005 program includes $40 million to complete this project. The total cost for this project is $277 million.

Ridership on the Dan Ryan Branch has been declining in recent years; however, it remains one of the largest sources of riders in the CTA system. More than 50,000 passengers enter the system at these stations every weekday—approximately one-tenth of all the passengers in the CTA rail system. The 95th Street terminus station is the second busiest station in the CTA rail system, with more than 14,000 passengers boarding every weekday.

The scope of this project includes: (1) reconstruction of the line from the Cermak to the 95th Street stations, (2) reconstruction of the 69th and 95th Street bus bridges and turnaround, and (3) replacement of special trackwork, contact rail, and signal systems.

Electrical, Signal and Communications

The electrical, signal and communications category totals $275.6 million for the proposed five-year program, with $84.7 million programmed in 2005. The CTA's five-year plan includes the replacement and upgrade of power distribution, substations and associated facilities, the Loop signals and interlocking at Tower 18, various signal equipment systemwide and the Blue Line signals in the Dearborn Subway and on portions of the O'Hare and Congress Branches, at a cost of $254.4 million. $77.5 million is planned for these projects in 2005. Other improvements in this category include upgrades to systemwide communication equipment with the installation of fiber optics communication equipment and cable and upgrades to the Control Center and Supervisory Control and Data Acquisition (SCADA) for the bus, rail and support functions, at a cost of $21 million over the five-year program.

Support Facilities and Equipment

The 2005-2009 capital program includes $225.3 million in the support facilities and equipment category with 2005 funding of $48.9 million.

The CTA's five-year program includes upgrades and improvements to bus turnarounds, rail stations and other CTA facilities. The CTA has programmed $22 million in 2005 for these upgrades and improvements. Future funding of $133.4 million will continue the bus turnaround, rail station and support facility improvements.

Over the five years of the CTA's capital program, the purchase of computer hardware and software is planned at a cost of $14.6 million. These purchases include the implementation of new and updated data processing systems and the purchase and installation of office computer data processing systems. Also, $4.8 million is programmed for replacement of financial systems, with $2.4 million planned in 2005. Upgrades to the Automatic Fare Control system are also planned at a cost of $4.5 million in 2005. The purchase of non-revenue vehicles is planned at a cost of $13 million over five years, with $4.1 million programmed in 2005. The CTA plans to spend $22.4 million over the five years of the program for tools and equipment necessary to maintain bus and rail rolling stock, buildings, grounds and structures and for material handling equipment with $7.1 million programmed for 2005.

Stations and Passenger Facilities

The stations and passenger facilities category totals $34.5 million for the proposed five-year program with $15.2 million programmed in 2005. The CTA operates 144 rapid transit stations serving seven routes. Seventy-two of these stations are wheelchair accessible via elevator or ramp.

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

1) Upgrades to rail station facilities and amenities such as lighting, installation of benches, and the repair and reconstruction of station houses, stairs, platforms and canopies are planned at $12.8 million over the next five years with $4.1 programmed in the 2005;

2) The implementation of security projects at rail stations, garages, shops and terminals throughout the CTA system at a cost of $15.6 million is also planned with $7.6 million programmed in 2005; and

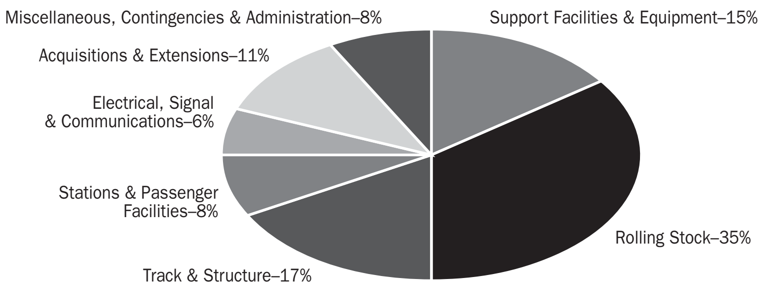
3) The design and installation of modern signage on the rail and bus system to improve passenger understanding of routes and schedules at a cost of $3.6 million for 2005.

Miscellaneous

The miscellaneous category totals $151.6 million over the five years of the program.

This includes $35 million for land acquisition for maintenance facilities and $2.3 million for the CTA's Quality Assurance Program and for program management in 2005.

Exhibit 7-9: **Metra 2005-2009 Capital Program** — $**1,478 million**



Metra Overview

Metra's proposed 2005-2009 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 35 percent; track and structure at 17 percent; electrical, signal, and communications at 6 percent; support facilities and equipment at 15 percent; stations and passenger facilities at 8 percent; acquisitions, extensions and expansions at 11 percent; and miscellaneous at 8 percent (Exhibit 7-9).

Note that Metra must reduce their capital program to reflect reductions in federal funding as published in the December 29, 2004 edition of the *Federal Register.* See Exhibit 7-11 (Schedule II, Five-Year Capital Program) for a complete listing of projects in the program. Highlights of Metra's 2005-2009 Capital Program are as follows:

Rolling Stock

The five-year rolling stock program totals $513.8 million, with $28.9 million planned for 2005. Metra's fleet includes 144 locomotives, 813 non-electrical cars and 165 self-propelled electrical cars. The 2005-2009 capital program includes $22 million for the rehabilitation of locomotives with $6.5 million programmed in 2005 to complete the mid-life rehabilitation of 26 locomotives. Metra has programmed $15.5 million in the out-years to rehabilitate additional locomotives for various Metra lines.

Metra's five-year capital program also includes $373 million for the engineering and purchase of 160 replacement bi-level electrical commuter cars. Over the five-year program, $65.6 million is also allocated for the rehabilitation of a minimum of 321 commuter rail cars with $13.9 mil lion programmed for 2005 for life-extending rehabilitation of 80 bi-level commuter cars. All of these cars are between 39 and 54 years old. Metra has programmed $51.7 million in the out-years to complete the rehabilitation of these cars and to begin the life-extending rehabilitation of an additional 241 commuter cars.

Track and Structure

The track and structure category totals $256.7 million over the five years of the program, with $25.3 million planned for 2005.

The Metra system operates on 456 route miles with 1,041 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 $77.6 million, are planned over the five-year program. The 2005-2009 bridge rehabilitation and replacement program includes $37.5 million for the Union Pacific North Line, $14.8 million for the Rock Island Line, $6.9 million for the Milwaukee District-West Line, $6.5 million for the Metra Electric Line, and $10 million for the Milwaukee District-North Line.

In 2005, Metra has programmed $8.6 million to continue the replacement of 24 bridges on the Rock Island Line between 18th and 60th Streets. At the end of December 2004, Metra was 87 percent complete with this bridge renewal. Another project to replace 22 bridges on the Union Pacific North Line is just beginning with $37.5 million programmed for the out years of the capital program. All of these bridges are over 100 years old.

In addition, Metra plans funding in 2006-2008 to reconstruct or rehabilitate the Golf Road Bridge, Sacramento Boulevard Bridge, 59th and 60th Street bridges, 75th and 79th Street bridges, and the 73rd Street Bridge.

These bridges cannot be repaired economically on an annual basis and must be replaced in order to provide uninterrupted commuter service. The scope of the Rock Island Line project includes replacement of the deck, spans, and substructure of each of the four bridges between 57th and 60th Streets. The 20 new bridges between 18th and 55th Streets will be built on an adjacent right-of-way so that rail service is not disrupted.

Electrical, Signal and Communications

A total of $85.7 million is planned for the five-year program for electrical, signal and communications projects that include upgrades and improvements to existing facilities such as interlockers, switches, signal systems, and electrical power control facilities. The 2005 program provides $20.2 million for numerous projects throughout the system.

The $4.6 million proposed in the 2005 program will complete the funding for the upgrade of the Lake Street interlocker located at the north side of Chicago Union Station.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of $1 million, in 2005 and $10 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 $2.5 million in 2005 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 $14.1 million for continuation of this same underground fiber optic cable installation. In addition, Metra is proposing $7.6 million in the 2005-2009 Capital Program to renew the Gresham interlocker on the Rock Island Line.

Support Facilities and Equipment

The support facilities and equipment category totals $226 million for the 2005-2009 planning period, with $17.1 million in the 2005 capital program. 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 2005-2009 program includes $85 million planned for the construction of a new yard and shops on the Metra Electric District. Metra also proposes $66.2 million in the five-year capital program for improvements at various facilities at the 47th Street Yard on the Rock Island Line including $1.5 million in 2005.

Over the life of the five-year program, Metra plans to spend $46.5 million on other support facilities, yards, shops, substations and non-revenue vehicles, with $19.4 million for specific yard improvements. Metra plans to spend $6.8 million in the five-year capital program for improvements at its headquarters.

Stations and Passenger Facilities

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 $111.5 million is programmed for stations and parking. In 2005, $41 million is programmed for these projects.

The 2005 program contains several major station projects:

1) The $7 million for reconstruction of six stations on the South Chicago Branch of the Metra Electric District;

2) The $6.9 million for rehabilitation of the Randolph Street Station in downtown Chicago;

3) The $2.5 million for the rehabilitation of the 115th Street-Morgan Park Station on the Rock Island Line;

4) The $2 million for improvements to the platforms and ramps at the Jefferson Park Station on the Union Pacific Northwest Line;

5) The $1.7 million for the replacement of the Bartlett Station on the Milwaukee District West Line;

6) The $1.1 million for rehabilitation of the 99th Street-Beverly Station on the Rock Island District;

7) The $0.6 million for the rehabilitation of the 95th Street-Chicago State University Station on the Metra Electric District; and

8) The $0.5 million for the rehabilitation of the Western Springs Station on the Burlington Northern Santa Fe Line.

Metra is rehabilitating six South Chicago Metra Electric Branch stations. These stations are deteriorated with many components in need of replacement. The $7 million in the 2005 Capital Program will complete the funding needed for this $27 million project. The stations at 83rd Street and 87th Street are complete. Metra anticipates that construction for the remaining four stations will be finished by the end of 2006. Metra previously built a new station at 93rd Street under a different project.

The work will include platform reconstruction, new canopies, platform lighting, shelters, new head-houses, and ramps. All stations will be rehabilitated in compliance with the *Americans with Disabilities Act (ADA).*

The 2005 program includes $3 million to expand the Oak Lawn Station parking on the SouthWest Service and $1.4 million to expand the parking at the Hinsdale Station on the Burlington Northern Santa Fe Line. An additional $3.5 million is allocated in 2005 to address parking concerns at numerous other stations throughout the system.

