



2014 Proposed Budget

Summary Briefing of the
Proposed Operating
Budgets, Two-Year Financial
Plans, and Five-Year Capital
Programs of the RTA, CTA,
Metra, and Pace



November 2013



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Letter from the Executive Director

2013 marks the 30-year anniversary of the RTA as the transit planning, funding, and oversight agency for Northeastern Illinois. In that time, despite periods of economic uncertainty, we have worked with the Service Boards to develop balanced budgets each year resulting in the provision of uninterrupted transit services for the region's customers.

In the last four years, the region's economy has improved steadily. Sales tax results have been higher than the prior year's results by over 4% in 2010, 2011, and 2012 as the region emerged from the economic downturn following the 2008 financial crisis; however, sales tax revenue did not surpass 2008 levels until 2012. Projections for 2014 and 2015 are somewhat stronger than 2013, with an increasing national GDP, recovering housing market, and a steady increase in job growth. Looking ahead, the next five years present both opportunities and challenges for our transit system. As ridership continues to grow, we want to capitalize on that momentum and make sure that our system continues to be safe, reliable, affordable, and meets the mobility needs of the region.

However, operating budgets continue to be tight. The RTA region relies on sales tax revenue to keep our system running. In an attempt to ensure the region receives all sales tax it is due, the RTA filed a lawsuit against several municipalities outside of the RTA region and corporations in August 2011, and again in early 2013, for entering into sales tax rebate agreements to impermissibly avoid paying regional sales tax. In September of 2013, the Illinois Supreme Court heard oral arguments in a related case in which the RTA was named. The RTA looks forward to the Court's decision.

Additionally, our system is aging and requires significant investment in capital infrastructure to achieve a State of Good Repair. Funding from the state and federal governments is limited and less than what is required for annual investments in system renewal. We are pleased that the 2014 budget includes the issuance of \$100 million in RTA bonds that will go toward the renewal and rehabilitation of vehicles, track and structure, and transit facilities. With this new State of Good Repair bond program, the RTA can help address the capital funding shortfall.

In 2013, the RTA undertook a study on the equitable allocation of public funding to the Service Boards. The study serves as a catalyst for regional discussion on proposals for change in both the funding and governance structure of the transportation system and is available on our website at www.rtachicago.com. We look forward to engaging in the discussion and seeking solutions that lead to improved strategic leadership of the region's investment in public transportation.

Sincerely,



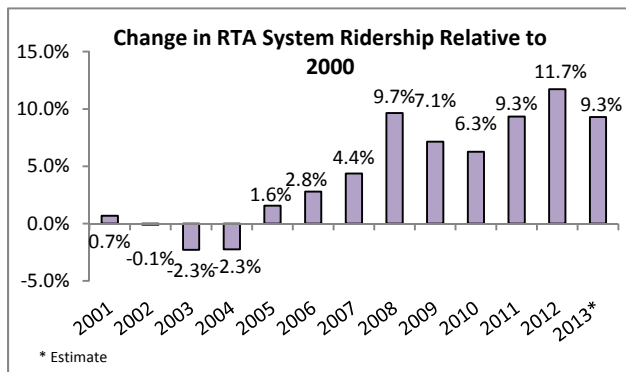
Joseph G. Costello
Executive Director

I. Environmental Outlook

A. RTA Region

Ridership

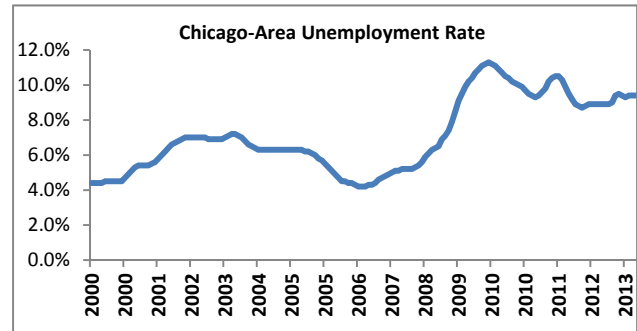
Regional ridership for 2013 is estimated to end the year at 651.5 million or 2.2% lower than 2012. The 2008 recession caused a significant decrease in ridership, as the unemployment rate increased and the number of jobs in the region declined. Ridership returned to pre-recession levels in 2011 and peaked in 2012. Pace and Pace ADA Paratransit are estimated to have ridership increases in 2013 over prior year of 1.7% and 6.2%, respectively. Metra's ridership is estimated to be about 0.4% higher than 2012. However, the CTA, which accounts for more than 80% of the region's rides, has estimated a 2.9% decrease in 2013 ridership due to their fare increase and construction on the Red Line.



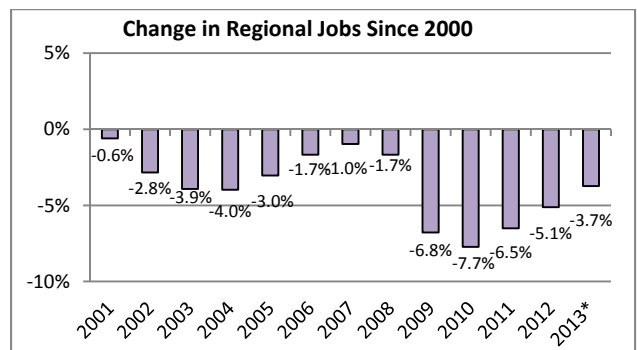
Regional Economy

Ridership trends are impacted by regional employment, with increases in transit ridership correlated to periods of regional job growth.

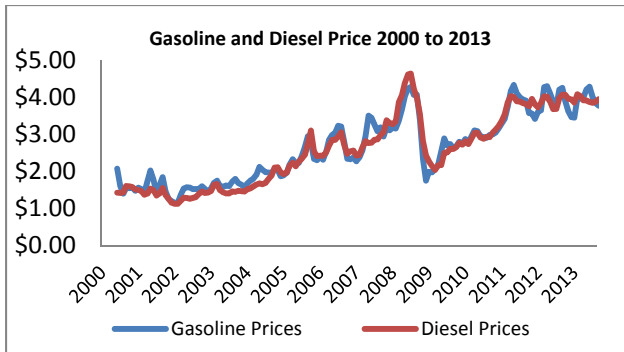
Chicago-area unemployment rates in the past ten years have ranged from a low of 4.2% in the fourth quarter of 2006 to a high of 11.3% in December 2009. The unemployment rate has hovered around 9.4% over the course of 2013, but was 0.5 percentage points higher in August 2013 than August 2012. Unemployment is projected to improve in 2014.



The availability of jobs in the Chicago region has remained below year 2000 levels. As the chart below indicates, jobs fell dramatically after the economic downturn in 2008, but have begun to recover in recent years. 2013 is projected to improve from 2012, but still have 3.7% fewer jobs than at the beginning of the millennium.



The price of gasoline also plays a significant role in the demand for public transportation services, and higher fuel prices may have contributed to the Service Boards' ability to maintain ridership through the economic downturn. Fuel prices increased through 2008, then dipped in 2009, and have since been rising steadily again, contributing to an increase in transit usage.



Sales Tax Diversion

In 2011, the RTA brought suit against two municipalities outside of the region that provide retailers with sales tax rebate agreements at the expense of the Northeastern Illinois region. In support, Governor Quinn signed legislation in August 2012 requiring municipalities and counties to file reports detailing their sales tax rebate agreements with the Illinois Department of Revenue. More than 80 different retailers with rebate agreements have been identified thus far; in September 2013 the Illinois Supreme Court agreed to hear testimony from the RTA on these practices and their impact on the region's transportation system. The RTA is joined by the City of Chicago and several other municipalities in the case and the Illinois Supreme Court is expected to provide a ruling in 2014. Its decision could dramatically impact operations funding for public transportation for years to come.

State of Good Repair Bond Program

Achieving a State of Good Repair is the region's top priority. However, the level of capital investment necessary to achieve and maintain a State of Good Repair continues to grow, while public funding has not kept pace.

A key feature of the proposed 2014 budget is the issuance of \$100 million in new RTA bonds with the proceeds to be distributed to the Service Boards for State of Good Repair projects. Taking advantage of low interest rates to issue bonds will provide much needed capital funding to the Service Boards while keeping RTA's 2014 debt service level with the 2013 budget. The region's State of Good Repair funding need is projected to be \$33 billion over the next ten years.

Strategic Plan Update

In 2013, the RTA updated its Strategic Plan and identified the following recommendations to achieve the goals of a) providing valuable, reliable, accessible, and attractive transportation options, b) ensuring financial viability, c) promoting a green, livable, and prosperous region, and d) continuing to advocate for and be a trusted steward of public transportation.

- **Improve Transit's Significant Capital Backlog and Insufficient Capital Funding** - Proactively seek stable, long-term funding solutions to support State of Good Repair needs. Adopt analytical tools and practices to aid in decision making and increase the awareness of transit's capital needs and its impact on the region.
- **Improve the Customer Experience through a Modernized and Integrated System** - Leverage technological advancements such as integrated real time information. Improve data sharing and coordination with the Service Boards and with private industry experts and develop marketing that better resonates with customers that evolve around technological innovation.
- **Strike a Balance between Meeting Current Demand and Developing New Markets** - Manage and accommodate currently growing demand through the use of new concepts like bus rapid transit (BRT) and transit signal priority (TSP). Thoughtfully increase ridership to better leverage existing capacity by marketing and promoting transportation among tourists, suburban businesses, communities, and real estate developers.
- **Balance Tight Operating Budgets** - Continue to manage cost and increase efficiencies through the use of technology and joint procurement with the Service Boards. Grow revenues by partnering with legislators to examine various taxing strategies and pursuing nontraditional funding sources such as public-private-partnerships, value capture, and highway congestion pricing.
- **Reauthorize the Federal Transportation Bill and Educate Legislators** - Proactively seek funding solutions for existing needs and reduce unfunded mandates while encouraging initiatives that support transit.

II. RTA Region

A. Operating Overview

This report represents the proposed 2014 Service Board budgets submitted to the RTA. These budgets are available for public review and comment through public hearings being conducted by each of the Service Boards and the RTA in October and November.

Overview

The RTA system is on track to end fiscal year 2013 within budgeted levels as amended in October by the RTA Board. All three Service Boards have experienced lower than expected passenger revenues from fare increases implemented at CTA and Metra early in the year. In addition, the State fiscal year 2014 budget decreased Service Board funding for reduced fare rides. The 2013 amended budget reflected this decrease of \$8.25 million, and also accounted for an increase in other public funding that is expected to be \$24.7 million higher than anticipated due to strong sales tax and Real Estate Transfer Tax (RETT) receipts.

