CTA: Managing Change

2002 Annual Budget Summary

Chicago Transit Authority

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Letter From The President

The year ahead promises to be an exciting and productive one for the CTA as we, and our customers, really begin to see tangible results from our labors.

Over the last several years, we have tackled financial obstacles, a lack of investment in our equipment and facilities, low morale, and declining ridership, to embark on a significant and aggressive series of changes.

We set three goals: rebuild the system, sustain the momentum, and improve the product. We've made substantial progress on all of them. For the fourth year in a row, more people are riding our bus and rail lines; ridership is up 7.5 percent since 1997, and growing. To help meet the demand of these new customers, we've added service on busy bus and rail lines. We purchased hundreds of new buses, with more on the way. We've renovated nearly half our fleet of rail cars and have upgraded stations and signal systems to provide better service. And we've just embarked on our biggest capital investment program yet – the renovation of the Cermak (Douglas) branch of the Blue Line.

But that's not all. We've also improved on our core product by offering more amenities for our customers. All our new buses are air-conditioned and accessible to people with disabilities. As we add accessible buses, we are making more and more of our routes accessible. This fall, 80 percent of our bus routes will be accessible, and we expect to have a fully accessible bus system by year-end 2003. We're also continuing to improve accessibility on our rail system. This year, eight more stations were made accessible, bringing us to a total of 64. We're committed to encouraging ever-wider use of our mainline service.

We're inviting customers to bring their bikes along and use our system to access the lakefront and a variety of neighborhoods. We expanded our University Pass program to include summer school and we signed up our largest school yet – the University of Illinois at Chicago.

Many of our customers have several transportation options; they may own a car or have access to other transit, yet more and more are choosing to use the CTA. In 1997, barely half our customers were Choice Riders, now a whopping 68% percent of our customers choose the CTA over driving or other means of transportation. The CTA is the largest transit provider in the region, carrying more than 79% of all public transit riders in Chicago and 38 suburbs. We also have the largest share of suburban customers, carrying more than 45% of suburban transit riders in the communities we serve.

This is good news. Improved service that attracts more choice riders is improved service for all our customers. But it also presents us with a new set of challenges. For many years, when ridership and investment were slipping downward, the main priority of management was to slow the decline. Through hard work, we've turned things around. We've also turned around the way we approach and define our mission. Instead of thinking of the CTA as a system that moves passengers from point A to point B, we've been operating more and more like a customer-focused organization that offers a valuable, affordable product.

And we have to keep thinking that way. As you read through this budget proposal, you'll see that we have an ambitious agenda for the coming year. We are continuing to build on the programs and initiatives that have led to our turnaround. And we have new plans and ideas to help us improve further. In the coming year, we have to manage and sustain our success. We have to plan well to accommodate our increasing customer base. We have to keep our current projects on track, while we prepare for future projects. Given recent events, we are also operating in an environment of new and difficult safety challenges. We must work hard to identify those challenges and prepare for them. Most importantly, we always have to keep our customers' needs first and foremost. They have a choice, and more and more of them are choosing the CTA. All of us work together day in and day out to keep it that way and to keep providing on-time, clean, safe and friendly service.

Over the next few weeks, this proposal will be reviewed by the Chicago Transit Board, the Cook County Board and the Regional Transit Authority Board. There are also opportunities for the public to comment, either in writing or by testifying at our October 30th public hearing. Copies of the budget are available for review at CTA headquarters, public libraries and on our web site at www.transitchicago.com.

Sincerely,

Frank Kruesi
President

The CTA has big plans for 2002, with projects that will advance ongoing efforts to rebuild the system, sustain the momentum that we have built up over the last several years, and improve the product we offer our customers

For the last few years, the core principle guiding the CTA has been our pledge to deliver on-time, clean, safe and friendly service. In the year 2001, we made progress on all those points.

A Washington D.C. ceremony on January 19, 2001 set the tone for the new year and a new day at the CTA. On behalf of the CTA, Mayor Richard M. Daley and J. Dennis Hastert, Speaker of the U.S. House of Representatives, signed a Full Funding Grant Agreement with then-Transportation Secretary Rodney Slater and the Federal Transit Administration. The FTA agreed to provide $384 million toward the $482 million cost to renovate the Cermak (Douglas) branch of the Blue Line.

This agreement was significant, not only because it guaranteed funding for the centerpiece of the CTA's capital improvement plan, but because it also demonstrated the CTA's ability to successfully secure federal funding in a very competitive environment.

Speaker Hastert's leadership was instrumental to this success, as was the strong support of Mayor Daley and the entire Ilinois delegation.

This agreement would not have been possible without Governor George Ryan's Illinois FIRST program, which allowed the CTA to leverage federal New Start funds, and the support of the Illinois General Assembly..

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

Both projects are highly visible symbols of the changes underway at the CTA and will enable us to improve service for many customers and communities. But there are many other projects and initiatives over the past few years that have also made a difference for our customers and improved the quality of our service. These improvement projects both large and small have helped us win back customers and have renewed public support and recognition for the importance of public transit.

The Full Funding Grant Agreement for the CTA Blue Line Douglas Branch Reconstruction Project was signed at a formal signing ceremony on January 19, 2001 attended by (from left to right) CTA President Frank Kruesi, U.S. Senator Peter Fitzgerald, U.S. Senator Richard Durbin, U.S. Representative Mark Kirk, Speaker of the House J. Dennis Hastert, former U.S. Transportation Secretary Rodney Slater, Chicago Mayor Richard M. Daley and former U.S. Transportation Deputy Secretary Mortimer Downey.

In 2001, the CTA made significant progress on its long-term strategy to upgrade its fleet of trains and buses. In 1998, 29% of our buses were over the industry retirement age of 12 years. By developing and implementing an aggressive replacement schedule, only 17% of our bus fleet is more than 12 years old. Within a year, the CTA went from having a fleet of buses of which barely half were air-conditioned, to having a fleet that is currently more than 80 percent air-conditioned. The new buses are also accessible to customers with disabilities, enabling the CTA to make more bus routes accessible. By fall 2001, 80% of the CTA's 139 bus routes were accessible to customers with disabilities.

We also provided more service for our paratransit customers by increasing the number of Special Services and TAP trips by 11.9 percent. We created a toll-free number customers can call in emergencies, and we created a system-wide notification process to alert them to elevators and escalators that are undergoing repair. We also worked with the City's Department of Consumer Services and local taxi companies to increase taxicab accessibility.

Safety enhancements were also made. Our customers felt more secure on their bus rides because more than 70 percent of our buses are now equipped with digital security cameras. We replaced half the fleet of squad cars used by police officers to patrol our bus system, so they can respond more quickly. We adhered to a goal of removing graffiti within 24 hours of the report and, as a result, our stations look cared for and feel safer to customers.

In addition to newer, more comfortable buses, customers experienced more comfortable rail rides too, as more 2600-series cars were rebuilt and new air conditioning and lighting systems were installed. Rebuilding cars results in improved service since it boosts reliability and reduces repair costs. Work also began on the 2200-series cars and by year-end all of them will be equipped with new, high-capacity air conditioning systems.

University of Illinois at Chicago also joined the program, making our program the largest in the nation. The other program expanded was our Bike and Ride program. During Bike Month in May, we announced that bikes would be allowed on trains any time except rush hour. In June, we introduced a pilot program to test the use of bikes on buses. Through these initiatives, we offered additional services to our customers so that they would consider taking the CTA for more leisure activities.

In 2001, we revised our Service Standards for the first time in 11 years in order to reduce crowding and improve service reliability, we will be implementing these changes over the next year. Such changes are necessary as markets, customer expectations and resources change over time. Our goals are to ensure that service meets customers' needs and that it is provided in a cost-effective manner.

We also continued to upgrade rail stations and improve accessibility. In 2001, we renovated station entrances at Homan/Kedzie and Halsted on the Blue Line, and Lake/Pulaski on the Green Line. We also opened new entrances at 40th/ Indiana and at Garfield on the Green Line. We opened a new station on the Green Line — the Conservatory/Central Park Drive station in Garfield Park. The station house was built using elements from the historic station house formerly located at Homan Avenue. And we worked with the Chicago Department of Transportation to renovate the Red Line subway station at Chicago and State.

We also expanded two of our newest programs. Our University Pass program continued to grow in popularity so we extended it to include summer school this year. The

We've also continued to improve our administrative functions. By redesigning parts to our specifications and finding lower cost manufacturers, we saved nearly $3 million over the past two years.

The CTA stepped up efforts to attract and retain high caliber employees through job fairs and other recruitment efforts and by updating and refining the process the CTA uses to determine salaries and levels.

And last, but by no means least, management and the rail employees union, Amalgamated Transit Union Local 308, agreed on a contract after a year and a half of negotiations. This agreement recognizes that our ridership growth presents both challenges and opportunities. More riders generate more revenue. Increased revenue gives us greater financial stability which leads to greater job security for employees and enables us to provide better service for our customers.

The new contract recognizes and rewards the efforts employees have made to our success and provides a framework for us to continue to work together in support of the goals of this agency.

Unfortunately, we were unable to finalize agreements with ATU Local 241 or with the Craft Union Coalition, so those contracts will be resolved though arbitration.

Bringing about change was the challenge before us. Managing change is the task ahead.

The most obvious measure of our success is ridership, which has increased steadily over the last four years. But having more customers, and having customers with higher expectations, presents new challenges for us. As we plan our future course, we must manage our success so that we can sustain it and progress further.

The Chicago Transit Authority broke ground for the $482 million renovation of the Cermak (Douglas) branch of the Blue Line. The project will include 5 miles of new track, eight new station houses that will be ADA accessible for customers with disabilities, and major improvements to the infrastructure of the line.

Pictured at the "Renew the Blue" construction kick-off are (left to right): Chicago Mayor Richard M. Daley, Chicago Transit Board Chairman Valerie B. Jarrett, U.S. Congressman Luis Gutierrez, FTA Administrator Jennifer Dorn, U.S. Senator Richard Durbin and CTA President Frank Kruesi.

On September 10, we broke ground on the Cermak (Douglas) Blue Line project. At a cost of $482 million, this project is the CTA's largest capital improvement project ever. It will take more than four years to complete, but when it is finished our customers will have eight upgraded, accessible stations, more than five miles of newer, smoother, more stable track, and a faster commute.

Work is also underway on our plans to expand capacity on the Brown Line, which serves densely populated neighborhoods on Chicago's north side and has experienced significant ridership increases in the last decade. Unlike the rest of our system, most Brown Line stations can only accommodate six-car trains due to the length of the platforms. The CTA plans to extend platforms at 18 stations by 100 feet so that they can accommodate eight-car trains. We also plan to install elevators or ramps to make stations more easily accessible for senior citizens and people with disabilities. In 2002, we will start to finalize the design phase of the project and hope to secure a Full Funding Grant Agreement with the federal government.

Numerous other rail improvements are planned throughout the system. At Clark Junction, we will replace signal switches and crossings and tie them into a new state-of-the-art control system to provide more efficient service between the Armitage and Southport corridors.

In 2002, we will take the first steps toward the replacement of our 2200 series rail cars, which, at more than 30 years old, are the oldest in our system. We will upgrade the subway signal system in the Blue Line (Dearborn) subway to enable more efficient operations and to continue to maintain a safe system.

We will also renew the right of way to eliminate slow zones in areas such as Addison to O'Hare on the Blue Line.

For customer comfort and ease of transfers, we will proceed with the Chicago Department of Transportation to build a pedestrian tunnel at Roosevelt Road linking the Red Line station with the Green and Orange Line station.

Green and Orange Line customers will also gain when we reconfigure Harrison Curve, one of the sharpest turns on our rail system. By straightening out the curve, we can increase speeds on that section of track from 10 to 35 mph and provide a faster trip for the 50,000 customers who travel over that section each day. As an added benefit for the neighbors, reducing the curve will also reduce rail and wheel noise.

On the Dan Ryan branch of the Red Line, design and engineering work will get underway for extensive infrastructure work. The signal system will be replaced and work will be done to improve the tracks, substations and power distribution. The work will also include the bus turnaround and a new park and ride facility near 95th Street, improvements at eight other stations, and making the 47th Street station accessible.

On the Howard branch of the Red Line, design and engineering will get underway for reconstruction of the Howard Street station.

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

Another security enhancement is a plan to install new hardware that will improve reception and enable the use of cell phones in the subways.

Customers will continue to see new and improved buses and trains in 2002 as we continue efforts to modernize our fleet. By year-end, we will have completed the mid-life rehab of the 2600-series rail cars, which make up more than half our fleet. At the same time, we should have all 469 new Nova buses in service, and have completed our overhaul of the TMC buses, including adding air-conditioning for added comfort in the summer months and block heaters to help with reliability in the winter. In 2002, our fleet will receive the first new articulated buses in nearly two decades.

As we continue to work on ways to address bus bunching and improve service reliability, we will be evaluating and refining the bus operator empowerment project. Through this initiative, bus operators are working as a team to find the best ways to maintain proper intervals and ensure reliable, scheduled service.

Our bus service will be further enhanced by the purchase of an on-board, automated announcement system similar to the one currently in use on trains and by the purchase of new fareboxes.

And we'll continue to work with the Chicago Department of Transportation to explore the development of dedicated bus rights of way that will help speed trips and make bus travel a more competitive option for auto users.

From fare cards, to the Control Center, to the automated announcement system, the CTA has used technological advances to operate more efficiently and provide better service for customers. Those efforts will continue in 2002, as the CTA expands the Smart Card program to make cards available to up to 300,000 more customers. Also planned is a pilot program to install kiosks at employer offices so that participants of our growing Transit Benefit program can add value to their cards at their work locations.

We'll also use technology to increase our overall operating efficiency through a major Enterprise Resource Plan that will standardize our information gathering and computer processes so that our computer systems work better together. CTA staffs from numerous departments have worked together over the past year to plan for this program, and in 2002, a vendor will begin to install and implement it.

We will also be implementing a new maintenance shop management system so that we can better manage our inventory, operating and productivity costs at Skokie, South and West Shops.

Illinois FIRST and the Transportation Equity Act for the 21st Century (TEA-21) provided the funding that has made our capital improvements possible. Managing the money we have, and securing adequate funding in the future, are the main challenges we face in the years ahead.

Despite all the rebuilding we have done, and the new equipment we have purchased, we still have significant capital improvement projects to complete. Over the next five years, we have identified nearly $4.2 billion worth of projects necessary to achieve and maintain the state of good repair that we have been working toward. At this point, we have approximately $2.9 billion toward that goal and must secure an additional $1.3 billion to meet our needs.

The 2003 reauthorization of the Transportation Equity Act for the 21st Century (TEA-21) is a critical opportunity for the CTA to maximize the possibility of additional federal funding necessary to meet our ongoing capital needs and reach a state of good repair.

We also face growing challenges with our operating budget. Through belt-tightening and prudent management, we have managed to keep fares low and actually increase service over the past few years. However, sustaining quality service and managing CTA resources without a fare increase for over nine years has been a challenging task and it will become more and more challenging with each successive year.

CTA financial staff has studied our options and identified one possible solution that will enable us to balance our budget and meet RTA requirements for the next few years. But this particular solution requires legislative revisions to the RTA recovery ratio formula. In July, the CTA asked RTA to support legislation that would exempt paratransit expenses from the recovery ratio calculation as a short-term measure or to develop other alternatives that would ensure that CTA customers are not penalized for our efficiency efforts. We will work with the RTA and our legislative leaders to define a long-term solution so that the CTA receives regional funding that is commensurate with the volume of passengers it carries and the level of service it provides.

The CTA is by far the largest transit service for northeastern Illinois, and there is growing demand for our service. For the past few years, the City of Schaumburg has made it clear that it would like to build a system that would link its residents to the CTA Blue Line. In August, the City of Elgin did the same, passing a resolution encouraging a CTA extension to Elgin. The concept of extending the Blue Line received a major boost when Chicago Mayor Richard M. Daley included it, along with other regional transportation improvements, as part of his plan to maintain O'Hare International Airport's position as one of the premiere airports in the world and enhance the Chicago area's reputation as the nation's transportation center.

Also, the CTA has been working with the City of Chicago and the Department of Aviation on a plan to provide express service to both airports from downtown.

Clearly people all over the region are increasingly recognizing the value of public transportation. One of the challenges ahead of us is to build on this renewed interest in public transit. We also must continue to work with the RTA and our sister agencies to ensure that we are providing service where it is needed, that our services connect in ways that are convenient for customers, and that we have adequate funding to accomplish all we need to do.

Finally, the tragic events of September 11 created a new, and very serious set of challenges for our entire nation. The CTA, like other public entities, must remain vigilant and continually monitor our procedures and facilities. Should our analysis indicate a need to modify our current security coverage, we will make the necessary adjustments to the budget.

CTA Salutes Its 2001 Rodeo Champions and Kathy Osterman Award Winners

Rail Operator Champion
Kim Mitchell
(Howard Terminal)

AFC Technician Champion
Louis Jason Gordon
(Red Line Downtown)

Kathy Osterman Honorees (l to r) Bill Platt, Outstanding Supervisory Employee winner (General Manager, Chicago Ave. Garage) and Aquanette Thompson, Outstanding General Service Employee winner, (Support Services Coordinator, Facilities Maintenance, West Shops).

Rail Maintenance Team Champions
(l to r)
Greg Winski,
Jae Lee,
Jesse Williams
(Skokie Shop)

Bus Maintenance Team Champions
(l to r)
Philbert McGuire,
Arthur Laski, and
Paul Kearney
(77th Street Garage)

Rail Customer Assistant Champion
Andrea DeFell
(95th Terminal)

Rail Cleanliness Champion
Juan Mendoza
(54th Street Shop)

Bus Operator Champion
Jose J. Agrela
(Archer Garage)

We will create a pleasant environment for our customers and ourselves.

Courteous

2001 Operating Budget Performance

Financial results for FY 2001 are characterized by increased service, improved service quality and reliability of our bus and rail fleets as well as moving the infrastructure to a state of good repair. In FY 2001 CTA again experienced ridership gains. The drivers of CTA's increase in ridership are a more customer-focused bus and rail service, a vibrant central business district in Chicago, and a change in demographics resulting from the popularity of living in the City.

On January 19, 2001 the Full Funding Grant Agreement for the Blue Line Douglas Branch reconstruction project was signed at a formal ceremony in Washington D.C. The agreement is the Federal Government's commitment to share the $482.0 million cost of reconstructing the 102-year old rapid transit line. Under the agreement, the Federal Government will pay $384.0 million of the total project's cost. The Illinois FIRST program will also fund $80.9 million. The Blue Line Douglas branch will be the second rapid transit line to undergo a major reconstruction to reduce slow zones. The CTA broke ground on this major reconstruction on September 10, 2001.

Ridership growth coupled with CTA's commitment to improve service quality spurred the need for many service improvements during the year. Bus service improvements were made on many routes during 2001. These service enhancements included adding more buses to weekday service, expanding weekend and evening service hours, and making more routes accessible, and adding and changing bus stops. A few of the routes with expanded service are highlighted below:

- #22 Clark Street ♿
- #6 Jeffery
- #52A South Kedzie ♿
- #147 Outer Drive express
- #151 Sheridan ♿
- #100 Jeffrey Manor express ♿
- #135 Wilson/LaSalle express
- #136 Sheridan/LaSalle express
- #156 LaSalle express
- #14 South Lake Shore Drive express
- #2 Hyde Park express ♿
- #49B North Western ♿
- #87th Street ♿
- #34 South Michigan ♿
- #145 and #146 Wilson/Michigan and Marine/Michigan
- #201 Central/Sherman ♿
- #97 Skokie ♿

Additionally, many service improvements were implemented on the rail system to help alleviate overcrowding on the rail cars. Trains were added on the Brown, Red and Orange Lines to decrease the time between trains in the A.M. and P.M. rush hours and Owl service. Also, Orange Line service was increased on both Saturday and Sunday to provide additional service to the southwest side communities and Midway Airport. Access to the rail system for bicycles were expanded to include all times except weekday rush periods. Construction projects were completed at 27 rail stations to make the CTA more attractive and friendlier to use:

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

Fiber optic cable was installed on both the Blue Line O'Hare Branch and the Green Line to provide an independent income source and allow greater communications with our customers in rail stations.

Our Paratransit customers also benefited from expanded service deployed in 2001. Paratransit service was expanded significantly with an additional 87,561 trips provided. In July, we also provided free promotional round trips for certified Paratransit customers on TAP (Taxi Access Provider) to encourage use of the TAP program.

Additionally 283 new NOVA buses were received and 196 TMC buses were overhauled to improve the reliability of the bus fleet. On the rail side, mid-life overhauls were completed on 470 2600 series rail cars and air-conditioning and safety improvements were made on 142 2200 series rail cars. In October of 2001 we began the installation of new inverters on our 2400 series railcars which will greatly improve the reliability and cold weather performance.

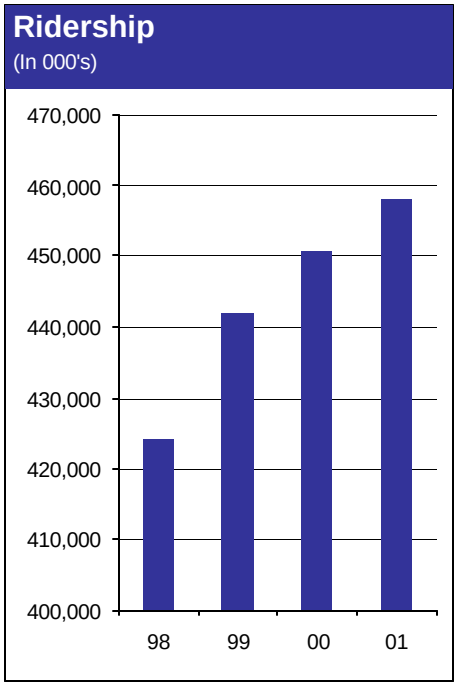
To enhance managerial effectiveness, CTA began the procurement process for the Enterprise Resource Planning system and vehicle maintenance systems that will provide efficiencies in operations. Implementation will begin in January of 2002.

On the financial front, CTA projects financial results to finish the year within the Budget Marks set by RTA. A recap of the line item projections follows.

