Regional
Transportation
Authority

2006

Annual Budget and Five-Year Capital Program

Regional Transportation Authority

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

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

Community Outreach
(312) 913-3144

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

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any area code
in the six-county region
TTY: (312) 836-4949
http://tripsweb.rtachicago.com

RTA Transit Check
(800) 531-2828

Service Boards

Chicago Transit Authority (CTA)
567 West Lake Street
Chicago, Illinois 60661
(312) 681-4610
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6760
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 228-4261
www.pacebus.com

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Regional Transportation Authority

RTA Board of Directors

A Letter from the Chairman

To the riders and taxpayers of the RTA region:

The 2006 budget and five-year program combines the spending plans of the Chicago Transit Authority, Metra and Pace along with that of the Regional Transportation Authority. As the region's public transit providers, we recognize that to retain and attract riders, we must provide high-quality services that meet our customers needs. The 2006 budget and plan represent our plan to continue to provide these essential services while meeting our statutory obligation to ensure the economic stability of the transit system.

Although the budget process has been difficult over past several years as the nation's economic slowdown necessitated that we all make some tough decisions to maintain the stability of our transit operations, the RTA and Service Boards have shown through time that we are stronger when we work together. The 2006 budget process has reflected this philosophy and has made it clear that we are following the directive of the Illinois Legislature to present a single voice on our region's transit issues.

The budget for 2006 reflects $1.8 billion in funds to operate the system's 2,400 buses and 2,300 rail cars and locomotives. These operating expenditures have increased by 8.3 percent over the 2005 budget, driven by skyrocketing fuel, security, paratransit, and health care costs. By contrast, resources for operating costs from sales tax, the primary source of public funding for the RTA system, are projected to increase by only 3.2 percent from 2005 levels.

The budgets for the Service Boards incorporated in this consolidated document are balanced and meet the requirements of the *RTA Act*. However, to bridge the gap between rapidly rising costs and slower sales tax growth and construct balanced budgets, the CTA, Metra and Pace have needed to make some difficult decisions. The CTA and Metra have proposed fare increases, while all three operators have used capital funds to cover operating costs.

While allowed by law, the use of capital funds diminishes the resources devoted to maintaining the RTA system infrastructure—an asset valued at $27 billion. The end of the SCIP, which provided $1.3 billion for capital investment, further exacerbates the challenge of investing in our public transportation system. The RTA system cannot remain viable with such a diversion of funds. Resources available for operating needs must increase to enable restoration of these capital funds, as well as support increased operating demands.

This valuable system should have a dedicated source of capital funds. The RTA system benefits our region by reducing road congestion thereby improving the flow of goods and services and improving air quality. Public transit provides essential mobility to those persons unable to utilize other forms of transportation. Sources of funding for operations, paratransit services and capital projects must be identified and secured if we are to continue to provide the levels of service our riders expect and if we are to remain viable to help in our region's future mobility needs.

Our ability to come together in the creation of the 2006 budget bodes well for ability to generate consensus for a common purpose. This ability will be called upon again and again over the next year as we work together to develop a Strategic Plan for public transit in northeastern Illinois that will define our system's future direction and purpose and justify the funding that will be necessary to bring this plan from vision to reality.

Sincerely,

Jim

Jim Reilly, Chairman

Table of Contents

1 Budget in Brief

Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in northeastern Illinois as set forth by the *RTA Act*. The *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 (set fares and provide service) 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 between the suburbs and the City of Chicago (Exhibit 1-1).

Yearly, 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.

Exhibit 1-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Strategic Plan

The RTA's first strategic plan was adopted in 1988, updated in 1994, and has not been significantly changed since. The mission statement stated that "the Regional Transportation Authority will ensure financially sound, comprehensive, and coordinated public transportation for the northeastern Illinois region," with the Agency's primary goals being to "plan, fund and oversee" the region's public transportation system. During this period, the RTA fulfilled the roles outlined in its original strategic plan. However, as the region moves forward, the Agency must ensure that the tools at its disposal are those needed to make the right choices for northeast Illinois.

To shape transit service over the next decade and beyond, the RTA and Service Boards are embarking on a new strategic planning effort. The plan will assess the transit system's preservation needs and determine how new investments can best improve the region's overall transportation system. The plan will set forth strategies with goals and objectives to guide the RTA as it carries out the roles and responsibilities granted to it under the *RTA Act*.

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

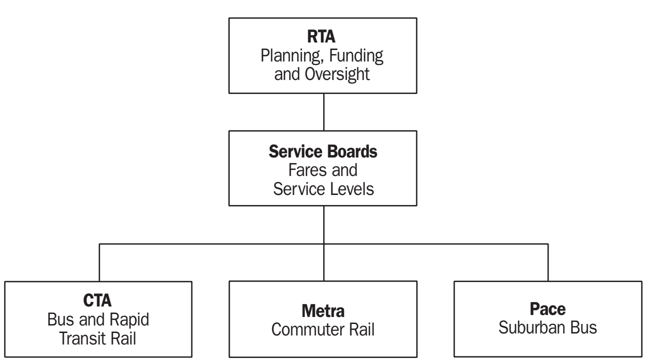


Exhibit 1-2: **Financial Relationship and Responsibilities of RTA and Service Boards**

Challenges

As the region continues to evolve, commuting patterns and mobility needs have changed. The region's population and economy have grown considerably with a corresponding increase in land consumed by commercial and residential development. This has increased traffic congestion, heightened environmental issues in the region and placed additional needs on the public transit system. Operating and capital funds available for public transportation have not kept pace with inflation and the dramatic increase in the cost of security, ADA paratransit service, fuel and healthcare.

Long-term viability 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. Therefore, the RTA region needed a state-sponsored program to fund the federal government's 20 percent local match requirement. This was accomplished in May 1999, when the Illinois General Assembly approved a group of bills collectively known as *Illinois FIRST (Fund for Infrastructure, Roads, Schools and Transit).*

Through the *Illinois FIRST* program, the RTA had the authority to issue up to $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; and through the end of 2005, the Agency will have issued $1.0 billion in bonds from this program. The 2006 budget includes plans to issue the remaining balance of SCIP bonds authorized to provide a total of $1.3 billion for projects approved 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 2006-2010 five-year capital program totals $3 billion. This program requires continued state support of state transit bonds ("B" bonds) for local matching funds to draw federal funds, as well as additional RTA bonding authority.

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

The system has a replacement value exceeding $27 billion (i.e., the asset value of the system's existing infrastructure). With an average asset life of approximately 20 years, the system needs about $1 billion in capital funds each year just to keep the existing infrastructure in good repair.

In August 2005, President Bush signed the four-year federal transportation funding bill known as *SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users).* The authorization will provide the region with only $360 million per year towards preservation costs, leaving $640 million that the region must fund. Federal funds require a local match of at least 20 percent and the State of Illinois has traditionally provided capital funding for matching purposes. Currently, the State has no program in place to match the federal funds. Tollway credits can and are being used as the local match for federal funds, but these credits are not spendable funds and using them leaves critical projects under-funded. Additionally, this level of funding only maintains the system and new funds must be secured to expand and improve the system to meet changing and growing market needs.

Service Characteristics

There are more than 8 million residents in the six-county northeastern Illinois region, an area that covers 3,749 square miles. The RTA system deploys more than 4,800 bus and rail cars on more than 400 routes. In 2004, the regional public transportation system provided 554 million trips and carried passengers roughly 3.8 billion miles.

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

Revenue	2005 Estimate	2006 Budget
Sales Tax	$ 697,600	$ 719,900
Public Transportation Fund (PTF)	174,400	179,975
State Financial Assistance (SFA)	108,925	119,001
Reduced Fare	36,758	36,275
Additional State Funding (1)	54,252	54,252
Other Revenue	19,138	14,869
Total Revenue	**$ 1,091,073**	**$ 1,124,272**
Operating Expenditures		
Operations Funding	$ 754,493	$ 786,072
RTA Discretionary Funds to Pace (2)	3,000	2,000
Additional State Funding—RTA Discretionary (1)	54,252	42,451
Reduced Fare and Sales Tax Interest (3)	37,523	37,125
Agency Administration (4)	6,514	6,697
Regional Services and Coordination Programs	15,327	18,090
Regional Technical Assistance Programs (5)	4,773	5,986
Total Operating Expenditures	**$ 875,882**	**$ 898,421**
Debt Service and Capital Expenditures		
Principal and Interest	$ 170,757	$ 180,401
Regional Technology and Agency Programs (5)	7,739	7,270
Transfer Capital/Additional State Funding—RTA Discretionary (1)	—	11,801
Transfer Capital	34,288	20,353
Total Debt Service and Capital Expenditures	**$ 212,784**	**$ 219,825**
Total Expenditures	**$ 1,088,666**	**$ 1,118,246**
Fund Balance (undesignated/unreserved)		
Beginning Balance	$ 12,507	$ 14,914
Remainder/(Deficit)	2,407	6,026
Ending Balance	**$ 14,914**	**$ 20,940**
% **of Total Operating Expenditures**	**1.7**%	**2.3**%

(1) In 2005, the State of Illinois appropriated $54.3 million for *ADA* paratransit services and other costs and services. This same amount was used to fund the Service Boards' 2006 budgets and programs and 2007-2008 financial plans. In 2006, $42.5 million of this amount is used to fund operating expenditures and $11.8 million for transfer capital, which is replaced by the transfer of Federal Section 5307 funds. (2) RTA discretionary funds to Pace for accepting CTA fare media. 2005 includes $1 million for *ADA* paratransit start-up costs. (3) Includes sales tax interest of $765,000 and $850,000 for 2005 and 2006, respectively. (4) The statutory cap for RTA administrative expenditures is $13,930 in 2006. This appropriation level is 51.9 percent below that cap. (5) Funds appropriated in this line item that remain unspent at the end of 2006 shall continue to be available for this purpose without subsequent appropriation action.

The system represents a valuable investment, delivering a very positive impact on the region. It supports job creation, income growth, and it reduces traffic congestion, fuel consumption and air pollution. Likewise, the system provides mobility to the disabled and access to jobs for those without other means to get to work.

Operating Plan

A statement of revenue and expenditures for the 2005 estimate and the 2006 budget is presented in Exhibit 1-3. The statement of RTA revenue and expenditures from 2004 through 2008 is shown in Exhibit 2-1 of the Region Section.

Revenue

In 2006, total RTA revenue is projected at $1,124.3 million. This represents an increase of $33.2 million, or 3.0 percent, over the 2005 estimate of $1,091.1 million. Nearly $900 million, or 80 percent, of this revenue will be generated from RTA Sales Tax and Public Transportation Fund (PTF) receipts. State Financial Assistance (SFA) of $119.0 million provides 11 percent of revenue. State Reduced Fare Reimbursement (RF) programs equal 3 percent of total revenue, or $36.3 million. Of total revenue, 5 percent, or $54.3 million, is additional state funding. Other revenue accounts for the remaining balance of $14.9 million, or 1 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 2005 sales tax estimate and the 2006 budget year sales tax projections were established after assessing state and regional economic data and national forecasts. Based on this information, the RTA decided to accept the 2005 budget of $697.6 million as the 2005 estimate. This figure corresponds to an increase of $22.0 million or 3.25 percent compared to the 2004 sales tax receipts of $675.6 million. Using the RTA's 2005 base of $697.6 million and a growth rate of 3.2 percent produces an estimated sales tax level of $719.9 million in 2006, an increase of $22.3 million.

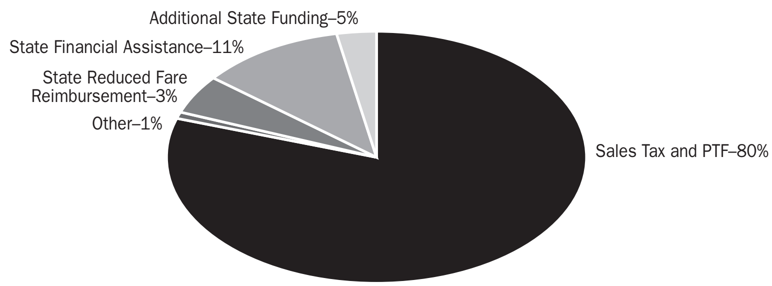
Public Transportation Fund (PTF)

State Public Transportation Funds (PTF) are based on a formula tied to sales tax results and are, therefore, projected to increase at the same growth rate as the sales tax. For every four dollars collected in sales tax, the RTA receives an additional dollar of PTF. Estimated receipts in 2006 are $180.0 million.

State Financial Assistance (SFA)

This revenue source is state-authorized assistance to reimburse the debt service expenditures 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 2006 are $119.0 million.

Exhibit 1-4: **2006 RTA Revenue Sources** — $1,124 million



Reduced Fare

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

In State fiscal year 2003, the State decreased RTA reduced fare funding from $40 million to $36 million. However, in State fiscal year 2004, funding returned to $40 million less a 2 percent State reserve. In State fiscal years 2005 and 2006, the State again reduced its fiscal year funding (from $39.2 million to $37.2 million in 2005 and then to $36.3 million in 2006). Thus, the State has lowered RTA reduced fare funding by $0.8 million in 2004, $2.0 million in 2005, and $0.9 million in 2006. Because the State fiscal year begins in July, the impact on the RTA in 2005 will be half of the State's fiscal year reduction or $0.5 million.

Additional State Funding

In 2005, the State of Illinois appropriated additional funds to the RTA. This funding of $54.3 million was for ADA paratransit service and other costs and services. Although not yet appropriated by the State, the RTA used this same revenue amount to build a balanced budget in 2006.

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 2006 are budgeted at $14.9 million.

Operating Expenditures

Total RTA operating expenditures for 2006 are budgeted at $898.4 million. This amount is 2.6 percent greater than the 2005 estimate of $875.9 million.

Exhibit 1-5 illustrates the expenditure distribution budgeted for 2006.

Operations Funding

The RTA's primary expenditure is the funding of Service Board operating deficit. The deficit is the difference between a Service Board's total system-generated revenue and its total operating expenditures. Additional information regarding Service Board deficits and the sources of public funding is located in the Region Section.

The RTA Board establishes marks for each Service Board to use in its 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 2005 funding amount is $754.5 million. The combined budget for operating funds to the Service Boards in 2006 totals $786.1 million (sales tax formula funds and RTA discretionary funds) which is 4.2 percent or $31.6 million greater than 2005 funding.

CTA

The CTA's operations funding level from the RTA in 2006 is budgeted at $455.8 million, or 3.2 percent, higher than the 2005 budget amount of $441.6 million.

Metra

Metra's operating funding level from the RTA in 2006 is budgeted at $248.7 million, or 6.4 percent, higher than the 2005 budgeted amount of $233.8 million.

Pace

Pace's operations funding from the RTA in 2006 is budgeted at $81.6 million, or 3.2 percent, higher than the 2005 budgeted amount of $79.1 million.

RTA Discretionary Funds to Pace

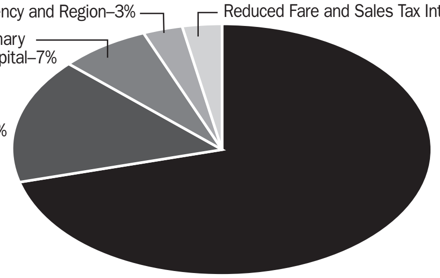
The RTA continues to facilitate the integration of CTA and Pace fare media by using additional RTA discretionary funds to fund a portion of Pace's cost for providing service to riders using certain CTA passes. Pace's maximum funding in 2006 is $2.0 million, which matches the maximum amount of funding provided in 2005.

In July 2006, Pace will be responsible for operating all ADA paratransit service in the region. To assist Pace with pre-start-up transition costs, the RTA provided Pace with additional funding of $1.0 million in 2005.

Additional State Funding—RTA Discretionary

As described above, in 2005 the State of Illinois appropriated additional funds in the amount of $53.4 million to the RTA. In 2005, the CTA is to receive the full appropriation amount for ADA paratransit services and other costs and services. The RTA used this same figure to build balanced budgets for Pace and the CTA in 2006.

Exhibit 1-5: **2006 RTA Expenditures** — $1,118 million



Reduced Fare and Sales Tax Interest

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 2006 budgeted reimbursement level of $36.3 million declined $0.5 million from the 2005 estimate.

Because of the lag between when the State collects the RTA Sales Tax and when it distributes the funds to the RTA, the RTA receives sales tax interest and disburses 85 percent of these funds to the Service Boards according to the same formula used for sales tax distribution. The sales tax interest distributed by the RTA has been favorably affected by rising interest rates. Payments in 2006 are budgeted at $0.9 million, up from the 2005 estimate of $0.8 million.

Agency Administration

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The 2005 cap allowance is $13.3 million. The Agency's spending estimate in 2005 of $6.5 million is less than 50 percent of the cap. The cap allowance in 2006 is $13.9 million, and Agency spending of $6.7 million is also less than 50 percent of the cap.

Information regarding Agency initiatives and spending for administration, as well as for regional services and coordination programs, regional technical assistance programs, and regional technology and Agency capital programs is summarized below and discussed at length in the Agency Section.

Regional Services and Coordination Programs

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 Service Center. The total budget for these programs in 2006 is $18.1 million. The increase over the 2005 estimate of $15.3 million is mainly the result of a growing number of calls to the RTA's Travel Information Center and regional strategic planning initiatives.

Regional Technical Assistance Programs

The RTA supports the growing demand for technical assistance initiatives that encourage transit-oriented improvements in the region. Programs supported include the Regional Technical Assistance Program (RTAP) and regional corridor studies.

Through partnerships 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 a portion of the $4.8 million program costs with the balance of funds, $1.9 million, provided by the RTA. In 2006, the RTA budget shows expenditures of $6.0 million offset by $1.6 million in revenue, leaving a balance of $4.4 million funded by the RTA.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to grow from $212.8 million in 2005 to $219.8 million in 2006 an increase of $7.0 million or 3.3 percent. This growth results primarily from the change in principal and interest payments.

Principal and Interest

Principal and interest expenditures increase from $170.8 million in 2005 to $180.4 million in 2006. Payments cover the issuance of bonds authorized by the State. This program helps fund Service Board capital projects. The increase of $9.6 million in 2006 is recovered primarily from State Financial Assistance (SFA) that shows an increase of $10.1 million over 2005 receipts ($119.0 million versus $108.9 million). The RTA plans to issue the final amount of SCIP bonds authorized by *Illinois FIRST* in 2006.

Regional Technology and Agency Programs

The 2006 budget continues the RTA's commitment to region-wide capital-driven technology advancement. The RTA also receives reimbursement (revenue) from federal programs and local initiatives that help offset part of these expenditures. In 2006, receipts of $2.2 million will lower RTA funding requirements to $5.1 million. The 2005 estimate includes revenue of $3.3 million and expenditures of $7.7 million leaving a balance of $4.4 million to be funded by RTA revenue.

Transfer Capital/Additional State Funding—RTA Discretionary

In 2005, the State of Illinois appropriated $54.3 million for ADA paratransit services and other costs and services. This same amount was used to fund the Service Boards' 2006 budgets. In 2006, $42.5 million of this amount is used to fund operating expenditures and $11.8 million is appropriated for Transfer Capital/Additional State Funding—RTA Discretionary.

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 funding to the CTA in 2006 for this program continues at the 2005 level of $20.4 million. In 2005, funds to Pace and Metra were $6.7 million and $7.1 million, respectively.

Total Expenditures

Total RTA expenditures (operating, debt service and capital) for 2006 are budgeted at $1,118.2 million. This amount is 2.7 percent greater than the 2005 estimate of $1,088.7 million (Exhibit 1-3).

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 has limited the growth of sales tax receipts over the past several years.

The ending fund balance for 2005 is estimated to be $14.9 million, which is 1.7 percent of the total operating costs. The 2006 budget shows a year-end fund balance of $20.9 million or 2.3 percent of total operating expenditures. The balance at the end of 2008 is $51.2 million or 5.3 percent of total operating costs as shown on Exhibit 2-1 in the Region Section.

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 2004 actual results for the 2005 beginning balance. This amount is $12.5 million.

Remainder/Deficit

Total RTA revenue less total RTA expenditures produce an annual change to the fund balance. When revenue exceeds expenditures, the remainder or surplus is added to the fund balance. If expenditures exceed revenue, the fund balance is reduced by the deficit amount. Projections indicate that revenue will exceed expenditures in 2005 and raise the fund balance by $2.4 million. Expenditures are projected to exceed revenue again in 2006 and increase the fund balance by $6.0 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 *Act* further requires that the combined revenue from RTA operations cover at least 50 percent of the system operating cost. The RTA's system-generated revenue recovery ratio for 2006 is 50.7 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 calculations for the Service Board budgets, but also the net gain on lease/leaseback transactions. This statutory calculation of 52.1 percent in 2005 and 50.7 percent in 2006 exceeds the mandated 50 percent.

Statutory Compliance

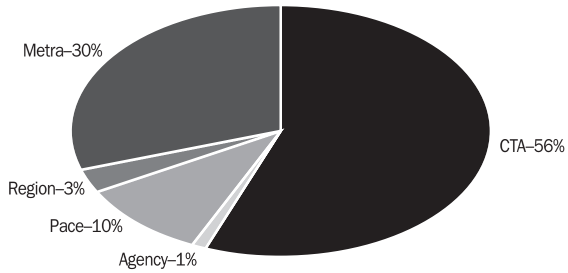
The *RTA Act* requires that the CTA, Metra and Pace each have a balanced budget; the region's recovery ratio is at least 50 percent; and the RTA's (Agency's) administrative expenditures do not exceed an established statutory cap. The 2006 cap is $13.9 million, and the Agency's administrative expenditures of $6.7 million are less than 50 percent of the cap 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.

Exhibit 1-6: **RTA Expenditures in 2006** (dollars in millions)

	CTA	Metra	Pace	Agency	Region	Total
Receipts Allocated by Formula (1)	$ 315.2	$ 252.0	$ 81.8	—	—	$ 649.0
RTA Discretionary for Operating Deficit (2)	198.3	—	20.4	—	—	218.6
Transfer Capital (3)	32.2	—	—	—	—	32.2
RTA Funds for Agency Administration (4)	—	—	—	6.7	—	6.7
RTA Funds for Regional Initiatives (5)	—	—	—	—	31.3	31.3
Principal and Interest Payments (debt service) (6)	90.2	81.2	9.0	—	—	180.4
Total Used	**$ 635.8**	**$ 333.2**	**$ 111.2**	**$ 6.7**	**$ 31.3**	**$ 1,118.2**

(1) Receipts allocated by formula to the Service Boards to cover operating deficits and includes sales tax, sales tax interest and reduced fare reimbursements. (2) RTA formula revenue and other receipts used to fund Service Board deficits. Includes discretionary operations funding, RTA reimbursement to Pace for accepting CTA 7-day passes, U-Passes, and Visitor Fun passes, and additional state funding. (3) RTA discretionary funds for CTA transfer capital and CTA transfer capital from additional state funding. (4) RTA formula revenue and other receipts used to fund Agency administration. (5) RTA formula revenue and other receipts used to fund regional services and coordination programs, regional technical assistance programs and regional technology and Agency programs. (6) Debt service for bonds applied by formula (CTA 50 percent, Metra 45 percent, and Pace 5 percent).

Exhibit 1-7: **2006 Expenditures by Organization** — $1,118 million



Public Funding

Schedule I-B in Ordinance 2005-84 in the Appendices presents the source of funds used to cover each Service Board's operating deficit for the 2006 budget and 2007-2008 financial plan. The subsequent paragraphs and exhibits summarize the use of RTA funds (expenditures) for the 2006 budget.

In 2006, the RTA plans to receive $1,124.3 million in total revenue from RTA Sales Tax and PTF, State Financial Assistance, additional state funding, state reduced fare reimbursement, and other sources (Exhibit 1-3).

The use of RTA funds of $1,118.2 million is detailed in Exhibit 1-6. The CTA will draw on $635.8 million, or 56 percent, Metra $333.2 million, or 30 percent, and Pace $111.2 million, or 10 percent. The Agency will apply $6.7 million, or 1 percent, and regional programs at $31.3 million will employ 3 percent (Exhibit 1-7).

Included in the use of RTA funds is an operating discretionary amount of $218.6 million. This is budgeted to help fund the operating deficits of the CTA and Pace. The 2006 budget distributes $198.3 million, or 91 percent, to the CTA and $20.4 million, or 9 percent, to Pace.

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 $3.0 billion. The Service Boards will change their program amounts to balance with their marks. The Service Board capital funding budget in 2006 totals $591 million (Exhibit 1-8). Details on each Service Board's program are provided in the Capital Section of this document.

Exhibit 1-8: **RTA 2006 Capital Program Budget** (dollars in millions)

FTA Capital Grants	$ 490
IDOT Grants	—
Service Board/Other Funds	41
Transfer Capital	32
New Initiative	113
Carryover and De-obligations	84
Total Service Board Funding	760
Other Uses—FTA Capital Grants	(169)
Total Available	**$ 591**
Tollway Credits Requested	35
Total RTA Regional Technology and Agency Programs	7

2 Region Operating Plan

Overview

The Chicago metropolitan area is the second most congested area in the nation according to the Texas Transportation Institute's 2005 Urban Mobility Study. The region continues to expand and new markets are developing as the population increases in areas farther from Chicago's central business district. Experts predict that over the next 20 years congestion on the region's roads will double, 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 facilities.

In August 2005, President Bush signed the four-year federal transportation funding bill known as *SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users).* The authorization provides $360 million per year for preservation costs, leaving $640 million that the region must fund. Federal funds require a local match of at least 20 percent and the State of Illinois has traditionally provided capital funding for matching purposes. Currently, the State has no program in place to match the federal funds.

In this document, the Region Section represents a consolidated view of the three Service Boards (CTA, Metra, and Pace) and the Agency (RTA). It includes a consolidated budget, two-year financial plan, and a five-year capital program.

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 revenue and expenditures for 2004-2008. Throughout this document, 2004 is actual data, 2005 is the estimate of year-end results, 2006 is the operating budget, and 2007-2008 is the two-year financial plan.

Revenue

Total revenue is projected to grow from $996 million in 2004 to $1,191 million in 2008 (Exhibit 2-1). This is an increase of $195 million over the four-year period, or a 4.6 percent compound annual growth rate.

The RTA Sales Tax is the primary source of revenue for the RTA. In 2004, RTA Sales Tax receipts of $676 million comprised 68 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 revenue, totaling $320 million, or 32 percent (Exhibit 2-2).

Sales Tax

The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, 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 DuPage, Kane, Lake, McHenry and Will counties. 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 distributes 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 2004 sales tax distribution by Service Board. In 2004, the $676 million in sales tax was broken out in the following manner; CTA 39 percent,

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

Revenue	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Sales Tax	$ 675,629	$ 697,600	$ 719,900	$ 742,930	$ 766,700
Public Transportation Fund (PTF)	170,397	174,400	179,975	185,733	191,675
Sales Tax and PTF Sub-Total	**846,026**	**872,000**	**899,875**	**928,663**	**958,375**
State Financial Assistance (SFA)	86,785	108,925	119,001	122,836	125,180
Reduced Fare (RF)	40,153	36,758	36,275	36,275	36,275
Additional State Funding (1)	—	54,252	54,252	54,252	54,252
Other Revenue	23,440	19,138	14,869	17,538	17,214
Total Revenue	$ **996,404**	$ **1,091,073**	$ **1,124,272**	$ **1,159,564**	$ **1,191,296**
Operating Expenditures					
Operations Funding	$ 743,471	$ 754,493	$ 786,072	$ 811,225	$ 837,186
RTA Discretionary Funds to Pace (2)	396	3,000	2,000	2,000	2,000
Additional State Funding–RTA Discretionary (1)	—	54,252	42,451	54,252	54,252
Reduced Fare and Sales Tax Interest (3)	40,422	37,523	37,125	37,125	37,125
Agency Administration (4)	6,370	6,514	6,697	6,911	7,132
Regional Services and Coordination Programs	15,050	15,327	18,090	18,583	19,092
Regional Technical Assistance Programs (5)	4,389	4,773	5,986	6,149	6,317
Total Operating Expenditures	$ **810,098**	$ **875,882**	$ **898,421**	$ **936,245**	$ **963,104**
Debt Service and Capital Expenditures					
Principal and Interest	$ 140,786	$ 170,757	$ 180,401	$ 182,164	$ 183,884
Regional Technology and Agency Programs (5)	7,319	7,739	7,270	7,270	7,270
Additional State Funding–RTA Discretionary (1)	—	—	11,801	—	—
Transfer Capital (6)	30,996	34,288	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	$ **179,101**	**212,784**	**219,825**	**209,787**	**211,507**
Total Expenditures	$ **989,199**	$ **1,088,666**	$ **1,118,246**	$ **1,146,032**	$ **1,174,611**
Fund Balance (undesignated/unreserved)					
Beginning Balance	$ 4,889	$ 12,507	$ 14,914	$ 20,940	$ 34,472
Remainder/(Deficit)	7,205	2,407	6,026	13,532	16,685
Designations/Reserves	413	—	—	—	—
Ending Balance	$ **12,507**	$ **14,914**	$ **20,940**	$ **34,472**	$ **51,157**
% **of Total Operating Expenditures**	**1.5**%	**1.7**%	**2.3**%	**3.7**%	**5.3**%

(1) In 2005, the State of Illinois appropriated $54.3 million for *ADA* paratransit services and other costs and services. This same amount was used to fund the Service Boards' 2006 budgets and programs, and 2007-2008 financial plans. In 2006, $42.5 million of this amount, is used to fund operating expenses and $11.8 million is appropriated for transfer capital, and the $11.8 million is replaced by transfer of Federal Section 5307 funds. (2) RTA discretionary funds to Pace for accepting CTA fare media and for *ADA* paratransit transition start-up costs in 2005. The figures in 2004 and 2005 match line item reporting in 2006. The 2005 estimate includes $2 million to Pace for passes and $1 million to Pace for *ADA* paratransit transition start-up costs. The amount in 2007 and 2008 is for accepting CTA fare media. (3) Includes sales tax interests. Amounts for 2004 and 2005 are $269,000 and $765,000, respectively. From 2006 through 2008, the amount is $850,000. (4) The statutory cap for RTA administrative expenses is $13.9 million in 2006. This appropriation level is 51.9 percent below that cap. (5) Funds appropriated in this line item that remain unspent at the end of 2006 shall continue to be available for this purpose without subsequent appropriation action. (6) In 2004, the discretionary amount for CTA is $20.4 million. Metra's statutory amount is $10.6 million. 2005 includes discretionary amounts to the CTA and Pace of $20.4 million and $6.8 million, Metra statutory is $7.1 million. The discretionary amount for CTA in 2006 through 2008 is $20.4 million.

Metra 35 percent, Pace 11 percent, and RTA 15 percent. Sales tax is projected to increase from $676 million in 2004 to $767 million in 2008, a compound growth rate of 3.2 percent (Exhibit 2-5).

The 2005 sales tax budget projection was developed after assessing the Governor's Office of Management and Budget (OMB) projections and other state and regional economic information. In 2005, OMB did not provide the RTA with sales tax estimates for 2006. After reviewing state and local economic data, the RTA applied a growth rate of 3.2 percent to its 2005 estimate of $697 million producing revenue of $720 million for the 2006 budget.

From a distribution standpoint, the City of Chicago accounted for 30 percent of the sales tax collected in 2004, 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 revenue 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 revenue is 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 re-

Exhibit 2-2: **2004 RTA Sources of Revenue** — $996 million

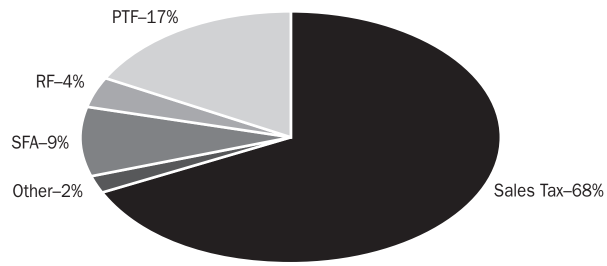
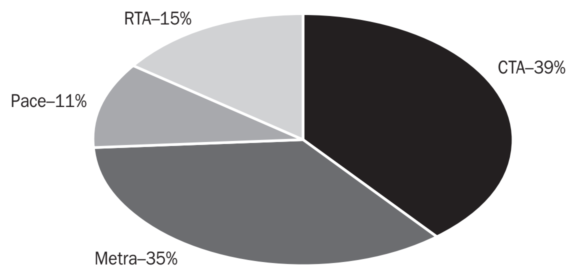


Exhibit 2-4: **2004 RTA Sales Tax Distribution by Service Board** — $676 million



ceives 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 budget.

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 $86.8 million in 2004 and estimates $108.9 million in 2005, $119.0 million in 2006, $122.8 million in 2007, and $125.2 million in 2008.

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 revenue 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 2004, the State reduced its fiscal year funding to $36 million. In 2004, funding was returned to $40 million, less a 2 percent (or $0.8 million) administrative fee. In calendar year 2004, the RTA received $40 million in funds from the State. However, in recent years, the State has reduced its fiscal year (July to June) amount and applied an administration fee to the fund. As a result, available funds are projected to decrease to $36.8 million in 2005 and then remain constant at $36.3 million from 2006 through 2008.

Additional State Funding

In 2005, the State of Illinois appropriated additional funds to the RTA. This funding of $54.3 million was for *ADA* paratransit service and other costs and services. Although not yet appropriated by the State, the RTA used this same revenue amount to build its 2006 budget and two-year (2007-2008) financial plan.

Exhibit 2-3: **RTA Sales Tax Collected** (in percent)

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

Other Revenue

The other revenue category consists of sales tax interest, investment income, and Agency revenue. Total receipts in 2006 are budgeted at $14.9 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 2006, sales tax interest is budgeted at $0.9 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 $8.6 million for 2006.

Agency revenue of $5.4 million for 2006 includes the fees charged to employers for RTA Transit Checks. These fees offset the costs of administering this program. Also included in Agency revenue is matching

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

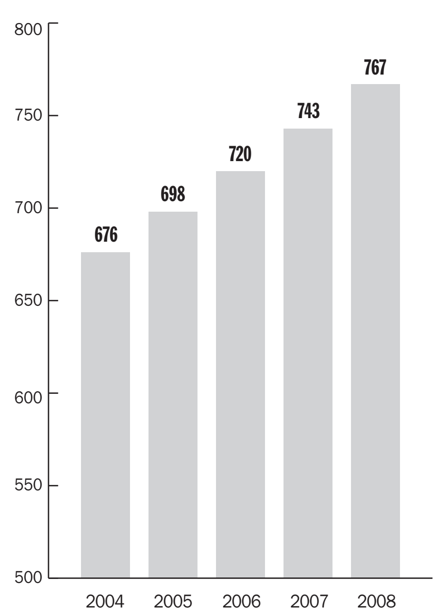


Exhibit 2-6: **2004 RTA Sales Tax Collection by Area** — $676 million

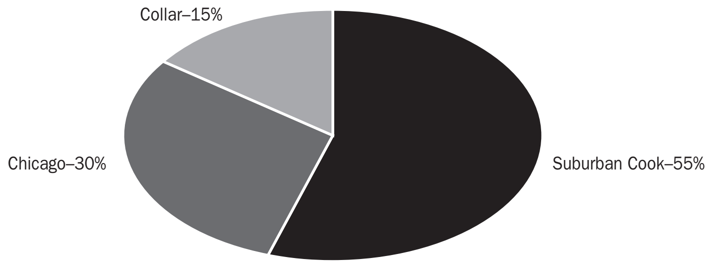
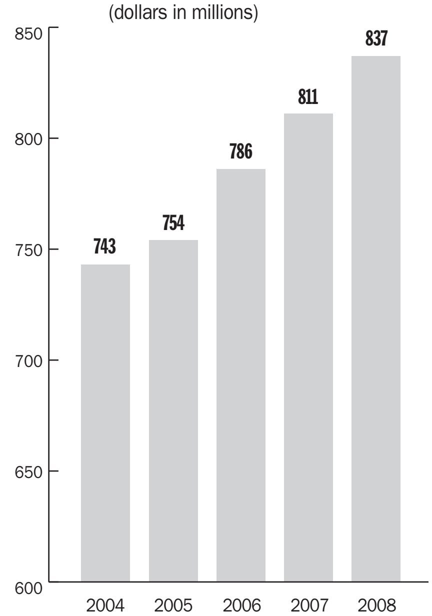


Exhibit 2-7: **RTA Operations Funding**
(dollars in millions)



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 2004 through 2008. Total operating expenditures are projected to grow from $810 million in 2004 to $963 million in 2008. This is an increase of $153 million over the four-year period, or a 4.4 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 revenue (fare box and other revenue) and system operating expenditures. The RTA provides operating funds to each Service Board equivalent to its 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 operations funding level for the three Service Boards. From 2004-2008, Service Board operations funding from the RTA is expected to increase from $743 million to $837 million. This $94 million increase represents a compound annual growth rate of 3.0 percent.

RTA operations funding to the Service Boards from 2006 through 2008 is as follows. The CTA's funding is $455.8 million, $470.3 million, and $485.4 million. Metra's amount during this period is set at $248.7 million, $256.7 million and $264.9 million. For Pace the amounts for the 2006 budget and 2007-2008 financial plan are $81.6 million, $84.2 million and $86.9 million. Total funding for the 2006 budget and 2007-2008 financial plan is provided in the Appendices (Ordinance 2005-84, Schedule I-B).

As Schedule I-B details, funding from other (state, federal and new) sources is increasing and Federal Section 5307 and 5309 usage for operations reduces moneys available for the region's capital program. Also not reflected on Schedule I-B are Federal Section 5307 and 5309 moneys that flow through the Service Boards' operating schedules and reduce their deficit. Combining these funds with the other funding sources on Schedule I-B increases the reliance on other funds to cover operating costs from $26.4 million in 2004 to $174.9 million in 2008 (Exhibit 2-8).

RTA Discretionary Funds to Pace

The RTA continues to facilitate the integration of CTA and Pace fare media by using additional RTA discretionary funds to fund a portion of Pace's cost for providing service to riders using certain CTA passes. Pace's maximum funding in 2006 is $2.0 million, which matches the maximum amount of funding provided in 2005.

In July 2006, Pace will be responsible for operating all ADA paratransit service in the region. To assist Pace with pre-start-up transition costs, the RTA provided Pace with additional funding of $1.0 million in 2005.

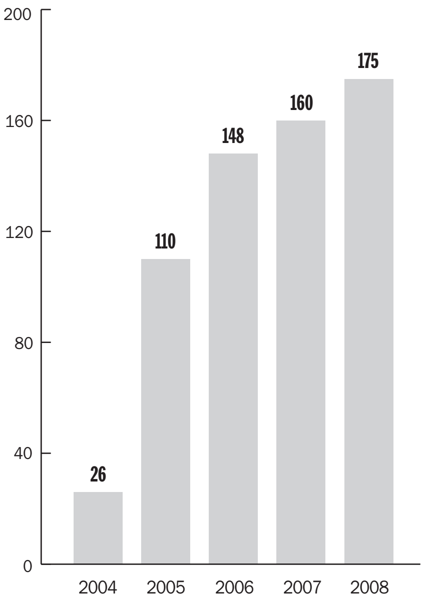
Additional State Funding—RTA Discretionary

As previously discussed, in 2005, the State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for *ADA* paratransit service and other costs and services. The CTA is to receive the full appropriation amount for 2005 *ADA* paratransit services and other costs and services. The RTA used this same figure to build balanced budgets for Pace and the CTA in 2006. The financial plan for 2007 and 2008 disburses all of these funds to Pace. Pace will be responsible for all *ADA* paratransit service in the region beginning July 1, 2006.

Reduced Fare and Sales Tax Interest

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 $36.3 million in 2006. State funding will not fully cover the cost of this program.

Exhibit 2-8: **Other Public Funds** (dollars in millions)



There is a lag between when the State collects the RTA Sales Tax and when the State transfers it to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of the interest to the Service Boards according to the same formula used for sales tax distribution. For 2005, sales tax interest is approximately $0.8 million. From 2006 through 2008, sales tax interest distributed by the RTA to the Service Boards is projected to be about $0.9 million annually.

Agency Administration

Spending for Agency administration, regional services and coordination programs, regional technical assistance programs, and regional technology and Agency capital programs is summarized below and discussed at length in the Agency Section.

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The 2005 cap allowance is $13.3 million. The Agency administration estimate in 2005 of $6.5 million is less than 50 percent of the cap. The cap allowance in 2006 is $13.9 million, and Agency spending of $6.7 million is less than 50 percent of this amount.

Regional Services and Coordination Programs

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 Service Center. The budget for 2006 is $18.1 million. The increase over the 2005 estimate of $15.3 million is mainly the result of a growing number of calls to the RTA's Travel Information Center and regional strategic planning initiatives.

Regional Technical Assistance Programs

The RTA supports the growing demand for technical assistance initiatives that encourage transit-oriented improvements in the region. Programs supported include the Regional Technical Assistance Program (RTAP) and regional corridor studies.

In partnership 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 program expenditures of $4.8 million with the remaining $1.9 million provided by the RTA. In 2006, the RTA budget shows expenditures of $6.0 million offset by $1.6 million in revenue leaving a balance of $4.4 million funded by the RTA.

Debt Service and Capital Expenditures

Exhibit 2-1 provides a summary of the RTA's debt service and capital expenditures from 2004-2008. Total expenditures in this category are projected to grow from $179 million in 2004 to $212 million in 2008.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures from 2004 through 2008. Payments increase from $141 million in 2004 to $184 million in 2008 to reflect the issuance of bonds authorized under the current SCIP programs. Projected State Financial Assistance (SFA) for the SCIP bond program will help defray about 62 percent of the costs from 2004 through 2008.

Regional Technology and Agency Programs

The 2006 budget continues the RTA's commitment to region-wide capital-driven technology enhancements. The 2006 budget of $7.3 million includes $1.0 million for the development of the Universal Fare Card program (UFC).

Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies and therefore, receive funding, which reduces RTA funding. Program costs are projected to remain constant at $6.6 million and are offset by state and local funds of $2.2 million. At the end of the year, any funds that have not been spent are reserved.

Included in this category are expenditures for the Agency's capital needs. The amount remains constant throughout the 2006-2008 planning period. These annual funds, which total $0.7 million, are used to enhance various information technology programs and preserve the office environment.

Additional State Funding—RTA Discretionary

In 2005, the State of Illinois appropriated $54.3 million for *ADA* paratransit services and other costs and services. This same amount was used to fund the Service Boards' 2006 budgets. In 2006, $42.5 million of this amount is used to fund operating expenses and $11.8 million is appropriated as Transfer Capital/Additional State Funding—RTA Discretionary.

Transfer Capital

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The statutory apportionment of sales tax to a Service Board can exceed its operating marks. When this occurs, the Service Board transfers these statutory funds to its capital program.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. From 1995 through 1997, the program was funded at an annual level of $11 million. 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 2003.

The transfer capital amount in 2004 of $31 million includes Metra's $10.6 million in statutory funds and $20.4 million in RTA discretionary funds to the CTA.

In 2005, total transfer capital is $34.3 million. The CTA and Pace receive RTA discretionary funds of $20.4 and $6.7 million, respectively. Metra's statutory portion is $7.1 million.

From 2006 through 2008, the amount of $20.4 million is RTA discretionary funds to the CTA.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. From 2004 through 2008, these expenses are projected to increase from $989.2 million to $1.2 billion. This represents a compound growth rate of 4.4 percent.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent 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 expenditure of funds to arrive at a planned balance of unreserved and undesignated funds. The 2004 ending balance was $12.5 million. The estimated ending balance for 2005 is $14.9 million. The ending balances for the 2006 budget and two-year financial plan (2007 to 2008) are $20.9 million, $34.5 million, and $51.2 million, respectively (Exhibit 2-9). The unreserved and undesignated fund balance for the planning period meets the policy requirements by achieving a balance of 5.3 percent in 2008. Fund balance policy details are outlined at the end of this section.

The ending balance is determined by increasing or decreasing the beginning fund balance by the annual difference between revenue and expenditures and the de-obligation and/or re-obligation of certain program funds.

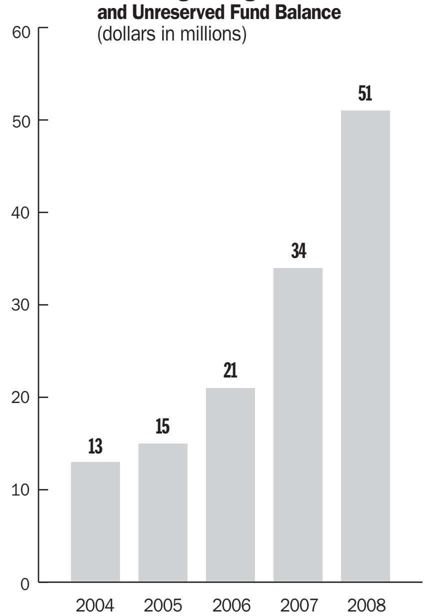
Beginning Balance

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

Remainder/(Deficit)

Total RTA revenue less total RTA expenditures produces a change to the fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. The 2005 projection indicates a surplus amount of $2.4 million. From 2006 through 2008, revenue is estimated to exceed expenditures and increase the unreserved fund balance to 5.3 percent of total operating expenses by the end of the 2008 financial planning period.

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



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 occur. The figures in Exhibit 2-1 reflect these changes.

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 revenue from RTA operations cover at least 50 percent of the system operating cost. The RTA's system-generated revenue recovery ratio in 2004 was 55.2 percent. This statutory calculation computes to more than 5 percentage points above the mandated 50 percent. The ratio is estimated to be 52.1 percent in 2005 and 50.7 percent in 2006 (Exhibit 2-10).

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.

2005 Budget Versus 2005 Estimate

The notes to Exhibit 2-11 explain the differences between the 2005 budget and the 2005 estimate.