Although the regional economy continued to improve in 2013, ridership trended lower due to necessary fare increases and the five-month closure of the southern branch of the CTA Red Line. The Service Boards were again faced with steadily rising operating expenses as they developed their 2014 budgets. Strong actual and projected sales tax performance, particularly in the City of Chicago, has helped the Service Boards address expense growth rates which have outstripped operating revenue growth rates.

Although some Ventra-related fare policy adjustments will be implemented in late 2013, the Service Boards' 2014 budgets do not include any fare increases and feature stable service levels. CTA and Metra expect to maintain current services, while Pace Suburban Service will expand modestly as mid-2013 service additions will be in effect for their first full calendar year in 2014. Finally, Pace has submitted a balanced Regional ADA Paratransit 2014 budget, but has identified additional revenue requirements in the 2015 and 2016 plan years, contingent upon ridership levels.

Ridership

Regional transit ridership in 2014 is projected at 658.5 million rides, an increase of 1.1%. This follows an expected ridership decrease of 2.2% in 2013, caused by the fare increases and the partial Red Line closure. By Service Board, Pace ADA Paratransit expects the greatest 2014 ridership increase at 4.9%, followed by Pace Suburban Service at 2.7%. After experiencing essentially flat ridership results in 2013, Metra projects a 1.3% ridership increase in 2014. CTA, which continues to provide over 80% of the region's rides, anticipates a modest 0.9% ridership increase in 2014, with rail ridership growing at 2.4% and bus ridership projected to decrease slightly.

Ridership (in millions)	2012 Actual	2013 Estimate	2014 Budget
CTA	545.5	529.9	534.6
Metra	81.3	81.6	82.7
Pace	35.4	36.0	37.0
ADA	3.8	4.0	4.2
Region	666.0	651.5	658.5
Change:	+2.2%	-2.2%	+1.1%

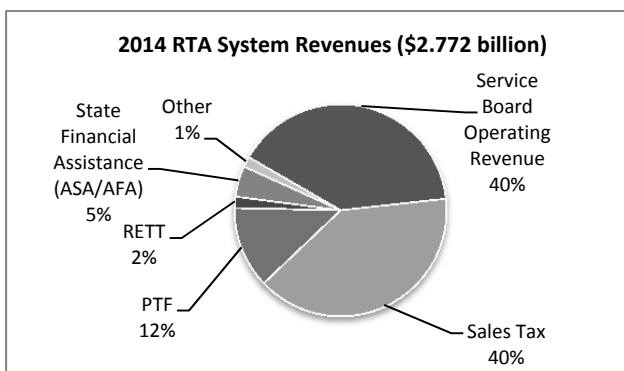
Operating Revenue

Operating revenues consist of system-generated revenue such as passenger fares, concessions, and advertising, and also include the State reduced fare reimbursement, which compensates the Service Boards for mandatory free and reduced fare programs. In 2014, the Service Boards are projected to produce \$1.107 billion of operating revenue, an increase of 1.4%, largely consistent with projected ridership growth. Total operating revenue is projected to increase by 3.9% in 2015 and 3.0% in 2016, driven by increased farebox revenues and the restoration of the State reduced fare reimbursement. While the majority of operating revenue comes from passenger fares, the Service Boards continue to seek out other operating revenue sources such as the sale of advertising space, concessions, and branding opportunities.

Public Funding

About 40% of the region's revenues for operations come from a regional sales tax imposed at 1.25% in Cook County and 0.5% in the collar counties. The economy has continued to improve slowly in 2013, and as a result, RTA sales tax receipts are expected to exceed the original 2013 budget by 1.2% and exceed 2012 actual receipts by 2.75%. National and local forecasts suggest stronger economic growth in 2014. Sales tax receipts in the RTA region for 2014 are expected to increase by 4.8% over 2013 to a total of \$1.099 billion. The State Public Transportation Fund (PTF), based on a 30% match of sales tax and RETT receipts, will grow at a similar rate, totaling \$344.2 million in 2014.

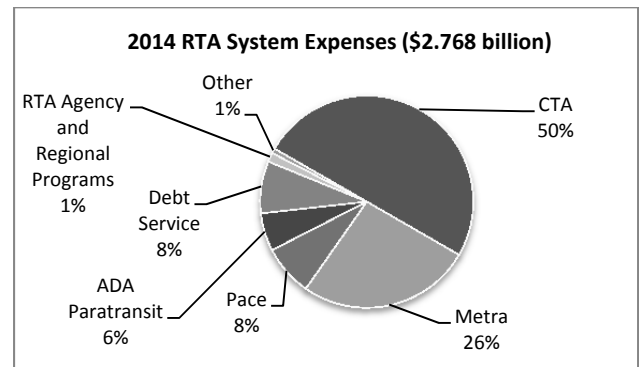
When additional funding sources are included, overall public funding in 2014 will increase by 2.8% to \$1.665 billion. The Real Estate Transfer Tax (RETT) will increase by about 4.8% to \$47.9 million, which represents growth of almost 22% over the two-year period since 2012. State funding for debt service reimbursement and ADA Paratransit is projected to be flat versus 2013. RTA-related revenues from regional programs and investments are projected to decrease by 14.8% due to lower federal grant levels. When public funding is combined with operating revenue, a total of \$2.772 billion of revenue is projected to be available in 2014 for RTA system operating expenses.



Expenses

Expenses for 2014 Service Board operations, which comprise about 90% of system operating expenses, are projected to increase by 3.9%, somewhat lower than

the 4.3% expense growth expected for 2013. The CTA projects a 3.3% increase in 2014 operating expenses, driven primarily by a 4.0% increase in labor expenses, offset by decreases in fuel expense, insurance and claim reserves, and purchased security services. Pace Suburban Service will increase operating expenses by 6.7% due to service additions and new technology requirements, while Metra operating expenses will increase by 3.5% related to fuel, contractual wage increases, and maintenance of the vehicle fleet and infrastructure. Pace ADA Paratransit expenses are projected to increase by 7.6% due to ridership and contractor price increases. RTA Agency and regional expenses including debt service, which comprise the remaining 10% of system expenses, are projected to decrease by 0.2% in 2014 as debt service remains level with 2013 at \$220 million. When RTA and regional expenses are combined with Service Board expenses, total 2014 operating expenses for the RTA system are projected to increase by 2.7% over the 2013 estimate to \$2.768 billion, followed by increases of 2.8% and 3.7% in 2015 and 2016, respectively.



Recovery Ratios

The RTA Act requires the RTA Board to set a system-generated revenue recovery ratio for each Service Board, as well as requiring that the combined revenues from RTA operations cover at least 50% of the system operating expense. This system recovery ratio excludes ADA Paratransit service, for which the Act requires a 10% recovery ratio. The CTA, Metra, and Pace Suburban Service 2014 operating budget proposals meet or exceed their individual RTA-specified recovery ratios of 54%, 53%, and 30%, respectively. The RTA regional recovery ratio for 2014 is projected at 52.5%, in compliance with the RTA Act.

Exhibit II.A.1: Regional Statement of Revenues and Expenses (dollars in thousands)

	2012	2013	2014	2015	2016
Service Board Revenues (1)	Actual	Estimate	Budget	Plan	Plan
CTA	645,982	663,367	670,967	698,135	716,583
Metra	356,548	358,378	364,178	377,800	392,200
Pace	56,486	56,970	58,477	60,437	61,847
ADA Paratransit	12,840	12,495	12,919	13,500	14,109
Total Operating Revenues	1,071,856	1,091,210	1,106,541	1,149,872	1,184,739
Public Funding (1)					
RTA Sales Tax	1,021,686	1,049,363	1,099,310	1,143,282	1,194,730
Public Transportation Fund (PTF)	319,892	328,512	344,151	358,032	374,155
Real Estate Transfer Tax (RETT)	39,283	45,677	47,859	50,157	52,454
Local Contributions (2)	-	5,000	5,000	5,000	5,000
State Financial Assistance (ASA/AFA)	130,071	130,167	130,167	130,167	130,283
State Funding for ADA Paratransit	8,500	8,500	8,500	8,500	8,500
Federal Funds	2,903	6,054	7,671	9,476	9,949
Service Board Funds	-	-	-	-	3,740
RTA Regional Capital Project Reserves (3)	5,144	22,921	2,921	921	921
Other RTA Revenue (4)	21,818	23,192	19,740	20,333	20,943
Total Public Funding	1,549,296	1,619,387	1,665,320	1,725,868	1,800,674
ADA Paratransit Service Budget Balancing Actions (5)	-	-	-	1,187	2,552
Total Revenues	2,621,152	2,710,597	2,771,861	2,876,927	2,987,965
Service Board Expenses					
CTA	1,291,506	1,340,927	1,384,848	1,422,586	1,471,382
Metra	676,494	703,700	728,600	748,000	777,700
Pace	190,322	201,354	214,760	222,738	234,474
ADA Paratransit	137,014	148,762	160,085	172,155	185,151
Total Service Board Expenses	2,295,336	2,394,743	2,488,293	2,565,479	2,668,707
Region/Agency Expenses					
Debt Service	211,307	220,000	220,000	220,000	220,000
RTA Agency and Regional Programs	34,253	40,749	38,603	39,761	40,954
Transfer Capital / Agency Regional Capital Program	15,690	22,000	2,000	-	-
Grant Incentive Program	2,162	1,615	1,787	1,763	1,745
ICE and JSIF	15,398	15,680	17,188	17,816	18,525
Total Region/Agency Expenses	278,810	300,044	279,578	279,340	281,224
Total Expenses	2,574,145	2,694,787	2,767,871	2,844,819	2,949,931
Net Result	47,007	15,810	3,990	32,108	38,035
Regional Recovery Ratio	56.6%	54.1%	52.5%	52.9%	52.4%

(1) Service Board Revenues include State Reduced Fare Reimbursement. Public Funding excludes State Reduced Fare Reimbursement.

(2) Beginning in 2013, statutorily required local contributions from the City of Chicago and Cook County have been reclassified from other operating revenue to public funding.

(3) Funds for Service Board or RTA Regional Capital Projects available from funds related to legal settlements from debt service deposit agreements, reprogrammed funds from completed RTA-funded projects, and the RTA fund balance. In 2013, \$22 million of funds were distributed to CTA (\$15 million) and Metra (\$7 million) from greater than budgeted 2011 non-statutory sales tax funds.

(4) Includes income from financial transactions and investments, sales tax interest, and revenues from RTA programs and projects.

(5) Additional revenue and / or funding needed to cover projected ADA Paratransit expenses.