Ridership

Ridership is estimated at 457.9 million and is 2.9 million trips or 0.6% higher than budget. Compared to prior year, ridership is 7.4 million or 1.6% higher.

Bus ridership is forecast at 304.5 million trips. This is below budget, but is over prior year by 2.3 million trips. Rail ridership is forecast at 152.1 million and is 6.0 million higher than budget and 4.8 million higher than prior year. Ridership is up on all seven-rail lines. Brown Line ridership increased by 8.85% over FY 2000 while ridership on the Green Line exceeded FY 2000 by 7.05%.



Operating Expenses

FY 2001 operating expenses is estimated at $891.6 million. This is 2.6% higher than the 2001 budget of $869.2 million. The expense increases are primarily driven by ridership growth coupled with a one-time funding increase of the Injuries and Damages reserve.

Labor expense is estimated at $632.2 million; this is $4.8 million more than budget. This increase is driven primarily by increased service levels to meet the ridership growth on the bus and rail system. The labor contract that covered approximately 90% of our employees expired at the end of 1999. Since the contract expiration, Management and the Collective Bargaining Units had been vigorously working towards a new Collective Bargaining Agreement. A tentative contract was reached in FY 2001 with our two largest unions representing CTA's Bus and Rail operators. CTA Rail Division employees that are members of Local 308 accepted the contract provisions. The Bus Division Unions including Local 241 did not. As such, CTA is now in interest arbitration with all other Collective Bargaining Units except the Teamsters. Negotiations are still underway with the Teamsters.

Material expense is forecast at $65.8 million, $1.0 million, or 1.6% more than budget due to a 3.2% increase in service miles over budget. The ridership growth has necessitated increased service levels, which translate into an increase in vehicle hours and miles and thus an increase in vehicle maintenance. Additionally CTA is experiencing a high failure rate for components on the oldest railcars and buses in the system that has not been overhauled.

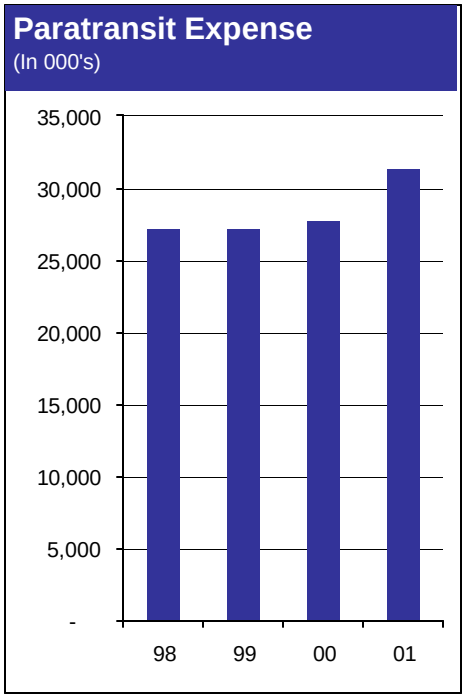
Fuel price increases and higher consumption have added an estimated $1.0 million expense. CTA estimates fuel expense at $22.6 million for the year. CTA's

FY 2001 budget assumed an average price per gallon of $1.00 and 21.6 million gallons. Fuel prices and consumption are both slightly ahead of budget.

Electric Power expense for the rail system is forecast at $22.7 million -- $2.2 million more than the budget. This increase largely reflects an increase in service levels on the rail system coupled with a higher price for electricity. Rail miles are forecast at 60.0 million and are 4.0 million or 7.1% higher than budget.

The Provision for Injuries and Damages represents the expense for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles. The 2001 forecast is $44.0 million and exceeds budget by $14.0 million. This increase in funding is due to an election by management to use the proceeds from the sale of surplus property to fund the damage reserve.

Higher demand for trips on the door-to-door service provided by three carriers and by taxicab companies in our Paratransit program continues to increase this expense. Expenses for Paratransit service is projected at $31.3 million --$1.5 million or 5.0% more than budget. Paratransit trips are forecast at 1,355,780 for the current year and are over the 2001 budget by 87,561 trips. Almost all of this growth has occurred on the door-to-door service provided by the special services' carriers. Looking forward, CTA's goal is to have the bus service fully accessible by the end of 2003.



Security is strategically deployed throughout our system to provide 24-hour coverage, seven days a week. This service is provided by the Chicago, Evanston and Oak Park Police departments, Securitas Guard Service and National K-9 Security service. Full year expense is forecast at $22.9 million and is on par with budget.

The events of September 11, 2001 have forced CTA to reevaluate the current security coverage deployed throughout the system. After the terrorists attacks in New York and Washington D.C., CTA expanded the security coverage throughout the system to protect our customers and employees.

Other Services includes utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital jobs and other general expense. The current forecast equals $50.1 million and is below budget by $2.0 million. The lower expense results primarily from a higher allocation of

fixed expenses to capital projects, and lower advertising and consulting expenses. These lower expenses were partially offset by higher natural gas and electric expense.

Revenues

System-Generated revenues are estimated at $472.6 million and compare favorably to budget by $22.5 million. Public funding through RTA is forecast at $419.0 million and is on par with budget.

Revenues from fares are forecast at $380.0 million and compare favorably to budget by $8.9 million. This increase is attributable to higher ridership and a higher average fare as more customers opt to pay using cash or undiscounted fare media.

The Reduced Fare Revenue is the State of Illinois reimbursement to CTA for providing discounted fares to the disabled, elderly and student customers. Reduced Fare Reimbursement is projected at $32.3 million and is below budget by $1.6 million due to lower-than-budget Reduced Fare trips.

Contributions from Local Governments of $5.0 million are on par with budget. The RTA Act requires the City of Chicago and County of Cook to contribute $3.0 million and $2.0 million annually to the operations of CTA.

Revenues from Advertising, Charter and Concessions exceed budget by $2.9 million due to higher revenues from the vehicle and platform advertising contract and revenues received from the University of Chicago for services it contracts with CTA for its campus. The higher revenue from the vehicle and platform contract reflects a new contract negotiated in FY2000 that guarantees revenues that are substantially higher than the 2001 Budget.

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

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

CTA projects a balanced budget as required by law. Public Funding Required For Operations equals the funding mark of $419.0 million set by RTA. The Recovery Ratio, which measures the amount of operating expenses CTA has to fund from revenues it generates, is forecast at 53.3% -- this exceeds the required ratio by 1.51 percentage points. This higher recovery ratio is due to the revenue realized from the sale of surplus property and higher fare revenue.

2001 Operating Budget Summary

(In Thousands)	2001 Budget	2001 Projected	(Unfav)/Fav Variance	(Unfav)/Fav % Variance
Operating Expenses				
Labor	$ 627,446	$ 632,206	$ (4,760)	(0.76%)
Material	64,802	65,835	(1,032)	(1.59%)
Fuel -- Revenue Equipment	21,600	22,600	(999)	(4.63%)
Electric Power -- Revenue Equipment	20,492	22,700	(2,208)	(10.78%)
Provision for Injuries and Damages	30,000	44,000	(14,000)	(46.67%)
Purchase of Security Services	22,864	22,864	0	0.00%
Purchase of Paratransit	29,825	31,325	(1,500)	(5.03%)
Other Expenses				
Utilities	17,278	21,864	(4,585)	(26.54%)
Maintenance and Repair	11,636	12,337	(702)	(6.03%)
Advertising and Promotion	1,981	1,565	415	20.97%
Contractual Services	21,642	18,159	3,483	16.09%
Provision for Passenger Security	5,082	4,845	237	4.66%
Leases and Rentals	8,309	7,672	637	7.66%
Travel, Training, Seminars and Dues	710	658	52	7.32%
Warranty and Other Credits	(16,728)	(19,001)	2,273	(13.59%)
General Expenses	2,212	1,980	233	10.51%
Total Other Expenses	**52,122**	**50,079**	**2,044**	**3.92%**
Total Operating Expenses	**$ 869,151**	**$ 891,609**	**$ (22,458)**	**(2.58%)**
System Generated Revenue				
Fares and Passes	$ 371,102	$ 380,000	$ 8,898	2.40%
Reduced Fare Subsidy	33,880	32,300	(1,580)	(4.66%)
Advertising, Charter, & Concessions	22,055	24,956	2,901	13.15%
Investment Income	8,887	10,670	1,783	20.06%
Contributions from Local Governments	5,000	5,000	-	0.00%
All Other Revenue	9,222	19,678	10,456	113.38%
Total System Generated Revenue	**$ 450,146**	**$ 472,604**	**$ 22,458**	**4.99%**
Public Funding Required for Operations	$ 419,005	$ 419,005	$ -	0.00%
Public Funding Available through RTA	$ 419,005	$ 419,005	$ -	0.00%
Recovery Ratio	52.10%	53.30%	1.2 p.pts	-
Required Recovery Ratio	52.10%	52.10%	- p.pts	-
Fund Balance	**-**	**-**	**-**	**-**

* Recovery Ratio is computed by dividing Total System Generated Revenue by Total Operating Expenses. By statute, certain expenses are excluded from operating expenses for the calculation.

We will seek out and encourage employees who initiate change, improvement, learning and advancement of our goals.

Innovative

2002 Operating Budget Summary

Good things are happening to public transit. By concentrating our efforts on delivering on-time, clean, safe and friendly service, the CTA has been able to build loyalty among current customers and attract new ones. The CTA forecasts 466.1 million riders in 2002, a 2.4% increase over 2001 budgeted figures.

This has been accomplished through a three-pronged approach. Our budget is designed to support projects that contribute to our efforts to rebuild the system, improve the product, or sustain the momentum. The 2002 budget funds programs and sets objectives to advance these goals.

The growing number of rail riders will notice significant improvements to the system.

- Mid-life overhaul of 2600-series rail cars continues in 2002. Improvements to these cars, which primarily serve the Red and Blue Lines, include air conditioning, vandal shields on the windows, and improved reliability.
- Cleaner rail stations. The 2002 budget includes funding for additional rail janitors so that our rail stations are kept clean and graffiti free.
- More reliable elevator service. To better serve all our customers, but particularly those with disabilities, funds are earmarked for improved elevator service.

Bus riders – the core of our system – will also benefit from new amenities and improved service.

- Continued efforts to reduce bus bunching. Improvements to the schedule will put more service on the street at appropriate intervals.
- Improved security. All new buses will come equipped with cameras, and they will also be installed on existing buses. Our pilot program has shown that cameras help deter crime and can also provide valuable evidence in the prosecution of offenders.
- New service standards to better reflect current ridership levels and trends. These new standards will be a valuable tool as we regularly evaluate our loading levels and schedules.
- New buses/bus overhaul. CTA will receive the remainder of its 469 new low-floor buses from the Nova Corporation. Additionally, CTA has ordered new articulated buses to replace an aging fleet. Numerous existing buses are being overhauled to prolong their useful life and improve their performance.
- Full funding of Access Living settlement. To provide better service to the disabled community, a number of improvements will be put into place on both the bus and rail system.

Paratransit riders

- Additional Paratransit rides. To meet the demand for this service, the 2002 budget provides for a significant increase in the number of Paratransit rides.

CTA will make all of this happen without raising fares. The full base fare remains constant at $1.50 per ride, a price that has not changed since 1992.

To keep service on the street running smoothly, CTA is improving the way it does business behind the scenes. The CTA is investing heavily in an Enterprise Resource Planning (ERP) system. This integrated computer system will provide efficiencies by integrating all departments of the agency onto one common computer platform and will provide financial information on a more timely basis. Funding is also provided for a vehicle maintenance system for bus and rail vehicles. This computer system will better organize and track revenue vehicle maintenance.

CTA's proposed 2002 budget is in compliance with the Budget Mark established by RTA. The budget estimates operating expenses and total revenues of $914.8 million, an increase of $45.6 million, or 5.3%, greater than the 2001 budget. Like all businesses and public agencies, our budget projection is based on continued economic growth in FY 2002. If economic conditions change our budget will require careful review.

Total revenues are composed of revenues CTA generates and public funding. System generated revenues are $473.2 million, an increase of $23.0 million, or 5.1%, greater than the 2001 budget. Public funding from RTA is $441.6 million. This is $22.6 million, or 5.4% greater than the 2001 budget.

Ridership

Ridership is estimated at 466.1 million and is 11.1 million higher than the 2001 budget. FY 2002 will mark the fifth consecutive year of ridership increases. Rail ridership is forecast at 157.1 million, an increase of 11.0 million riders. Bus ridership is forecast at 307.7 million, this is on par with the 2001 budgeted bus ridership.

Operating Expenses

Labor expense is budgeted at $667.6 million. This is $40.2 million, or 6.4%, greater than the 2001 budget. The labor forecast is only a forecast since we do not have new contracts with labor unions representing a significant number of our employees. The CTA has a new agreement with the Amalgamated Transit Union Local 308 representing rail employees. Negotiations are still on going with the Teamsters. Agreements with the other unions will be determined through arbitration. The remaining portion of the labor increase is primarily due to expanded service and higher health insurance and workers compensation costs. The business community forecasts substantial health care cost increases in the near future. The expanded service is the primary driver for the increase in the number of budgeted positions.

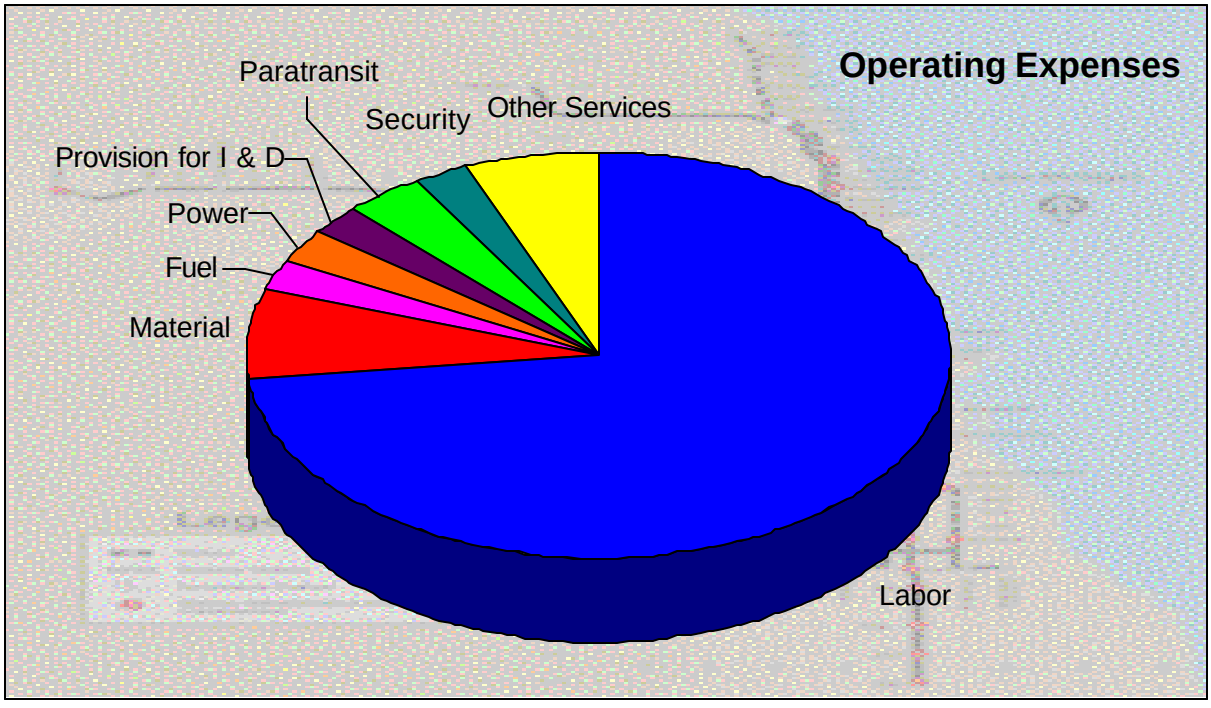
Material expense is estimated at $66.9 million. Material usage is forecast to increase slightly due to a 3.2% increase in service miles and the delayed overhauls on the 2200 and 2400 series rail cars. Inflation is expected to run at 3.0%, but the effect is substantially offset by lower material usage due to the bus overhauls and warranty on new buses. Thus, material growth costs will be slowed.

CTA forecasts the need for 23.0 million gallons of diesel fuel in the 2002 budget. Due to the uncertainty surrounding energy prices, the CTA estimates the cost of fuel to be $1.00 per gallon which is the same as the 2001 budget. This price could fluctuate greatly due to market conditions. Our buses average 2.9 miles per gallon.

Power expense for the rail system is estimated at $22.7 million. This mirrors the 2001 forecast and is significantly higher than the 2001 budget due to additional rail miles resulting from the extra service and decreased slow zones. Decreased slow zones contribute to a higher average speed, which increases power consumption.

The Provision for Injuries and Damages represents the expense for claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles. Due to the funding provided in 2001, the 2002 budget is set at $23.0 million.

The CTA is committed to improving service for our Paratransit and ADA eligible riders. CTA currently provides two types of services to eligible customers with disabilities who are unable to use mainline service: special services and taxi access (TAP). Funding for Paratransit services is increased by $3.8 million, or 12.6%, as CTA strives to improve service for all of our customers.



Special service Paratransit trips continue to be provided by three carriers that deliver door-to-door service to our customers. The 2002 budget provides for 1,255,422 trips at an estimated cost of $25.23 per trip. This represents an increase in service of 11.1% over the 2001 budget. The average trip cost is estimated to increase by $0.48 or 2.0% partly due to an annual cost of living adjustment based on the Chicago consumer price index.

Taxi companies, as an alternative, provide TAP trips for our customers with disabilities. In the 2002 budget, CTA has provided for 142,362 trips. This is a 3.0% increase over the 2001 budget.

A settlement was reached in 2001 with Access Living to improve services for our disabled riders. In addition to ensuring alternative transportation is available when elevators on the mainline are out of service, CTA will implement a number of improvements to the system. These changes include improved elevator service at rail stations, improved audio-visual displays on service vehicles, and improved monitoring of CTA's compliance with set standards.

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

Security coverage is provided by the Chicago, Evanston and Oak Park Police departments, Securitas and National K-9 Security. The 2002 budget is equal to $23.0 million, $0.1 million more than the 2001 budget. This low year-over-year increase is the result of a new guard service contract negotiated in 2001 that lowered the security cost.

In response to the events of September 11, 2001, CTA has increased security coverage to protect our customers and employees from potential acts of terrorism. Like other public transit agencies, CTA is now engaged in a more comprehensive assessment of our security needs. Should this analysis reveal a need to modify current security coverage throughout the system, CTA will make any necessary adjustments to the budget.

Other Services is $55.0 million and includes utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital jobs and other general expenses. The increase in expense is due to higher utility costs and increased facility and equipment maintenance expense.

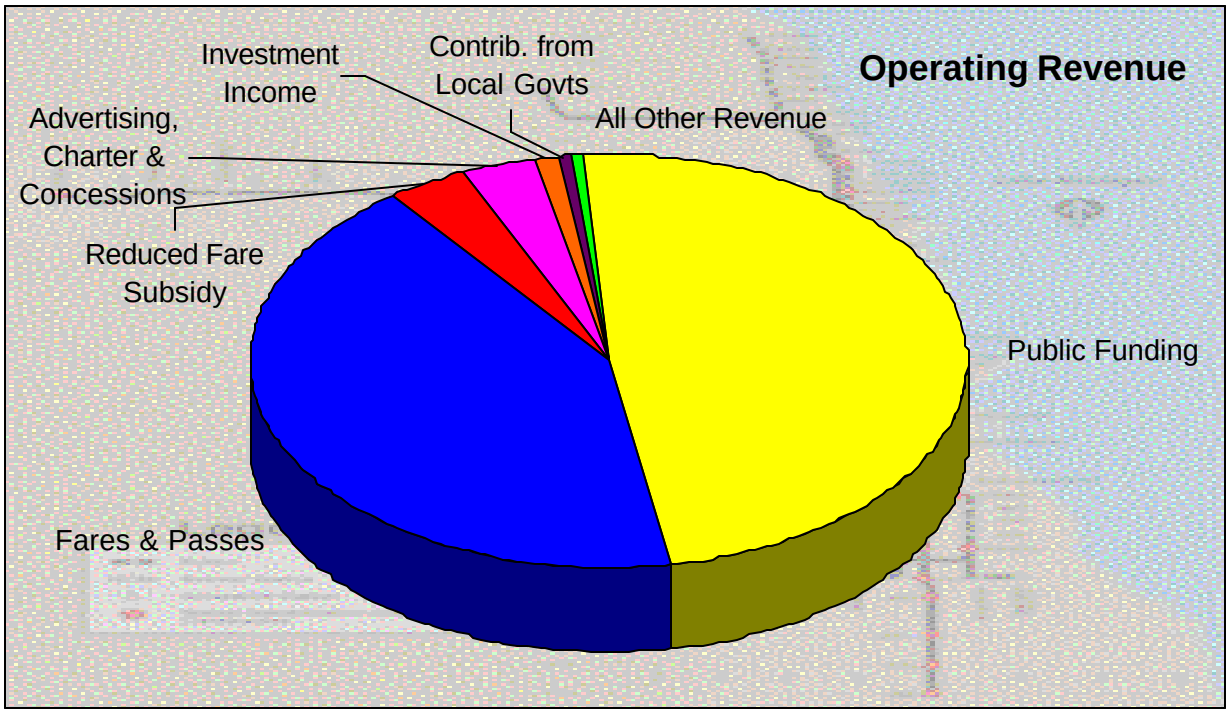
Revenues

System Generated revenues are estimated at $473.2 million. This is $23.0 million, or 5.11%, higher than the 2001 budget.

Higher ridership is the primary driver for the increased fare revenues. Revenue from fares is estimated at $388.9 million and is $17.8 million, higher than the 2001 budget. This reflects a 4.8% increase over the 2001 budget.

Reduced Fare Reimbursement is $32.3 million and is $1.6 million lower than the 2001 budget due to CTA providing a slightly lower share of reduced fare trips in the region. The reduced fare revenue is the State reimbursement to the service boards for providing a discounted fare to the disabled, elderly and student customers.