Capital Program

At the present time, the 2006-2010 capital program funding marks total $3.0 billion. When federal, state or local appropriation figures change, the Service Boards' capital programs 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.

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

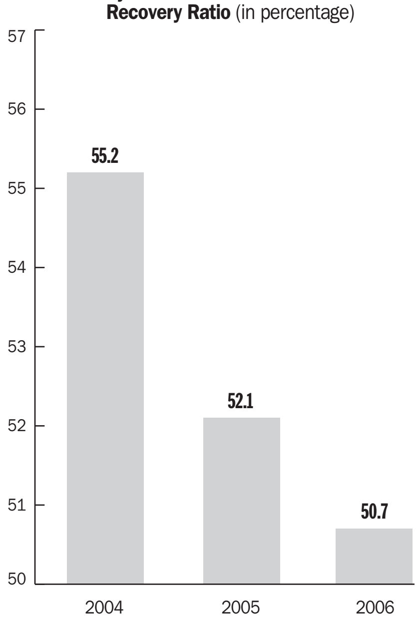


Exhibit 2-11: **RTA Statement of Revenue and Expenditures**
2005 Budget Versus 2005 Estimate (dollars in thousands)

Revenue	**2005 Budget** (1)	**2005 Estimate** (1)	**Change**
Sales Tax	$ 697,600	$ 697,600	—
Public Transportation Fund	174,400	174,400	—
Sales Tax and PTF Sub-Total	872,000	872,000	—
State Financial Assistance	109,186	108,925	(261)
Reduced Fare	37,240	36,758	(482)
Additional State Funding (2)	—	54,252	54,252
Other Revenue (3)	20,941	19,138	(1,803)
Total Revenue	**$ 1,039,367**	**$ 1,091,073**	**$ 51,706**
Operating Expenditures			
Operations Funding	$ 754,493	$ 754,493	—
RTA Discretionary Funds to Pace (4) (5)	2,000	3,000	1,000
Additional State Funding—RTA Discretionary (2)	—	54,252	54,252
Reduced Fare and Sales Tax Interest	37,523	37,523	—
Agency Administration (5)	6,542	6,514	(28)
Regional Services and Coordination Programs (5)	15,436	15,327	(109)
Regional Technical Assistance Programs (5) (7)	4,763	4,773	10
Total Operating Expenditures	**$ 820,757**	**$ 875,882**	**$ 55,125**
Debt Service and Capital Expenditures			
Principal and Interest (6)	$ 177,656	$ 170,757	$ (6,899)
Regional Technology and Agency Programs (7)	8,739	7,739	(1,000)
Transfer Capital (8)	27,505	34,288	6,783
Total Debt Service and Capital Expenditures	**213,900**	**212,784**	**(1,116)**
Total Expenditures	**$ 1,034,657**	**$ 1,088,666**	**$ 54,009**
Fund Balance (undesignated/unreserved)			
Beginning Balance (9)	$ 1,404	$ 12,507	$ 11,103
Remainder/(Deficit)	4,710	2,407	(2,303)
Designations/Reserves (7)	3,520	—	(3,520)
Ending Balance	**$ 9,634**	**$ 14,914**	**$ 5,280**
% **of Total Operating Expenditures**	**1.2**%	**1.7**%	**0.5**%

(1) The budget is based on Ordinance 2005-06. The estimate includes budget amendments adopted by Ordinance 2005-46, 2005-53, 2005-54, 2005-60, and 2005-65. These amendments are included in the Appendices. (2) In 2005, the State of Illinois appropriated $54.3 million for *ADA* paratransit services and other costs and services. Ordinance 2005-46 amended Service Board marks and 2005-55 adopted amended Service Board budgets. (3) Lower Investment earnings. (4) Ordinance 2005-60 amended Pace's budget and program, the RTA budget, and appropriated additional RTA discretionary funds ($1 million) to Pace for expected costs to be incurred for start-up activities related to the transition of providing all *ADA* paratransit services in the RTA region. (5) Reflects 2006 reporting realignments for RTA discretionary funds to Pace ($2 million) for accepting CTA passes, as adopted by Ordinance 2005-84. The total 2005 budgeted amount did not change. RTA discretionary funds for passes ($2 million) was reported as a regional coordination program in Ordinance 2005-06. (6) Bond issues did not occur as budgeted, lowering principal and interest payments. (7) Program costs expected to be incurred in 2005 did not materialize and the use of reserved funds for these programs was not required. (8) Additional RTA discretionary funds to Pace ($6.8 million) appropriated by Ordinance 2005-60. (9) The beginning balance for the 2005 budget was a mid-year 2004 estimate. The beginning balance for the 2005 estimate is the audited figure for year-end 2004.

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 expenditures. 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 revenue to be collected from taxes for the next fiscal year.

Based upon the estimate of tax receipts and revenue 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 and 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 revenue greater than that 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 that meets the statutory criteria. Unless the Board can pass (by nine votes) a budget and financial plan for a Service Board that 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 revenue 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 expenditures as incurred.

Recovery Ratio

Such budget and plan shall provide for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the jurisdiction of such Service Board which allow the Service Board to meet its required recovery ratio.

Assumptions

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

Financial Practices

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

Other Requirements

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

Operating Budget Oversight

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

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

Amendment

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

RTA Bonds

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch IBCA and "Aaa" from Moody's Investors Service, Inc., based on the RTA having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA," "AA," and "A1,"respectively, without such insurance. These represent strong investment grade ratings. The RTA has the distinction of being one of the highest rated public transportation agencies in the United States.

All bonds are general obligations of the RTA to which the full faith and credit of the RTA are pledged. These general obligation bonds, with a balance of $2,201.9 million as of December 31, 2004, are divided into two types: $1,450.8 million in Strategic Capital Improvement Program (SCIP) bonds and $751.1 million in RTA bonds (Exhibit 2-12 and Exhibit 2-13).

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

General Obligation	January 1, 2004	New Issues	Retirements	December 31, 2004
1990A	$ 60,795	—	—	$ 60,795
1991A	55,745	—	—	55,745
1992A* and 1992B	62,200	—	4,835	57,365
1994A* and 1994B	34,365	—	5,645	28,720
1994C* and 1994D	76,835	—	3,240	73,595
1996 Refunding	147,430	—	660	146,770
1997 Refunding	88,025	—	3,980	84,045
1999 Refunding*	291,955	—	645	291,310
2000A*	252,545	—	4,030	248,515
2001A*	97,135	—	1,535	95,600
2001B Refunding*	37,220	—	1,340	35,880
2002A*	157,760	—	2,325	155,435
2002B	191,280	—	8,900	182,380
2003A*	260,000	—	550	259,450
2003B	150,000	—	—	150,000
2003C Refunding	19,055	—	2,745	16,310
2004A*	—	260,000	—	260,000
Total	**$ 1,982,345**	**$ 260,000**	**$ 40,430**	**$ 2,201,915**

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

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

	As of December 31, 2004	As of December 31, 2005
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized But Unissued RTA Debt	48,885	69,335
Total Non-SCIP (RTA) Principal Outstanding	751,115	730,665
Total SCIP Principal Outstanding	1,450,800	1,425,490
Total Debt Outstanding	2,201,915	2,156,155

Exhibit 2-14: **1995–2004 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Service Requirement
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	140,607	351,518
2004	675,628	159,702	399,255

The bonds are payable from all revenue 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.

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 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 in SCIP bonds. The Series 2004A bonds are also secured by the Series 2004A debt service reserve account.

On May 2, 2005, the RTA issued $148,110,000 of general obligation bonds (2005B) to defease the remaining balance of the 1996 refunding. As a result, the 1996

Exhibit 2-15: **Recent Bond Projects with Project–to–Date Expenditures** (dollars in thousands)

Bond Series		Description	Amount
2003 A	CTA	Rehabilitate Dan Ryan Branch (22nd St. to 95th St.)—Red Line	$ 1,038
2003 A	CTA	Perform Mid-Life Bus Overhaul (6000 Series)—South Shops	2,084
2003 A	CTA	Replace Flange Angles—North Main Line and Ravenswood	2,380
2003 A	CTA	Provide for Land Acquisition—Brown Line	3,028
2003 A	CTA	Improve Facilities: South Shops, Forest Glen, Howard, Rosemont, DesPlaines	1,050
2003 A	Metra	Purchase a Minimum of 300 New Accessible Bi-Level Cars—MET	26,621
2003 A	Metra	Rehabilitate a Minimum of 20 Bi-Level Rail Commuter Cars—BNSF	1,285
2003 A	Metra	Purchase a Minimum of 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars	2,838
2003 A	Pace	Purchase a Minimum of 12 of 26 40' Fixed-Route Accessible Buses	3,471
		Total	**$ 43,795**
2003 B	CTA	Design, Purchase, and Install Subway Cellular Communication System	$ 3,239
2003 B	CTA	Rehabilitate Dan Ryan Branch (22nd St. to 95th St.)—Red Line	5,839
2003 B	CTA	Improve Facilities—Merchandise Mart	2,262
2003 B	Metra	Expand North Central Service—NCS	7,969
2003 B	Metra	Expand Southwest Service—SWS	4,611
2003 B	Metra	Rehabilitate a Minimum of 20 Commuter Bi-level Rail Cars—MET	1,277
2003 B	Pace	Purchase a Minimum of 7 of 26 40' Fixed-Route Accessible Buses	2,072
		Total	**$ 27,269**
2004 A	CTA	Perform Mid-Life (6000 Series) and Life Extending (4400 Series) Bus Overhaul	$ 1,213
2004 A	CTA	Purchase a Minimum of 426 Replacement Buses	1,528
2004 A	CTA	Perform Mid-Life Bus Overhaul (6000 Series)—South Shops	5,584
2004 A	CTA	Replace Flange Angles—North Main Line and Ravenswood	1,065
2004 A	CTA	Construct Stations—Brown Line	8,115
2004 A	CTA	Construct Signals and Communication—Brown Line	7,079
2004 A	CTA	Perform Mid-Life Bus Overhaul (6000 Series)—South Shops	2,611
2004 A	CTA	Replace Flange Angles—North Main Line and Ravenswood	2,360
2004 A	Metra	Purchase a Minimum of 300 New Accessible Bi-Level Cars—MET	34,612
2004 A	Metra	Replace Bridges—UPR-North Line	1,348
2004 A	Metra	Rehabilitate a Minimum of 20 Bi-Level Rail Commuter Cars—BNSF	1,075
2004 A	Metra	Purchase a Minimum of 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars	3,517
2004 A	Metra	Replace 4 Bridges, 57th-60th Streets—RID	4,393
2004 A	Pace	Purchase a Minimum of 50 Vans for Municipal Vanpool Program	907
		Total	**$ 75,407**

refunding bonds have been removed from the financial statement.

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.

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, revenue and expenditures or expenditures, 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 2004 through 2008. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 2-17 highlights the 2006 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 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.

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 revenue is 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.
- If actual sales tax receipts or other RTA revenue falls short of the amounts reflected in the annual budget, then the succeeding year's annual budget and two-

Exhibit 2-16: **RTA 2004 Combined Fund Statement of Revenue and Expenditures by Fund** (dollars in millions)

Revenue	General	Agency	Debt	Capital	JSIF	Pension	Combined
Sales Tax	$ 101.3	$ 574.3	—	—	—	—	$ 675.6
Public Transportation Funds	170.4	—	—	—	—	—	170.4
State Financial Assistance	86.8	—	—	—	—	—	86.8
Reduced Fare Reimbursements	—	40.2	—	—	—	—	40.2
Other Revenue	23.1	0.3	7.3	—	0.6	7.9	39.2
Pension Contribution	—	—	—	—	—	6.0	6.0
Total Revenue	**$ 381.6**	**$ 614.8**	**$ 7.3**	—	**$ 0.6**	**$ 13.9**	**$ 1,018.2**
Expenditures							
Operations Funding	$ 179.8	$ 574.3	—	—	—	—	$ 754.1
Sales Tax Interest to Service Boards	—	0.3	—	—	—	—	0.3
Reduced Fare Reimbursements	—	40.2	—	—	—	—	40.2
Agency Operations	27.0	—	—	—	5.3	5.0	37.3
Capital Grants	33.8	—	—	290.1	—	—	323.9
Debt Service Operating Transfer	140.8	—	(147.0)	—	—	—	(6.2)
Joint Self-Insurance	—	—	—	—	—	—	0.0
Principal and Interest Bondholder Payment	—	—	159.7	—	—	—	159.7
Bond Proceeds	—	—	(0.1)	(293.2)	—	—	(293.3)
Other	—	—	—	—	—	—	—
Total Expenditures	**$ 381.4**	**$ 614.8**	**$ 12.6**	**$ ($3.1)**	**$ 5.3**	**$ 5.0**	**$ 1,016.0**
Revenue Less Expenditures (1)	**$ 0.2**	—	**$ (5.3)**	**$ 3.1**	**$ (4.7)**	**$ 8.9**	**$ 2.2**
Fund Balance Beginning of the Year	**$ 71.3**	—	**$ 69.9**	**$ 499.3**	**$ 44.3**	**$ 86.3**	**$ 771.1**
Fund Balance End of the Year (2)	**$ 71.5**	—	**$ 64.6**	**$ 502.4**	**$ 39.6**	**$ 95.2**	**$ 773.3**

(1) Reconciliation of budgetary basis to GAAP basis provided on Exhibit 2-18 (total adjustments). (2) Before reserves and designations. General fund reserves and designations totaled $59.0 million in 2004 leaving an unreserved/undesignated fund balance of $12.5 million.

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 2008, the year-end unreserved and undesignated fund balance has been budgeted at $51.2 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 revenue in budget development and in establishing and reporting appropriations. The RTA's annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles except for capital grants/expenditures and debt service payments. Capital grants/expenditures are budgeted for on a project basis, which normally exceed one year. Debt service payments are budgeted as transfers from the General Fund.

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

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

Exhibit 2-17 : **RTA Statement of Revenue and Expenditures 2006 Budget by Fund** (dollars in thousands)

Revenue	General Fund	Agency Fund	Total Budget
Sales Tax	$ 107,986	$ 611,914	$ 719,900
Public Transportation Fund (PTF)	179,975	—	179,975
State Financial Assistance (SFA)	119,001	—	119,001
Reduced Fare (RF)	—	36,275	36,275
Additional State Funding	54,252	—	54,252
Other Revenue	14,019	850	14,869
Total Revenue	**$ 475,233**	**$ 649,039**	**$ 1,124,272**
Operating Expenditures			
Operations Funding	$ 174,158	$ 611,914	$ 786,072
RTA Discretionary Funds for Passes	2,000	—	2,000
Additional State Funding–RTA Discretionary Funds	42,451	—	42,451
Reduced Fare	—	36,275	36,275
Sales Tax Interest	—	850	850
Agency Administration	6,697	—	6,697
Regional Services and Coordination Programs	18,090	—	18,090
Regional Technical Assistance Programs	5,986	—	5,986
Total Operating Expenditures	**$ 249,382**	**$ 649,039**	**$ 898,421**
Debt Service and Capital Expenditures			
Principal and Interest	$ 180,401	—	$ 180,401
Regional Technology and Agency Programs	7,270	—	7,270
Transfer Capital–Additional State Funding–RTA Discretionary	11,801	—	11,801
Metra Transfer Capital	—	—	—
CTA Transfer Capital	20,353	—	20,353
Total Debt Service and Capital Expenditures	**$ 219,825**	—	**$ 219,825**
Total Expenditures	**$ 469,207**	**$ 649,039**	**$ 1,118,246**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 14,914	—	$ 14,914
Remainder	6,026	—	6,026
Designations/Reserves	—	—	—
Ending Balance	20,940	—	20,940
% of Total Operating Expenditures	—	—	**2.3%**

Exhibit 2-18: **2004 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess revenue over expenditures and other financing use-budgetary basis	$ 13,141
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	$ (14,703)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	1,289
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	440
Total Adjustments	$ (**12,974**)
Deficiency of revenue over expenditures and other financing use-GAAP basis	$ 167
Net Changes in Reserves	$ **7,451**
Net Change in Fund Balance	$ **7,618**

Exhibit 2-19: **RTA 2004 Statement of Revenue and Expenditures General and Agency Fund** (dollars in thousands)

Revenue	2004 Budget	2004 Actual	Change
Sales Tax	$ 671,750	$ 675,629	$ 3,879
Public Transportation Fund	167,938	170,397	2,459
State Financial Assistance	90,632	86,785	(3,847)
Reduced Fare	39,200	40,153	953
Other Revenue	18,536	23,440	4,904
Total Revenue	$ **988,056**	$ **996,404**	$ **8,348**
Operating Expenditures			
Operations Funding	$ 743,471	$ 743,471	—
RTA Discretionary Funds for Passes (1)	—	396	396
Reduced Fare	39,200	40,153	953
Sales Tax Interest	410	269	(141)
Agency Administration	5,756	6,370	614
Regional Services and Coordination Programs (1)	13,901	15,050	1,149
Regional Technical Assistance Programs	4,016	4,389	373
Total Operating Expenditures	$ **806,754**	$ **810,098**	$ **3,344**
Debt Service and Capital Expenditures			
Principal and Interest	$ 160,032	$ 140,786	$ (19,246)
Regional Technology and Agency Programs	7,319	7,319	—
Metra Transfer Capital	10,044	10,643	599
CTA Transfer Capital	20,353	20,353	—
Total Debt Service and Capital Expenditures	$ **197,748**	$ **179,101**	$ (**18,647**)
Total Expenditures	$ **1,004,502**	$ **989,199**	$ (**15,303**)
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 14,126	$ 4,889	$ (9,237)
Remainder/(Deficit)	(16,446)	7,205	23,651
Designations/Reserves	8,528	413	(8,115)
Ending Balance	$ **6,208**	$ **12,507**	$ **6,299**
% of Total Operating Expenditures	**0.8**%	**1.5**%	**0.8**%

(1) Restated to reflect revised funding classification on Exhibit 2-1. This expenditure was included in regional services and coordination programs in 2004.

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

Service Board Recovery Ratios (1)	2004 Actual	2005 Estimate	2006 Budget
Revenue (2)			
Total CTA	$ 518,891	$ 532,520	$ 542,629
Total Metra	244,781	259,869	273,420
Total Pace	62,645	65,745	72,377
Total Combined Service Board Revenue	$ **826,317**	$ **858,134**	$ **888,426**
Expenditures (2)			
CTA—Before Exclusions	$ 960,332	$ 1,028,403	$ 1,058,685
Less: Base Security	(10,200)	—	—
Less: Security—15% of Reduced Fare	(4,695)	—	—
Less: RTA Security Provision	—	(34,800)	(35,335)
Total CTA Expenditures	$ **945,437**	$ **993,603**	$ **1,023,350**
Metra—Before Exclusions	466,212	505,921	535,779
Less: Base Security	(5,000)	—	—
Less: Depreciation	(2,795)	(2,621)	(2,632)
Less: Facility Leases	(13,710)	(13,813)	(14,518)
Less: RTA Security Provision	—	(17,000)	(21,500)
Total Metra Expenditures	$ **444,707**	$ **472,487**	$ **497,129**
Total Pace Expenditures	$ **151,177**	$ **166,549**	$ **206,782**
Total Combined Service Board Expenditures	$ **1,541,321**	$ **1,632,639**	$ **1,727,261**
Service Board Recovery Ratio			
CTA	54.9%	53.6%	53.0%
Metra	55.0%	55.0%	55.0%
Pace	41.4%	39.5%	35.0%
System-Generated Revenue Recovery Ratio (1)			
Revenue (2)			
Total Combined Service Board	$ 826,317	$ 858,134	$ 888,426
Total Agency	31,737	18,373	14,019
Other	4,262	4,262	8,062
Total Revenue	$ **862,316**	$ **880,769**	$ **910,507**
Expenditures (3)			
Total Combined Service Board	$ 1,541,321	$ 1,632,639	$ 1,727,261
Add: RTA Security Provision	—	32,012	37,047
Total Agency	21,527	26,614	30,773
Total Expenditures	$ **1,562,848**	$ **1,691,265**	$ **1,795,081**
Total System–Generated Revenue Recovery Ratio	**55.2**%	**52.1**%	**50.7**%

(1) System-generated revenue and expenditures with notations for the 2006 recovery ratio calculation. (2) The CTA figure includes Chicago Police Department (CPD) in-kind revenue and expenditures of $22 million. The CTA and Pace amounts include Federal Section 5307 receipts for *ADA* paratransit service under contract in the respective amounts of $19.8 million (including $11.8 million in 2005 carry-over) and $8.4 million. The Pace figure includes ADvAntage in-kind revenue and expenditures of $4.5 million. Agency reflects investment earnings and grant project credits. Other includes Service Board (CTA) gains from leasing transactions that are restricted by ordinance for capital. The CTA amount is $4.3 million. Other also includes a regional *ADA* paratransit service under contract amount of $3.8 million. (3) The *RTA Act* allows certain expenditures to be excluded from the recovery ratio calculation including security (a base and reduced fare amount), depreciation and facility leases. In addition, 2005 budget Ordinance 2005-06 authorized the exclusion of additional security costs (RTA Security Provision) from Service Board expenditures. The RTA security provision amount that exceeds *RTA Act* allowances is added back to system-generated expenditures to calculate the system-generated revenue recovery ratio.

3 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 summarizes the major initiatives undertaken by the Agency to support its mission and the funds planned for the 2006 budget and 2007 and 2008 financial plan. Activities subdivided by category that point to expenditures, and functional groups profiling program plans and accomplishments, are discussed in the sections that follow.

Budget and Financial Plan by Category

The Agency budget and financial plan (Exhibit 3-1) encompasses four primary categories, which are Agency administration, regional services and coordination programs, regional technical assistance programs, and regional technology and Agency capital programs. Expenditures in 2004 totaling $33.1 million are expected to increase to $39.8 million by the end of the 2008 planning period, an annual growth rate of 4.7 percent. Combined Administrative and Capital program spending for the Agency increase 1.3 percent, while regional services and coordination programs, and regional technical assistance programs combined increase is 6.9 percent as the Agency enhances efforts to coordinate and improve the region's public transit system.

The Agency's budget for 2006 is $38 million. Eighteen percent is for Agency administration, 47 percent is used for regional services and coordination programs, 16 percent covers regional technical assistance programs, and 19 percent is for regional technology and Agency programs (Exhibit 3-2).

Agency Administration

Agency administrative expenditures of $6.4 million in 2004 are expected to increase at an annual rate of 2.9 percent through 2008 producing costs of $7.1 million. Expenditures in 2006 of $6.7 million are 2.8 percent higher then the 2005 estimate, and 2.4 percent over the 2005 budget.

Seventy-three percent of Agency administrative costs are for salaries and fringe benefits. Seventeen percent is used to cover office costs for rent, utilities, supplies, postage, equipment leases, telephone, and maintenance charges. Audit fees are 7 percent and the 3 percent balance covers other costs such as professional memberships, publications and business meetings.

Exhibit 3-1: **Agency Expenditures by Category** (dollars in thousands)

	Actual 2004	Estimate 2005	Budget 2006	Plan 2007	Plan 2008
Agency Administration	$ 6,370	$ 6,514	$ 6,697	$ 6,911	$ 7,132
Regional Services and Coordination Programs	15,050	15,327	18,090	18,583	19,092
Regional Technical Assistance Programs	4,389	4,773	5,986	6,149	6,317
Regional Technology and Agency Programs	7,319	7,739	7,270	7,270	7,270
Total Expenditures	**$ 33,128**	**$ 34,353**	**$ 38,044**	**$ 38,913**	**$ 39,811**

Exhibit 3-2: **2006 Agency Expenditures by Category** — $38 million

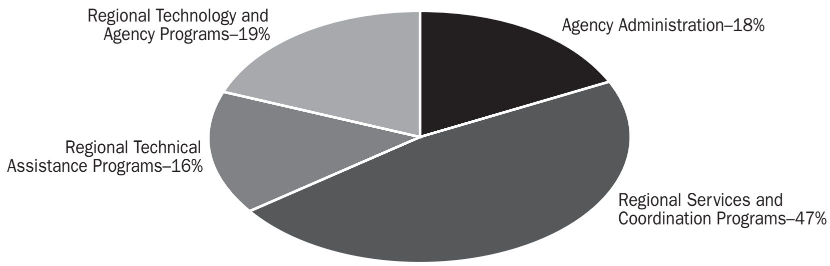


Exhibit 3-3: **2006 Agency Functional Groups**

Groups	Organizations and Programs
Managing Services	Board of Directors, Executive Director, Secretary to the Authority, Legal and Governmental Affairs, Communications.
Finance and Administration	Administrative Services: Human Resources, Information Technology and Procurement and Contracting; Finance: Financial Planning and Analysis, Controller, Audit and Review, Treasurer, Financial Development –Grants and Capital Program.
Regional Management	Strategic Planning, Planning and Program Management, Regional Services Management, and External Affairs.
Regional Services	Travel Information Center, Americans with Disabilities Act, Reduced Fare, Customer Service Center, Transit Check.
Regional Technology (1)	Corridor Studies, Regional Technical Assistant Program, Regional Transit Coordination Plan, Rail Safety Oversight, Project Management Oversight, Regional Transit Asset Management Systems, Intelligent Transportation System, Job Access Reverse Commute.

(1) Regional technical assistance and technology programs. Excludes Agency capital programs. Agency capital is assigned to the group managing the expenditure. In 2006, finance and administration costs include $0.5 million for systems upgrades and the regional services (TIC) budget includes $0.2 million for communication system upgrades.

Fringe benefit expenditures, which are 45 percent of salaries, have been adversely affected by rising group life and medical insurance premiums and unfavorable pension plan earnings in recent years. Seventy-three percent of fringe benefit expenditures are insurance and pension plan payments. The remaining 27 percent is primarily used to cover employer payroll taxes.

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The 2005 cap allowance is $13.9 million. Agency spending of $6.7 million is more than 50 percent below the cap.

Regional Services and Coordination Programs

Expenditures for regional services and coordination programs were $15.1 million in 2004, and are projected to close just under budget in 2005 at $15.3 million. During the 2006-2008 planning period, expenditures are expected to average $18.6 million. Costs estimates for the 2006 budget are $18.1 million, and apportioned by category as follows: salaries and fringes 26 percent, office services 9 percent, regional services and coordination programs 65 percent.

The split of regional services and coordination programs expenditure is as follows. Regional management costs totaling 34 percent are divided between regional service and coordination programs. Seventeen percent of the funds are used for region-wide coordination programs that work to increase ridership and system awareness, and 49 percent is for defined regional service programs (e.g. Travel Information Center, *Americans with Disabilities Act,* Reduced Fare, Customer Service Center and Transit Check). These Regional Services programs are discussed at length in the next section (budget and financial plan by functional group).

Regional Technical Assistance Programs

The next area of the Agency's overall budget presented is for its regional technical assistance programs, which serve the entire region. Major program initiatives include: the Regional Technical Assistance Program (RTAP) and the Regional Transit Coordination Plan (RTCP). Program details are discussed at length in the next section.

Through joint efforts with other state and local agencies, the RTA is able to offset a portion of a program's funding requirement by receiving revenue 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.

Program costs in 2004 were $4.4 million and are expected to average $6.2 million during the 2006-2008 planning period. Reimbursements from state and local agencies, which average 24 percent of total program costs, lowers RTA's funding contribution. The average state and local contribution projected during the three year planning cycle is $1.5 million leaving a net annual use of RTA funds of $4.7 million. At year-end, any unspent funds are reserved to cover the needs of these longer-term projects.

Regional Technology and Agency Programs

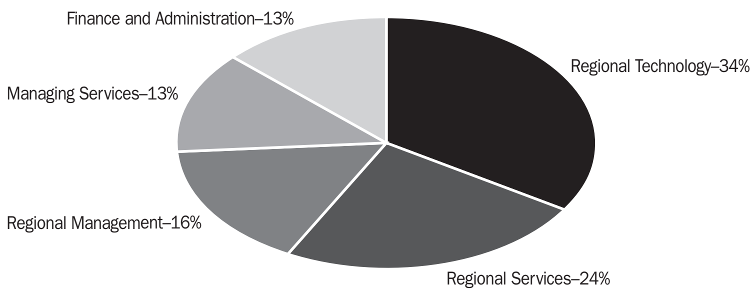
Included in this category are expenditures for the Agency's capital needs. The amount remains constant through the 2006-2008 planning period. These annual funds, which total $0.7 million, are used to enhance various information technology programs and preserve the office environment.

Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies and therefore receive funding, which reduces RTA funding. Program costs are projected to remain constant at $6.6 million and are offset by state and local funds of $2.2 million. At the end of the year, any funds that have not been spent are reserved.

Exhibit 3-4: **Agency Expenditures by Group** (dollars in thousands)

	Actual 2004	Estimate 2005	Budget 2006	Plan 2007	Plan 2008
Managing Services	$ 4,205	$ 3,536	$ 5,090	$ 5,253	$ 5,421
Finance and Administration	4,077	4,412	5,102	5,265	5,433
Regional Management	5,590	5,823	6,154	6,351	6,554
Regional Services	8,147	8,195	9,181	9,474	9,778
Regional Technology	11,108	12,387	12,518	12,571	12,626
Agency Total	$ **33,128**	$ **34,353**	$ **38,044**	$ **38,913**	$ **39,811**

Exhibit 3-5: **2006 Agency Expenditures by Group** — $38.0 million



Major program initiatives are discussed at length in the next section under Regional Technology.

Budget and Financial Plan by Functional Group

Agency functional groupings include Managing Services, Finance and Administration, Regional Management, Regional Services and Regional Technology. The Regional Technology area is subdivided into non-capital technical assistance programs and capitalized technology programs. Exhibit 3-3 identifies the organizations and programs associated with each functional group. Exhibit 3-4 provides annual cost comparison for each group, and Exhibit 3-5 identifies distribution by group of the 2006 budget.

Managing Services

The Managing Services category includes the Agency's executive office, legal and governmental affairs, and communications functions. Managing Services expenditures are expected to average almost $5.3 million during the three-year 2006-2008 planning cycle. The change in cost compared to prior years primarily reflects this groups' emphasis on strategic planning, regional coordination and unified approaches for increased capital and operating funding at the federal, state and local levels.

Executive Office

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 materials 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*.

Legal and Governmental Affairs

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 Equal Employment Opportunity and Disadvantaged Business Enterprise programs and compliance with applicable civil rights laws.

This division also oversees the Agency's governmental affairs functions. Government Affairs works with federal, state, and 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 2005, Government Affairs supported Agency participation in the Northeastern Illinois Regional Transportation Task Force, worked with the Illinois House of Representatives Mass Transit Committee and coordinated the RTA's continued efforts in Congress to pass the federal *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)* transportation funding authorization.

In 2006, Government Affairs will help facilitate the Agency's participation in State activities as the Illinois Legislature continues to focus on public transportation issues and the group will work to pursue the region's interests as *SAFETEA-LU* is implemented.

Communications

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

In 2005, Communications developed and published a new monthly newsletter as well as a quarterly newsletter to more broadly disseminate information regarding regional transit issues, finances and capital projects. The department also worked with the Service Boards to update and revise the RTA system map, revamped its radio advertising campaign to emphasize use of the RTA web site *(www.rtachicago.com)* for trip planning, and pursued new marketing partnerships to promote transit usage.

In 2006, Communications plans to increase newsletter distribution and improve content as well as assist in the creation and distribution of materials for the Agency's development of a Strategic Plan. The department will continue to pursue and implement new marketing partnerships and adjust its advertising program to promote RTA initiatives and will continue to oversee a revision and upgrade of the Agency's web site.

Finance and Administration

Finance and Administration includes the Agency's finance, human resources, and administrative service functions. Expenditures are expected to average about $5.3 million from 2006 through 2008. The change from the 2005 projected expenditure is primarily attributable to general inflation of 3.2 percent and overall system upgrade enhancements of $0.5 million that are part of the Agency's capital program.

Finance

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, Treasury, Financial Development, and Grants and Capital program.

In 2005, 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 2006, 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.

Human Resources and Administrative Services

The Human Resources and Administrative Services division is comprised of three groups, Human Resources (HR), Information Technology (IT) and Procurement, which provide services to assist the Agency in the execution of its statutory responsibilities.

In 2005, this division completed a full contingency test of the Agency's financial information systems; developed an on-line vendor registration form, implemented a new provider for the Agency's Flexible Spending Account (FSA) program, and added new voluntary and discount programs for employees.

In 2006, Human Resources and Administrative Services will support efforts to procure and implement the Strategic Plan. The division will also focus on efforts to improve employee productivity by replacing all computer work stations and reviewing procurement policies and processes. HR will also implement an employee wellness program and collaborate with Agency staff to formalize the Business Contingency and Continuity planning process.

Regional Management

The Regional Management functions include strategic planning and regional program management, external affairs, planning and program management, and regional service management.

The Strategic Planning and Regional Programs group oversees the responsibilities of external affairs, planning, and regional services activities. Expenditures are placed under three primary areas regional management, regional services and technology programs. Combined expenditures for these three groups during the three-year planning cycle are expected to average $28.4 million. Twenty-three percent covers regional management, 33 percent supports regional service programs, and 44 percent funds regional technology programs (regional technical assistance and regional technology). Detailed information for each group is provided in the following sections.

Strategic Planning

Strategic Planning oversees the development and implementation of strategic planning initiatives for public transit in the region, in cooperation with the Service Boards. The goal of this effort is to assess the regional transit system's preservation needs and determine how new investments can best improve the region's overall transportation system. The plan will set forth goals objectives and strategies to guide the RTA as it carries out the roles and responsibilities granted to it under the *RTA Act*.

External Affairs

External Affairs develops and implements the Agency's outreach programs and services, which promote the use of transit. In 2006, External Affairs will assist in community-outreach efforts linked to the development of the Strategic Plan. External Affairs will continue distribution of the SMART Rider program materials to schoolchildren throughout the six-county region and video programs for senior citizens promoting the use of public transit.

Planning

Planning works to ensure, as the Agency is charged under the *RTA Act,* an integrated regional public transit system through planning and coordination with the region's providers. The planning department develops, coordinates, and oversees regional technical assistance programs and regional technology (capital) programs to achieve this goal.

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 and programs to promote and enable better coordination between transit agencies such as the Regional Transit Coordination Plan (RTCP), the Regional Transit Intelligent Transportation Systems Plan (ITS), Regional Transit Asset Management System (RTAMS) and the Regional Transit Signal Priority Integration Plan. 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.

Technology initiatives that advance to operations and capitalize (e.g. Active Transit Signs [ATSS] and Bus Info) are funded under Regional Technology discussed later in this section.

Regional Services

Regional Services includes the following RTA-operated services and programs: The RTA Travel Information Center, *ADA*/ Special Services Certification and RTA Certification Helpline; the RTA Reduced Fare program; the RTA Customer Service Center; and the RTA/CTA Transit Benefit program.

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 12,400 calls each day. The TIC phone number is 836-7000, and is accessible from every area code in the region.

The TIC's call volume increased dramatically in 2004 and surpassed 4 million for the first time. Call volume is projected to be 4.8 million in 2005. Most of this increase relates to the use of cell phones by customers checking for service availability.

Exhibit 3-6: **Travel Information Center (TIC)**

	2001	2002	2003	2004	2005
Calls Accepted (thousands)	2,742	2,931	3,484	4,109	4,800
Call Capture Rate (%)	97.6	96.6	95.6	94.0	94.0
Average Response Time (seconds)	21	26	25	31	32

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 94.0 percent call capture rate as the minimum to be maintained each month. In 2005, the call-capture rate is expected to average 94.0 percent. (Exhibit 3-6).

Americans with Disabilities Act/ Special Services Certification

The RTA is responsible for the certification of riders who use special services, also known as *ADA* paratransit, or curb-to-curb transportation services, offered by the CTA and Pace. Beginning July 1, 2006, Pace will operate all ADA paratransit operations in the region.

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 passage of the *Americans with Disabilities Act*. Originally a self-certification program, a revised program was implemented in 1999 and became fully operational in 2000. Applicants for *ADA* paratransit services now 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 2005. About 38,000 riders are currently eligible to use paratransit services. 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.

Service effectiveness is measured by the turnaround time for producing and distributing reduced 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 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, and miscellaneous brochures detailing various programs and seasonal services are available to the public. The center also sells both CTA and Pace 30-day passes.

RTA/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 began to offer CTA Chicago Cards (smart cards) for those wishing to purchase CTA monthly passes. The Chicago Card enables 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 3-7). About 3,000 companies currently participate.

For more information about the transit benefit program, call 1-800-531-2828 between 9:30 a.m. and 7:30 p.m. Central Time.

Regional Technology

Regional Technology includes regional technical assistance (non-capital) and regional technology (capital) programs.

Regional technical assistance 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.

Through RTAP, the RTA provides technical and/or financial assistance to various levels of local government for planning projects that support transit services. RTAP emphasizes a balanced, coordinated, and integrated approach to regional transit planning.

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 2006 RTAP program includes the addition of these new station area and transit-supportive land use planning projects: Berwyn Transportation Corridor Plan, Chicago Norwood Park Adaptive Reuse

Exhibit 3-7: **Transit Check Program**

	2001	2002	2003	2004	2005
Total Face Value (dollars in thousands)	38,663	57,592	58,442	57,179	54,000
Quantity (in thousands)	839	1,102	1,050	1,013	875
New Companies	334	375	289	186	195

Plan, Elgin National Street Station Area Plan, Mokena Transit-Oriented Development Plan, Winfield Town Center Revitalization Plan, and the Zion Station Area Plan. In addition, development-oriented transit opportunities will be explored at three Chicago Housing Authority locations.

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. As a follow-up to the DuPage Area Transit Plan the DuPage Mayors and Managers Conference is developing service plans for an inaugural set of community circulators. In addition, federal funds have been earmarked for the first year of service of a new Pace bus route linking Naperville, Wheaton and the College of DuPage.

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 South East 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 perspectives 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

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 to enhance regional mobility by facilitating seamless travel on public transportation. In cooperation with the CTA, Metra and Pace, and other local planning entities, the RTCP addresses the four principal elements of transit coordination—information coordination, physical coordination, service coordination and fare coordination.

Information Coordination

Information coordination improves signs, maps and schedules to allow transit riders to confidently use the entire system, including transferring between transit modes. Improvements under development in 2005 include 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 CMAQ grant to develop standards for and implement prototypes of new and refined information products related to interagency travel. These products will be demonstrated at five key interagency locations in 2006.

Physical Coordination

Physical coordination addresses the relative ease of transferring between modes operated by the CTA, Metra, and Pace. Existing transit connections at approximately 300 locations throughout the region already serve most travel markets to some extent. The RTA has assessed opportunities for physical improvements at priority transfer locations that either have high rates of transfer activity, or provide critical local or regional connections. Through RTAP, the Village of Oak Park explored specific coordination improvements in 2005 with RTA assistance, and a similar effort will be conducted by the Town of Cicero during 2006.

Service Coordination

Service coordination explores options to better connect regional travel markets with components of the existing transit system. Cost-effective ways to improve regional mobility include the use of buses between activity centers and nearby rail stations to serve both reverse commuters and suburb-to-suburb commuters. Through RTAP in 2005, the RTA assisted Pace and local businesses along Metra's North Central Service line by exploring options for new shuttle-bus service from Metra stations to employment centers, in anticipation of additional train service that will start in 2006. RTA staff also participated in the Pace restructuring initiative for Fox Valley and Southwest DuPage, with a similar effort underway for South Cook and Will County during 2006.

Fare Coordination

In 2005, the RTA and the Service Boards evaluated options for implementation of a universal fare card and identified various approaches and a range of capital costs. In 2006, the RTA will continue to work with the Service Boards on the implementation of incremental steps towards a universal fare card for use on transit services operated by the CTA, Metra and Pace.

Job Access Reverse Commute

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/Capital Programs

Regional 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 (TSP), 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

The RTA established the Regional Transit Intelligent Transportation Systems (ITS) Plan as a blueprint for the coordinated development of technology solutions to traditional transit problems. The program ensures compliance with the regional and national ITS architectures and standards as required by the U.S. Department of Transportation (US DOT). 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 is an internal and external communication system that centrally collects and distributes regional transit information. The transit hub relies on utilizing technologies from vehicle location, scheduling and incident management systems implemented by the transit operators.

Regional Transportation Asset Management System

The Regional Transportation Asset Management System (RTAMS) database was developed by the RTA to improve access to, and the coordination of, 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). In 2005, a portion of the database was opened to the public at www.rtams.org. 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. In 2005, transit travel information was made available to cell phone and PDA users through a new web portal *www2.rtamobile.com.*

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 was 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.

Exhibit 3-8: **Agency 2005 Budget Versus 2005 Estimate** (dollars in thousands)

Expenditures by Group	2005 Budget	2005 Estimate	Variance
Managing Services	$ 3,582	$ 3,536	$ 46
Finance and Administration	4,413	4,412	1
Regional Management	5,837	5,823	14
Regional Services	8,271	8,195	76
Technology Programs	13,377	12,387	990
Agency Total	**$ 35,480**	**$ 34,353**	**$ 1,127**

Exhibit 3-9: **Agency Budgeted Positions**

	2004	2005	2006	2007	2008
Administration	39.2	41.2	40.3	40.3	40.3
Regional Management	48.8	49.0	52.1	52.1	52.1
Total	**88.0**	**90.2**	**92.4**	**92.4**	**92.4**
RTA Board (1)	12.0	12.0	12.0	12.0	12.0

(1) Twelve paid by the RTA, the CTA chairman (a RTA Board member) is paid by the CTA

2005 Budget Versus 2005 Estimate

The total Agency expenditures of $34.4 million are expected to be $1.1 million or 3.2 percent under budget for the year. The primary factor is attributed to technology programs that did not materialize as early as expected producing a favorable variance. See Exhibit 3-8.

Organizational Structure

Budgeted positions for the Agency are summarized in Exhibit 3-9. Budgeted positions in 2006 are 92.4 compared to last year's figure of 90.2. Organizational structure changes made during the fourth quarter of 2005 produced this change. The organization chart is presented in Exhibit 3-10 and reflects the new organizational structure.

The principal changes made are as follows. Human Resources and Administrative Services now report to the new position of Finance and Administration rather than reporting directly to the Executive Director. Legal and Governmental Affairs, a new position, now includes the Government Affairs position that previously reported to the Executive Director. A new Strategic Planning and Regional programs position was created and Planning, External Affairs and Regional Services now report to this position. Previously, Planning and Regional Services reported to the Executive Director and External Affairs reported to Government Affairs. The RTA Board committee structure is unchanged and detailed in Exhibit 3-11.

Exhibit 3-10: **Agency Organization Chart** — Summary by Department

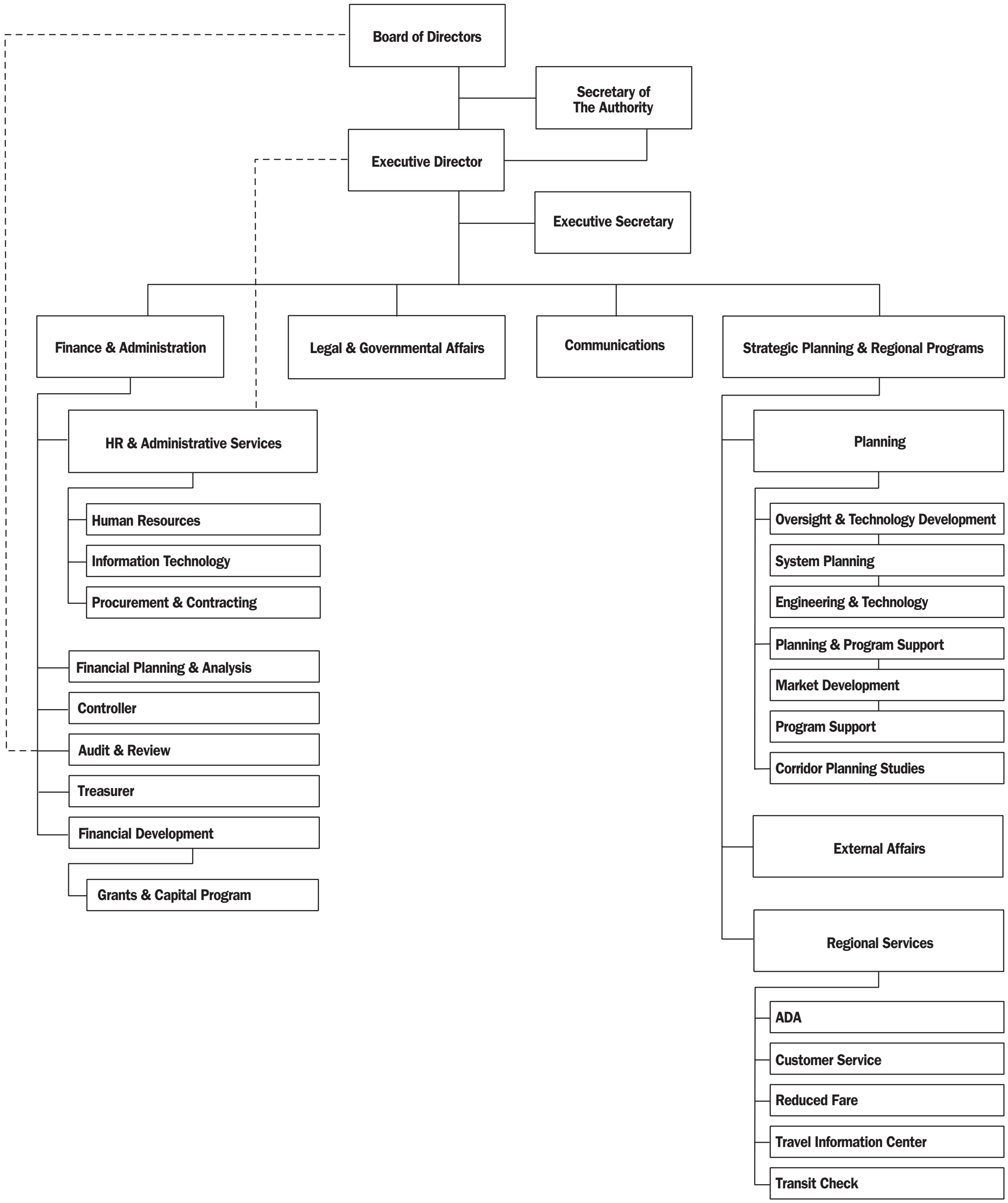


Exhibit 3-11: **RTA Board Committees**

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 revenue and expenditures, 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.