RTA Regional Funding Analysis

Exhibit II.A.2 on the following page takes a different view of RTA finances, showing only those funds which are under RTA control and pass through the agency. This view excludes direct Service Board funding sources such as the Real Estate Transfer Tax (RETT), which is dedicated to CTA operations, and fare revenue, which each Service Board collects and accounts for individually. It also excludes federal funds that the Service Boards receive directly, such as CMAQ and JARC/New Freedom funding.

Total funding sources of the RTA are projected at \$1.631 billion in 2014, an increase of 2.7% over the 2013 estimate. Relative to 2013, sales tax and PTF revenues are projected to increase by 4.8%, other State financial assistance and the State reduced fare reimbursement are projected to be unchanged, and RTA Regional Capital Project Reserves will decrease by \$20.0 million. In 2013, \$22 million of greater than budgeted 2011 non-statutory sales tax funds were allocated for Service Board capital purposes, while in 2014 only \$2 million was available for capital.

2014 RTA expenditures are also projected at \$1.631 billion, an increase of 3.0% from 2013. Of this expense, \$220.0 million, or 13%, is for payments on regional debt incurred by the RTA on behalf of CTA, Metra, and Pace which does not appear in the individual Service Board budget proposals. In 2014, RTA is also providing \$2.0 million from capital reserves for Metra's capital program.

In 1998, the RTA Board adopted an ordinance establishing a minimum unreserved and undesignated fund balance at the end of the three-year planning period of at least 5% of operating expenditures. Since all available 2014 discretionary funding is being allocated to the Service Boards for operating purposes, including \$9.8 million of funds to help offset the decrease in State reduced fare reimbursement, the RTA fund balance is forecast to end 2014 at \$2.9 million. By the end of the three-year period, the fund balance is projected to reach 3.5% of operating expenditures. This gradual increase towards the 5% fund balance target is necessary to minimize disruption to Service Board funding levels. Restoration of the fund balance continues to be a financial goal of the RTA.

Primary RTA Public Funding Sources

RTA Sales Tax Part I: The original RTA sales tax, levied at 1.0% in Cook County and 0.25% in the collar counties of DuPage, Kane, Lake, McHenry, and Will. 85% of Sales Tax I receipts are distributed to the Service Boards according to a statutory formula. The remaining 15% of Sales Tax I is initially retained by the RTA to fund regional and agency expenses before being allocated at the discretion of the RTA Board.

RTA Sales Tax Part II: Authorized by the 2008 funding reform, an additional sales tax of 0.25% in all six counties of the RTA region. Sales Tax II is distributed to the Service Boards according to a statutory formula after deducting funds for ADA Paratransit, Pace Suburban Community Mobility (SCMF), and RTA Innovation, Coordination, and Enhancement (ICE). After these deductions, CTA receives 48%, Metra 39%, and Pace Suburban Service 13%.

Real Estate Transfer Tax (RETT): The 2008 funding reform also increased the City of Chicago RETT by \$1.50 per \$500 of property transferred, and dedicated this additional tax revenue to directly fund CTA operating expenses.

Public Transportation Fund (PTF) Part I: PTF Part I is State-provided funding comprised of a 25% match of Sales Tax I receipts. 100% of PTF I is retained by the RTA and combined with 15% of Sales Tax I to form the basis for discretionary funding.

Public Transportation Fund (PTF) Part II: PTF Part II, authorized by the 2008 funding reform, is State-provided funding equal to a 5% match of Sales Tax I receipts and a 30% match of Sales Tax II receipts and RETT receipts. PTF II is distributed to the Service Boards by the same statutory formula used to allocate Sales Tax II.

State Financial Assistance: State-provided assistance to reimburse the RTA's debt service on Strategic Capital Improvement Program (SCIP) bonds. It consists of two components; Additional State Assistance (ASA) and Additional Financial Assistance (AFA).

State Reduced Fare Reimbursement: State-provided reimbursement to the Service Boards, via the RTA, to partially offset the cost of providing reduced fare and free ride programs mandated by law, including those for students, seniors, and disabled persons.

Exhibit II.A.2: RTA Statement of Revenues and Expenses (dollars in thousands)

	2012	2013	2014	2015	2016
RTA Funding Sources	Actual	Estimate	Budget	Plan	Plan
RTA Sales Tax I	754,348	775,093	811,985	844,464	882,465
RTA Sales Tax II	267,338	274,270	287,325	298,818	312,265
Public Transportation Fund (PTF - Part I)	189,523	193,773	202,996	211,116	220,616
PTF (Part II)	130,369	134,739	141,155	146,916	153,539
State Financial Assistance (ASA/AFA)	130,071	130,167	130,167	130,167	130,283
State Reduced Fare Reimbursement	33,980	25,820	25,820	34,070	34,070
State Funding for ADA Paratransit	8,500	8,500	8,500	8,500	8,500
RTA Regional Capital Project Reserves (1)	5,144	22,921	2,921	921	921
Other RTA Revenue (2)	21,818	23,192	19,740	20,332	20,943
Total Funding Sources	1,541,090	1,588,476	1,630,609	1,695,307	1,763,602
RTA Expenses for Operations					
RTA Total Funds for CTA Operations	606,241	626,883	661,022	669,294	697,345
RTA Total Funds for Metra Operations	344,411	349,737	365,411	377,238	392,530
RTA Total Funds for Pace Suburban Service Operations	142,052	144,974	151,612	155,825	161,938
RTA Total Funds for Pace ADA Paratransit Operations (3)	124,173	136,267	147,166	157,468	168,490
RTA Funding for Innovation, Coordination, and Enhancement	10,398	10,680	11,188	11,636	12,159
State Reduced Fare Reimbursement	33,980	25,820	25,820	34,070	34,070
RTA Agency and Regional Programs	34,253	40,749	38,603	39,761	40,954
Total Expenses for Operations	1,295,508	1,335,110	1,400,822	1,445,292	1,507,487
Debt Service, Capital & JSIF Expenses					
Debt Service	211,307	220,000	220,000	220,000	220,000
Transfer Capital RTA Capital Reserve Funds to CTA	-	15,000	-	-	-
Transfer Capital RTA Capital Reserve Funds to Metra	4,700	7,000	2,000	-	-
RTA Agency Regional Capital Program	10,990	-	-	-	-
Grant Incentive Program	2,162	1,615	1,787	1,763	1,745
RTA Joint Self-Insurance Fund	5,000	5,000	6,000	6,180	6,365
Total Debt Service, Capital & JSIF Expenses	234,159	248,615	229,787	227,943	228,110
Total Expenses	1,529,667	1,583,725	1,630,609	1,673,235	1,735,597
Fund Balance (unreserved/undesignated)					
Beginning Balance	34,815	5,122	2,879	2,879	24,951
Change in Fund Balance	11,423	4,751	(0)	22,072	28,005
Transfers	(23,767)	(6,994)	-	-	-
Reconciliation to Budgetary Basis	(17,349)	-	-	-	-
Ending Balance	5,122	2,879	2,879	24,951	52,956
Ending Balance as % of Total Expenses for Operations	0.4%	0.2%	0.2%	1.7%	3.5%

(1) Funds for Service Board or RTA Regional Capital Projects available from funds related to legal settlements from debt service deposit agreements, reprogrammed funds from completed RTA-funded projects, and the RTA fund balance. In 2013, \$22 million of funds were distributed to CTA (\$15 million) and Metra (\$7 million) from greater than budgeted 2011 non-statutory sales tax funds.

(2) Includes income from financial transactions and investments, sales tax interest, and revenues from RTA programs and projects.

(3) Pace ADA Paratransit Service funding excludes budget balancing actions in 2015 and 2016.

B. Capital Overview

The RTA Act requires that the capital expenditures of the CTA, Metra and Pace be subjected to continual 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 which describes the nature, location, and budget by project and by fiscal year of all anticipated Service Board capital improvements. The capital programs are amended on a quarterly basis as appropriate. Public hearings are held in each county in the Northeastern Illinois region to inform the public and government officials of the RTA's capital development plans.

The RTA emphasizes the need to preserve and enhance the RTA system's valuable infrastructure, which includes bringing the system's \$151.2 billion in assets (as measured in terms of replacement value and including subway tunnels valued at \$100 billion) into a State of Good Repair and extending or expanding service when demand is justified and funding available. To maintain and preserve the existing system requires a capital investment of over \$1 billion per year.

Source of Funds

On October 16, 2013, the RTA Board adopted preliminary federal and state capital funding amounts for 2014-2018. Some adjustments have been made subsequent to the funding adoption, which are reflected in the tables below. The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), State Bonds from the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards, which also includes local community and other funding. Of the estimated \$4.667 billion of capital funding sources for 2014-2018, federal funding accounts for \$2.440 billion or 52%; CTA bond proceeds account for \$1 billion or 21%; State funds account for \$981 million or 21%; Pace bond proceeds account for \$72 million or 2%; Service Board and other funds account for nearly \$72 million or 2%; and RTA funds account for \$102 million or 2% (Exhibit II.B.1). After CTA debt service, an estimated amount of \$3.968 billion is available for 2014-2018.

Exhibit II.B.1: RTA 2014-2018 Capital Program Funding (dollars in thousands)

Capital Funding	CTA	Metra	Pace*	Total	% of Total
FTA Capital Grants	1,386,849	841,233	211,582	2,439,664	52%
RTA	50,000	47,000	5,000	102,000	2%
State Bonds	495,900	290,700	113,400	900,000	19%
Service Board/ Local Community/ Other	25,700	44,000	2,250	71,950	2%
Total New Capital Funding	1,958,449	1,222,933	332,232	3,513,614	
Carryover (State Bonds/5307)	282	80,700	460	81,441	2%
CTA Bond Proceeds	1,000,000	-	-	1,000,000	21%
Pace Bond Proceeds	-	-	72,000	72,000	2%
Total Capital Funding	2,958,731	1,303,633	404,692	4,667,055	100%
Debt Service (Federal)	(699,210)	-	-	(699,210)	
Total Capital Funding Available	2,259,520	1,303,633	404,692	3,967,845	

* Includes funding for ADA Paratransit

2014 Funding

The total estimated funds for capital projects in 2014 are \$1.767 billion. At this time, the final federal appropriations for 2014 have not been determined. The debt service repayments and Service Board bond proceeds and investment earnings will be updated upon review of financing plans. Once these amounts have been established, the capital program will be amended to reflect the available funding. Of the estimated \$1.767 billion of funding sources for 2014, State funds, including for Pace ADA Paratransit service, account for \$981 million or 55%; federal funding accounts for \$466.4 million or 26%; CTA bond proceeds account for \$175 million or 10%; RTA funds account for \$102 million or 6%; Service Board and other funds account for \$30 million or 2%; and Pace bond proceeds for \$12 million or 1% (Exhibit II.B.2). After CTA debt service, an estimated amount of \$1.633 billion of funding is available for 2014.