Contributions from Local Governments are budgeted at $5.0 million. This is the same as the 2001 budget and is the amount required by the RTA Act.



Revenues from Advertising, Charter and Concessions have increased significantly from the 2001 budget as CTA aggressively seeks revenue gains from utilizing the exterior of bus and rail cars, and open spaces on platforms and rail stations. CTA forecasts revenues to be $30.3 million, an increase of 37.3% over the 2001 budget.

Investment Income is estimated at $10.7 million, which is 20.0% greater than the 2001 budget.

Other revenues of $6.0 million are less than the 2001 budget. This reflects surplus property sales in 2001. This category also includes revenues from parking, rental properties, and miscellaneous.

CTA projects a balanced budget as required by law. Public Funding Required For Operations equals the funding mark of $441.6 million set by RTA. The Recovery Ratio, which measures the amount of operating expenses CTA has to fund from revenues it generates, is forecast at 52.00%, which matches the required recovery ratio set by the RTA. CTA has been in discussions with RTA regarding the recovery ratio mark and the formula for computing. CTA is having difficulty achieving the mark set by RTA even though CTA can balance its budget. RTA lowered the mark for 2002 set in last year's financial plan from 52.17% to 52.0%.

2002 Operating Budget - Summary

(In Thousands)

	2000 Actual	2001 Budget	2001 Projected	2002 Budget
Operating Expenses				
Labor	$ 616,306	$ 627,446	$ 632,206	$ 667,596
Material	68,813	64,802	65,835	66,949
Fuel - Revenue Equipment	23,305	21,600	22,600	23,000
Power - Revenue Equipment	21,022	20,492	22,700	22,700
Provision for Injuries and Damages	30,000	30,000	44,000	23,000
Purchase of Security Services	18,731	22,864	22,864	22,989
Purchase of Paratransit	27,043	29,825	31,325	33,591
Other Expenses				
Utilities	17,901	17,279	21,864	20,740
Maintenance and Repair	11,985	11,636	12,337	13,061
Advertising and Promotion	2,319	1,981	1,565	2,311
Contractual Services	15,191	21,642	18,159	21,003
Provision for Passenger Security	4,817	5,082	4,845	4,845
Leases and Rentals	9,000	8,309	7,672	7,714
Travel, Training, Seminars, and Dues	653	710	658	804
Warranty and Other Credits	(17,737)	(16,728)	(19,001)	(19,839)
General Expenses	1,997	2,212	1,980	4,323
Total Other Expenses	46,127	52,123	50,079	54,963
Total Operating Expenses	**$ 851,347**	**$ 869,151**	**$ 891,609**	**$ 914,787**
System Generated Revenue				
Fares and Passes	$ 368,884	$ 371,102	$ 380,000	$ 388,889
Reduced Fare Subsidy	32,111	33,880	32,300	32,300
Advertising, Charter, & Concessions	23,907	22,055	24,956	30,280
Investment Income	12,922	8,887	10,670	10,670
Contributions from Local Governments	5,000	5,000	5,000	5,000
All Other Revenue	10,663	9,222	19,678	6,017
Total System Generated Revenue	**$ 453,487**	**$ 450,146**	**$ 472,604**	**$ 473,156**
Public Funding Required for Operations	**$ 397,860**	**$ 419,005**	**$ 419,005**	**$ 441,631**
Public Funding Available through RTA	**$ 402,126**	**$ 419,005**	**$ 419,005**	**$ 441,631**
Recovery Ratio	53.57%	52.10%	53.30%	52.00%
Required Recovery Ratio	52.50%	52.10%	52.10%	52.00%
Fund Balance	$ 4,266	$ -	$ -	$ -

2002 Department Budget Summary

(In Thousands)	2000 Actual	2001 Budget	2001 Projected	2002 Budget
Authority Governance	$ 811	$ 937	$ 919	$ 1,132
Office of the President	786	832	793	922
Office of Inspector General	1,525	2,136	1,415	1,801
General Counsel	13,148	13,878	13,643	15,199
TRANSIT OPERATIONS				
EVP Transit Operations	492	374	482	531
Customer Service	1,499	1,394	1,350	1,646
BUS OPERATIONS				
VP Bus Operations	784	811	696	670
Scheduled Transit Operations - Bus	213,983	223,624	212,030	233,413
Bus Garages	124,198	119,152	124,654	129,861
Bus Heavy Maintenance	31,622	31,338	28,974	31,904
Engineering & Technical Services - Bus	2,278	2,437	2,003	2,105
Total Bus Operations	372,865	377,362	368,357	397,954
RAIL OPERATIONS				
VP Rail Operations	522	533	335	217
Scheduled Transit Operations - Rail	72,282	79,559	72,099	79,684
Rail Terminals	60,877	54,446	59,826	65,267
Rail Heavy Maintenance	7,599	6,797	8,513	9,772
Rail Car Appearance	8,073	9,538	9,424	9,999
Engineering & Technical Services - Rail	1,716	2,567	1,948	2,399
Total Rail Operations	151,069	153,440	152,145	167,337
SAFETY, SECURITY, & TRAINING				
VP Safety, Security, & Training	91	190	-	175
Security Services	19,817	24,399	24,020	24,608
System Safety & Environmental Affairs	1,641	1,783	1,556	1,862
Communication Power/Control	6,334	7,010	6,770	7,383
Training & Instruction	9,382	9,916	9,007	10,590
Total Safety, Security, Comm.& Training	37,265	43,297	41,353	44,618
PLANNING				
VP Planning	486	497	450	511
Planning	4,641	4,694	4,518	5,169
Facility & ADA Planning	911	954	872	919
Total Planning	6,037	6,145	5,840	6,599
ADMINISTRATION & PARATRANSIT				
Administration & Paratransit	179	258	141	200
Operations Support Services	793	998	860	924
Paratransit Operations	28,109	30,911	32,322	34,851
Total Administration & Paratransit	29,080	32,166	33,322	35,975
	$ 598,308	**$ 614,178**	**$ 602,849**	**$ 654,660**
CONSTRUCTION, ENGINEERING & FACILITIES				
EVP Construction, Engineering & Facilities	$ 378	$ 355	$ 494	$ 512
Real Estate	7,543	7,659	7,578	8,155
Engineering & Maintenance	2,724	3,285	2,932	3,404
Construction	1,043	1,278	1,323	1,180

2002 Department Budget Summary

(In Thousands)	2000 Actual	2001 Budget	2001 Projected	2002 Budget
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)				
MAINTENANCE				
VP Maintenance	$ 239	$ 271	$ 399	$ 445
System Maintenance Support	52,228	51,574	54,537	56,211
Power & Way Maintenance	25,026	26,421	26,869	26,378
Rail Station Appearance	18,493	18,696	18,278	20,291
Facility Maintenance	28,933	30,283	33,017	33,096
Total Maintenance	124,919	127,244	133,100	136,421
	$ 136,607	**$ 139,821**	**$ 145,427**	**$ 149,673**
MANAGEMENT & PERFORMANCE				
EVP Management & Performance	$ 279	$ 398	$ 309	$ 365
Communications	6,280	7,592	5,877	6,839
Government & Community Relations	1,088	1,295	1,279	1,620
DBE Program/EEO/Contract Compliance	853	1,458	909	1,015
FINANCE				
Sr VP Finance/Treasurer	408	515	483	448
Accounting Operations	2,239	2,311	2,298	2,533
Treasury	10,057	11,262	10,759	11,791
VP Finance/Comptroller	2,262	2,930	2,330	3,497
Capital Investment	427	484	526	539
Total Finance	15,393	17,503	16,397	18,808
HUMAN RESOURCES				
VP Human Resources	714	1,061	754	1,074
Personnel Services	2,617	2,297	2,494	3,418
Benefit Services	1,435	1,867	1,464	1,440
Medical Services	970	1,523	1,184	1,333
Total Human Resources	5,736	6,748	5,896	7,265
EMPLOYEE RELATIONS				
VP Industrial Relations	916	1,270	1,088	1,224
Program Compliance	717	680	839	970
Total Employee Relations	1,634	1,949	1,927	2,193
TECHNOLOGY DEVELOPMENT				
VP Technology Development	527	176	344	427
Research & Development	836	1,080	1,093	1,257
Management Information Systems	14,229	17,430	16,940	18,152
Revenue Equipment Tech. & Maint.	13,410	12,706	12,246	11,834
Total Technology Development	29,003	31,392	30,624	31,670
PURCHASING/WAREHOUSING				
VP Purchasing/Warehousing	286	471	306	426
Quality Assurance	1,506	1,956	1,442	1,883
Purchasing	2,954	3,118	3,377	5,171
Purchasing & Warehousing Programs	486	655	563	699
Purchasing & Warehousing Business Systems	1,415	1,888	1,376	1,605
Warehouse/Stockroom	10,715	12,945	11,190	12,600
Total Purchasing/Warehousing	17,362	21,033	18,254	22,384
	$ 77,627	**$ 89,368**	**$ 81,474**	**$ 92,160**
Non - Departmental	22,536	8,001	45,090	(760)
TOTAL CTA	**$ 851,347**	**$ 869,151**	**$ 891,609**	**$ 914,787**

2002 Department Budget by Line Item

(In Thousands)

	Labor	Material	Other Services*	Fuel/Power/ Provisions	Total
Authority Governance	$ 1,079	$ 13	$ 40	$ -	$ 1,132
Office of the President	861	4	57	-	922
Office of Inspector General	1,653	13	135	-	1,801
General Counsel	10,021	86	5,092	-	15,199
TRANSIT OPERATIONS					
EVP Transit Operations	$ 392	$ 13	$ 126	$ -	$ 531
Customer Service	1,617	22	7		1,646
BUS OPERATIONS					
VP Bus Operations	320	9	342	-	670
Scheduled Transit Operations - Bus	233,413	-	-	-	233,413
Bus Garages	79,910	26,578	373	23,000	129,861
Bus Heavy Maintenance	25,651	6,161	93	-	31,904
Engineering & Technical Services - Bus	1,985	80	40	-	2,105
Total Bus Operations	341,278	32,828	848	23,000	397,954
RAIL OPERATIONS					
VP Rail Operations	185	9	23	-	217
Scheduled Transit Operations - Rail	79,684	-	-	-	79,684
Rail Terminals	47,168	18,005	94	-	65,267
Rail Heavy Maintenance	7,885	401	1,485	-	9,772
Rail Car Appearance	9,701	297	1	-	9,999
Engineering & Technical Services - Rail	2,182	185	31	-	2,399
Total Rail Operations	146,805	18,897	1,635	-	167,337
SAFETY, SECURITY, & TRAINING					
VP Safety, Security, & Training	175	-	-	-	175
Security Services	1,753	12	22,843	-	24,608
System Safety & Environmental Affairs	1,682	50	130	-	1,862
Communication Power/Control	6,790	29	564	-	7,383
Training & Instruction	10,253	190	147	-	10,590
Total Safety, Security, Comm.& Training	20,653	282	23,684	-	44,618
PLANNING					
VP Planning	506	1	4	-	511
Planning	4,925	54	190	-	5,169
Facility & ADA Planning	902	11	6	-	919
Total Planning	6,333	67	199	-	6,599
ADMINISTRATION & PARATRANSIT					
Administration & Paratransit	200	-	-	-	200
Operations Support Services	917	7	0.12	-	924
Paratransit Operations	1,225	35	33,591		34,851
Total Administration & Paratransit	2,341	43	33,591	-	35,975
	$ 519,419	**$ 52,152**	**$ 60,090**	**$ 23,000**	**$ 654,660**
CONSTRUCTION, ENGINEERING & FACILITIES					
EVP Construction, Engineering & Facilities	$ 498	$ 5	$ 8	$ -	$ 512
Real Estate	1,478	18	6,660	-	8,155
Engineering & Maintenance	3,229	81	94	-	3,404
Construction	1,154	1	25	-	1,180

* Includes Purchase of Paratransit and Purchase of Security Services

2002 Department Budget by Line Item

(In Thousands)

	Labor	Material	Other Services*	Fuel/Power/ Provisions	Total
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)					
MAINTENANCE					
VP Maintenance	$ 409	$ 10	$ 26	$ -	$ 445
System Maintenance Support	16,379	1,603	15,528	22,700	56,211
Power & Way Maintenance	22,950	2,770	659	-	26,378
Rail Station Appearance	17,038	1,776	1,477	-	20,291
Facility Maintenance	20,557	4,054	8,485	-	33,096
Total Maintenance	77,332	10,213	26,176	22,700	136,421
	$ 83,691	**$ 10,318**	**$ 32,963**	**$ 22,700**	**$ 149,673**
MANAGEMENT & PERFORMANCE					
EVP Management & Performance	$ 320	$ 3	$ 42	$ -	$ 365
Communications	3,421	304	3,114	-	6,839
Government & Community Relations	965	3	653	-	1,620
DBE Program/EEO/Contract Compliance	950	9	57	-	1,015
FINANCE					
Sr VP Finance/Treasurer	351	3	95	-	448
Accounting Operations	2,514	14	5	-	2,533
Treasury	6,238	2,188	3,366		11,791
VP Finanace/Comptroller	2,832	38	627	-	3,497
Capital Investment	534	5	-	-	539
Total Finance	12,468	2,247	4,092	-	18,808
HUMAN RESOURCES					
VP Human Resources	886	6	183	-	1,074
Personnel Services	2,697	27	694	-	3,418
Benefit Services	1,032	9	400	-	1,440
Medical Services	592	31	710	-	1,333
Total Human Resources	5,206	72	1,987	-	7,265
EMPLOYEE RELATIONS					
VP Industrial Relations	827	6	391	-	1,224
Program Compliance	964	3	3	-	970
Total Employee Relations	1,792	9	393	-	2,193
TECHNOLOGY DEVELOPMENT					
VP Technology Development	415	4	8	-	427
Research & Development	1,198	3	55	-	1,257
Management Information Systems	7,017	432	10,704	-	18,152
Revenue Equipment Tech. & Maint.	10,491	1,170	173	-	11,834
Total Technology Development	19,120	1,609	10,940	-	31,670
PURCHASING/WAREHOUSING					
VP Purchasing/Warehousing	415	-	10	-	426
Quality Assurance	1,800	41	43	-	1,883
Purchasing	5,056	101	14	-	5,171
Purchasing & Warehousing Programs	644	5	50	-	699
Purchasing & Warehousing Business Systems	1,265	35	306	-	1,605
Warehouse/Stockroom	11,087	257	1,256	-	12,600
Total Purchasing/Warehousing	20,268	438	1,678	-	22,384
	$ 64,510	**$ 4,694**	**$ 22,956**	**$ -**	**$ 92,160**
Non - Departmental	(13,638)	(332)	(9,791)	23,000	(760)
TOTAL CTA	**$ 667,596**	**$ 66,949**	**$ 111,542**	**$ 68,700**	**$ 914,787**

*Includes Purchase of Paratransit and Purchase of Security Service

2002 Department Budgeted Positions

	2000 Budgeted Positions	2001 Budgeted Positions	2002 Budgeted Positions
Authority Governance	12	15	15
Office of the President	6	6	7
Office of Inspector General	17	19	19
General Counsel	129	129	132
TRANSIT OPERATIONS			
EVP Transit Operations	2	2	3
Customer Service	26	26	26
BUS OPERATIONS			
VP Bus Operations	4	4	3
Scheduled Transit Operations - Bus	4,016	4,077	4,250
Bus Garages	1,296	1,296	1,299
Bus Heavy Maintenance	490	491	489
Engineering & Technical Services - Bus	33	33	33
Total Bus Operations	5,839	5,901	6,074
RAIL OPERATIONS			
VP Rail Operations	4	5	2
Scheduled Transit Operations - Rail	1,383	1,373	1,487
Rail Terminals	597	601	598
Rail Heavy Maintenance	238	237	240
Rail Car Appearance	189	193	192
Engineering & Technical Services - Rail	30	39	39
Total Rail Operations	2,441	2,448	2,558
SAFETY, SECURITY & TRAINING			
VP Safety, Security, & Training	2	2	2
Security Services	32	32	32
System Safety & Environmental Affairs	23	23	23
Communication Power/Control	92	92	92
Training & Instruction	149	149	153
Total Safety, Security, Comm.& Training	298	298	302
PLANNING			
VP Planning	4	4	5
Planning	63	68	69
Facility & ADA Planning	13	13	12
Total Planning	80	85	86
ADMINISTRATION & PARATRANSIT			
Administration & Paratransit	4	3	3
Operations Support Services	15	16	17
Paratransit Operations	17	17	17
Total Administration & Paratransit	36	36	37
	8,722	**8,796**	**9,086**
CONSTRUCTION, ENGINEERING & FACILITIES			
EVP Construction, Engineering & Facilities	2	3	4
Real Estate	23	23	22
Engineering & Maintenance	71	71	72
Construction	28	28	28

2002 Department Budgeted Positions

	2000 Budgeted Positions	2001 Budgeted Positions	2002 Budgeted Positions
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)			
MAINTENANCE			
VP Maintenance	2	4	4
System Maintenance Support	257	258	260
Power & Way Maintenance	455	454	454
Rail Station Appearance	317	318	326
Facility Maintenance	318	327	327
Total Construction, Engineering & Facilities	1,349	1,361	1,371
	1,473	**1,486**	**1,497**
MANAGEMENT & PERFORMANCE			
EVP Management & Performance	3	3	3
Communications	51	53	53
Government & Community Relations	8	11	11
DBE Program/EEO/Contract Compliance	15	23	23
FINANCE			
Sr VP Finance/Treasurer	3	3	3
Accounting Operations	45	38	39
Treasury	103	103	103
VP Finance/Comptroller	47	53	56
Capital Investment	34	34	34
Total Finance	232	231	235
HUMAN RESOURCES			
VP Human Resources	2	4	6
Personnel Services	27	28	29
Benefit Services	15	16	15
Medical Services	6	8	8
Total Human Resources	50	56	58
EMPLOYEE RELATIONS			
VP Industrial Relations	12	14	13
Program Compliance	8	8	9
Total Employee Relations	20	22	22
TECHNOLOGY DEVELOPMENT			
VP Technology Development	4	1	4
Research & Development	11	14	15
Management Information Systems	96	95	90
Revenue Equipment Tech. & Maint.	140	140	149
Total Technology Development	251	250	258
PURCHASING/WAREHOUSING			
VP Purchasing/Warehousing	1	3	4
Quality Assurance	28	27	26
Purchasing	44	43	63
Purchasing & Warehousing Programs	11	10	9
Purchasing & Warehousing Business Systems	13	14	16
Warehouse/Stockroom	208	210	189
Total Purchasing/Warehousing	305	307	307
	935	**956**	**970**
TOTAL CTA	**11,294**	**11,407**	**11,726**
Pension	12	15	15

Summary of Projected Cash Flow for Year 2002

(In Millions)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BEGINNING CASH BALANCE	**85.0**	**68.9**	**61.3**	**62.8**	**76.5**	**65.1**	**65.6**	**66.6**	**66.5**	**76.8**	**80.0**	**76.2**	**76.2**
CASH RECEIPTS													
System Generated Revenue	55.5	54.1	57.3	52.9	58.1	58.2	64.3	56.8	58.8	64.0	50.8	61.6	**692.4**
RTA Assistance	36.4	36.3	41.6	33.8	34.2	35.9	36.9	37.5	38.3	36.9	36.5	36.7	**441.0**
Capital Grants	20.0	18.5	23.9	20.8	24.7	23.9	20.9	23.2	23.0	27.6	23.7	27.7	**277.9**
TOTAL CASH RECEIPTS	**111.9**	**108.9**	**122.8**	**107.5**	**117.0**	**118.0**	**122.1**	**117.5**	**120.1**	**128.5**	**111.0**	**126.0**	**1,411.3**
CASH DISBURSEMENTS													
Labor & Related Payroll	56.9	51.9	56.1	55.0	58.4	49.2	57.4	57.1	52.2	61.3	54.9	57.2	**667.6**
All Other	71.1	64.6	65.2	38.8	70.0	68.3	63.7	60.5	57.6	64.0	59.9	60.0	**743.7**
TOTAL CASH DISBURSEMENTS	**128.0**	**116.5**	**121.3**	**93.8**	**128.4**	**117.5**	**121.1**	**117.6**	**109.8**	**125.3**	**114.8**	**117.2**	**1,411.3**
ENDING CASH BALANCE	**68.9**	**61.3**	**62.8**	**76.5**	**65.1**	**65.6**	**66.6**	**66.5**	**76.8**	**80.0**	**76.2**	**85.0**	**85.0**

We will provide transit service with the highest standards of quality and safety for our customers and ourselves.

Professional

Operating Financial Plan 2003-2004

Consistent with last year's message, the Chicago Transit Authority (CTA) will have significant difficulty meeting the 2003 and 2004 Recovery Ratio Marks set by RTA. CTA is working with the RTA to revise the recovery ratio formula to exclude certain mandated expenses. The current formula allows for some expenses to be excluded from the computation. If, however, no modifications are made to the recovery ratio formula, CTA in FY 2003 may be forced to seek revenue increases to meet the recovery ratio set by the RTA. Ironically, this will result in a budget surplus in FY 2003, as CTA is able to balance its budget within the public funding mark set by RTA.

In 2004, additional system generated revenue must also be secured in order to meet the recovery ratio. In 2004, a revenue increase is necessary to both balance the budget and achieve the required recovery ratio. At this time, no source for these funds has been identified. To date, CTA has absorbed over $9.0 million in higher energy costs and $8.3 million in higher Paratransit expense without raising fares. CTA has not had a fare increase since 1992—this is over 10 years ago. This has been a result of management decisions and employee efforts resulting in ridership growth, expense containment and operational efficiencies.

The precarious political and financial environment poses substantial risk to CTA's financial plan. The greatest external factor impacting the CTA is the uncertain American economy. Economists' expectations are quite mixed. Based on the Blue Chips Economic Indicators' monthly survey of almost 100 leading economists, the consensus is that the GDP will post annual growth rates of 2.0% in 2001 and 3.1% in 2002. Unemployment figures are expected to rise to 4.7% in 2002, up from just 4.0% in 2000. However in view of the events during September these forecasts may no longer be viable.