4 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 Characteristics

The CTA operates the second largest public transportation system in the United States. Average weekday ridership on its bus and rail system is 1.5 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

Bus operations provide 2,033 buses traveling over 150 routes covering 2,273 miles, with more than 11,900 bus stops. Rail service on seven routes has 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 people with disabilities whose needs cannot be met by the CTA's fixed-route bus and rail system. In 2005, CTA provided more than 2.4 million rides at a cost of about $26 per ride.

Ridership

Ridership is estimated at 456.6 million trips by the end of 2005 (Exhibit 4-1). This is 12.1 million trips, or 2.7 percent higher than 2004. The increase is the result of a change of 3.5 percent in weekday ridership as well as an increase in weekend ridership of 4.0 percent and is attributable to higher gas prices. Bus ridership is forecasted at 302.0 million trips in 2005, which is 8.0 million trips more, or 2.7 percent higher than 2004 (Exhibit 4-2). Rail ridership is projected at 152.2 million in 2005 and is higher than the prior year by 3.9 million, or 2.6 percent. Paratransit is expected to end the year at 2.4 million trips, 6.9 percent, higher than 2004. Ridership increases are tied to growing employment, higher gas prices and bus and rail service improvements designed to speed service and provide greater customer convenience.

Average weekday ridership on the CTA is 1.5 million, while Saturday and Sunday average ridership is at 897,000 and 610,000, respectively (Exhibit 4-3). The CTA expects its ridership levels to increase by a compound growth rate of 0.4 percent from 2004 through 2008. Total vehicle miles in 2005 increase from 2004 levels due to ridership increases. However, the CTA expects vehicle miles to remain flat from 2006 through 2008 (Exhibit 4-4).

Service Quality

The CTA has continued to work at improving bus service and upgrading its bus and rail fleets. The ongoing effort includes purchasing of 13 narrow, lift-equipped, air-conditioned buses to be used on the narrow streets along four of CTA's bus routes (170, 171, 172 and 173) that serve the University of Chicago campus in Hyde Park. Buses on all 150 bus routes are now equipped with a ramp or a hydraulic lift making all

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

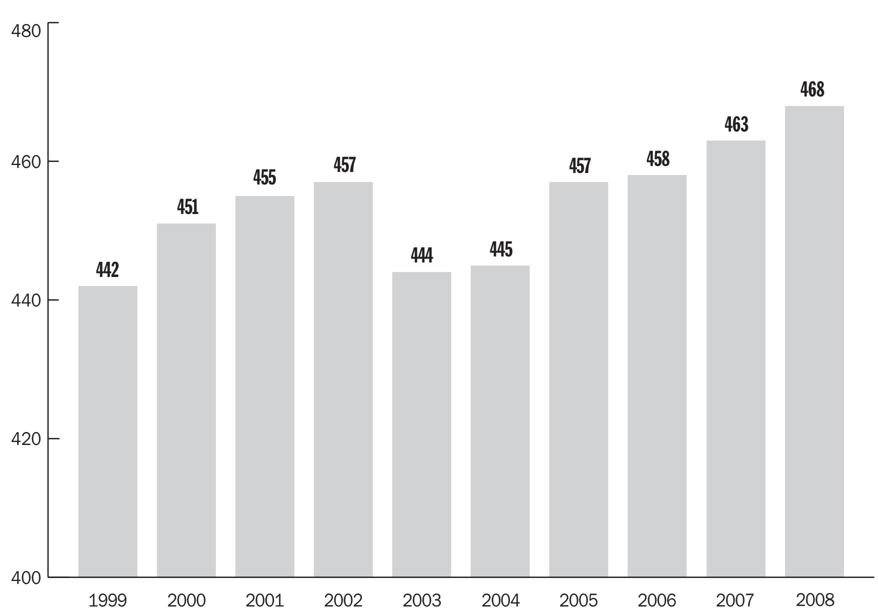


Exhibit 4-2: **CTA Annual Ridership by Mode** (in millions)

	2002	2003	2004	2005	2006
Bus	303.3	291.8	294.0	302.0	303.9
Rail	152.4	150.3	148.3	152.2	153.1
Paratransit/Taxi	1.6	1.9	2.2	2.4	1.2
Total Ridership	**457.3**	**444.0**	**444.5**	**456.6**	**458.2**

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

	2002	2003	2004	2005	2006
Weekday	1,482	1,437	1,426	1,468	1,472
Saturday	878	855	870	897	912
Sunday	586	570	582	610	617

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

	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Ridership	444,547	456,606	458,238	462,903	468,457
Vehicle Miles	134,140	137,000	137,460	137,460	137,460
Passengers Per Mile	3.3	3.3	3.3	3.4	3.4

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

	2002	2003	2004	2005	2006
CTA Total Capital Expenditures	$ 490,101	$ 484,062	$ 457,699	$ 346,000	$ 350,000
CTA Bus Vehicles	2,013	1,991	2,017	2,033	2,100
Average Age of Buses (in years)	8.5	9.5	8.9	9.4	8.2
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	19.0	20.0	21.0	22.0	23.0
Bus Routes Offering Lift Service	125	131	148	150	153
ADA Accessible Stations	64	66	72	72	74

routes 100 percent *ADA* accessible. These features, along with low-floor and kneeling buses, make it easier for senior citizens and people with disabilities to board CTA buses.

All CTA buses are equipped with an automated announcement system. It provides audible announcements and electronic signs that display upcoming stop names to help visually and hearing impaired customers better manage their routes. The system 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.

All CTA trains are also accessible with at least two accessible cars per train and are equipped with a pre-recorded announcement system that informs customers of upcoming station stops. Following the completion of the rehabilitation of the 54th/Cermak branch of the Blue Line and the renovation of eight stations, half of the CTA's 144 rail stations are now accessible.

In September 2005, the newly renovated Lake Street subway station on the Red Line re-opened. The new waiting areas feature ceramic tile walls and ceilings and brighter, more energy-efficient lighting. The CTA also expanded the public area of the mezzanine level by 1,500 square feet, creating space for additional turnstiles. A new escalator was installed and the existing escalator was refurbished.

New Services

The rehabilitation of the 54th/Cermak branch of the Blue Line was successfully completed in January 2005, ahead of schedule and nearly $1 million under budget. The project resulted in eight newly renovated, fully accessible stations. The rebuilding of the track and support structure on this line resulted in the elimination of slow zones, providing a faster, smoother ride and uninterrupted service. In addition, weekend service along the line became available for the first time since 1998. Prior to reconstruction, the trip from the terminal at 54th/Cermak to the Loop was 45 minutes; after reconstruction, the trip was reduced to 25 minutes or less.

This year, customers were introduced to a new type of advertising in the south-bound Blue Line Dearborn subway tunnel between the Clark/Lake and Washington stations. Through the windows of the moving trains, customers are now seeing a moving picture ad on the tunnel wall. This new advertising medium is expected to generate $100,000 in annual revenue.

A new Park and Ride also opened on the O'Hare branch of the Blue Line. The new facility is located adjacent to the Harlem station at 5550 N. Harlem Avenue and provides an additional 53 parking spaces. With this addition, the number of CTA Park and Ride facilities now totals 18 with a total of 6,289 parking spaces.

Capital Investments

The CTA spent $458 million on capital programs in 2004. The CTA is expected to spend more than $1.2 billion on capital projects from 2004 through 2006 (Exhibit 4-5).

In early 2005, A Request for Proposals (RFP) for the manufacture of new rail cars was issued. The RFP calls for a base order of 206 rail cars with additional options that could bring the total purchase to 706 cars. The bid criterion includes upgraded features such as AC (alternating current) propulsion motors, security cameras and aisle-facing seating. The new rail cars will replace older rail cars such as the 2200-series Budd cars purchased between 1969 and 1970 and the 2400-series Boeing-Vertol cars purchased between 1976 and 1978.

The $529.9 million project to expand capacity on the Brown Line progressed significantly in 2005. The purpose of this project is to improve service by increasing capacity on the entire line. Platforms will be lengthened to accommodate eight-car trains instead of the six-car trains currently in use. The station construction portion began in fall 2005. The 18 stations included in the project are grouped into five separate construction packages according to location. To date, the Chicago Transit Board has approved construction contracts for ten stations.

Bus System

The CTA's aggressive campaign to upgrade its bus fleet includes a $95 million contract to purchase 265 new buses designated to replace older buses in the fleet that have reached end of their useful life. The purchase will also include 20 environmentally friendly diesel hybrid buses that are powered by both diesel engines and electric motors to help reduce emissions. The new buses will replace 5300-series Flxible buses purchased in 1991. Delivery is expected to begin in early 2006.

Another contract for $17.2 million was approved this year for the purchase of up to 125 new 30-foot buses that will begin delivery in late 2006. The new buses are shorter and narrower than the standard 40-foot buses in the fleet. The buses will be placed on routes where narrow streets or lower peak ridership require smaller buses.

Rail System

Work continues on the Dan Ryan Branch of the Red Line, which includes the construction of two new substations, the upgrades of the two existing substations, the installation of permanent signal system and the replacement of the power rail. 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 assistant kiosks and improved signs. Eight escalators will be replaced and new elevators will be installed at 47th and 69th Streets, making the stations accessible to customers with disabilities.

The planned Circle Line will leverage the CTA's ongoing investment in its rail infrastructure by connecting nearly all of the City's major employment and event destinations with CTA and Metra rail lines. By further improving connections between the CTA and Metra, the Circle Line will create valuable, time-saving shortcuts for customers who must travel on multiple routes.

Construction began in August to replace an aged viaduct on Main Street in Evanston. The existing viaduct was constructed in 1910 and has deteriorated over time. Replacing the Main Street viaduct will eliminate the need for a slow zone which will dramatically improve customers' travel times. Also included is new lighting, sidewalks, retaining walls and asphalt paving.

System–Wide Improvements

In 2005, the CTA continued to invest in new technology to further improve service and safety. State-of-the-art simulators were purchased and put into practice to provide the latest in training technology for bus operators. The simulators give instructors the ability to recreate specific driving conditions that challenge operators to drive defensively.

In addition, a pilot program is being conducted that allows express boarding for customers who use the Chicago Card or the Chicago Card Plus to pay fares. The Go Lane, an express fare payment lane, has been designated on the left side of the bus entrance. The right side is reserved for customers paying with a magnetic strip transit card or cash. At select rail stations, at least one turnstile has been dedicated for Chicago Card users. The pilot program seeks to demonstrate faster and easier boarding which improve transit experience and helps attract new customers. Initial observations and customer feedback show an increase in use of Chicago Card and Chicago Card Plus fare cards of 21 percent on buses during weekday and an average of 6 percent at rail stations with Go Lanes.

Partnerships

The CTA works to maintain partnerships with many groups. The CTA's efforts to strengthen its relationship with its riders have been illustrated in previous 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) to encourage minority participation in CTA contracts. The CTA has set a minimum level of 30 percent for minority participation for projects requiring outside vendors.

The CTA has also pursued cost savings in its purchasing practices by finding the best prices for the good and services procured. These efforts have saved the CTA several million dollars over the past few years.

Mobility Impaired

To better serve customers with disabilities, the CTA increased paratransit service by implementing its Mobility Direct service. Mobility Direct expands the CTA's Taxi Access Program (TAP) and provides voucherless subscription service for people with disabilities. Mobility Direct is a curbside subscription service offering a more convenient option for customers who take at least two round trips weekly, 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. Effective July 1, 2006, all paratransit service in the region, including Mobility Direct and TAP, will be transferred to Pace.

City of Chicago

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

Over the past decade, the City of Chicago has provided the CTA $828.5 million in capital improvements. This substantial investment in the CTA's infrastructure includes the Roosevelt Connector project, replacement of the elevated span at Wacker Drive and Wells Street, the renovated Chicago Avenue station on the Red Line, the elevated Library–State/Van Buren station, and the rehabilitation of the underground transfer tunnel that provides a pedway connection between the Red and Blue Line platforms at Jackson.

In 2006, Chicago Department of Transportation (CDOT) will begin renovation work on the Grand Station on the Red Line. This project involves the complete renovation of the mezzanine and platform, and expansion of the subway station. It will expand the public mezzanine area by 2,100 square feet, a 40 percent increase over the existing area, allowing for more efficient travel through the station. The number of turnstiles will also increase from four to 12 and the installation of four exit-only rotogates will accommodate current and future ridership needs. The new areas will feature ceramic tile walls, vaulted ceiling panels, and walls featuring the cityscape.

Legislators

State and federal funding has been crucial to the CTA's ability to rebuild its system. Specifically, Chicago Mayor Richard M. Daley, U.S. House Speaker Dennis Hastert, Governor Rod R. Blagojevich, the Illinois Congressional delegation, and the Illinois General Assembly have supported efforts to maintain and improve the infrastructure of CTA bus and rail systems. While federal legislators have made a financial commitment to the future of public transit, state and local legislators must identify the matching funds required to secure the federal funds. In 1999, the State established *Illinois FIRST*, a $12 billion matching program to improve the State's infrastructure, which included $2.1 billion for transit. The CTA received more than $1 billion of *Illinois FIRST* funding over four years for capital improvements to its rail and bus systems.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2006 through 2008, conforms to the marks set by the RTA on September 15, 2005. The CTA's operating funding marks were set at $524.1 million for 2006, $535.5 million for 2007, and $564.9 million for 2008. Funds from other sources were used by the CTA for its 2008 financial plan. If additional subsidies are not obtained, steps will need to be taken to balance its budget, which may include but is not limited to transferring additional federal capital funds to operations. The CTA's recovery ratio was set by the RTA at 53.0 percent for 2006, which the CTA has met. The CTA's statement of revenue and expenditures, which includes the recovery ratio, is presented in Exhibit 4-6. The following portrays the outlook for the 2006-2008 planning period.

Exhibit 4-6: **CTA 2006 Budget and 2007–2008 Financial Plan** (dollars in thousands)

System-Generated Revenue	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Passenger Revenue	$ 402,768	$ 409,500	$ 426,522	$ 430,130	$ 434,379
Reduced Fare Subsidy	31,302	30,590	30,590	30,590	30,590
Other Revenue	62,821	70,430	55,517	45,273	46,340
Total Revenue	**$ 496,891**	**$ 510,520**	**$ 512,629**	**$ 505,993**	**$ 511,309**
Operating Expenditures					
Labor	$ 680,081	$ 707,265	$ 748,922	$ 784,219	$ 811,301
Material	61,387	65,300	67,088	67,100	67,500
Fuel	30,093	42,956	48,000	49,200	50,400
Power	21,640	24,000	24,526	29,431	29,450
Insurance and Claims	22,000	30,000	33,000	25,000	30,000
Purchase of Security Services	27,555	34,800	35,335	36,200	37,253
Purchase of Paratransit Services	48,999	54,441	29,582	—	—
All Other	46,577	47,641	50,232	50,300	50,300
Total Expenditures	**$ 938,332**	**$ 1,006,403**	**$ 1,036,685**	**$ 1,041,450**	**$ 1,076,204**
Operating Deficit	**$ 441,441**	**$ 495,883**	**$ 524,056**	**$ 535,457**	**$ 564,895**
Recovery Ratio % (1)	**54.9**%	**53.6**%	**53.0**%	N/A	N/A

(1) Purchase of security services is excluded from expenditures. In-kind revenue and expenditures from the Chicago Police Department of $22,000 are included in the recovery ratio. The Region Section provides the details for this calculation.

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

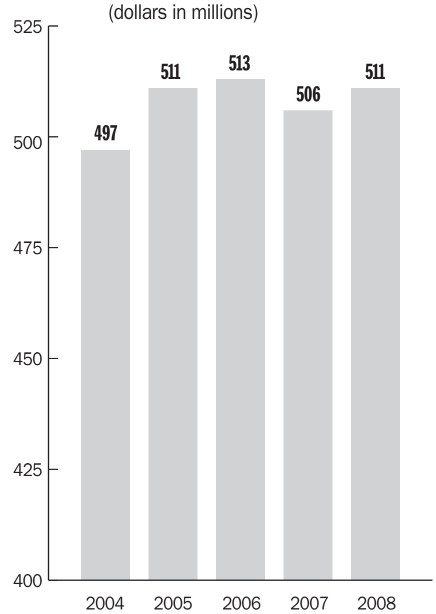


Exhibit 4-8: **2006 CTA Revenue** — $513 million

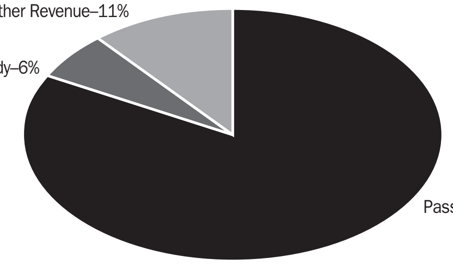


Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2004	2005	2006	2007	2008
Passenger Revenue	$ 402,768	$ 409,500	$ 426,522	$ 430,130	$ 434,379
System Ridership	444,547	456,606	458,238	462,903	468,457
Average Fare	0.91	0.90	0.93	0.93	0.93

System-Generated Revenue

Total system-generated revenue is expected to increase from $497 million in 2004 to $511 million in 2008. This is an increase of $14 million over the four-year period, or an average annual increase of 0.7 percent. System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue (Exhibit 4-7).

Passenger revenue comprises 83 percent of the CTA's total operating revenue. The reduced fare subsidy and other revenue equally account for the remaining 17 percent (Exhibit 4-8).

Passenger Revenue

Passenger revenue is expected to increase from $403 million in 2004 to $434 million by 2008, a $31 million increase or an annual growth rate of 1.9 percent (Exhibit 4-9).

Higher ridership accounts for the projected increase in fare revenue for 2005. It is estimated that an additional 12.1 million trips will be provided, which is a 2.7 percent increase over 2004 ridership. Fare revenue is estimated at $426.5 million in 2006, which is $17.0 million higher than the 2005 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. Fare reimbursement is included as revenue and became available in July 1989. In the State's 2006 fiscal year budget, the appropriation for reduced fare for the RTA region is $36.3 million. These funds are distributed to the Service Boards according to the percentage of reduced fare revenue that each has generated. The CTA estimates its share at $30.6 million per year from 2006 through 2008.

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). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3 million and the County contributes an additional $2 million. Revenue for this category was approximately $63 million in 2004 and is expected at $46 million in 2008. Reasons for this decrease include a loss in grant revenue that will result when the CTA transfers paratransit operations to Pace in 2006.

Operating Expenditures

Total operating expenditures are forecasted to increase from $938 million in 2004 to $1,076 million in 2008. This $138 million increase represents a 0.4 percent compound annual growth rate (Exhibit 4-12).

For 2005, operating expenditures are estimated at $1,006.4 million. This is 7.2 percent higher than 2004 actual expenditures of $938.3 million. The increase is due mainly to higher fuel costs, a provision for damages and litigation, and a higher demand for paratransit services.

Budgeted 2006 expenditures of $1,036.7 million are 3.0 percent higher than 2005 projections. The financial projections for 2007 and 2008 show operating expenditures of $1,041.5 million and $1,076.2 million, respectively. The 2007 financial projection represents an increase of 1.0 percent over the 2006 operating budget. The 2008 financial projection represents an increase of 3.3 percent over the 2007 financial plan.

Expenditure Elements

The 2006 operating expenditure elements include labor, material, fuel, power, insurance and claims, security, paratransit services, and other costs. Labor expenditures, including fringe benefits, represent 73 percent of the CTA's total expenditures. 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 6 percent of total expenditures. Fuel and power represent 7 percent of the CTA's expenditures. Security, insurance and claims represent 6 percent of total spending. Paratransit services, and other expenditures comprise the remaining 8 percent. The other expenditure category includes items such as lease, utility, and contractual services (Exhibit 4-13).

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

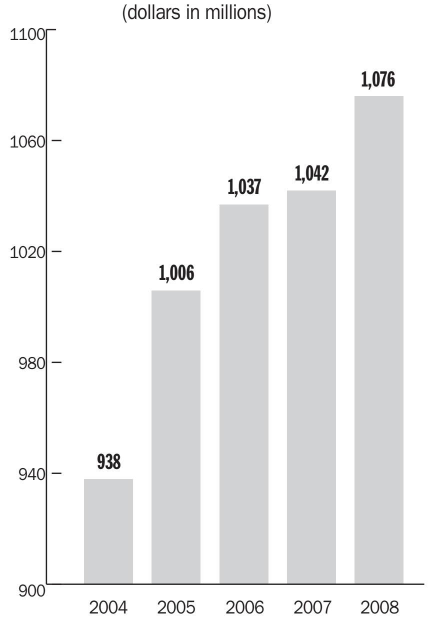
	Full Fare	Reduced Fare (1)
Basic Cash Fare (Bus and Rail)	$ 2.00	$ 1.00
No transfers allowed		
Transit Cards (Rail)	$ 2.00	$ 1.00
Transit Cards (Bus)	$ 1.75	$ 0.85
Paratransit		
Special Services	$ 1.75	None
Chicago Taxi Access Program Vouchers	1.75	None
30-Day	75.00	
University Pass	$ 0.70	None
First Transfer with Fare Card	$ 0.25	$ 0.15
Allows two additional rides within two hours of issuance and will not be allowed with a cash fare. Transfers are valid for travel in either direction on any route of the first ride.		
Full Fare Chicago Card	$ 1.75	$ 0.85
For every $20 purchase, $22 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 (2)	$ 2.00	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) Rush shuttle bus fares will be $2.00 for cash and $1.75 for transit cards and Chicago cards.

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

All Other Revenue	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Advertising, Charter and Concessions	$ 24,882	$ 24,300	$ 24,800	$ 25,300	$ 25,800
Investment Income	3,051	4,120	4,944	5,933	6,500
Contribution from Local Government Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	29,888	37,010	20,773	9,040	9,040
Total All Other Revenue	$ **62,821**	$ **70,430**	$ **55,517**	$ **45,273**	$ **46,340**

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



Labor Costs

Labor expenditures are expected to increase from $680 million in 2004 to $811 million in 2008. This is a $131 million increase, or a 4.51 percent compound annual growth rate (Exhibit 4-14).

Labor expenditures for 2005 are estimated at $707.3 million, which is $27.2 million more, or 4.0 percent higher, than last year. This increase is due to the rising costs of healthcare, workers compensation, and wages.

Labor expenditures are projected to increase in 2006. Labor expenditures are forecasted to be $748.9 million in 2006, an increase of $41.6 million or 5.8 percent higher than 2005. This increase is due to higher wages and benefits such as healthcare, pension, and FICA. Healthcare costs continue to increase at double-digit growth rate. In addition, the CTA pension plan is severely under funded. With a current funding ratio of 39.0 percent, actuarial projections show that the fund will deplete its assets by 2012 without additional funding and substantial changes to the plan. Changes to the plan require legislative intervention or union agreement. Currently,

Exhibit 4-13: **2006 CTA Operating Expenditures** — $1,037 million

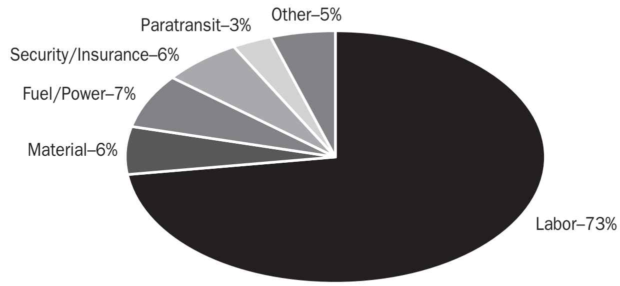
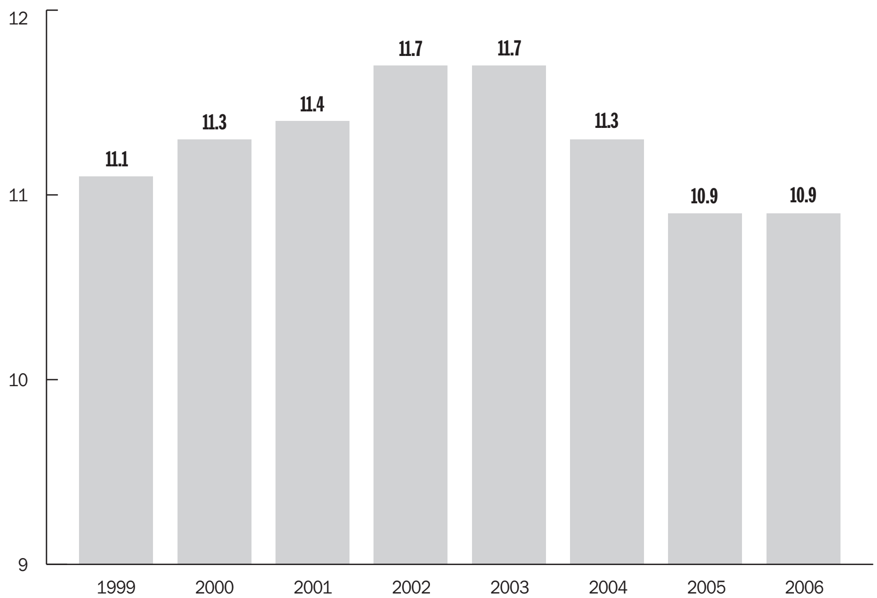


Exhibit 4-14: **CTA Labor Expenditure Growth** (in thousands)

	2004	2005	2006	2007	2008
Labor Expenditure	$ 680,081	$ 707,265	$ 748,922	$ 784,219	$ 811,301
% Change from Prior Year	1.8%	4.0%	5.9%	4.7%	3.5%

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



the CTA has proposals in arbitration with ATU Locals 241 and 308. There are no changes in the number of positions for 2006 (Exhibit 4-15). Overall, labor expenditures of $784.2 million are projected to rise by 4.7 percent in 2007 and then increase to $811.3 million in 2008, a 3.5 percent change.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are forecasted at approximately $65.3 million in 2005, $67.0 million in 2006, $67.1 million in 2007, and $67.5 million in 2008. The increase in material expenditures is mainly due to increased prices for petroleum-based products such as tires. To help manage these costs, a Maintenance Management Information System (MMIS) will be implemented. The system will track the life cycle of vehicle parts, warranties and collect other vehicle information that will improve internal management. When the MMIS is fully operational in mid-2006, it will increase warranty reimbursements and improve resource allocation efficiency.

Fuel

Assuming 24.0 million gallons at $1.79 per gallon, the CTA estimates fuel expenditures at $42.9 million for 2005 (Exhibit 4-16). The cost per gallon is higher than 2004 actual results.

The CTA forecasts the need for 24.0 million gallons of diesel fuel in the 2006 budget. Due to the uncertainty surrounding energy prices, the CTA estimates that the cost of fuel will be about $2.00 per gallon. The 2007 and 2008 financial projections hold diesel fuel costs at $2.05 and $2.10 per gallon, respectively.

Power

Electric power expenditures for the rail system are forecasted at $24.0 million in 2005, which is $2.4 million more than the prior year. This change largely reflects service increases throughout the system.

Expenditures for power increase by $0.5 million in 2006 and are higher by $4.9 million in 2007. Power costs remain steady in 2008.

Insurance and Claims

The Provision for Injuries and Damages represents the expenditure for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles. The 2005 forecast is $30.0 million and is $8.0 million more than the prior year.

The 2006 Funding of the Provision for Injuries and Damages is $33.0 million versus an estimate of $30.0 million for 2005. This is consistent with historical funding levels but is higher than 2004 due to prior year pre-funding of this reserve with one-time revenue. According to the latest actuarial report, unfunded liability for injuries, damages, and litigation is $30.0 million. In 2007 and 2008, the CTA projects these expenditures to be $25 million and $30 million, respectively.

As shown in Exhibit 4-17, the CTA expects fewer bus and rail accidents per 100,000 miles through 2006.

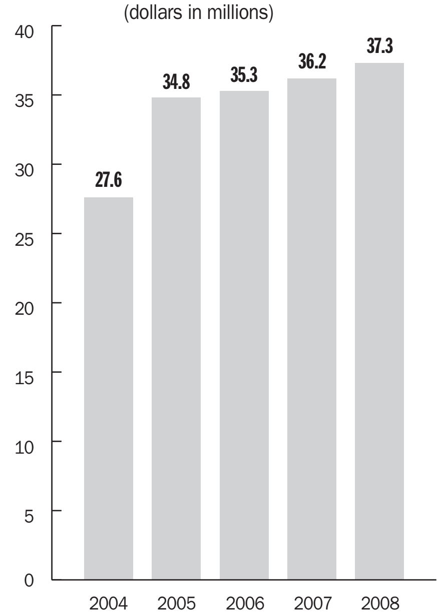
Exhibit 4-16: **CTA Fuel Cost Per Gallon** (cost and gallons in thousands)

	2004	2005	2006	2007	2008
Fuel Cost	$ 30,093	$ 42,956	$ 48,000	$ 49,200	$ 50,400
Gallons	24,429	24,000	24,000	24,000	24,000
Cost per Gallon	$ 1.232	$ 1.790	$ 2.000	$ 2.050	$ 2.100

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

	2003	2004	2005	2006
Claims	$ 17,568	$ 22,000	$ 30,000	$ 33,000
Bus Accidents per 100,000 Miles	5.69	5.78	5.49	5.22
Rail Accidents per 100,000 Miles	0.10	0.17	0.16	0.15

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



Purchase of Security Services

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

Expenditures are forecasted at $34.8 million in 2005, which represents a $7.2 million increase from prior year (Exhibit 4-18). The 2006 budget is $35.3 million and for 2007 and 2008, security expenditures are expected to increase $0.9 million and $1.1 million, respectively. These increases are due to the heightened need for security since September 11, the Madrid, and London bombings.

Purchase of Paratransit Services

The CTA provides door-to-door paratransit service for passengers who are unable to use mainline transit services. This service is provided by three private carriers and various taxi companies. To use this service, a customer must be certified by the RTA. The CTA currently provides riders with disabilities two types of service: special services and the Taxi Access Program (TAP). Higher demand for trips on the door-to-door service provided by three carriers and by taxicab companies in the CTA's paratransit program continues to increase this expenditure (Exhibit 4-19).

Expenditures for paratransit service are projected at $54.4 million in 2005, which is $5.5 million or 12.0 percent higher than the prior year. Paratransit trips are forecasted at 2.4 million trips for the current year, an increase of approximately 152,000 trips from the previous year. Almost all of this growth has occurred in the door-to-door service provided by the special services' carriers. Service costs of $29.6 million are funded for the first six months of 2006. Since the management of paratransit services will be transferred to Pace effective July 1, 2006, expenditures are not budgeted for 2007 and 2008.

All Other Expenditures

All other expenditures include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2005, $47.6 million is forecasted, which is $1.0 million more, or 2.1 percent higher than the prior year (Exhibit 4-20).

The 2006 budget is $50.2 million, which is higher than the 2005 estimate by $2.6 million. The increase is primarily due to inflation and increases in contractual services. Expenditures for other services are forecasted to increase from 2006 levels in 2007 as a result of inflation and are expected to remain flat in 2008.

Deficit

System-generated revenue (fares and other revenue) total more than half of the CTA's operating budget, with the remainder (operating deficit) covered by public funding from the RTA. The deficit for the budget and two-year financial plan is $524 million, $535 million and $565 million, respectively (Exhibit 4-6). The RTA funds the budgeted operating deficits of the Service Boards. The operating deficits are derived from total system generated revenue minus total operating expenditures.

Funding

RTA Sales Tax and RTA discretionary funding represent the major sources of public funds to the CTA and are usually 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 revenue, and distributes the remaining 85 percent to the Service Boards. The CTA receives 100 percent of the RTA 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 $174 million and $183 million from 2004 to 2008. Apportionments from the RTA's 15 percent share of the sales tax revenue and the State's public transportation fund (PTF) are the source of the RTA's discretionary funds. The Region Section provides the details for this funding calculation.

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

	2003	2004	2005	2006
Total Cost of Paratransit Services (in thousands)				
Paratransit	$ 36,272	$ 42,035	$ 46,081	$ 25,039
Taxi	6,079	6,965	8,360	4,542
Average Cost per Trip	21.81	22.23	23.11	23.92
Number of Trips (in thousands)				
Paratransit	1,479	1,683	1,717	902
Taxi	463	521	638	335
Average Cost per Trip by Mode				
Paratransit	$ 24.53	$ 24.98	$ 26.83	$ 27.77
Taxi	13.14	13.36	13.10	13.56

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

All Other Expenditures	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Utilities	$ 16,892	$ 17,523	$ 17,542	$ 17,610	$ 17,610
Advertising and Promotion	2,358	4,182	4,935	4,935	4,935
Contractual Services	30,436	35,936	36,993	36,993	36,993
Leases and Rentals	5,903	2,155	2,420	2,420	2,420
Travel, Training, Seminars and Dues	2,710	2,313	3,211	3,211	3,211
Warranty and Other Credits	(18,628)	(19,686)	(20,932)	(20,932)	(20,932)
General Expenses	6,906	5,219	6,063	6,063	6,063
Total All Other Expenditures	$ **46,577**	$ **47,642**	$ **50,232**	$ **50,300**	$ **50,300**

Recovery Ratio

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2006, the CTA recovery ratio is 53.0 percent. The Region Section provides the detailed recovery ratio calculation.

The following factors affect the recovery ratio for the 2005 estimate and 2006-2008 plan. First is the inclusion of $22 million of in-kind security services provided by the Chicago Police Department, which is included as both a revenue and an expenditure in the recovery ratio calculation. Second is the exclusion of security expenditures from the recovery ratio beginning in 2005. Finally, expenditures for paratransit are eliminated for 2007 and 2008 as all paratransit services are being transferred to Pace effective July 1, 2006.

The CTA's recovery ratio was 54.9 percent in 2004 and is expected to be at 53.6 percent in 2005 (Exhibit 4-6).

2005 Budget Versus 2005 Estimate

The CTA expects a balanced budget in 2005.

Revenue

Revenue from fares is forecasted at $409.5 million and compares favorably to the budget by $2.6 million, or 0.6 percent. The higher fare revenue is due to increased ridership. The average fare for 2005 is estimated at 90¢, or 0.1 percent lower than budget and is a result of customers migrating to fare passes. (Exhibit 4-21).

The reduced fare subsidy is the State's reimbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. The reduced fare reimbursement is par with budget. Ridership for reduced fare customers, however, continues to exceed prior years.

Other revenue is expected to be $7.7 million favorable to plan. The categories listed below reflect this line item.

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

Revenue from advertising, charter, and concessions is at par with budget.

Investment income is estimated at $4.1 million, which is $1.2 million more or 39.7 percent higher than budget. The CTA benchmarks its investments against the rates for the 90-day Treasury bond. Since the start of the year, interest rates for 90-day Treasury bonds have increased from 2.25 percent to 3.75 percent.

All other revenue is projected at $37.0 million, which is $6.6 million or 21.6 percent higher than budget. This is due to gains realized on the sale of surplus property.

Expenditures

Calendar year 2005 operating expenditures are estimated at $1,006.4 million and are projected to be unfavorable to budget by $10.3 million or 1.0 percent. Expenditures for fuel, injuries and damages, and paratransit services are expected to be over budget for the year. This is primarily due to an increase in market prices, outstanding liabilities and a demand for paratransit services. Labor, material, and other expenditures are forecasted to finish under budget due to cost containment strategies implemented to ensure that the CTA balanced its budget in 2005.

Labor expenditures are projected at $707.3 million, which is $11.3 million or 1.6 percent below budget. The decrease 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 related to service were not filled.

Material expenditures are forecasted at $65.3 million, which is slightly below budget. The reduction in material expenditures is due to increased capital investment in new vehicles, overhauls of existing vehicles, and the replacement or renewal of facilities infrastructure.

Exhibit 4-21: **CTA 2005 Budget Versus 2005 Estimate** (dollars in thousands)

System-Generated Revenue	2005 Budget	2005 Estimate	Variance
Passenger Revenue	$ 406,948	$ 409,500	$ 2,552
Reduced Fare Subsidy	30,590	30,590	—
Other Revenue	62,707	70,430	7,723
Total Revenue	$ **500,245**	$ **510,520**	$ **10,275**
Operating Expenditures			
Labor	$ 718,538	$ 707,265	$ 11,273
Material	65,332	65,300	32
Fuel	33,837	42,956	(9,119)
Power	24,526	24,000	526
Insurance and Claims	19,000	30,000	(11,000)
Purchase of Security Services	34,777	34,800	(23)
Purchase of Paratransit Services	52,473	54,441	(1,968)
All Other	47,646	47,641	5
Total Operating Expenditures	$ **996,129**	$ **1,006,403**	$ (**10,274**)
Operating Deficit	$ **495,884**	$ **495,883**	$ **1**
Recovery Ratio %	**53.1**%	**53.6**%	**0.5** pts.

Fuel expenditures for revenue equipment are expected to be $43.0 million at the end of 2005. This is $9.1 million or 26.9 percent higher than budget. The 2005 budget assumed an average price of $1.40 per gallon for 24 million gallons. Fuel prices have been running above budget and are estimated to end the year at an average price of $1.79. The average price of fuel was lowered through a hedge program and by charging the cost of switching to an ultra low sulfur fuel to a federal grant (CMAQ) for part of the year.

Electric power expenditures for the rail system are forecasted at $24.0 million or $0.5 million lower than budget.

Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are forecasted at $30.0 million for 2005 which is $11.0 million more than budget. This is due to the CTA working to replenish its damage reserve fund. A 2004 actuarial report showed the fund to be underfunded by more than $30.0 million.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expenditures are estimated at $34.8 million, which is on par with budget. In addition to the services contracted by CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide services to CTA at an estimated cost of $21 million.

The purchase of paratransit services is estimated at $54.4 million and is $2.0 million more or 3.8 percent higher than budget. *ADA* paratransit trips are projected to finish the year at 2.4 million trips. This total is 152,483 more trips, or 6.9 percent higher than the 2005 budget. This curbside service is provided by three carriers and taxicab companies. Effective July 1, 2006, all *ADA* paratransit services will be transferred to Pace. Other services include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital jobs, and other general expenditures. The current forecast equals $47.6 million, which is on par with budget.

Statutory Compliance

The *RTA Act* requires that each Service Board meet the six criterion detailed in the Region Section for their budgets to be approved. The CTA budget, as submitted, meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-22 and consists of the following divisions.

CTA Board

The CTA's governing arm is the Chicago Transit Board, consisting of seven board members. The Mayor of Chicago appoints four board members who are subject to the approval of the City Council and the Governor. The Governor appoints three board members who are 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 and tort litigation, and workers compensation matters.

President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board.

Treasurer

The Treasurer manages cash and handles investment.

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 office is also responsible for financial and general investigations.

System Safety

System Safety administers the Destination Safety program with aims to reduce employee and third party accidents and injuries.

Management and Performance

Finance is responsible for budgeting, general accounting, investment support, program development, and the management and control of property, grants, and funding.

The Government and Community Relations and Affirmative Action department monitors transit legislation that affects the CTA on both regional and national levels.

Communications and Marketing is responsible for marketing, media relations, identity development, and publications

The Purchasing/Warehousing department includes inventory management.

The Human Resources and Employee Relations department includes human resources, industrial relations, benefit services, medical services, and program compliance.

The Technology Management department includes management information systems.

Transit Operations

Transit Operations is responsible for bus and train operations, customer service and paratransit services, planning, security, control center, and training-and represents the largest percentage of CTA employees.

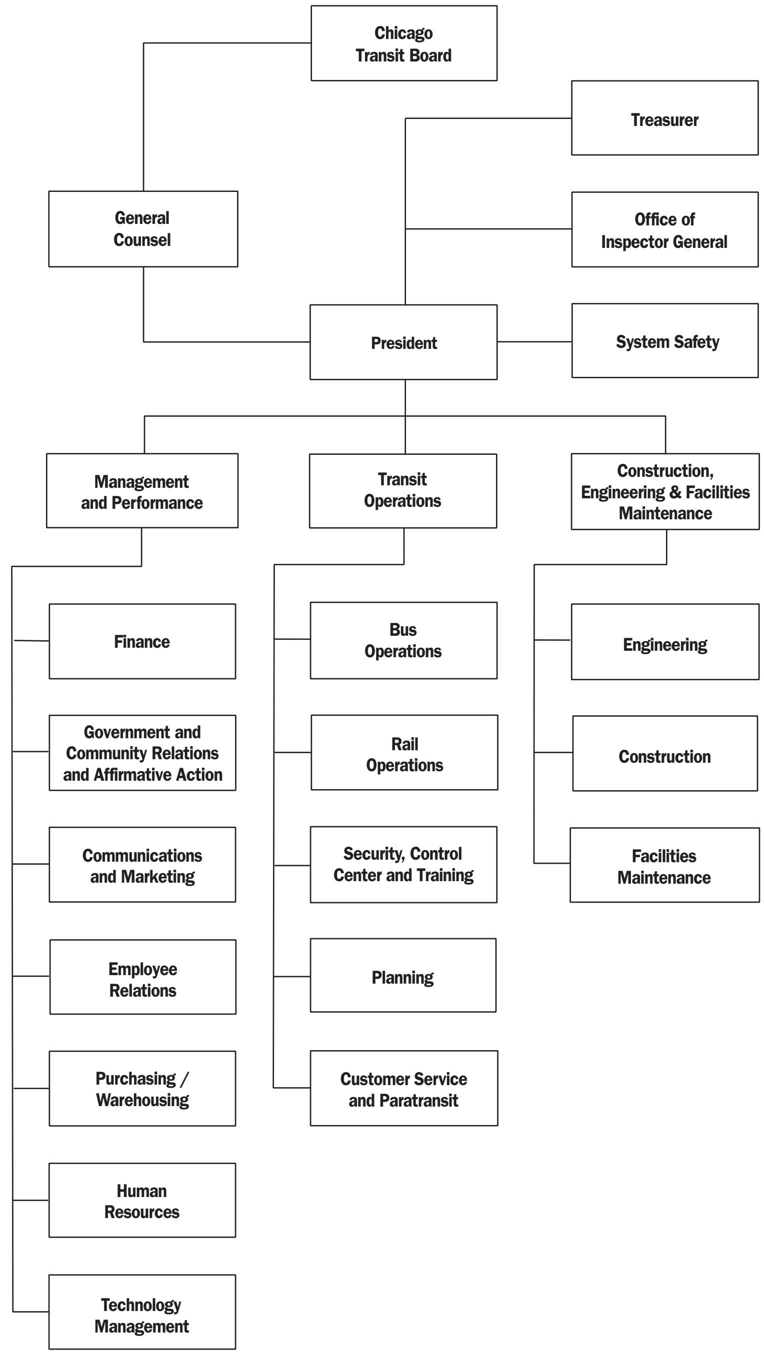
Bus and Rail Operations manages a fleet of 2,033 buses and 1,190 rail cars that cover 205,000 bus miles and 197,370 rail miles. They employ approximately 4,300 full-time equivalent bus operators and 1,300 rail operators that provide service to the customers.

The Security, Control Center, and Training department monitors passenger and facility security and maintains accident statistics and monitors environmental affairs.

The Planning department is responsible for developing routes and schedules that best synchronize CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

The Customer Service department provides customer information, researches ways to increase customer satisfaction, and forges business relationships.

Exhibit 4-22: **CTA Organization Chart**



Construction, Engineering and Facilities Maintenance

The Construction, Engineering and Facilities Maintenance department includes system maintenance support, power and way maintenance, rail station appearance, and facility maintenance.

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

Service Characteristics

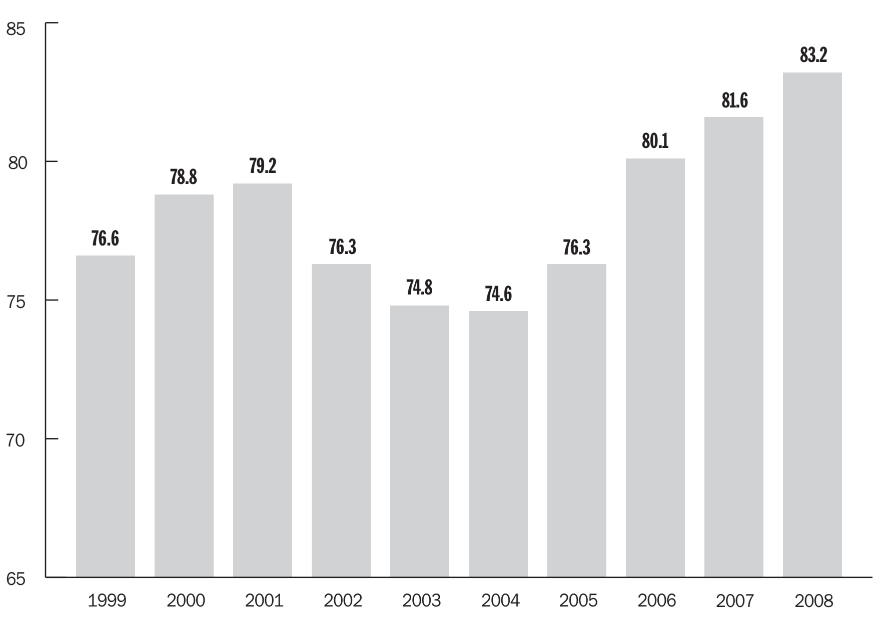
The Metra rail system is comprised of 11 separate lines, which run north, west, and south of the Chicago central business district. The system extends 545 route-miles to the limits of the six-county area and serves 231 local rail stations in more than 100 communities. Metra provides safe, reliable commuter rail service with an average weekday ridership of 298,900. Peak period ridership represents 80 percent of the total average weekday trips.