The State of Illinois approved capital bills in 2009 that programmed the RTA system with \$2.7 billion in capital funds. With these funds the RTA can enable the

replacement of aging trains, buses, track, stations and other infrastructure and improve the reliability of the system.

The 2010 award of \$442.7 million of the “Illinois Jobs Now!” funds for mass transit infrastructure that specifically included funding for RTA capital projects to be implemented by the CTA, Metra, and Pace was followed by \$704 million awarded to the CTA and Pace in 2012. There remains uncertainty regarding the timing of the availability of the balance of the \$2.7 billion originally appropriated for the program. A portion of these funds are dependent upon bond authorizations yet to pass the General Assembly. In addition, sources for debt service on some of the bond funds are dependent upon new revenues in the State’s General Revenue Fund.

Despite the challenging economic times, critical progress was made in 2013 on our capital investment needs. In 2013, State of Illinois funds were utilized on projects such as the CTA Dan Ryan Track and Station Renewal, Metra Highliner cars and stations, and Pace’s replacement of aging buses. The balance of the \$2.7 billion in State funding is programmed through 2014.

Exhibit II.B.2: Capital Funding in 2014 (dollars in thousands)

Capital Funding	CTA	Metra	Pace*	Total	% of Total
FTA Capital Grants	268,562	158,297	39,550	466,409	26%
RTA	50,000	47,000	5,000	102,000	6%
State Bonds	495,900	290,700	113,400	900,000	51%
Service Board/ Local Community/ Other	25,700	4,000	250	29,950	2%
Total New Capital Funding	840,162	499,997	158,200	1,498,359	85%
Carryover (State Bonds/5307)	282	80,700	460	81,441	4%
CTA Bond Proceeds	175,000	-	-	175,000	10%
Pace Bond Proceeds	-	-	12,000	12,000	1%
Total Capital Funding	1,015,444	580,697	170,660	1,766,800	100%
Debt Service (Federal)	(134,242)	-	-	(134,242)	
Total Capital Funding Available	881,202	580,697	170,660	1,632,558	

* Includes funding for ADA Paratransit

Use of Funds

The primary emphasis of the 2014-2018 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.

For the 2014-2018 Capital Program, a significant majority of the budget is allocated to capital projects that maintain the existing infrastructure. While the

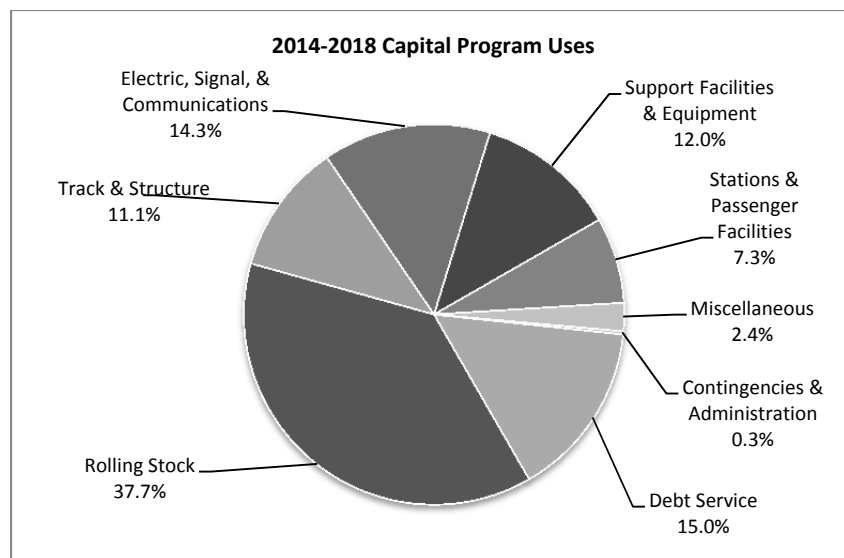
current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

Investments in the 2014-2018 Capital Program can be broken down by various asset categories. Exhibit II.B.3 shows that nearly \$1.8 billion or 38% of the program is spent on rolling stock, which is considered to have the greatest direct impact on transit users. Substantial investment in other infrastructure is also critical to maintaining safe, reliable transportation services. \$666.7 million or 14% is spent on electric, signal, and communications. In addition, \$669.2 million or 15% is expended on CTA debt service.

Exhibit II.B.3: 2014-2018 Capital Program Uses (dollars in thousands)

Asset Category	CTA	Metra	Pace*	Total
Rolling Stock	1,070,381	497,105	189,950	1,757,436
Track & Structure	241,926	278,127	-	520,053
Electric, Signal, & Communications	383,942	274,220	8,500	666,662
Support Facilities & Equipment	281,551	87,505	189,010	558,066
Stations & Passenger Facilities	248,872	82,310	9,950	341,132
Miscellaneous	32,848	76,766	2,250	111,864
Acquisitions & Extensions	-	-	-	-
Contingencies & Administration	-	7,600	5,032	12,632
Total Capital Funding Available	2,259,520	1,303,633	404,692	3,967,845
Debt Service	699,210	-	-	699,210
Total Capital Funding	2,958,731	1,303,633	404,692	4,667,055

* Includes uses for ADA Paratransit

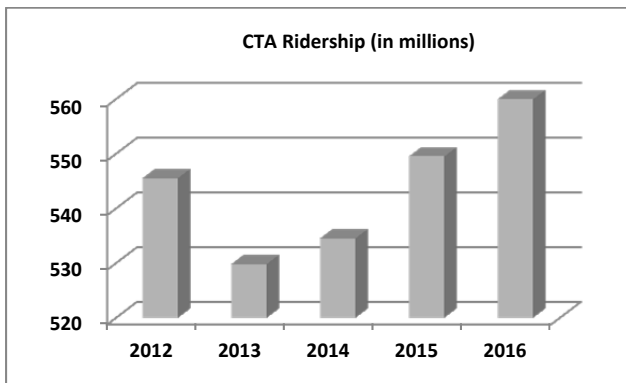


III. CTA

A. Operating Overview

Ridership

In 2013, the CTA performed major reconstruction on the southern Dan Ryan Branch of the Red Line and implemented a fare increase, both of which had negative impacts on ridership. In 2014, CTA ridership is budgeted to improve as the economy continues to recover from the economic downturn, the costs related to driving and parking continue to increase, and with Red Line construction completed. 2014 ridership at the CTA is budgeted to increase over the 2013 estimate by 0.9% to 534.6 million. Bus ridership is forecasted to decrease by 0.2% and rail ridership is expected to increase by 2.4%. Ridership is then anticipated to increase by 1.5% each year in 2015 and 2016.



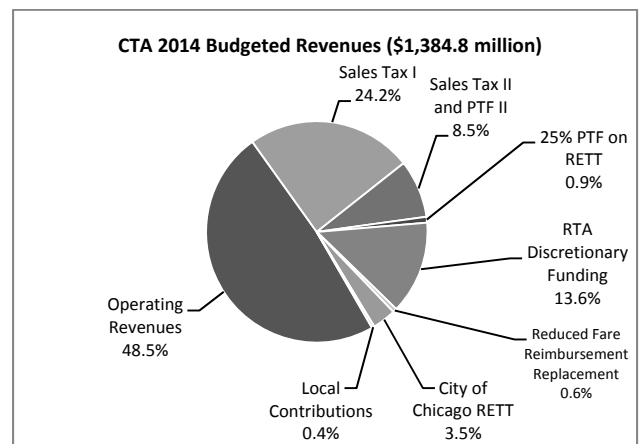
Fares

For 2014, and throughout the 2015-2016 planning years, the CTA does not intend to increase fares. Last year, CTA decreased the discounts on all pass options and increased their reduced fare prices to bring them in line with the statutorily intended level of 50% of the full fare. 2014 will be the first full year that these fare increases, including changes in the O'Hare and student fare price, are in place.

Operating Revenue

The CTA's operating revenues in 2014 are anticipated to increase by 1.1% over the 2013 estimate. Passenger revenue is projected to increase by 3.1%, the reduced fare reimbursement is estimated to be equal to 2013 levels, and other revenues are anticipated to fall by 15.5% or nearly \$10.4 million. The amount estimated for the reduced fare reimbursement assumes that the State cut made to this funding source during the first half of calendar year 2014 will remain in place, and then return to 2012 levels in the second half of the year. The decrease in other revenues in 2014 is largely attributable to the absence of a one-time non-capital grant that occurred in 2013.

Total operating revenue is expected to increase by 4.0% and 2.6% in 2015 and 2016, respectively. Passenger revenues are anticipated to increase each year by 2.8%. The State reduced fare reimbursement is projected to increase by 2.0% over 2012 levels to \$28.3 million for 2015 and 2016. In 2015, the other revenue category is anticipated to increase by 6.9% due to a 5.0% increase in advertising, charters, and concessions, and a projected \$2.4 million increase in corporate sponsorships and miscellaneous revenues.



Public Funding

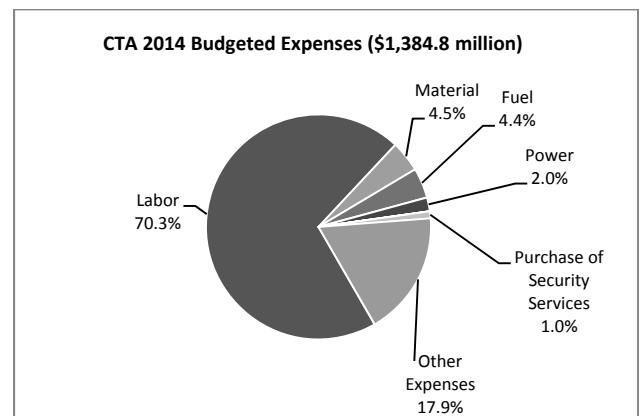
RTA funding (sales tax, Public Transportation Funds, and discretionary funds) is budgeted to be \$661.0 million in 2014, \$669.3 million in 2015, and \$697.3 million in 2016. When the Chicago Real Estate Transfer Tax (RETT) funding component of \$47.9 million and statutorily required local contributions from the City of Chicago and Cook County of \$5.0 million are included, total public funding for 2014 is \$713.9 million, 5.4% higher than the 2013 estimate. Total public funding is expected to increase by 1.5% and 4.2% in 2015 and 2016, respectively. The lower increase in 2015 is partly due to projected reinstatement of the State reduced fare reimbursement in 2015. Reduced fare reimbursement is counted as Service Board Operating Revenue. In 2014, the CTA will receive \$8.2 million in additional public funding to offset the State's cut in reduced fare subsidy, which made their 2014 public funding level higher.