Out-year funding of $1 million is programmed to initiate the provision of a new station at 35th Street. Both of these stations are on the Rock Island Line.

Acquisitions, Extensions and Expansions

For years 2005 and 2006 of its five-year program, Metra is planning to spend $115.6 million for extension and expansion on three lines. In 2005, Metra's proposed program contains $73.3 million for these extensions and expansion of services. The North Central Service, between Antioch and Chicago will be expanded and upgraded to enable the operation of 22 daily trains. Also, 2005 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. In addition, the 2005-2009 program proposes $41.9 million for alternative analyses and construction for its four proposed New Start projects. These projects are two new lines, the Suburban Transit Access Route (STAR) Line and Southeast Service, and upgrades to the Union Pacific West and Northwest lines.

In 2005, Metra has programmed $19 million for the multi-year Southwest Service New Start project. This project was approximately 52 percent complete at the end of January 2005. Metra completed or nearly completed new stations at Wrightwood, Chicago Ridge, Palos Heights, and 179th Street in Orland Park. Metra is almost complete with construction of the new yard in Manhattan and completed the preparation of the track bed for a second main line between Palos Park and Orland Park. When completed, the project will provide Metra with the capacity to run an additional 14 trains per day on the Southwest Service.

This project includes several upgrades to the existing Southwest between 74th Street and the existing Orland Park Station, including upgraded track, train control and at-grade crossings. It will also extend the double track from 123rd Street in Palos Park three miles south to 143rd Street in Orland Park and expand the existing Orland Park rail yard.

The project will extend the Southwest Service 12 miles from Orland Park to Manhattan with new stations in New Lenox and Manhattan, and a new rail yard in Manhattan.

Metra has programmed $30 million in 2005 for the Union Pacific West Line New Start project. The extension of the Union Pacific West Line service was approximately 52 percent complete at the end of January 2005. Civil construction for the new third main line including the new embankment, the drainage system and site grading is approximately 87 percent complete. Work on the new yard in Elburn is 54 percent complete and the station and parking at LaFox is 43 percent complete.

The scope of this project includes:

- 5.1 miles of a new third mainline track between Peck Road and Elburn;
- Upgrade of train control systems and at-grade crossing along seven miles of track;
- New stations at Elburn and at LaFox, with a combined approximate total of 700 new parking spaces;
- A new yard at Elburn; and
- One new train set.

Metra has programmed $25 million in 2005 for the multi-year North Central Service project. Metra had completed approximately 60 percent of this project at the end of January 2005. Metra has completed the new track and signal between Lake Villa and the Illinois state line and completed or nearly completed platform construction at ten stations. Metra completed the reconstruction of Bridge Z-20 on the Milwaukee District West Line near River Road and a new siding from Old Willow Road to South of Central Road on the North Central Service.

The scope of this project includes:

- Adding a total of 16.3 miles of a second mainline track and 2.3 miles of a third track on the Wisconsin Central Line. This includes installation of second main line track from Dundee Road in Wheeling to Mundelein and from Antioch to County Highway "JF" in Trevor, Wisconsin. The third mainline track will run from Dundee Road in Wheeling to the south end of the platforms at the Buffalo Grove Station;
- Station upgrades to the eleven existing stations along the Wisconsin Central route. This includes improvements to platforms, shelters, depots, sidewalks, parking, detention facilities, lighting, and landscaping; and
- Five new stations: Franklin Park, Schiller Park, Rosemont, Cicero, and Grayslake.

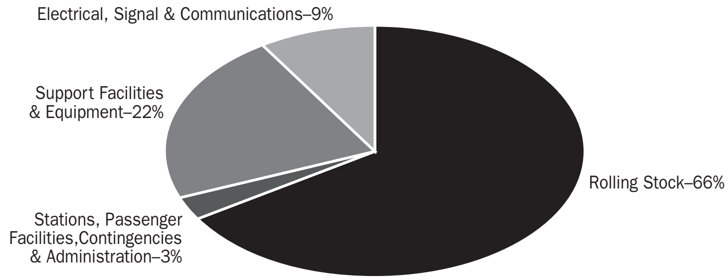
Altogether, the three Metra New Start projects will provide:

- 27 miles of new track on the existing lines—a 2 percent increase over the existing 1,189 miles of track;
- 20.5 miles of service extension—a 4 percent increase over the existing 546 route miles;
- 10 new stations—a 4 percent increase over the existing 230 stations;
- 27 improved stations;
- 2 new rail yards and 1 expanded rail yard;
- 7,993 new parking spaces—an 11 percent increase over the existing 71,000 parking spaces; and
- the ability to run an additional 26 trains per day.

Miscellaneous, Contingencies and Administration

Metra's 2005-2009 capital program includes $127.1 million for miscellaneous items, and contingencies and administration, with $27.8 million programmed in 2005.

Exhibit 7-10: **Pace 2005–2009 Capital Program** — $**167 million**



Pace Overview

The proposed projects in Pace's 2005-2009 capital program total $167.3 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 66 percent; electrical, signal and communications 9 percent; support facilities and equipment 22 percent; passenger facilities and miscellaneous 3 percent. These allocations are illustrated in Exhibit 7-10.

Note that Pace must reduce their capital program to reflect reductions in federal funding as published in the December 29, 2004 edition of the *Federal Register.* See Exhibit 7-11 (Schedule II), for a complete listing of projects in the program. Highlights of Pace's 2005-2009 Capital Program are as follows:

Rolling Stock

In the five-year capital program, Pace plans to purchase up to 1,268 transit vehicles and perform bus upgrade and repair projects at a total cost of $109.5 million. Pace's fleet consists of 672 fixed-route buses, 363 paratransit vehicles and 567 vanpool vehicles.

Pace's 2005 fixed-route bus budget of $6.3 million includes the replacement of 18 40-foot Orion buses that were purchased in 1993 which have exceeded their useful life. The replacement vehicles will be a mix of 35 and 40-foot traditional transit buses. All the buses will have exceeded their useful life by the time the new vehicles are delivered. The new buses will enable Pace to operate service more efficiently and reduce maintenance costs.

Pace plans to spend $4 million in 2005 to purchase a minimum of 51 paratransit vehicles. Pace plans to spend $25 million to purchase an additional 312 replacement paratransit vehicles from 2006 to 2009.

In addition to other rolling stock purchases, Pace's 2005 capital program includes $4.6 million for the purchase of a minimum of 115 vanpool vans. This program contains funds for the replacement of the VIP vanpool vehicles, which have exceeded their useful life, and for expansion vans. From 2006 to 2009, Pace plans to spend $26 million for an additional 667 vanpool vans and associated equipment.

The purchase of associated capital items, estimated at a cost of $1.5 million, is also planned in 2005. The 2006-2009 capital program includes a total of $6 million for associated capital purchases. Federal guidelines enable the Service Boards to be reimbursed for bus maintenance costs which satisfy the definition of capital in accordance with generally accepted accounting principles. Associated capital items include the replacement of bus components such as A/C condensers, alternators, regulators, drive shafts, transmission coolers, fan motors, steering shafts, and other items.

Electrical, Signal and Communications

In 2008 and 2009, Pace proposes $15 million for electrical, signal and communications projects. This includes $13 million for the purchase and installation of a new system-wide radio system to replace Pace's existing system, and $2 million to purchase and install traffic signal priority devices.

Support Facilities and Equipment

Pace proposes to spend $37.1 million over five years for support facilities and equipment.

Pace's 2005-2009 capital plan includes $15.1 million for improvements and upgrades at various garages.

In addition, $4 million is included in Pace's five-year program for expansion of existing garages and construction of future passenger facilities to support the existing system and expansions which will be identified in its Vision 2020 Plan.

Pace's out-year plan includes $3.5 million for various maintenance and support equipment.

Pace's five-year program includes $12.7 million for the purchase of software and hardware and associated design and installation services for computers, printers, computer systems, network, communications, and presentation needs.

Passenger Facilities

Pace's five-year program includes $2.2 million for passenger facilities and amenities, including $1.0 million for the construction of transportation centers and transfer facilities.

Miscellaneous

This category provides funding for contingencies, administration and unanticipated capital. A total of $3.4 million is proposed over five years with $943,104 estimated for 2005. 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.

Exhibit 7-11: **Five–Year Capital Program by Service Board and Project Number** (Schedule II)