Metra operates 60 percent of its trains on weekdays, 25 percent on Saturdays and 15 percent on Sundays and holidays. The trains' operating speeds are 9 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. Four downtown terminals feed service to all of Metra's 11 lines. Today, approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra.

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



Ridership

Metra's ridership, excluding South Shore service outside Illinois, for the year 2004 totaled 74.6 million passenger trips. This was a 0.3 percent decline from 2003 ridership of 74.8 million (Exhibit 5-1). In 2005, Metra's ridership started to rebound with projected passenger trips of 76.3 million, virtually the same as in 2002. For the January to September period, ridership in 2005 increased 2.7 percent over the comparable period in 2004. This was the ninth consecutive month of year-to-year gain, the longest period since 2001. Higher gasoline prices are one of the major contributing

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

	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Total Riders	**77,583**	**79,367**	**83,216**	**84,797**	**86,408**
South Shore Elimination (1)	(2,965)	(3,071)	(3,132)	(3,180)	(3,227)
Total Metra Riders	**74,618**	**76,296**	**80,084**	**81,617**	**83,181**
Total Revenue Car Miles	32,865	32,970	35,077	35,179	35,304
South Shore Elimination (1)	(2,531)	(2,600)	(2,597)	(2,601)	(2,609)
Total Metra Revenue Car Miles	**30,334**	**30,370**	**32,480**	**32,578**	**32,695**
Total Passenger Miles	1,767,593	1,810,773	1,903,555	1,939,880	1,976,898
South Shore Elimination (1)	(89,955)	(93,291)	(95,157)	(96,585)	(98,033)
Total Metra Passenger Miles	**1,677,638**	**1,717,482**	**1,808,398**	**1,843,295**	**1,878,865**

(1) Ridership outside the Illinois service area is excluded from the South Shore operating statistics. 79 percent of South Shore Line ridership occurs outside the Illinois service area.

factors to ridership growth in 2005. Ridership and service projections are summarized in Exhibit 5-2.

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

Exhibit 5-3 compares 2000 and 2005 average daily load counts by service period.

Trains operating in the reverse-peak direction, during midday, and weekend periods have realized the greatest percentage gains. These gains are attributable to efforts taken by Metra to broaden its ridership base. Such efforts include Metra's weekend ticket, enhanced off-peak service, targeted promotion of service to suburban employers, marketing the service for travel to cultural and entertainment attractions, and Metra's newest initiative, the Bikes on Train program. This program was implemented on June 1, 2005. Bikes are allowed on weekday off-peak trains, including reverse commute trains, and on all weekend trains. Two bikes are allowed in each accessible car; however, if a wheelchair rider boards, the biker will be asked to relocate or detrain.

Passenger loads on peak period, peak direction trains have realized a decrease of 3.5 percent during the five-year period, which is attributed to decreased employment levels in downtown Chicago. For the January–September 2005 period, average monthly regional employment was up 0.9 percent from the same period of 2004. However, Metra's primary travel market is downtown Chicago and there are indications that downtown is not performing as well as the region as a whole. For example, downtown office occupancy rates averaged 84.3 percent for the third quarter of 2005, a decrease of more than one percentage point from 2004.

The regional economic and employment trends and their effect on ridership are analyzed in the Appendices.

Service Quality

To deliver on its objective to provide service that is customer-driven, flexible and personalized, Metra knows that it must understand the needs and interests of its' customers. 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 to attract and retain 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 at the final destination compared to the schedule. Exhibit 5-4 presents system-wide annual on-time performance since 2000.

Metra's on-time performance in 2004 was 96.9 percent, which is ahead of the 5-year average of 96.3 percent, and is the highest rate of all the passenger railroads in the United States.

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

Exhibit 5-4: **On–Time Performance**

Year	Delays	% On-Time
2000	7,688	96.0
2001	6,287	96.8
2002	6,809	96.5
2003	5,627	97.1
2004	6,027	96.9

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

Service Period	July 2000–June 2001	July 2004–June 2005	Change	% Change
Peak Direction	246	238	(9)	(3.5)
Reverse Peak	13	14	1	11.0
Midday	30	31	1	4.3
Evening	17	16	(1)	(7.6)
Total Weekday	**306**	**299**	(**7**)	(**2.4**)
Saturday	55	60	5	8.1
Sunday	31	35	4	11.2

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

Another more general measurement of system-wide effectiveness is made by relating the number of passengers to the number of miles of service, thereby calculating passengers per mile. Metra's passengers per revenue car mile ratio decreased from 2.73 in 1999 to 2.46 in 2004. The decline from 1999 is attributable, in part, to the North Central Service, which began operation in August 1996. In the case of a new service, the number of miles increases faster than ridership, thereby decreasing the passenger per mile ratio.

Metra strives to strike a balance between mile increases due to service expansions and passenger growth. The passenger per mile ratio in 2004 shows a slight decrease compared to 2.46 in 2003, while the 2005 estimate shows an increase to 2.51. According to its 2006 budget, Metra estimates a ratio of 2.47, which is expected to increase to 2.54 by 2008 (Exhibit 5-5).

Another measurement, used to calculate whether costs are being contained and efficiency maintained, is cost per revenue car mile. This measure recognizes that costs tend to vary with the amount of service provided. As seen in Exhibit 5-6, this measurement shows that Metra has efficiently held expenditures in-line with cost increases, when compared to the Consumer Price Index (CPI).

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

Service Expansion

Over the past four years the Northeast Illinois region achieved a major milestone as Metra entered into three Full-Funding Grant Agreements with the federal government for system expansion through the *Transportation Equity Act for the 21st Century (TEA-21).*

In January of 2006, Metra will implement new or expanded service on all three New Start initiatives funded under *TEA-21*. Metra 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. These projects will be completed ahead of schedule and $50 million under budget.

Under the new federal investment package titled *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)*, four new Metra projects are eligible for federal funding.

Two core capacity projects will benefit 60 percent of Metra's current customers. The projects will result in greater frequency, more express service, expanded express service during non-rush hour times, more reverse-commute service and industry-leading reliability levels.

The first of these two projects is the proposed $385 million UP-W Line upgrade. The UP-W Line currently extends nearly 44 miles west from Chicago to Elburn, serving 19 stations in parts of Kane, DuPage and Western Cook counties. The line serves approximately 29,000 passenger trips per weekday on 59 commuter trains. Upon its completion, the UP-W Line will have a continuous three-track route from West Chicago to downtown, new rail crossovers, upgraded signal systems and other track improvements that enhance flexibility. All of these improvements will increase train capacity and allow the provision of express service similar to that offered on the BNSF Line.

On the 71-mile long Union Pacific Northwest (UP-NW) Line, Metra will upgrade the infrastructure to expand service to fast-growing McHenry and northwest Cook counties, resulting in increased train speed and lower maintenance costs.

Through *SAFETEA-LU*, Metra is also proposing two entirely new service lines that will bring commuter rail to many communities presently without access to

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

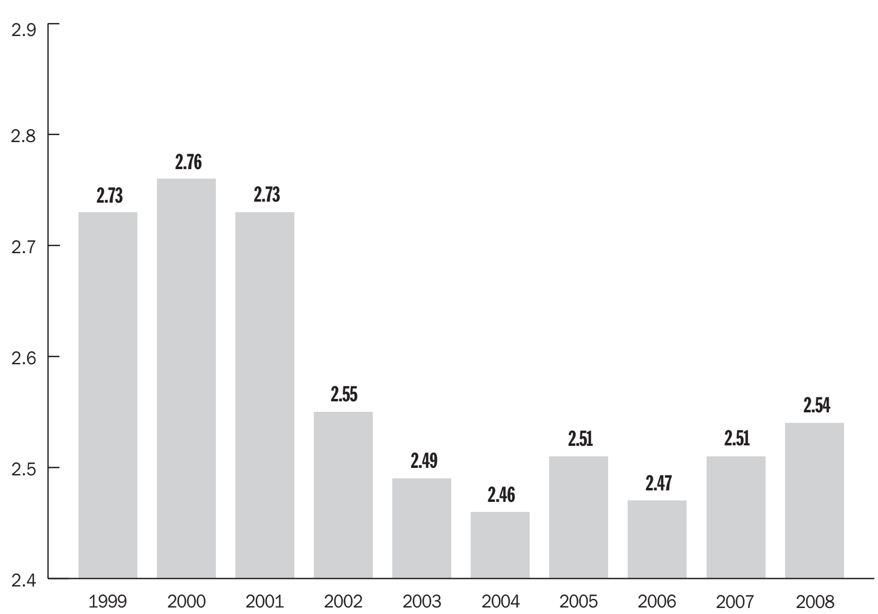
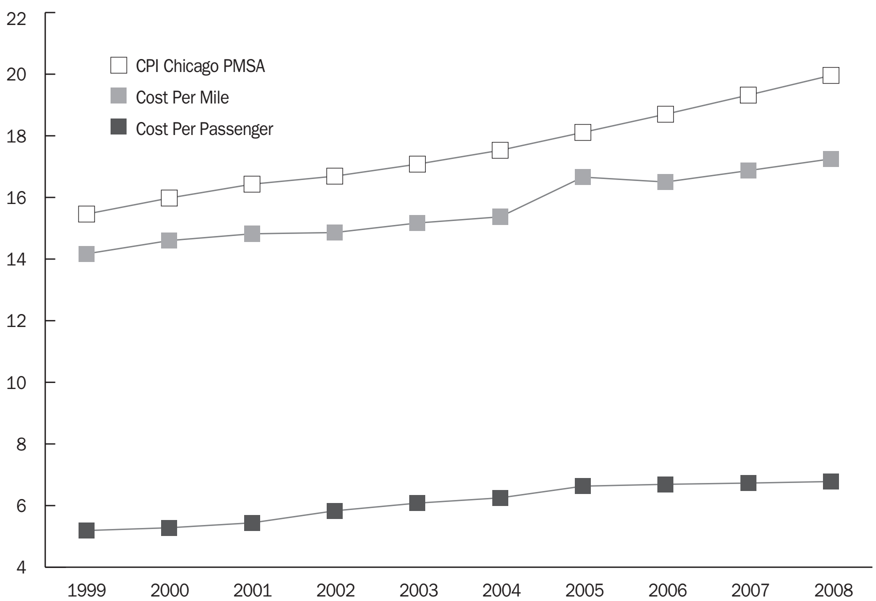


Exhibit 5-6: **Cost Efficiency** (in dollars)



Metra. The first of these new service lines is the SouthEast Service (SES) Line. The proposed 33-mile route will bring passengers in south suburban Cook and Will counties from communities such as Crete and Dolton to downtown Chicago. This proposed $524.3 million effort will connect people with jobs and create economic development opportunities in communities along the south suburban corridor.

There are other direct and indirect benefits to the project as well. The SES Line will take drivers off the road and spare the State from more than $4 million in annual highway construction and maintenance costs. Construction of the new line will also provide economic benefits to the Chicago metropolitan area and the entire State of Illinois. Within the State, 550 jobs will be generated with more than $262 million in wages paid over the project's 10-year duration. Illinois businesses will also benefit from more than $550 million in business sales.

Metra's biggest project under the new federal transportation bill is the Suburban Transit Access Route or STAR Line. The $1.1 billion project will be one of the most innovative in the region and the nation. The initial 55-mile segment creates a new transportation grid to respond to the current need for inter-suburban connectivity. Through the STAR Line, Metra will establish key rail connections through the northwest, west and southwest suburbs and even offer an important base for extending suburban rail service in the future. The potential exists to extend service in later phases east from Joliet, north from Prairie Stone at Hoffman Estates, north and south along the Illinois Route 53/Interstate 290 corridor and to link O'Hare and Midway airports.

The STAR Line will provide improved access to more than half a million jobs in the Northwest Corridor at locations such as Sears' corporate headquarters in Hoffman Estates, SBC's regional headquarters in Schaumburg, and Motorola's corporate headquarters, also in Schaumburg. This completely new alternative in commuter rail will benefit suburban business centers as the regional labor pool becomes more accessible and residents of other suburban jurisdictions receive new access to retail, dining and entertainment options in the northwest suburbs.

The improvements to the UP-W and UP-NW lines as well as entirely new service proposed for the SES and STAR lines will create a much-needed alternative to the millions of car trips made each day along various regional corridors.

Maintenance and Modernization

To maintain on-time performance and enhance safety, Metra ensures that all aspects of its system are properly maintained. The agency rehabilitates locomotives every 12 years and cars every 15 years including the replacement of air conditioners, seats, lights and other components.

In addition to the maintenance of the current rail system, Metra strives to modernize and expand its fleet whenever fiscally appropriate. In March 2003, Metra unveiled the first of its 300 new bi-level gallery cars and the first of 27 new locomotives. This new rolling stock will soon be fully integrated into Metra's service schedule. The new locomotives are aerodynamically styled, meet enhanced federal collision requirements, and have better acceleration and greater fuel efficiency. Delivery of the locomotives was completed in March 2004. The stainless steel gallery cars offer enhanced features, including larger windows and wider stairwells and are compliant with the *Americans with Disabilities Act (ADA)* of 1990. Electronic signs in each coach allow those with impaired hearing to read announcements made over train intercoms. The new cars have also improved emergency lighting.

Additional improvements to rolling stock include the acquisition of 26 new Highliner cars to replace a portion of the Metra Electric District (MED) fleet. The new stainless steel cars feature restroom facilities and are accessible to riders with disabilities. Two of the cars, the prototypes, arrived in May 2005. The remaining 24 will arrive in the first quarter of 2006.

Safety and Security

Metra provides employee incentives to those regularly meeting goals. Key among these goals is workplace safety. A safe workplace correlates into a safe environment 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 and 2004, Metra won the E.H. Harriman Gold Medal for least reportable injuries. The awards are given to the top three railroads with the fewest Federal Railroad Administration (FRA) reportable injuries. Metra has won eight 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 nation to train all of its 4,000 employees in terrorism awareness and emergency procedures. 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 throughout Metra's downtown terminals. The signs will alert commuters in advance to emergency situations and can display preprogrammed 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 real-time position and movement of all trains on Metra's routes.

GPS offers Metra's operations professionals a snapshot that details 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.

Partnerships

Metra builds and maintains strategic partnerships with customers and stakeholders. These partnerships include good relationships with state and federal legislators to develop appropriate levels of financial support; strong working relationships with communities; and partnerships with other railroads.

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

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

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

Budget and Financial Plan

Metra's ongoing operating and capital programs seek to balance the challenge to maintain and preserve Metra's existing network while expanding the system through new and increased levels of service to meet the mobility needs of a rapidly growing region.

Since September 11, 2001, Metra has responded to heightened security concerns by instituting enhanced security measures to protect the safety of passengers, employees, and property. This responsibility became more urgent following several rail tragedies, including the bombings in both London and Madrid. At the same time, Metra is continuing its concerted effort to raise the awareness of safety around trains and railroad tracks among school children, parents, riders, and the general public in the communities Metra serves.

In addition to security concerns, increased fuel costs place further pressure on Metra's operating budget.

Due to significantly increased costs for fuel and security, Metra included a 5 percent fare increase in its 2006 operating budget and 2007-2008 financial plan that will take effect in February 2006. Metra's first fare increase since 2002 is only its fifth fare increase in more than 20 years.

System-Generated Revenue

Total system-generated revenue is expected to increase from $244.8 million in 2004 to $288.4 million in 2008. This represents an increase of $43.6 million or a compound annual growth rate of 4.2 percent (Exhibits 5-7 and 5-8).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. The 2006 budget for passenger revenue includes a 5 percent fare increase, proceeds from Metra's 5 percent capital farebox financing program, and new revenue from the New Start initiatives projected to commence in 2006. Passenger revenue of $217.1 million comprise 79 percent of the total revenue budgeted for 2006 (Exhibit 5-9), which is 10 percent higher than the forecast for 2005 and $3.6 million higher than the 2005 budget.

Exhibit 5-7: **Metra 2006 Budget and 2007–2008 Financial Plan** (dollars in thousands)

System-Generated Revenue	2004 Actual	2005 Estimate	2006 Budget	2007 Plan	2008 Plan
Passenger Revenue (1)	$ 182,688	$ 197,222	$ 217,092	$ 221,190	$ 225,386
Reduced Fare Subsidy	2,959	2,965	2,998	2,998	2,998
Other Revenue (1)	59,134	59,682	53,330	56,598	59,995
Total Revenue	$ **244,781**	$ **259,869**	$ **273,420**	$ **280,786**	$ **288,379**
Operating Expenditures					
Transportation	$ 133,019	$ 138,275	$ 142,248	$ 146,500	$ 150,870
Maintenance	174,045	176,310	184,316	189,461	194,780
Administration	30,839	32,292	32,292	33,164	34,054
Power	6,731	7,100	7,280	7,498	7,723
Risk Management and Claims	10,068	10,132	10,342	10,646	10,960
Regional Services and Downtown Stations	23,411	23,836	24,311	24,992	25,678
Total Base Operating Expenditures	$ **378,113**	$ **387,945**	$ **400,789**	$ **412,261**	$ **424,065**
Diesel Fuel	$ 18,813	$ 42,217	$ 49,222	$ 49,222	$ 49,222
Security	14,727	16,500	21,000	21,000	21,000
Insurance	5,060	5,858	6,979	7,184	7,396
Health Insurance	48,499	51,031	54,053	56,215	58,464
Pension	3,100	3,470	3,736	3,736	3,736
Other (2)	(2,100)	(1,100)	—	—	—
Total Highly Variable Expenditures	$ **88,099**	$ **117,976**	$ **134,990**	$ **137,357**	$ **139,818**
Total Expenditures	$ **466,212**	$ **505,921**	$ **535,779**	$ **549,618**	$ **563,883**
Operating Deficit	$ **221,431**	$ **246,052**	$ **262,359**	$ **268,832**	$ **275,504**
Recovery Ratio % (3)	**55.0**%	**55.0**%	**55.0**%	N/A	N/A

(1) Passenger revenue reflects the 5 percent fare increase from February 1, 2006, the proceeds from Metra's 5 percent capital farebox financing program, and new revenue from the New Start operations projected to commence in 2006. Other revenue includes capital credits and leases. (2) Other expenditures include non-recurring credits in 2004 and 2005 for electric motive power and health insurance. (3) Includes allowable expenditure deductions (funded depreciation, security and lease). In 2006, the amount is $38.7 million.

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

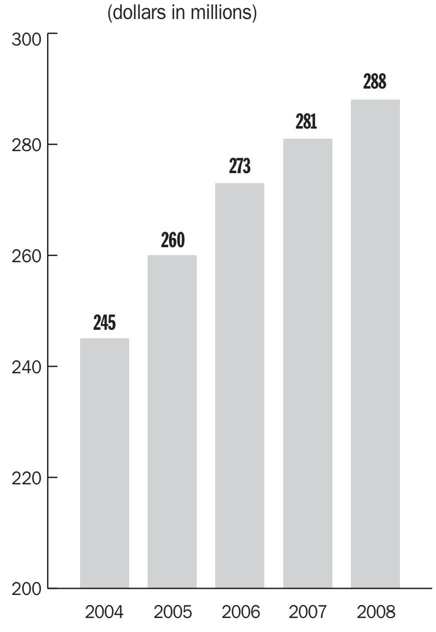


Exhibit 5-9: **2006 Metra Revenue** — $273.4 million

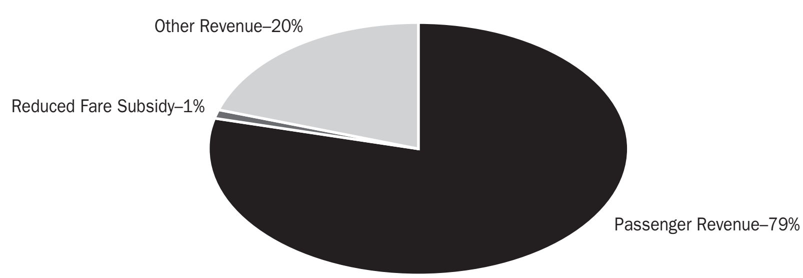


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	July 2003–June 2003	July 2004–June 2005	Change	% Change
Monthly	1,113.5	1,125.6	12.1	1.1
25-Ride	14.1	14.4	0.3	2.1
Ten-Ride	1,676.7	1,671.5	(5.2)	(0.3)
Regular One-Way	5,732.6	6,055.8	323.2	5.6
Conductor	4,131.3	4,011.1	(120.2)	(2.9)
Weekend	1,126.6	1,127.0	0.4	0.0
Link-Up	54.1	58.4	4.3	7.9
PlusBus	16.1	13.8	(2.3)	(14.3)

Passenger Revenue

Passenger revenue, or farebox revenue, is estimated to increase from $182.7 million in 2004 to $225.4 million by 2008.

This increase of $42.7 million represents a 5.4 percent annual growth rate. Metra's passenger revenue increases can be attributed mostly to the 5 percent fare increase that will take effect on February 1, 2006, and to the new or expanded services on three New Start projects starting in January of 2006. Metra estimates $5.6 million of additional passenger revenue for 2006 from the expanded service on the North Central Service, Union Pacific West, and SouthWest Service Lines. In addition, the trend in Metra's ridership shifted from stable to growth in 2005. Ridership is expected to grow over the period of 2006 through 2008. Metra expects to provide 76.3 million trips in 2005, which is more than 2 percent higher than in 2004. The estimated number of passenger trips for 2006 is 80.1 million, which is 5 percent higher than the 2005 estimate. Changing rider and ticket trends, such as longer trip length and increased one-way conductor and weekend ticket sales (Exhibit 5-10) also contribute to the higher passenger revenue. The average trip length for the January–September period was 22.5 miles in 2005, which was 0.4 percent higher than for the same period in 2004 and 8.2 percent higher compared to 1984, Metra's first year of operation.

Metra's fare structure is presented at the end of this section (Exhibit 5-14).

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 revenue 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 $3.0 million in 2006, is expected to stay constant during this planning cycle.

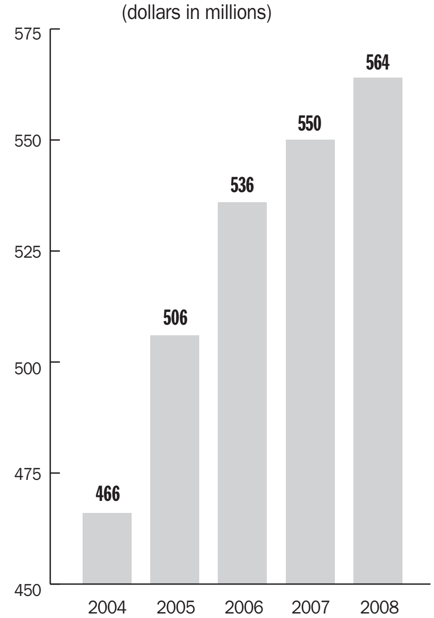
Other Revenue

The other revenue category represents 20 percent of Metra's total revenue for 2006. The components of this category are: investment income, joint facility and lease revenue, advertising income, capital grant project reimbursements, and miscellaneous non fare-generated income. In its 2005 forecast, Metra included proceeds from the sale of obsolete rolling stock in the total amount of $2.5 million as other miscellaneous revenue. The 2006 budget does not include such revenue. The total other revenue category is expected to grow from $59.1 million in 2004 to $60.0 million in 2008, which is a 0.4 percent annual growth rate.

Operating Expenditures

Total operating expenditures are forecast to increase from $466.2 million in 2004 to $563.9 million in 2008. This $97.7 million increase represents a 4.9 percent compound annual growth rate (Exhibit 5-11).

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



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 significant budget increase over 2005. The increases include police and contract security services, as well as planning, coordination, and training with other agencies. Since September 11, 2001, security costs have increased 85.7 percent, and in 2006, security costs are projected to reach $21 million, 27.3 percent higher than the 2005 forecast, and 37.9 percent more than the 2005 budget.

Another significant and volatile component of operating expenditures is diesel fuel. Spot market pricing for diesel fuel has risen dramatically; it reached $2.45 per gallon during 2005 and continues to fluctuate. Metra is projecting an average price of $1.90 per gallon for 2006, or 73 percent greater than the 2005 budget.

Metra's health insurance premium for 2005 increased by 5 percent from 2004. In 2006, health insurance is projected to increase by 6 percent from the 2005 forecast.

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's Labor Management Program, which is designed to enhance Metra's work environment for union employees relative to health and safety, is recognized as a model for the industry by both management and labor teams. In 2005, the Labor Management Program celebrated more than 20 years of existence.

Metra's proposed 2006 operating expenditures of $535.8 million are projected to grow by 5.9 percent from the 2005 estimate. Growth in operating expenditures have been curtailed by effective use of capital funds and by constant review of on-going programs for savings and reductions.

In 2007 and 2008, total expenditures will increase by 2.6 percent, respectively, compared to the previous year (Exhibit 5-7). Inflation is the major contributing factor.

Expenditure Elements

Operating expenditures include two major categories: base expenditures and highly variable expenditures. The components of base expenditures are transportation, maintenance, administration, power, risk management and claims, regional services and downtown stations expenditures. The highly variable expenditures are diesel fuel, security, health insurance, property and liability insurance, pension and other elements. Metra's 2006 total expenditures breakdown is transportation 27 percent, maintenance 34 percent, other base expenditure 14 percent, health insurance 10 percent, security 4 percent, fuel 9 percent, and other expenditures 2 percent. (Exhibit 5-12).

Transportation

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.

Transportation expenditures are expected to increase from $133.0 million in 2004 to $150.9 million in 2008. This increase of $17.9 million represents a 3.2 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 preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions.

Maintenance of equipment activities include regular repairs, inspection and preventive maintenance on passenger train equipment to ensure that this equipment is safe and in good working order to meet train schedules and passenger demand for seating.

Maintenance expenditures are expected to increase from $174.0 million in 2004 to $194.8 million in 2008. This $20.7 million increase represents a compound annual growth rate of 2.9 percent (Exhibit 5-7).

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 to ensure overall corporate goals and regulations are met. Administrative activities include human resources, 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 expenditures are expected to increase from $30.8 million in 2004 to $34.1 million in 2008. The $3.2 million increase represents a compound annual growth of 2.5 percent (Exhibit 5-7).

Power

Power expenditures are projected to increase from $6.7 million in 2004 to $7.7 million in 2008 (Exhibit 5-7). This $1.0 million increase represents a compound annual growth of 3.5 percent.

Risk Management and Claims

Metra is responsible for region-wide expenditures, referred to as centralized expenditures, for its own carriers and the contract rail carriers. Centralized expenditure items, such as diesel fuel, claims, insurance, and downtown Chicago passenger terminal lease costs, are directly controlled by Metra. Metra reports these expenditures on the financial schedules based upon each carrier's share of these items.

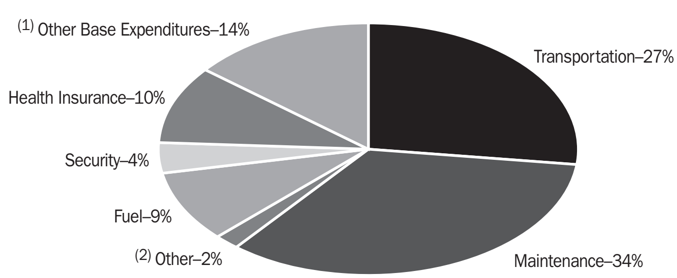
Expenditures for risk management and claims are expected to increase from $10.1 million in 2004 to $11.0 million by 2008. This $0.9 million increase represents a compound annual growth rate of 2.1 percent.

Regional Services and Downtown Stations

Metra is also responsible for setting fare and service levels, capital improvement planning and oversight, and service planning. Expenditures for these functions are included in the regional services and downtown stations category.

Expenditures in this category are expected to increase from $23.4 million in 2004 to $25.7 million by 2008. This $2.3 million increase represents a compound annual growth rate of 2.3 percent (Exhibit 5-7).

Exhibit 5-12: **2006 Metra Expenditures** — $535.8 million



(1) Other base expenditures include: administration, power, risk management and claims, regional services and downtown stations expenditures. (2) Other includes: property and liability insurance, pension, and non-recurring credits.

Diesel Fuel

Diesel fuel costs averaged $0.80 per gallon in 2004 and totaled $18.8 million due to fixed price purchasing arrangements. Diesel fuel was budgeted at $1.10 in 2005, totaling $26.7 million. Metra is estimating an average of $1.74 in 2005 for a total actual cost of $42.2 million, $15.5 million more than the 2005 budget.

In 2006, Metra has budgeted diesel fuel at $1.90 for a total of almost $50.0 million, including fuel for New Start operations. Metra does not anticipate diesel fuel prices to exceed 2006 levels in 2007 and 2008. (Exhibit 5-7).

Security

The 2006 budget for security is $21.0 million, a 27.3 percent increase over the 2005 estimate of $16.5 million and nearly a 50 percent increase over the 2004 actual charge of $14.7 million. The security budget for 2006 is 37.9 percent higher than the 2005 budget of $15.2 million. Security expenditures, however, are not expected to exceed 2006 levels in 2007 or 2008 (Exhibit 5-7).

Insurance

Property and liability insurance premiums are expected to be significantly higher than in 2004 and 2005. Insurance expenditures are projected to increase from $5.1 million in 2004 to $7.4 million in 2008. This $2.3 million increase represents a compound annual growth rate of 10 percent (Exhibit 5-7).

Health Insurance

Health insurance costs did not increase as much in 2005 as budgeted; however, the anticipated higher premiums in 2006 will increase at a rate greater than most of the other operating expenditures. Health insurance rates are assumed to increase at a more moderate pace in 2007 and 2008.

Health insurance expenditures are projected to increase from $48.5 million in 2004 to $58.5 million in 2008. This $10 million increase represents a compound annual growth rate of 4.8 percent (Exhibit 5-7).

Pension

The pension contribution was not specifically included in the 2005 budget, but is in the 2005 forecast and the 2006 budget. For 2007 and 2008, the overall total expenditure is assumed to be at the same level as 2006.

Pension expenditures are projected to increase from $3.1 million in 2004 to $3.7 million in 2006 (Exhibit 5-7).

Other

In 2004 and 2005, Metra was the beneficiary of credits that significantly lowered operating expenditures in those years. If the credits were not shown separately, it would appear that the growth rates for electric motive power and health insurance were much higher than they actually are or would be. Non-recurring credits were $2.1 million in 2004 and $1.1 million in 2005 (Exhibit 5-7).

Deficit

The operating deficit is derived from total system-generated revenue minus total operating expenditures. Metra's 2006 budget deficit is $262.4 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 used to cover 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 dollars collected in suburban Cook County, and 70 percent of the RTA Sales Tax collected in the collar counties. Metra's budgeted statutory sales tax receipts in 2006 are $248.7 million. The RTA also recognizes the importance of continued capital investment. Programming certain federal funds (Federal Section 5307 preventive maintenance) for operating purposes will make available an amount of RTA funding as local matching funds that will enable Metra to utilize all available capital funds.

Recovery Ratio

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2006 Metra's recovery ratio is 55.0 percent. The Region Section provides a detailed recovery ratio calculation.

Statutory Compliance

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

2005 Budget Versus 2005 Estimate

Total revenue is expected to finish $6.3 million, or 2.5 percent favorable to budget for 2005. Passenger revenue is projected to be favorable to budget by $3.6 million or 1.8 percent due to higher ridership in 2005. Other revenue is expected to be favorable to budget by $2.8 million due mostly to grant project credits and proceeds of $2.5 million from the sale of 150 old rail cars.

Expenditures are forecast to finish $18.5 million, or 3.8 percent above budget for 2005. However, base operating expenditures, which represent nearly 80 percent of total expenditures, were only $0.5 million, or 0.1 percent unfavorable to budget. The remaining 20 percent of expenditures comprise items over which Metra has less control. In 2005, $16.8 million, or 91 percent of the $18.5 million unfavorable variance was due to increases in fuel and security costs. Exhibit 5-13 details the variance between the 2005 budget and 2005 estimate.

Fare Structure

On February 1, 2006, Metra will implement a 5 percent fare increase, its first fare increase since 2002, and only the fifth Metra fare increase in more than 20 years.

Commuter rail fares are based upon travel between designated fare zones. These zones 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, 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 fare zone boundaries are crossed. The base fare will increase to $1.95 for a one-way trip. The incremental charge is 40¢ or 45¢ for additional zones (Exhibit 5-14).

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-15.

Exhibit 5-13: **Metra 2005 Budget Versus 2005 Estimate** (dollars in thousands)

System-Generated Revenue	2005 Budget	2005 Estimate	Variance
Passenger Revenue	$ 193,670	$ 197,222	$ 3,552
Reduced Fare Subsidy	3,040	2,965	(75)
Other Revenue	56,901	59,682	2,781
Total Revenue	**$ 253,611**	**$ 259,869**	**$ 6,258**
Operating Expenditures			
Transportation	$ 136,494	$ 138,275	$ (1,781)
Maintenance	176,834	176,310	524
Administration	32,292	32,292	—
Power	7,280	7,100	180
Risk Management and Claims	10,132	10,132	—
Regional Services and Downtown Stations (1)	24,382	23,836	546
Total Base Operating Expenditures	**$ 387,414**	**$ 387,945**	$ (**531**)
Diesel Fuel	$ 26,708	$ 42,217	$ (15,509)
Security	15,226	16,500	(1,274)
Insurance	5,858	5,858	—
Health Insurance	52,214	51,031	1,183
Pension	—	3,470	(3,470)
Other (2)	—	(1,100)	1,100
Total Highly Variable Expenditures	**$ 100,006**	**$ 117,976**	$ (**17,970**)
Total Expenditures	**$ 487,420**	**$ 505,921**	$ (**18,501**)
Operating Deficit (3)	**$ 233,809**	**$ 246,052**	$ (**12,243**)
Recovery Ratio %	**55.7**%	**55.0**%	(**0.7**)%

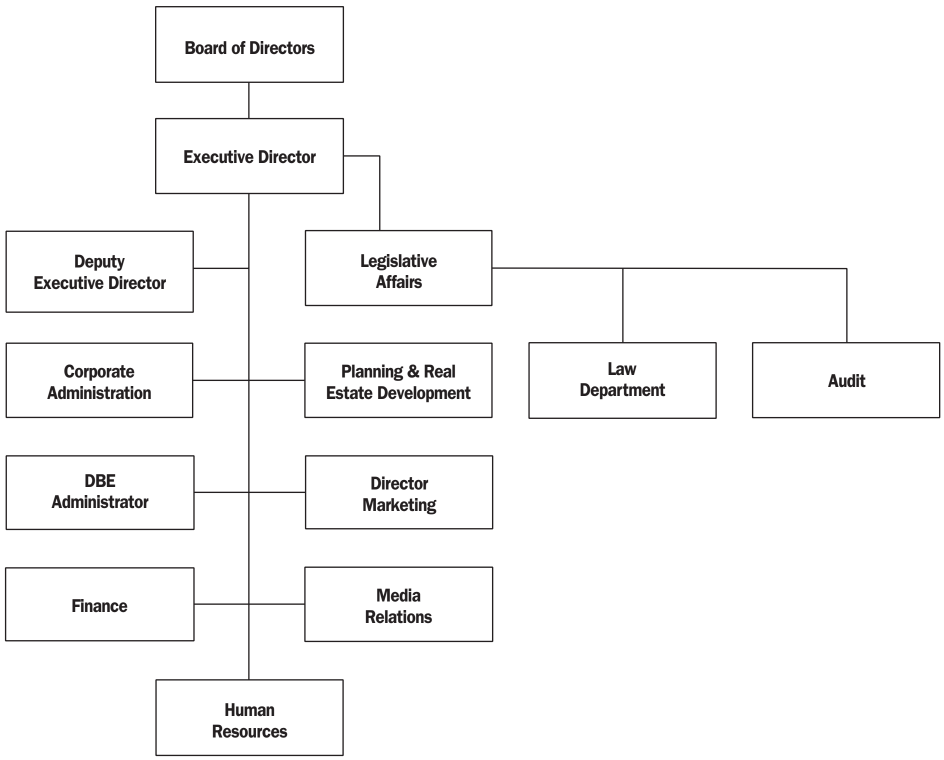
(1) The 2005 budget figure includes $0.6 million for a New Start public outreach project. (2) Other expenditures include nonrecurring credits for electric motive power and health insurance. (3) This represents a negative budget variance.

Exhibit 5-14: **Metra Ticket Pricing Formula**

Ticket Type	Period of Validity	Number of Rides	Pricing Basis
Monthly*	Calendar Month	Unlimited	27.0 times one-way fare
10-Ride*	One Year	Ten	8.5 times one-way fare
One-Way*	One Year	One	Base fare plus increments
Weekend	Saturday/Sunday	Unlimited	Flat rate—$5

(*) These ticket types are offered at a reduced rate to senior citizens, persons with disabilities, children, and students through high school traveling to and from school. Military personnel in uniform are entitled to reduced one-way ticket rates.

Exhibit 5-15: **Metra's Organization Chart**



6 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 Characteristics

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

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, 550 vanpool 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.

Employment and residential shifts outward from central business districts have resulted in longer commutes, greater single-occupant automobile use, increased traffic congestion, and declining air quality. Changing travel needs are the result of the growing suburban job market, national welfare-to-work initiatives, and greater work-hour, workday, and work-location flexibility. However, increased support for smart growth, transit-oriented development, and environmental concerns have accompanied these trends. In light of these factors, Pace is working to better serve various suburban travel markets.

To attract more riders, Pace will need to gain consensus among a diverse group of stakeholders, communities, and organizations interested in transportation and smart growth; create viable community and regional partnerships; develop service plans for specific communities and groups of communities; and gain funding from local, regional, state and federal sources.

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 services) and further customize the mix of tailored, flexible community-based services (e.g., demand response, 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. To achieve high service levels at low cost, Pace will apply Bus Rapid Transit (BRT) features, limited stops, simple routes, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority, and bus lanes on expressway/tollway 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, more efficient, and more effective service, as well as an enhanced image of transit as an alternative to the automobile. Pace has restructured routes in Elgin, along the Halsted Corridor, and in the vicinity of Orland Square Mall. In 2005, Pace completed its restructuring of eleven routes in North Shore communities to serve new generators, reduce transfers, and eliminate unproductive segments and route duplication.

Late in 2005, Pace implemented an initial round of service changes in the Aurora area as part of its restructuring efforts in the Fox Valley/Southwest DuPage region. Pace is investigating shuttle service options for employers located near Metra's North Central Service stations. Pace is beginning to redesign service in southern and southwestern Cook County and all of Will County. In the next few years, Pace plans future restructuring initiatives, including West Cook County/DuPage County/Elgin, North/Northwest Cook County, and North Lake County/McHenry County.

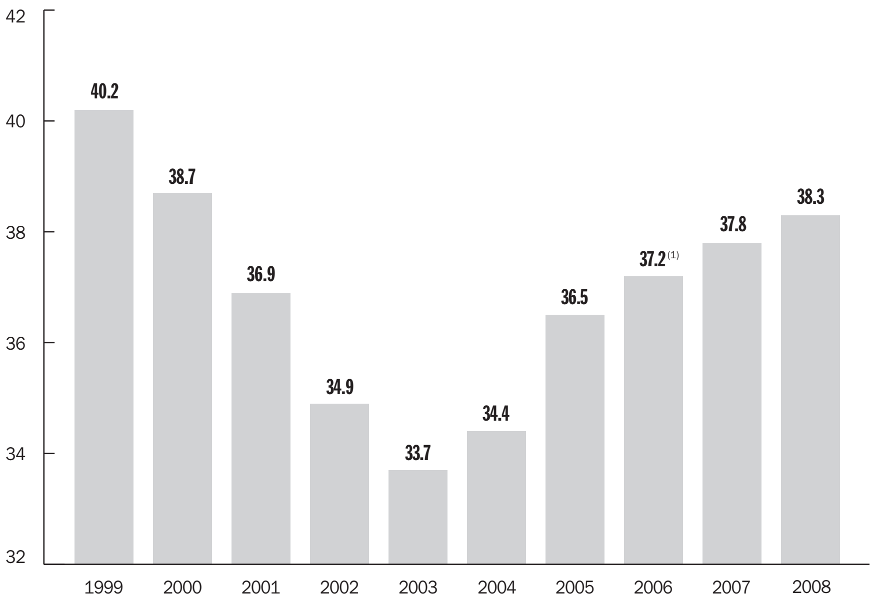
Beginning July 1, 2006, Pace will assume operating responsibility for all paratransit service in the RTA region. Revenue and expenditures for *ADA* paratransit have been separated from those of mainline service for Pace's 2006 budget and the 2007 and 2008 financial plan.

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. Pace raised fares in 2000 and 2001. Ridership began to rebound in 2004, increasing by 0.7 million or 1.9 percent from 2003. Ridership is expected to reach 36.5 million in 2005, an increase of 2.2 million or 6.0 percent. Much of the jump in 2004 and 2005 is the result of RTA/CTA agreement concerning Pace's acceptance of CTA 7-day passes, U-Passes, and Visitor Fun passes beginning in September 2004. The RTA provides additional funding to Pace to accept these passes. Also in 2004, Pace initiated the Campus Connection Pass to make Pace travel less expensive and more convenient for post-secondary school students.

After excluding ridership numbers for *ADA* paratransit in 2006, Pace ridership is expected to increase by 0.7 million, or 1.9 percent, in 2006 due to fixed-route re-structuring initiatives currently underway. Pace expects mainline (non-*ADA* paratransit) ridership to increase from 37.2 million in 2006 to 38.3 million in 2008 due to growth in the fixed-route ridership base and continued expansion of the vanpool programs, including Ride DuPage. This 1.1 million increase in ridership represents a 1.4 percent compound annual growth rate (Exhibit 6-1).

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



(1) Beginning in 2006, ridership excludes *ADA* paratransit service.

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 wheel-chair 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 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

Population and employment trends show significantly greater job and housing growth in the suburbs than in the City of Chicago. This shift in population and employment has increased the need for suburb-to-suburb service from a system that was designed to transport employees between the suburbs and the city. To better meet this need, Pace is undergoing several major restructuring initiatives that will result in a mix of community-based services and non-traditional services.

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 and Metra on a regular basis. A significant number also use autos or vans in addition to Pace. The main reasons customers cite for leaving Pace are related to purchasing a car, moving or switching jobs.

The Competition

Automobiles command 90 percent of the journey-to-work commute market. Drivers typically underestimate their commute costs, including only fuel and parking, and consider vehicle ownership costs as fixed. Auto travel times are significantly shorter than those of transit users. The overwhelming majority of suburban households own at least one car. Only slightly more than one third of Pace customers do not have a car available. While only a quarter of the suburb-to-city market is transit reliant, nearly half of city-to-suburb market is transit reliant.

Marketing Strategies

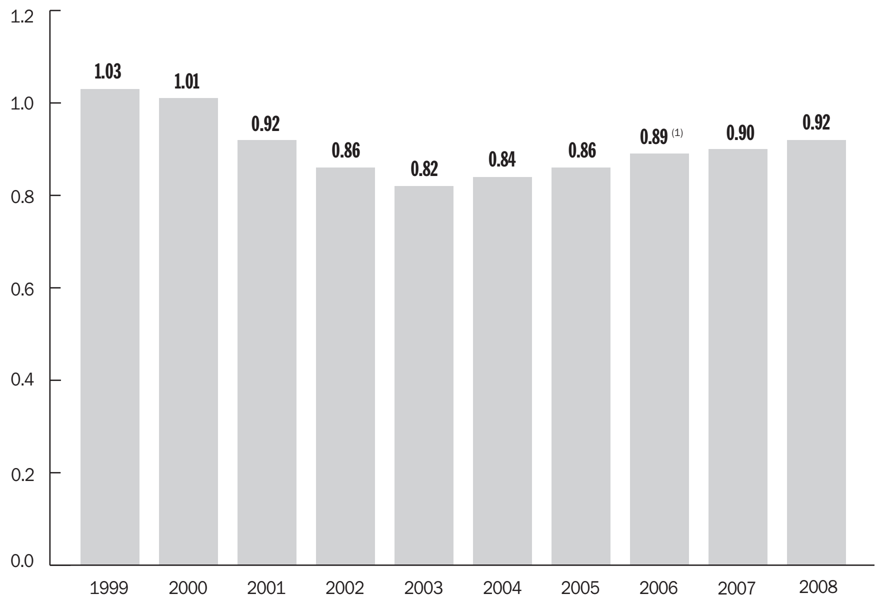
Pace's 2006 marketing strategy will change from a primarily region-wide image campaign to a more tactical local awareness campaign. Marketing initiatives will focus on educating the public about the availability of Pace services with an emphasis on the value of public transportation to both riders and non-riders.

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 1.03 in 1999 to 0.82 in 2003, indicating that system efficiency had decreased. However, Pace's passengers per mile ratio started to rebound in 2004 and is projected to continue to climb through 2008 to 0.92. Some of the increase in passengers per mile from 2005 to 2006 is the result of the elimination of *ADA* paratransit service from the calculation. (Exhibit 6-2).

The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Cost per mile has increased from $3.18 in 2001 to $3.59 in 2004, and is projected to rise to $3.85 in 2005. Pace has been less successful holding down expenditure growth with respect to passenger volume than with respect to service-miles. Pace's cost per passenger has increased from $3.45 in 2001 to $4.29 in 2004, and is projected to rise to $4.44 in 2005.

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



(1) Beginning in 2006, ridership excludes *ADA* paratransit service.

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. Launched in 2005, 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 expenditures.