Expenses

CTA total budgeted expenses for 2014 will increase by 3.3% from the 2013 estimate to \$1.385 billion. Increases in labor, material, power, and other expenses were partially offset by savings in fuel, insurance and claims, and the purchase of security services.

In 2014, the 4.0% increase in labor is largely attributable to contractual wage increases and the full year employment of customer service agents (CSA) at the CTA rail stations. Material expenses are budgeted to be \$6.8 million or 12.4% higher than the 2013 estimate. The 2013 estimate includes several onetime credits based on a review of inventory. Material expenses are budgeted significantly lower than 2012 levels due to the CTA's efforts to move to a just-in-time inventory management system. Savings in fuel of 6.4% compared to prior year will be achieved through the CTA's fuel hedging program. As of September 2013, the CTA had already locked in the price for 26 percent of its fuel needs in 2014. Power expenses are

expected to increase by 8.5% largely due to increases in electricity distribution charges. The amount of funds provided to the injury and damage reserve in each year is based on an actuarial assessment that takes into consideration claims history and future projections. The CTA has determined that the current reserve for injury and damages is sufficient and will not allocate any funds to the reserve in 2014. Other expenses are projected to increase by \$9.6 million in 2014, largely due to costs associated with the transition to the Ventra card. In 2015 and 2016, CTA expenses are projected to increase by 2.7% and 3.4%, respectively. These increases are largely a result of contractual wage increases and a projected increase in allocations of funds to the injury and damage reserve.



Net Result and Recovery Ratio

Net results for the 2014 budget and 2015 through 2016 plan show balanced budgets each year, with revenues equal to expenses without the use of federal transfers from capital to operations. CTA's recovery ratio is calculated by taking total operating revenues divided by total operating expenditures, less statutory exclusions and inclusions. In 2014, the CTA's proposed budget projects a recovery ratio of 58.0% which exceeds the 2014 RTA Board adopted ratio of 54.0%.

Exhibit III.A.1: CTA 2014 Budget and 2015-2016 Financial Plan (dollars in thousands)

	2012	2013	2014	2015	2016
Operating Revenues	Actual	Estimate	Budget	Plan	Plan
Passenger Revenue	548,799	575,073	593,050	609,477	626,360
State Reduced Fare Reimbursement	27,780	21,464	21,464	28,322	28,322
Other Revenue (1)	69,403	66,830	56,453	60,336	61,901
Total Operating Revenues	645,982	663,367	670,967	698,135	716,583
Public Funding					
Sales Tax I	311,746	320,319	335,565	348,988	364,692
Sales Tax II and PTF II	116,046	114,136	117,256	119,673	122,986
25% PTF on RETT	9,749	11,419	11,965	12,539	13,113
RTA Discretionary Funding	168,700	181,009	188,059	188,094	196,554
Reduced Fare Reimbursement Replacement	-	-	8,177	-	-
City of Chicago RETT	39,283	45,677	47,859	50,157	52,454
Local Contributions (1)	-	5,000	5,000	5,000	5,000
Total Public Funding	645,524	677,560	713,881	724,451	754,799
Total Revenues	1,291,506	1,340,927	1,384,848	1,422,586	1,471,382
Expenses					
Labor	921,884	936,449	973,700	991,405	1,016,190
Material	85,437	54,984	61,800	63,036	64,297
Fuel	62,908	64,332	60,246	60,954	62,782
Power	25,020	25,285	27,444	27,993	28,833
Insurance & Claims	24,000	(2,208)	-	11,792	24,000
Purchase of Security Services	37,468	24,091	14,087	14,139	14,493
Other Expenses	134,789	237,994	247,571	253,267	260,787
Total Expenses	1,291,506	1,340,927	1,384,848	1,422,586	1,471,382
Net Result	-	-	-	-	-
Recovery Ratio	60.8%	60.0%	58.0%	58.4%	57.7%

(1) Beginning in 2013, statutorily required local contributions from the City of Chicago and Cook County have been classified as public funding.

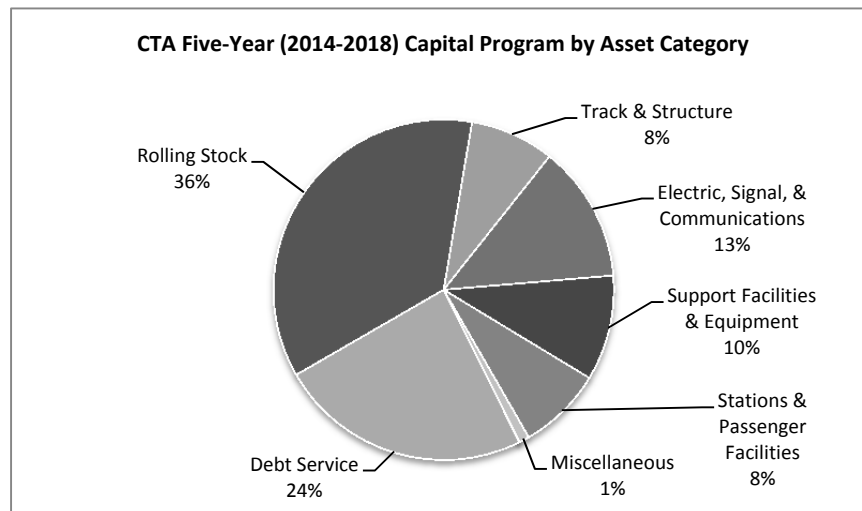
B. Capital Overview

The proposed projects in CTA's portion of the 2014-2018 Capital Program total \$2.959 billion and continue the rehabilitation and replacement of capital assets. The CTA will move forward on key projects, including the rehabilitation of the Wilson Station and the development of Bus Rapid Transit (BRT) service on Ashland Avenue. The two largest investment areas are rolling stock (36%) and debt service (24%). The general categories of capital improvements comprising the CTA's portion of the Capital Program are illustrated in Exhibit III.B.1.

Highlights of projects included in the CTA's proposed 2014-2018 Capital Program are:

- \$497.2 million for the purchase of rail cars
- \$352.4 million to upgrade power and signals
- \$265.1 million for the improvement of facilities
- \$237.6 million for the purchase of up to 500 buses
- \$241.9 million for the repair of track and structure
- \$173.6 million for the rehab and overhaul of rail cars
- \$168.8 million to rehabilitate rail stations
- \$147.1 million to perform mid-life bus overhauls

Exhibit III.B.1: CTA Five-Year (2014-2018) Capital Program by Asset Category: \$2.959 billion

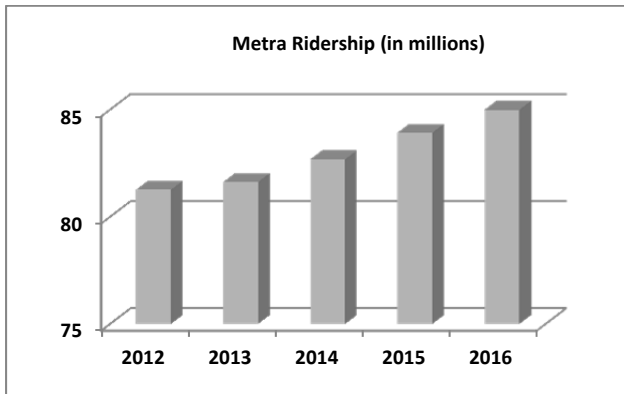


IV. Metra

A. Operating Overview

Ridership

Metra's 2013 ridership is projected to end the year 0.4% favorable to 2012; ridership in 2013 was positively impacted by moderate summer temperatures, the Chicago Blackhawks parade and rally, modest regional employment gains, agency marketing programs, and improved regional tourism levels. Metra anticipates ridership increases of 1.3% in 2014 to 82.7 million, followed by annual growth of 1.5% in 2015 and 2016.

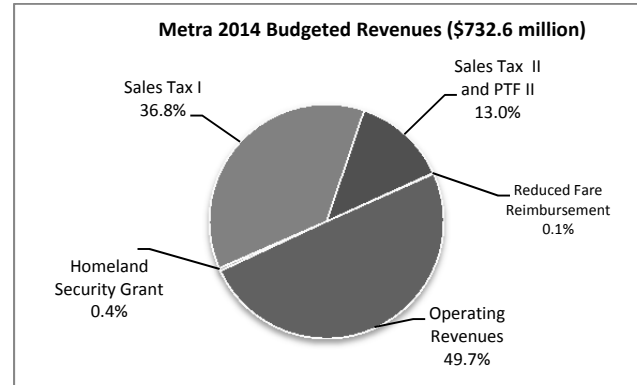


Fares

In 2013, Metra implemented a fare policy change for 10-ride tickets that removed the discount for those tickets. Metra is not proposing any fare increases for the 2014 budget; however, fare adjustments will be considered in future budgets if there is a projected shortfall between anticipated revenues and expenses.

Operating Revenue

Metra projects that 2014 total operating revenues will increase 1.6% to \$364.2 million, followed by increases of 3.7% in 2015 and 3.8% in 2016. Passenger revenue is estimated to increase 1.3% in 2014, 3.8% in 2015, and 4.0% in 2016. Other revenue is also projected to steadily increase, reflecting higher capital credit billing rates and moderate growth in other items.



Public Funding

RTA funding (sales tax and Public Transportation Funds provided by statutory formulas) is budgeted at \$365.4 million in 2014, \$377.2 million in 2015, and \$392.5 million in 2016. Additionally, Metra was awarded a Homeland Security Grant of \$3.0 million for each year from 2014 through 2016.

Expenses

Metra projects that 2014 total expenses will increase 3.5% over the 2013 estimate to \$728.6 million. With stable service levels, expense increases reflect projected price increases in labor, benefits, diesel fuel, rents, materials, and other costs associated with operating service. Diesel fuel expenditures, comprising approximately 11% of Metra's operating expenses, are projected to increase 3.9% in 2014. Maintenance of Way and Maintenance of Equipment costs are projected to increase by 4.2% and 4.1%, respectively, in 2014, resulting from increasing costs related to maintaining aging equipment. Administration costs are projected to decrease by 2.5% in 2014 following the completion of studies that will not be repeated. Claims and Insurance is expected to decline 5.6% compared to the 2013 estimate. Motive electricity, comprising roughly 1% of Metra's total budget, is projected to increase 15.9% in 2014, resulting from the expiration of the current supply agreement and higher energy usage by the new, more powerful Metra Electric Highliner fleet coming into service.