How will the most recent attacks on America affect consumer spending and the economy? Will the income tax cut boost consumer spending? Will actions by the Federal Reserve Bank pull the economy out of the current economic slowdown? Because reduced spending lowers sales tax receipts, these questions highlight the uncertainty of the future financial health of CTA because nearly one-half of operations are funded though the sales tax. RTA forecasts CTA will receive public funding increases in 2003 and 2004 of 4.7% and 3.0%, respectively.

During the 1990's, CTA instituted a number of programs designed to increase ridership. By providing on time, clean, safe, and friendly service, ridership stopped its downward movement and began an upward trend. This upward trend in ridership is expected to continue as long as the economy does not drastically deteriorate. Costs, however, are rising faster than revenues. In particular, labor costs are projected to rise 2.9% in 2003 and 5.4% in 2004. The uncertainty

surrounding energy is another reason for concern. CTA's diesel fuel price is projected at $1.00 per gallon. CTA will be challenged to be able to absorb any increases to this price at the current fare structure.

Despite the uncertainty, CTA is submitting the two-year operating financial plan within the requirements set forth by the Regional Transportation Authority (RTA) in its Funding Marks and required Recovery Ratio.

Ridership

Ridership, CTA's leading customer satisfaction measure, is projected to increase by 1.7% in FY 2003 to 474.2 million. In FY 2004 ridership is projected at 485.6 million, 11.3 million or 2.4% higher than FY 2003. Increases are projected on both the bus and rail system. Bus ridership is projected at 310.9 million in FY 2003 and 316.0 million in FY 2004 – 1.0% and 1.6%, respectively higher than the prior year. Ridership on rail is projected at 161.9 million in FY 2003 and 168.2 million in FY 2004. This is 4.9 million or 3.1% more than FY 2002 and 6.2 million or 3.8% more than FY 2003. Gains in ridership are attributed to service improvements, the vibrant central business district, and a shift from car travel to public transportation due to higher parking and gas prices and construction downtown.

Operating Expenses

The 2003 and 2004 financial projections show operating expenses of $939.5 million and $988.8 million, respectively. The 2003 financial projection represents an increase of 2.7% over the 2002 operating budget. The 2004 financial projection represents an increase of 5.3% over the 2003 budget. This increase is primarily attributable to higher projected labor costs.

Labor

Labor costs represent 73.0% of the entire 2002 operating budget. Labor costs are expected to rise in proportion to the entire operating budget in 2003 and 2004. Overall, labor expenses are projected to rise 2.9% in 2003 and 5.4% in 2004. This is the result of increases in labor rates, health insurance and workers' compensation expenses. According to figures supplied by RTA, health insurance expense for the average American Company is increasing approximately 3-4 times the actual rate of inflation. CTA's contract with labor unions expired on December 31, 1999 and contract negotiations are still underway with all but one union – Local 308. A settlement with these unions that is of greater value than the contract ratified with Local 308 would severely impact the financial condition of CTA.

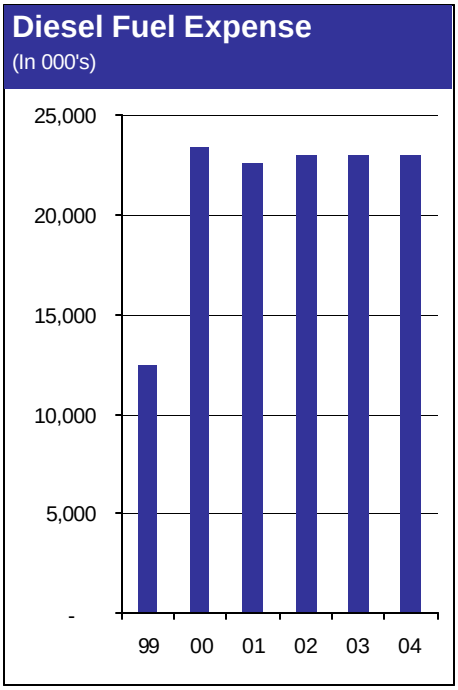
Material

Material expense for 2003 and 2004 is projected to rise 4.0% and 2.5%, respectively. This is due to inflation, delayed replacement of the 2200 and 2400 series rail cars and an increase in vehicle maintenance due to expanded service. However, the projected 2004 material expense amount of $71.4 million is 2.8%

less than the actual material expense in 1998 and 1999. The presence of bus and rail vehicle overhaul programs coupled with delivery of the new NOVA and articulated buses should contribute to slowing the growth of material expense in the future.

Fuel & Power

Uncertainty and volatility dominate the diesel fuel industry. The 2003 and 2004 financial projections hold diesel fuel costs steady at $23.0 million, the same cost budgeted for 2002. This assumes the purchase of 23.0 million gallons at a price per gallon of $1.00. These projected expenses are more than double diesel fuel expense in 1998. Up to this point, CTA has not raised fares to offset the higher fuel and power expenses. Higher revenues from ridership gains and management's emphasis on expense reduction have made fare increases unnecessary for the short term. However, if prices for fuel and power continue to spiral upward, CTA will not be able to absorb the cost increases.



Principally due to higher demand charges and service increases, power costs are forecast to increase 3.5% in 2003 from the 2002 operating budget. These costs are expected to remain steady in 2004 from the 2003 figure.

Provision for Injuries and Damages

Funding of the Provision for Injuries and Damages will remain constant in 2003 from the 2002 operating budget due to increased funding in 2001. In 2004, CTA projects this expense to return to $30.0 million.

Purchase of Paratransit

The Purchase of Paratransit services have increased significantly because of increased efforts by CTA to meet consumer demand and inflation. Spending by the CTA for Paratransit increased by 12.6% in the 2002 budget over the 2001 budget as additional trips were provided to eliminate trip denials. Due to inflation, CTA expects Paratransit expense to grow 3.5% per annum in the financial projection.

In 2003, CTA's bus system will be 100% accessible. CTA, in collaboration with RTA and the disabled community, will work to develop and implement a training program aimed at transitioning many Paratransit riders to mainline service. This transition training is very important to CTA as a significant capital investment has

been made to CTA's fleet and infrastructure to make the system accessible. Additionally, the cost for Paratransit door-to-door service has grown at a much faster rate than the costs for mainline service. This adds significant financial pressure to an already constrained operating budget. The CTA believes transitioning Paratransit riders to mainline service is the only real long-term option for our Paratransit customers and the CTA. Paratransit expenses should decline as more Paratransit riders transition to mainline service. The current plan includes funding for the transition training.

Security

In view of the recent terrorists attacks, the CTA expects security expenses to rise faster than the rate of inflation. Security coverage was expanded throughout the system in September 2001 after the attacks. An evaluation of the current coverage is being performed now. Based on the completion of this assessment, adjustments may be required to this projection. The current two-year plan projects a 5.0% increase in the security expense for both 2003 and 2004 due to inflation and the expansion of coverage due to the heightened security alert across the country.

Other Services

Due to efficiencies achieved from streamlining CTA's management information systems, other services expense will decrease in the 2003 projection from the 2002 budget by 1.0%. Expenses for other services are forecasted to rise in 2004 above the 2003 level to reach $55.6 million. This is a 2.2% increase over the 2003 financial projection resulting from inflation.

Revenue

The CTA has two revenue sources, which are system generated and public funding. Both of these revenue sources are extremely sensitive to economic downturns. There is substantial risk associated with the revenue projections if the economy slips into a recession.

System Generated Revenues include Fares & Passes, Reduced Fare Subsidies, Advertising, Charter & Concessions, Investment Income, Contributions from Local Governments and Other. System Generated Revenues are estimated to be $486.0 million for 2003 and $512.6 million for 2004.

Fares & Passes

Continued ridership growth should boost Fare & Pass revenue to all-time highs. CTA expects to collect $391.2 million in 2003, a 0.6% increase over the 2002 operating budget. Nearly a 1.0 % increase is expected in 2004, to raise Fare & Pass revenue to $395.0 million. This increase is largely due to ridership growth. The average fare is forecasted to be $0.825 in 2003 and $0.813 in 2004.

Advertising, Charter & Concessions
These revenues are derived from advertisements placed on revenue vehicles (trains and buses) and stations, as well as lease income from concessions. CTA expects significant increases in the 2003 and 2004 financial projections due to a new contract that was executed in FY 2000. In 2004, CTA projects advertising, charter & concession revenue to be $37.3 million. This is a 128% increase over 1999 actual figures.

Investment Income
Due to lower prevailing interest rates, investment rates are expected to drop in 2003 from the 2002 operating budget. The expected revenue is $8.9 million. Investment Income will remain constant in the 2004 financial plan.

Required Revenue Increase
Required Revenue Increase is shown in 2003 and 2004. In 2003, an increase in System-Generated revenue of $8.9 million is required to meet the Recovery Ratio Mark. CTA may be forced to raise fares even though it can balance its budget to meet this target set by the RTA. As such, this revenue increase will result in a budget surplus. In 2004, however, CTA needs an increase in revenue of $28.1 million to balance the budget and meet the Recovery Ratio Mark.

Public Funding
Public funding CTA receives for its operations flows through RTA. The public funding consists of two primary revenue sources: sales tax and public transportation funds. Sales tax levy is set at 1.0% in Cook County and 0.25% in the Collar counties. These funds are allocated to the three service boards (CTA, Metra, Pace) based on a formula set in the RTA legislation. CTA receives 100% of the City of Chicago sales tax distribution pool and 30.0% of the Cook County segment, after the statutory 15.0% allocation to RTA.

The public transportation funds are funded through the State of Illinois general revenue fund and are equal to 25% of sales tax receipts. RTA has full discretion in how these funds are allocated to the three service boards. (See the Appendix for a more thorough discussion).

The Public Funding Available for Operations represents the funding “Mark” issued by RTA, based upon the Illinois Bureau of the Budget’s projection for 2002. RTA projects annual sales tax revenue growth for the City of Chicago of 3.5% for 2003 and 2004. In suburban Cook County from which the CTA receives 30% of the sales tax revenue, the RTA has forecasted sales tax revenue growth of 3.7% for 2003 and 2004.

Recovery Ratio
The RTA Act requires the Region to fund 50.0% of its expenses through revenues generated by the RTA and the three Service Boards. RTA assigns each service board a recovery ratio when it issues the funding marks on

September 15th of each year. The budgets submitted by each Service Board must be balanced and meet the required recovery ratio before RTA can approve them (i.e., expenses equal system generated revenues and public funding). In order to meet the mandated recovery ratio, revenue projections for 2003 have been increased to a point, which will result in a budget surplus in 2003.

Accounting Notes

The CTA's ongoing operations are accounted for on a proprietary fund basis. Operations are financed and operated similar to private businesses, where the intent is that the costs of providing services to the public should be recovered through user charges. The full accrual method of accounting is used where revenues are recorded when earned and expenses are recorded when incurred. The CTA does not currently have any debt.

Operating Financial Summary 2003 - 2004

(In Thousands)

	2000 Actual	2001 Budget	2001 Projected	2002 Budget	Financial Plan 2003	Financial Plan 2004
Operating Expenses						
Labor	$ 616,306	$ 627,446	$ 632,206	$ 667,596	$ 687,000	$ 724,000
Material	68,813	64,802	65,835	66,949	69,656	71,397
Fuel - Revenue Equipment	23,305	21,600	22,600	23,000	23,000	23,000
Power - Revenue Equipment	21,022	20,492	22,700	22,700	23,500	23,500
Provision for Injuries and Damages	30,000	30,000	44,000	23,000	23,000	30,000
Purchase of Security Services	18,731	22,864	22,864	22,989	24,140	25,346
Purchase of Paratransit	27,043	29,825	31,325	33,591	34,766	35,982
Other Expenses						
Utilities	17,902	17,278	21,864	20,740	20,525	20,986
Maintenance and Repair	11,985	11,636	12,337	13,061	12,926	13,216
Advertising and Promotion	2,319	1,981	1,565	2,311	2,287	2,338
Contractual Services	15,191	21,642	18,159	21,003	20,785	21,252
Provision for Passenger Security	4,817	5,082	4,845	4,845	4,795	4,902
Leases and Rentals	9,000	8,309	7,672	7,714	7,634	7,806
Travel, Training, Seminars, and Dues	653	709	658	804	796	814
Warranty and Other Credits	(17,737)	(16,728)	(19,001)	(19,839)	(19,633)	(20,074)
General Expenses	1,997	2,212	1,980	4,323	4,278	4,374
Total Other Expenses	46,127	52,122	50,079	54,962	54,392	55,614
Total Operating Expenses	**$ 851,347**	**$ 869,151**	**$ 891,609**	**$ 914,787**	**$ 939,454**	**$ 988,839**
System Generated Revenue						
Fares and Passes	$ 368,884	$ 371,102	$ 380,000	$ 388,889	$ 391,185	$ 395,000
Reduced Fare Subsidy	32,111	33,880	32,300	32,300	32,300	32,300
Advertising, Charter, & Concessions	23,907	22,055	24,956	30,280	33,680	37,280
Investment Income	12,922	8,887	10,670	10,670	8,900	8,900
Contributions from Local Governments	5,000	5,000	5,000	5,000	5,000	5,000
All Other Revenue	10,663	9,222	19,678	6,017	6,000	6,000
Required Revenue Increase	0	0	0	0	8,900	28,100
Total System Generated Revenue	**$ 453,487**	**$ 450,146**	**$ 472,604**	**$ 473,156**	**$ 485,965**	**$ 512,580**
Public Funding Required for Operations	$ **397,860**	**$ 419,005**	**$ 419,005**	**$ 441,631**	**$ 453,488**	**$ 476,260**
Public Funding Available through RTA	$ **402,126**	**$ 419,005**	**$ 419,005**	**$ 441,631**	**$ 462,388**	**$ 476,260**
Recovery Ratio	53.57%	52.10%	53.30%	52.00%	52.00%	52.09%
Required Recovery Ratio	52.50%	52.10%	52.10%	52.00%	52.00%	52.00%
Fund Balance	$ 4,266	$ -	$ -	$ -	$ 8,900	$ -

Note: Current projections indicate that additional revenue will be required to achieve a balanced budget or recovery ratio in 2003 and 2004. CTA will make an exhaustive effort to avoid any fare increase or service reductions and will evaluate all other alternatives including legislative relief for changes in the recovery ratio calculation to exempt certain costs.

We will be dependable for our customers and fellow employees, and will maintain the highest standards of trust.

Reliable

The 2002-2006 Capital Improvement Program Overview

This 2002-2006 Capital Improvement Program (CIP) identifies and targets available capital funds toward recognized capital renewal and improvement needs of the CTA system. The program is funded from four sources:

- ***The Federal government - Federal Transit Administration (FTA)***
- ***The State of Illinois – Department of Transportation (IDOT)***
- ***The Regional Transportation Authority (RTA)***
- ***Miscellaneous local sources and reprogrammed funds***

Each of these sources provides funding to cover the projects contained in the typical CTA five-year capital program. CTA estimates place the amount of funds needed to bring our system to a state of good repair in excess of $4.3 billion. At least twice that amount would be required to completely renew our system. Consequently, despite CTA's recent success in acquiring state and federal assistance for our capital program, we are still faced with a sizeable list of unmet capital needs and as a result are looking to new sources of funding for the capital program.

The CTA is projecting total capital funding of $2.94 billion will be available over the next five years, to help bring our system to a state of good repair, whereby:

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

- ***All rail cars are rehabilitated at mid-life (12-13 years), overhauled at their quarter-life points (6 and 18 years), and either rehabilitated or replaced at the end of their useful life, (25 years). Vehicle life can be extended to 30 years, but extension beyond 30 begins to raise serious maintenance issues and affects the quality of service we can give our riders. Any such extension should be based on a life-extending rehabilitation of the cars.***

- ***All rail stations are in good condition, and able to meet modern standards for passenger comfort, security, and reliability. It is difficult to accomplish this with stations older than 40 years, and nearly impossible with those over 70.***

- ***All rail lines operate at scheduled speeds; no areas are slowed down because of track or structural disrepair. Rail signal systems are fully reliable and meet modern standards of performance.***

- ***Service management systems are fully reliable and incorporate modern features. Such systems are used to send information between CTA's Control Center and its vehicles and stations, and are especially important in dealing with emergencies and service problems.***

- ***All maintenance facilities are designed and kept in good condition, to permit buses and trains to be maintained efficiently and effectively. CTA cannot ensure a quality ride if it lacks the wherewithal to maintain its vehicles. As with stations, 40 years is a desirable standard for replacing maintenance facilities, but CTA's experience is that with suitable maintenance and reinvestment, such buildings can effectively serve for as much as 70 years.***

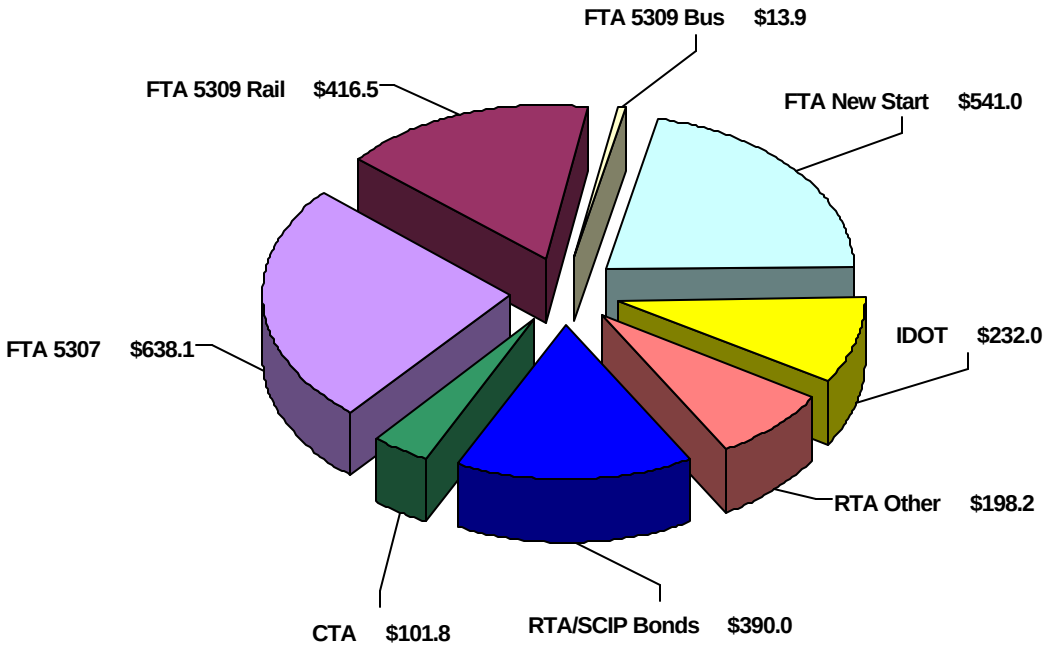
- ***Certain categories of capital funds can be used to help ensure the adequate maintenance of assets such as buses and rail cars. CTA has judiciously taken advantage of this provision in order to budget for essential services while keeping the bulk of its capital funds committed to replacing or renewing the equipment and facilities we need to provide transit service. It is important to maintain this level of commitment until additional operating funding becomes available.***

Meeting and maintaining these standards would significantly improve the comfort and reliability of the services we provide our customers, and yield operational and maintenance benefits for CTA.

Sources of Funds

The funding levels used in preparing the CIP are consistent with capital program marks developed by the Regional Transportation Authority (RTA) in consultation with CTA, Metra and Pace. These include $1.609 billion from the Federal Transit Administration (FTA), $232 million from the State of Illinois, $588.3 million from the RTA

PRELIMINARY
FY 2002-2006 CAPITAL IMPROVEMENT PROGRAM
FUNDING SOURCES
(millions of dollars)



Total = $2.53 Billion

(including $390 million of SCIP Bonds administered by the RTA and backed by the State of Illinois), and $101.8 million from the CTA. Total available funding is $2.53 billion. In addition, CTA has assumed $409.9 million over five years for debt financing. This is presented in the figure, *Preliminary FY 2002-2006 Capital Improvement Program Funding Sources*. The federal funds are consistent with *TEA-21*, and the local and state funds with the RTA financial structure after passage of *Illinois FIRST*.

The 2002-2006 Capital Improvement Program Overview

CTA In Motion in 2002: Continuing to...
Rebuild our System, Sustain our Momentum and Improve our Product

Using the capital program marks as a foundation, the CTA has developed a program of capital projects for the 2002–2006 Capital Improvement Program. The CTA's 2002-2006 capital budget continues to work towards the goals and objectives outlined in the 2001-2005 CIP:

- ***Initiating New Starts projects intended to rehabilitate deteriorated rail infrastructure (Blue Line – Cermak/Douglas) and expand capacity to accommodate growth in ridership (Brown Line – Kimball/Ravenswood); rebuilding the system, starting with the portions of our rail system most in need.***

- ***Funding the procurement/replacement of vehicles as needed; replacing our bus and rail fleets and providing safe and reliable transportation to our customers.***

- ***Renewing our rail right-of-way (ROW), eliminating ROW slow zones that increase travel times; working to place our rail system in a state of good repair and increasing the reliability of our service.***

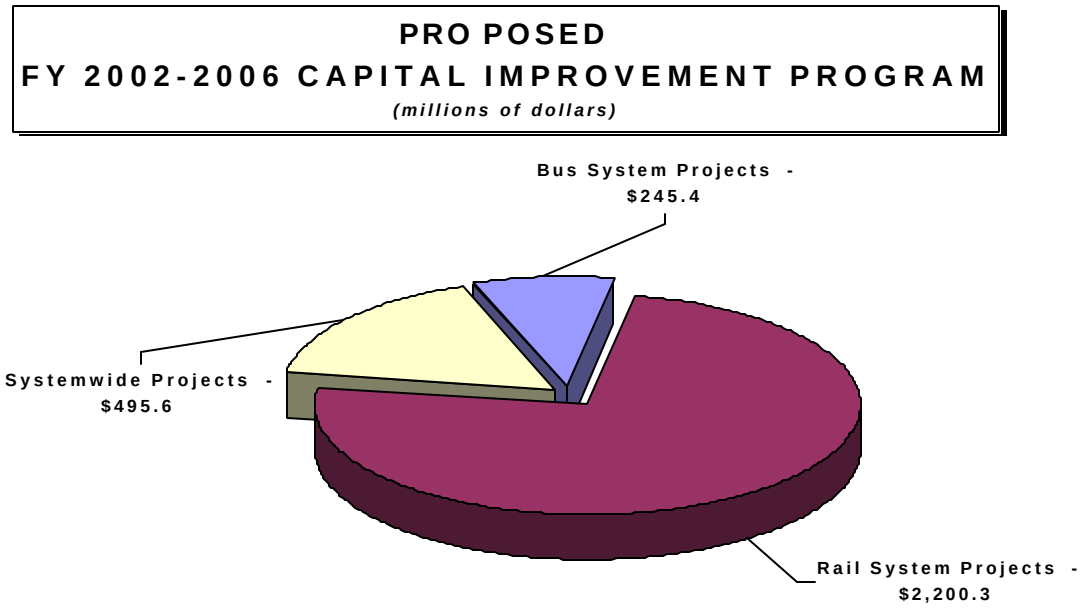
- ***Funding the implementation of preventive maintenance programs for our bus and rail fleets; improving our product to provide on-time, clean, safe and friendly transit service.***

- ***Upgrading maintenance facilities and providing the necessary equipment to keep CTA's buses and trains running; sustaining the momentum reflected in our increased ridership and customer satisfaction.***

Since 1995, the CTA's capital program has benefited from numerous market research studies, most recently, the 2001 Traveler Behavior and Attitude Survey. Findings have shown that 82% of households surveyed in Chicago and the 38 surrounding suburbs used CTA within the past year. A growing percentage of CTA riders are using our system by choice when other transportation options were available. Also, the percentage of riders who use the system five days or more has increased. This feedback allows CTA to measure our progress over time toward making further improvements to our service. The views of both customers and non-riders allow us to analyze our service with an eye towards improving our product and retaining existing customers while attracting new riders. The 2002-2006 capital program provides much of the funding necessary to continue to address our customers concerns over the next five years.