Chicago Transit Authority (CTA)		**2005**	**2006**	**2007**	**2008**	**2009**	**Total**
CTA Rolling Stock—Bus							
021.803	Perform Bus Maintenance Activities—System-wide	$ 7,588,250	$ 5,088,250	$ 5,088,250	$ 5,088,250	$ 5,088,250	$ 27,941,250
021.806	Perform Mid-Life Bus Overhaul—System-wide	—	—	6,331,500	9,802,397	17,649,685	33,783,582
031.054	Purchase 426 Replacement Buses (Partial $)—System-wide	5,158,679	51,575,964	52,762,500	43,419,586	52,762,500	205,679,229
	TOTAL CTA Rolling Stock—Bus	$ 12,746,929	$ 56,664,214	$ 64,182,250	$ 58,310,233	$ 75,500,435	$ 267,404,061
CTA Support Facilities and Equipment—Bus							
084.810	Purchase Bus Equipment—System-wide	1,974,886	—	—	2,095,104	2,157,994	6,227,984
	TOTAL CTA Support Facilities and Equipment—Bus	$ 1,974,886	—	—	$ 2,095,104	$ 2,157,994	$ 6,227,984
CTA Stations and Passenger Facilities—Bus							
042.821	Improve Bus Turnarounds—System-wide	787,406	—	—	835,338	860,413	2,483,157
	TOTAL CTA Stations and Passenger Facilities—Bus	787,406	—	—	835,338	860,413	2,483,157
	TOTAL CTA Bus	$ 15,509,221	$ 56,664,214	$ 64,182,250	$ 61,240,675	$ 78,518,842	$ 276,115,202
CTA Rolling Stock—Rail							
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation, 2200, 2400, 2600, and 3200 Series (Partial $)—System-wide	25,769,526	5,603,600	24,352,738	69,631,884	17,401,232	142,758,980
022.906	Perform Rail Car Overhaul Activities—System-wide	8,459,670	5,959,670	5,959,670	5,959,670	5,959,670	32,298,350
132.056	Replace a Minimum of 406 Rail Cars, 2200 and 2400 Series (Partial $)—System-wide	324,276,138	176,720,304	193,109,060	156,492,603	132,790,358	983,388,463
	TOTAL CTA Rolling Stock—Rail	$ 358,505,334	$ 188,283,575	$ 223,421,468	$ 232,084,156	$ 156,151,260	$ 1,158,445,794
CTA Track and Structure—Rail							
171.133	Repair Track and Structure Defects—System-wide	5,400,804	5,400,804	5,400,804	5,400,804	5,400,804	27,004,020
171.217	Replace Flange Angles—North Main Line and Ravenswood	3,937,027	—	—	—	—	3,937,027
173.022	Rehab Viaducts and Retaining Walls—Evanston/ Purple Line	8,406,860	—	—	1,755,762	—	10,162,622
181.500	Repair Trackwork—System-wide	10,451,814	—	—	9,186,176	9,461,921	29,099,911
181.600	Renew Right-of-Way and Footwalk—System-wide	4,282,765	—	—	4,543,474	4,679,858	13,506,097
194.139	Rehabilitate Dan Ryan Branch, Design/Construct, 22nd St. to 95th St., (Partial $)—Red Line	39,513,576	—	—	—	—	39,513,576
	TOTAL CTA Track and Structure—Rail	$ 71,992,846	$ 5,400,804	$ 5,400,804	$ 20,886,216	$ 19,542,583	$ 123,223,253
CTA Electrical, Signal and Communications—Rail							
121.500	Replace/Upgrade Power Distribution and Signals—System-wide	77,501,850	70,603,528	47,736,433	34,454,306	24,107,896	254,404,013
	TOTAL CTA Electrical, Signal and Communications—Rail	$ 77,501,850	$ 70,603,528	$ 47,736,433	$ 34,454,306	$ 24,107,896	$ 254,404,013
CTA Support Facilities and Equipment—Rail							
084.811	Purchase Rail Equipment—System-wide	1,974,886	—	—	2,095,104	2,157,994	6,227,984
	TOTAL CTA Support Facilities and Equipment—Rail	$ 1,974,886	—	—	2,095,104	$ 2,157,994	$ 6,227,984
CTA Stations and Passenger Facilities—Rail							
143.160	Upgrade Rail Stations and Facilities—System-wide	4,055,140	—	—	4,301,992	4,431,126	12,788,258
150.028	Implement Security Projects—System-wide	7,579,000	—	8,000,000	—	—	15,579,000
	TOTAL CTA Stations and Passenger Facilities—Rail	$ 11,634,140	—	$ 8,000,000	$ 4,301,992	$ 4,431,126	$ 28,367,258
CTA Acquisitions and Extensions—Rail							
194.115	Expand CTA Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial $)—Brown Line	78,745,655	63,954,712	63,954,712	63,954,712	88,787,320	359,397,111
194.117	Reconstruct Douglas Branch (Partial $)—Blue Line	118,750,000	67,190,616	—	—	—	185,940,616
402.001	Perform Alternative Analysis and Preliminary Engineering for Ogden Corridor and Circle Line	—	9,512,343	—	—	—	9,512,343
	TOTAL CTA Acquisitions and Extensions—Rail	$ 197,495,655	$ 140,657,671	$ 63,954,712	$ 63,954,712	$ 88,787,320	$ 554,850,070
	TOTAL CTA Rail	$ 719,104,711	$ 404,945,578	$ 348,513,417	$ 357,776,486	$ 295,178,179	$ 2,125,518,371
CTA Electrical, Signal and Communications—System							
052.018	Implement Control Center and SCADA Operational System Projects—System-wide	233,200	—	—	—	—	233,200
053.016	Upgrade Communication System—System-wide	6,996,000	—	—	6,996,000	6,996,000	20,988,000
	TOTAL CTA Electrical, Signal and Communications—System	$ 7,229,200	—	—	$ 6,996,000	$ 6,996,000	$ 21,221,200
CTA Support Facilities and Equipment—System							
061.059	Implement Computer Systems—System-wide	4,630,073	—	—	4,897,503	5,044,514	14,572,090
062.090	Replace Financial Systems—CTA Headquarters	2,401,960	2,401,960	—	—	—	4,803,920
073.500	Improve Bus and Rail Facilities—System-wide	3,904,276	—	—	—	—	3,904,276
073.500	Improve Facilities—System-wide	18,105,662	16,420,276	13,826,526	19,679,883	83,459,880	151,492,227
076.900	Renovate Facilities—System-wide	2,987,000	—	—	3,168,830	3,263,950	9,419,780
081.052	Replace Hoists—System-wide	1,140,276	—	—	—	—	1,140,276
084.059	Purchase Non-Revenue Vehicles—System-wide	4,132,735	—	—	4,384,310	4,515,915	13,032,960
084.812	Purchase Facilities Equipment—System-wide	1,974,886	—	—	2,095,104	2,157,994	6,227,984
085.090	Purchase Tools and Material Handling Equipment—System-wide	1,166,000	—	—	1,274,088	1,312,333	3,752,421
102.039	Implement Automated Fare Control (AFC) Systems—System-wide	4,538,920	—	—	—	—	4,538,920
	TOTAL CTA Support Facilities and Equipment—System	$ 44,981,788	$ 18,822,236	$ 13,826,526	$ 35,499,718	$ 99,754,586	$ 212,884,854
CTA Stations and Passenger Facilities—System							
110.011	Improve Signage Program—System-wide	3,602,940	—	—	—	—	3,602,940
	TOTAL CTA Stations and Passenger Facilities—System	$ 3,602,940	—	—	—	—	3,602,940
CTA Miscellaneous—System							
290.001	Provide for Land Acquisition—System-wide	11,660,000	—	—	11,660,000	11,660,000	34,980,000
303.001	Implement Quality Assurance Program—System-wide	471,624	353,632	485,772	500,333	515,352	2,326,713
306.001	Provide for Program Management—System-wide	4,664,000	—	—	—	—	4,664,000
308.002	Provide for Interest for Section 5307 Federal Borrowing—System-wide	13,367,120	26,980,082	24,965,775	23,150,915	21,159,677	109,623,569
	TOTAL CTA Miscellaneous—System	$ 30,162,744	$ 27,333,714	$ 25,451,547	$ 35,311,248	$ 33,335,029	$ 151,594,282
	TOTAL CTA System	$ 85,976,672	$ 46,155,950	$ 39,278,073	$ 77,806,966	$ 140,085,615	$ 389,303,276
	TOTAL CTA	**$ 820,590,604**	**$ 507,765,742**	**$ 451,973,740**	**$ 496,824,127**	**$ 513,782,636**	**$ 2,790,936,849**

Metra		2005	2006	2007	2008	2009	Total
Metra Rolling Stock—Rail							
3403	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)—BNSF	$ 5,860,000	—	—	—	—	$ 5,860,000
3404	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)—MWD	4,000,000	—	—	—	—	4,000,000
3701	Rehabilitation of a Minimum of 12 Locomotives (Partial $) No. 148-159—MET	4,200,000	—	—	—	—	4,200,000
3901	Rehabilitation of a Minimum of 14 Locomotives (Partial $) No.160-173—MET	2,300,000	—	—	—	—	2,300,000
3902	Overhaul Traction Motors—MET	1,000,000	—	—	—	—	1,000,000
3903	Install Locomotive Air Conditioning—MET	150,000	—	—	—	—	150,000
3904	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)—MWD	2,000,000	7,000,000	3,200,000	—	—	12,200,000
3905	Rehabilitate a Minimum of 20 Commuter Bi-Level Rail Cars (Partial $)—BNSF	2,000,000	6,500,000	6,500,000	500,000	—	15,500,000
3906	Improve Cars and Locomotives—MET	250,000	—	—	—	—	250,000
3907	Rebuild Air Brakes—MET	4,000,000	5,300,000	5,400,000	5,500,000	6,500,000	26,700,000
3908	Replace Wheels—MET	1,500,000	2,150,000	2,200,000	2,250,000	2,900,000	11,000,000
3909	Replace Locomotive and Commuter Car Batteries—MET	650,000	375,000	400,000	425,000	450,000	2,300,000
3913	Purchase a Minimum of 160 Accessible Bi-Level Electric Multi-Unit Commuter Cars (Repl., Partial $)—MED	—	77,000,000	77,000,000	102,000,000	117,000,000	373,000,000
3914	Overhaul Traction Motors—MED	1,000,000	—	—	—	—	1,000,000
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	6,000,000	4,000,000	14,000,000
AC-101	Rehabilitate a Minimum of 119 Cars—BNSF	—	—	—	6,000,000	8,000,000	14,000,000
AF-111	Rehabilitate Locomotives (GMC/EMD)—MET	—	4,175,000	—	4,500,000	6,825,000	15,500,000
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
AG-152	Improve Cars and Locomotives—MET	—	500,000	500,000	500,000	750,000	2,250,000
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	$ 28,910,000	$ 105,150,000	$ 101,350,000	$ 129,825,000	$ 148,575,000	$ 513,810,000
Metra Track and Structure—Rail							
2038	Renew Salt Creek Bridge —MWD-West Line	—	2,500,000	—	—	—	2,500,000
2112	Replace Bridges—Union Pacific - North Line (Partial $)	—	10,387,000	27,100,000	—	—	37,487,000
2927	Replace 4 Bridges, 57th-60th St.. (Partial $)—RID	400,000	—	—	—	—	400,000
2933	Construct Belmont Road Grade Separation—BNSF	650,000	—	—	6,000,000	5,000,000	11,650,000
3325	Replace Bridges, 18th - 55th St.. (Partial $)—RID	8,200,000	3,300,000	—	—	—	11,500,000
3419	Provide for Rail Grinding—MET	150,000	—	—	—	—	150,000
3420	Perform New Rail Inspection—MET	100,000	—	—	—	—	100,000
3422	Perform Rail Grinding—UPR	50,000	—	—	—	—	50,000
3432	Reconstruct Bridge Z-108 (Elgin)—MWD-West Line	3,900,000	500,000	—	—	—	4,400,000
3433	Reconstruct Halsted St. Bridge (No. 96)—RID	—	—	1,250,000	—	—	1,250,000
3438	Rehabilitate Retaining Walls—UPR	—	—	1,000,000	—	1,000,000	2,000,000
3444	Rehabilitate Catenary Structure—MED	700,000	—	—	—	—	700,000
3512	Provide for J Line Improvements—MWD-North Line	—	—	4,000,000	28,400,000	33,500,000	65,900,000
3626	Rehabilitate 59th and 60th St. Bridges—MED	—	—	—	500,000	—	500,000
3628	Renew Bridge (No. 339) near Hickory Creek—RID	400,000	—	—	—	—	400,000
3631	Rehabilitate Retaining Wall—MET	1,000,000	—	—	—	—	1,000,000
3634	Purchase and Install Right-of-Way Fencing—UPR	200,000	—	—	—	—	200,000
3819	Provide for Rail Grinding—BNSF	40,000	—	—	—	—	40,000
3915	Replace Ties, Ballast and Switch Heaters— BNSF	1,400,000	—	—	—	—	1,400,000
3917	Replace Ties and Ballast—UPR	1,500,000	—	—	—	—	1,500,000
3919	Rehabilitate 75th and 79th St. Bridges—MED	—	—	—	—	4,000,000	4,000,000
3920	Rehabilitate Dixie Highway Bridge (No. 23-3)—MED	—	—	—	—	500,000	500,000
3921	Rehabilitate Vollmer Road Bridge (No. 26-1)—MED	—	—	—	—	500,000	500,000
3922	Renew 73rd and 76th St. Bridges—MED	—	—	—	—	1,000,000	1,000,000
3923	Replace Rail and Switches—BNSF	750,000	—	—	—	—	750,000
3924	Replace Rail—MED	1,000,000	—	—	—	—	1,000,000
3925	Replace Rail—UPR	1,200,000	—	—	—	—	1,200,000
3926	Upgrade Bridges—MWD	400,000	—	—	—	—	400,000
3927	Fill Bridges—MET	800,000	—	—	—	—	800,000
3928	Rehabilitate Retaining Walls—BNSF	250,000	—	—	—	—	250,000
3929	Improve Right-of-Way—MED	2,000,000	—	—	—	—	2,000,000
3932	Replace Handrailing and Walkways—UPR	200,000	—	—	—	—	200,000
96-008	Rehabilitate Retaining Walls—BNSF	—	500,000	500,000	500,000	500,000	2,000,000
96-015	Replace Rail—MED	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-017	Replace Ties and Ballast—MED	—	3,250,000	3,250,000	2,000,000	1,000,000	9,500,000
96-022	Improve North Central Service—NCS	—	600,000	600,000	600,000	600,000	2,400,000
96-073	Provide for Rail Grinding—MET	—	300,000	300,000	300,000	300,000	1,200,000
96-074	Install Right-of-Way Fencing—MET	—	100,000	100,000	100,000	100,000	400,000
96-104	Replace Rail—RID	—	—	1,000,000	—	1,000,000	2,000,000
96-107	Replace Rail—UPR	—	1,100,000	1,100,000	1,200,000	1,200,000	4,600,000
96-116	Replace Ties and Ballast—UPR	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
96-126	Rehabilitate Retaining Walls—MET	—	500,000	1,000,000	1,000,000	500,000	3,000,000
96-128	Rehabilitate Catenary Structure —MED	—	700,000	700,000	700,000	700,000	2,800,000
96-133	Provide for Undercutting at Stations—UPR	—	500,000	500,000	500,000	500,000	2,000,000
96-137	Replace Ties and Ballast—SWS	—	—	—	—	3,000,000	3,000,000
96-172	Replace Golf Road Bridge (A-82.5)—MWD-North Line	—	—	—	5,000,000	5,000,000	10,000,000
96-276	Replace Ties and Ballast—RID	—	2,000,000	2,000,000	2,000,000	1,000,000	7,000,000
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	500,000	500,000	2,000,000
AD-202	Inspect New Rail—MET	—	100,000	100,000	100,000	100,000	400,000
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