Net Result and Recovery Ratio

Metra's operating budget is balanced in 2014, with revenues covering expenses and producing a positive \$4.0 million net result that Metra has dedicated for capital purposes. In 2015 and 2016, Metra anticipates additional passenger revenues that will produce positive net results of \$10 million in each year, again to be transferred for capital purposes. Metra's 2014 through 2016 recovery ratios, calculated by dividing total operating revenue by total operating expenditures, with approved adjustments, exceed the RTA Board-adopted ratio of 53%.

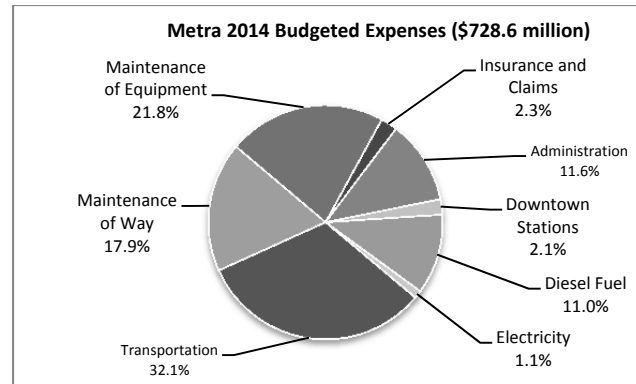


Exhibit IV.A.1: Metra 2014 Budget and 2015-2016 Financial Plan (dollars in thousands)

	2012	2013	2014	2015	2016
	Actual	Estimate	Budget	Plan	Plan
Operating Revenues					
Passenger Revenue (1)	301,132	306,000	310,000	321,662	334,562
State Reduced Fare Reimbursement	3,571	2,378	2,378	3,138	3,138
Other Revenue	51,845	50,000	51,800	53,000	54,500
Total Operating Revenues	356,548	358,378	364,178	377,800	392,200
Public Funding					
Sales Tax I	250,123	257,002	269,234	280,004	292,604
Sales Tax II and PTF II	94,288	92,736	95,271	97,235	99,927
RTA Discretionary	-	-	-	-	-
Reduced Fare Reimbursement Replacement	-	-	906	-	-
Homeland Security Grant	1,200	1,200	3,000	3,000	3,000
Total Public Funding	345,611	350,937	368,411	380,238	395,530
Total Revenues	702,159	709,315	732,589	758,038	787,730
Expenses					
Transportation	211,380	222,800	234,200	240,100	249,100
Maintenance of Way	124,143	125,200	130,500	133,800	139,000
Maintenance of Equipment	147,810	152,600	158,800	161,400	168,200
Risk Mgmt, Insurance, Claims and Related	22,164	17,900	16,900	17,900	20,700
Administration and Regional Services	73,245	86,400	84,200	87,200	90,600
Downtown Stations	14,252	14,400	15,500	15,900	16,300
Diesel Fuel	76,200	77,500	80,500	83,300	85,100
Electricity	7,300	6,900	8,000	8,400	8,700
Total Expenses	676,494	703,700	728,600	748,000	777,700
Net Result (2)	25,665	5,615	3,989	10,038	10,030
Recovery Ratio	56.2%	54.1%	53.1%	53.6%	53.4%

(1) Revenue growth in 2015 and 2016 associated with ridership growth of 1.5% and future fare decisions.

(2) Positive net results are either transferred to capital or added to cash reserves to help build a cash balance equivalent to six weeks of operating expenses, consistent with the Office of the Auditor General's recommendation.

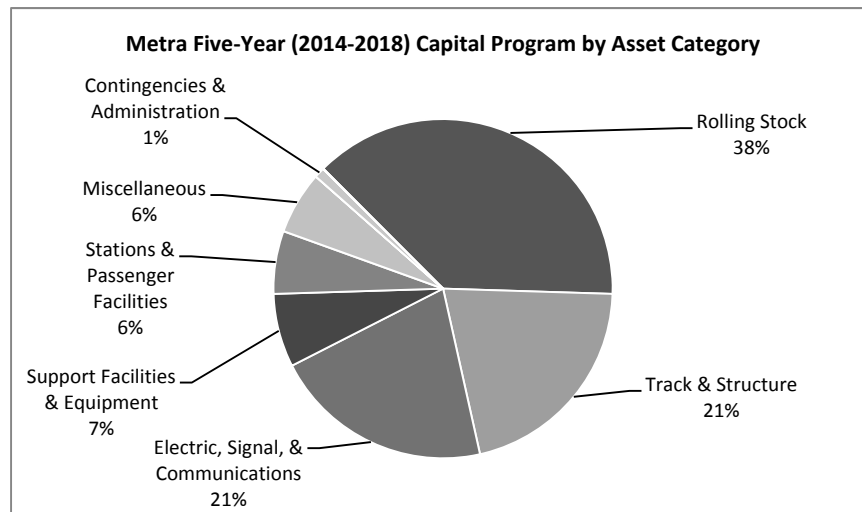
B. Capital Overview

Metra's portion of the proposed 2014-2018 Capital Program totals \$1.304 billion. During this five-year period, Metra will continue to replace aging rolling stock and renew its extensive commuter rail infrastructure. A key component of Metra's plan to maintain an efficient fleet will be the purchase of 160 new Highliner cars for use on its Electric District. Investments in rolling stock account for 38% of the program and track and structure projects account for 21%. The general categories of capital improvements comprising Metra's portion of the Capital Program are illustrated in Exhibit IV.B.1.

Highlights of projects included in Metra's proposed 2014-2018 Capital Program are:

- \$173.5 million for locomotive improvements
- \$147.9 million for the rehabilitation of rail cars
- \$82.6 million for bridge rehabilitation and renewal
- \$60.4 million to modernize and upgrade interlockers
- \$46.0 million for the installation of Positive Train Control (PTC) system
- \$43.5 million to overhaul key components of the rail fleet
- \$38.1 million to upgrade the signal systems

Exhibit IV.B.1: Metra Five-Year (2014-2018) Capital Program by Asset Category: \$1.304 billion

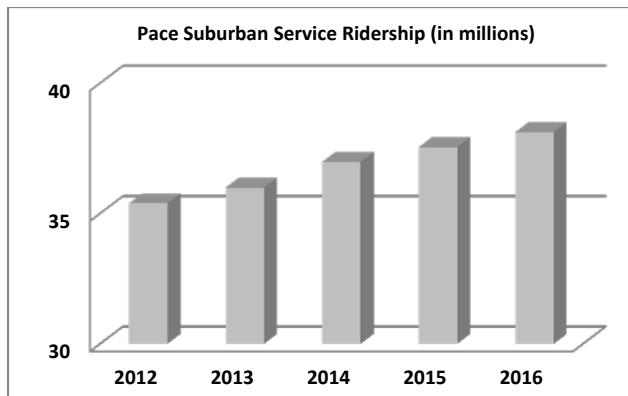


V. Pace Suburban Service

A. Operating Overview

Ridership

Pace expects 2013 ridership of 35.4 million, an increase of 1.7% over 2012. Combined ridership for Pace’s three Suburban Service modes (fixed-route, Dial-a-Ride, and vanpool) is projected to grow by 2.7% in 2014 to 37.0 million. The full-year impact of services beginning in mid-2013 will contribute to 2014 growth. These services include increased Bus-on-Shoulder frequency and service expansions in Lake County and the I-90 corridor. Pace is forecasting subsequent ridership increases of 1.5% in both 2015 and 2016.

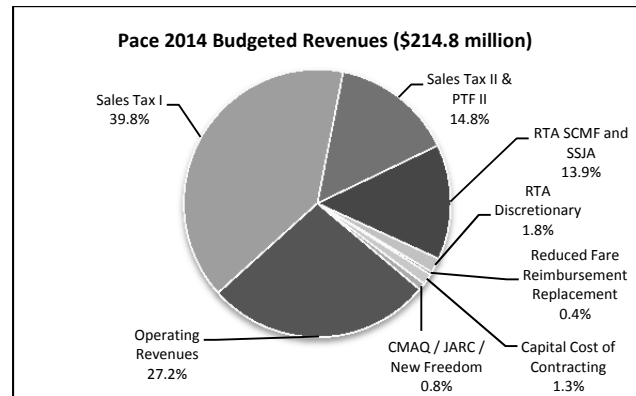


Fares

Pace has not proposed any general fare increases for 2014. However, several Ventra-related fare policy changes will take effect in the fall of 2013.

Operating Revenue

Pace projects that 2014 total operating revenues will increase by 2.6% to \$58.5 million, followed by increases of 3.4% and 2.3% in 2015 and 2016, respectively. Fare revenue is estimated to increase by 2.7% in 2014, consistent with projected ridership growth. Other revenue is projected to increase by 2.9%, driven by increased local government contributions and grant reimbursements.



Public Funding

Pace’s public funding assumptions meet the RTA Board adopted funding levels for sales tax, Public Transportation Funds, Suburban Community Mobility Funds, South Suburban Job Access Funds, and RTA discretionary funds. Total public funding will be \$156.3 million in 2014, \$162.3 million in 2015, and \$172.6 million in 2016. Pace is proposing to use \$2.8 million of Federal 5307 Capital Cost of Contracting funds in 2014 as a component of operating funding, an amount which increases to \$5.8 million by 2016. The use of \$3.7 million of Pace reserve funds is also planned in 2016.

Expenses

Pace projects that 2014 total expenditures will increase by 6.7% to \$214.8 million, followed by increases of 3.7% and 5.3% in 2015 and 2016, respectively. The full-year impact of service expansions and technological improvements in 2013 are driving the significant increase in 2014 expenditures. These service expansions, combined with a 3.0% wage hike, will increase labor and fringe benefits, Pace’s largest expense category, by 6.6%, while purchased transportation and fuel expenses increase by 6.1% and 2.4%, respectively. Operating costs for the Ventra fare system comprise \$3.1 million of the 2014 budget. In addition, Pace will be issuing debt for the first time in

2014, with \$550,000 of debt service on \$12 million of new bonds contributing to operating expense growth.

Net Result and Recovery Ratio

Pace's operating budget is balanced in 2014, 2015, and 2016, with revenues equal to expenditures, producing a net result of zero in each year.

Pace's 2014 through 2016 recovery ratios, calculated by dividing total operating revenue by total operating expenditures, with approved adjustments, exactly meet the RTA Board adopted requirement of 30%.