Uses of Funds

The figure titled *Proposed FY 2002-2006 Capital Improvement Program* shows the proposed program, by the general category of asset being improved or replaced. The attached table, *Proposed FY 2002-2006 Capital Improvement Program* lists each project in the Program. A detailed description of each project can be found in the *Proposed 2002 Annual Budget and Department Detail and 2002-2006 Capital Program* volume of the CTA's 2002 budget documentation.



TOTAL = $2.94 Billion

Over 40 combined projects comprise the CTA's 2002-2006 capital program. Each project is evaluated in terms of the needs of our customers, the program requirements of our transit operations and maintenance activities, and the operating efficiencies it contributes to our system. These capital projects for 2002 will address the most pressing needs of CTA's bus and rail systems, passenger facilities and systemwide support networks, as constrained by the level of projected funding.

CHICAGO TRANSIT AUTHORITY
Proposed FY 2002 - 2006 Capital Program

PROJ #	TITLE	Funded	2002	2003-2006	5 Year Funding	Outyear	Project Total
Bus Projects							
	Rolling Stock						
021.803	Perform Bus Maintenance Activities (TC)	3,120	5,088	20,353	25,441	0	28,561
021.806	Perform Mid-Life (6000 Series) & Life Extending Bus Overhaul (4400 Series)	13,694	12,640	17,600	30,240	0	43,934
031.054	Purchase Buses	69,294	23,000	132,906	155,906	132,300	357,500
050.017	Automated Bus Announcements	1,000	11,000	0	11,000	0	12,000
	Sub-total	87,108	51,728	170,859	222,587	132,300	441,995
Rail Proje							
	Acquisitions & Extensions						
194.115	CTA Ravenswood Line	23,105	24,050	237,195	261,245	191,512	475,862
194.117	Rehabilitate CTA Douglas Branch New Start (Federal)	112,313	35,000	265,320	300,320	0	412,634
194.138	Rehab Clark Junction (Southport to Armitage - track & signal)	8,400	41,800	0	41,800	0	50,200
194.139	Rehabilitate Dan Ryan Branch - Red Line	9,380	78,147	145,022	223,169	0	232,549
194.817	Rehab CTA Douglas Branch - Debt Service	10,500	0	52,000	52,000	0	62,500
194.818	CTA Ravenswood Debt Service	0	6,000	24,000	30,000	30,000	60,000
	Sub-total	163,699	184,997	723,537	908,534	221,512	1,293,745
	P/W Electric, Signal, Comm.						
121.018	Replace/Upgrade Power Distribution and Signals	8,782	18,768	118,941	137,709	18,639	165,130
	Sub-total	8,782	18,768	118,941	137,709	18,639	165,130
	P/W Track & Structure						
171.036	Renew Structure	65,645	1,400	5,305	6,705	0	72,350
171.133	Repair Track and Structure Defects (TC)	0	5,401	21,603	27,004	0	27,004
171.217	Replace Flange Angles	15,217	10,448	23,341	33,789	0	49,005
173.022	Rehabilitate Viaducts and Retaining Walls - Purple Line	800	6,719	25,799	32,518	0	33,318
181.045	Upgrade Track - Addison to O'Hare - O'Hare	1,003	2,000	26,891	28,891	0	29,894
181.046	Replace Ties	11,455	8,495	16,500	24,995	34,711	71,161
181.047	Renew R.O.W. and Footwalk - Systemwide	14,258	3,361	14,484	17,846	0	32,104
	Sub-total	108,378	37,824	133,923	171,748	34,711	314,836
	Rolling Stock						
022.903	Perform Rail Car Overhaul & Mid-Life Rehabilitation	62,360	8,000	73,144	81,144	211,966	355,470
022.906	Perform Rail Car Maintenance Activities (TC)	6,880	5,960	23,839	29,798	0	36,679
132.055	Implement Test Cars for New Technology	0	5,000	11,000	16,000	0	16,000
132.056	Replace Up To 610 Rail Cars (2200/2400 Series & Fleet Expansion)	1,000	35,469	473,657	509,127	390,000	900,127
	Sub-total	70,240	54,429	581,640	636,069	601,966	1,308,275
	Stations & Pass. Facilities						
141.272	Design Rail Stations	0	0	3,070	3,070	55,969	59,039
141.273	Reconstruct Rail Stations	9,126	983	136,328	137,312	48,491	194,929
	Sub-total	9,126	983	139,399	140,382	104,460	253,968

The 2002-2006 Capital Improvement Program Overview

PROJ #	TITLE	Funded	2002	2003-2006	5 Year Funding	Outyear	Project Total
	Support Fac. & Equipment						
074.066	Expand 98th Shop Capacity	150	0	1,093	1,093	46,371	47,614
	Sub-total	150	0	1,093	1,093	46,371	47,614
Systemwide **Projects**							
	Miscellaneous						
052.018	Implement Control Center & SCADA Operational System Projects	50,200	3,624	2,500	6,124	63,000	119,324
053.016	Systemwide Communication Upgrades	1,500	6,889	31,391	38,280	39,000	78,780
061.059	Implement Computer Systems	14,433	9,051	11,866	20,917	18,639	53,988
062.090	Replace Financial Systems	14,546	10,000	12,556	22,556	2,000	39,103
102.039	Implement Automated Fare Control (AFC) Projects	8,154	13,394	50,906	64,299	11,188	83,642
110.011	Improve Systemwide Signage Program	11,600	0	12,000	12,000	0	23,600
190.033	Implement Quality Assurance Program	2,927	370	1,595	1,965	0	4,893
190.037	Land Acquisition	0	10,000	10,000	20,000	0	20,000
193.810	Miscellaneous & Unanticipated Capital	5,652	2,000	8,000	10,000	0	15,652
202.205	Program Management	4,000	4,000	8,000	12,000	0	16,000
202.218	Expand Transit Options	0	3,000	0	3,000	0	3,000
	Sub-total	113,013	62,329	148,814	211,142	133,827	457,982
	Support Facilities & Equip.						
042.023	Improve Facilities - Systemwide	13,572	4,555	19,627	24,182	0	37,754
070.023	Improve Bus/Rail Facilities (TC)	6,624	3,904	15,617	19,521	0	26,145
073.059	Improve Facilities	714	13,542	109,898	123,440	0	124,154
076.041	Replace/Upgrade Hoists, Escalators, and Elevators	2,000	3,060	22,322	25,382	0	27,382
084.059	Purchase Equipment & Non-Revenue Vehicles	22,225	11,821	34,014	45,835	0	68,060
	Sub-total	45,135	36,882	201,479	238,361	0	283,495
	Sub-total Projects	605,630	447,941	2,219,684	2,667,625	1,293,785	4,567,041
	Contingencies/Administration		44,380	229,476	273,856		273,856
	Capital Total	605,630	492,321	2,449,161	2,941,481	1,293,785	4,840,897
	Private **Financing**		28,940	381,012	0		
	Marks		463,381	2,068,149	2,941,481		

The Bus System

The Chicago Transit Authority operates approximately 1,916 buses, making over 27,500 weekday trips on 140 routes, serving over 1 million customers on a typical weekday. Each customer who boards a bus at one of our 12,374 bus stops located throughout our service area expects to receive reliable service that is on-time, clean, safe and friendly. The backbone of the bus system is the bus fleet. The system's success depends on the CTA's ability to renew, maintain and operate the bus fleet.

CTA has begun installing bike racks on CTA buses to promote intermodal transportation. The CTA's summer pilot program to test 100 newly installed bus bike racks was a huge success. The remaining bus fleet will be outfitted with bike racks by the end of 2002.

Bus Rolling Stock

CTA continues to make improvements to the bus fleet. By October 2001, a total of 309 new Nova forty-foot fully accessible buses will be delivered and placed in service. The remaining 160 buses will be delivered by year-end 2002, at a total cost of $120.4 million, thus completing the delivery of 469 fully accessible Nova buses.

Our articulated bus fleet also continues to be improved. These buses carry more passengers than a standard 40-foot bus, and are used on CTA's most heavily traveled routes. CTA entered into a contract with North American Bus Industries during 2001 for the procurement of 200 fully accessible articulated buses. The 2002 Budget will continue funding the final option for bus vehicle needs, budgeting nearly $23 million during the coming year to purchase new articulated buses to meet the growing demand for bus service. The prototype bus will arrive in spring 2002, production of the buses will begin, and delivery will be complete by year-end 2003.

CTA has implemented Operation Clearview on the bus fleet. This program utilizes a protective plastic coating to minimize damage done to window glass by vandals. Clearview also funds the installation of security video cameras and recorders on the bus fleet. Ensuring the safety and security of CTA's customers is a top priority. By the end of 2002, CTA will purchase and install security video cameras and recorders on all new buses as well as on most of our existing buses

Over the next five years, the CTA plans to spend over $132 million on additional purchases of new lift equipped and air conditioned buses; making significant progress towards CTA's goal of having our entire fleet air conditioned by the year end 2003. These buses will primarily be used to replace models that entered service in 1985-1991. Replacing this outdated equipment will increase the comfort of their daily commute for thousands of CTA customers.

Other customer-focused improvements to our existing buses are also on our capital agenda. The 2002-2006 capital program provides $11 million to complete installation of an automated bus announcement system on the bus fleet. Similar to the rail, this system will automatically announce next

stop information and will provide customers with route information. The system will also provide a visual display for passengers.

The CTA will also continue the bus preventive maintenance program aimed at reducing costs and improving service. Unscheduled maintenance, required after a failure while a bus is in service, disrupts operations and causes dissatisfied customers.

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

CTA continues to improve bus service reliability by the overhaul process for the Flyer Low Floor buses (5800 Series); with expected completion by late 2002. CTA plans to spend $12.6 million in 2002 and $17.6 million over the next five years to conduct mid-life overhauls on buses. With a projected service life of 12-13 years, CTA's plan calls for the complete overhaul of a bus approximately 5-7 years after it enters service. The 2002-2006 Capital Program provides a total of $30.2 million in funding for the completion of the TMC (4400 Series) bus overhaul and the beginning phase of bus overhaul activities on the Flxible (6000 Series) buses. The bus overhaul program ensures that CTA's bus fleet is kept in a state of good repair to serve our customers.

The Rail System

CTA's rail system consists of approximately 1,190 rail cars, traveling over 289 miles of track, making approximately 1,870 train trips on seven routes on a typical weekday. Hundreds of thousands of customers depend on the CTA's rail system to deliver them to their destination quickly and safely every day. To meet our customers' expectations, CTA must coordinate the efforts of thousands of employees working together to deliver on-time, clean, safe and friendly service to our customers.

By December of 2001, an estimated 470 Series 2600 rail cars will have been thoroughly overhauled at a cost of over $273 million. The final phase of the overhaul comprising 128 rail cars will be completed as of the end of 2002. As a result, all 598 of the Series 2600 rail cars, comprising 50% of CTA fleet, will have been successfully rehabilitated and placed into revenue service.

Rail Rolling Stock

The five-year CIP allocates $509.1 million to replace aging 2200 Series and 2400 Series rail cars. Based on current ridership patterns, CTA anticipates expanding the rail fleet to meet future increased service demands. The 2200's are the oldest cars in service and replacing them continues CTA's effort in the rebuilding of the rail car fleet and improving rail car accessibility for all of our customers.

CTA's 2002-2006 capital program also sets aside $8.0 million in FY 2002 for the overhaul and upgrade of CTA's rail fleet; representing the first installment of nearly $81.1 million in projected funding during the next five years. In addition, capital funding provides for a test project to evaluate the use of new state-of-the-art subsystems such

as passenger controlled, demand responsive doors, on-board communications systems, and propulsion and braking systems on a selected group of modified CTA rail cars. This project continues CTA's effort to incorporate, when possible, the most efficient technologies into system operations.

A "New Start" for the Blue Line: Rebuilding the Douglas Branch

Using TEA-21 and Illinois FIRST funds, the badly needed reconstruction of the Blue Line's Cermak (Douglas) Branch will continue into 2002 and beyond. In addition to the nearly $122.8 million already funded for planning, design work and construction, over $35 million is budgeted for partial construction needs in 2002, and a total of $482 million is projected to be spent through 2006. This project will include the reconstruction of the eight elevated stations and over five miles of elevated structure and trackwork. The purchase and installation of new signal/communications equipment, plus miscellaneous work on the right-of-way and track are also included.

In keeping with our plan to minimize inconvenience to our customers, the Blue Line's Cermak (Douglas) Branch will remain operational throughout the construction process. CTA's efforts to improve reliability, passenger safety and on-time performance for Cermak (Douglas) passengers aim at producing a level of customer satisfaction that will surpass the results of the Green Line reconstruction project of 1994-1996.

CTA also plans to expand capacity on the Brown Line (Ravenswood). Over the past few years, ridership on the Brown Line has exceeded not only growth projections, but also the levels that can be supported by current station and signal infrastructure. Our capital budget provides $30 million for final design work and initial construction needs on the Brown Line in 2002, with $23.1 million having already been budgeted on project planning and design. Current projections estimate an additional $261.2 million will be allocated to the Brown Line expansion over the next five years and future funds of $191.5 million to complete the capacity expansion project. This project will extend station platforms to accommodate eight-car trains, along with selected track, signal and yard improvements that will substantially increase passenger capacity on the Line and provide improved station accessibility for all customers.

Major Rail Initiatives: Red (Dan Ryan) Line Rehabilitation and O'Hare Line Improvements

The Dan Ryan Branch of the Red Line has not had any major rehabilitation work since the branch was built over thirty years ago. This project will provide for rail station upgrades, reconstruction of a bus bridge and bus turnarounds, as well as track and signal system replacement. In order to provide for minimal service disruption, construction is scheduled to begin in 2002 and will be completed prior to construction of the Brown Line. Approximately $9.4 million has been provided for design services and start up construction. FY 2002-2006 capital program allocates $78.1 million in FY 2002 for continuing design and construction work and $145.9 million to complete construction in the five year program.

In addition, $3 million also has been provided in FY 2002 for future express service to Midway and O'Hare Airports. This airport express service will enhance bus/rail interface, improve access to airports and significantly reduce travel time to and from airports.

The FY 2002-2006 Capital Program includes a series of improvements on the (Blue) O'Hare Line. This project calls for a rail station reconstruction, replacement of signal system and rail, structure renewal, and upgrade of expressway median track. The capital program allocates $15.9 million in FY 2002 and $142.8 million to complete funding within the five year program.

Over and above the improvements realized through the reconstruction of the Blue Line, Cermak (Douglas) Branch, and the Brown Line and the Red Line (Dan Ryan Branch) projects, $56.6 million will be budgeted in 2002 to provide improvements and upgrades to CTA's rail system infrastructure. A viaduct at Main Street on the Evanston Purple Line will be reconstructed. Footwalks used by maintenance staff and by passengers in case of emergencies will be replaced/renewed. Right-of-way track and structure will be replaced, eliminating slow zones and maintaining heightened service standards. Rail ties will be replaced. CTA will also replace and upgrade power distribution and support structures such as aged catenary support structure on the Yellow Line (Skokie) with a more, efficient third rail power distribution. Also replaced will be deteriorated track and structure at Clark Junction on the Brown Line. This project will be completed prior to the start of construction on the Brown Line in order to maximize construction efforts and reconfigure trackwork sequencing that will be required for phase construction at Belmont and Fullerton Stations as part of the planned Brown Line New Start Project. Perhaps most importantly, the structural steel elements used to support CTA's world famous elevated track will be rehabilitated in some locations.

In the FY 2002-2006 program, CTA will spend $137.3 million to reconstruct several rail stations on the (Red) Howard, (Blue) O'Hare, and (Purple) Evanston Lines.

Facility Improvements

The CTA will spend nearly $13.5 million on facility improvements in 2002, including upgrades, as required, to bus facilities, rail station amenities, and various support facilities throughout the system. Also in 2002, $8.4 million provides for project planning and design of two new badly needed bus maintenance facilities and, in the five year program, $108.2 million is allocated to construct a new maintenance facility.

CTA will also spend over $30.8 million for other miscellaneous bus facility improvements including bus turnarounds, repair of systemwide roofs, upgrading ventilation systems at the bus overhaul facility located at South Shops and the installation of bus maintenance and bus washing equipment at the Forest Glen bus garage.

In 2002, CTA provides approximately $11.1 million for design and replacement of aging fare boxes that are beyond their service life; FY 2003 funding of $43.9 million will complete the purchase. This project continues the CTA efforts in automating the fare collection system to provide faster passenger entry and access to the transit system.

The 2002 Budget includes an additional $2.1 million to repair and renovate the elevators and escalators in CTA stations and $22.3 million in the remainder of the five year program for various other locations throughout the CTA system including escalators on the Red Line. Escalators play an important role in the transfer of passengers from station to street and in the downtown area, from one rail line to another. Many of these escalators exceed the average service life of 20 years; others need extensive mechanical overhaul to bring them to a state of good repair. Unscheduled maintenance has increased over the years and a complete overhaul and/or replacement of these systems is expected to produce cost savings in CTA's operating budget.

Similar problems plague our system's elevators. Elevators provide access to our rail system for our customers with disabilities. Many of our elevators are old; making replacement parts hard to obtain. Once these projects are complete, CTA customers will find a newly accessible experience awaiting them at their neighborhood rail station.

The 2002 Budget features nearly $30.9 million allocated to various projects which directly or indirectly support our service delivery. These projects improve the operation of our Control Center, upgrade communications systems, manage information technology, upgrade our financial systems and provide critical management information and operational support to our bus and rail fleets are included.

Looking Ahead

CTA is making progress towards our goal of providing on-time, clean, safe and friendly service, but much remains to be done to bring our system to a state of good repair. The 2002-2006 Capital Improvement Program projects $2.94 billion will be available over the next five years to help the CTA continue its renewal, but that will only be the first step. As long as reconstruction and expansion of our maintenance facilities or the replacement of aged buses and rail cars remain unfunded, CTA will lack complete capacity to provide quality service to our customers or fully address the transit need of it's customers.

Completely rebuilding our system means addressing over $1.4 billion in unfunded capital needs over the next five years, as well as an additional $4.2 billion over the following five year period. The CTA must work ceaselessly to bridge the funding gap between today's needs and tomorrow's increasing demands for service, resulting from ridership gains and further wear and tear on our system. FY 2002 represents the third year of funding under Illinois FIRST; a program which has helped advance our efforts to rehabilitate rail lines and to renew our bus fleet and incorporate or expand preventive maintenance programs.

With every dollar of new capital funding obtained, with every capital dollar spent, and with each project completed, the CTA comes closer to realizing this goal. And when one of the new Nova buses stops to pick up passengers, or a fully overhauled 2600 Series rail car pulls into a newly rebuilt station, our customers will experience the results of our capital program. They will see firsthand that the CTA is moving in the right direction; providing quality, affordable transit services that link people, jobs and communities.

Appendices

We will focus on getting the job done and will derive personal satisfaction from the service we provide.

Results-Oriented

1 Creation of Agency

Transit in Chicago: The first 100 years

The Chicago Transit Authority, an independent government agency, was formed when the Illinois General Assembly passed the Metropolitan Transit Authority Act in 1945. In the same year, the City of Chicago passed an ordinance granting the CTA the exclusive right to own and operate a unified local transportation system. Voters in a referendum passed the Act and Ordinance on June 4, 1945.

In the years between the two World Wars, the viability of privately owned and operated mass transportation in Chicago was in doubt. At the time, two of the three transit companies in Chicago were facing bankruptcy as repeated restructuring efforts failed. Cash shortages were causing the delay of essential capital investment.

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

Chicago Surface Lines

1859 marked the beginning of mass transportation in Chicago. Early service was horse-drawn. In 1882, the Chicago City Railway obtained the exclusive rights to operate San Francisco-style cable cars in Chicago. Cable cars gave way to innovations in electric traction. Electric-powered streetcars replaced the last cable and horse-drawn cars in 1906.

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

Chicago Motor Coach Company

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

Chicago Rapid Transit Company

The Chicago and South Side Rapid Transit Railroad Company opened on June 6, 1892, bringing elevated train service to Chicago. At the turn of the century, four separate transit railroads operated in Chicago. The first trains, powered by steam, were quickly converted to electricity. Elevated tracks were built along available right-of-ways often above alleys and less heavily used streets.