Metra…continued		2005	2006	2007	2008	2009	Total
AD-211	Re-Install Intertrack Fencing—BNSF	—	100,000	—	—	—	100,000
AD-214	Provide for Rail Grinding—BNSF	—	40,000	40,000	50,000	50,000	180,000
AE-201	Replace Ties, Ballast and Switch Heaters—BNSF	—	1,400,000	1,200,000	1,500,000	1,200,000	5,300,000
AE-202	Replace Rail and Switches—BNSF	—	700,000	500,000	500,000	500,000	2,200,000
AE-243	Rehabilitate 75th St. Bridge (No. 82)—RID	—	—	—	600,000	600,000	1,200,000
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	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
AF-213	Provide for Rail Grinding—UPR	—	50,000	50,000	50,000	50,000	200,000
AG-214	Provide for Rail Welding—MET	—	150,000	150,000	150,000	150,000	600,000
AH-226	Provide for Undercutting and Surfacing—RID	—	1,000,000	—	1,000,000	1,000,000	3,000,000
AK-203	Replace Ties and Ballast—MWD	—	2,000,000	1,700,000	2,400,000	2,700,000	8,800,000
AK-233	Replace Rail—MWD	—	3,000,000	—	—	3,000,000	6,000,000
AM-253	Fill Bridges—System-wide	—	—	—	500,000	—	500,000
	TOTAL Metra Track and Structure—Rail	$ 25,290,000	$ 39,677,000	$ 53,040,000	$ 62,050,000	$ 76,650,000	$ 256,707,000
Metra Electrical, Signal and Communications—Rail							
2413	Install SCADA System (Remove ARCS Cable)—MET	—	—	200,000	—	—	200,000
2539	Install Bi-Directional Signaling, 11th - 67th—MED	1,000,000	3,000,000	2,000,000	—	—	6,000,000
2835	Replace AC Transmission Lines—MED	400,000	900,000	900,000	900,000	—	3,100,000
2939	Renew Gresham Interlocker, Consolidated Control Facility (CCF)—RID	2,000,000	2,800,000	2,800,000	—	—	7,600,000
3240	Provide for Crossover Consolidation—BNSF	—	—	—	100,000	—	100,000
3241	Upgrade Lake St. Interlocker (Partial $)—CUS	4,600,000	—	—	—	—	4,600,000
3246	Replace Catenary Wire—MED	—	—	—	—	1,200,000	1,200,000
3334	Install Crossing Recorders—MET	600,000	—	—	—	—	600,000
3337	Upgrade Lake St. Interlocker (Partial $)—UPR	1,000,000	1,000,000	3,000,000	6,000,000	—	11,000,000
3339	Upgrade Electrical Equipment at Vollmer Road—MED	300,000	—	—	—	—	300,000
3439	Install Passenger Information Display Systems (PIDS)—MET	2,000,000	6,000,000	—	—	—	8,000,000
3446	Install Fiber Optic Cable (Partial $)—BNSF	2,500,000	5,400,000	1,900,000	2,700,000	4,100,000	16,600,000
3843	Install Computer-Aided Police Dispatch System—MET	—	—	600,000	—	—	600,000
3936	Install Coded Track Circuits, B12 to B35—MWD	800,000	—	500,000	1,000,000	1,000,000	3,300,000
3937	Install Coded Track Circuits at Lake Forest, Rondout—MWD-North Line	1,200,000	1,000,000	400,000	—	—	2,600,000
3940	Install Pedestrian Crosswalk Signals—RID	1,000,000	—	—	—	—	1,000,000
3942	Replace Signal Bridge—BNSF	250,000	—	—	—	—	250,000
3943	Replace AC Feeder Cable—MED	205,000	—	—	—	—	205,000
3944	Improve Randolph St. Station Ventilation—MED	675,000	—	—	—	—	675,000
3945	Replace Communication Equipment—MET	230,000	—	—	—	—	230,000
3946	Install Microwave Backup Communication System—MED	600,000	—	—	—	—	600,000
3948	Replace Batteries—UPR	100,000	—	—	—	—	100,000
3949	Provide for Standby Power at Yards—UPR	700,000	—	—	—	—	700,000
96-034	Replace Batteries—UPR	—	300,000	300,000	300,000	300,000	1,200,000
96-046	Renew Union Depot (UD) Interlocker, Consolidated Control Facility (CCF)—RID	—	—	—	300,000	1,500,000	1,800,000
96-120	Replace Signal Equipment at the Wye at Lumber St. on BNSF—CUS	—	—	—	700,000	1,500,000	2,200,000
AC-306	Provide for Crossing Recorders—MET	—	—	—	—	600,000	600,000
AC-313	Provide for Electronic Conversion of Drawings—MED	—	75,000	75,000	75,000	75,000	300,000
AD-312	Replace Signal Bridge—BNSF	—	—	—	250,000	—	250,000
AD-314	Replace Switches at Kedzie St. Interlocker—UPR-W	—	—	—	—	500,000	500,000
AD-320	Upgrade Communications Equipment—MET	—	—	—	250,000	—	250,000
AG-308	Install Pedestrian Crosswalk Signals—MET	—	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
AG-374	Replace Cab Radios—MET	—	—	—	1,100,000	1,100,000	2,200,000
AG-377	Replace Fiber Optics Cable, South Chicago Branch—MED	—	—	2,000,000	—	—	2,000,000
AM-371	Purchase and Install New Radio Tower at the Hill Yard in Aurora—BNSF	—	50,000	—	—	—	50,000
	TOTAL Metra Electrical, Signal and Communications—Rail	$ 20,160,000	$ 21,725,000	$ 15,875,000	$ 14,875,000	$ 13,075,000	$ 85,710,000
Metra Support Facilities and Equipment—Rail							
2848	Upgrade B-1 Building—UPR	—	—	—	—	2,500,000	2,500,000
3256	Improve 47th St. Yard (Partial $)—RID	—	22,400,000	38,400,000	200,000	3,700,000	64,700,000
3258	Replace HVAC at 547 West Jackson Blvd.—MET	—	5,000,000	5,000,000	5,000,000	—	15,000,000
3259	Improve 547 West Jackson Exterior—MET	1,150,000	1,600,000	—	—	—	2,750,000
3356	Purchase Management Information System Equipment—MET	400,000	—	—	—	—	400,000
3459	Purchase Management Information System Equipment—MET	800,000	—	—	—	—	800,000
3462	Upgrade Substation Buildings—MED	500,000	—	—	—	—	500,000
3635	Expand Commuter Control Center—UPR	300,000	—	—	—	—	300,000
3750	Acquire Land for Three New Commuter Coach Yards—MET	4,300,000	—	—	—	—	4,300,000
3755	Purchase Office Equipment and Furniture—MET	200,000	—	—	—	—	200,000
3764	Renewal of Facilities—MET	1,000,000	—	—	—	—	1,000,000
3850	Construct New Yard and Shop—MED	—	30,000,000	25,000,000	25,000,000	5,000,000	85,000,000
3852	Purchase Equipment and Vehicles—MET	1,100,000	1,800,000	700,000	—	—	3,600,000
3947	Improve 47th St. Yard (Partial $)—RID	1,500,000	—	—	—	—	1,500,000
3951	Upgrade 14th St. Yard—BNSF	—	2,000,000	—	—	—	2,000,000
3952	Improve Western Avenue Yard—MWD	1,400,000	—	—	—	—	1,400,000
3953	Improve California and M19A Yards—UPR	2,000,000	—	—	—	—	2,000,000
3954	Provide for KYD Yard Facilities—MED	—	—	—	—	1,100,000	1,100,000
3955	Replace Blue Island Shop HVAC Equipment—RID	300,000	—	—	—	—	300,000
3957	Purchase Equipment and Vehicles—MET	750,000	—	—	—	—	750,000
3958	Renovate 547 West Jackson Headquarters—MET	350,000	—	—	—	—	350,000
3959	Purchase Training Simulators—MET	1,000,000	—	—	—	—	1,000,000
96-045	Purchase Equipment and Vehicles—MET	—	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
AC-404	Improve California and M19A Yards—UPR	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
AC-406	Upgrade Substation Buildings—MED	—	—	—	1,500,000	1,500,000	3,000,000
AD-409	Renovate 547 West Jackson Headquarters—MET	—	1,025,000	2,125,000	125,000	125,000	3,400,000
AD-452	Improve Facilities—MET	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
AF-401	Upgrade 14th St. Yard—BNSF	—	500,000	500,000	500,000	500,000	2,000,000
		2005	**2006**	**2007**	**2008**	**2009**	**Total**