In 2006, Pace intends to replace 18 fixed-route buses, which have exceeded their

Exhibit 6-3: **Cost Efficiency**

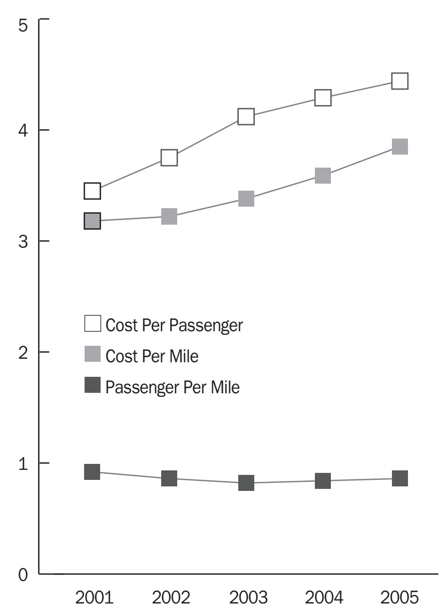


Exhibit 6-4: **Pace 2006 Budget and 2007–2008 Financial Plan** (dollars in thousands)

System-Generated Revenue	2004 Actual	2005 Estimate	2006 Budget Mainline	2006 Budget ADAPTS	2006 Budget Total
Mainline Passenger Revenue (1)	$ 31,080	$ 31,280	$ 32,304	—	$ 32,304
Pace ADA Paratransit Passenger Revenue	1,196	1,350	—	1,391	1,391
CTA ADA Paratransit Passenger Revenue	—	—	—	3,820	3,820
Reduced Fare Subsidy	3,266	3,485	3,170	—	3,170
Mainline Local Share/Other	11,648	12,549	13,576	—	13,576
Pace ADA Paratransit Local Share	175	131	—	131	131
Advertising/Investment	4,112	4,715	5,182	—	5,182
Funding for Paratransit (2)	7,213	7,783	4,192	4,159	8,351
Total Revenue (3) (4)	$ **58,690**	$ **61,293**	$ **58,424**	$ **9,501**	$ **67,925**
Operating Expenditures					
Labor/Fringes	$ 70,188	$ 73,070	$ 75,749	$ 600	$ 76,349
Health Insurance	13,025	14,183	15,745	65	15,810
Parts/Supplies	3,858	4,802	4,939	—	4,939
Utilities	1,547	1,638	1,713	—	1,713
Fuel	7,745	10,524	11,484	853	12,337
Insurance	7,834	9,062	8,777	224	9,001
Other	7,755	8,974	9,669	345	10,015
Public/Private Contract	9,245	9,367	9,852	—	9,852
Dial-A-Ride	11,680	12,161	12,770	—	12,770
Vanpool	2,083	2,688	2,977	—	2,977
Ride DuPage	521	1,395	1,478	—	1,478
Restructuring Initiative	61	1,000	1,220	—	1,220
Pace ADA Paratransit Service	11,680	13,232	—	14,287	14,287
CTA ADA Paratransit Service	—	—	—	29,582	29,582
Service Standard Enhancements (5)	—	—	—	—	—
Total Expenditures	$ **147,222**	$ **162,097**	$ **156,374**	$ **45,956**	$ **202,330**
Operating Deficit	$ **88,532**	$ **100,804**	—	—	$ **134,405**
Recovery Ratio % (6)	**41.4**%	**39.5**%	—	—	**35.0**%

(1) Includes vanpool, municipal vanpool, Ride DuPage and other services. (2) 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 expenditures under GAAP, the funding is recognized as operating revenue as shown on this schedule. In 2006, this amount is divided between funding for Dial-A-Ride service (mainline) and funding for *ADA* paratransit (ADAPTS). (3) Excludes ADvAntage program—in-kind revenue and expenditure (of equal amount) that are included in Pace's recovery ratio calculation. The amount in 2004 was $4.0 million. The figure is $4.5 million for 2005 and 2006. (4) Pace's submission for the 2006-2008 budget and financial plan included $2.0 million in revenue for pass reimbursement. This amount is additional RTA funding and cannot be used in the recovery ratio calculation. (5) The amounts reflect operational enhancements needed to meet the respective funding marks set by the RTA Board on September 15, 2005. (6) The recovery ratio in 2006 of 35 percent corresponds to the mark set for Pace by the RTA Board.

useful life. The new vehicles will be 30-foot traditional transit buses.

Pace plans to purchase 119 vanpool vehicles for program expansion and to replace vehicles, which have exceeded their useful life. Pace's 2006 goals for the vanpool program include carrying 1.7 million passengers, which is a ridership increase of 8.8 percent over the 2005 estimate. The recovery performance of the vanpool programs in 2006 is expected to range from 81.6 percent for the ADvAntage program to 167.8 percent for the Corporate Shuttle Program. Pace estimates that it will have 580 vans in service by the end of 2005 and plans to increase the number of vans to nearly 640 by the end of 2006.

Support Facilities/Equipment/Stations/ Passenger Facilities

The program contains funds for the purchase of computer equipment and systems for Pace headquarters and the second phase of the HPe3000 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.

Miscellaneous

The program also contains funds for support engineering and environmental study activities and due diligence work that must be performed before the FTA will provide federal funding for discretionary projects. Pace intends to use RTA New Initiative funding for Transit Signal Priority (TSP) and Bus Rapid Transit (BRT) projects.

2007 Plan Mainline	2007 Plan ADAPTS	2007 Plan Total	2008 Plan Mainline	2008 Plan ADAPTS	2008 Plan Total
$ 32,865	—	$ 32,865	$ 33,428	—	$ 33,428
—	1,405	1,405	—	1,419	1,419
—	8,198	8,198	—	9,018	9,018
3,170	—	3,170	3,170	—	3,170
13,759	—	13,759	13,799	—	13,799
—	133	133	—	134	134
5,549	—	5,549	5,770	—	5,770
—	—	—	—	—	—
$ 55,341	**$ 9,736**	**$ 65,077**	**$ 56,166**	**$ 10,571**	**$ 66,737**
$ 78,873	$ 621	$ 79,494	$ 81,364	$ 645	$ 82,009
17,319	71	17,390	19,051	78	19,129
5,092	—	5,092	5,219	—	5,219
1,749	—	1,749	1,787	—	1,787
12,439	924	13,363	12,644	940	13,584
8,482	217	8,699	8,670	220	8,890
9,890	356	10,246	10,319	367	10,686
10,162	—	10,162	10,498	—	10,498
13,172	—	13,172	13,607	—	13,607
3,275	—	3,275	3,560	—	3,560
1,525	—	1,525	1,576	—	1,576
—	—	—	—	—	—
—	14,737	14,737	—	15,224	15,224
—	63,492	63,492	—	69,842	69,842
—	—	(6,795)	—	—	(14,071)
$ 161,979	**$ 80,418**	**$ 235,603**	**$ 168,296**	**$ 87,316**	**$ 241,541**
—	—	**$ 170,526**	—	—	**$ 174,804**
—	—	N/A	—	—	N/A

Budget and Financial Plan

The Pace budget and financial plan presented in this document corresponds to the marks set by the RTA on September 15, 2005. The marks set the total of RTA Sales Tax and discretionary funding at $81.6 million for 2006, $84.2 million for 2007, and $86.9 million for 2008. The RTA has also agreed to fund Pace up to $2 million in each of these years to accept CTA 7-day passes, U-Passes, and Visitor Fun passes. The RTA has set Pace's recovery ratio for 2006 at 35.0 percent for Pace's non-*ADA* paratransit operations. This ratio is five percentage points lower than the level originally set for all of Pace's operations in 2005. Pace's budget and financial plan is presented in Exhibit 6-4. Beginning in 2006, Pace's revenue and expenditures are separated into mainline and *ADA* paratransit service (ADAPTS).

System-Generated Revenue

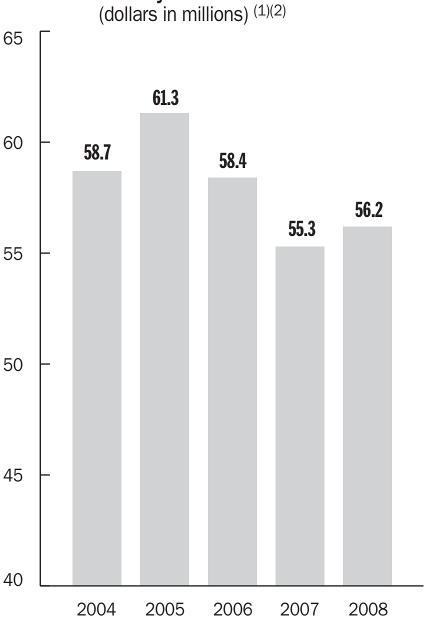
Pace's total system-generated revenue of $58.7 million in 2004 is projected to increase 4.4 percent to $61.3 million in 2005 (Exhibit 6-5). Total system-generated revenue for 2004 and 2005 include *ADA* paratransit passenger revenue, *ADA* paratransit local share, and Federal Section 5307 funding for both Dial-A-Ride and *ADA* paratransit service. Pace projects mainline system-generated revenue of $58.4 million in 2006. In 2006, mainline passenger revenue is expected to account for 56 percent, mainline local share/other 23 percent, funding for paratransit 7 percent, reduced fare subsidy 5 percent, and advertising/investment revenue 9 percent of total mainline revenue (Exhibit 6-6). Mainline system-generated revenue of $55.3 million in 2007 and $56.2 million in 2008 does not include estimates for Federal Section 5307 funding for paratransit and Dial-A-Ride service.

Passenger Revenue and Local Share

Mainline passenger or farebox revenue is projected to increase 3.3 percent from $31.3 million in 2005 to $32.3 million in 2006 (Exhibit 6-7). Mainline local share contributions (for Dial-A-Ride service) and other revenue are expected to increase 7.7 percent from $12.5 million in 2005 to $13.6 million in 2006. Mainline passenger revenue is expected to increase from $32.3 million in 2006 to $33.4 million by 2008, a $1.1 million increase that corresponds to a 1.7 percent compound annual growth rate. Mainline local share and other revenue are expected to increase from $13.6 million in 2006 to $13.8 million in 2008, a $0.2 million increase that corresponds to a 0.8 percent compound annual growth rate. Passenger revenue includes farebox (cash, pass, and card revenue), vanpool, and other services. Other services are Congestion Mitigation Air Quality (CMAQ) receipts, Job Access Reverse Commute (JARC) receipts, and shuttle service.

During the *ADA* paratransit transition year of 2006, Pace expects *ADA* paratransit passenger revenue in the traditional Pace service area to reach $1.4 million, an increase of $41,000 or 3.0 percent from 2005. *ADA* paratransit passenger revenue in the CTA region during the second half of 2006 is projected to reach $3.8 million. With the addition of *ADA* paratransit local share and Federal Section 5307 funding for *ADA* paratransit, Pace's total *ADA* paratransit revenue is projected to reach $9.5 million in 2006. In 2007, the first full year in which Pace will be responsible for providing *ADA* paratransit service throughout the RTA region, total *ADA* paratransit revenue excluding Federal Section 5307 funding for paratransit is projected to reach $9.7 million. The amount for 2008, $10.6 million, corresponds to an increase of 8.6 percent over the previous year.

Exhibit 6-5: **Pace System–Generated Revenue**
(dollars in millions) (1)(2)



(1) Beginning in 2006 system-generated revenue excludes *ADA* paratransit passenger revenue and *ADA* paratransit local share.
(2) System-generated revenue in 2007 and 2008 also excludes funding for paratransit for Dial-A-Ride services.

The amounts of Federal Section 5307 funding for paratransit, recognized as operating revenue, have not been determined for 2007 and 2008. These amounts will increase *ADA* paratransit revenue and reduced deficit funding equally.

Pace's fare structure is presented at the end of this section (Exhibit 6-10). Despite the CTA's decision to raise its cash fare for bus and rail and its transit pass fare for rail to $2.00 and to stop issuing transfers for cash fares or accepting cash fare transfers from Pace on January 1, 2006, Pace did not increase its base fare. At this time, Pace has no plans to raise its fares in 2006 other than a $3.00 increase in the monthly vanpool fares, which will range from $57 to $141.

Reduced Fare Subsidy

The reduced fare subsidy is expected to decline from $3.5 million in 2005 to $3.2 million in 2006 and remain stable through 2008. In 1999, the subsidy essentially doubled due to the implementation of the *Illinois FIRST* program.

Advertising/Investment

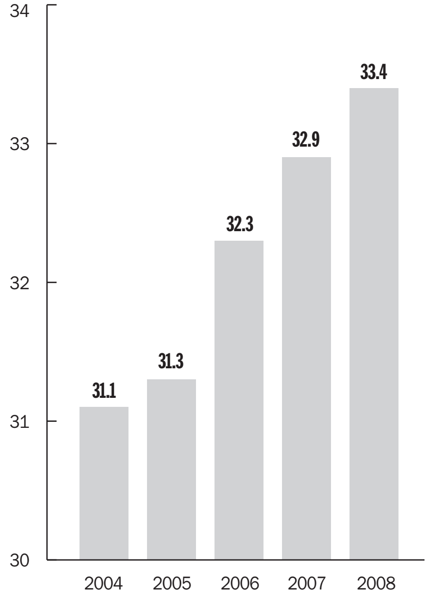
Combined advertising and investment revenue is expected to increase from $4.1 million in 2004 to $5.8 million by 2008, a $1.7 million increase that corresponds to an 8.8 percent compound annual growth rate. In September 2003, the Pace Board of Directors approved a revenue-generating multi-year contract with Transit Television Network (TTN) of Orlando for the installation of on-board broadcasting monitors. The television screens broadcast informational programming on fixed-route buses. Fully funded by TTN, the project provides Pace with a minimum of $0.5 million during the five-year agreement. Investment revenue includes income from investments of cash balances.

Operating Expenditures

Total Pace operating expenditures of $147.2 million in 2004 are projected to increase 10.1 percent to $162.1 million in 2005. Total operating expenditures for 2004 and 2005 include the cost of suburban *ADA* paratransit service (Exhibit 6-8).

Pace projects mainline operating expenditures of $156.4 million in 2006. Mainline operating expenditures of $162.0 million in 2007 and $168.3 million in 2008 do not include allocations of service standard enhancements of $6.8 million and $14.1 million, respectively, between mainline and *ADA* paratransit service. These enhancements are needed to meet the funding marks set by the RTA Board on September 15, 2005. Growth in labor/fringes, health care, and fuel are the primary factors behind increases in operating expenditures. Operating expenditures for *ADA* paratransit between 2006 and 2008 are described later in this section.

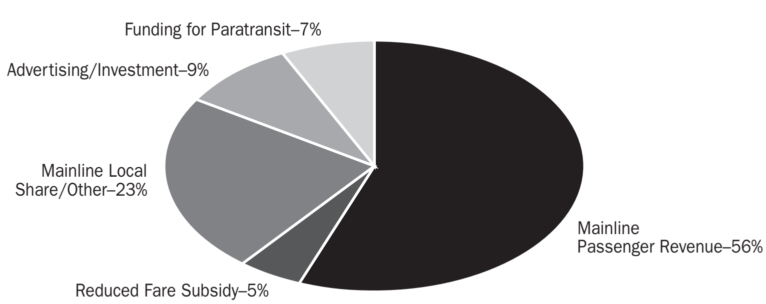
Exhibit 6-7: **Pace Mainline Farebox Revenue**
(dollars in millions)



Expenditure Elements

Operating expenditure elements include labor and fringes, health insurance, parts and supplies, utilities, fuel, insurance and claims, other, public and private contracts, Dial-A-Ride, vanpool, Ride DuPage, restructuring initiatives, and *ADA* paratransit (Exhibit 6-4).

Exhibit 6-6: **2006 Pace Mainline Revenue** — $58.4 million



Labor, Fringe and Health Insurance Costs

Labor, fringe, and health insurance expenditures, which accounted for 56.5 percent of total operating expenditures in 2004, are expected to increase 4.9 percent to $87.3 million in 2005. Labor, fringe, and health insurance expenditures for mainline service are projected to reach $91.5 million in 2006.

Parts and Supplies

Parts and supplies expenditures, which accounted for 2.6 percent of total operating expenditures in 2004, are expected to increase 24.5 percent to $4.8 million in 2005. Parts and supplies expenditures are projected to reach $4.9 million in 2006.

Utilities

Utility expenditures, which accounted for 1.1 percent of total operating expenditures in 2004, are expected to increase 5.9 percent to $1.6 million in 2005. Utilities expenditures are projected to reach 1.7 million in 2006.

Fuel

Fuel expenditures, which accounted for 5.3 percent of total operating expenditures in 2004, are projected to account for 6.5 percent of total operating expenditures in 2006. Fuel expenditures are projected to increase 2.8 million or 35.9 percent from $7.7 million in 2004 to $10.5 million in 2005. Fuel expenditures for mainline service are projected to reach $11.5 million in 2006.

Insurance and Claims

Insurance and claims expenditures, which accounted for 5.3 percent of total operating expenditures in 2004, are expected to increase 15.7 percent to $9.1 million in 2005. Insurance expenditures for mainline service are projected at $8.8 million in 2006.

Other

Other expenditures, which accounted for 5.3 percent of total operating expenditures in 2004, are expected to increase 15.7 percent to $9.0 million in 2005. Other expenditures for mainline service are projected to reach $9.7 million in 2006.

Public/Private Contract

Public/private contract expenditures, which accounted for 6.3 percent of total operating expenditures in 2004, are expected to increase 1.3 percent to $9.4 million in 2005 and 5.2 percent to $9.9 million in 2006. This latter increase results primarily from significant hikes in contractors' renewal rates. Labor and fringe benefit costs, especially healthcare, are expected to continue to rise faster than inflation.

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 2006, expenditures of $0.7 million are expected to be offset by revenue of $0.6 million including local subsidy. In Schaumburg, a shopper's trolley service operates in the Woodfield Mall area. In 2006, 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 2006, approximately 90 percent of the $0.1 million expenditure is expected to be offset by revenue including local subsidy.

Pace provides fixed-route service in 39 communities by contracting directly with five private transit companies: Academy Coach Lines, Colonial Coach Lines, Laidlaw, Cook County School Bus, and M. V. Transportation. In 2006, of private contract carrier expenditures $8.6 million are projected to be offset by revenue of $2.7 million. This $5.9 million funding requirement corresponds to a recovery ratio of 31.2 percent.

Dial-A-Ride

Dial-A-Ride (DAR) expenditures, which accounted for 7.9 percent of total operating expenditures in 2004, are expected to increase 4.1 percent to $12.2 million in 2005. Dial-A-Ride expenditures are projected to reach $12.8 million in 2006, attributable in part to expected increases in ridership. Pace contracts directly with 31 private operators to provide Dial-A-Ride 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 31 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.

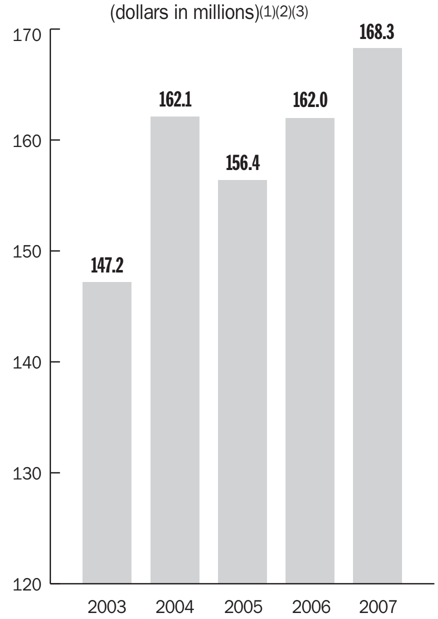
Vanpool

Vanpool expenditures, which accounted for 1.4 percent of total operating expenditures in 2004, are expected to increase 29.0 percent to $2.7 million in 2005. Vanpool expenditures are projected to reach $3.0 million in 2006.

Pace's vanpool program, which provides passenger vans to groups of 5 to 15 commuters, continues to grow. In 2006, Pace expects to have in service nearly 640 vans carrying 1.7 million riders, an increase of 56 vans (9.7 percent) and 140,000 riders (8.8 percent) from 2005.

The program is comprised of four elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle, the ADvAntage program, and the Municipal Vanpool program. The VIP service, the core element of the program, is projected to achieve ridership of 796,000 with 229 vans by the end of

Exhibit 6-8: **Pace Total Operating Expenditures**
(dollars in millions)(1)(2)(3)



(1) Excludes ADvAntage program in-kind expenditures.
(2) 2006-2008 total operating expenditures exclude *ADA* paratransit. (3) Total operating expenditures for 2007 and 2008 are calculated prior to allocation of service standard enhancements.

2006. Pace estimates that by the end of 2006 the Corporate Shuttle program will have 25 vans transporting employees between suburban employers and nearby CTA, Metra and Pace facilities. By the end of 2006, the ADvAntage element of the vanpool program is expected to have 287 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 95 vans in service in 2006.

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. During 2005, its first full year of operation, the number of Ride DuPage passengers is expected to reach 57,000. Expenditures for this program are projected to reach $1.4 million in 2005 and $1.5 million in 2006.

Restructuring Initiative

Pace's restructuring initiative includes both on-going improvements to its fixed-route service and the integration of the CTA *ADA* paratransit service in 2006. In 2005 and 2006, Pace expects to incur restructuring expenditures of $1.0 and $1.2 million, respectively. In April 2005, the Pace Board approved an ordinance to add three additional employees, including a service restructuring coordinator. In July 2005, the Pace Board approved an ordinance to add a supervisor of City of Chicago contract services, two senior project mangers, and a project specialist responsible for the new CTA *ADA* paratransit service.

ADA Paratransit

In 2005, Pace expects to provide curb-to-curb service to approximately 447,000 riders. Individuals certified by the RTA who are unable to use Pace's fixed-route services can register for Pace's *ADA* paratransit service. Pace's contracting expenditure for *ADA* paratransit service is projected to increase from $11.7 million in 2004 to $13.2 million in 2005. This $1.6 million or 13.3 percent increase is a result of both continued increases in ridership and contractor renewal rates that outpace inflation.

During the *ADA* paratransit transition year of 2006, Pace expects the contracting expenditure for *ADA* paratransit service in the traditional Pace service area to reach $14.3 million, an increase of $1.1 million or 8.0 percent from 2005. Expenditures for *ADA* paratransit service in the CTA region during the second half of 2006 are projected to reach $29.6 million. With the addition of other expenditure categories, Pace's total cost of providing *ADA* paratransit service is projected to reach $46.0 million in 2006.

In 2007, total expenditures for providing *ADA* paratransit service prior to the allocation of service standard enhancements are projected to reach $80.4 million. The amount for 2008, $87.3 million, corresponds to an increase of 8.6 percent over the previous year.

Deficit

Operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2004, Pace ended the year with a net funding deficit of $6.8 million that reduced its funding balance (cumulative positive budget variance) from $12.2 million to $5.4 million.

In 2005, Pace projects a net funding deficit of $1.6 million and an ending fund balance of $3.7 million. In 2006, Pace expects a net funding deficit (or the use of Service Board PBV funds of $1.3 million) and an ending fund balance of $2.4 million for its combined mainline and *ADA* paratransit services. The Region Section provides the detailed funding calculation.

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 and discretionary funding is projected to remain at $79.1 million in 2005 and then grow at 3.2 percent per year to $86.9 million in 2008.

Total RTA funding to Pace is projected to reach $82.1 million in 2005. In 2004, the RTA Board determined that it was in the best interest of public transportation to provide additional funds to Pace for accepting CTA 7-day passes, U-Passes, and Visitor Fun passes. The RTA committed to funding up to $2 million per calendar year for this program, which started in September 2004. Based on the results seen thus far, the RTA has committed to funding up to $2 million in 2006 through 2008. In 2005, the RTA Board provided Pace with an additional $1.0 million to assist with the cost of start-up activities related to the transition to Pace of all of the *ADA* paratransit services in the RTA region.

The Pace budget and financial plan presented in Exhibit 6-4 corresponds to the marks set by the RTA on September 15, 2005. The marks set the total funding levels at $134.4 million for 2006, $170.5 million for 2007, and $174.8 million for 2008. With the inclusion of additional RTA discretionary funding for accepting CTA fare media and for *ADA* paratransit service and other cost, total RTA funding is projected to reach $98.9 million, $140.4 million, and $143.1 million in 2006, 2007, and 2008, respectively. The Region Section provides the detailed funding calculation.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. With the inclusion of the revenue for the funding of paratransit service under contract of $7.2 million and $4.0 million of ADvAntage Program—in-kind revenue and expenditure, Pace achieved a recovery ratio of 41.4 percent in 2004. With the inclusion of revenue for the funding of paratransit service under contract of $7.8 million in 2005 and $8.4 million in 2006 and $4.5 million of ADvAntage Program—in-kind revenue and expenditure in both years, recovery ratios of 39.5 and 35.0 percent are expected in 2005 and 2006, respectively. Exhibit 6-9 provides the detail used in this calculation for 2005.

2005 Budget Versus 2005 Estimate

Total revenue is projected to end the year $1.2 million favorable to budget. Mainline farebox or passenger revenue is expected to finish the year $1.9 million or 6.6 percent favorable, while mainline local share/other is expected to finish the year $0.8 million or 5.8 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 $0.1 million or 2.0 percent unfavorable to budget. Funding for paratransit is projected to finish the year at budget.

Total expenditures are expected to finish the year $4.8 million unfavorable to budget. Expenditures for fuel, insurance, parts/supplies, Pace *ADA* paratransit, and labor/fringe are expected to be $3.8, $1.5, $0.9, $0.7, and $0.7 million unfavorable to budget, respectively. Expenditures for health insurance are expected to be $1.0 million favorable to budget.

Pace's operating deficit (expenditures less revenue) is projected to be $3.7 million unfavorable to budget. From a funding perspective, Pace is projected to finish $0.1 million unfavorable because of lower than expected other federal funds. These amounts combine for an unfavorable funding variance of $3.8 million in 2005 (Exhibit 6-9).

Exhibit 6-9: **Pace 2005 Budget Versus 2005 Estimate** (dollars in thousands)

Revenue	Amended 2005 Budget	2005 Estimate	Variance
Mainline Passenger Revenue (1)	$ 29,347	$ 31,280	$ 1,933
Pace ADA Paratransit Passenger Revenue	1,216	1,350	134
Reduced Fare Subsidy	3,478	3,485	7
Mainline Local Share/Other	13,327	12,549	(779)
Pace ADA Paratransit Local Share	168	131	(36)
Advertising/Investment/Other (2)	4,813	4,715	(98)
Funding for Paratransit (3)	7,783	7,783	—
Total Revenue	$ **60,132**	$ **61,293**	$ **1,161**
Expenditures			
Labor/Fringes	$ 72,404	$ 73,071	$ (666)
Health Insurance	15,197	14,183	1,014
Parts/Supplies	3,884	4,802	(918)
Utilities	1,643	1,638	5
Fuel	6,678	10,524	(3,846)
Insurance	7,550	9,062	(1,512)
Other Services	8,832	8,974	(142)
Public/Private Contract	9,733	9,367	366
Dial-A-Ride	12,624	12,161	463
Vanpool	2,644	2,688	(44)
Ride DuPage	1,108	1,395	(287)
Restructuring Initiative	2,426	1,000	1,426
Pace ADA Paratransit	12,530	13,232	(702)
Total Expenditures	$ **157,253**	$ **162,097**	$ (**4,844**)
Operating Deficit	$ **97,121**	$ **100,804**	$ (**3,683**)
Public Funding Sources			
RTA Operations Funding	$ 79,052	$ 79,052	—
RTA Pass Reimbursement	2,000	2,000	—
RTA Regional ADA Funds	1,000	1,000	—
Other Federal Funds	17,272	17,138	(134)
Total Public Funding	$ **99,324**	$ **99,190**	$ (**134**)
Funding Surplus/Deficit	$ **2,203**	$ (**1,614**)	$ (**3,817**)
ADvAntage Program—In-Kind (4)	$ **3,800**	$ **4,452**	$ **652**
Recovery Ratio %	**39.7**%	**39.5**%	**0.5**%

(1) Passenger revenue includes vanpool, municipal vanpool, Ride DuPage, and other services. (2) Pace's 2005 budget included sufficient funds for a 40 percent recovery ratio. (3) Pace's 2005 estimate included this figure as public funding. However, since the capital-related costs of paratransit service are characterized as operating expenditures under GAAP, the funding becomes operating revenue as shown on this schedule. (4) The ADvAntage program—in-kind revenue and expenditure (of equal amount) is included in the recovery ratio calculation.

Statutory Compliance

Pace's proposed 2006 budget and 2006 recovery ratio submitted to the RTA complies with the operating marks set by the RTA Board. However, Pace's 2007-2008 two-year financial plan did not comply with the marks. It assumed unidentified future new transit funding and no Federal Section 5307 funding for operations. To bring the 2007-2008 two-year financial plan into compliance with the marks, service standard enhancements of $6.8 million and $14.1 million and new transit funding of $29.0 million and $31.2 million were required in 2007 and 2008, respectively. If additional public subsidies are not obtained, Pace will need to take other steps to balance its financial plan, which may include transferring federal capital funds to operations.

Exhibit 6-10: **Fare Structure**

	Current Fares	
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
CCC–Commuter Club Card (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*	0.55	0.25
Local 10-Ride Plus Ticket	12.50	6.00
(*) Local transfers are free of charge		
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	—

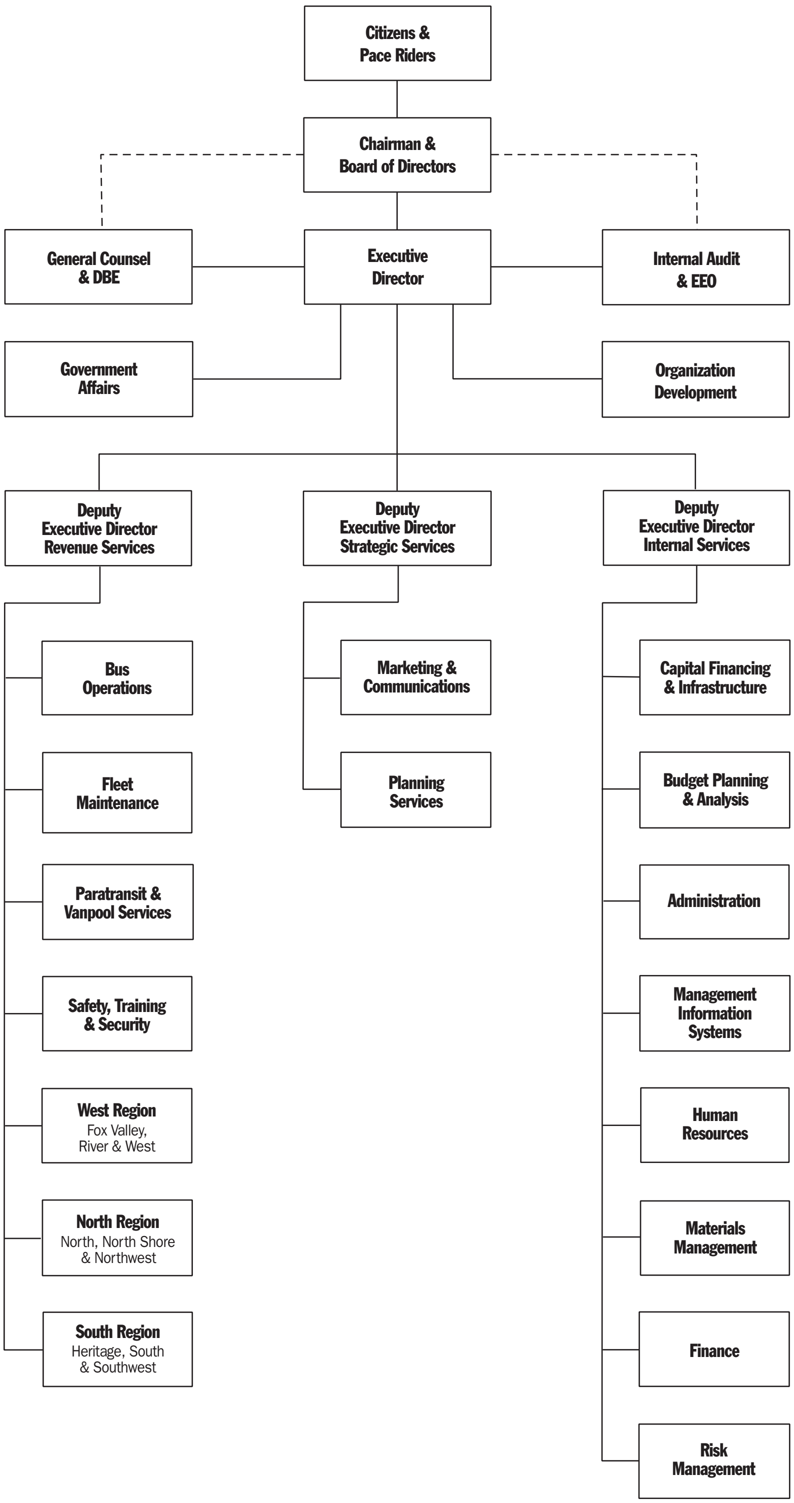
Vanpool

Fares for monthly VIP and other vanpool services range from $57.00 to $141.00 depending on the daily round trip van miles and the number of passengers. This range represents a $3.00 increase from 2005.

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 6-11).

Exhibit 6-11: **Pace Organizational Chart**



7 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 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. This translates into a need of approximately $1 billion per year just to maintain and preserve the existing system. Recently, Congress passed a reauthorization of federal funding for transportation projects. Although this legislation provided an increase over previous levels of funding, it will still leave a substantial shortfall. Even after providing the required match for these funds, the region still faces a need of more than $500 million per year to properly maintain our resources.

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 has identified the need to wisely allocate our available capital resources consistent with long-range plans and short-range needs.

2006–2010 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 estimated new capital funds available for 2006 are projected at $507 million. However, the final federal appropriation figures have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding.

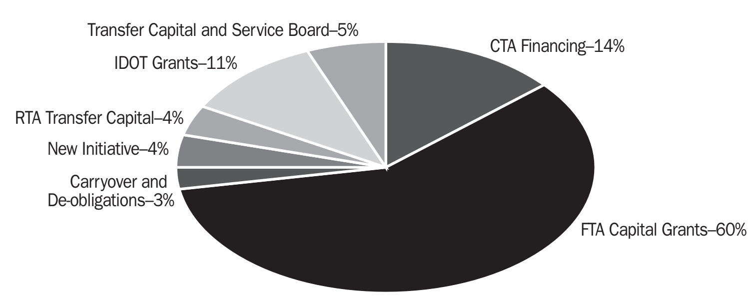
On September 15, 2005, the RTA adopted the preliminary capital funding marks; and on December 16, 2005 these marks were revised to incorporate various federal and local funding changes that were proposed to the preliminary marks by the Service Boards and the RTA (Exhibits 7-1 and 7-2). The capital funding marks contained in this document reflect the carry over of $28.3 million of the CTA's 2005 Federal Section 5309 Fixed Guideway funding.

Of the estimated $591 million of new and de-obligated funding sources for 2006, federal funding accounts for $320.4 million or 54 percent. New initiative funds account for $113.3 million or 19 percent, RTA funds account for $32.2 million or 6 percent, Service Board (and other) funds account for $41.1 million or 7 percent, and carryover and de-obligated funds account for $84 million or 14 percent (Exhibits 7-3 and 7-4).

Federal

The RTA receives federal funds authorized under Federal Sections 5307, 5340 and 5309 of the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).* President

Exhibit 7-1: **RTA 2006–2010 Capital Program Marks** — $3,019 million



Bush signed this legislation on August 10, 2005. *SAFETEA-LU* is the legislation that provides funding for federal surface transportation programs, including transit. This bill provides $286.4 billion in funding for federal surface transportation programs over six years through federal fiscal year 2009 with $52.6 billion for federal transit programs. The 2006 and out-year federal marks are based on the six-year funding level for *SAFETEA-LU*.

Certain federal funding programs are allocated to urbanized areas based on legislatively defined formulas. The region receives Federal Section 5307 Urbanized Area Formula funds and Federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds in this fashion. *SAFETEA-LU* included a new program, Federal Section 5340 Growing and High Density States, also distributed by formula that will provide funds to northeastern Illinois.

Other federal funds are available to the region on a competitive basis. The RTA, with substantial input from the Service Boards, estimates annual funding levels based on staff analysis of national funding levels, past performance, project readiness and existing legislative or contractual commitments. Federal Section 5309 (m)(2)(A) New Start and Section 5309 (m)(2)(C) Bus capital funding are often earmarked in federal legislation. The Federal Section 5309 (m)(2)(A) New Starts funding includes moneys to complete the five projects currently underway as earmarked in *SAFETEA-LU*. Starting in 2006, funds are programmed for additional New Starts system expansion projects also as identified in *SAFETEA-LU*. The funds programmed at this time will support engineering and environmental study activities. In addition, the federal flexible funds, such as the Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds, are sought by the Service Boards through a regional competitive process.

Exhibit 7:2 **RTA 2006–2010 Capital Program Marks** (dollars in millions)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 1,416	$ 801	$ 219	$ 2,436
IDOT Grants	166	124	36	326
RTA Transfer Capital	114	—	—	114
Transfer Capital and Service Board	—	155	3	158
New Initiative	62	42	9	113
Carryover and De-Obligations	61	11	13	85
Total Service Board Capital Funding	**$ 1,819**	**$ 1,133**	**$ 280**	**$ 3,232**
CTA Financing	425	—	—	425
CTA Principal and Interest	(231)	—	—	(231)
Other Uses	(171)	(196)	(40)	(407)
Total Service Board Available	**$ 1,842**	**$ 937**	**$ 240**	**$ 3,019**

In addition, other federal funds will be made available to the region by formula but will be allocated among a variety of agencies including transit operators on a competitive basis. These programs include the Job Access and Reverse Commute (JARC) program and Federal Section 5317 New Freedom program (for services supplemental to *ADA* requirements). Since these federal programs are new and regional allocation processes have not been established, no funding marks are proposed at this time.

RTA estimates that in 2006, 54 percent of the region's available transit capital funding will come from federal sources. The RTA preliminary estimates reflecting the *SAFETEA-LU* legislation are $146.4 million for Federal Section 5309 (m)(2)(B) and $203.5 million for Federal Section 5307.

Federal Sections 5307 and 5309 funding marks for 2006 were decreased for the Service Boards by $138.8 million to allow the use of these funds for the Service Boards' operating budgets and pay for the capital-related portion of the operating costs of contracted paratransit service, preventive maintenance and *ADA* complementary service for the CTA, Metra and Pace. Similarly, the out-year Federal Section 5307 capital funding amounts for the CTA and Metra were also decreased for the same reason. In addition, the CTA has requested to use Federal Section 5307 funding of $30.3 for the payment of debt principal and interest for 2006 and $200.2 million for this purpose in the out years.

For 2006, *SAFETEA-LU* includes Federal Section 5309 New Start funding of $85.8 million for CTA's Douglas and Ravenswood lines capital projects and $42.6 million for Metra's commuter rail extensions and upgrades for a combined estimated total of $128.4 million. In addition, the 2007-2010 New Start funding includes $145.2 million for the completion of the CTA's Ravenswood project and $173.9 million for several projects proposed by the Service Boards.

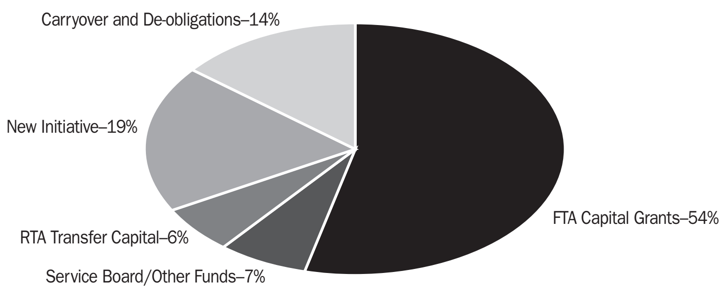
Flexible funds are another source of federal funding for the RTA 2006-2010 capital program. Flexible funds are certain legislatively-specified funds that may be used either for transit or highway purposes. This provision was first included in the *Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)* and is continued with *SAFETEA-LU*. Flexible funds include Federal Highway Administration (FHWA) Surface Transportation Program (STP) funds and Congestion Mitigation and Air Quality (CMAQ) improvement program.

The idea behind flexible funds is to 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

Exhibit 7-3: **2006 Capital Funding** (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 276,937	$ 165,436	$ 47,200	$ 489,572
IDOT Grants	—	—	—	—
Service Board/ Other Funds	—	38,747	2,400	41,147
RTA SCIP Bonds	—	—	—	—
RTA Transfer Capital	32,153	—	—	32,153
New Initiative	61,864	42,500	8,950	113,314
Carryover and De-obligations	60,775	10,558	12,700	84,033
Total Service Board Capital Funding	$ **431,728**	$ **257,241**	$ **71,250**	$ **760,219**
CTA Principal and Interest	(30,332)			(30,332)
Other Uses	(41,166)	(57,912)	(39,788)	(138,866)
Total Service Board Available	$ **360,230**	$ **199,329**	$ **31,462**	$ **591,021**

Exhibit 7-4: **2006 Capital Funding** — $591 million



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 (Federal Section 5307), Non-urbanized Area Formula program (Federal Section 5311); Elderly and Persons with Disabilities program (Federal 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 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 Federal Section 5307 and 5309 funds. Local funding sources provide the remaining 20 percent match.

New Initiative

For 2006, $113.3 million in capital funding from state and/or local sources is needed. This amount was based on input from the Service Boards and represents moneys necessary to match available federal funds and undertake critical projects. Even assuming the receipt of these funds from sources undetermined at this time, the capital program will total only $591 million in 2006. This will be the lowest level since 1998 and less than 50 percent of the amount programmed in 2004.

For the out-years, 2007-2010, new initiatives funds, from sources undetermined at this time, are programmed at a level that will bring funding for system maintenance and preservation up to $1 billion per year. This is the amount of annual investment necessary to support the northeastern Illinois public transit infrastructure conservatively valued at over $27 billion. These funds, averaging $590 million per year, are not allocated for programming of projects to the individual Service Boards at this time.

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 transit component of this program, which was signed into law on June 15, 1999, included more than $4 billion in transit investments.

The *Illinois FIRST* program allowed the RTA to leverage more than $1.9 billion in federal funds. In fiscal year 2000, the local match provided by *Illinois FIRST* enabled work to begin on badly needed rail transit projects for the suburbs and on aging infrastructure for city and suburban lines.

The *Illinois FIRST* program augmented the RTA's highly successful 1989 $1 billion bond program. The entire $1 billion in 1989 bond funds has been committed with the expenditure of $995.6 million to complete transit capital projects as of the end of October 2005. Any adjustments to the 1989 bond program are simply reallocations of the currently available funds.

The entire *Illinois FIRST* program provided $2 billion in bonding authority, for distribution by both the RTA at $1.6 billion and IDOT at $380 million, for capital improvement purposes.

The RTA's bonding authority is administered over five years under two programs, the RTA's Strategic Capital Improvement Program (SCIP) at $1.3 billion and the RTA bond program (RTA bonds post-1999) at $300 million. The RTA SCIP funding maintains the 1989 statutory bond allocation formula of 50 percent to the CTA, 45 percent to Metra, and 5 percent to Pace.

In 1999, the RTA was authorized to issue $1.3 billion of Strategic Capital Improvement Program (SCIP) bonds. The State of Illinois reimburses debt service expenditure on these bonds to the RTA. The RTA SCIP bond program increased the region's ability to address the backlog of capital projects to repair, replace, or upgrade rolling stock and existing infrastructure and provide significant levels of funding for the CTA and Metra expansions and extensions.

Since no legislation authorizing new funding in 2006 was passed by the State of Illinois, no RTA SCIP funding is available to the Service Boards for programming in 2006-2010.

The RTA discretionary funds are yet another source of capital funding. Discretionary funds, which are the portion of the 15 percent of the RTA Sales Tax receipts that remain after funding RTA Agency operations, can be used to match federal funds or to fully fund Service Board projects. In the past, the RTA has used these discretionary funds to address the backlog of unfunded capital needs. In the last few years, due to limited RTA Sales Tax receipts, the RTA deferred an allocation of any discretionary funds to the Service Boards for capital projects.

State

Other sources of local funding for the 2006-2010 capital plan are the State of Illinois bond programs. The bond programs provide funds for the region's transit projects administered by the Illinois Department of Transportation (IDOT) through the Division of Public and Intermodal Transportation. 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). Though the State of Illinois has not authorized these bonds for 2006, the 2006-2010 capital program assumes the renewal of the program. A total of $326.2 in bond funds for 2007 through 2010 to provide the local match for federal funds for these years is assumed.

Service Boards

In addition to the funding sources described above, the 2006-2010 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 are funds that can be used for operations but have, through cost containment, been reallocated for use on capital improvement projects. A total of $65.0 million has been allocated to transfer capital for 2006. In 2006, the CTA has allocated $32.2 million, which originates from RTA discretionary funding, and Metra has allocated $32.9 million, which originates from Metra's statutorily allocated percentage of the RTA Sales Tax. In addition, Pace will use $2.4 million of lease/leaseback funds for capital projects, and Metra will use $5.9 million in local community and other funds in 2006.

CTA Financing

The CTA will borrow funds in the years 2007 through 2010, totaling $425 million. These funds will enable the acceleration of rail car and bus purchases by the CTA. The CTA will secure all funds and pay for all borrowings from their Federal Section 5307 formula funds, local funds, proceeds from the borrowings, investment earnings on the borrowings, customary reserve funds, or other credit enhancements related to the borrowings. RTA staff will work with the CTA to review a financing plan along with relevant information relating to other CTA Federal Section 5307-supported borrowings and will report back to the RTA Board.

Carryover and De-Obligations

For 2006, the Service Boards have proposed to de-obligate and carryover funds in the total amount of $84 million. Usually, the Service Boards de-obligate the previously approved funds from the 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. This amount includes $28.3 million in Federal Section 5309 Fixed Guideway funds that the CTA is carrying over from 2005 funding.