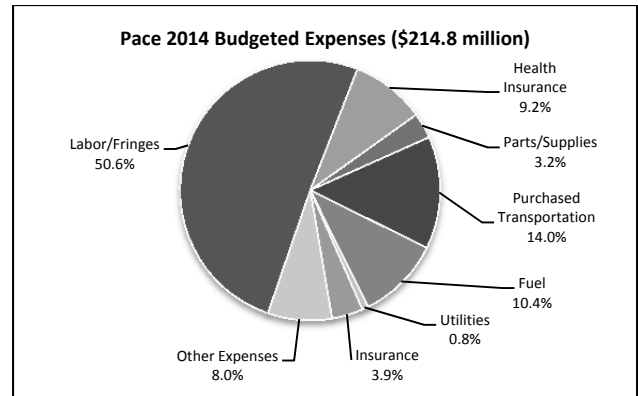


Exhibit V.A.1: Pace Suburban Service 2014 Budget and 2015-2016 Financial Plan (dollars in thousands)

	2012	2013	2014	2015	2016
	Actual	Estimate	Budget	Plan	Plan
Operating Revenues					
Passenger Revenue	35,211	36,022	36,987	37,567	38,157
State Reduced Fare Reimbursement	2,629	1,978	1,978	2,610	2,610
Other Revenue	18,646	18,970	19,512	20,260	21,080
Total Operating Revenues	56,486	56,970	58,477	60,437	61,847
Public Funding					
Sales Tax I	79,327	81,508	85,388	88,803	92,799
Sales Tax II and PTF II	31,429	30,912	31,757	32,412	33,309
Suburban Community Mobility Fund	20,796	21,360	22,376	23,271	24,319
South Suburban Job Access Fund	7,500	7,500	7,500	7,500	7,500
RTA Discretionary	3,000	3,694	3,838	3,839	4,011
Reduced Fare Reimbursement Replacement	-	-	753	-	-
Capital Cost of Contracting	-	2,778	2,851	5,413	5,842
CMAQ / JARC / New Freedom	1,703	2,076	1,820	1,063	1,107
Pace Funds	-	-	-	-	3,740
Total Public Funding	143,755	149,828	156,283	162,301	172,627
Total Revenues	200,241	206,798	214,760	222,738	234,474
Expenses					
Labor/Fringes	97,620	102,027	108,749	112,698	116,642
Health Insurance	18,389	18,724	19,816	21,005	22,265
Parts/Supplies	6,348	6,527	6,826	7,242	7,683
Purchased Transportation	27,181	28,316	30,032	31,289	32,598
Fuel	20,770	21,759	22,288	22,346	22,411
Utilities	1,563	1,606	1,621	1,705	1,794
Insurance	7,572	8,144	8,327	8,852	9,410
Other Expenses	10,879	14,251	17,101	17,601	21,671
Total Expenses	190,322	201,354	214,760	222,738	234,474
Net Result	9,919	5,444	-	-	-
Recovery Ratio	30.0%	30.0%	30.0%	30.0%	30.0%

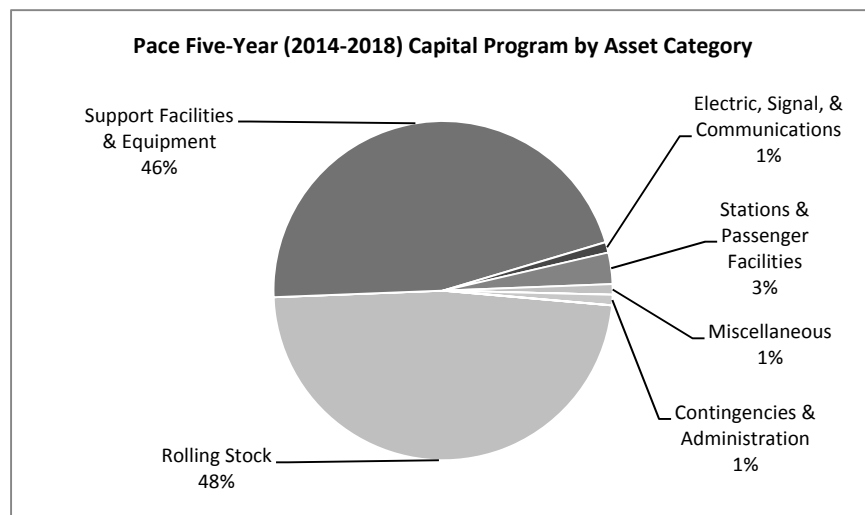
B. Capital Overview

Pace's portion of the proposed 2014-2018 Capital Program totals \$359.7 million. Pace's program emphasizes the need for the renewal and replacement of aging support facilities, as well as its commitment to implementing compressed natural gas (CNG) technology. The replacement of aging rolling stock accounts for 48% of the program, with another 46% allocated for investment in support facilities and equipment, as illustrated in Exhibit V.B.1.

Highlights of projects in Pace's proposed 2014-2018 Capital Program include the following:

- \$60.5 million for the purchase of 135 buses
- \$60.0 million to construct the Northwest Garage
- \$45.5 million to construct support facilities
- \$27.6 million for the purchase of 691 vanpool vehicles
- \$23.5 million for the purchase of 356 paratransit vehicles
- \$20.8 million for the improvement of facilities system-wide
- \$18.0 million for the purchase of 48 alternative fuel buses (compressed natural gas)

Exhibit V.B.1: Pace Five-Year (2014-2018) Capital Program by Asset Category: \$359.7 million

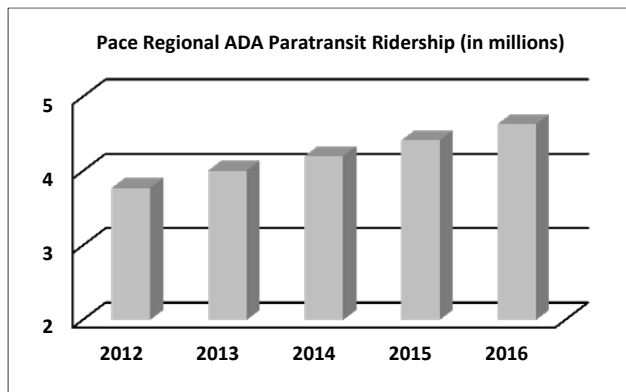


VI. Pace Regional ADA Paratransit

A. Operating Overview

Ridership

Pace's 2014 budget projects that ADA paratransit ridership will increase by 4.9% to 4.2 million, somewhat lower growth than the 2013 estimate of 6.2%. Demand is expected to continue to grow at 5.0% annually in the planning years of 2015 and 2016.



Fares

Pace has not proposed any ADA paratransit fare increases in 2014. Its most recent fare increase became effective November 15, 2009, when Pace equalized ADA paratransit fares at \$3.00 region-wide.

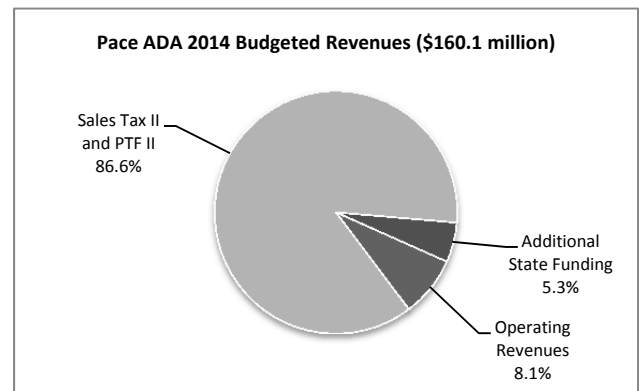
Operating Revenue

Pace projects that 2014 ADA paratransit operating revenues will increase by 3.4% to \$12.9 million, followed by increases of 4.5% in both 2015 and 2016. Passenger fare revenue is estimated to increase by 4.9% in 2014, consistent with ridership growth. Other revenue is forecast to be 2.3% lower in 2014 as Medicaid reimbursements decrease slightly from 2013 estimated levels.

Public Funding

In the 2014 budget, Pace projects an ADA paratransit funding need of \$147.2 million, satisfied by Sales Tax II and PTF II funds of \$138.7 million and additional State

funding of \$8.5 million. The RTA Act was amended in 2011 to ensure that ADA paratransit operations are fully funded each year. In addition to projected sales tax and State funding, Pace has projected that it will require \$1.2 million and \$2.6 million of additional revenue or expense reductions in 2015 and 2016, respectively, in order to balance its ADA paratransit budgets.



Expenses

Pace projects that 2014 operating expenditures for ADA paratransit will increase by 7.6% to \$160.1 million, followed by increases of 7.5% in both 2015 and 2016. Purchased transportation, which accounts for 90% of total ADA paratransit expenses, is projected to increase by 7.9% in 2014 due to the combined effect of ridership growth and higher contractor rates. Pace's contracts for service provision in the City of Chicago are under negotiation for renewal in April 2014, and Pace has assumed that the new contract costs will be in line with historical trends. All other expense categories are projected to increase in 2014, including the regional ADA support allocation of \$5.4 million.

The RTA Act requires the RTA to review current year ADA paratransit expenses at the time the upcoming year's budget is prepared and determine if there will be sufficient funds available to balance those expenses.

Pace's estimate of 2013 ADA paratransit costs is \$148.8 million, unchanged from the adopted budget. RTA and State funding has been appropriated to fully meet the ADA paratransit funding need in 2013.

statutorily required level of 10%. Pace's expense exclusion comprises a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

Net Result and Recovery Ratio

The regional ADA paratransit operating budget is balanced in 2014, 2015, and 2016, with revenues equal to expenditures, producing a net result of zero in each year. However, Pace has identified the need for budget balancing actions in the planning years of 2015 and 2016 in order to achieve this balanced budget.