AF-451	Purchase Management Information Systems (MIS) Equipment—MET	—	900,000	900,000	900,000	900,000	3,600,000
AG-414	Provide for KYD Yard Facilities—MED	—	—	—	1,000,000	1,400,000	2,400,000
AK-409	Improve Western Avenue Yard—MWD	—	700,000	—	—	—	700,000
AK-427	Construct Waukegan Crew Facility—UP-North Line	—	—	—	200,000	1,500,000	1,700,000
AK-455	Purchase Office Equipment and Furniture—MET	—	400,000	400,000	400,000	400,000	1,600,000
AL-426	Replace HVAC Shops—MET	—	500,000	—	500,000	—	1,000,000
AM-422	Improve 547 West Jackson Headquarters Building—MET	—	225,000	70,000	—	—	295,000
	TOTAL Metra Support Facilities and Equipment—Rail	$ 17,050,000	$ 70,750,000	$ 76,795,000	$ 39,025,000	$ 22,325,000	$ 225,945,000
Metra Stations and Passenger Facilities—Rail							
2757	Improve Randolph St. Station—MED	2,500,000	—	—	—	—	2,500,000
3171	Improve Bartlett Station—MWD-West Line	1,700,000	—	—	—	—	1,700,000
3276	Install Station Signs—MET	250,000	250,000	250,000	250,000	250,000	1,250,000
3280	Restore 99th St.-Beverly Station—RID	1,080,000	—	—	—	—	1,080,000
3468	Reconstruct 6 South Chicago Branch Stations (Partial $)—MED	7,000,000	—	—	—	—	7,000,000
3666	Improve Randolph St. Station Concourse—MED	—	2,500,000	—	—	—	2,500,000
3678	Improve OTC Concourse (Partial $)—UPR	1,920,000	—	—	—	—	1,920,000
3775	Improve Station ADA Accessibility—MET	400,000	—	—	—	—	400,000
3861	Rehabilitate Western Springs Stations—BNSF	500,000	—	—	—	—	500,000
3872	Improve Downers Grove Station Parking—BNSF	250,000	—	510,000	400,000	—	1,160,000
3961	Expand Hinsdale Station Parking—BNSF	1,450,000	—	—	—	—	1,450,000
3963	Reconstruct Ivanhoe Station Kiss-and-Ride Dropoff—MED	71,625	—	—	—	—	71,625
3964	Expand Ivanhoe Station Parking—MED	708,750	—	—	—	—	708,750
3965	Rehabilitate 95th St. - Chicago State University Station—MED	600,000	—	—	—	—	600,000
3966	Provide Easement for Randolph St. Station—MED	4,400,000	—	—	—	—	4,400,000
3967	Improve Station Platforms and Ramps (ADA) at Jefferson Park Station—UP-Northwest Line	2,000,000	—	—	—	—	2,000,000
3970	Rehabilitate 115th St. - Morgan Park Station—RID	2,500,000	—	—	—	—	2,500,000
3974	Improve 103rd St. and 115th St. Stations Parking—RID	1,000,000	—	—	—	—	1,000,000
3976	Expand Ashburn Station Parking—SWS	400,000	—	—	—	—	400,000
3978	Expand Oak Lawn Station Parking—BNSF	2,975,000	—	—	—	—	2,975,000
3980	Improve Geneva Station—UP-West Line	330,000	—	—	—	—	330,000
3983	Expand Elmhurst Station Parking	720,000	—	—	—	—	720,000
3986	Improve Cumberland Station Parking—UP-Northwest Line	355,000	—	—	—	—	355,000
3992	Provide for Land Acquisitions—MET	600,000	—	—	—	—	600,000
3995	Provide for Station and Parking Engineering—MET	7,350,000	—	—	—	—	7,350,000
96-129	Improve Platforms and Ramps (ADA)—MET	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-295	Provide for Station and Parking Engineering—MET	—	7,350,000	7,350,000	7,350,000	7,350,000	29,400,000
AE-504	Improve Station Accessibility (ADA)—MET	—	400,000	400,000	400,000	400,000	1,600,000
AL-531	Construct 35th St. Station—RID	—	—	1,000,000	—	—	1,000,000
AL-550	Improve Station and Parking—MET	—	7,500,000	7,550,000	7,500,000	7,500,000	30,050,000
	TOTAL Metra Stations and Passenger Facilities—Rail	$ 41,060,375	$ 19,000,000	$ 18,060,000	$ 16,900,000	$ 16,500,000	$ 111,520,375
Metra Miscellaneous—Rail							
2989	Provide for Advertising—MET	—	100,000	100,000	100,000	100,000	400,000
2990	Provide for Material Handling Additive—MET	2,000,000	2,500,000	2,500,000	2,500,000	2,500,000	12,000,000
2991	Provide for Railroad Protective Liability Insurance—MET	600,000	600,000	600,000	600,000	600,000	3,000,000
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	500,000	500,000	500,000	2,500,000
3786	Enhance System Mapping—MET	—	80,000	80,000	80,000	80,000	320,000
3837	Perform Engineering and Construction for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project—MET	—	3,400,000	3,400,000	3,400,000	3,400,000	13,600,000
3837	Perform Engineering for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project—MET	1,500,000	—	—	—	—	1,500,000
3838	Improve Metra System Security—MET	5,000,000	—	—	—	—	5,000,000
3994	Provide for Program Support Engineering—MET	2,000,000	—	—	—	—	2,000,000
3996	Provide for Unanticipated Capital—MET	1,000,000	—	—	—	—	1,000,000
96-296	Provide for Unanticipated Capital—MET	—	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
96-318	Provide for Capital Project Security—MET	—	100,000	100,000	100,000	100,000	400,000
AF-408	Provide for Miscellaneous Engineering—MET	—	3,500,000	3,500,000	3,500,000	3,500,000	14,000,000
	TOTAL Metra Miscellaneous—Rail	$ 12,700,000	$ 11,980,000	$ 11,980,000	$ 11,980,000	$ 11,980,000	$ 60,620,000
Metra Acquisitions and Extensions—Rail							
2981	Expand North Central Service (Partial $)—NCS	25,000,000	20,613,451	—	—	—	45,613,451
2982	Extend Southwest Service (Partial $)—SWS	18,750,000	12,372,057	—	—	—	31,122,057
2983	Extend Union Pacific (Partial $)—UP-West Line	29,591,625	9,285,749	—	—	—	38,877,374
3866	Perform Alternative Analysis for New Starts—STAR, SES, UP-West and UP-Northwest Lines	2,500,000	—	—	—	—	2,500,000
AM-605	Perform Alternative Analysis and Construction for New Starts—STAR, SES, UP-West and UP-Northwest Lines	—	4,000,000	1,800,000	17,300,000	16,300,000	39,400,000
	TOTAL Metra Acquisitions and Extensions—Rail	$ 75,841,625	$ 46,271,257	$ 1,800,000	$ 17,300,000	$ 16,300,000	$ 157,512,882
Metra Contingencies and Administration—Rail							
3890	Provide for Project Management—MET	200,000	—	—	—	—	200,000
3990	Provide for Project Management—MET	11,000,000	—	—	—	—	11,000,000
3999	Provide for Contingencies—MET	3,853,311	—	—	—	—	3,853,311
AD-798	Provide for Project Administration—MET	—	500,000	500,000	500,000	500,000	2,000,000
AK-791	Provide for Project Management—MET	—	11,338,078	12,667,946	12,588,936	12,832,471	49,427,431
	TOTAL Metra Contingencies and Administration—Rail	$ 15,053,311	$ 11,838,078	$ 13,167,946	$ 13,088,936	$ 13,332,471	$ 66,480,742
	TOTAL Metra Rail	$ 236,065,311	$ 326,391,335	$ 292,067,946	$ 305,043,936	$ 318,737,471	$ 1,478,305,999
	TOTAL METRA	$ **236,065,311**	$ **326,391,335**	$ **292,067,946**	$ **305,043,936**	$ **318,737,471**	$ **1,478,305,999**