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 thru 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 thru 1999. From 2000 thru 2005 (projected), the Service Boards have awarded an annual average of

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

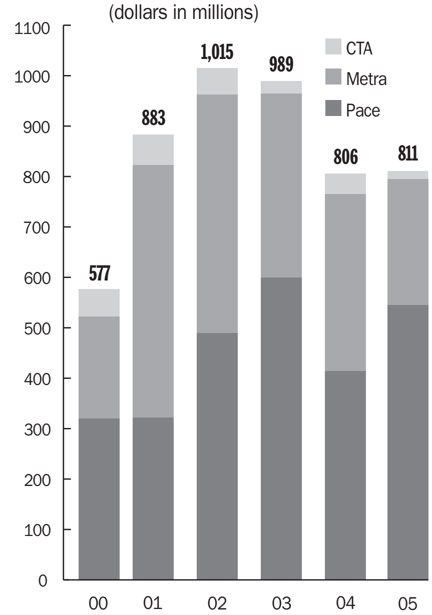
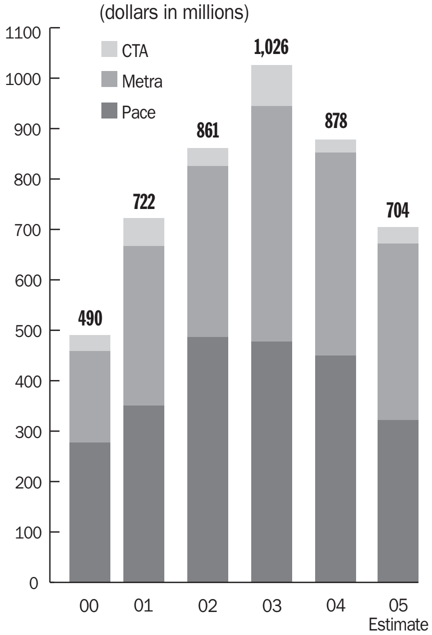


Exhibit 7-6: **RTA Capital Program Expenditures** (dollars in millions)



$847 million in contracts. Project spending has also increased substantially, from an average of $420 million per year from 1995 thru 1999 to $780 million from 2000 thru 2005 (projected). Exhibits 7-5 and 7-6 illustrate these trends. These results show that the Service Boards are putting the moneys available to good use, providing benefits to public transportation riders.

The primary emphasis of the 2006 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 7-7 and 7-8 show that $1,791 million, or 59 percent of the program is spent on rolling stock and station and support 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.

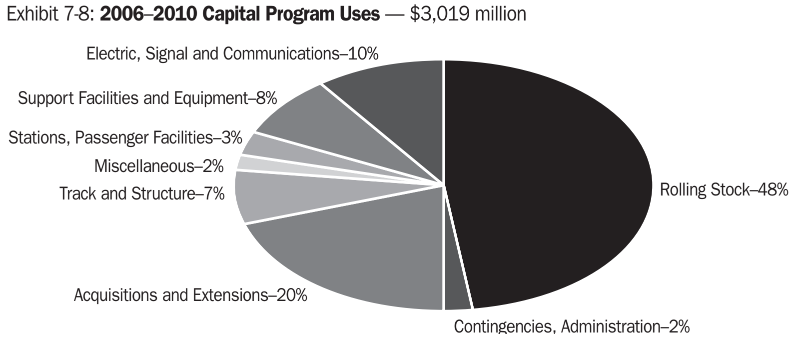
The 2006-2010 capital programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibits 7-9, 7-10 and 7-11. Some of the projects included in the proposed 2006-2010 capital program are:

- $532 million for the purchase of 406 CTA rail cars,
- $281 million for the expansion of the CTA Ravenswood Brown Line,
- $470.4 million for the purchase of 426 CTA buses,
- $138.9 million for the replacement and upgrade of the CTA power distribution,
- $87.2 million for the New Start alternative analysis, engineering and construction,
- $48.2 million for the rehabilitation and overhaul of CTA rapid transit cars
- $35.4 million for the rehabilitation and overhaul of CTA buses, signal system,
- $84.5 million for the rehabilitation of Metra locomotives,
- $81.4 million for the alternative analysis, preliminary engineering and construction for 4 proposed New Start projects,
- $71 million for the rehabilitation of Metra commuter rail cars,
- $62.2 million for the bridge rehabilitation and renewal,
- $20.7 million for the expansion of the Metra North Central Service,
- $17.9 million for the extension of the Metra Union Pacific West Line,
- $14.7 million for the extension of the Metra Southwest Service,
- $47.6 million for the purchase of 135 Pace buses,
- $34.3 million for the purchase of 719 Pace vanpool and community vehicles,
- $28.6 million for the purchase of 362 Pace paratransit vehicles,
- $22.2 million for the construction, expansion and improvements to Pace garages,
- $17.2 million to implement Bus Rapid Transit and Transit Signal Priority projects, and
- $13.0 million for the purchase of a replacement fixed-route radio system.

Exhibit 7-7: **2006–2010 Capital Program Uses** (dollars in millions)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	$ 1,138	$ 198	$ 122	$ 1,458
Track and Structure	27	193	—	220
Electric, Signal and Communications	139	133	13	285
Support Facilities and Equipment	84	73	81	238
Stations and Passenger Facilities	9	82	4	95
Miscellaneous	5	67	—	72
Acquisitions and Extensions	440	135	17	592
Contingencies and Administration	—	56	3	59
Total Service Board	$ **1,842**	$ **937**	$ **240**	$ **3,019**
New Initiative	—	—	—	2,358

Exhibit 7-8: **2006–2010 Capital Program Uses** — $3,019 million



CTA Overview

The proposed projects in the CTA's portion of the 2006-2010 capital program total $1.8 billion. The CTA's portion of the capital 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 62 percent, acquisitions and extensions at 5 percent, track and structure at 20 percent, electric, signal and communications at 7 percent, support facilities and equipment at 5 percent, and stations and passenger facilities at 1 percent. The general categories of capital improvements comprising the CTA's portion of the capital program are illustrated in Exhibit 7-9.

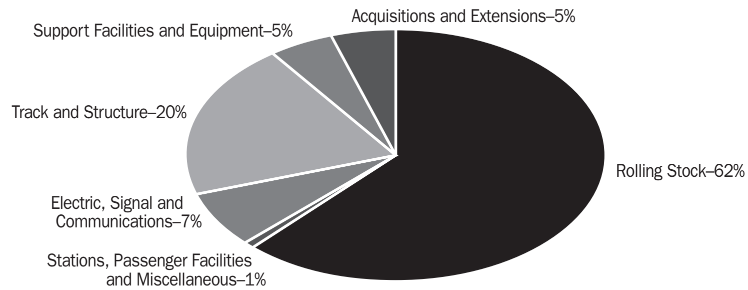
Highlights of the CTA's portion of the 2006-2010 capital program are as follows:

Rolling Stock

The CTA's portion of the 2006-2010 capital program includes $505.9 million in the bus rolling stock category. The CTA's bus fleet consists of approximately 2,033 vehicles. The CTA's portion of the 2006-2010 capital program contains $470.4 million for replacement of older 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 persons with disabilities. In 2006, on-going bus purchases totaling $109 million are planned.

In addition, $35.4 million is budgeted for capital-eligible bus maintenance activities and life extending overhauls over the five-year program with $15.1 million planned in 2006. The CTA will continue its aggressive Bus Preventive Maintenance program to schedule the replacement of parts nearing the end of their useful life. This program will improve the comfort, quality and reliability of the CTA's bus service and will reduce operating expenditures by avoiding service disruptions and unscheduled maintenance of buses.

Exhibit 7-9: **CTA 2006–2010 Capital Program by Asset Category** — $1,842 million



The rail rolling stock category includes $582 million in 2006-2010 to rehabilitate or purchase CTA rail cars. This will replace 2200 and 2400 Series rail cars and the purchase of additional cars to meet the service requirements associated with the Brown Line capacity expansion. The CTA's rail fleet consists of approximately 1,190 CTA cars. The 2006-2010 capital program contains $48.2 million for the CTA systematic maintenance and upgrade of rapid transit rolling stock including the overhaul and mid-life rehabilitation for the 2200, 2400, 2600 and 3200 Series rail cars. This mid-life rehabilitation will enable the cars to reach original useful life estimates of 25 years.

Track and Structure/Acquisitions & Extensions

The track and structure category includes $466.9 million in 2006-2010 to rehabilitate and expand existing rail lines with $147.1 million programmed in 2006. 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) The final funding for the reconstruction of the Douglas Branch of the Blue Line from 54th and Cermak in Cicero through the incline connection to the Congress Branch completed in 2005, at a cost of $71.8 million in 2006 to complete the funding for this project;

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 $281 million over the next five years, with $64 million programmed in 2006;

3) The rehabilitation and replacement of track and structure, at a cost of $27 million, with $5.4 million programmed in 2006; and

4) New Start projects to extend and expand the CTA rail system at a cost $87.2 million with $6 million programmed in 2006 for alternative analysis. This includes extending the Red Line from the 95th Street Station to 130th Street, extending the Orange Line from Midway Airport to the Ford City Mall, and extending the Yellow Line from the Dempster Station to Old Orchard Mall. It also includes funds for expansions for the Circle Line, which would link all of the CTA's rail lines in the City of Chicago to Metra rail lines, and for the Ogden Avenue Transitway project from central Chicago to the North Riverside Park shopping center.

Electrical, Signal and Communications

The electrical, signal, and communications category totals $138.9 million for the CTA's portion of the proposed five-year program, with $51.9 million programmed in 2006. The CTA's five-year plan includes the replacement and upgrade of the train control and track interlocking on the Loop Elevated Line with modern equipment providing increased reliability for customers at a cost of $49 million. It also includes the upgrade and replacement of the signal system for the entire Dearborn Subway, the Congress Branch and a portion of the O'Hare Branch on the Blue Line a cost $89.9 million.

Support Facilities and Equipment

The CTA's portion of the 2006-2010 capital program includes $86.1 million in the support facilities and equipment category with 2006 funding of $8 million.

The CTA's five-year program includes upgrades and improvements to various CTA facilities that need repair and require security enhancements, upgrades to bus turn-arounds, rail stations and bus garages, and the rehabilitation of elevators and escalators. Funding will also be provided for the replacement of fareboxes on CTA buses, enhancement to the Chicago Card technology and the upgrade of Automated Fare Control system components that have reached the end of their useful lives. In addition, the CTA plan to purchase and install equipment and systems to harden the security of transit asset and ensure the safety of systems and customers.

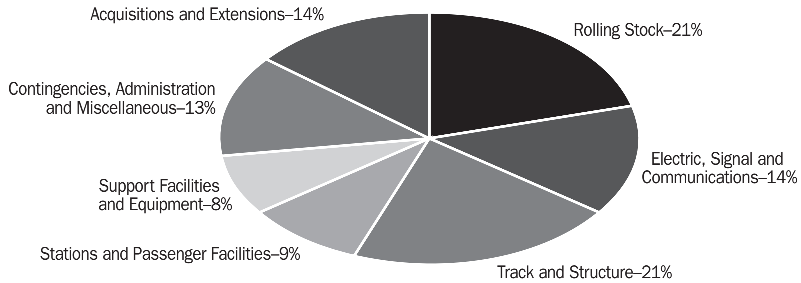
Stations and Passenger Facilities

The stations and passenger facilities category totals $9.4 million for the CTA's portion of the proposed five-year program. The CTA operates 144 rapid transit stations serving seven routes. Sixty-five of these stations are wheelchair accessible via elevator or ramp. The CTA will use the funding in the capital program to reconstruct the Howard Station on the Red Line. This will also include the reconstruction of the bus terminal and parking lot. The station will be made fully compliant with the *Americans with Disabilities Act.*

Miscellaneous

The miscellaneous category totals $4.7 million in 2006. This is to provide for professional services to manage the implementation of the capital improvement program.

Exhibit 7-10: **Metra 2006–2010 Capital Program by Asset Category** — $937 million



Metra Overview

The Metra's portion of the proposed 2006-2010 capital program totals $937 million. During this five-year period, Metra 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 21 percent, track and structure at 21 percent, electric, signal, and communications at 14 percent, support facilities and equipment at 8 percent, stations and passenger facilities at 9 percent, acquisitions, acquisitions and extensions at 14 percent, and contingencies, administration and miscellaneous at 13 percent (Exhibit 7-10).

Highlights of Metra's 2006-2010 capital program are as follows:

Rolling Stock

The five-year rolling stock program totals $198.3 million, with $27.6 million planned for 2006. Metra's fleet includes 144 locomotives, 806 non-electric cars and 165 self-propelled electric cars. The 2006-2010 capital program includes $84.5 million for the rehabilitation and improvements of locomotives, $71 million for the rehabilitation and improvements of commuter cars, $4 million for the rehabilitation of electric cars and $38.8 million for the over-haul of rolling stock fleet components.

Track and Structure

The track and structure category totals $193.4 million over the five years of the program, with $41.8 million planned for 2006.

The Metra system operates on more than 500 route miles with 1,200 miles of track and 800 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 $62.2 million, are planned over the five-year program. The 2006-2010 bridge rehabilitation and replacement program includes $18.9 million on the Rock Island Line, $11.9 million on the Milwaukee District-West Line, $17.5 million on the Metra Electric Line, and $8.5 million on the Milwaukee District-North Line.

Electrical, Signal and Communications

A total of $133.4 million is planned for the five-year program for electric, signal and communications projects that include upgrades and improvements to existing facilities such as interlockers, switches, signal systems, and electrical power control facilities. The 2006 program provides $13.1 million for numerous projects throughout the system.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of $2 million, in 2006 and $10.5 million in the program's out years. As part of this project, a new interlocking control machine will be purchased and installed at the Lake Street Tower and track and signal layouts will be modified.

Metra has also programmed $3 million in 2006 for the installation of the Passenger Information Display Systems (PIDS) at stations throughout the Metra system. Metra's portion of the out-year capital program also includes $6 million for continuation of the PIDS installations. The capital program contains $16 million for the installation of fiber optic cable on the Burlington Northern-Santa Fe (BNSF) Line, to increase the effectiveness and reliability of signal and control system communications at interlockers and crossings. In addition, Metra is proposing $6 million in the 2007-2008 capital program to renew the Gresham interlocker on the Rock Island Line.

Support Facilities and Equipment

The support facilities and equipment category totals $72.5 million for the 2006-2010 planning period, with $8.8 million in the 2006 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 portion of 2006 capital program includes $2 million for land acquisition for a new coach yard on the Metra Electric District and two new coach yards on the Union Pacific Northwest Line. One of these new yards on the Union Pacific Northwest Line would be in Woodstock and the other new yard would be in Johnsburg. Metra also proposes $10 million in the five-year capital program for improvements at various facilities at the 47th Street Yard on the Rock Island Line including $2 million in 2006.

Over the life of the five-year program, Metra plans to spend $36.4 million on other support facilities, yards, shops, substations and non-revenue vehicles, with $9.6 million for specific yard improvements.

Stations and Passenger Facilities

There are 231 stations in the Metra system, including four major terminals in downtown Chicago. In Metra's portion of the five-year capital program, a total of $82.1 million is programmed for stations and parking. In 2006, $24 million is programmed for these projects. The 2006 program contains several major station projects:

1) The $2.8 million for reconstruction of six stations on the South Chicago Branch of the Metra Electric District;

2) The $2.3 million for the replacement of the Bartlett Station on the Milwaukee District West Line;

3) The $1.9 million for the improvements to the concourse of Ogilvie Transportation Center on the Union Pacific Line in downtown Chicago;

4) The $1 million for rehabilitation of the 99th Street Beverly Station on the Rock Island District; and

5) The $0.3 million to the replace the Robbins Station facilities on the Rock Island District.

Furthermore, the 2006 capital program includes $2.1 million to expand the Long Lake Station parking on the Milwaukee District North Line and $3 million is allocated in 2006 to address parking concerns at numerous other stations throughout the system.

Out-year funding of $4 million is programmed to construct a new station at 35th Street on the Rock Island Line, $4.6 million is programmed to rehabilitate the Winnetka Station on the Union Pacific North Line, $3.7 million is programmed to reconstruct the Tinley Park 80th Avenue Station on the Rock Island District, $3 million to construct the Cicero Avenue Station on the BNSF Line, $3 million to complete the reconstruction of six stations on the South Chicago Branch of the Metra Electric District and $2.8 million to renovate and improve the 115th Street Morgan Park Station on the Rock Island District.

Acquisitions and Extensions

For the 2006-2010 capital program, Metra is planning to spend $134.6 million for extension and expansion of its system. In 2006, the program contains Metra projects totaling $53.6 million that will complete the funding for their three New Start projects. The North Central Service, between Antioch and Chicago will be expanded and upgraded to enable the operation of 22 daily trains. The Union Pacific-West Line will be extended between Geneva and Elburn. The SouthWest Service Line will be extended from Orland Park to Manhattan and service will be expanded from 16 trains per day to 30 trains per day. These projects are virtually complete and will be open in January of 2006.

In addition, Metra proposes to spend $81 million for alternative analyses and construction for its four proposed new start projects. These projects include two new lines: the Suburban Transit Access Route (STAR) Line and Southeast Service. In addition, these new start projects also include upgrades to the Union Pacific West and Northwest lines. All of these projects are eligible for federal funding under the recently passed SAFETEA-LU federal transportation authorization legislation.

Contingencies, Administration and Miscellaneous

Metra's portion of 2006-2010 capital program includes $123.2 million for project management, contingencies and administration, with $30.5 million programmed in 2006.

Pace Overview

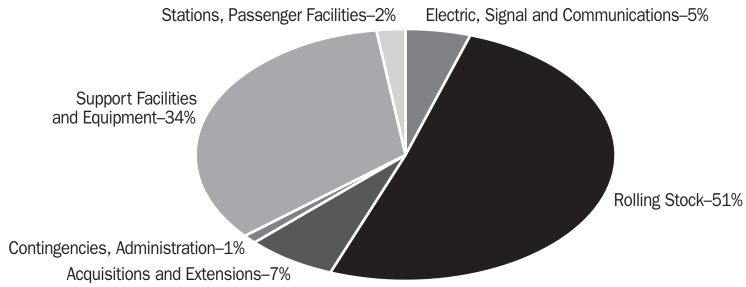
Pace's portion of the RTA 2006 capital program is $31.5 million including the RTA Strategic Capital Improvement Program (SCIP) bonds reprogrammed from a prior year. In order to purchase critically needed buses in 2006, Pace will defer the replacement of its farebox system and redirect the $12.7 million to the 2006 capital program.

The capital program also assumes that Pace will obtain $8.9 million in new initiative capital funding in 2006. It is clear that Pace cannot continue to shift all federal funding to support operations without an adverse impact on the system's infrastructure, equipment and vehicles.

The proposed Pace projects in 2006-2010 capital program total $239 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 at 51 percent, electric, signal and communications at 5 percent, support facilities and equipment at 34 percent, acquisitions and extensions at 7 percent, stations and passenger facilities at 2 percent, and contingencies and administration at 1 percent. These allocations are illustrated in Exhibit 7-11.

Highlights of Pace's 2006-2010 capital program are as follows:

Exhibit 7-11: **Pace 2006–2010 Capital Program by Asset Category** — $239 million



Rolling Stock

In the five-year capital program, Pace plans to purchase up to 1,216 transit vehicles for replacement and expansion at a cost of $110.5 million. Pace's fleet consists of 680 fixed-route buses, 364 paratransit vehicles and 570 vanpool vehicles.

Pace's 2006 fixed-route bus purchase budget of $5.2 million includes the replacement of 18 fixed-route buses purchased in 1992 and 1993. All of buses have exceeded their useful life. The replacement vehicles will be 30-foot traditional transit buses.

In 2006, Pace also plans to spend $4.5 million to purchase a minimum of 60 paratransit vehicles to replace vehicles that have exceeded their useful lives. These vehicles will be a combination of buses and vans.

In addition to other rolling stock purchases, Pace's portion of 2006 capital program includes $8.2 million for the purchase of a minimum of 119 vans. The funds for the vanpool programs are for the replacement of the vanpool vehicles, which have exceeded their useful life, and for the expansion of service. Pace's vanpool program is composed of the Vanpool Incentive program (VIP), the Corporate Shuttle program and the ADvAntage program in addition to the Municipal Vanpool program.

The purchase of associated capital items, estimated at a cost of $1 million, is also planned in 2006. The 2007-2010 capital program includes $10.8 million for associated capital purchases. Associated capital items include engines, transmissions, axle assemblies and other parts for fixed-route and paratransit vehicles.

Electrical, Signal and Communications

In 2009, Pace proposes $13 million for an electrical, signal, and communications project for the purchase and installation of a new system-wide radio system to replace Pace's existing system.

Support Facilities and Equipment

Pace proposes to program $80.3 million over five years for support facilities and equipment. Of the $9.2 million for support facilities and equipment projects planned in 2006, Pace's portion of the capital program includes $5 million for improvements to garages and facilities including concrete replacement at the Southwest Division garage and the replacement of overhead doors and various renovation work at the Heritage and South Holland garages. The out-year plan includes $19.6 million for improvements and upgrades at various garages.

The capital program also includes $3 million in 2006 for Phase II of the HPe3000 migration computer system replacement. Phase II will focus on the implementation of the Enterprise Resource Planning/Finance system. In addition, Pace budgeted $14 million in 2007-2010 for the replacement of other application groups including the purchase of hardware and software and design and installation services.

The 2006 program includes $300,000 for the purchase of miscellaneous maintenance and support equipment and $150,000 for office and printing equipment with $7.3 million programmed through 2010 for maintenance equipment and staff vehicles. Also, Pace plans to spend an additional $3.2 million for office and printing equipment in the out years. Pace's portion of the capital program also includes $13 million for the replacement of the farebox system in 2008 and 2009. Funding for the replacement of the farebox system was previously approved, but it was de-obligated to fund critical projects in 2006.

Stations and Passenger Facilities

Five-year program includes $4.3 million for Pace passenger facilities, including $1 million in for the renovation of various transportation center and transfer facilities and $0.5 million for structural steel renovation at the Northwest Transportation Center in 2006.

Acquisitions and Extensions

Pace's portion of five-year program includes $17.2 million to implement Bus Rapid Transit (BRT) and Transit Signal Priority (TSP) projects contained in the federal *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) legislation.

Contingencies and Administration

This category provides funding for administration. A total of $2.4 million is proposed for 2007 through 2010. Pace project administration covers the in-house staff salaries associated with undertaking and completing a capital project.

Exhibit 7-12: **Five–Year Capital Program**—Schedule II (in dollars)

C T A		**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
CTA Rolling Stock—Bus							
021.803	Perform Bus Maintenance Activities—Systemwide	$ 5,088,250	$ 5,088,250	$ 5,088,250	$ 5,088,250	$ 5,088,250	$ 25,441,250
021.806	Perform Mid-Life Bus Overhaul—Systemwide	10,000,000	—	—	—	—	10,000,000
031.054	Purchase a Minimum of 426 Replacement Buses (Partial $)—Systemwide	109,047,813	125,000,000	177,865,095	27,959,476	30,556,820	470,429,204
	Sub–Total CTA Rolling Stock—Bus	**$ 124,136,063**	**$ 130,088,250**	**$ 182,953,345**	**$ 33,047,726**	**$ 35,645,070**	**$ 505,870,454**
CTA Support Facilities and Equipment—Bus							
073.500	Design/Reconstruct 77th Street Bus Maintenance Facility—Systemwide	$ 2,000,000	—	—	—	—	$ 2,000,000
	Sub–Total CTA Support Facilities and Equipment—Bus	**$ 2,000,000**	—	—	—	—	**$ 2,000,000**
	Total CTA Bus	**$ 126,136,063**	**$ 130,088,250**	**$ 182,953,345**	**$ 33,047,726**	**$ 35,645,070**	**$ 507,870,454**
CTA Rolling Stock—Rail							
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial $)—Systemwide	$ 18,424,788	—	—	—	—	$ 18,424,788
022.906	Perform Rail Car Overhaul Activities—Systemwide	5,959,670	5,959,670	5,959,670	5,959,670	5,959,670	29,798,350
132.056	Replace a Minimum of 406 Rail Cars (2200 and 2400 Series, Partial $)—Systemwide	—	45,250,899	95,599,091	133,190,860	307,991,295	582,032,145
	Sub–Total CTA Rolling Stock—Rail	**$ 24,384,458**	**$ 51,210,569**	**$ 101,558,761**	**$ 139,150,530**	**$ 313,950,965**	**$ 630,255,283**
CTA Track and Structure—Rail							
171.133	Repair Track and Structure Defects—Systemwide	5,400,804	5,400,804	$ 5,400,804	$ 5,400,804	$ 5,400,804	$ 27,004,020
	Sub–Total CTA Track and Structure—Rail	**$ 5,400,804**	**$ 5,400,804**	**$ 5,400,804**	**$ 5,400,804**	**$ 5,400,804**	**$ 27,004,020**
CTA Electrical, Signal and Communications—Rail							
121.500	Replace/Upgrade Power Distribution and Signals—Systemwide	$ 51,862,792	$ 37,558,486	$ 49,528,715	—	—	$ 138,949,993
	Sub–Total CTA Electrical, Signal and Communications—Rail	**$ 51,862,792**	**$ 37,558,486**	**$ 49,528,715**	—	—	**$ 138,949,993**
CTA Stations and Passenger Facilities—Rail							
141.273	Reconstruct Rail Stations—Systemwide	—	$ 9,420,473	—	—	—	9,420,473
	Sub–Total CTA Stations and Passenger Facilities—Rail	—	**$ 9,420,473**	—	—	—	**9,420,473**
CTA Acquisitions and Extensions—Rail							
194.002	Provide for New Starts Engineering and Construction—Systemwide	—	13,850,000	13,650,000	13,650,000	40,000,000	81,150,000
194.115	Expand CTA Ravenswood Line/Design, Land Acquisition and Construction/Ravenswood (Partial $)—Brown Line	63,954,712	63,954,712	63,954,712	89,107,320	—	280,971,456
194.117	Reconstruct Douglas Branch (Partial $)—Blue Line	71,781,488	—	—	—	—	71,781,488
402.002	Perform Alternative Analysis for New Start Projects	6,000,000	—	—	—	—	6,000,000
	Sub–Total CTA Acquisitions and Extensions—Rail	**$ 141,736,200**	**$ 77,804,712**	**$ 77,604,712**	**$ 102,757,320**	**$ 40,000,000**	**$ 439,902,944**
	Total CTA Rail	**$ 223,384,254**	**$ 181,395,044**	**$ 234,092,992**	**$ 247,308,654**	**$ 359,351,769**	**$ 1,245,532,713**
CTA Support Facilities and Equipment—System							
073.500	Improve Facilities—Systemwide	$ 6,045,962	$ 13,826,526	$ 13,718,526	$ 13,858,026	$ 16,196,144	$ 63,645,184
102.039	Implement Automated Fare Control (AFC) Systems—Systemwide	—	3,503,324	—	—	—	3,503,324
150.028	Implement Security Projects—Systemwide	—	16,988,000	—	—	—	16,988,000
	Sub–Total CTA Support Facilities and Equipment—System	**$ 6,045,962**	**$ 34,317,850**	**$ 13,718,526**	**$ 13,858,026**	**$ 16,196,144**	**$ 84,136,508**
CTA Miscellaneous—System							
306.001	Provide for Program Management—Systemwide	$ 4,664,000	—	—	—	—	$ 4,664,000
	Sub–Total CTA Miscellaneous	**$ 4,664,000**	—	—	—	—	**$ 4,664,000**
	Total CTA System	**$ 10,709,962**	**$ 34,317,850**	**$ 13,718,526**	**$ 13,858,026**	**$ 16,196,144**	**$ 88,800,508**
	TOTAL CTA	**$ 360,230,279**	**$ 345,801,144**	**$ 430,764,863**	**$ 294,214,406**	**$ 411,192,983**	**$ 1,842,203,675**

METRA		2006	2007	2008	2009	2010	Total
Metra Rolling Stock							
01.21	Rehabilitate and Improve Locomotives—MET	$ 6,300,000	$ 2,268,195	$ 7,467,237	$ 21,241,008	$ 39,887,587	$ 77,164,027
01.31	Improve Locomotives—MET	1,100,000	2,100,000	1,600,000	1,400,000	1,150,000	7,350,000
01.51	Rehabilitate and Improve Commuter Cars—MET	11,900,000	16,300,000	17,150,000	11,500,000	10,400,000	67,250,000
01.61	Improve Commuter Cars—MET	500,000	800,000	800,000	800,000	800,000	3,700,000
01.81	Rehabilitate and Improve MU Electric Cars—MED	1,000,000	1,000,000	1,000,000	600,000	400,000	4,000,000
01.91	Overhaul Rolling Stock Fleet Components—MET	6,750,000	7,425,000	7,600,000	8,400,000	8,650,000	38,825,000
	Sub–Total Metra Rolling Stock	**$ 27,550,000**	**$ 29,893,195**	**$ 35,617,237**	**$ 43,941,008**	**$ 61,287,587**	**$ 198,289,027**
Metra Track and Structure							
02.11	Replace Ties and Ballast—MET	$ 23,610,000	$ 6,000,000	$ 11,460,000	$ 6,000,000	$ 11,640,000	$ 58,710,000
02.21	Provide for Maintenance-of-Way Work—MET	390,000	390,000	490,000	490,000	490,000	2,250,000
02.25	Replace and Upgrade Grade Crossings—MET	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000	7,000,000
02.31	Provide for Track Undercutting and Surfacing—MET	1,100,000	500,000	500,000	500,000	500,000	3,100,000
02.41	Replace Rail—MET	770,000	3,850,000	8,100,000	11,100,000	4,100,000	27,920,000
02.51	Rehabilitate and Renew Bridges—MET	9,005,000	12,550,000	10,850,000	15,250,000	14,500,000	62,155,000
02.61	Rehabilitate Embankments and Retaining Walls—MET	3,150,000	3,150,000	3,150,000	3,150,000	4,650,000	17,250,000
02.71	Install Right-of-Way Fencing—MET	—	200,000	200,000	200,000	200,000	800,000
02.81	Construct Belmont Road Grade Separation—BNSF	—	1,000,000	3,000,000	3,000,000	4,000,000	11,000,000
02.91	Provide for Miscellaneous Structural Improvements—UPR	—	—	100,000	—	100,000	200,000
02.95	Rehabilitate Catenary Structures—MED	750,000	—	750,000	750,000	750,000	3,000,000
	Sub–Total Metra Track and Structure	**$ 41,775,000**	**$ 28,640,000**	**$ 39,600,000**	**$ 41,440,000**	**$ 41,930,000**	**$ 193,385,000**
Metra Electrical, Signal and Communications							
03.01	Upgrade Signal Systems—MET	$ 3,360,000	$ 8,800,000	$ 8,600,000	$ 12,200,000	$ 10,600,000	$ 43,560,000
03.11	Rehabilitate and Renew Grade Crossings—MET	2,500,000	1,000,000	1,500,000	1,800,000	2,400,000	9,200,000
03.21	Install and Upgrade Interlockers and Crossovers—MET	2,000,000	4,200,000	4,700,000	17,950,000	8,550,000	37,400,000
03.31	Provide for Signal Improvements—MET	175,000	150,000	150,000	150,000	150,000	775,000
03.41	Provide for Electrical Distribution—MED	800,000	1,300,000	4,300,000	3,000,000	10,950,000	20,350,000
03.51	Replace Catenary Wire and AC-DC Transmission Lines—MED	—	850,000	1,250,000	850,000	1,550,000	4,500,000
03.61	Install Standby Power Systems—MET	270,000	300,000	—	—	500,000	1,070,000
03.71	Provide for Electrical Improvements—MET	155,000	800,000	450,000	450,000	50,000	1,905,000
03.81	Replace and Upgrade Communications Equipment/Systems—MET	3,800,000	4,500,000	3,700,000	1,000,000	1,600,000	14,600,000
	Sub–Total Metra Electrical, Signal and Communications	**$ 13,060,000**	**$ 21,900,000**	**$ 24,650,000**	**$ 37,400,000**	**$ 36,350,000**	**$ 133,360,000**
Metra Support Facilities and Equipment							
04.01	Acquire Land for New Yards and Shops—MET	$ 2,000,000	—	—	—	—	$ 2,000,000
04.11	Ugrade Yards and Shops—MET	2,500,000	3,000,000	4,500,000	4,500,000	3,500,000	18,000,000
04.21	Upgrade Buildings—MET	1,300,000	5,950,000	9,200,000	8,200,000	2,300,000	26,950,000
04.41	Install Field Support Equipment—MET	1,827,000	2,345,000	4,460,000	2,750,000	2,750,000	14,132,000
04.51	Install Office Support Equipment—MET	700,000	3,050,000	1,050,000	1,050,000	1,050,000	6,900,000
04.71	Renewal of Facilities—MET	500,000	1,000,000	1,000,000	1,000,000	1,000,000	4,500,000
	Sub–Total Metra Support Facilities and Equipment	**$ 8,827,000**	**$ 15,345,000**	**$ 20,210,000**	**$ 17,500,000**	**$ 10,600,000**	**$ 72,482,000**
Metra Stations and Passenger Facilities							
05.11	Rehabilitate and Improve Stations—MET	$ 9,670,000	$ 16,320,000	$ 8,200,000	$ 6,500,000	$ 3,500,000	$ 44,190,000
05.11	Rehabilitate Stations for ADA Compliance—MET	3,500,000	2,200,000	2,200,000	2,200,000	2,200,000	12,300,000
05.21	Construct New Station at 35th Street—RID	—	1,254,000	1,358,500	1,410,750	—	4,023,250
05.51	Expand and Improve Commuter Parking—MET	5,321,917	565,000	440,000	—	—	6,326,917
05.91	Provide for Property Acquisition and Appraisal Services—MET	1,790,000	1,710,000	—	—	—	3,500,000
05.95	Conduct Engineering for Stations and Parking—MET	3,720,000	2,000,000	2,000,000	2,000,000	2,000,000	11,720,000
	Sub–Total Metra Stations and Passenger Facilities	**$ 24,001,917**	**$ 24,049,000**	**$ 14,198,500**	**$ 12,110,750**	**$ 7,700,000**	**$ 82,060,167**
Metra Miscellaneous							
06.01	Provide for Kennedy-King and Auburn Park Station Study—MET	—	$ 75,240	$ 81,510	$ 84,645	—	$ 241,395
06.21	Improve Metra System Security—MET	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
06.31	Perform Engineering and Construction for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project—MET	—	2,400,000	2,400,000	2,400,000	2,400,000	9,600,000
06.41	Provide Advertising, Material Additives and Insurance—MET	2,100,000	2,150,000	2,150,000	2,150,000	2,150,000	10,700,000
06.41	Provide for Capital Project Oversight and Security—MET	600,000	500,000	500,000	—	—	1,600,000
06.41	Provide for Miscellaneous General Activities—MET	—	100,000	100,000	100,000	100,000	400,000
06.94	Provide for Engineering of Infrastructures—MET	1,500,000	3,000,000	3,000,000	3,000,000	3,000,000	13,500,000
06.96	Provide for Unanticipated Capital—MET	900,000	1,200,000	1,200,000	1,200,000	1,200,000	5,700,000
	Sub–Total Metra Miscellaneous	**$ 10,100,000**	**$ 14,425,240**	**$ 14,431,510**	**$ 13,934,645**	**$ 13,850,000**	**$ 66,741,395**

Metra Acquisitions and Extensions		2006	2007	2008	2009	2010	Total
07.51	Provide for Engineering and Construction for SAFETEA-LU New Starts Projects—MET	—	$ 13,650,000	$ 13,650,000	$ 13,650,000	$ 40,000,000	$ 80,950,000
07.66	Perform Alternative Analysis for New Starts—STAR, SES, UP-West and UP-Northwest Lines	400,000	—	—	—	—	400,000
07.81	Expand North Central Service (Partial $)—NCS	20,661,809	—	—	—	—	20,661,809
07.82	Extend Southwest Service (Partial $)—SWS	14,726,751	—	—	—	—	14,726,751
07.83	Extend Union Pacific (Partial $)—UP-West Line	17,857,185	—	—	—	—	17,857,185
	Sub–Total Metra Acquisitions and Extensions	**$ 53,645,745**	**$ 13,650,000**	**$ 13,650,000**	**$ 13,650,000**	**$ 40,000,000**	**$ 134,595,745**
Metra Contingencies and Administration							
08.90	Provide for Project Management—MET	$ 12,420,000	$ 13,215,848	$ 13,238,957	$ 4,961,925	$ 4,625,346	$ 48,462,076
08.99	Provide for Contingencies—MET	7,948,828	—	—	—	—	7,948,828
	Sub–Total Metra Contingencies and Administration	**$ 20,368,828**	**$ 13,215,848**	**$ 13,238,957**	**$ 4,961,925**	**$ 4,625,346**	**$ 56,410,904**
	TOTAL METRA	**$ 199,328,490**	**$ 161,118,283**	**$ 175,596,204**	**$ 184,938,328**	**$ 216,342,933**	**$ 937,324,238**

P A C E

Pace Rolling Stock		2006	2007	2008	2009	2010	Total
4101	Purchase a Minimuum of 135 Fixed-Route Accessible Buses—Systemwide	$ 5,190,350	$ 8,050,000	$ 6,650,000	$ 8,250,000	$ 19,500,000	$ 47,640,350
4102	Purchase a Minimum of 362 Paratransit Vehicles—Systemwide	4,450,000	7,200,000	2,960,000	4,480,000	9,520,000	28,610,000
4104	Purchase a Minimum of 700 Vanpool Vans—Systemwide	3,420,000	7,200,000	5,400,000	6,300,000	7,200,000	29,520,000
4105	Purchase a Minimum of 19 Community Vehicles—Systemwide	4,750,000	—	—	—	—	4,750,000
4106	Provide for Associated Capital Items—Systemwide	1,000,000	3,000,000	2,500,000	2,500,000	2,800,000	11,800,000
	Sub–Total Pace Rolling Stock	**$ 18,810,350**	**$ 25,450,000**	**$ 17,510,000**	**$ 21,530,000**	**$ 39,020,000**	**$ 122,320,350**
Pace Electrical, Signal and Communication							
4118	Purchase Replacement Radio System (Phase II)—Systemwide	—	—	—	$ 13,000,000	—	$ 13,000,000
	Sub–Total Pace Electrical, Signal and Communications	—	—	—	**$ 13,000,000**	—	**$ 13,000,000**
Pace Support Facilities and Equipment							
3614	Purchase and Installation of Replacement for HPe3000 Computer System-Phase II (Partial $)—Systemwide	$ 3,000,000	$ 3,000,000	$ 4,000,000	$ 3,000,000	$ 4,000,000	$ 17,000,000
4109	Purchase Replacement Farebox System —Systemwide	—	—	10,000,000	3,000,000	—	13,000,000
4110	Purchase Maintenance/ Support Equipment and Vehicles—Systemwide	300,000	1,000,000	2,000,000	2,000,000	2,000,000	7,300,000
4111	Purchase Computers, Computer Software Systems—Systemwide	751,930	1,000,000	800,000	300,000	500,000	3,351,930
4112	Purchase Office Equipment/Furniture—Systemwide	150,000	500,000	500,000	1,000,000	1,000,000	3,150,000
4113	Construct Pace Headquarters Facility	2,400,000	—	—	—	—	2,400,000
4113	Improve Garages/ Facilities—Systemwide	2,550,000	6,100,000	5,500,000	4,300,000	3,700,000	22,150,000
4114	Provide for Expansion of Facilities—Systemwide	—	5,602,222	5,983,056	195,000	195,000	11,975,278
	Sub–Total Pace Support Facilities and Equipment	**$ 9,151,930**	**$ 17,202,222**	**$ 28,783,056**	**$ 13,795,000**	**$ 11,395,000**	**$ 80,327,208**
Pace Stations and Passenger Facilities							
4116	Construct Transportation Centers and Transfer Facilities—Systemwide	$ 1,000,000	—	—	—	—	$ 1,000,000
4116	Rehabilitate Passenger Facilities—Systemwide	—	1,200,000	—	—	—	1,200,000
4116	Renovate Northwest Transportation Center	500,000	—	—	—	—	500,000
4117	Install Shelters/ Signs/ Passenger Amenities—Systemwide	—	300,000	300,000	500,000	500,000	1,600,000
	Sub–Total Pace Stations and Passenger Facilities	**$ 1,500,000**	**$ 1,500,000**	**$ 300,000**	**$ 500,000**	**$ 500,000**	**$ 4,300,000**
Pace Acquisitions and Extensions							
4119	Implement Bus Rapid Transit and Transit Signal Priority Projects—Systemwide	$ 2,000,000	$ 3,353,000	$ 2,820,000	$ 3,000,000	$ 6,000,000	$ 17,173,000
	Sub–Total Pace Acquisitions and Extensions	**$ 2,000,000**	**$ 3,353,000**	**$ 2,820,000**	**$ 3,000,000**	**$ 6,000,000**	**$ 17,173,000**
Pace Contingencies and Administration							
4125	Provide for Project Administration	—	$ 471,027	$ 618,835	$ 681,491	$ 591,491	$ 2,362,844
	Sub–Total Pace Contingencies and Administration	—	**$ 471,027**	**$ 618,835**	**$ 681,491**	**$ 591,491**	**$ 2,362,844**
	TOTAL PACE	**$ 31,462,280**	**$ 47,976,249**	**$ 50,031,891**	**$ 52,506,491**	**$ 57,506,491**	**$ 239,483,402**
	GRAND TOTAL	**$ 591,021,049**	**$ 554,895,676**	**$ 656,392,958**	**$ 531,659,225**	**$ 685,042,407**	**$ 3,019,011,315**
	New Initiative	—	**$ 651,228,912**	**$ 571,698,757**	**$ 566,275,884**	**$ 568,615,516**	**$ 2,357,819,069**

8 Appendices

Exhibit 8-1: **2006 Budget Call Calendar** (dates listed are for 2005)

June 23
Finance Committee meeting; 2006 budget call release.

August 1
Deadline for Service Boards to submit their capital programs and critical issues to the RTA.

August 1–September 2
RTA analyses of Service Board's preliminary five-year capital programs. RTA staff and Service Board staffs discuss issues. RTA staff prepares the preliminary capital program marks.

August 12
Service Boards submit macro budget and two-year financial plan to the RTA.

August 15–September 2
RTA staff analyses of each Service Boards macro budget and two-year financial plan. RTA staff 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 2006 budget and the 2007-2008 financial plan of each Service Board, (2) set the 2006 budget recovery ratio for each Service Board, and (3) set the preliminary 2006-2010 five-year capital program marks.

September 15
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 2006 through 2008, the 2006 recovery ratio, and the preliminary five-year capital program marks for each Service Board.

September 19–October 14
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 17–November 11
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 3–December 9
FTA releases Federal Fiscal Year 2006 Apportionments in the Federal Register.

October 3–December 9
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 3
RTA Board Committees and the RTA Board review the RTA Agency budget.

November 7 –December 9
RTA Board Members and staff present highlight summaries of the region's 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 16–December 1
RTA staff consolidates the proposed budgets, financial plans, and revised capital programs of the Service Boards and Agency into the RTA's proposed 2006 annual budget and five-year capital program document.

December 2
The RTA's proposed 2006 budget, 2007-2008 financial plan, and five-year capital program document is available for public inspection.

December 6
RTA holds public hearings on the consolidated 2006 budget, 2007-2008 financial plan, and 2006-2010 capital program.

December 16
RTA Planning Committee, Finance Committee and RTA Board meet to review and consider adoption of an ordinance for the 2006 budget, the 2007-2008 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 2006–2010 and Annual Program and Budget for 2006

Notice is hereby given that the Regional Transportation Authority (RTA) will hold public hearings on its proposed five-year capital program for 2006–2010 (January 1, 2006 to December 31, 2010) and annual program and budget for 2006.

Any person may present views orally at the hearings or by submitting written material at any time, no later than the close of business on Tuesday, December 6, 2005. Copies of the proposed five-year program for 2006-2010 and the annual program and budget for 2006 will be available for public inspection in the office of the RTA, 175 West Jackson Boulevard, 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 Thursday, December 1, 2005 so that proper arrangements can be made.

Listed below are the locations of the public hearings scheduled to be held from 4:30 p.m. to 6:00 p.m. on Tuesday, December 6, 2005. One additional hearing will be held at the Cook County Central location on Tuesday, December 13, 2005 from 4:30 p.m. to 6:00 p.m.

Cook County—Central
Regional Transportation Authority
Board Room, Suite 1550
175 West Jackson Boulevard
Chicago, Illinois 60604

Cook County—North
Village of Arlington Heights
Beuchner Room
33 South Arlington Heights Road
Arlington Heights, Illinois 60005

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

Cook County—West
Riverside Town Hall, Room 3
27 Riverside Road
Riverside, Illinois 60543

Will County
Will County Courthouse
Courtroom 111
14 West Jefferson
Joliet, Illinois 60432

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

Kane County
Municipal Center, Council Chambers
2 East Main Street
St. Charles, Illinois 60174

Lake County
Waukegan City Hall
Council Chambers
100 North Martin Luther King, Jr. Avenue
Waukegan, Illinois 60085

McHenry County
Woodstock City Hall
Council Chambers
121 West Calhoun
Woodstock, Illinois 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 6, 2005 from 4:30 to 6:00 p.m., in nine locations throughout the six-county region. Due to the fact that the budget document was not ready for public review until one day prior to the hearings, the Chairman and Executive Director directed staff to hold an additional hearing at the RTA offices on December 13, 2005. The location of these hearings is detailed in Exhibit 8-2. Court reporters were present to take testimony and transcripts of this testimony are on file at the RTA.

Fourteen people provided testimony at the downtown Cook County location. There were no attendees at any of the other hearings. Twelve people provided testimony at the December 13 meeting.