The opening of the Loop "L" in 1897 connected rapid transit lines serving the north, south, and west sides of Chicago. The rapid transit companies formed a cost-saving trust in 1911 and later, in 1924, merged creating the Chicago Rapid Transit Company. To ease traffic congestion, the US Department of Interior, the Public Works Administration, and the City of Chicago financed the State Street Subway that opened in 1943 and the Dearborn Street Subway that opened in 1951.

The Congress Branch

During the 1950's and 60's, Chicago expressways were expanded to ease traffic congestion. In 1958

the Congress branch opened along the median of the newly expanded Congress (Eisenhower) expressway. The Congress branch extended east-west from Forest Park, IL to the loop with connection to the northwest subway at the Dearborn station.

Regional Transportation Authority

By the early 1970's the popularity of car travel and declining rider levels threatened the fiscal stability of the three public transportation agencies. In 1974 the Illinois General Assembly created the Regional Transportation Authority (RTA) as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system. The RTA continues to provide annual fiscal oversight to CTA, Metra, and Pace today.

Skokie Swift

In 1964 the CTA partnered with federal planners to create the first "light rail" service, the Skokie Swift. The Skokie Swift operated on track lines purchased by the CTA from the Chicago North Shore & Milwaukee Railway. The Skokie Swift quickly became a popular rail shuttle and also served as a suburban and inter-city bus hub.

Kennedy /O'Hare

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

Loop "L" Track and Subway Consolidation

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

Midway "Orange" Line

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

Neighborhood Revitalization

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

2 Transit Facts

Creation of CTA

- The CTA was created by state legislation and began operating on October 1, 1947, after acquiring the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. On October 1, 1952, the CTA became the sole operator of transit when it purchased the Chicago Motor Coach System.

CTA Governance

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

- In 1974, the Regional Transportation Authority (RTA) was created by state legislation. The RTA serves as CTA's fiscal oversight agency.

Service Area & Population

- 220 square miles of Chicago and 38 nearby suburbs
- The service area has 3.7 million people

Ridership

- 466.1 million trips projected in 2002
- Over 1.5 million trips per weekday

Bus Service

- 1,916 buses travel over 140 routes
- Routes cover 1,937 miles, with over 12,374 bus stops

Train Service

- 1,190 train cars travel over seven routes
- There are 289 miles of track, including yard track

Paratransit Service

- The CTA contracts with three carriers and taxicab companies that provide door to door service for riders with disabilities
- 1,397,784 trips projected in 2002

3 Operating Funding Summary

All public funding CTA receives for operating and capital needs is funneled through the RTA. RTA receives funding from several sources for both operating and capital expenses for the region. Under the Regional Transportation Act, as amended in 1983, some of the funds are allocated to the Service Boards based on a formula included in the RTA Act. Other funds are allocated based on RTA's discretion. The sources and allocations are outlined below.

Sales Tax Revenue

RTA has authority to levy a sales tax (¾% in Cook County & ¼% in the five collar counties) and a tax on automobile rentals. At this time, RTA has levied only the sales tax. In addition, the RTA receives from the Occupation and Use Tax Replacement Fund, a sum equal to the amount generated by a ¼% sales tax in Cook County.

The 2002 budget for sales tax revenue for the Region is $701.0 million. Sales tax revenue is distributed by legislative formula per the RTA Act. The first 15% is allocated to RTA to fund the RTA's budget. The remaining 85% is distributed by formula as follows:

	Chicago Tax Revenue	Suburban Cook Tax Revenue	Collar County Tax Revenue
CTA	100%	30%	0%
Metra	0%	55%	70%
Pace	0%	15%	30%
Total:	100%	100%	100%

RTA may distribute at its discretion any funds remaining from the initial 15% sales tax distribution that is in excess of RTA's funding needs.

Federal Assistance (Federal Transit Administration)

RTA is the region's recipient of federal assistance, which previously included both operating and capital funds. 1998 was the last year that CTA received operating assistance from the FTA.

Public Transportation Funds

As authorized by the RTA Act, the Illinois State Treasurer transfers from the State General Revenue Fund an amount equal to 25% of RTA sales tax collections (or gasoline or parking taxes, if imposed by the RTA). The Treasurer transfers this amount monthly to a special fund, called the "Public Transportation Fund," and then remits it to the RTA. Remittance requires an annual appropriation made by the State of Illinois, plus the RTA must certify to the Governor, State Comptroller and Mayor of the City of Chicago that the RTA has adopted a budget and financial plan as called for by the RTA Act. The RTA uses these funds at its discretion to fund the service boards and RTA operations and capital investment. RTA's 2002 Budget includes $175.0 million in PTF funds.

State Assistance

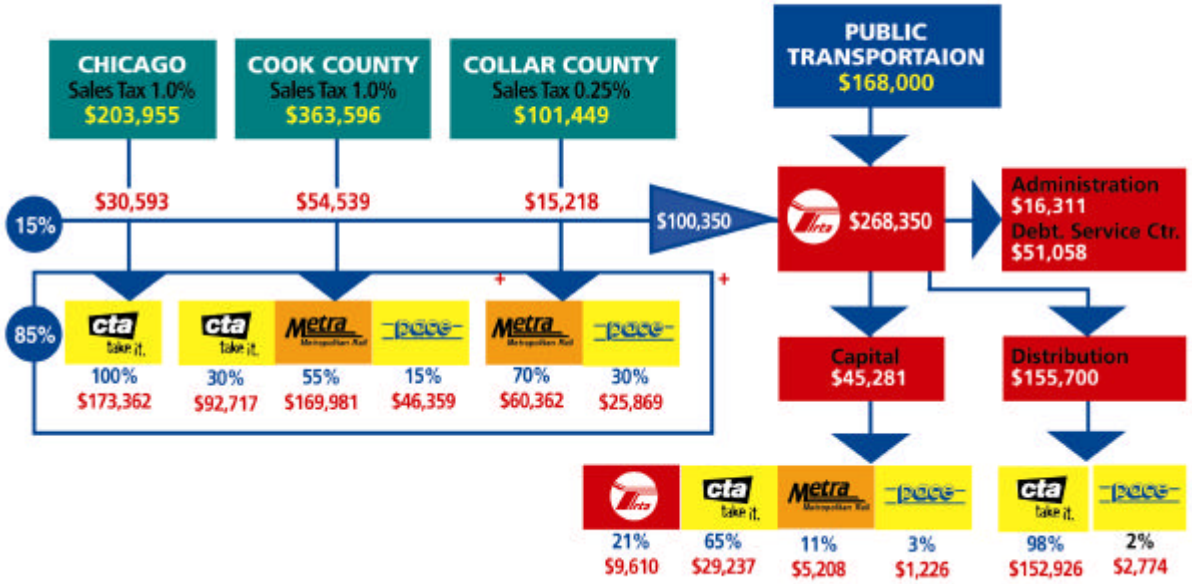
The RTA Act provides supplemental State funding in the forms of additional state assistance and additional financial assistance (collectively, "State Assistance") to the RTA in connection with its issuance of Strategic Capital Improvement Program (SCIP) bonds. The funding equals debt service amounts paid to bondholders on the Strategic Capital Improvement Bonds issued by RTA, plus any debt service savings from the issuance of refunding or advanced refunding SCIP bonds, less the

amount of interest earned by the RTA on the proceeds of SCIP bonds. The RTA Act limits the amount of State Assistance available to the RTA to the lessor of the debt service or $55.0 million. Remittance requires an annual appropriation made by the State of Illinois.

Reduced Fare Reimbursements (RFR)

This funding represents reimbursement of revenues lost by the service boards due to providing reduced fares to student, elderly and disabled riders, as mandated by State law. Remittance requires an annual appropriation by the State of Illinois. Reimbursement amounts are allocated to the service boards based on reduced fare ridership.

Operating Funding



Notes:
1) Data in 000's.
2) Data is 2001 budget data, the last year from which information is available.

4 Capital Funding Summary

CTA's capital needs are funded primarily by three agencies: the Federal Transit Administration (FTA) of the United States Department of Transportation; the Illinois Department of Transportation (IDOT); and the Regional Transportation Authority (RTA). Funds are also provided from other local units of government who receive FTA/IDOT/RTA grants and contract with CTA for performance of work.

Previously, FTA funds came from two programs, authorized by 49 U.S.C. Chapter 53, Sections 5309 and 5307 (formerly Sections 3 and 9, respectively, of the Federal Transit Act). On June 9, 1998, the Transportation Equity Act for the 21st Century (TEA-21) was signed into law which amended 49 U.S.C. TEA-21 provides a six-year reauthorization of the Federal Transit Program. FTA grants can pay for up to 80% of the cost of a capital project, with the remaining 20% usually funded by IDOT or the RTA.

Through the passage of **Illinois FIRST** – a Fund for Infrastructure, Roads, Schools and Transit, (a five year public works program) - CTA secured the local matching funds necessary to obtain federal funding through TEA-21. Transit was allocated $2.0 billion dollars for bus, rail, and other mass transit infrastructure needs under Illinois FIRST in Northeastern Illinois. CTA expects to receive approximately $2.53 billion from all sources to spend on capital needs for the period 2002-2006.

TEA-21 established two new competitive transit programs: the Clean Fuels Formula Program (Section 3008) and the Job Access and Reverse Commute Program (Section 3031). Additionally, the Federal funding established by both Sections 5309 and 5307 was retained.

- Section 3008, "New Clean Fuels" authorizes funds for purchase or lease of clean fuel vehicles and related facilities, to improve existing facilities for clean fuel buses, and to repower, retrofit, or rebuild pre-1993 engines under certain conditions.

- Section 3037, "Job Access and Reverse Commute Grants" authorizes grants for both reverse commute projects, defined as transportation for suburban job opportunities along with transportation to welfare recipients (individuals who receive or received aid under a State program funded under part A of Title IV of the Social Security Act) and eligible low-income individuals (those with family incomes at or below 150% of the poverty line). CTA has received $1.3 million from the discretionary program through 2001.

- Section 5309, "Capital Investment Program" authorizes grants for Fixed Guideway Modernization projects, with funds allocated by statutory formula, and bus projects, which are at the discretion of FTA, within the levels authorized and appropriated by Congress. Congress often earmarks bus funds, thereby reducing FTA discretion. Finally, New Starts are authorized in this section, with annual Congressional appropriation and allocation to special projects.

- Section 5307, "Urbanized Area Formula Program" authorizes grants for any capital, operating or planning purpose (with operating use subject to a cap). Funds are allocated by statutory formula, to all qualifying urbanized areas in the country, with the amount based on Congressional authorization and appropriation. The FTA program also includes two new sources of funds, authorized in late 1991 under the Intermodal Surface Transportation Efficiency Act (ISTEA). These are:

    - The Surface Transportation Program (STP), funded from the Highway Trust Fund, but with local flexibility to fund either transit or highway projects. Programming decisions are made by IDOT and local municipalities. CTA has never directly received STP funds.

    - The Congestion Mitigation and Air Quality Improvement Program (CMAQ), funds transit,

highway, or non-traditional projects with the specific intent to improve the Chicago Region's air quality. Programming decisions are made by the Chicago Area Transportation Study (CATS) and IDOT. CTA has been successful in pursuing CMAQ funds, having received over $58.4 million since 1992.

The CTA can also receive grants from IDOT and RTA, not tied to federal funding. Until the passage of **Illinois FIRST,** however, most of these funds were needed to match federal funds so as not to lose the opportunity of 80% federal grants. Transit funding under Illinois FIRST approximately equals anticipated federal funding, meaning a significant number of non-federal funds will exist. Non-federal funds come from several sources:

- RTA bonds backed and funded with RTA revenue;
- RTA “Strategic Capital Improvement Program (SCIP)” bonds are funded with revenues from Additional State Assistance (ASA) and backed by RTA. ASA revenues from the State are capped at the lessor of the debt service or $55.0 million annually;
- RTA "Discretionary" funds, funded by RTA revenues (sales tax and PTF funds) for capital expenditures not tied to bonded debt;
- IDOT Series B Transportation Bonds;
- IDOT General Revenue Funds;
- CTA’s fund balance which represents an operating budget surplus can be used for capital projects in later years;
- Proceeds from innovative lease transactions.

Procedures

Each year, the local agencies involved in public transportation grant programs (primarily the City of Chicago, RTA and the three service boards - CTA, Metra and Pace) estimate the availability of Federal, State and local capital grant funds for the next five years, and how funds should be allocated among the agencies. (For example, CTA is allocated 50% of the $1.3 billion in SCIP debt capacity authorized in Illinois FIRST, and is usually allocated 58% of FTA, RTA Discretionary and IDOT funding.) Each agency then develops a capital program to use the expected funds to the best advantage. Precise allocations of FTA/IDOT/RTA funds are still subject to adjustment based on final agreements in this area as well as pending decisions regarding CMAQ and STP (flexible) funds. The funding marks used in this document are the best presently available.

Capital grants take the form of contractual agreements between CTA and its respective funding agencies. Each grant agreement stipulates the work to be accomplished and corresponding budget. The usual practice is to fund several different items of work in each grant (CTA calls these work items "job orders"). The CTA cannot encumber or spend any funds on a capital project until written approval is received from each funding agency participating in that project. Approval generally takes the form of an executed grant agreement.

Most of CTA's capital projects are funded by a mix of FTA, IDOT and RTA funds, in separate grant agreements. The rules governing budget detail, oversight, prior approval of certain actions, etc., vary from agency to agency. This results in a very complex administrative burden, as project activities must

be reconciled with multiple sets of requirements. Managing these requirements is important because the grant agreements give each funding agency broad powers of oversight, inspection and audit over all project activities, and the potential to disallow costs and require reimbursement, with interest, from the CTA.

Procedures for funding capital differ significantly from those used for operating expenses. Whereas operating funds do not carry from year-to-year (though the CTA can retain a favorable budget balance for other purposes), capital grant agreements do not expire at year-end, but continue in force for several years. Because the grants are project-specific, rather than time-specific (i.e., limited in duration), and because capital projects often take years to complete, any given year's capital spending consists of expenditures from many grants, which may have originated either recently or several years ago.

5 Annual Budget Process

The Budget & Financial Plan Process

The RTA Act requires the RTA Board to adopt a consolidated annual budget and two-year financial plan. The budgetary process contains three phases: budget development, budget adoption, and budget execution and administration.

Budget Development

Budget development begins each year in the middle of June with the Budget Call from the RTA. The Budget Call outlines the required budget information for the RTA, and provides economic assumptions for the region.

The RTA's sales tax forecast is based on the most recent Sales Tax Revenue estimate provided by the State Bureau of the Budget (BOB). The BOB is required to submit to the Regional Transportation Authority by July 1 of each year an estimate of Sales Tax Revenues to be received by the CTA (Authority) for the next fiscal year. The RTA uses this estimate and the sales tax growth rates to prepare the annual budget funding “Mark” and to estimate sales tax for the two years of the financial plan.

Budget Adoption

By the middle of August, CTA is required to submit macro-level budgets and financial plans to the RTA. By September 15, the RTA Board is required to set operating funding "Marks" for the three Service Boards. The "Marks" include estimates of available operating funding for the budget and financial plan, estimated cash flows and a required recovery ratio (the ratio or percentage of operating expenses that must be recovered from system-generated revenue) for the budget. Upon issuance of the Budget "Mark," CTA revises its expenses and revenues to conform to the "Marks."

CTA then makes its budget document available to the public. The statute requires documents be available for public inspection 21 days prior to public hearings. After the public hearings, the budget is presented at the November Cook County Board meeting. Then the Authority Board incorporates any changes and adopts the budget and two-year financial plan. By November 15, CTA is required to submit to RTA their detailed budget and financial plan that conforms to the Budget Marks set by the RTA on September 15th. The RTA Board adopts the proposed budget and plan upon the approval of nine of the RTA's thirteen directors. The RTA is required to adopt the budget by December 31st if the budgets meet the RTA’s six criteria. If the RTA Board does not approve the budget, the RTA Board cannot release any funds for the periods covered by the budget and financial plan except the proceeds of sales taxes due by formula to CTA.

Budget Execution & Administration

After the proposed budget and financial plan are adopted, the budget execution and administration phase begins. Detailed budgets of revenues and expenses calendarized for the 12 months of the budget year are forwarded to the RTA. CTA’s actual monthly financial performance is measured against the monthly budget and reported to the RTA Board.

5 Annual Budget Process

Amendment Process

During this monitoring, changes may be required to the CTA's budget. The RTA might revise its sales tax forecast, which would mean less public funding. This in turn would require reduced spending to meet the revised funding "Mark" and Recovery Ratio.

When the RTA amends a revenue or expense item of the budget because of changes in economic conditions, governmental funding, a new program, or other reasons, CTA has 30 days to revise its budget to reflect these changes. Depending on the type of request, the proposed amendment may be presented to one or more committees of the RTA Board for approval. The RTA's Finance Committee, however, must approve all amendments before they are recommended to the RTA Board. The RTA Board ultimately approves or disapproves all proposals. The budget may need to be amended if CTA is found not in compliance with the budget for a particular quarter based upon its financial condition and results of operations. The RTA Board, by a vote of nine members, may require CTA to submit a revised financial plan and budget, which show that the Marks will be met in a time period of less than four quarters. If the RTA Board determines that the revised budget is not in compliance with the Marks, the RTA will not release any money except the sales taxes that are due under the statutory allocation formula. The funds the RTA can withhold include Public Transportation Fund (PTF), discretionary sales tax and other state funding.

If the Authority submits a revised financial plan and budget which show the Marks will be met within a four quarter period, then the RTA Board shall continue to release funds.

6 Accounting System & Budgetary Control

The Chicago Transit Authority ("CTA") was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois Legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers.

As such, the operations of the CTA are accounted for on a proprietary fund basis. This basis is used when operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, and the periodic determination of revenues earned, costs incurred, and net income is appropriate.

The accounts of the CTA are reported using the "flow of economic resources" (cost of services) measurement focus and the accrual basis of accounting. Under the "flow of economic resources" measurement focus, all assets and liabilities are included on the balance sheet. Fund equity consists of contributed capital and accumulated deficit. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

In 1995 the CTA changed its financial reporting to a calendar year. Prior to 1995, the CTA operated on a 52 week fiscal year composed of four quarters of "four week, four week, and five week" periods. Periodically a 53-week fiscal year was required to keep the fiscal year aligned with the calendar.

Management of the Authority is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls are reasonable under the existing budgetary constraints and adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions.

As a recipient of federal, state, and RTA financial assistance, the Authority is also responsible for ensuring that the internal control system is adequate to ensure compliance with applicable laws and regulations related to those programs. This internal control system is subject to periodic evaluation by management and the internal audit staff of the Authority, as well as an annual audit by an independent accounting firm.

The results of the Authority's prior year-end audit provided no instances of material weaknesses in the internal control system or significant violations of applicable laws and regulations. The CTA is required by the Regional Transportation Act to submit for approval an annual budget to the RTA prior to the commencement of each fiscal year.

The Metropolitan Transportation Authority Act requires that no expenditures in excess of budget be made without approval of the Chicago Transit Board.

6 Accounting System & Budgetary Control

The budget is prepared on a basis consistent with generally accepted accounting principles, except for the exclusion of certain expenses which do not qualify under the Act for public funding, principally depreciation expense and pension expense in excess of actual pension contributions.

The RTA funds the budgets of the Service Boards, rather than the actual Operating Expenses in excess of System-Generated Revenue. Favorable variances from budget remain as deferred operating assistance to the CTA, and can be used in future years with RTA approval. All annual appropriations lapse at fiscal year-end.

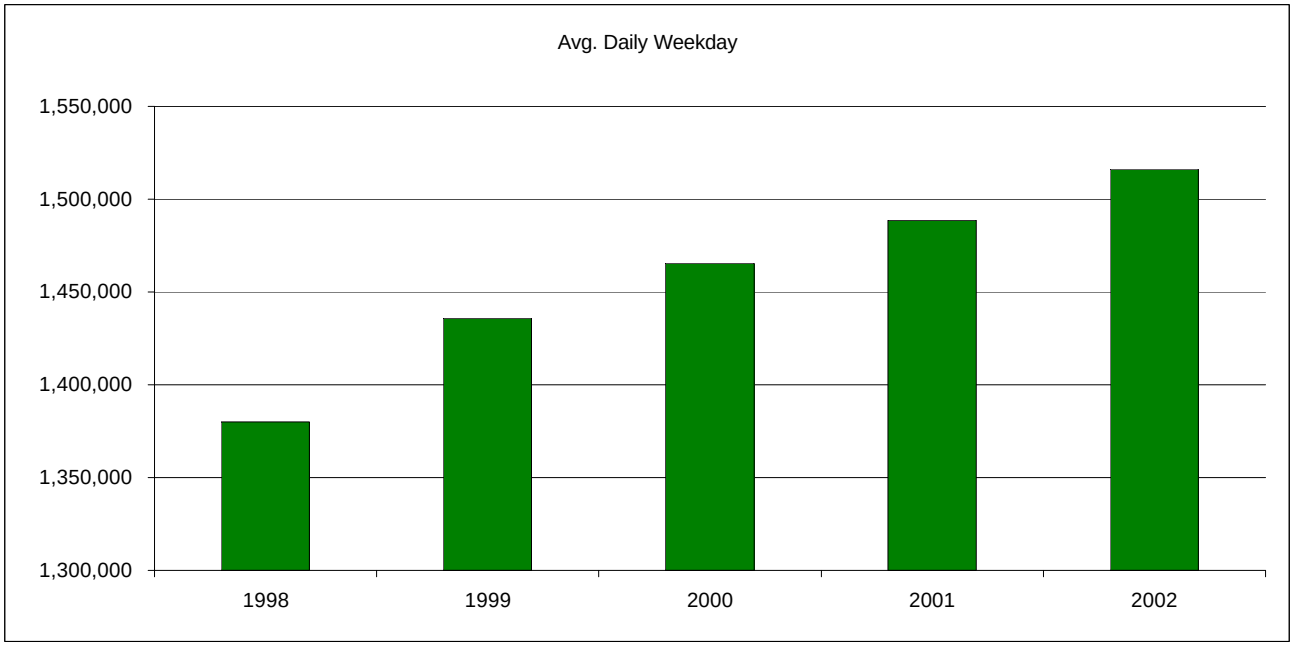
The RTA monitors the CTA's performance against the budget on a quarterly basis, and if in the judgment of the RTA, this performance is not substantially in accordance with CTA's budget for such period, the RTA shall so advise the CTA. The CTA must, within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements. The RTA must approve any amendments to the CTA's budget requiring additional public funding, or a reduction to the recovery ratio. Budget amendments resulting in transfers between departments, or major budget line items, are also permitted.