Pace		2005	2006	2007	2008	2009	Total
Pace Rolling Stock—Bus							
4001	Purchase a Minimum of 10-35'/ 40' Fixed Route Buses—System-wide	3,550,000	—	—	—	—	3,550,000
4001	Purchase a Minimum of 105 Fixed Route Accessible Buses—System-wide	—	9,800,000	7,000,000	8,750,000	11,200,000	36,750,000
4001	Purchase a Minimum of 8-35'/40' Fixed Route Buses—System-wide	2,766,000	—	—	—	—	2,766,000
4002	Purchase a Minimum of 312 Paratransit Vehicles—System-wide	—	5,200,000	10,800,000	6,960,000	2,000,000	24,960,000
4002	Purchase a Minimum of 51 Paratransit Vehicles—System-wide	3,570,000	—	—	—	—	3,570,000
4004	Purchase a Minimum of 115 Vanpool Vans—System-wide	4,560,000	—	—	—	—	4,560,000
4004	Purchase a Minimum of 667 Vanpool Vans—System-wide	—	6,880,000	5,640,000	6,560,000	6,800,000	25,880,000
4006	Provide for Associated Capital Items—System-wide	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
	TOTAL Pace Rolling Stock—Bus	$ 15,946,000	$ 23,380,000	$ 24,940,000	$ 23,770,000	$ 21,500,000	$ 109,536,000
Pace Electrical, Signal and Communications—Bus							
4007	Purchase and Installation of Traffic Signal Priority (TSP) Devices—System-wide	—	—	—	—	2,000,000	2,000,000
4008	Purchase Replacement Radio System (Phase II)—System-wide	—	—	—	13,000,000	—	13,000,000
	TOTAL Pace Electrical, Signal and Communications—Bus	—	—	—	$ 13,000,000	$ 2,000,000	$ 15,000,000
Pace Support Facilities and Equipment—Bus							
4010	Purchase Maintenance/ Support Equipment and Vehicles—System-wide	—	500,000	—	1,500,000	1,500,000	3,500,000
4011	Purchase Computers, Computer Software Systems—System-wide	—	500,000	1,000,000	2,680,000	8,510,000	12,690,000
4012	Purchase Office Equipment/Furniture—System-wide	—	250,000	—	500,000	1,000,000	1,750,000
4013	Improve Garages/ Facilities—System-wide	—	1,880,000	1,310,000	3,340,000	8,600,000	15,130,000
4014	Provide for Expansion of Facilities—System-wide	—	—	—	—	4,000,000	4,000,000
	TOTAL Pace Support Facilities and Equipment—Bus	—	$ 3,130,000	$ 2,310,000	$ 8,020,000	$ 23,610,000	$ 37,070,000
Pace Stations and Passenger Facilities—Bus							
4016	Construct Transportation Centers and Transfer Facilities—System-wide	—	—	—	—	1,000,000	1,000,000
4017	Install Shelters/ Signs/ Passenger Amenities—System-wide	—	200,000	—	500,000	500,000	1,200,000
	TOTAL Pace Stations and Passenger Facilities—Bus	—	$ 200,000	—	$ 500,000	$ 1,500,000	$ 2,200,000
Pace Miscellaneous—Bus							
4019	Provide for Unanticipated Capital—System-wide	—	—	—	250,000	250,000	500,000
	TOTAL Pace Miscellaneous—Bus	—	—	—	$ 250,000	$ 250,000	$ 500,000
Pace Contingencies and Administration—Bus							
4024	Provide for Contingencies	650,000	—	—	—	—	650,000
4025	Provide for Project Administration	293,104	500,910	504,612	497,890	499,769	2,296,285
	TOTAL Pace Contingencies and Administration—Bus	$ 943,104	$ 500,910	$ 504,612	$ 497,890	$ 499,769	$ 2,946,285
	TOTAL Pace—Bus	$ 16,889,104	$ 27,210,910	$ 27,754,612	$ 46,037,890	$ 49,359,769	$ 167,252,285
	TOTAL PACE	$ **16,889,104**	$ **27,210,910**	$ **27,754,612**	$ **46,037,890**	$ **49,359,769**	$ **167,252,285**
	GRAND TOTAL	$ **1,073,545,019**	$ **861,367,987**	$ **771,796,298**	$ **847,905,953**	$ **881,879,876**	$ **4,436,495,133**

Appendices

Exhibit 8-1: **2005 Budget Call Calendar** (dates listed are for 2004)

May 6
Finance Committee meeting; 2005 budget call release.

August 2
Deadline for Service Board Capital Program Submittals.

August 2 - September 3
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.

August 13
Service Boards submit macro budget and two-year financial plan to the RTA.

August 16 - September 3
RTA staff analysis of each 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 and ordinance information required to:
(1) set the operating funding marks for the 2005 budget and the 2006-2007 financial plan of each Service Board,
(2) set the 2005 budget recovery ratio for each Service Board, and
(3) set the preliminary 2005-2009 Five-Year Capital Program Marks.

September 10

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 to 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 2005 through 2007, the 2005 recovery ratio and the preliminary Five-Year Capital Program Marks for each Service Board.

September 13 - October 15
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.

October 18 - November 12
Service Boards release their budgets, two-year financial plans, and preliminary Five-Year Capital Program documents to the public, and present these documents to County Boards.

October 1 - December 10
FTA releases Federal Fiscal Year 2005 Apportionments in the Federal Register.

October 1 - December 10
RTA and NIRPC renegotiate Letters of Understanding regarding the FTA Sections 5309 and 5307 allocations between NE Illinois and NW Indiana; and RTA and SEWRPC renegotiate Letter of Understanding regarding the FTA Section 5307 allocation between NE Illinois and SE Wisconsin.

November 4
RTA Board Committees and the RTA Board review the RTA Agency budget.

November 8 - December 10
RTA Board Members and staff present summaries of the regions proposed budget, two-year financial plan, and preliminary Five-Year Capital Program to County Committees and their Boards.

November 15
Service Boards submit proposed budgets, two-year financial plans, and revised Five-Year Capital Programs to the RTA.

November 15
CATS Work Program Committee meets to recommend the FTA allocations between NE Illinois, NW Indiana, and SE Wisconsin.

November 16 - 24
RTA staff consolidates the proposed budgets, financial plans, and revised Capital Programs of the Service Boards and Agency into the RTA's proposed 2005 Annual Budget and Five-Year Capital Program document.

December 3
The RTA's proposed 2005 Annual Budget and Five-Year Capital Program document is available for public inspection.

December 9
RTA holds public hearings on the consolidated 2005 budget, 2006-2007 financial plan, and 2005-2009 Capital Program.

December 17
RTA Planning Committee, Finance Committee and RTA Board meet to review and adopt an ordinance for the 2005 budget, the 2006-2007 financial plan, and the revised Five-Year Capital Program.

Exhibit 8-2: **Public Hearing Notice**

Regional Transportation Authority Hearings on Proposed Five-Year Program for 2005-2009 and Annual Program and Budget for 2005

Notice is hereby given that the Regional Transportation Authority (RTA) will hold public hearings on its proposed Five-Year Program for 2005-2009 (January 1, 2005 to December 31, 2009) and Annual Program and Budget for 2005.

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 Thursday, December 9, 2004. Copies of the proposed Five-Year Program for 2005-2009 and the Annual Program and Budget for 2005 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 Wednesday, December 1, 2004 so that proper arrangements can be made. Listed below are the locations of the Public Hearings scheduled to be held from 4:30-6:00 p.m. on THURSDAY, DECEMBER 9, 2004.

COOK COUNTY—CENTRAL
James R. Thompson Center
100 West Randolph
Chicago, Ilinois 60601

COOK COUNTY—NORTH
Village of Arlington Heights
Beuchner Room
33 S. Arlington Heights Road
Arlington Heights, Ilinois 60005

COOK COUNTY—SOUTH
Village of Flossmoor, Board Room
2800 Flossmoor Road
Flossmoor, Ilinois 60422

COOK COUNTY—WEST
Riverside Town Hall, Room 3
27 Riverside Road
Riverside, Ilinois 60543

WILL COUNTY
Will County Courthouse, Courtroom 111
14 W. Jefferson
Joliet, Ilinois 60432

DuPAGE COUNTY
Wheaton City Hall Building
Conley Room, Lower Level
303 West Wesley
Wheaton, Ilinois 60187

KANE COUNTY
Municipal Center, Council Chambers
2 East Main Street
St. Charles, Ilinois 60174

LAKE COUNTY
Waukegan Public Library
Ray Bradbury Room
128 N. County Street
Waukegan, Ilinois 60085

McHENRY COUNTY
Woodstock City Hall, Council Chambers
121 W. Calhoun
Woodstock, Ilinois 60098

Public 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 9, 2004. As in the past, the hearings took place from 4:30 to 6:00 p.m., in nine locations throughout the six-county region. The locations of these hearings are detailed in Exhibit 8-2. Court reporters and RTA staff are present to take testimony and transcripts of this testimony are on file at the RTA.

As in past years, the RTA received a number of questions on the structure and operation of the RTA—how is the recovery ratio calculated, how much RTA Sales Tax is collected, and what amounts of funding do the CTA, Metra, and Pace receive. Also, inquiries were made on county-specific projects and amounts. The RTA was also asked for updates on issues such as the appointment of a new RTA chairman and the status of the Pace lawsuit against the RTA. Much of the commentary this year related to the possible service cuts at the CTA, as well as possible legislative action next year by the Illinois General Assembly regarding public transportation in northeastern Illinois.

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 persons with disabilities.

Accessible Service—A term used to describe service that is accessible to non-ambulatory riders with disabilities. 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 transit vehicles, operations and facilities 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—Expenses for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. [Of the four types of fiduciary funds (agency funds, pension (and other employee benefit) funds, investment trust funds, and private-purpose funds), the RTA uses only the first two.]

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 procedure that permits a specified amount of funds for a given operating or capital purpose to be expended; the RTA appropriates funds for expenditures.

Balanced Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

Balanced Scorecard (**BSC**)—A balanced scorecard 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 encompasses 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.

Bond Refinancing/Refunding—is the payoff and re-issuance of bonds, to obtain better interest rates and/or bond conditions which results the defeasance of the old debt.

Budget—Funds allocated by the RTA Board for a particular purpose; each year the RTA Board approves a budget document for the following year. Funds are allocated either by "programming" them or by "appropriating" them.

Budget Marks—The Regional Transportation Authority Act, as amended in 1983, requires 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—A traffic scenario in which more than one bus arrives at the same time. This phenomenon is a subject of several CTA initiatives aimed at reducing service problems through improved field management of traffic and schedules.

Bus Rapid Transit (**BRT**)—BRT combines the quality of rail transit and the flexibility of buses. It can operate on exclusive transitways, high occupancy vehicle (HOV) lanes, expressways, or ordinary streets. A BRT system combines intelligent transportation systems technologies, priority for transit, cleaner and quieter vehicles, rapid and convenient fare collection, and integration with land use policies.

Capacity Utilization—The percentage of seats occupied in a train or bus at a given point in time.

Capital—Funds which finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenses that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car-Mile or Vehicle-Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

CATS (**The Chicago Area Transportation Study**)—The CATS Policy Committee is designated by federal, state and local officials as the Metropolitan Planning Organization (MPO) for the northeastern Illinois region. Together with the State of Illinois, the MPO is responsible 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 (**Chicago Transit Authority**)—The CTA operates bus and rapid transit service in the City of Chicago and several suburbs. The CTA was created by state legislation and began operations in 1947.