Much of the testimony expressed concern on paratransit service levels and fares, as well as the CTA and Metra fare increases generally. Other testimony, focused on the capital program endorsing particular projects, and/or questioning existing priorities.

Some of the testimony took the RTA to task on the tardiness of its budget book and its related outreach efforts—but with much of the testimony called on the RTA to take a stronger leadership role in transit planning, coordination, and funding. A number of people recognized the need for greater transit funding, and called on RTA officials as well as those at the federal, state, and local levels, to work for more money for public transportation.

There were various other items that did not fit with these overall themes, calls for energy conservation and alternatives, pension disclosure concerns, reduced bus sizes, and system cleanliness and safety concerns.

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 Expenditure—Expenditures 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—Expenditures 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.

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 pre-determined 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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "system-generated" revenue.

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 *RTA 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 Expenditures**)—Pay or expenditures 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.

Gross Domestic Product (GDP)— Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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.

In-Kind Service—These services are provided at no cost to a Service Board. For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

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 Expenditure—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 Expenditure—Expenditures 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 revenue and other financial resource increments (e.g., bond issue proceeds) is 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 revenue and expenditures 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 or rail service, including 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 expenditure 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 RTA. Generally refers to funding for operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the *ADA* paratransit Service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures 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.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

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). 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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50 at a reduced price to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998. this legislation 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

During the third quarter of 2005, the Gross Domestic Product (GDP) grew at an annual rate of 4.3 percent, following 3.8 percent and 3.3 percent annual growth rates during the first and second quarters of 2005, respectively. 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 real GDP growth from 2001 through 2006. The GDP climbed consistently from 0.8 percent in 2001 to 4.2 percent in 2004. Real GDP growth is expected to decline to annual rate increases of 3.7 and 3.4 percent during 2005 and 2006, respectively.

In November 2005, the economy added 215,000 jobs after two months of weak job growth resulting from Hurricanes Katrina and Rita. The national unemployment rate held steady at 5.0 percent from October to November 2005. Exhibit 8-4 shows the U.S. annual unemployment rate from 2001 through 2006. The unemployment rate grew from 4.7 percent in 2001 to 6.0 percent in 2003, before declining to 5.5 percent in 2004. The unemployment rate is expected to decrease slightly to an annual average of 5.2 percent in both 2005 and 2006.

Exhibit 8-5 shows the annual trend in the growth of the U.S. Consumer Price Index (CPI) from 2001 through 2006. Weaker overall economic activity resulted in a sharp decline in the CPI's annual growth from 2.8 percent in 2001 to 1.6 percent 2002. CPI annual growth of 1.6 percent in 2002 tied 1998 for the smallest CPI increase in more than 35 years. The CPI grew by 2.3 percent and 2.6 percent in 2003 and 2004, respectively. CPI growth is expected to peak at 3.1 percent in 2005 before declining to 2.5 percent in 2006.

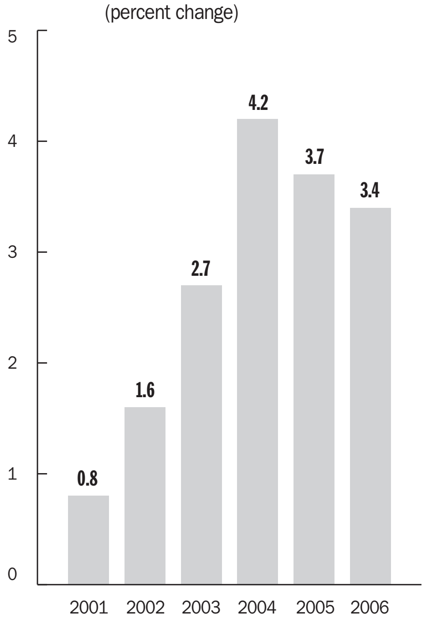
RTA Region

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

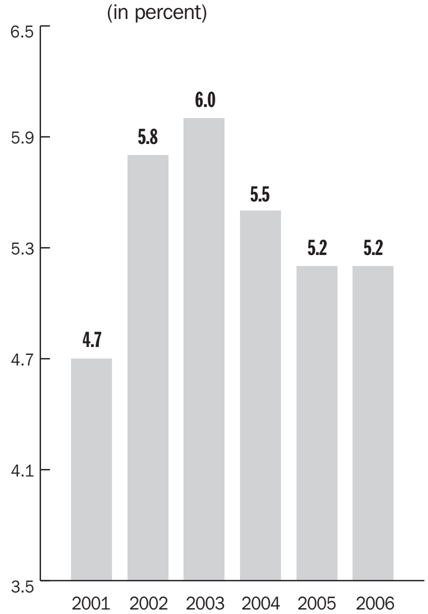
As shown in Exhibit 8-6, the population of the RTA region grew by 11.2 percent (from 7.3 million to 8.1 million) between 1990 and 2000. Population growth in the RTA region grew at a slightly slower pace than the overall population of the United

Exhibit 8-3: **U.S. Real Gross Domestic Product**(1)
(percent change)



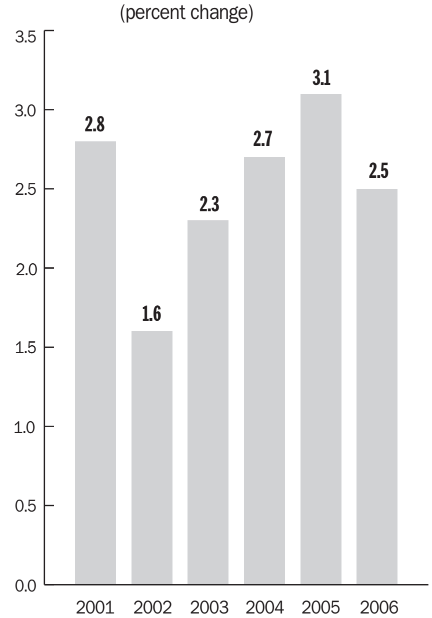
(1) U.S. Dept. of Commerce, Congressional Budget Office

Exhibit 8-4: **U.S. Unemployment Rate**(1)
(in percent)



(1) U.S. Dept. of Commerce, Congressional Budget Office

Exhibit 8-5: **U.S. Consumer Price Index**(1)
(percent change)



(1) U.S. Dept. of Commerce, Congressional Budget Office

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.

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.

Exhibit 8-7: **RTA Region Population Annualized Growth Rates** (in percent)

Source: U.S. Census Bureau

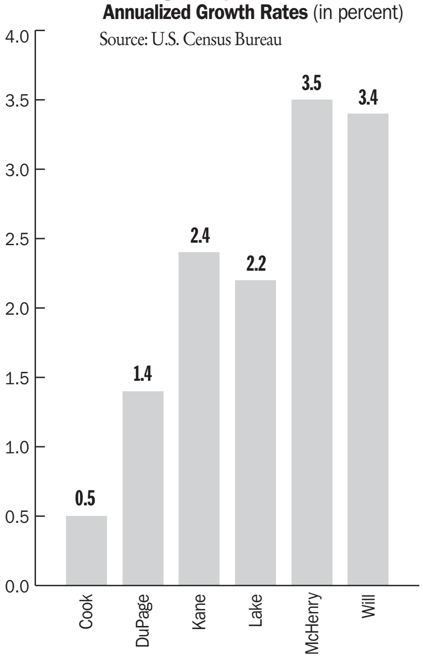


Exhibit 8-8: **2000 RTA Region Population Distribution by County**

Source: United States Census Bureau

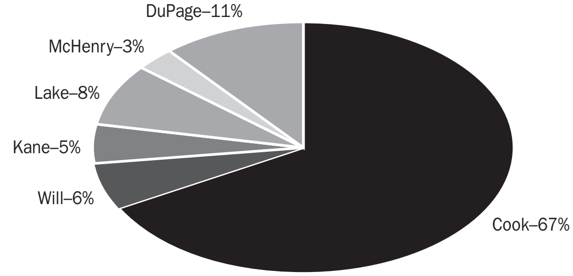


Exhibit 8-9: **Unemployment Rates 2001–2005** (in percent)

	2001	2002	2003	2004	October 2005
United States	4.7	5.8	6.0	5.5	5.0
State of Illinois	5.4	6.5	6.7	6.2	5.5
Cook County	6.1	7.4	7.3	6.6	5.7
DuPage County	3.9	5.2	5.2	4.9	4.1
Kane County	5.3	6.6	7.0	5.9	4.6
Lake County	4.3	5.6	6.2	5.5	3.7
McHenry County	4.5	5.7	6.3	5.2	4.1
Will County	5.1	6.3	6.9	5.9	4.6

Source: U.S. Department of Labor, Illinois Department of Employment Security.

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 2001 and 2005. The unemployment rate in Illinois was consistently higher than the national rate. Throughout this period, 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. However, in 2003, unemployment in Kane and Will counties also exceeded that of the State.

Through 2003, the unemployment rate worsened on a national, regional, and local level. Between 2001 and 2004 the gap between the Illinois and U.S. unemployment rates remained steady at seven tenths of a percentage point. Among the six counties in the RTA region, DuPage and McHenry counties' October 2005 unemployment rate of 4.1 percent was the lowest in the region, while Cook County's rate of 5.7 percent was the highest in the region. Cook County's October 2005 unemployment rate of 5.7 percent was only 0.2 percentage points higher than that of the state of Illinois and 0.7 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).

Exhibit 8-10: **Employment Trends by County** (in thousands)

	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**

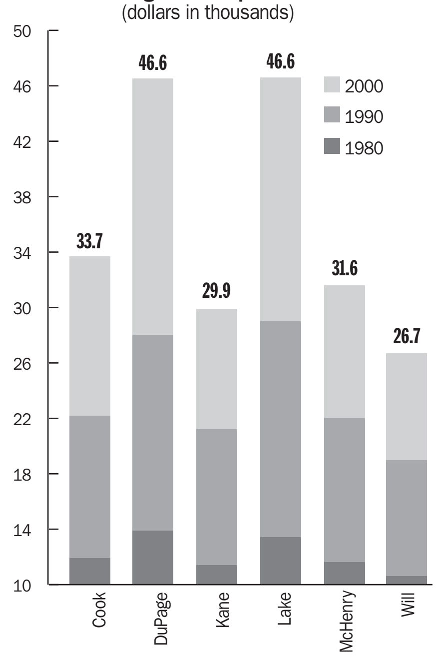
Source: U.S. Department of Commerce-Bureau of Economic Analysis.

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.

Exhibit 8-12: **Region Per Capita Income**
(dollars in thousands)



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

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.

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 $513 million in 1994 to $650 million in 2000. However, between 2000 and 2003, sales tax collections fluctuated between $648 and $655 million. In 2004, sales tax collections increased $21 million to $676 million, the most since 2000. 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 1995–2004** (dollars in thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Chicago	$ 160,301	$ 165,051	$ 163,366	$ 176,816	$ 187,966	$ 199,056	$ 197,370	$ 195,417	$ 198,383	$ 205,355
Suburban Cook	282,898	292,319	313,113	314,886	333,513	354,307	357,522	353,999	356,386	363,792
Total Cook	**$ 443,199**	**$ 457,370**	**$ 476,479**	**$ 491,702**	**$ 521,479**	**$ 553,363**	**$ 554,892**	**$ 549,416**	**$ 554,770**	**$ 569,147**
DuPage	$ 32,230	$ 34,370	$ 36,482	$ 39,278	$ 41,764	$ 42,741	$ 42,498	$ 40,961	$ 40,916	$ 42,785
Kane	8,546	9,044	9,301	10,011	10,761	11,589	11,796	12,256	12,828	13,954
Lake	16,770	17,929	18,980	20,413	22,238	23,985	25,017	24,913	24,969	26,150
McHenry	4,735	5,096	5,329	5,760	6,528	6,942	7,122	7,373	7,599	8,160
Will	7,821	8,495	8,925	9,540	10,744	11,664	12,197	12,766	13,906	15,432
Total Collar	**$ 70,102**	**$ 74,934**	**$ 79,017**	**$ 85,002**	**$ 92,035**	**$ 96,921**	**$ 98,630**	**$ 98,269**	**$ 100,218**	**$ 106,482**
Total	**$ 513,301**	**$ 532,304**	**$ 555,496**	**$ 576,704**	**$ 613,514**	**$ 650,284**	**$ 653,522**	**$ 647,685**	**$ 654,988**	**$ 675,629**

ORDINANCE NO. 2005-46

AN ORDINANCE AMENDING THE ESTIMATES OF AMOUNTS AVAILABLE TO THE SERVICE BOARDS FOR 2005

WHEREAS, Ordinance No. 2004-54, adopted on September 10, 2004, advised the Service Boards of the funding amounts estimated to be available and called on each to prepare and submit to the Regional Transportation Authority (the "RTA") proposed budgets for 2005 and financial plans for 2006-2007; and

WHEREAS, the Service Boards adopted and submitted to the RTA proposed budgets for 2005 and financial plans for 2006-2007; and

WHEREAS, the proposed 2005 budgets submitted to the RTA by the Chicago Transit Authority ("CTA") and the Commuter Rail Division of the RTA ("Metra") included system-generated revenues recovery ratios of 54.7% and 55.7%, respectively that exceeded the recovery ratios set by the RTA in the amounts of 52.0% and 55.0%, respectively, and the proposed 2005 budget submitted by the Suburban Bus Division of the RTA ("Pace") met its system-generated revenues recovery ratio of 40.0%; and

WHEREAS, Ordinance 2005-06, adopted by the RTA Board on January 6, 2005, approved the 2005 budgets and 2006-2007 financial plans of the Service Boards and their respective recovery ratios for 2005 and approved the Five-Year Capital Program for 2005-2009; and

WHEREAS, the State of Illinois fiscal year 2006 budget appropriates $54,251,555 to the Illinois Department of Transportation (IDOT) to make a grant to the RTA for the funding of the Americans with Disabilities Act of 1990 (ADA) paratransit services and for other costs and services; and

WHEREAS, IDOT is expected to make these funds available to the RTA in 2005 and the RTA will subsequently make these funds available to the CTA, subject to any terms and conditions that may be established by IDOT; and

WHEREAS, Section 4.11(c)(1) of the Regional Transportation Authority Act (the "Act"), provides that: "If the Board shall at any time have received a revised estimate, or revises any estimate the Board has made, pursuant to this Section of the receipts to be collected by the Authority which, in the judgment of the Board, requires a change in the estimates on which the budget of any Service Board is based, the Board shall advise the affected Service Board of such revised estimates, and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates. If the revised estimates require, in the judgment of the Board, that the system generated revenues recovery ratio of one or more Service Boards be revised in order to allow the Authority to meet its required ratio, the Board shall advise any such Service Board of its revised ratio and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates or ratio"; and

WHEREAS, the RTA Board has determined that it is necessary to revise its estimates of funds that will be available for the CTA and to revise the system-generated revenues recovery ratio of the CTA; and

WHEREAS, the RTA desires to provide additional capital funding to Pace to replace a portion of the capital funding used by Pace for the capital-related portion of the operating costs of paratransit services provided under contract.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:

1. The RTA hereby advises the Service Boards that the amounts shown in Exhibit A of this Ordinance, Schedule I, "Total Funds for Service Board Operations," are estimated to be available for operating purposes for the CTA, Metra, and Pace, respectively, for 2005, provided that the RTA determines that the Service Boards' respective budgets and financial plans for 2005 satisfy the provisions of Section 4.11 of the Act.

2. The required system-generated revenues recovery ratios for 2005 for each Service Board are set forth in Exhibit B of this Ordinance, Schedule II, "2005 Recovery Ratios."

3. The times at which the receipts from taxes imposed by the RTA and other amounts expected to be available from the State and other sources for operating purposes for 2005 are estimated to be available to the Service Boards are set forth in Exhibit B of this Ordinance, Schedule III, "RTA 2005 Monthly Cash Flow Projections."

4. The CTA is hereby directed to develop and submit to the RTA, as part of the documents that the Act requires the Service Boards to submit to the RTA within 30 days from receipt by the Service Boards of this Ordinance, its proposed amended budget for 2005, which budget and plan

shall not project or assume a receipt of revenues from the RTA for operations in 2005 in amounts greater than those set forth in Schedule I on Exhibit A.

5. The CTA's proposed amended budget for 2005 shall comply with the terms and provisions of Ordinance 2005-06, except that such amended budget shall be based on the amounts estimated to be available for 2005 as set forth in Schedule I on Exhibit A. 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.

6. The RTA hereby advises Pace that the RTA will make available to Pace the amount of $7,783,000 for Pace's capital projects for 2005-2009, which amount is in addition to the amount established for such projects by Ordinance 2004-55, as amended.

7. The Executive Director is authorized and directed to inform each of the Service Boards of the amounts, times, and ratios established by this Ordinance promptly after adoption of this Ordinance. The Executive Director is further authorized and directed to take such action as the Executive Director deems necessary or appropriate to implement, administer and enforce this ordinance.

Schedule I: **Total Funds for Service Board Operations** (dollars in thousands)

CTA	**2005**
Operating Funds From:	
RTA Sales Tax and Discretionary Funds	$ 441,632
Federal Section 5307 Funds (1)	18,767
Total Operating Funds Pursuant to Ordinance 2005-06	460,399
Additional State Funding (2)	54,252
Total Operating Funds	$ **514,651**
Metra	
Operating Funds From:	
RTA Sales Tax	$ 240,961
Federal Section 5307 Funds (3)	16,472
Less Funds for Capital Programs	(23,624)
Total Operating Funds Pursuant to Ordinance 2005-06	$ **233,809**
Pace	
Operating Funds From:	
RTA Sales Tax and Discretionary Funds	$ 79,052
Federal Section 5307 Funds (1)	7,783
RTA Funds for Acceptance of "Additional Passes" (4)	2,000
CMAQ/JARC Funds	330
Subtotal Operating Funds	89,165
Federal Section 5307 Funds (5)	16,942
Total Operating Funds Pursuant to Ordinance 2005-06	$ **106,107**

(1) Federal Section 5307 funds transferred from the capital program to operations for the capital-related costs of *ADA* paratransit service under contract. (2) IDOT is expected to make these funds available to the RTA in 2005. (3) Use of Federal Section 5307 funds for preventive maintenance. (4) Additional RTA funds to Pace for a portion of Pace's cost in providing services to riders using CTA fare media. (5) Use of Federal Section 5307 funds for preventive maintenance and *ADA* complementary service.

Schedule II: **2005 Recovery Ratios**—Amended from Ordinance 2005-06

	CTA	**Metra**	**Pace**
Recovery Ratio	52.9%	55.7%	40.0%

Schedule III: **RTA 2005 Monthly Cash Flow Projections General and Agency Funds** (dollars in thousands)

	Amended From Ordinance 2005–06 (1)	**Ordinance 2005–06**	**Amended From Ordinance 2005–06** (2)
	CTA	**Metra**	**Pace**
January	$ 45,659	$ 19,470	$ 6,786
February	38,530	19,841	6,543
March	49,853	24,212	8,525
April	35,217	17,273	6,178
May	35,539	17,877	5,850
June	44,599	19,707	7,069
July	48,179	20,477	8,559
August	47,561	20,078	7,949
September	56,980	22,160	9,230
October	48,499	20,671	8,630
November	47,870	20,078	7,942
December	47,927	19,923	7,898
Total	$ **546,413**	$ **241,767**	$ **91,159**

(1) Amending the CTA's cash flow projection in Ordinance 2005-06 to reflect additional State funding of $54,252 from Schedule I. The additional state funding is spread at the same rate each month from July through December. However, the actual distribution of funds may be delayed if such funds have not been received from the State. (2) Amending Pace's cash flow projection in Ordinance 2005-06 to reflect additional RTA discretionary capital funding to replace a portion of the capital funding used by Pace for the capital-related portion of the operating costs of paratransit services provided under contract in the amount of $7,783. The additional RTA funding is spread at the same rate each month from July through December. However, the actual distribution of funds will be determined pursuant to the RTA's capital program process.

ORDINANCE NO. 2005-53

AN ORDINANCE AMENDING THE ESTIMATE OF
THE AMOUNT AVAILABLE TO PACE FOR 2005

WHEREAS, Ordinance No. 2004-54, adopted on September 10, 2004, advised the Service Boards of the funding amounts estimated to be available and called on each to prepare and submit to the Regional Transportation Authority (the "RTA") proposed budgets for 2005 and financial plans for 2006-2007; and

WHEREAS, the Service Boards adopted and submitted to the RTA proposed budgets for 2005 and financial plans for 2006-2007; and

WHEREAS, the proposed 2005 budgets submitted to the RTA by the Chicago Transit Authority ("CTA") and the Commuter Rail Division of the RTA ("Metra") included system-generated revenues recovery ratios of 54.7% and 55.7%, respectively that exceeded the recovery ratios set by the RTA in the amounts of 52.0% and 55.0%, respectively, and the proposed 2005 budget submitted by the Suburban Bus Division of the RTA ("Pace") met its system-generated revenues recovery ratio of 40.0%; and

WHEREAS, Ordinance 2005-06, adopted by the RTA Board on January 6, 2005, approved the 2005 budgets and 2006-2007 financial plans of the Service Boards and their respective recovery ratios for 2005 and approved the Five-Year Capital Program for 2005-2009; and

WHEREAS, in 2005, the Illinois General Assembly adopted an amendment to the Regional Transportation Authority Act (the "Act") to add a new Section 2.30 which requires Pace to provide all of the Americans with Disabilities Act of 1990 (ADA) paratransit services in the six-county RTA region by no later than July 1, 2006; and

WHEREAS, Ordinance 2005-46, adopted by the RTA Board on June 23, 2005, revised the RTA estimates of funds that will be available for the CTA and system-generated revenues recovery ratio of the CTA, and provided additional discretionary capital funding to Pace to replace a portion of the capital funding used by Pace for the capital-related portion of the operating costs of paratransit services provided under contract; and

WHEREAS, the RTA expects Pace to incur cost for start-up activities related to the transition to providing all of the ADA paratransit services in the RTA region; and

WHEREAS, the RTA desires to provide additional operating funding to Pace to pay for such start-up activities; and

WHEREAS, Section 4.11(c)(1) of the Act, provides that: "If the Board shall at any time have received a revised estimate, or revises any estimate the Board has made, pursuant to this Section of the receipts to be collected by the Authority which, in the judgment of the Board, requires a change in the estimates on which the budget of any Service Board is based, the Board shall advise the affected Service Board of such revised estimates, and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates. If the revised estimates require, in the judgment of the Board, that the system generated revenues recovery ratio of one or more Service Boards be revised in order to allow the Authority to meet its required ratio, the Board shall advise any such Service Board of its revised ratio and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates or ratio"; and

WHEREAS, the RTA Board has determined that it is necessary to revise its estimate of funds that will be available for Pace and to revise the system-generated revenues recovery ratio of Pace.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY THAT:

1. The RTA hereby advises the Service Boards that the amounts shown in Exhibit A of this Ordinance, Schedule I, "Total Funds for Service Board Operations," are estimated to be available for operating purposes for the CTA, Metra, and Pace, respectively, for 2005, provided that the RTA determines that the Service Boards' respective budgets and financial plans for 2005 satisfy the provisions of Section 4.11 of the Act.

2. The required system-generated revenues recovery ratios for 2005 for each Service Board are set forth in Exhibit B of this Ordinance, Schedule II, "2005 Recovery Ratios."

3. The times at which the receipts from taxes imposed by the RTA and other amounts expected to be available from the State and other sources for operating purposes for 2005 are estimated to be available to the Service Boards are set forth in Exhibit B of this Ordinance, Schedule III, "RTA 2005 Monthly Cash Flow Projections."

4. Pace is hereby directed to develop and submit to the RTA, as part of the documents that the *Act* requires the Service

Boards to submit to the RTA within 30 days from receipt by the Service Boards of this Ordinance, its proposed amended budget for 2005, which budget and plan shall not project or assume a receipt of revenues from the RTA for operations in 2005 in amounts greater than those set forth in Schedule I on Exhibit A.

5. Pace's proposed amended budget for 2005 shall comply with the terms and provisions of Ordinance 2005-06, except that such amended budget shall be based on the amounts estimated to be available for 2005 as set forth in Schedule I on Exhibit A. 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.

6. The Executive Director is authorized and directed to inform each of the Service Boards of the amounts, times, and ratios established by this Ordinance promptly after adoption of this Ordinance. The Executive Director is further authorized and directed to take such action as the Executive Director deems necessary or appropriate to implement, administer and enforce this ordinance.

Schedule I: **Total Funds for Service Board Operations** (dollars in thousands)

CTA Operating Funds From:	**2005**
RTA Sales Tax and Discretionary Funds	$ 441,632
Federal Section 5307 Funds (1)	18,767
Total Operating Funds Pursuant to Ordinance 2005-06	460,399
Additional State Funding (2)	54,252
Total Operating Funds Pursuant to Ordinance 2005-46	$ **514,651**
Metra Operating Funds From:	
RTA Sales Tax	$ 240,961
Federal Section 5307 Funds (3)	16,472
Less Funds for Capital Programs	(23,624)
Total Operating Funds Pursuant to Ordinance 2005-06	$ **233,809**
Pace Operating Funds From:	
RTA Sales Tax and Discretionary Funds	$ 79,052
Federal Section 5307 Funds (1)	7,783
RTA Funds for Acceptance of "Additional Passes" (4)	2,000
CMAQ/JARC Funds	330
Subtotal Operating Funds	89,165
Federal Section 5307 Funds (5)	16,942
Total Operating Funds Pursuant to Ordinance 2005-06	106,107
Additional RTA Discretionary Funds (6)	1,000
Total Operating Funds	$ **107,107**

(1) Federal Section 5307 funds transferred from the capital program to operations for the capital-related costs of *ADA* paratransit service under contract. (2) IDOT is expected to make these funds available to the RTA in 2005. (3) Use of Federal Section 5307 funds for preventive maintenance. (4) Additional RTA funds to Pace for a portion of Pace's cost in providing services to riders using CTA fare media. (5) Use of Federal Section 5307 funds for preventive maintenance and *ADA* complementary service. (6) Funding for the cost of start-up activities related to the transition to providing all of the *ADA* paratransit services in the RTA region.

Schedule III: **RTA 2005 Monthly Cash Flow Projections General and Agency Funds** (dollars in thousands)

	As Amended by Ordinance 2005–46 (1)	**Ordinance 2005–06**	**Amended From Ordinance 2005–06** (2)
	CTA	**Metra**	**Pace**
January	$ 45,659	$ 19,470	$ 6,786
February	38,530	19,841	6,543
March	49,853	24,212	8,525
April	35,217	17,273	6,178
May	35,539	17,877	5,850
June	44,599	19,707	7,069
July	48,179	20,477	8,559
August	47,561	20,078	7,949
September	56,980	22,160	9,230
October	48,499	20,671	8,630
November	47,870	20,078	7,942
December	47,927	19,923	7,898
Total	$ **546,413**	$ **241,767**	$ **91,159**

(1) Amending the CTA's cash flow projection in Ordinance 2005-06 to reflect additional State funding of $54,252 from Schedule I. The additional state funding is spread at the same rate each month from July through December. However, the actual distribution of funds may be delayed if such funds have not been received from the State. (2) Amending Pace's cash flow projection in Ordinance 2005-46 to reflect additional RTA discretionary operating funds of $1,000 and provide discretionary capital funding of $6,783 to replace a portion of the capital funding used by Pace for the capital-related portion of the operating costs of paratransit services provided under contract. The additional RTA discretionary funds are spread at the same rate each month from July through December. However, the actual distribution of capital funds will be determined pursuant to the RTA's capital program process.

ORDINANCE NO. 2005-54

AN ORDINANCE AMENDING THE RTA 2005 BUDGET
TO APPROPRIATE ADDITIONAL FUNDING FOR THE CTA AND PACE,
AND AMENDING THE CTA 2005 BUDGET

WHEREAS, Ordinance 2005-06, adopted by the Regional Transportation Authority (RTA or Authority) Board on January 6, 2005, approved the 2005 budgets and 2006-2007 financial plans of the Service Boards and their respective recovery ratios for 2005, adopted the 2005 Budget and Program of the Authority, appropriated funds for the 2005 Budgets, and approved the Five-Year Capital Program for 2005-2009; and

WHEREAS, the State of Illinois fiscal year 2006 budget appropriates $54,251,555 to the Illinois Department of Transportation (IDOT) to make a grant to the RTA for the funding of Americans with Disabilities Act of 1990 (ADA) paratransit services and for other costs and services; and

WHEREAS, IDOT is expected to make these funds available to the RTA in 2005 and the RTA will subsequently make these funds available to the Chicago Transit Authority (CTA), subject to any terms and conditions that may be established by IDOT; and

WHEREAS, the RTA undesignated, unreserved fund balance finished 2004 at approximately $12.5 million, $11.1 million higher than previous estimates; and

WHEREAS, Section 4.11(c)(1) of the Regional Transportation Authority Act (the "Act"), provides that: "If the Board shall at any time have received a revised estimate, or revises any estimate the Board has made, pursuant to this Section of the receipts to be collected by the Authority which, in the judgment of the Board, requires a change in the estimates on which the budget of any Service Board is based, the Board shall advise the affected Service Board of such revised estimates, and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates. If the revised estimates require, in the judgment of the Board, that the system generated revenues recovery ratio of one or more Service Boards be revised in order to allow the Authority to meet its required ratio, the Board shall advise any such Service Board of its revised ratio and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates or ratio"; and

WHEREAS, Ordinance 2005-46, adopted by the RTA Board on June 23, 2005, revised the RTA estimates of funds that will be available for the CTA and system-generated revenues recovery ratio of the CTA, and provided additional discretionary capital funding to Pace to replace a portion of the capital funding used by Pace for the capital-related portion of the operating costs of paratransit services provided under contract; and

WHEREAS, the CTA adopted and submitted to the RTA a proposed revised budget for 2005, incorporating the revised estimates of funds available and revised system-generated revenues recovery ratio.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY THAT:

1. The revised budget for 2005 submitted to the RTA by the CTA meets the criteria specified in clauses (ii) through (vii) of subparagraph (2) of paragraph (b) of Section 4.11 of the Act.

2. The 2005 budgets adopted by the RTA Board on January 6, 2005, by Ordinance 2005-06, are hereby amended as shown on the attached schedules 1-A, 1-B, 1-D, 1-E, and 1-G.

3. The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance, and to file the amended budget 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 appropriate certification that this budget meets the requirements of the Act.

Schedule I-A: **RTA Statement of Revenue and Expenditures**
General and Agency Funds (dollars in thousands)

Revenue	Ordinance 2005–06 2005 Budget	2005 Budget Amendment	Amended 2005 Budget
Sales Tax	$ 697,600	—	$ 697,600
Public Transportation Fund (PTF)	174,400	—	174,400
State Financial Assistance (SFA)	109,186	—	109,186
Reduced Fare (RF)	37,240	—	37,240
Additional State Funding	—	54,252	54,252
Other Revenue	20,941	—	20,941
Total Revenue	**$ 1,039,367**	**$ 54,252**	**$ 1,093,619**
Operating Expenditures			
RTA Operations Funding	$ 754,493	—	$ 754,493
Additional State Funding for Operations	—	54,252	54,252
Reduced Fare and Sales Tax Interest	37,523	—	37,523
Agency Operations	20,169	—	20,169
Regional Technical Assistance and Coordination	8,572	—	8,572
Total Operating Expenditures	**$ 820,757**	**$ 54,252**	**$ 875,009**
Debt Service and Capital Expenditures			
Principal and Interest	$ 177,656	—	$ 177,656
Regional Technology and Agency Programs	8,739	—	8,739
Metra Transfer Capital	23,624	—	23,624
Metra Federal Funds	(16,472)	—	(16,472)
CTA Transfer Capital	20,353	—	20,353
Pace Transfer Capital	—	7,783	7,783
Total Debt Service and Capital Expenditures	**$ 213,900**	**$ 7,783**	**$ 221,683**
Total Expenditures	**$ 1,034,657**	**$ 62,035**	**$ 1,096,692**
Fund Balance (undesignated/unreserved)			
Beginning Balance (1)	$ 1,404	$ 11,103	$ 12,507
Remainder/(Deficit)	4,710	(7,783)	(3,073)
Designations/Reserves	3,520	—	3,520
Ending Balance	**$ 9,634**	**$ 3,320**	**$ 12,954**
% of Total Operating Expenditures	**1.2**%	—	**1.5**%
Recovery Ratio	**53.1**%	**—**	**52.2**%

(1) The beginning fund balance for the amended budget reflects RTA's 2004 year-end audited results. The amount is $11,103 higher than the $1,404 estimate in Ordinance 2005-06.

Schedule I-B: **Service Board Deficit Funding Amending**
CTA's Deficit Funding for 2005 (dollars in thousands)

2005 Budget for the CTA	RTA Ordinance 2005–06 2005 Budget	CTA Ordinance 2005–94 (1) 2005 Budget Amendment	Amended 2005 Budget
(Amended from RTA Ordinance 2005-06)			
Service Board System Generated Revenues	$ 470,090	$ 30,155	$ 500,245
Service Board System Generated Expenses	911,722	84,407	996,129
Total Service Board Deficit	**$ 441,632**	**$ 54,252**	**$ 495,884**
Deficit Funding			
RTA Sales Tax	$ 276,307	—	$ 276,307
RTA Discretionary Funds	165,325	—	165,325
Additional RTA Discretionary Funds (2)	—	54,252	54,252
RTA Operations Funding	**$ 441,632**	**$ 54,252**	**$ 495,884**

(1) Changes adopted by the CTA Board to amend its 2005 Budget. (2) Additional state funding from the Illinois Department of Transportation (IDOT) to RTA for *Americans with Disabilities Act* of 1990 *(ADA)* paratransit services and for other costs and services, pursuant to RTA Ordinance 2005-46; subject to any terms and conditions that IDOT may establish.

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

Revenue	RTA Ordinance 2005–06 2005 Budget	CTA Ordinance 2005–94 2005 Budget Amendment	Amended 2005 Budget
CTA	$ 492,090	$ 30,155	$ 522,245
Metra	253,611	—	253,611
Pace	64,021	—	64,021
RTA	20,658	—	20,658
Other Revenue	4,262	—	4,262
Total Revenue	$ **834,642**	$ **30,155**	$ **864,797**
Expenses			
CTA	$ 898,945	$ 84,407	$ 983,352
Metra	455,330	—	455,330
Pace	160,053	—	160,053
RTA	26,741	—	26,741
Other Expenditures	30,215	—	30,215
Total Expenditures	$ **1,571,284**	$ **84,407**	$ **1,655,691**
Recovery Ratios			
CTA	54.7%	(1.6)%	53.1%
Metra	55.7%		55.7%
Pace	40.0%		40.0%
Total System–Generated Revenue Recovery Ratio (1)	**53.1**%	(**0.9**)%	**52.2**%

(1) Impact of the CTA budget amendment on the total system-generated revenue recovery ratio.

Schedule I-E: **Service Board and RTA Capital Funding—2005 Budget** (dollars in thousands)

Service Board Capital Funding (1)	CTA	Metra	Pace	RTA	Total
FTA Capital Grants	$ 330,083	$ 173,779	$ 31,952	—	$ 535,814
IDOT Grants	—	—	—	—	—
Service Board/Other Funds	—	29,945	17	—	29,962
Transfer Capital (2)	20,353	—	7,783	—	28,134
Carryover and De-Obligations	47,307	18,033	300	—	65,640
Total Service Board Capital Funding	397,743	221,757	40,052	—	659,550
CTA Financing (3)	317,280	—	—	—	317,280
Paratransit, ADA Service and Preventive Maintenance	(18,767)	(16,472)	(24,725)	—	(59,964)
Total Available	$ **696,256**	$ **205,285**	$ **15,327**	—	$ **916,866**
RTA Capital Funding (1)					
Regional Technology and Agency Programs	—	—	—	8,739	—

(1) Reflects August 4, 2005 capital program amendment. (2) Funds provided to Pace pursuant to RTA Ordinance 2005-46. (3) Includes 2004 financing de-obligations and re-obligations.

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

Cash Receipts	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Sales Tax	$ 54,636	$ 57,185	$ 67,084	$ 50,399	$ 51,692	$ 55,041	$ 58,905	$ 57,579	$ 61,720	$ 59,593	$ 57,933	$ 57,766
PTF	13,650	13,659	14,296	16,771	12,600	12,923	13,760	14,726	14,395	15,430	14,898	14,483
Reduced Fare	9,454	—	9,262	—	—	9,262	—	—	9,262	—	—	—
State Assistance	7,500	7,500	7,500	9,514	9,514	25,239	—	—	—	—	—	31,728
Additional State Funding	—	—	—	—	—	—	9,042	9,042	9,042	9,042	9,042	9,042
Interest/Other Income	912	912	1,732	912	912	2,424	912	912	912	912	912	8,344
Total Cash Receipts	**$ 86,152**	**$ 79,256**	**$ 99,874**	**$ 77,596**	**$ 74,718**	**$ 104,890**	**$ 82,619**	**$ 82,259**	**$ 95,331**	**$ 84,977**	**$ 82,785**	**$ 121,364**
Cash Disbursements												
CTA												
85% Sales Tax	$ 22,005	$ 22,670	$ 26,357	$ 20,252	$ 20,575	$ 22,000	$ 23,277	$ 22,659	$ 24,443	$ 23,596	$ 22,967	$ 23,025
RTA Discretionary	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777
Additional RTA Discretionary (1)	—	—	—	—	—	—	9,042	9,042	9,042	9,042	9,042	9,042
Reduced Fare Reimbursement	7,793	—	7,635	—	—	7,635	—	—	7,635	—	—	—
Capital Program	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083
2003 Budget True-Up	—	—	—	(896)	(896)	(896)	—	—	—	—	—	—
Total Disbursements	**$ 45,659**	**$ 38,530**	**$ 49,853**	**$ 35,217**	**$ 35,539**	**$ 44,599**	**$ 48,179**	**$ 47,561**	**$ 56,980**	**$ 48,499**	**$ 47,870**	**$ 47,927**
Metra												
85% Sales Tax	$ 18,613	$ 19,757	$ 23,370	$ 17,189	17,794	18,865	20,394	$ 19,995	$ 21,318	$ 20,588	$ 19,994	$ 19,840
Reduced Fare Reimbursement	775	—	759	—	—	759	—	—	759	—	—	—
Capital Program	83	83	83	83	83	83	83	83	83	83	83	83
Total Disbursements	**$ 19,470**	**$ 19,841**	**$ 24,212**	**$ 17,273**	**$ 17,877**	**$ 19,707**	**$ 20,477**	**$ 20,078**	**$ 22,160**	**$ 20,671**	**$ 20,078**	**$ 19,923**
Pace												
85% Sales Tax	$ 5,823	$ 6,180	$ 7,294	$ 5,398	$ 5,569	$ 5,921	$ 6,398	$ 6,289	$ 6,702	$ 6,470	$ 6,282	$ 6,237
RTA Discretionary	280	280	280	280	280	280	280	280	280	280	280	280
RTA Pass Reimbursement	600	—	—	500	—	—	500	—	—	500	—	—
Reduced Fare Reimbursement	—	—	868	—	—	868	—	—	868	—	—	—
Transfer Capital (1)	—	—	—	—	—	—	1,297	1,297	1,297	1,297	1,297	1,298
Capital Program	83	83	83	83	83	83	83	83	83	83	83	83
2004 Budget True-Up	—	—	—	(83)	(83)	(83)	—	—	—	—	—	—
Total Disbursements	**$ 6,786**	**$ 6,543**	**$ 8,525**	**$ 6,178**	**$ 5,850**	**$ 7,069**	**$ 8,559**	**$ 7,949**	**$ 9,230**	**$ 8,630**	**$ 7,942**	**$ 7,898**
RTA Operations, Debt Service and Capital												
Sales Tax Interest	43	37	37	37	37	37	37	37	37	37	37	37
Principal and Interest Payments	13,881	14,161	14,209	13,381	6,624	9,129	14,639	14,843	14,867	14,019	11,910	11,113
Agency Operating Expenses	1,681	1,681	1,681	1,681	1,681	1,681	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	1,276	1,276	1,276	1,276	1,276	1,276
Total Disbursements	**$ 16,880**	**$ 17,155**	**$ 17,203**	**$ 16,375**	**$ 9,618**	**$ 12,122**	**$ 17,633**	**$ 17,837**	**$ 17,861**	**$ 17,013**	**$ 14,904**	**$ 14,107**
Total Cash Disbursements	**$ 88,796**	**$ 82,069**	**$ 99,793**	**$ 75,042**	**$ 68,884**	**$ 83,497**	**$ 94,848**	**$ 93,425**	**$ 106,231**	**$ 94,813**	**$ 90,793**	**$ 89,855**
Cash Balance												
Beginning (2)	**$ 110,696**	**$ 108,052**	**$ 105,239**	**$ 105,319**	**$ 107,873**	**$ 113,706**	**$ 135,099**	**$ 122,869**	**$ 111,704**	**$ 100,803**	**$ 90,967**	**$ 82,959**
Ending	**$ 108,052**	**$ 105,239**	**$ 105,319**	**$ 107,873**	**$ 113,706**	**$ 135,099**	**$ 122,869**	**$ 111,704**	**$ 100,803**	**$ 90,967**	**$ 82,959**	**$ 114,467**

(1) Funds provided to the CTA and Pace pursuant to RTA Ordinance 2005-46. Actual distribution of funds to the CTA may be delayed if such funds have not been received from the State; distribution of funds is subject to any terms and conditions that IDOT may establish. Actual distribution of capital funds to Pace will be determined pursuant to the RTA's capital program process. (2) Year-end 2004 restricted and unrestricted cash balance; reflects 2004 year-end audited results.

Schedule I-G: **Cash Flow Projections** (in thousands)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Portfolio Beginning Balance	$ 110,696	$ 108,052	$ 105,239	$ 105,319	$ 107,873	$ 113,706	$ 135,099	$ 122,869	$ 111,704	$ 100,803	$ 90,967	$ 82,959
Receipts												
Sales Tax	54,636	57,185	67,084	50,399	51,692	55,041	58,905	57,579	61,720	59,593	57,933	57,766
Public Transportation Fund	13,650	13,659	14,296	16,771	12,600	12,923	13,760	14,726	14,395	15,430	14,898	14,483
Reduced Fare Reimbursement	9,454	—	9,262	—	—	9,262	—	—	9,262	—	—	—
State Assistance	7,500	7,500	7,500	9,514	9,514	25,239	—	—	—	—	—	31,728
Other	912	912	1,732	912	912	2,424	912	912	912	912	912	8,344
Total Receipts	**$ 86,152**	**$ 79,256**	**$ 99,874**	**$ 77,596**	**$ 74,718**	**$ 104,890**	**$ 73,577**	**$ 73,217**	**$ 86,289**	**$ 75,935**	**$ 73,743**	**$ 112,322**
Disbursements—Funding to Service Boards												
Operating	$ 61,098	$ 62,664	$ 71,078	$ 56,417	$ 57,017	$ 59,863	$ 64,626	$ 63,000	$ 66,519	$ 65,211	$ 63,301	$ 63,158
Capital	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Reduced Fare and Sales Tax Interest	8,611	37	9,299	37	37	9,299	37	37	9,299	37	37	37
	$ 71,958	**$ 64,951**	**$ 82,627**	**$ 58,704**	**$ 59,304**	**$ 71,412**	**$ 66,913**	**$ 65,287**	**$ 78,068**	**$ 67,498**	**$ 65,587**	**$ 65,445**
RTA												
Debt Service	$ 13,881	$ 14,161	$ 14,209	$ 13,381	$ 6,624	$ 9,129	$ 14,639	$ 14,843	$ 14,867	$ 14,019	$ 11,910	$ 11,113
Operating	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681
Capital and Technology	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276
	$ 16,838	**$ 17,118**	**$ 17,166**	**$ 16,338**	**$ 9,581**	**$ 12,085**	**$ 17,596**	**$ 17,800**	**$ 17,824**	**$ 16,976**	**$ 14,867**	**$ 14,070**
Total Cash Disbursements	**$ 88,796**	**$ 82,069**	**$ 99,793**	**$ 75,042**	**$ 68,884**	**$ 83,497**	**$ 84,509**	**$ 83,086**	**$ 95,892**	**$ 84,474**	**$ 80,454**	**$ 79,515**
Net Increase (Decrease)	**$ (2,644)**	**(2,813)**	**$ 81**	**$ 2,554**	**$ 5,834**	**$ 21,392**	**$ (10,932)**	**$ (9,869)**	**$ (9,604)**	**$ (8,539)**	**$ (6,711)**	**$ 32,806**
Portfolio Ending Balance	**$ 108,052**	**$ 105,239**	**$ 105,319**	**$ 107,873**	**$ 113,706**	**$ 135,099**	**$ 124,166**	**$ 113,001**	**$ 102,100**	**$ 92,264**	**$ 84,256**	**$ 115,765**

ORDINANCE NO. 2005-60

AN ORDINANCE AMENDING THE RTA 2005 BUDGET
AND AMENDING THE PACE 2005 BUDGET AND PROGRAM

WHEREAS, Ordinance 2005-06, adopted by the Regional Transportation Authority (RTA) Board on January 6, 2005, approved the 2005 budgets and 2006-2007 financial plans of the Service Boards and their respective recovery ratios for 2005, adopted the 2006 Budget and Program of the RTA, appropriated funds for the 2005 Budgets, and approved the Five-Year Capital Program for 2005-2009; and

WHEREAS, Ordinance 2005-46, adopted by the RTA Board on June 23, 2005, provided an additional $7.8 million discretionary capital funding to Pace to replace a portion of the capital funding used by Pace for the capital-related portion of the operating costs of paratransit services provided under contract; and

WHEREAS, Ordinance 2005-52, adopted by the RTA Board on August 4, 2005, reduced the amount of additional discretionary capital funding to Pace by $1 million, and Ordinance 2005-53, adopted by the RTA Board on August 4, 2005, revised the RTA estimate of operating funds as that will be available for Pace and system-generated revenues recovery ration of Pace; and

WHEREAS, Section 4.11(c)(1) of the Regional Transportation Authority Act (the "Act"), provides that: "If the Board shall at any time have received a revised estimate, or revises any estimate the Board has made, pursuant to this Section of the receipts to be collected by the Authority which, in the judgment of the Board, requires a change in the estimates on which the budget of any Service Board is based, the Board shall advise the affected Service Board of such revised estimates, and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates. If the revised estimates require, in the judgment of the Board, that the system generated revenues recovery ratio of one or more Service Boards be revised in order to allow the Authority to meet its required ratio, the Board shall advise any such Service Board of its revised ratio and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates or ratio"; and

WHEREAS, Pace adopted and submitted to the RTA a proposed revised budget for 2005 incorporating the revised estimates of funds available and revised system-generated revenues recovery ratio.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY THAT:

1. The revised budget for 2005 submitted to the RTA by Pace meets the criteria specified in clauses (ii) through (vii) of subparagraph (2) of paragraph (b) of Section 4.11 of the Act.

