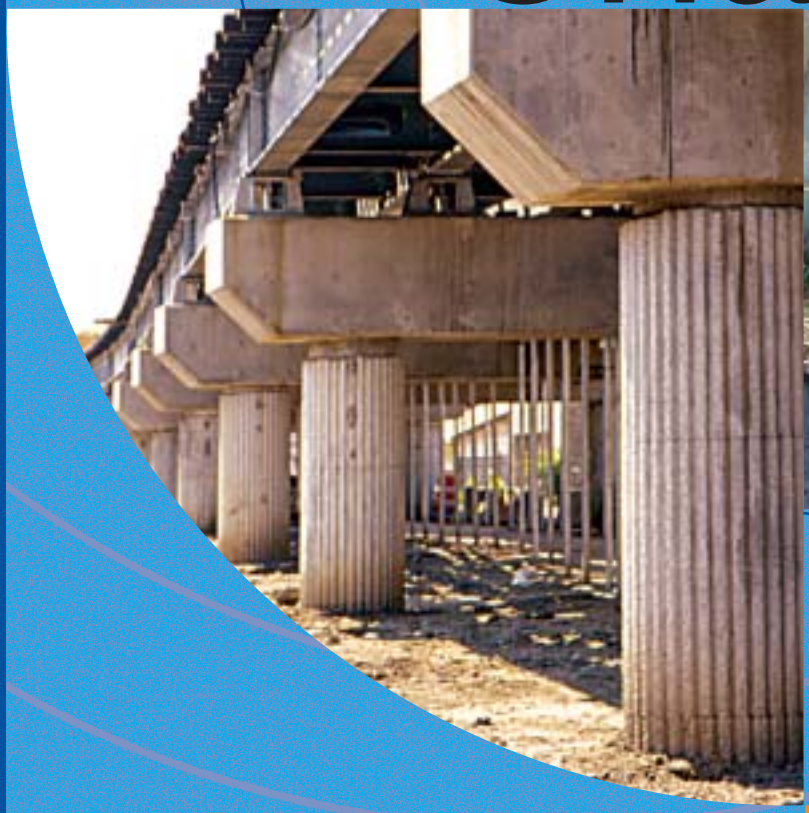
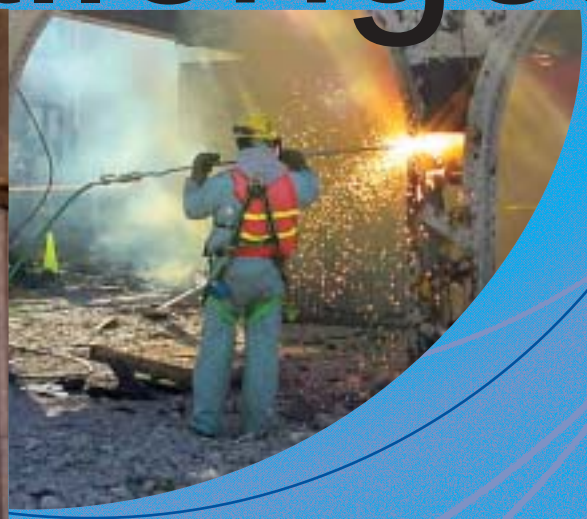
CHICAGO TRANSIT AUTHORITY

Meeting Challenges





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Proposed 2003 Budget Summary

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Frank Kruesi, President

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Letter From the President

It is clear that 2003 will be another busy and productive year for the CTA. An aggressive capital improvement program continues to be a hallmark of the budget. So too is the commitment to rebuilding the system, improving the product and sustaining the momentum that we have established over the past five years.

The CTA has made significant progress in these few short years. We overcame financial challenges and secured the funding necessary to invest in a system that was rapidly falling into disrepair. Investment in the CTA is important to maintain our existing customers and attract new ones. With the support of Mayor Richard M. Daley, Governor George Ryan, U.S. House Speaker J. Dennis Hastert and many other elected officials, the CTA has secured the funds to undertake major improvement projects.

The Cermak (Douglas) Blue Line Rehabilitation Project, our largest capital project to date, is well underway. Thanks to careful planning and management, it is on time and on budget. In 2003, the Brown Line Expansion project will begin. This major capital project will alleviate overcrowding, increase capacity and make the line accessible for customers with disabilities.

Capital investment in the bus and rail fleets yielded visible results as more new air-conditioned, accessible buses replaced aging vehicles, and the mid-life rehabilitation of the 2600 series rail cars wrapped up. These investments will continue in 2003, with the delivery of new, 60-foot articulated buses and placement of an order for new rail cars.

Service enhancements provided customers with faster service and more options in 2002. A new express bus route was added, express service was introduced as a pilot program on two existing routes, and service hours were extended on the Orange and Purple Lines.