The Authority maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget appropriated by the Chicago Transit Board, and approved by the Regional Transportation Authority. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established for Public Funding Required. The Authority also maintains a Position Control System, that allows the monitoring and controlling of the number of employees versus budgeted positions for every job that is not part of scheduled transit operations (which are controlled by hours, not positions).

7 Operating Statistics

SYSTEM

CHARACTERISTICS	1998 Actual	1999 Actual	2000 Actual	2001 Projected	2002 Budget
Ridership					
Avg. Daily Weekday	1,379,919	1,435,850	1,465,529	1,488,762	1,516,117
Avg. Daily Saturday	804,884	829,659	848,279	868,980	883,885
Avg. Daily Sunday	508,618	537,103	557,116	570,741	580,526
Expense					
Top Operator Rate*	$ 19.19	$ 20.01	$ 20.01	$ 20.01	$ 20.01
Capital Expenditures	$ 131,905,855	$ 199,540,018	$ 280,405,661	$ 296,183,561	$ 277,880,150
Revenue					
Average Fare per Trip	$ 0.86	$ 0.83	$ 0.82	$ 0.83	$ 0.83
Public Funding per Trip	$ 0.89	$ 0.87	$ 0.89	$ 0.92	$ 0.95
Safety (Reported & Blind)					
Bus Accidents per 100,000 Miles	6.71	6.44	7.06	6.91	6.08
Rail Accidents per 100,000 Miles	0.26	0.18	0.12	0.15	0.15

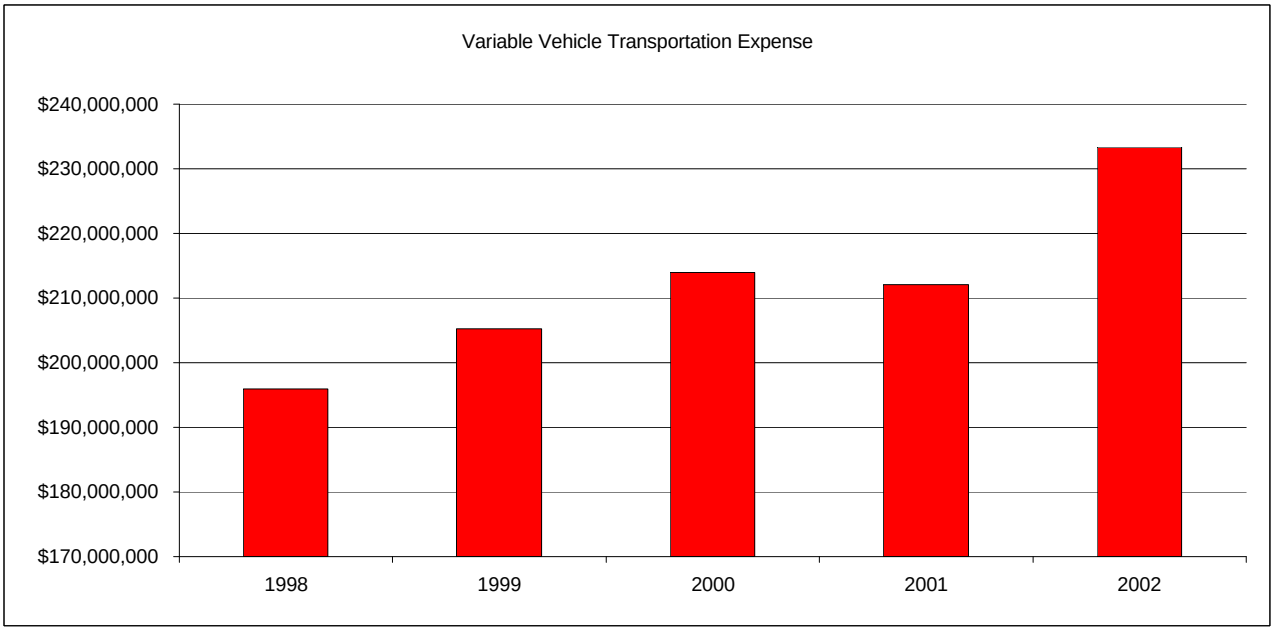


* Please note the Top Operator Rate for 2000, 2001, and 2002 is unchanged since the collective bargaining agreement has not been finalized.

8 Operating Statistics

BUS

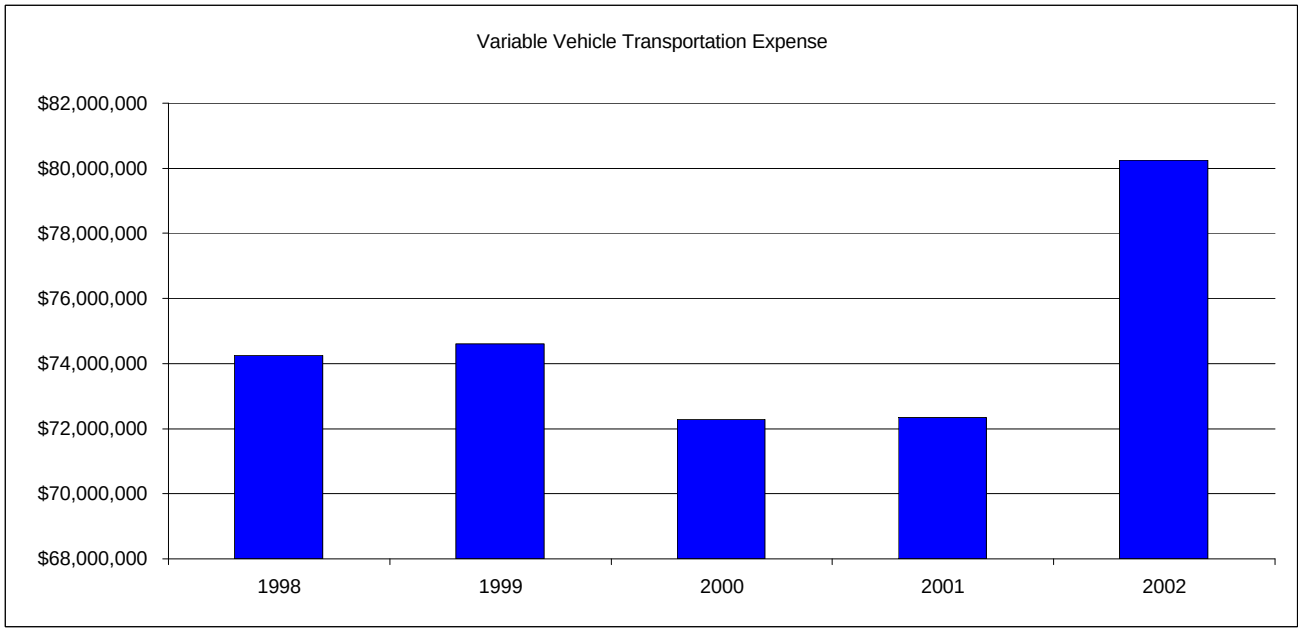
CHARACTERISTICS	1998 Actual	1999 Actual	2000 Actual	2001 Projected	2002 Budget
Expenses					
Operating Expense	$ 333,606,834	$ 350,748,269	$ 372,865,388	$ 368,357,469	$ 397,953,651
Variable Vehicle Transportation Expense	$ 195,937,428	$ 205,246,407	$ 213,983,589	$ 212,030,414	$ 233,412,892
Variable Vehicle Maintenance Expense	$ 77,592,724	$ 86,158,611	$ 95,110,317	$ 94,369,510	$ 98,070,643
Fuel Expense	$ 11,095,497	$ 12,480,466	$ 23,305,022	$ 22,600,000	$ 23,000,000
Miles					
Annual Vehicle Revenue Miles	64,888,800	66,001,000	67,000,000	67,500,000	67,500,000
Trips					
Annual Unlinked Trips	290,563,508	299,092,752	302,124,236	304,470,213	307,693,214
Vehicles					
Annual Vehicle Revenue Hours	6,135,473	6,184,115	6,189,046	6,278,213	6,398,480
Vehicles Operated in Max. Service	1,533	1,559	1,604	1,620	1,675
Vehicles Owned by CTA (at Fall Fleet Assignment	1,874	1,878	1,863	1,927	1,959
Average Age of Vehicles	8.6	9.3	10.0	6.9	8.7



9 Operating Statistics

HEAVY RAIL

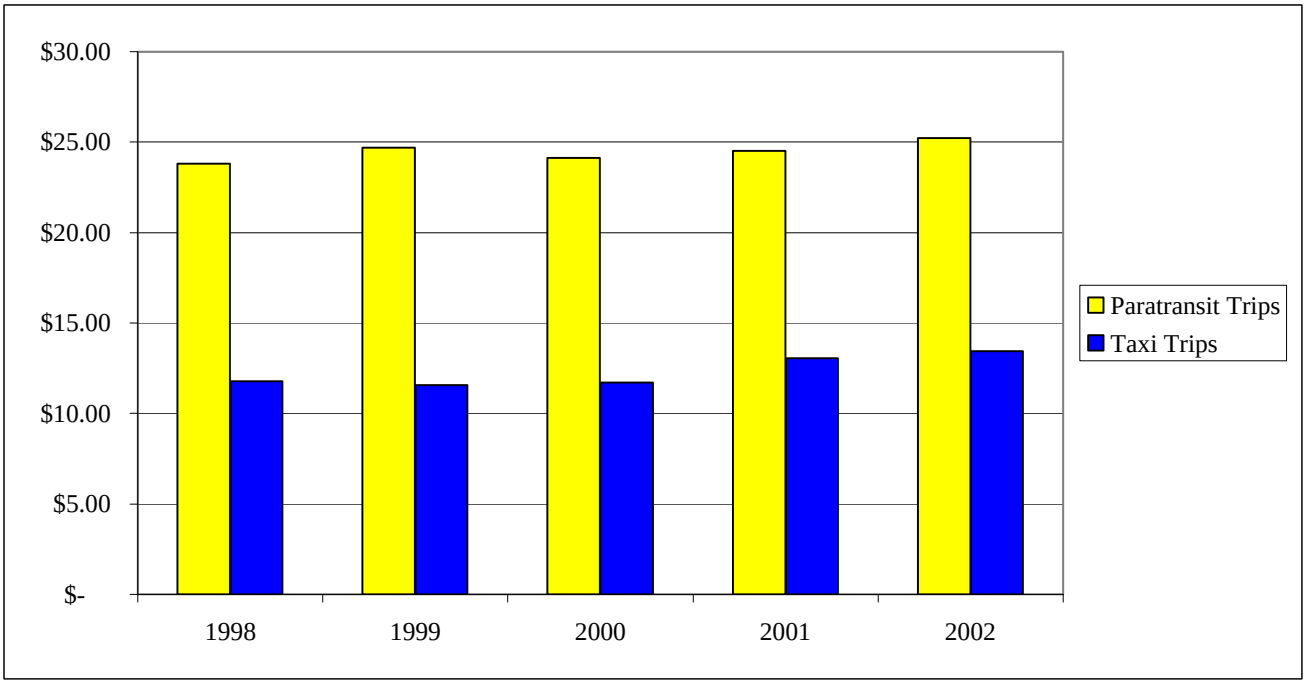
CHARACTERISTICS	1998 Actual	1999 Actual	2000 Actual	2001 Projected	2002 Budget
Expenses					
Operating Expense	$ 146,277,199	$ 154,248,424	$ 151,069,436	$ 152,144,938	$ 167,337,250
Variable Vehicle Transportation Expense	$ 74,246,625	$ 74,598,386	$ 72,281,742	$ 72,354,395	$ 80,251,345
Variable Vehicle Maintenance Expense	$ 43,652,236	$ 40,919,649	$ 36,235,621	$ 35,656,790	$ 37,466,764
Power Expense	$ 20,806,724	$ 16,569,862	$ 21,021,791	$ 22,700,000	$ 22,700,000
Miles					
Annual Vehicle Revenue Miles	53,341,800	54,564,724	56,000,000	60,000,000	60,000,000
Trips					
Annual Unlinked Trips	132,390,362	141,682,673	147,194,341	152,061,184	157,051,772
Vehicles					
Annual Vehicle Revenue Hours	481,276	476,527	485,774	492,740	545,342
Vehicles Operated in Max. Service	926	926	926	972	1,002
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,180	1,190	1,190	1,190	1,190
Average Age of Vehicles	15.0	16.0	16.9	17.9	18.9



10 Operating Statistics

PARATRANSIT

CHARACTERISTICS	1998 Actual	1999 Actual	2000 Actual	2001 Projected	2002 Budget
Expenses					
Operating Expense	$ 27,110,000	$ 27,214,000	$ 27,043,000	$ 31,325,000	$ 33,590,000
Average Cost per Trip	$ 23.04	$ 23.35	$ 22.32	$ 23.10	$ 24.03
Trips					
Paratransit Trips	1,106,413	1,065,870	1,094,795	1,235,422	1,255,422
Taxi Trips	70,311	99,640	117,039	120,358	142,362
Average Cost per Trip					
Paratransit Trips	$ 23.81	$ 24.70	$ 24.11	$ 24.50	$ 25.23
Taxi Trips	$ 11.79	$ 11.57	$ 11.72	$ 13.07	$ 13.46
Mainline Service					
Bus Routes Offering Lift Service	75	75	73	103	119
ADA Accessible Stations	50	50	50	64	64

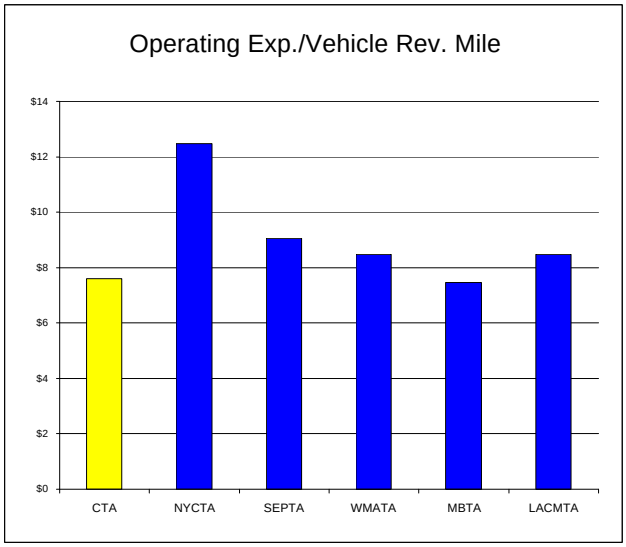


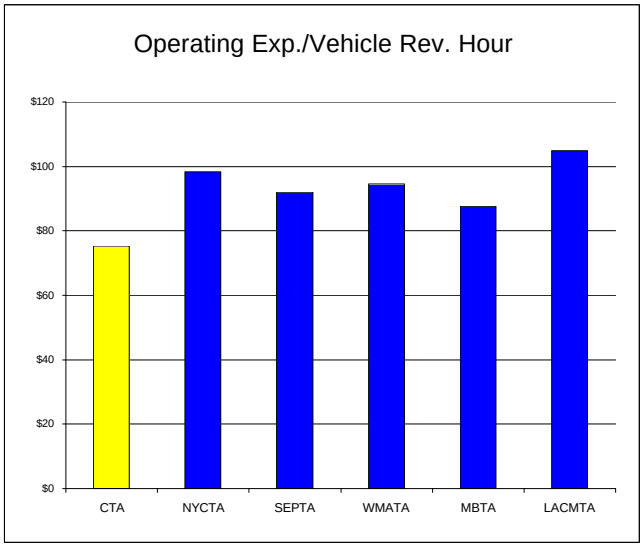
11 Comparative Performance Analysis

BUS

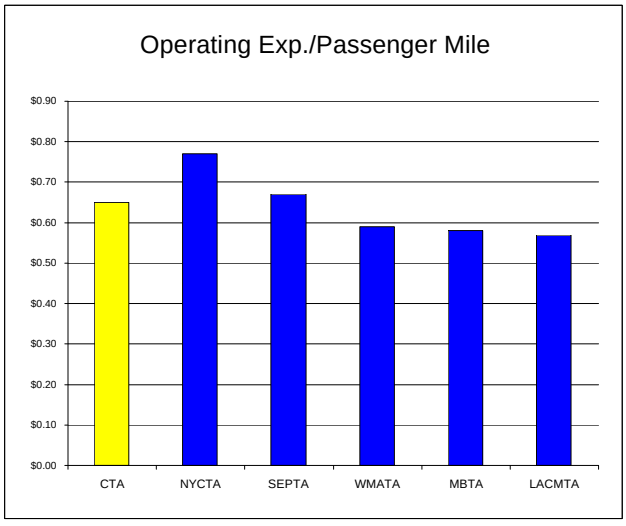
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$7.59	$12.47	$9.06	$8.49	$7.46	$8.47
Operating Exp./Vehicle Rev. Hour	$75.21	$98.31	$92.04	$94.48	$87.54	$104.82
Cost Effectiveness						
Operating Exp./Passenger Mile	$0.65	$0.77	$0.67	$0.59	$0.58	$0.57
Operating Exp./Unlinked Trip	$1.56	$1.47	$1.95	$1.97	$1.86	$1.96
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	4.88	8.50	4.66	4.32	4.02	4.31
Unlinked Trips/Vehicle Rev. Hour	48.36	67.01	47.31	48.08	47.14	53.39

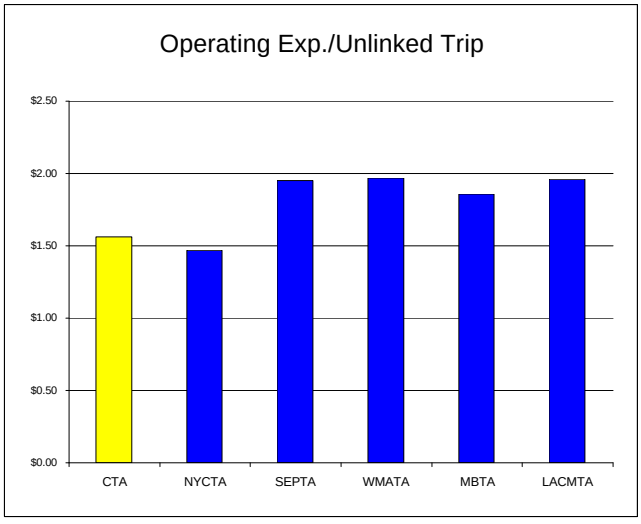
Service Efficiency





Cost Effectiveness





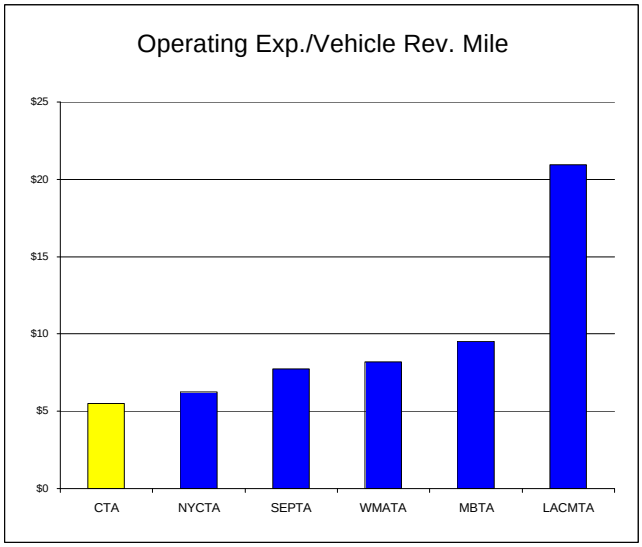
Data obtained from 1999 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

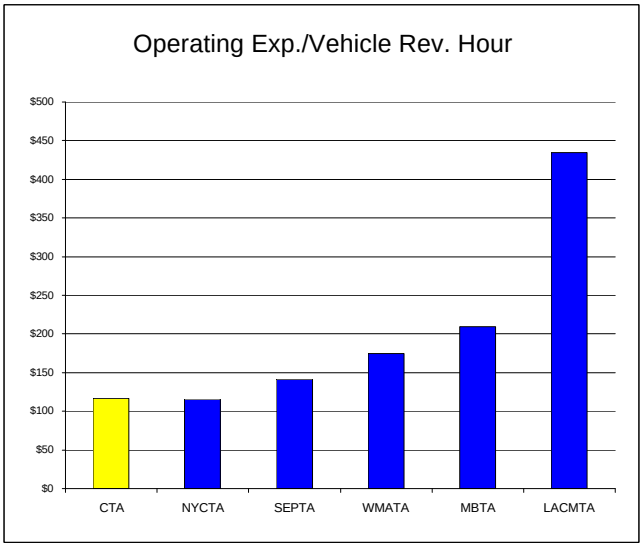
12 Comparative Performance Analysis

HEAVY RAIL

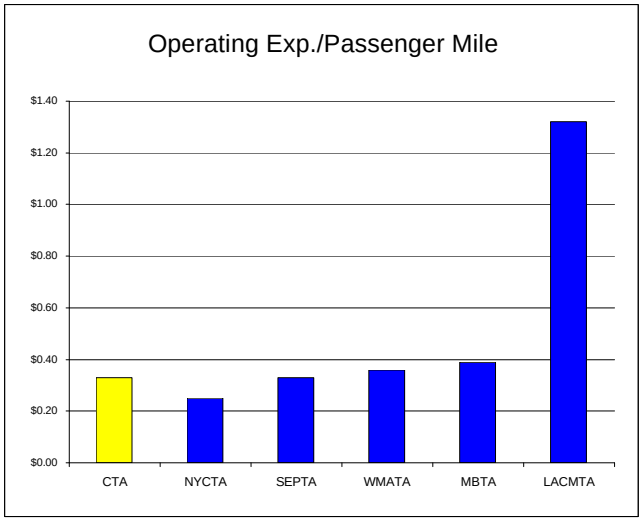
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$5.52	$6.25	$7.72	$8.19	$9.51	$20.93
Operating Exp./Vehicle Rev. Hour	$116.32	$115.61	$141.71	$174.57	$209.31	$434.59
Cost Effectiveness						
Operating Exp./Passenger Mile	$0.33	$0.25	$0.33	$0.36	$0.39	$1.32
Operating Exp./Unlinked Trip	$1.84	$1.20	$1.46	$1.78	$1.48	$2.86
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	3.00	5.20	5.30	4.61	6.43	7.32
Unlinked Trips/Vehicle Rev. Hour	63.12	96.23	97.25	98.20	141.41	152.01