2. The 2005 budgets adopted by the RTA Board on January 6, 2005, by Ordinance 2005-06, and amended by Ordinance 2005-55 on August 4, 2005, are hereby amended as shown on the attached schedules 1-A, 1-B, 1-D, 1-E, and 1-G.

3. The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance, and to file the amended budget 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 appropriate certification that this budget meets the requirements of the Act.

Schedule I-A: **RTA Statement of Revenue and Expenditures General and Agency Funds** (dollars in thousands)

Revenue	Ordinance 2005–55 2005 Budget	Amended Budget Amendment	2005 Budget
Sales Tax	$ 697,600	—	$ 697,600
Public Transportation Fund (PTF)	174,400	—	174,400
State Financial Assistance (SFA)	109,186	—	109,186
Reduced Fare (RF)	37,240	—	37,240
Additional State Funding	54,252	—	54,252
Other Revenue	20,941	—	20,941
Total Revenue	$ **1,093,619**	—	$ **1,093,619**
Operating Expenditures			
RTA Operations Funding	$ 754,493	1,000	$ 755,493
Additional State Funding for Operations	54,252	54,252	
Reduced Fare and Sales Tax Interest	37,523	—	37,523
Agency Operations	20,169	—	20,169
Regional Technical Assistance and Coordination	8,572	—	8,572
Total Operating Expenditures	$ **875,009**	$ **1,000**	$ **876,009**
Debt Service and Capital Expenditures			
Principal and Interest	$ 177,656	—	$ 177,656
Regional Technology and Agency Programs	8,739	—	8,739
Metra Transfer Capital	23,624	—	23,624
Metra Federal Funds	(16,472)	—	(16,472)
CTA Transfer Capital	20,353	—	20,353
Pace Transfer Capital	7,783	(1,000)	6,783
Total Debt Service and Capital Expenditures	$ **221,683**	$ (**1,000**)	$ **220,683**
Total Expenditures	$ **1,096,692**	—	$ **1,096,692**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 12,507	—	$ 12,507
Remainder/(Deficit)	(3,073)	—	(3,073)
Designations/Reserves	3,520	—	3,520
Ending Balance	$ **12,954**	—	$ **12,954**
% **of Total Operating Expenditures**	**1.5**%	—	**1.5**%
Recovery Ratio	**52.2**%	—	**52.2**%

Schedule I-B: **Service Board Deficit Funding Amending Pace's Deficit Funding for 2005** (dollars in thousands)

2005 Budget for Pace	RTA Ordinance 2005–06 2005 Budget	Pace Ordinance (1) 2005 Budget Amendment	Amended 2005 Budget
Service Board System-Generated Revenue	$ 59,682	—	$ 59,682
Service Board System-Generated Expenditures	156,253	1,000 (2)	157,253
Total Service Board Deficit	$ **96,571**	$ **1,000**	$ **97,571**
Deficit Funding			
RTA Sales Tax	$ 75,691	—	$ 75,691
RTA Discretionary Funds	3,361	—	3,361
RTA Operations Funding	79,052	—	79,052
RTA Discretionary Funds for Passes	2,000	—	2,000
RTA Discretionary Funds for Paratransit	—	1,000 (3)	1,000
Transfers to Fund Balance	(1,753)	—	(1,753)
Federal Funds	17,272	—	17,272
Total Service Board Deficit Funds	$ **96,571**	$ **1,000**	$ **97,571**

(1) Changes adopted by the Pace Board on September 14, 2005, to amend its 2005 budget. (2) Additional costs expected to be incurred for start-up activities related to the transition of providing all *ADA* paratransit services in the RTA region. (3) Additional RTA discretionary operating funds to Pace for start-up activities related to the transition of providing all *ADA* paratransit services in the RTA region.

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

Revenue	RTA Ordinance 2005–55 2005 Budget	Pace Ordinance 2005 Budget Amendment	Amended 2005 Budget
CTA (1)	$ 522,245	—	$ 522,245
Metra	253,611	—	253,611
Pace	64,021	—	64,021
RTA	20,658	—	20,658
Other Revenue	4,262	—	4,262
Total Revenue	$ **864,797**	—	$ **864,797**
Expenditures			
CTA (1)	$ 983,352	—	$ 983,352
Metra	455,330	—	455,330
Pace	160,053	1,000	161,053
RTA	26,741	—	26,741
Other Expenditures	30,215	—	30,215
Total Expenditures	$ **1,655,691**	$ **1,000**	$ **1,656,691**
Recovery Ratios			
CTA (1)	53.1%	—	53.1%
Metra	55.7%	—	55.7%
Pace	40.0%	(0.3%)	39.7%
Total System–Generated Revenue Recovery Ratio	**52.2**%	—	**52.2**%

(1) Reflects the amendments made by Ordinance 2005-55 to Ordinance 2005-06.

Schedule I-E: **Service Board and RTA Capital Funding—2005 Budget** (dollars in thousands)

Service Board Capital Funding (1)	CTA	Metra	Pace	RTA	Total
FTA Capital Grants	$ 330,083	$ 173,779	$ 31,952	—	$ 535,814
IDOT Grants	—	—	—	—	—
Service Board/Other Funds	—	29,945	17	—	29,962
Transfer Capital (2)	20,353	—	6,783	—	27,134
Carryover and De-obligations	47,307	18,033	300	—	65,640
Total Service Board Capital Funding	397,743	221,757	39,052	—	658,550
CTA Financing	317,280	—	—	—	317,280
Paratransit, ADA Service and Preventive Maintenance	$ (18,767)	$ (16,472)	$ (24,725)	—	(59,964)
Total Available	$ **696,256**	$ **205,285**	$ **14,327**	—	$ **915,866**
RTA Capital Funding (1)					
Regional Technology and Agency Programs	—	—	—	$ 8,739	—

(1) Reflects August 4, 2005 capital program amendment. (2) Amending the funds provided to Pace pursuant to RTA Ordinance 2005-55. The amount reflects a decrease of $1 million that was transferred to Pace's operating funds as shown on Schedules I-A and I-B.

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

Cash Receipts	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Sales Tax	$ 54,636	$ 57,185	$ 67,084	$ 50,399	$ 51,692	$ 55,041	$ 58,905	$ 57,579	$ 61,720	$ 59,593	$ 57,933	$ 57,766
PTF	13,650	13,659	14,296	16,771	12,600	12,923	13,760	14,726	14,395	15,430	14,898	14,483
Reduced Fare	9,454	—	9,262	—	—	9,262	—	—	9,262	—	—	—
State Assistance	7,500	7,500	7,500	9,514	9,514	25,239	—	—	—	—	—	31,728
Additional State Funding	—	—	—	—	—	—	—	—	10,000	10,000	10,000	10,000
Interest/Other Income	912	912	1,732	912	912	2,424	912	912	912	912	912	8,344
Total Cash Receipts	**$ 86,152**	**$ 79,256**	**$ 99,874**	**$ 77,596**	**$ 74,718**	**$ 104,890**	**$ 73,577**	**$ 73,217**	**$ 96,289**	**$ 85,935**	**$ 83,743**	**$ 122,322**
Cash Disbursements												
CTA												
85% Sales Tax	$ 22,005	$ 22,670	$ 26,357	$ 20,252	$ 20,575	$ 22,000	$ 23,277	$ 22,659	$ 24,443	$ 23,596	22,967	$ 23,025
RTA Discretionary	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777	13,777
Additional RTA Discretionary	—	—	—	—	—	—	9,042	9,042	9,042	9,042	9,042	9,042
Reduced Fare Reimbursement	7,793	—	7,635	—	—	7,635	—	—	7,635	—	—	—
Capital Program	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083	2,083
2003 Budget True-Up	—	—	—	(896)	(896)	(896)						
Total Disbursements	**$ 45,659**	**$ 38,530**	**$ 49,853**	**$ 35,217**	**$ 35,539**	**$ 44,599**	**$ 48,179**	**$ 47,561**	**$ 56,980**	**$ 48,499**	**$ 47,870**	**$ 47,927**
Metra												
85% Sales Tax	$ 18,613	$ 19,757	$ 23,370	$ 17,189	$ 17,794	$ 18,865	$ 20,394	$ 19,995	$ 21,318	$ 20,588	$ 19,994	$ 19,840
Reduced Fare Reimbursement	775	—	759	—	—	759	—	—	759	—	—	—
Capital Program	83	83	83	83	83	83	83	83	83	83	83	83
Total Disbursements	**$ 19,470**	**$ 19,841**	**$ 24,212**	**$ 17,273**	**$ 17,877**	**$ 19,707**	**$ 20,477**	**$ 20,078**	**$ 22,160**	**$ 20,671**	**$ 20,078**	**$ 19,923**
Pace												
85% Sales Tax	$ 5,823	$ 6,180	$ 7,294	$ 5,398	$ 5,569	$ 5,921	$ 6,398	$ 6,289	$ 6,702	$ 6,470	$ 6,282	$ 6,237
RTA Discretionary	280	280	280	280	280	280	280	280	280	280	280	280
Additional RTA Discretionary (1)	—	—	—	—	—	—	—	—	—	333	333	334
RTA Pass Reimbursement	600	—	—	500	—	—	500	—	—	500	—	—
Reduced Fare Reimbursement	—	—	868	—	—	868	—	—	868	—	—	—
Transfer Capital (2)	—	—	—	—	—	—	—	—	—	—	3,391	3,392
Capital Program	83	83	83	83	83	83	83	83	83	83	83	83
2004 Budget True-Up	—	—	—	(83)	(83)	(83)	—	—	—	—	—	—
Total Disbursements	6,786	6,543	8,525	6,178	5,850	7,069	7,262	6,652	7,933	7,666	10,369	10,326
RTA Operations, Debt Service and Capital												
Sales Tax Interest	43	37	37	37	37	37	37	37	37	37	37	37
Principal and Interest Payments	13,881	14,161	14,209	13,381	6,624	9,129	14,639	14,843	14,867	14,019	11,910	11,113
Agency Operating Expenses	1,681	1,681	1,681	1,681	1,681	1,681	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	1,276	1,276	1,276	1,276	1,276	1,276
Total Disbursements	**$ 16,880**	**$ 17,155**	**$ 17,203**	**$ 16,375**	**$ 9,618**	**$ 12,122**	**$ 17,633**	**$ 17,837**	**$ 17,861**	**$ 17,013**	**$ 14,904**	**$ 14,107**
Total Cash Disbursements	**$ 88,796**	**$ 82,069**	**$ 99,793**	**$ 75,042**	**$ 68,884**	**$ 83,497**	**$ 93,551**	**$ 92,128**	**$ 104,934**	**$ 93,849**	**$ 93,220**	**$ 92,283**
Cash Balance												
Beginning	$ 110,696	$ 108,052	$ 105,239	$ 105,319	$ 107,873	$ 113,706	$ 135,099	$ 115,124	$ 96,214	$ 87,568	$ 79,654	$ 70,177
Ending	**$ 108,052**	**$ 105,239**	**$ 105,319**	**$ 107,873**	**$ 113,706**	**$ 135,099**	**$ 115,124**	**$ 96,214**	**$ 87,568**	**$ 79,654**	**$ 70,177**	**$ 100,215**

(1) Reflects the amendments in this ordinance. (2) Actual distribution of capital funds to Pace will be determined pursuant to the RTA's capital program process.

Schedule I-G: **Cash Flow Projection** (dollars in thousands)

Portfolio Beginning	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Balance	$ 110,696	$ 108,052	$ 105,239	$ 105,319	$ 107,873	$ 113,706	$ 135,099	$ 115,124	$ 96,214	$ 87,568	$ 79,654	$ 70,177
Receipts												
Sales Tax	$ 54,636	$ 57,185	$ 67,084	$ 50,399	$ 51,692	$ 55,041	$ 58,905	$ 57,579	$ 61,720	$ 59,593	$ 57,933	$ 57,766
Public Transportation Fund	13,650	13,659	14,296	16,771	12,600	12,923	13,760	14,726	14,395	15,430	14,898	14,483
Reduced Fare Reimbursement	9,454	—	9,262	—	—	9,262	—	—	9,262	—	—	—
Sate Assistance	7,500	7,500	7,500	9,514	9,514	25,239	—	—	—	—	—	31,728
Other	912	912	1,732	912	912	2,424	912	912	912	912	912	8,344
Total Receipts	$ **86,152**	$ **79,256**	$ **99,874**	$ **77,596**	$ **74,718**	$ **104,890**	$ **73,577**	$ **73,217**	$ **86,289**	$ **75,935**	$ **73,743**	$ **112,322**
Disbursements—Funding to Service Boards												
Operating	$ 61,098	$ 62,664	$ 71,078	$ 56,417	$ 57,017	$ 59,863	$ 64,626	$ 63,000	$ 66,519	$ 65,211	$ 63,301	$ 63,158
Capital	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Reduced Fare and Sales Tax Interest	8,611	37	9,299	37	37	9,299	37	37	9,299	37	37	37
	$ **71,958**	$ **64,951**	$ **82,627**	$ **58,704**	$ **59,304**	$ **71,412**	$ **66,913**	$ **65,287**	$ **78,068**	$ **67,498**	$ **65,587**	$ **65,445**
RTA												
Debt Service	$ 13,881	$ 14,161	$ 14,209	$ 13,381	$ 6,624	$ 9,129	$ 14,639	$ 14,843	$ 14,867	$ 14,019	$ 11,910	$ 11,113
Operating	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681	1,681
Capital and Technology	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276
	$ **16,838**	$ **17,118**	$ **17,166**	$ **16,338**	$ **9,581**	$ **12,085**	$ **17,596**	$ **17,800**	$ **17,824**	**16,976**	**14,867**	**14,070**
Total Cash Disbursements	$ **88,796**	$ **82,069**	$ **99,793**	$ **75,042**	$ **68,884**	$ **83,497**	$ **84,509**	$ **83,086**	$ **95,892**	$ **84,474**	$ **80,454**	$ **79,515**
Net Increase (Decrease)	$ (2,644)	$ (2,813)	$ 81	$ 2,554	$ 5,834	$ 21,392	$ (10,932)	$ (9,869)	$ (9,604)	$ (8,539)	$ (6,711)	$ 32,806
Portfolio Ending Balance	$ **108,052**	$ **105,239**	$ **105,319**	$ **107,873**	$ **113,706**	$ **135,099**	$ **124,166**	$ **105,256**	$ **86,610**	$ **79,029**	$ **72,943**	$ **102,983**

ORDINANCE NO 2005-65

AN ORDINANCE ESTABLISHING ESTIMATES OF AMOUNTS AVAILABLE TO THE SERVICE BOARDS FOR 2006-2008 AND THE REQUIRED RECOVERY RATIOS FOR 2006

WHEREAS, Section 4.11(a) of the Regional Transportation Authority Act, as amended (the "Act"), requires that the Regional Transportation Authority (the "RTA"), on the basis of estimates of receipts from taxes imposed by the RTA and of estimates of amounts expected to be available from the State and other sources: (1) advise each Service Board of the amounts estimated to be available to it during the next fiscal year and the two following fiscal years and the times at which such amounts will be available; and (2) advise each Service Board of the system-generated revenues recovery ratio ("recovery ratio") it is required to achieve for the next fiscal year; and

WHEREAS, Section 4.11(b) of the Act directs each Service Board to submit its proposed budget for the next fiscal year and its proposed financial plan for the following two fiscal years in conformity with such actions by the RTA; and

WHEREAS, the amounts available to the Service Boards for 2006-2008 are predicated on the RTA receiving from the State of Illinois funding for Reduced Fare, and for ADA paratransit services and other costs; 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, 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

WHEREAS, Pace proposes the use of its prior year's Positive Budget Variance (PBV) funds for operating purposes in fiscal year 2006; and

WHEREAS, the RTA Funding Policy as amended by Ordinance 93-25, states that the Service Boards may use funds from Positive Budget Variances (PBV) for 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 has considered current and projected economic conditions in its development of estimates of amounts expected to be available for expenditure for public transportation purposes in the metropolitan region in the fiscal years 2006, 2007 and 2008; and

WHEREAS, the RTA has taken into account the needs for, and the costs of, public transportation in the region.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY THAT:

1. The RTA hereby advises the Service Boards that the amounts shown in Exhibit A, Schedule I, "Total Funds for Service Board Operations," of this Ordinance are estimated to be available for operating purposes for the CTA, Metra, and Pace, respectively, for 2006, 2007 and 2008, provided that the RTA determines that the Service Boards' respective budgets and financial plans for 2006, 2007 and 2008 satisfy the provisions of Section 4.11 of the Act.
2. The Service Boards are hereby directed to develop and submit to the RTA, as part of the documents that the Act requires the Service Boards to submit to the RTA by November 15, 2005, their proposed budgets for 2006 and proposed financial plans for 2007 and 2008, which budgets and plans shall not project or assume a receipt of revenues from the RTA for operations in 2006, 2007 and 2008 in amounts greater than those set forth in Exhibit A, Schedule I, "Total Funds for Service Board Operations."
3. The required recovery ratios for 2006 for each Service Board are set forth in Exhibit A, Schedule II, "2006 Recovery Ratios."

4. The times at which the receipts from taxes imposed by the RTA and other amounts expected to be available from the State and other sources for operating purposes for 2006 are estimated to be available to the Service Boards are set forth in Exhibit A, Schedule III, "2006 Estimated Cash Flow for RTA Sales Tax and RTA Discretionary Funds.

5. 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.

6. The Executive Director is authorized and directed to inform each of the Service Boards of the amounts, times and ratios established by this Ordinance promptly after enactment of this Ordinance.

Schedule I: **Total Funds for Service Board Operations** (dollars in thousands)

	2006	2007	2008
CTA Operating Funds (1)	$ 524,056	$ 535,457	$ 564,895
Metra Operating Funds	261,776	268,228	274,912
Pace Operating Funds (1) (2)	$ 142,756	$ 170,526	$ 174,804

(1) Includes additional RTA discretionary funds for the costs of ADA paratransit services and other costs or services. For the CTA the amount in 2006 is $27,126. The respective amounts for Pace are $27,126, $54,252, and $54,252 in 2006, 2007 and 2008. (2) Includes additional RTA discretionary funds to Pace for a portion of Pace's cost in providing services to riders using CTA passes; the use of Pace PBV funds for operations; and CMAQ and JARC funds.

Schedule II: **2006 Recovery Ratios**

	CTA	Metra	Pace
Recovery Ratio % (1)	53.0%	55.0%	35.0%

(1) Additional security costs are excluded from the CTA's and Metra's calculation. Revenue from Metra's 1989 fare increase is included in their recovery ratio calculation. Pace's calculation does not include RTA's discretionary funds for acceptance of CTA passes (additional passes).

Schedule III: **2006 Estimated Cash Flow for RTA Sales Tax and RTA Discretionary Funds**
(dollars in thousands)

	CTA	Metra	Pace
January	$ 36,551	$ 19,591	$ 6,444
February	37,239	20,796	6,822
March	41,055	24,598	8,001
April	34,808	17,538	6,783
May	35,538	18,415	6,046
June	37,173	19,851	6,509
July	38,113	20,908	6,845
August	42,970	21,152	12,439
September	44,086	21,818	12,151
October	43,412	21,054	11,912
November	43,356	21,311	11,986
December	45,153	20,289	14,300
Total	$ **479,454**	$ **247,321**	$ **110,238**

Note: RTA sales tax receipts are the principal portion of operating funds. There is a lag of three months between tax collections and actual cash receipts by the RTA. This lag is the primary reason for the difference between estimated cash flows and the RTA budgeted sales tax and RTA Discretionary Funds presented in Exhibit A, Schedule I.

ORDINANCE NO. 2005-84

APPROVING THE 2006 BUDGETS AND 2007-2008 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2006 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2006 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 2006

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 2006; 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 2006; 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 2006 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 2006 budget and proposed 2007–2008 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, the Chicago Transit Authority (the "CTA") for 2006, and the Suburban Bus Division ("Pace") for 2006-2008, adopted and submitted to the RTA proposed budgets and financial plans that were predicated on receiving additional public subsidies ("Additional State Funding"); and

WHEREAS, while the aforementioned Additional State Funding has not been secured as of the date of adoption of this Ordinance, the RTA will continue to seek such Additional State Funding, and

WHEREAS, the CTA for 2008, and Pace for 2007-2008 adopted and submitted to the RTA proposed financial plans for 2007 and 2008 that were predicated on receiving additional public subsidies ("New Transit Funding"); and

WHEREAS, if the aforementioned Additional State Funding and New Transit Funding are not obtained, then other steps will need to be taken to balance the CTA and Pace budgets, which steps may include but are not limited to transferring additional federal capital funds to operations; and

WHEREAS, Pace's proposed financial plan for 2007 and 2008 exceeded the funding marks set by RTA Ordinance 2005-65; and

WHEREAS, Pace's proposed 2007 and 2008 financial plan has been reduced by the amount necessary to meet their 2007 and 2008 financial plan marks set by RTA Ordinance 2005-65; 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 2004-54) federal capital funds used for the capital-related portion of the operating costs of paratransit services provided under contract are appropriately con-sidered operating revenue for the purpose of the Service Boards' System-Generated Revenue Recovery Ratios; and

WHEREAS, the CTA uses a portion of aforementioned funds from their 2005 capital program for 2006 operating purposes; and

WHEREAS, the RTA's Funding Policy states that the Service Boards may use Service Board 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 Suburban Rail Division ("Metra") uses PBV to balance their proposed 2006 budget and 2007-2008 financial plan, and Pace uses PBV to balance their proposed 2006 budget; and

WHEREAS, a portion of the aforementioned use of Service Board funds from PBV for Metra in 2006 will be used to fund anticipated operating shortfalls in 2005; and

WHEREAS, the RTA recognizes that the CTA and 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, 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 2006 through 2008; 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 2006 through 2008, 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 continue to facilitate the integration of fare media accepted for fare payment by Pace and the CTA by using additional RTA discretionary funds to fund 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 may extend and amend as necessary 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 July 2005 amendment to the RTA Act requires the transfer of operation of CTA's ADA paratransit services to Pace by no later than July 1, 2006, which reduces the amount of federal capital funds that CTA can use for such services and consequently reduces the amount of such funds that are CTA revenue, in accordance with generally accepted accounting principles, for computation of the CTA's system-generated revenue recovery ratio, and therefore the RTA determines that it is in the best interest of public transportation in the region to include $8 million of federal capital funds used by CTA for operations in revenues for purposes of computing the CTA recovery ratio to offset the revenue reduction due to the transfer of paratransit operations to Pace; 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 2006, and financial plans for 2007 and 2008, 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 2006 and financial plans for 2007 and 2008, 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 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 2006 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2006 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2006 Annual Budget and Program shows a balance between anticipated revenues from all sources 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 2006 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-F.

(c) The 2006 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 2006 to equal at least 50 percent of the aggregate cost of providing such public transportation in 2006, as required by the Act, and as summarized in Schedule I-C.

(d) The 2006 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 2006, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2006 of $13,929,812. ("Agency Administration" expenses are summarized in Schedule I-A).

Section Three: Five-Year Program

3.1 The Five-Year Program of the RTA for the fiscal years beginning January 1, 2006, and ending December 31, 2010, 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. 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 2006 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 2006 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 "85% Sales Tax" on Schedule I-E.

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 2006 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 Revenue" 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.

	Collected Within Chicago	Collected Within Suburban Cook County	Collected Within DuPage, Kane, Lake McHenry and Will Counties
CTA	100%	30%	—
Metra	—	55	70
Pace	—	15	30
Total	**100**%	**100**%	**100**%

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 2006 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.

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-D from other receipts and revenues of the RTA.

(c) Operating Funds for passes: There is appropriated, for expenditure by Pace pursuant to the 2006 Budget approved in Article I, for accepting certain CTA passes, a maximum amount as specified in "RTA Discretionary Funds for Passes" on Schedule I-B from other receipts and revenues of the RTA.

(d) Funds for Operations: There is appropriated, for expenditure by the CTA and Pace pursuant to the 2006 Budget approved in Article I, an amount as specified in "Additional State Funding-RTA Discretionary Funds" on Schedule I-B.

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

Section Two:
Appropriation to the Regional Transportation Authority

In 2006 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency") the amounts specified on Schedule I-A as Agency Administration, Regional Services and Coordination Programs, and Regional Technology and Agency Programs, pursuant to the 2006 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for 2006 Agency Administration, Regional Services and Technical 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 2006 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 United States Department of Transportation (USDOT), Federal Transit Administration (FTA), and 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 USDOT, 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 USDOT, FTA, and/or 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 2006 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 Revenue and Expenditures General and Agency Funds**
(dollars in thousands)

Revenue	2006 Budget	2007 Plan	2008 Plan
Sales Tax	$ 719,900	$ 742,930	$ 766,700
Public Transportation Fund	179,975	185,733	191,675
Sales Tax and PTF Sub-Total	899,875	928,663	958,375
State Financial Assistance	119,001	122,836	125,180
Reduced Fare	36,275	36,275	36,275
Additional State Funding (1)	54,252	54,252	54,252
Other Revenue	14,869	17,538	17,214
Total Revenue	**$ 1,124,272**	**$ 1,159,564**	**$ 1,191,296**
Operating Expenditures			
Operations Funding	$ 786,072	$ 811,225	$ 837,186
RTA Discretionary Funds for Passes (2)	2,000	2,000	2,000
Additional State Funding—RTA Discretionary (1)	42,451	54,252	54,252
Reduced Fare and Sales Tax Interest (3)	37,125	37,125	37,125
Agency Administration (4)	6,697	6,911	7,132
Regional Services and Coordination Programs	18,090	18,583	19,092
Regional Technical Assistance Programs (5)	5,986	6,149	6,317
Total Operating Expenditures	**$ 898,421**	**$ 936,245**	**$ 963,104**
Debt Service and Capital Expenditures			
Principal and Interest	$ 180,401	$ 182,164	$ 183,884
Regional Technology and Agency Programs (5)	7,270	7,270	7,270
Transfer Capital/Additional State Funding— RTA Discretionary (1)	$ 11,801	—	—
Transfer Capital	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**$ 219,825**	**$ 209,787**	**$ 211,507**
Total Expenditures	**$ 1,118,246**	**$ 1,146,032**	**$ 1,174,611**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 14,914	$ 20,940	$ 34,472
Remainder/(Deficit)	6,026	13,532	16,685
Ending Balance	**$ 20,940**	**$ 34,472**	**$ 51,157**
% of Total Operating Expenditures	**2.3**%	**3.7**%	**5.3**%
Recovery Ratio	**50.70**%	—	—

(1) In 2005, the State of Illinois appropriated $54.3 million for ADA paratransit services and other costs and services. This same amount was used to fund the Service Boards' 2006 budgets and programs, and 2007-2008 financial plans. In 2006, $42.5 million of this amount is used to fund operating expenditures and $11.8 million is appropriated for Transfer Capital and the $11.8 million is replaced by transfer of Federal Section 5307 funds. (2) RTA discretionary funds to Pace for accepting CTA fare media. (3) Includes sales tax interest of $850,000 for the budget and two-year financial plan. (4) The statutory cap for RTA administrative expenditures is $13,930 in 2006. This appropriation level is 51.9 percent below that cap. (5) Funds appropriated in this line item that remain unspent at the end of 2006 shall continue to be available for this purpose without subsequent appropriation action.

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

CTA	2006 Budget	2007 Plan	2008 Plan
System-Generated Revenue	$ 512,629	$ 505,993	$ 511,309
System-Generated Expenditure	1,036,685	1,041,450	1,076,204
Total Deficit	$ **524,056**	$ **535,457**	$ **564,895**
Deficit Funding			
RTA Sales Tax	$ 284,636	$ 293,537	$ 302,716
RTA Discretionary Funds	171,128	176,812	182,684
RTA Operations Funding	$ 455,764	$ 470,349	$ 485,400
Additional State Funding—RTA Discretionary (1)	27,126	—	—
Federal Funds (2)	41,166	65,108	20,706
New Transit Funding (3)	—	—	58,789
Total Deficit Funding	$ **524,056**	$ **535,457**	$ **564,895**
Metra			
System-Generated Revenue	$ 273,420	$ 280,786	$ 288,379
System-Generated Expenditure	535,779	549,618	563,883
Total Deficit	$ **262,359**	$ **268,832**	$ **275,504**
Deficit Funding			
RTA Sales Tax	$ 248,726	$ 256,684	$ 264,899
RTA Discretionary Funds	—	—	—
RTA Operations Funding	$ 248,726	$ 256,684	$ 264,899
Federal Funds (2)	57,912	38,339	33,013
Service Board Funds (PBV)	583	604	592
Transfer Capital (4)	(44,862)	(26,795)	(23,000)
Total Deficit Funding	$ **262,359**	$ **268,832**	$ **275,504**
Pace			
System-Generated Revenue (5)	$ 67,925	$ 65,077	$ 66,737
System-Generated Expenditure	202,330	235,603	241,541
Total Deficit	$ **134,405**	$ **170,526**	**174,804**
Deficit Funding			
RTA Sales Tax	$ 78,552	$ 81,269	$ 84,079
RTA Discretionary Funds	3,030	2,924	2,807
RTA Operations Funding	$ 81,582	$ 84,193	$ 86,886
Additional State Funding—RTA Discretionary (1)	15,326	54,252	54,252
RTA Discretionary Funds for Passes (6)	2,000	2,000	2,000
Federal Funds (2)	33,178	1,094	514
Service Board Funds (PBV)	2,319	—	—
New Transit Funding (3)	—	28,987	31,152
Total Deficit Funding	$ **134,405**	$ **170,526**	$ **174,804**
Total Service Board Deficit	$ **920,820**	$ **974,815**	$ **1,015,203**
Deficit Funding			
RTA Sales Tax	$ 611,914	$ 631,490	$ 651,694
RTA Discretionary Funds	174,158	179,736	185,491
RTA Operations Funding	$ 786,072	$ 811,226	$ 837,185
Additional State Funding—RTA Discretionary (1)	42,452	54,252	54,252
RTA Discretionary Funds for Passes (6)	2,000	2,000	2,000
Federal Funds (2)	132,256	104,541	54,233
New Transit Funding (3)	—	28,987	89,941
Service Board Funds (PBV)	2,902	604	592
Transfer Capital (4)	(44,862)	(26,795)	(23,000)
Total Deficit Funding	$ **920,820**	$ **974,815**	$ **1,015,203**

(1) In 2005, the State of Illinois appropriated $54.3 million for ADA paratransit services and other costs and services. This same amount was used to fund the Service Boards' 2006 budgets and programs, and 2007-2008 financial plans. In 2006, $42.5 million of this amount is used to fund operating expenditures and $11.8 million is appropriated for Transfer Capital–Additional State Funding–RTA Discretionary (as shown on Schedule I-A). (2) Federal funds transferred from capital program funds to operations. The Pace amount in 2006 includes CMAQ/JARC funds of $1.7 million. The Pace amounts in 2007 and 2008 are CMAQ/JARC funds. (3) Funds from unidentified sources were used by the CTA (2008) and Pace (2007-2008) to balance their financial plans. Pace's proposed amounts were reduced by $6.8 million and $14.1 million, respectively to match the 2007 and 2008 funding marks set by RTA Ordinance 2005-65. If additional public subsidies are not obtained, other steps will need to be taken to balance their budgets, which may include but are not limited to transferring additional federal capital funds to operations. (4) Metra's aggregated operating funds exceed each year's operating deficit. The balance transfers to capital as Service Board funds in the capital program. The 2006 figure of $44.9 million includes $11.9 million to meet funding obligations incurred in 2005. (5) Pace's 2006 funding figure in RTA Ordinance 2005-06 included $8.4 million in Federal Section 5307 funds for ADA paratransit services under contract. This amount is included as system-generated revenue on this schedule. (6) Maximum amount for Pace's costs in accepting CTA fare media with actual disbursement based on usage.

Schedule 1-C: **Recovery Ratio Calculations** (dollars in thousands)

System–Generated Recovery Ratio Revenue (1)	2006 Budget
CTA	$ 542,629
Metra	273,420
Pace	72,377
RTA	14,019
Other Revenue	8,062
Total System–Generated Recovery Ratio Revenue	$ **910,507**
System–Generated Recovery Ratio Expenditures (2)	
CTA	$ 1,023,350
Metra	497,129
Pace	206,782
RTA	30,773
Other Expenditures	37,047
Total System–Generated Recovery Ratio Expenditures	$ **1,795,081**
Recovery Ratios	
CTA	53.0%
Metra	55.0%
Pace	35.0%
Total System–Generated Revenue Recovery Ratio	**50.7**%

(1) The CTA figure includes Chicago Police Department (CPD) in-kind revenue of $22 million with a matching amount in their expenses. Revenue for the CTA and Pace include Federal Section 5307 receipts for *ADA* paratransit service under contract in the respective amounts of $19.8 million and $8.4 million. The Pace figure includes ADvAntage in-kind revenue and expenditures of $4.5 million. The RTA revenue is primarily earnings on investments. Other revenue reflects CTA leasing transactions of $4.3 million, which by policy is excluded from the revenue figures of the Service Boards, and $3.8 million in Federal Section 5307 funds used for *ADA* paratransit service under contract. (2) The *RTA Act* allows certain expenses to be excluded from the recovery ratio calculation including security, depreciation and facility leases. RTA Ordinance 2005-06 authorized further security exclusions for Service Board recovery ratios. The amount of these additional exclusions is $37 million. This amount is added as other expenditures to calculate the total statutory system-generated revenue recovery ratio.

Schedule I-D: **2006 Capital Program** (dollars in thousands)

Service Board Capital Funding (1)	CTA	Metra	Pace	RTA	Total
FTA Capital Grants	$ 276,936	$ 165,436	$ 47,200	—	$ 489,572
IDOT Grants	—	—	—	—	—
Service Board/Other Funds	—	38,746	2,400	—	41,146
Transfer Capital	32,153	—	—	—	32,153
New Initiative (1)	61,864	42,500	8,950	—	113,314
Carryover and De-Obligations	60,775	10,559	12,700	—	84,034
Total Service Board Capital Funding	$ **431,728**	$ **257,241**	$ **71,250**	—	$ **760,219**
Other Uses	(71,498)	(57,912)	(39,788)		(169,198)
Total Available	$ **360,230**	$ **199,329**	$ **31,462**	—	$ **591,021**
Tollway Credits Requested (2)	$ 19,452	$ 15,259	—	—	34,711
Total RTA Regional Technology and Agency Programs	—	—	—	$ **7,270**	$ **7,270**

(1) Capital funding from the State of Illinois and/or local sources. The amount represents funds necessary to match available federal funds and undertake critical projects. (2) Federal funds require a local match of at least 20 percent. The State has traditionally provided capital funding for matching purposes but the State, at this time, has not provided local matching funds. Tollway credits can be used as local match but they are not spendable funds and using them leaves critical projects underfunded.

Schedule 1-E: **RTA Statutory Sales Tax Distribution** (dollars in thousands)

2006 Budget		City of Chicago	Suburban Cook County	Collar Counties	Estimated Total
Service Boards:	CTA	$ 186,479	$ 98,157	—	$ 284,636
	Metra	—	179,954	68,772	248,726
	Pace	—	49,078	29,474	78,552
Total Service Boards—85% Sales Tax		186,479	327,190	98,246	611,914
RTA—15% Sales Tax (1)		32,908	57,739	17,337	107,986
Grand Total		**$ 219,387**	**$ 384,929**	**$ 115,583**	**$ 719,900**
2007 Financial Plan					
Service Boards:	CTA	$ 192,950	$ 100,587	—	$ 293,537
	Metra	—	184,409	72,276	256,684
	Pace	—	50,293	30,975	81,269
Total Service Boards—85% Sales Tax		192,950	335,288	103,251	631,490
RTA—15% Sales Tax (1)		34,050	59,169	18,221	111,440
Grand Total		**$ 227,000**	**$ 394,457**	**$ 121,472**	**$ 742,930**
2008 Financial Plan					
Service Boards:	CTA	$ 199,645	$ 103,072	—	$ 302,716
	Metra	—	188,965	75,934	264,899
	Pace	—	51,536	32,543	84,079
Total Service Boards—85% Sales Tax		199,645	343,573	108,478	651,695
RTA—15% Sales Tax (1)		35,231	60,630	19,143	115,005
Grand Total		**$ 234,876**	**$ 404,203**	**$ 127,621**	**$ 766,700**

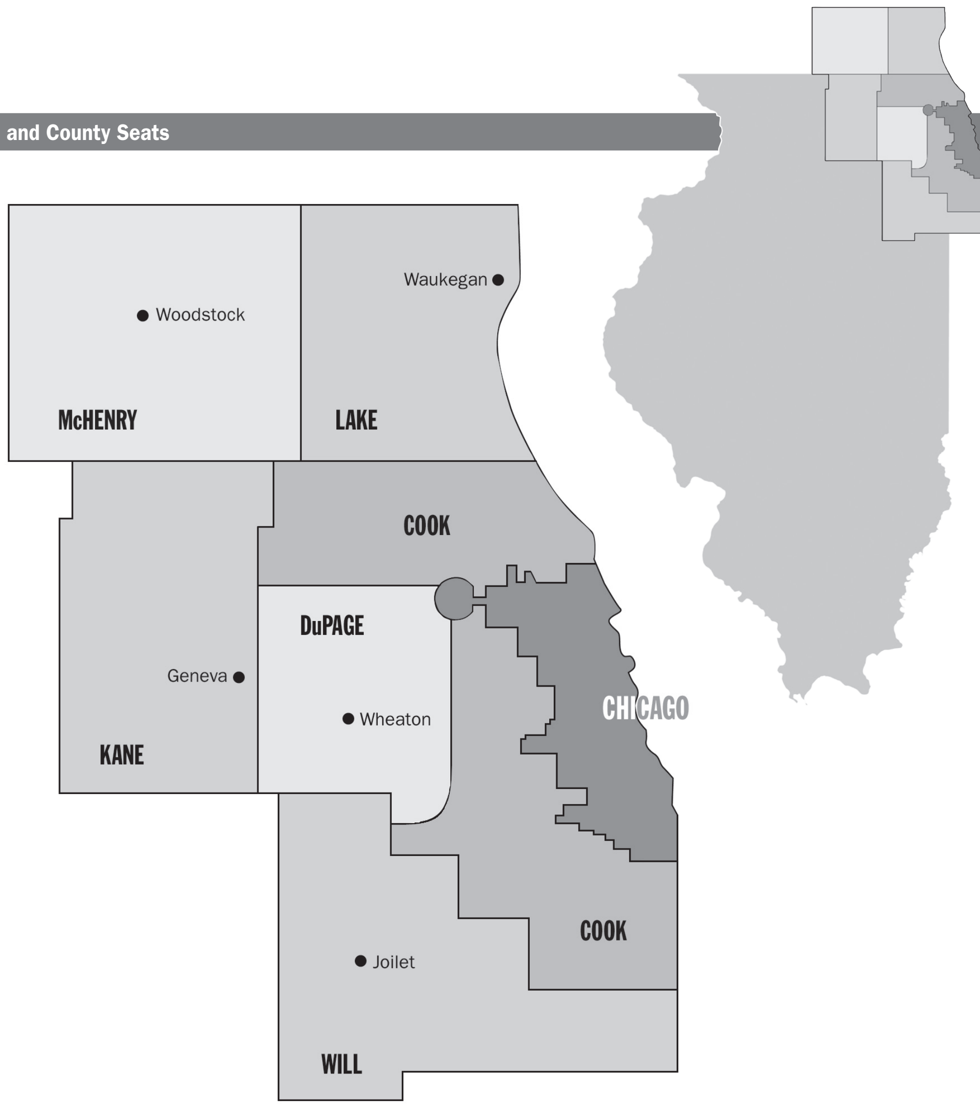
(1)The RTA's 15 percent sales tax is primarily used to fund Service Board operations.

Schedule I-F: **Regional Transportation Authority 2006 Monthly Cash Flow Projection General and Agency Funds** (dollars in thousands)

Cash Receipts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales Tax	$ 57,092	$ 59,764	$ 70,114	$ 51,310	$ 53,512	$ 57,670	$ 60,416	$ 60,645	$ 62,991	$ 61,017	$ 61,342	$ 59,383
PTF	14,442	14,273	14,941	17,529	12,828	13,378	14,418	15,104	15,161	15,748	15,254	15,335
Reduced Fare	—	—	9,190	—	—	9,190	—	—	9,190	—	—	9,190
State Financial Assistance	14,600	17,800	8,900	8,900	8,900	8,900	—	—	—	8,900	—	27,900
Additional State Funding	—	—	—	—	—	—	—	—	9,042	9,042	9,042	9,042
Interest/Other Income	2,625	962	962	962	962	962	2,625	962	962	962	962	962
Total Cash Receipts	**$ 88,759**	**$ 92,799**	**$ 104,107**	**$ 78,701**	**$ 76,201**	**$ 90,100**	**$ 77,458**	**$ 76,711**	**$ 97,345**	**$ 95,668**	**$ 86,600**	**$ 121,811**
Cash Disbursements												
■ CTA												
85% Sales Tax	$ 22,774	$ 23,462	$ 27,278	$ 20,547	$ 21,278	$ 22,912	$ 23,852	$ 23,709	$ 24,825	$ 24,151	$ 24,095	$ 23,767
RTA Discretionary	13,777	13,777	13,777	14,261	14,261	14,261	14,261	14,261	14,261	14,261	14,261	14,261
Reduced Fare Reimbursement	—	—	7,648	—	—	7,648	—	—	7,648	—	—	7,648
Additional State Funding—RTA Discretionary	—	—	—	—	—	—	—	—	—	2,554	2,554	2,554
Transfer Capital—Additional RTA Discretionary Funds	—	—	—	—	—	—	—	—	—	1,967	1,967	1,967
Capital Program	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696
Total Disbursements	38,247	38,935	50,399	36,504	37,234	46,516	39,809	39,666	48,429	44,629	44,573	51,892
■ Metra												
85% Sales Tax	19,591	20,796	24,598	17,538	18,415	19,851	20,908	21,152	21,818	21,054	21,311	20,289
Reduced Fare Reimbursement	—	—	750	—	—	750	—	—	750	—	—	750
Capital Program	83	83	83	83	83	83	83	83	83	83	83	83
Total Disbursements	19,674	20,879	25,431	17,621	18,498	20,684	20,992	21,235	22,651	21,137	21,395	21,122
■ Pace												
85% Sales Tax	6,164	6,542	7,721	5,531	5,793	6,257	6,593	6,686	6,899	6,659	6,733	6,421
RTA Discretionary	280	280	280	253	253	253	253	253	253	253	253	253
RTA Discretionary Funds for Passes	279	—	—	700	—	—	800	—	—	500	—	—
Reduced Fare Reimbursement	—	—	793	—	—	793	—	—	793	—	—	793
Additional State Funding—RTA Discretionary	—	—	—	—	—	—	—	—	—	4,521	4,521	4,521
Capital Program	583	583	583	583	583	583	583	583	583	583	583	583
Total Disbursements	**$ 7,306**	**$ 7,405**	**$ 9,377**	**$ 7,066**	**$ 6,629**	**$ 7,885**	**$ 8,229**	**$ 7,522**	**$ 8,527**	**$ 12,516**	**$ 12,090**	**$ 12,571**
RTA Operations, Debt Service and Capital												
Sales Tax Interest	71	71	71	71	71	71	71	71	71	71	71	71
Principal and Interest Payments	17,389	17,283	17,358	16,568	7,284	11,491	17,332	17,293	17,350	16,524	10,992	12,984
Agency Administration	558	558	558	558	558	558	558	558	558	558	558	558
Regional Services and Programs	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279
Total Disbursements	**$ 20,297**	**$ 20,191**	**$ 20,266**	**$ 19,476**	**$ 10,191**	**$ 14,399**	**$ 20,240**	**$ 20,201**	**$ 20,258**	**$ 19,431**	**$ 13,900**	**$ 15,892**
Total Cash Disbursements	**$ 85,524**	**$ 87,410**	**$ 105,472**	**$ 80,667**	**$ 72,553**	**$ 89,484**	**$ 89,269**	**$ 88,623**	**$ 99,865**	**$ 97,714**	**$ 91,957**	**$ 101,476**
Cash Balance (1)												
Beginning	$ 37,012	$ 40,247	$ 45,636	$ 44,270	$ 42,304	$ 45,952	$ 46,567	$ 34,756	$ 22,844	$ 20,324	$ 18,279	$ 12,921
Ending	**$ 40,247**	**$ 45,636**	**$ 44,270**	**$ 42,304**	**$ 45,952**	**$ 46,567**	**$ 34,756**	**$ 22,844**	**$ 20,324**	**$ 18,279**	**$ 12,921**	**$ 33,257**

(1) Restricted and unrestricted cash.

Six–County Region and County Seats



The GFOA Distinguished Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) present a Distinguished Budget Presentation Award to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2005. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This 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.