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—The 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 dead-head miles.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

Defeasance of Bonds—a technique used to discharge older high-rate debt prior to maturity with new securities bearing lower interest rates.

Deficit—For a particular Service Board, the difference between system-generated revenues and system operating expenses. The deficit is sometimes referred to as the "public funding requirement." The RTA's current practice is to provide operating funds to each Service Board equivalent to their budgeted deficit for the year as opposed to the actual deficit. For the RTA, its deficit or surplus equals total revenues (sales tax, PTF, 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 PTF and a portion of the 15 percent of the RTA Sales Tax.

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—In a comparison of actual results to budgeted levels, favorable performance describes the situation in which expenses are less than budget or revenues exceed budget.

Farebox Revenue—Revenues obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "system-generated" revenues.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes which serve 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. The fiscal year of the State of Illinois extends from July 1 through June 30 of the following year. The fiscal year of the federal government extends from October 1 through September 30 of the following year.

Fixed-Route Service—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 expenses**)—Pay or expenses to or on behalf of employees in addition to salaries and wages, including sick pay, vacation pay, pension contributions, life and health insurance, unemployment and workers' compensation, social security costs, and other programs.

FTA (**Federal Transit Administration**)—The FTA is the federal agency which helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and planning assistance to help plan, build, and operate rail, bus, and paratransit systems. Since 1988, the only FTA funding available to the RTA has been for capital projects.

Full Funding Grant Agreement (**FFGA**)—The FTA is required to use a FFGA to prove 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 measurement equal to one staff person working a full-timework schedule for 1 year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund.

Funding Formula—A specific formula used to determine a subsidy level.

Fund Balance—The excess of funding over deficit for a given period of time. In this document, the fund balance refers to the unreserved/undesignated funds in the agency and general fund.

General Long Term Debt Account Group (**GLTDAG**)—This account group is not a fund but a separate list of certain long-term liabilities of the general government. Debt normally is recorded at its face value, without premium or discount. Additions to and deletions from GLTDAG are disclosed in the notes to the financial statements.

Bond Refinancing/Refunding—is the payoff and re-issuance of bonds, to obtain better interest rates and/or bond conditions which results the defeasance of the old debt.

General Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

General Obligation Bonds (**GO Bonds**) —are bonds that are legally backed by the full faith, and credit of the issuing government. The government is legally obligated to use its full taxing power, if necessary, to repay the debt.

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 a specified route.

Illinois FIRST—A group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

Intelligent Bus System (**IBS**)—A bus communications system that uses advanced technology to monitor and improve performance on various levels. Pace's new bus communications system 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**)—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 designed to promote the use of advanced technologies in multimodal transportation.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (**Intermodel Surface Transportation Efficiency Act of 1991**)—*ISTEA* amended the Federal Transit Act introducing new sources of flexible funds and increasing the funding authorized for public transit.

Joint Self Insurance Fund (**JSIF**)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The service boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expense—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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)

Maintenance Expense—Expenses for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

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" for 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. Similarly, expenditures (e.g., debt service payments and a number of specific accrued liabilities) are only recognized when payment is due because it is only at that time that they normally are liquidated with expendable available financial resources.

New Initiative—A new program or service that the RTA may approve separately from the agency's 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 use of a wheelchair.

Northeastern Illinois Planning Commission (**NIPC**)—NIPC is the official comprehensive planning agency for the six-county Chicago metropolitan area. NIPC 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 (as opposed to capital) expenditures. Such aid may originate with federal, state, or local 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 responsible for all non-rail suburban public transit service with the exception of those services provided by the CTA. Pace was created in 1983 by an amendment to the *RTA Act*.

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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

Positive Budget Variance (**PBV**)—Calculated as the difference between a Service Board's budgeted and actual deficit, a positive budget variance results when the actual deficit is less than budgeted. Since the RTA funds the budgeted deficit, a PBV 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 are "programmed" so that they may be obligated (i.e., contracts signed) during the upcoming year; these funds may be expended during the upcoming or subsequent years.

Program *(noun)*—Groupings of expense accounts with related expenditures (i.e., operations, maintenance, administration, and capital program).

Public Transportation Fund(s) (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 vendors to provide door-to-door transportation to certified disabled riders.

Recovery Ratio—System-generated revenues divided by system operating expenses as allowed by the *RTA Act*. 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 an annual recovery ratio of at least 50 percent.

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 and/or dropping off passengers).

Reverse Commute—City-to-suburb commute. This phrase 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, a portion of which is distributed to the Service Boards at the RTA's discretion.

Sales Tax Designated for Capital or Transfer Capital - statutory— The difference between a Service Board's entitlement (from the 85 percent of the RTA sales tax) 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 *RTA 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—A transportation service, as defined by the FTA, 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—Special services for users who ride on a frequent and regular basis and follow a prescribed schedule (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) —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* was signed into law by President Clinton on June 9, 1998, and provided 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)—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 transform 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—The 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) is a service where a group of 5 to 15 people commute to and from work together in a Pace-owned van.

Supplemental Data

National Economic Projections

In 2004, the economy has recouped all of the jobs lost since the start of the 2001 recession, ending the year with a national unemployment rate of 5.4 percent. During the fourth quarter of 2004, the Gross Domestic Product (GDP) grew at an annual rate of 3.1 percent, following a 4.0 percent growth rate during the third quarter of 2004. The GDP is the value of the output of goods and services produced by labor and property located in the United States.

Exhibit 8-3 highlights the annual GDP growth from 2000 through 2005. After plummeting from 3.7 percent in 2000 to 0.8 percent in 2001, GDP growth has climbed consistently each year through 2004. Real GDP is expected to grow at an annual rate of 3.5 percent during 2005 following a 4.4 percent increase during 2004.

Exhibit 8-4 shows the U.S. annual unemployment rate from 2000 through 2005. The unemployment rate grew steadily from 4.0 percent in 2000 to 6.0 percent in 2003, before declining to 5.5 percent in 2004. The unemployment rate is expected to decrease slightly to 5.3 percent in 2005.

Exhibit 8-5 shows the annual trend in the U.S. Consumer Price Index (CPI) from 2000 through 2005. In 2000, the annual increase in the CPI of 3.4 percent marked the largest calendar year increase in 10 years. However, subsequent weaker overall economic activity has resulted declining annual increases in 2001 and 2002. The CPI increased by 2.3 percent and 2.6 percent in 2003 and 2004, respectively. The CPI is expected to increase by 2.4 percent in 2005.

Exhibit 8-3: **U.S. Real Gross Domestic Product** (percent change)
Source: Blue Chip Economic Indicators.

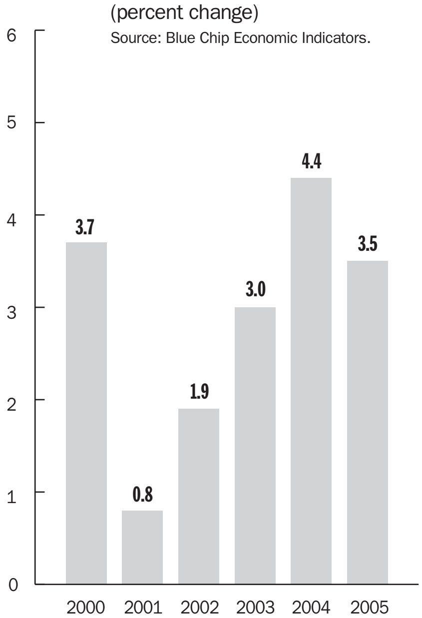


Exhibit 8-4: **U.S. Unemployment Rate** (in percent)
Source: Blue Chip Economic Indicators.

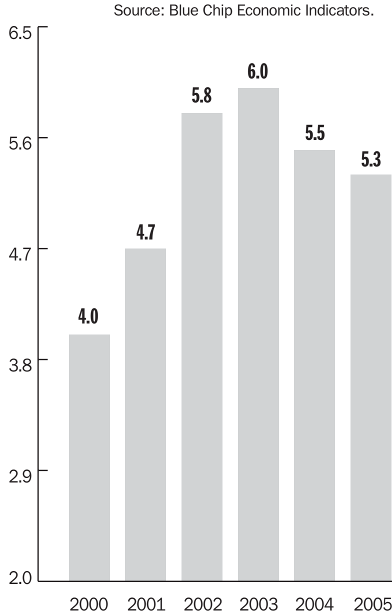


Exhibit 8-5: **U.S. Consumer Price Index** (percent change)
Source: Blue Chip Economic Indicators.

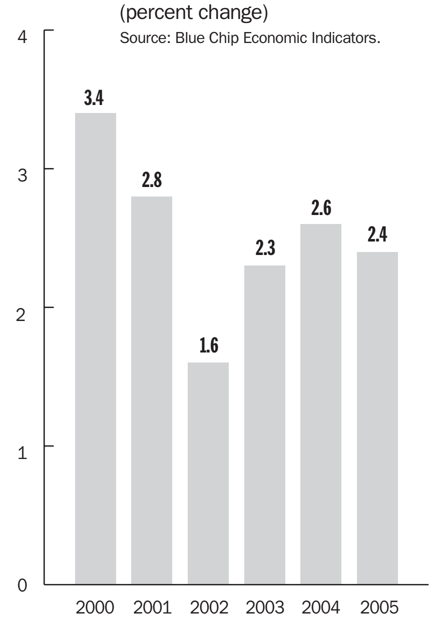


Exhibit 8-6: **Population Trend by County** (in thousands)

	1990	2000	% 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 8-7: **RTA Region Population Annualized Growth Rates**

Source: United States Census Bureau.