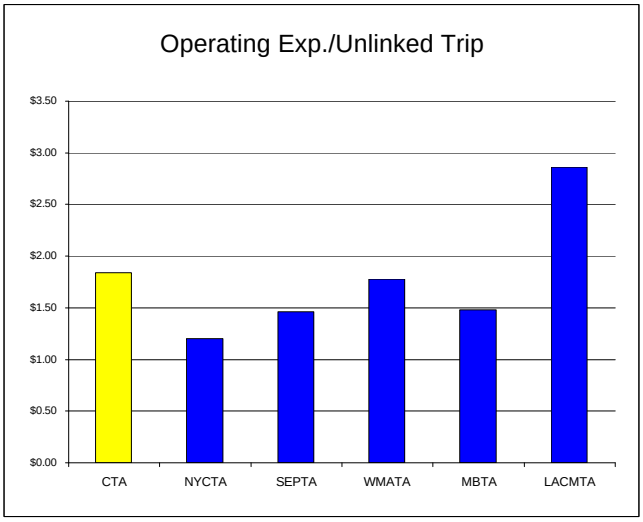
Service Efficiency





Cost Effectiveness





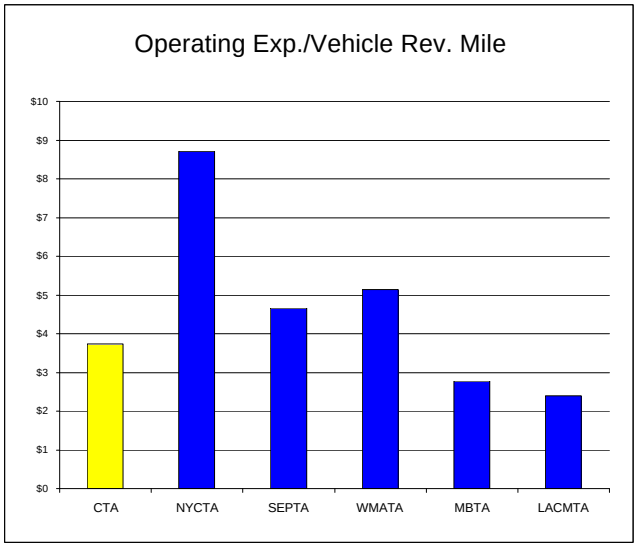
Data obtained from 1999 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

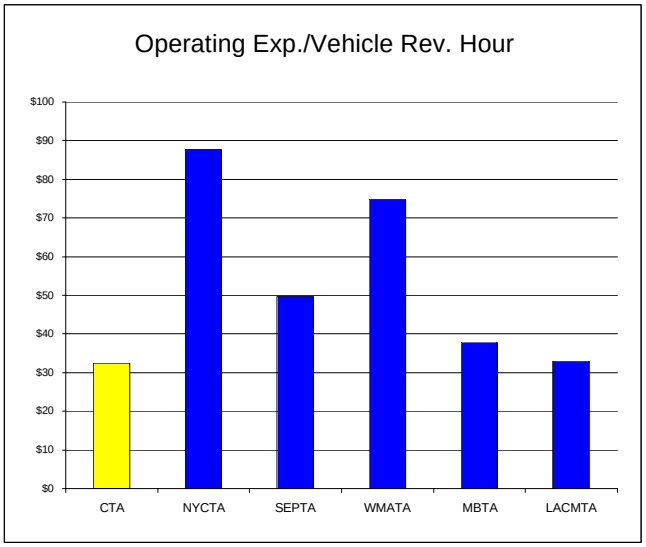
13 Comparative Performance Analysis

PARATRANSIT

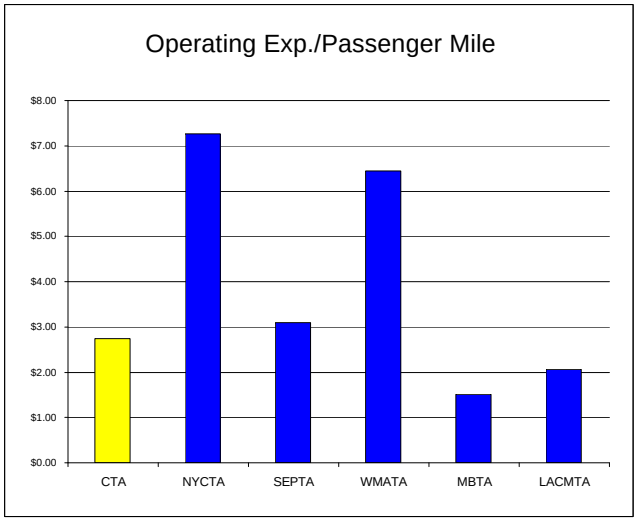
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$3.73	$8.71	$4.66	$5.14	$2.78	$2.39
Operating Exp./Vehicle Rev. Hour	$32.52	$87.73	$49.64	$74.76	$37.98	$32.93
Cost Effectiveness						
Operating Exp./Passenger Mile	$2.74	$7.27	$3.10	$6.44	$1.51	$2.06
Operating Exp./Unlinked Trip	$23.26	$64.52	$27.34	$61.87	$20.52	$8.36
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	0.16	0.14	0.17	0.08	0.14	0.29
Unlinked Trips/Vehicle Rev. Hour	1.40	1.36	1.82	1.21	1.85	3.94

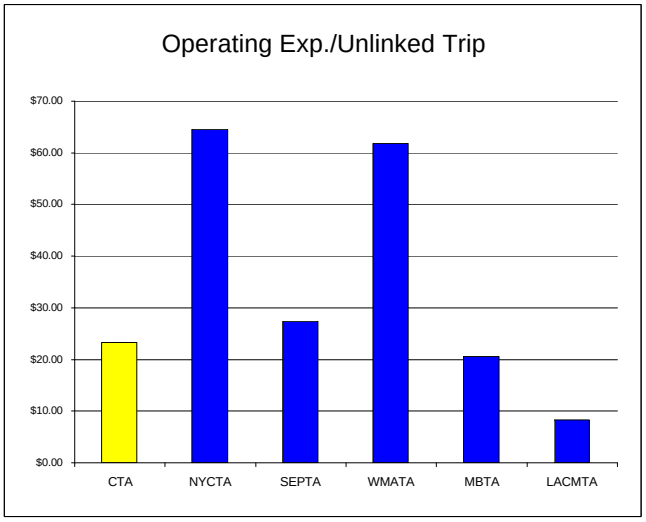
Service Efficiency





Cost Effectiveness





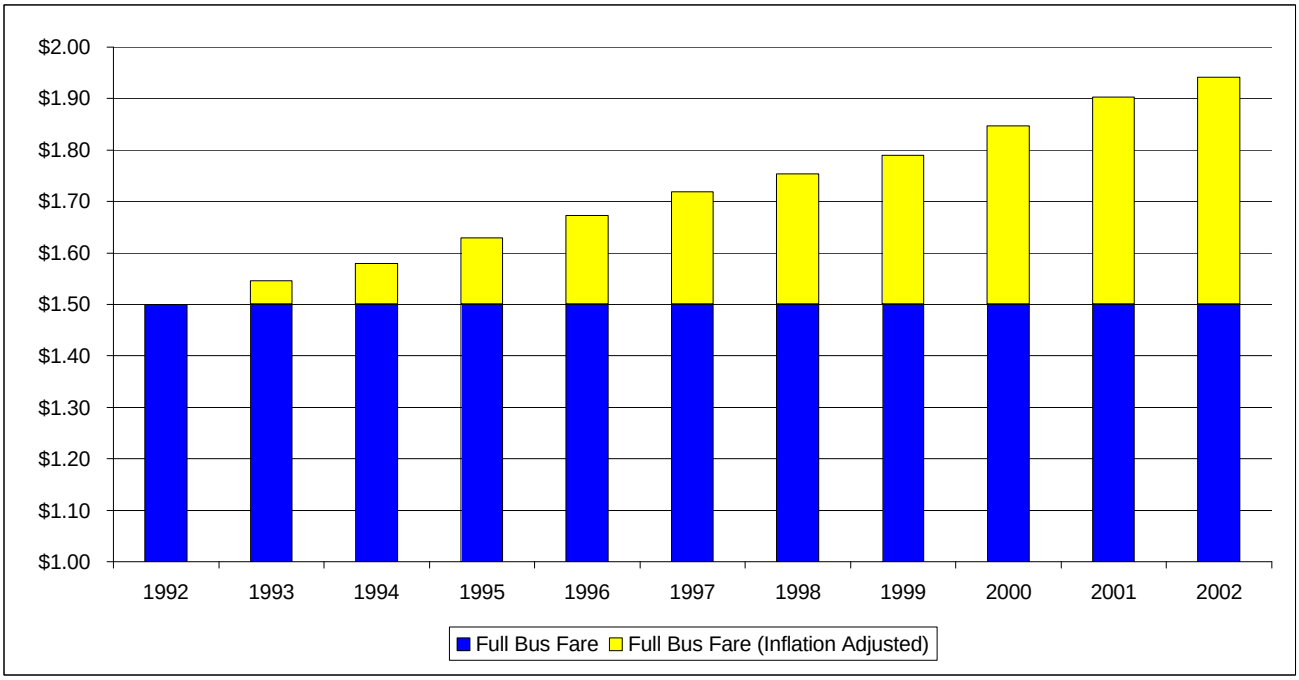
Data obtained from 1999 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

14 Fare Structure

SYSTEM

CHARACTERISTICS	1998 Actual	1999 Actual	2000 Actual	2001 Projected	2002 Budget
Full Fare					
Bus	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50
Rail	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50
Transfer Charge	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.30
Reduced Fare					
Bus	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.75
Rail	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.75
Transfer Charge	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15

Full Bus Fare (If fares were indexed to inflation)



COMPARATIVE	Full Cash Bus Fare	Full Cash Rail Fare
Chicago (CTA)	**$ 1.50**	**$ 1.50**
Washington D.C. (WMATA)	$ 2.00	$ 3.25
Philadelphia (SEPTA)	$ 2.00	$ 2.00
Atlanta (MARTA)	$ 1.75	$ 1.75
New York (NYCTA)	$ 1.50	$ 1.50
Los Angeles (LACMTA)	$ 1.35	$ 1.35
San Francisco (MUNI)	$ 1.00	$ 2.00
Boston (MBTA)	$ 0.75	$ 1.00

CPI historical data based on Bureau of Labor Statistics CPI-U for Chicago area. Forecast data from State of Illinois Bureau of Budget.

15 Comparative Farebox Recovery Ratio

CITY (SYSTEM)	FARE REVENUES	OPERATING EXPENSES	RECOVERY RATIO*
CHICAGO (CTA)	$367,617	$799,791	45.96%
PEER GROUP			
NEW YORK CITY (NYCTA)	$1,994,919	$3,184,592	62.64%
WASHINGTON D.C. (WMATA)	$342,237	$672,468	50.89%
PHILADELPHIA (SEPTA)	$268,156	$669,627	40.05%
BOSTON (MBTA)	$241,143	$696,196	34.64%
ATLANTA (MARTA)	$91,449	$283,191	32.29%
SAN FRANCISCO (MUNI)	$97,651	$350,626	27.85%
LOS ANGELES (LACMTA)	$228,854	$802,114	28.53%
OTHER SELECTED TRANSIT SYSTEMS			
SAN FRANCISCO (BART)	$173,486	$294,092	58.99%
NEW YORK (PATH)	$73,712	$154,893	47.59%
CLEVELAND (GCRTA)	$41,853	$206,120	20.31%

Notes

Data in 000's

* Farebox revenue only. Note: CTA's budgeted recovery ratio as computed under the statutory formula also includes non-fare revenue. For comparison purposes, CTA's recovery ratio on this schedule only includes fare revenue.

Source: 1999 National Transit Database published by the Federal Transportation Administration

16 Glossary of Terms

ADA — The Americans with Disabilities Act of 1990. Federal Legislation mandates that all new buses and rail lines be wheel chair accessible, and that alternative transportation be provided to customers unable to access the transit system.

AFC — The automated fare collection system.

Block Runs — Runs that are scheduled between Monday and Friday. These runs consist of a ten hour shift at straight pay. Overtime is not a factor.

Bus Trip — A bus one way trip.

Budget Marks — The Regional Transportation Authority Act, as amended in 1983, calls for RTA to advise each of its Service Boards by September 15th 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.

Deferred Operating Assistance — Funds remaining from the prior year or years that can be used to cover shortfalls or capital expenditures in future years. Spending is allowed only after RTA budgetary approval.

Financial Plan — In addition to an annual budget, the Regional Transportation Authority Act, amended in 1983, requires that all transit authorities prepare a financial plan encompassing the two years subsequent to the budget year. This provides a three year projection of expenses, revenues, and public funding requirements.

Fund Balance — The cumulative amount that has not been used by which total revenues (including Public Funding) exceed (or are exceeded by) expenses over a series of years. Annual budget surpluses (or deficits) generally add to (or subtract from the Fund Balance. This balance is available to fund current or future operating or capital needs.

Headway — The time span between service vehicles (bus or rail) on specified routes.

Illinois FIRST — A State funded program to maintain and support Illinois Infrastructure, Roads, Schools, and Transit.

Infrastructure — The basic installations and facilities on which the continuance and growth of a community depend. For the CTA, this means such facilities as elevated structure, track, repair shops, bus garages, rail terminals, and power substations, etc.

Labor Base — Labor expense for time actually worked. It excludes holidays, sick time, and vacation time.

Labor Load — The cost of fringe benefits. The burden includes insurance, paid time off, FICA, and retirement obligations.

Non Operating — Expenses and Revenues funded with capital.

16 Glossary of Terms

Off Peak	Non rush hour time periods.
Operating Expenses	The expenses associated with the operation of the transit agency, and classified by function or activity and the goods and services purchased.
Passenger Miles	The cumulative sum of the distances ridden by each passenger.
Peak	Rush hour time periods, defined as 06:00 hours through 10:00 hours and 15:00 hours through 19:00 hours.
Platform Time	The period of time which a transit vehicle is in revenue service.
Positive Budget Variance	The favorable difference between Budget and actual revenues and/or expenses.
Public Funding	Funding received from the RTA for operating or capital purposes.
Purchase of Paratransit Service	The cost of using outside vendors to provide transit to certified disabled riders.
Recovery Ratio	One of the key performance indicators which measures the amount of operating expense that was recouped from operating revenues.
Reduced Fares	Discounted fare 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.
Run	Rail or Bus Operator's assigned work for the day.
Service Board	The Regional Transportation Authority Act, as amended in 1983, refers to the CTA, Metra (the commuter rail system), and Pace (the suburban bus system) as service boards.
SPTO	STO personnel that are restricted to weekend work, at a lower pay rate, and who receive no fringe benefits from the CTA.
STO	The portion of labor that represents Scheduled Transit Operations. This classification includes bus operators, motormen, conductors, and customer assistants.
System Generated Rev.	Revenue generated internally by CTA. Includes fares, charter revenue, advertising, investment income, income from local governments per a provision of the Regional Transportation Authority Act, and a subsidy for reduced fare riders per 1989 legislation.
TEA – 21	Federal transportation package which reauthorized the Federal Transit Program for six years (1998-2003). Grants can pay up to 80 percent of

16 Glossary of Terms

a capital project, with the remaining 20 percent funded from local sources.

Top Operator Rate — The top hourly rate paid to Bus Operators and Rail Motormen, based on employee seniority within the job, as specified by the union contract.

Train Trip — One way train trip from originating terminal to destination terminal.

Trick — A part of the daily working schedule of a transit employee. Also considered as a shift.

Unlinked Passenger Trip — Each boarding of a transit vehicle by a passenger is defined as an unlinked passenger trip. A single journey by one passenger, consisting of one or more unlinked boardings is considered a linked trip.

Vehicle Revenue Hours — The hours that vehicles travel while in revenue service. Vehicle revenue hours include layover/recovery time but exclude travel to and from storage facilities, training operators prior to revenue service, road test and deadhead travel, as well as school bus and charter services.

Vehicle Revenue Miles — The miles that vehicles travel while in revenue service. Vehicle revenue miles exclude travel to and from storage facilities, training operators prior to revenue service, road tests and deadhead travel, as well as school bus and charter services.

Warranty & Credits — Reimbursement for repairs covered by manufacturers warranty agreements.

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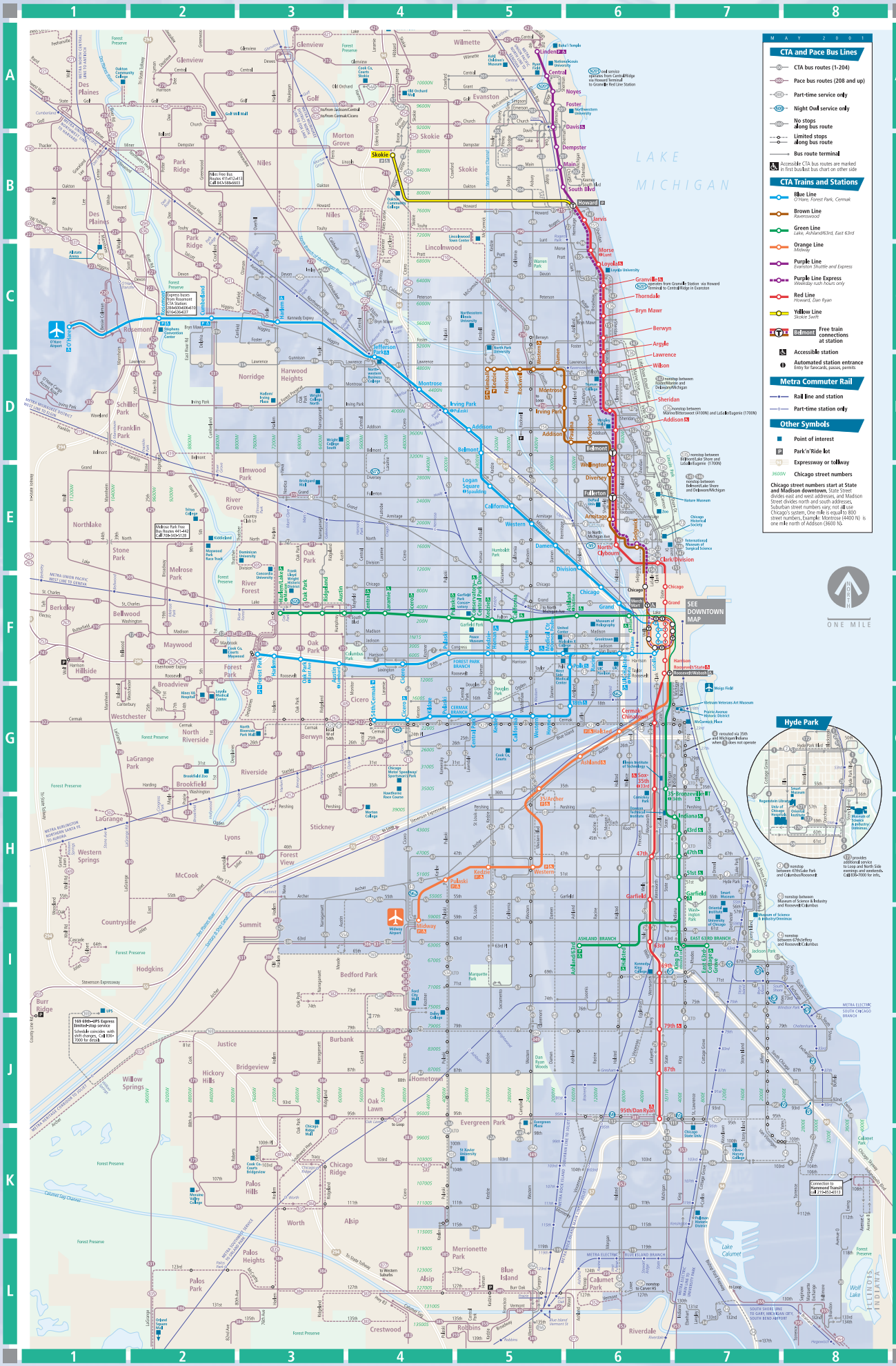
The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Chicago Transit Authority for its annual budget for the fiscal year beginning January 1, 2001.

In order to receive this award, a government 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 continues to conform to program requirements, and we are submitting it to the GFOA to determining its eligibility for another award.


MAY 2001
CTA and Pace Bus Lines
CTA bus routes (1-204)
Pace bus routes (208 and up)
Part-time service only
Night Owl service only
No stops along bus route
Limited stops along bus route
Bus route terminal
Accessible CTA bus routes are marked in first bus/last bus chart on other side
CTA Trains and Stations
Blue Line
O'Hare, Forest Park, Cermak
Brown Line
Ravenswood
Green Line
Lake, Ashland/63rd, East 63rd
Orange Line
Midway
Purple Line
Evanston Shuttle and Express
Purple Line Express
Weekday rush hours only
Red Line
Howard, Dan Ryan
Yellow Line
Skokie Swift
Belmont
Free train connections at station
Accessible station
Automated station entrance
Entry for farecards, passes, permits
Metra Commuter Rail
Rail line and station
Part-time station only
Other Symbols
Point of interest
Park'n'Ride lot
Expressway or tollway
Chicago street numbers
Chicago street numbers start at State and Madison downtown. State Street divides east and west addresses, and Madison Street divides north and south addresses. Suburban street numbers vary; not all use Chicago's system. One mile is equal to 800 street numbers. Example: Montrose (4400 N) is one mile north of Addison (3600 N).
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