Pace's 2014 through 2016 recovery ratios, calculated by dividing total operating revenue by total operating expenditures, with approved adjustments, meet the

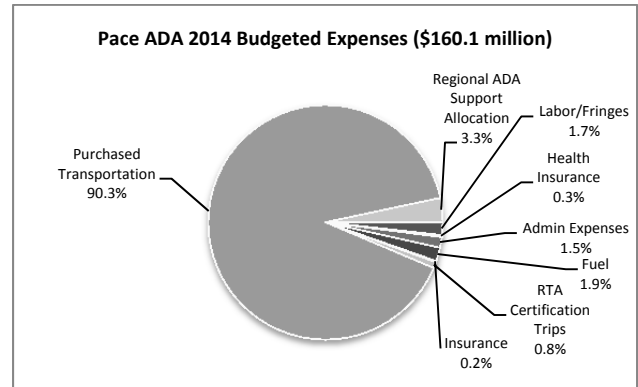


Exhibit VI.A.1: Pace Regional ADA Paratransit 2014 Budget and 2015-2016 Financial Plan (dollars in thousands)

	2012	2013	2014	2015	2016
	Actual	Estimate	Budget	Plan	Plan
Operating Revenues					
Passenger Revenue	9,289	9,932	10,414	10,921	11,453
Other Revenue	3,551	2,563	2,505	2,579	2,656
Total Operating Revenues	12,840	12,495	12,919	13,500	14,109
Public Funding					
Sales Tax II and PTF II	113,233	127,767	138,666	148,968	159,990
Additional RTA Funding (1)	2,440	-	-	-	-
Additional State Funding	8,500	8,500	8,500	8,500	8,500
Budget Balancing Actions (2)	-	-	-	1,187	2,552
Total Public Funding	124,173	136,267	147,166	158,655	171,042
Total Revenues	137,014	148,762	160,085	172,155	185,151
Expenses					
Labor/Fringes	2,697	2,712	2,800	2,901	2,990
Health Insurance	531	415	438	465	492
Admin Expenses	1,746	2,179	2,335	2,384	2,435
Fuel	2,578	2,815	3,009	3,159	3,317
Insurance	147	252	255	266	280
RTA Certification Trips	1,252	1,305	1,357	1,425	1,497
Purchased Transportation	124,104	133,905	144,531	156,003	168,390
Regional ADA Support Allocation	3,959	5,179	5,360	5,552	5,750
Total Expenses	137,014	148,762	160,085	172,155	185,151
Net Result	-	-	-	-	-
Recovery Ratio	10.0%	10.0%	10.0%	10.0%	10.0%

(1) Additional RTA funding from RTA fund balance in 2012.

(2) Additional revenue and/or funding needed to cover projected ADA paratransit expenses.

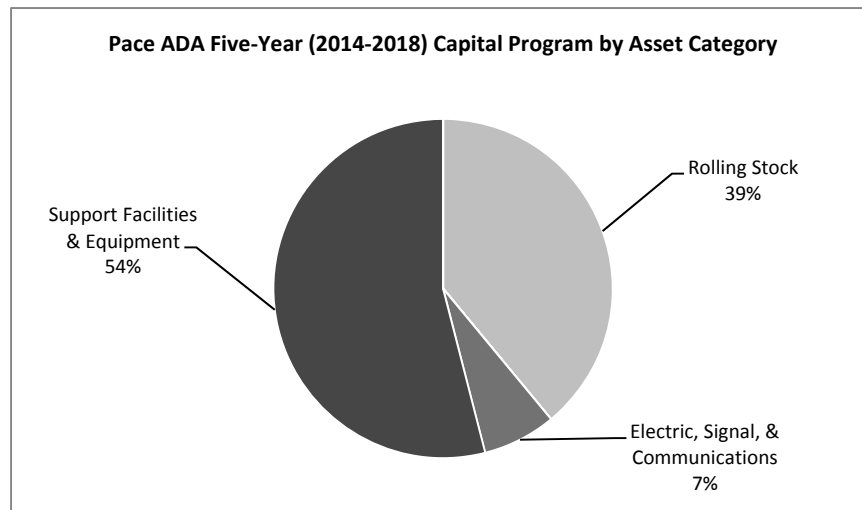
B. Capital Overview

Pace ADA Paratransit's portion of the proposed 2014-2018 Capital Program totals \$45.0 million, supported entirely by State of Illinois Jump Start funding. Investments in support facilities and equipment account for 54% of the program, with another 39% allocated for the replacement of rolling stock, as illustrated in Exhibit VI.B.1.

Highlights of projects in Pace ADA Paratransit's proposed 2014-2018 Capital Program include the following:

- \$13.2 million for regional call centers
- \$12.5 million for the purchase of City ADA Paratransit vehicles
- \$6.0 million to construct an ADA Paratransit facility
- \$5.3 million for the purchase of Suburban ADA Paratransit vehicles

Exhibit VI.B.1: Pace ADA Paratransit Five-Year (2014-2018) Capital Program by Asset Category: \$45.0 million



VII. RTA Agency

A. Operating Overview

Overview

The Regional Transportation Authority (RTA) is the oversight, funding and regional planning agency for the three Service Boards: Chicago Transit Authority (CTA) bus and rail, Metra commuter rail, and Pace Suburban Service and Regional ADA paratransit.

The RTA's primary source of operating funding is a regional sales tax which is matched by the State of Illinois via the Public Transportation Fund (PTF). More than 85% of the public transportation sales tax collections pass directly through the RTA to the CTA, Metra and Pace according to pre-determined, statutory formulas. The remainder of the sales tax is initially retained by the RTA for discretionary distribution. A portion of this discretionary funding covers the RTA's own administrative costs, regional services and programs, and regional debt service expense. Public funding for the RTA increased by 3.0% in 2014.

The 2014 operating budget was developed in two parts in order to continue the RTA's support of regional programs and services. First is the *RTA Agency Administration Budget*, which includes the core agency expenses for staff, facilities, information technology, office services, and professional services to support the funding, planning and oversight mission of the RTA.

Second is the *RTA Regional Programs Budget*, which includes Regional Services provided directly to the public by the RTA such as ADA Certification, Mobility Management, Travel Information Center, Customer Service Center, and Reduced Fare and Transit Benefit Programs. Regional Services also includes the Construction Quality Assurance Program for CTA rail projects, including the Red Line reconstruction, Wilson Transfer Station, and several other projects. Finally, the Regional Programs Budget includes all of the RTA's grant funded projects, RTA funded regional studies and initiatives, and regional capital programs.

RTA Agency Administration Budget

In 2014, total Agency Administration operating expenses of \$18.3 million are \$441,000 or 2.5% higher than the 2013 Estimate.

The Administration Budget of \$18.3 million accounts for 47% of RTA Agency expenses, and is 11% below the 2014 administrative cap of \$20.6 million set by the RTA Act.

RTA Regional Programs Budget

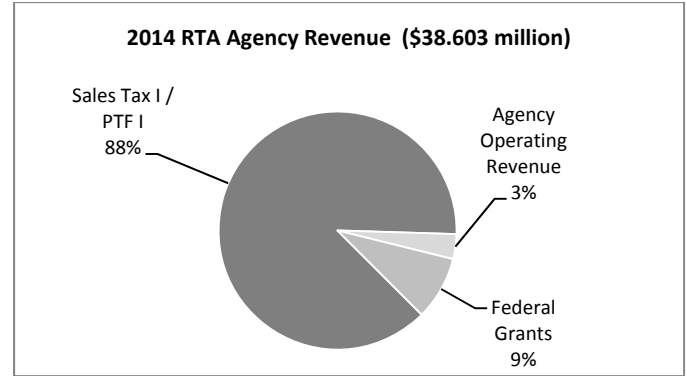
Total Regional Programs revenue, a combination of the Regional Services Operating Revenue of \$1.3 million and total federal grants for Regional Projects of \$3.3 million, is projected to be \$4.6 million in 2014. This amount is \$3.9 million or 46% less than the 2013 estimate as a result of reduced New Freedom and Job Access Reverse Commute (JARC) funding as well as fewer federally funded RTA initiatives. Estimated Regional Programs revenues in 2015 and 2016 reflect 3.0% growth in both years.

Total Regional Programs expenses, the sum of the Regional Services Operating Expense and the Grant and RTA Funded Project Expenses, of \$20.3 million comprise the remaining 53% of the total RTA Agency budget expenses. This amount is \$2.6 million or 11.3% less than the 2013 estimate. Growth in the Regional Programs budget in 2014 is driven by 12.7% growth in Regional Services (customer-focused operations) expenses. This expense growth is necessary to handle increases in ADA certification applications, the increased demand for mobility management services in the region, and the newly enhanced Travel Information Center.

The overall RTA Agency operating expense of \$34 million is projected to be 5.3% lower than the 2013 estimate, due to a reduction in federal grant funding in 2013. Estimated total 2015 and 2016 RTA Agency expenses reflect 3.0% annual increases, consistent with revenue estimates.

Public Funding

The combination of operating revenue of \$1.3 million, grants of \$3.3 million, and public funding of \$34.0 million comprise total Agency revenue and together balance the overall RTA Agency Operating Budget expenses of \$38.6 million. In 2014, the total budgeted public funding from Part I Sales Tax and Public Transportation Fund (PTF) is \$34.0 million, 3.0% higher than in 2013. Public funding in 2014 represents 88% of total Agency funding.



Regional Capital Programs

New 2014 capital funding of \$1.9 million from a CMAQ grant will be used for community planning projects in Rolling Meadows, LaGrange, Palos Heights, and Glen Ellyn to increase safety and accessibility to existing transit locations in these communities.

Work also continues on projects funded in prior years on the Regional Transit Signal Priority, Interagency Signage Expansion, Regional Integration of Real Time Information, and Downtown Connections programs.

Exhibit VII.A.1: RTA Agency 2014 Budget and 2015-2016 Financial Plan (dollars in thousands)

	2012 Actual	2013 Estimate	2014 Budget	2015 Plan	2016 Plan
Total Operating and Grant Revenue (Administration & Regional Programs)	3,352	8,532	4,640	4,779	4,923
Public Funding	31,773	32,974	33,963	34,982	36,032
Total Operating Expense (Administration & Regional Programs)	34,253	40,749	38,603	39,761	40,954
Net Results	872	757	-	-	-
Agency Budget Detail by Administration and Regional Programs (dollars in thousands)					
RTA Agency Administration					
Operating Revenues	13	7	6	6	6
Operating Expenses	17,304	17,907	18,347	18,897	19,464
RTA Agency Administration Net Expense	17,291	17,900	18,341	18,891	19,458
RTA Regional Programs					
<i>Regional Services</i>					
Operating Revenues	1,380	984	1,296	1,335	1,375
Operating Expenses	12,936	14,143	15,946	16,424	16,917
Net Expense	11,556	13,159	14,650	15,090	15,542
<i>Grant and RTA Funded Regional Projects/Regional Capital Prg</i>					
Federal UWP/JARC/New Freedom Grants/CMAQ	1,959	7,541	3,338	3,438	3,541
Project Expenses	4,013	8,699	4,310	4,439	4,572
Net Expense	2,054	1,158	972	1,001	1,031
RTA Regional Programs Net Expense	13,610	14,317	15,622	16,091	16,573
Total RTA Agency Net Expense	30,901	32,217	33,963	34,982	36,031



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