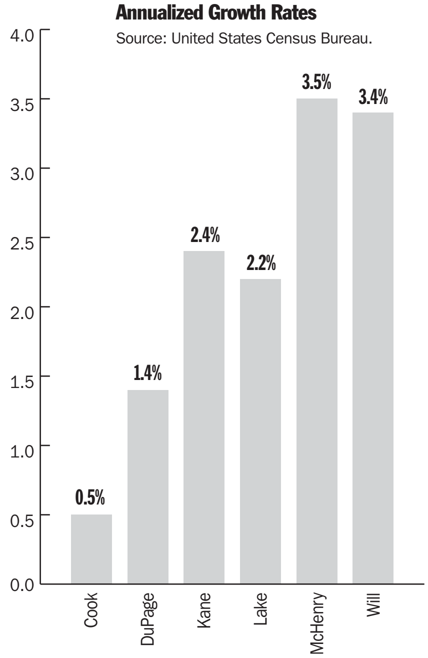
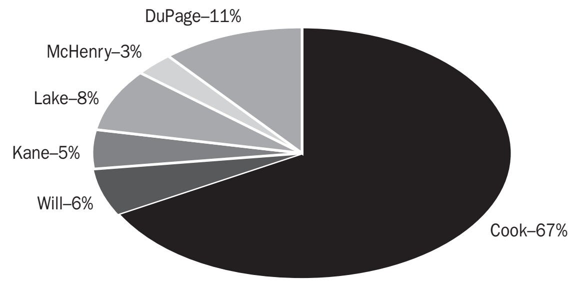


Exhibit 8-8: **2000 RTA Region Population by County**

Source: United States Census Bureau.



RTA Region

The following sections summarize the population and employment trends in the six-county RTA region. These trends have a significant impact on public transportation ridership, as well as sales tax revenue.

Population

As shown in Exhibit 8-6, the population of the RTA region grew by 11.2 percent (from 7.3 million to 8.1 million) between 1990 and 2000. Population growth in the RTA region was at a slightly slower pace than the overall population of the United States, which increased by 13.1 percent during this period.

Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties based on the 1990 and 2000 censuses. The highest growth rates occurred in McHenry and Will counties, where the population increased at annual rate of 3.5 and 3.4 percent, respectively. The population of Kane and Lake Counties increased at an annual rate of 2.4 and 2.2 percent, respectively, while the population of DuPage County increased at an annual rate of 1.4 percent. Cook County experienced the lowest annual rate of population growth at 0.5 percent. During this 10-year period, the population of the entire RTA region grew at an annual rate of 1.1 percent.

In 2000, Cook County accounted for 67 percent of the 8.1 million people living in the RTA region. DuPage County's population comprised 11 percent of the region, followed by Lake County (8 percent), Will County (6 percent), Kane County (5 percent), and McHenry County (3 percent). The population distribution for 2000 is illustrated in Exhibit 8-8.

Employment

Exhibit 8-9 provides a comparison between the national unemployment rate, the unemployment rate in the state of Illinois, and the unemployment rates in each of the counties of the RTA region between 2000 and 2004. The unemployment rate in Illinois has been consistently higher than the national rate during this period. However, with the exception of Cook County, the unemployment rate in each county of the RTA region was typically lower than that of the State of Illinois through 2003. In December 2004, unemployment in Kane, Will, and Cook counties exceeded that of the State.

Through 2003, the unemployment rate worsened on a national, regional, and local level. Between 2000 and 2003 the gap between the Illinois and U.S. unemployment rates ranged between 0.4 and 1.0 percentage point. Among the six counties in the RTA region, DuPage County's December 2004 unemployment rate of 4.0 percent was the lowest, while Kane and

Exhibit 8-9: **2000–2004 Unemployment Rates** (in percentage)

	2000	2001	2002	2003	December 2004
United States	4.0	4.7	5.8	6.1	5.4
Illinois	4.4	5.4	6.2	7.1	5.8
County					
Cook	4.7	5.9	7.3	7.3	5.9
DuPage	2.6	3.8	5.1	5.2	4.0
Kane	3.9	5.2	6.7	7.0	6.5
Lake	3.6	4.6	5.7	6.0	5.6
McHenry	3.2	4.6	5.7	6.3	5.2
Will	4.0	5.2	6.4	6.9	6.4

Source: Illinois Department of Employment Security

Exhibit 8-10: **Employment Trends by County** (in thousands)

Area	1980	% of Total	1990	% of Total	2000	% of Total
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 8-11: **Employment Distribution by Industry** (in thousands)

	1980	% of Total	1990	% of Total	2000	% of Total
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 and 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.

Will County's rates of 6.5 percent and 6.4 percent, respectively, were the highest in the region. Cook County's December 2004 unemployment rate of 5.9 was 0.1 percentage points higher than that of the state of Illinois and 0.5 percentage points higher than the national figure.

Suburban jurisdictions have led the region in employment growth since 1980. In 2000, employment in the five collar counties accounted for one-third of the RTA region's total. Cook County, which in 1980 accounted for 79 percent of the region's employment, accounted for only one-third of employment in 2000. Regional employment has increased from 3.7 million in 1980 to 4.3 million in 1990 and to 5.0 million in 2000 (Exhibit 8-10).

The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-11. Between 1980 and 2000, the greatest growth has occurred in the service sector. Only the manufacturing sector has experienced a loss during this period. In 2000, services comprised 34 percent of employment, retail trade 15 percent, manufacturing 13 percent, government 11 percent, and finance, insurance, and real estate 10 percent. Combined, wholesale, transportation and public utilities, construction, and other comprised the remaining 17 percent.

Exhibit 8-12: **Region Per Capita Income**

	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.

The RTA region experienced steady growth in per capita income from 1980 to 2000. Within the region, per capita income was highest in DuPage and Lake Counties in 2000 and lowest in Kane and Will Counties, as illustrated in Exhibit 8-12.

Sales Tax Trends

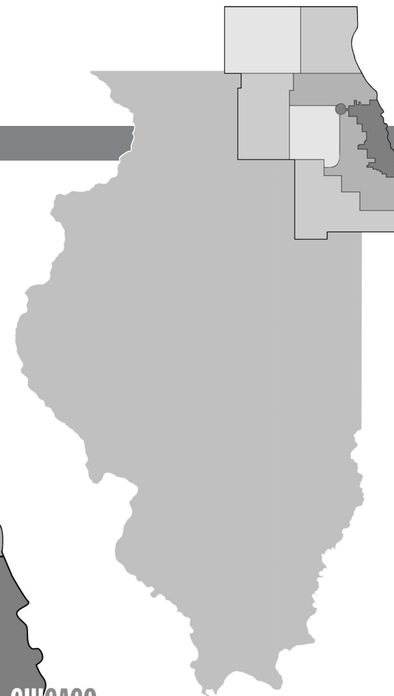
The RTA Sales Tax is the equivalent of one percent on sales in Cook County and one quarter percent on sales in the collar counties. Sales tax collections grew at a healthy pace from $498 million in 1994 to $650 million in 2000. However, between 2000 and 2003, sales tax collections have fluctuated between $648 and $655 million. Over the ten-year period, sales tax collections in the collar counties grew at the fastest rate. Collections in Suburban Cook County continue to account for more than half of total collections, and collections in the City of Chicago account for slightly less than one third of the total. (Exhibit 8-13).

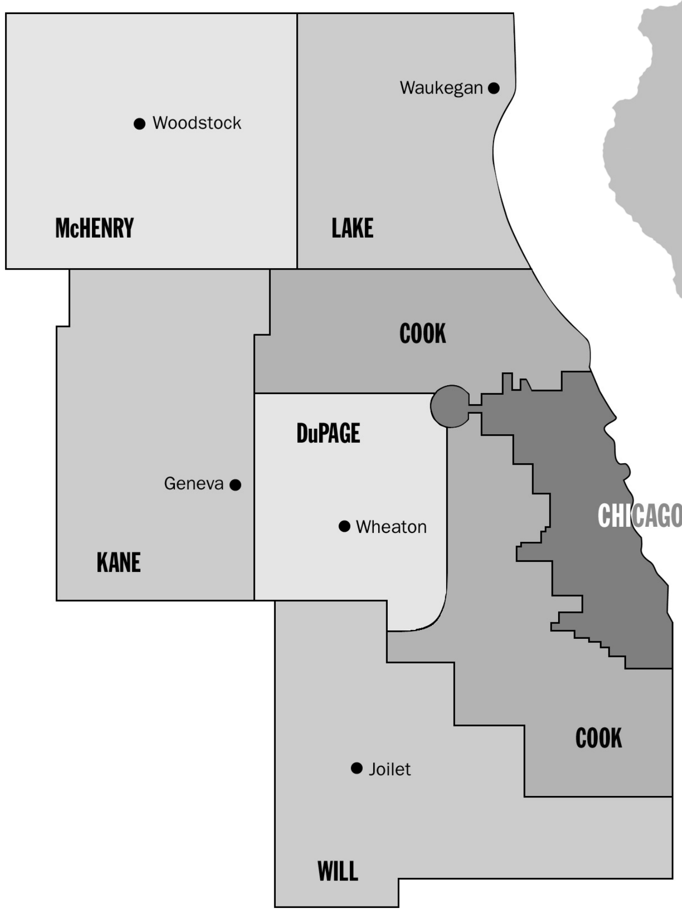
Exhibit 8-13: **Sales Tax Collections 1994–2003** (dollars in thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Chicago	$ **157,802**	$ **160,301**	$ **165,051**	$ **163,366**	$ **176,816**	$ **187,966**	$ **199,056**	$ **197,370**	$ **195,417**	$ **198,383**
Suburban Cook	273,398	282,898	292,319	313,113	314,886	333,513	354,307	357,522	353,999	356,386
Total Cook	$ **431,200**	$ **443,199**	$ **457,370**	$ **476,479**	$ **491,702**	$ **521,479**	$ **553,363**	$ **554,892**	$ **549,416**	$ **554,769**
DuPage	$ 30,568	$ 32,230	34,370	36,482	39,278	41,764	42,741	42,498	40,961	40,916
Kane	8,006	8,546	9,044	9,301	10,011	10,761	11,589	11,796	12,256	12,828
Lake	15,819	16,770	17,929	18,980	20,413	22,238	23,985	25,017	24,913	24,969
McHenry	4,541	4,735	5,096	5,329	5,760	6,528	6,942	7,122	7,373	7,599
Will	7,564	7,821	8,495	8,925	9,540	10,744	11,664	12,197	12,766	13,906
Total Collar	$ **66,498**	$ **70,102**	$ **74,934**	$ **79,017**	$ **85,002**	$ **92,035**	$ **96,921**	$ **98,630**	$ **98,269**	$ **100,218**
Total	$ **497,698**	$ **513,301**	$ **532,304**	$ **555,496**	$ **576,704**	$ **613,514**	$ **650,284**	$ **653,522**	$ **647,685**	$ **654,987**

Regional Transportation Authority

Six–County Region and County Seats





The GFOA Distinguished Presentation Award

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 January 1, 2004.

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

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


GOVERNMENT FINANCE OFFICERS ASSOCIATION

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