Service enhancements also enable us to better serve the region. In addition to Chicago, the CTA now serves 40 suburbs, up from 38. The CTA has developed an extensive network of connections with Pace and Metra. On an average weekday, CTA trains and buses complete an estimated 75,000 rides that begin on either Metra or Pace. This is in addition to the nearly 222,000 rides that also begin in the suburbs, and are provided completely by the CTA.

Most importantly, customers are noticing the differences and responding positively. The CTA's bi-annual customer satisfaction survey found that overall satisfaction increased from 80 percent in 1999 to 85 percent. Customer loyalty doubled since 1995, from 27 percent to 55 percent in 2001. This growing satisfaction is a tribute to the efforts of all CTA employees. This survey is a valuable tool in telling us what works and what needs additional attention.

Despite all the progress, our year was not without challenges. We experienced a slight drop in ridership this year—less than one percent—and we must work harder than ever to turn that around. During the course of the year, we had to take steps to offset the impact of a bad economy. All departments were asked to reduce their operating expenses and monitor their expenditures very carefully in order to maintain a balanced budget.

Through discipline and careful management, we have been able to develop a balanced budget for the year ahead. But like other businesses, we have to weigh priorities against funding constraints. We have been able to hold the line on fares for more than a decade, but face challenges going forward due to the weak economy and the uncertainty of state resources. This challenge will continue in 2003. Our determination to work smarter, cut expenses and seek innovative sources of revenue is an ongoing effort.

It is a critical year for the CTA. The legislation that determines our federal funding levels is expiring and we must all work together to make sure that we continue to receive the funding necessary to fulfill all our region's goals and plans. From express service to the airports, to a Circle Line that would further link CTA and Metra service, we have many ambitious ideas on ways to better deliver transit and contribute solutions to the growing regional congestion problem.

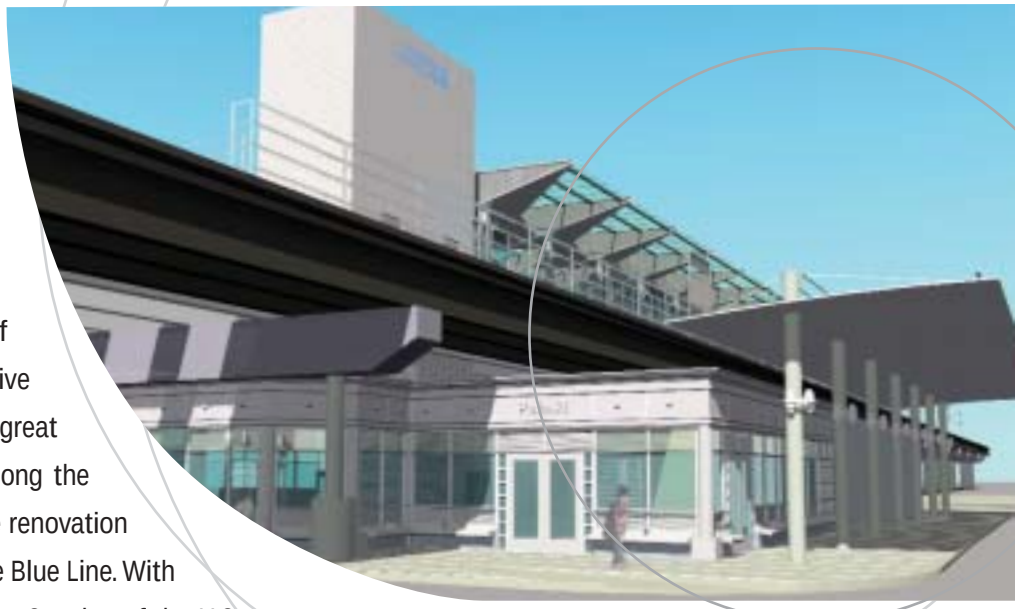
Over the next few weeks, the Chicago Transit Board, the Cook County Board and the Regional Transit Authority Board will review this proposal. There are also opportunities for the public to comment, either in writing or by testifying at our October 30 public hearing. Copies of the budget are available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

Sincerely,

Frank Kruesi

Meeting Challenges: Budget 2003
Staying the Course

The CTA will continue to forge ahead in 2003, with new initiatives and ongoing projects that will draw on the successful efforts already undertaken to rebuild the system, improve the product and sustain the momentum.



Artist's rendering of the renovated Pulaski station on the Cermak (Douglas) Branch of the Blue Line.

Bringing the system up to a state of good repair has been a primary objective for the past four years. The CTA made great strides toward this goal in 2002. Among the most notable was the progress on the renovation of the Cermak (Douglas) Branch of the Blue Line. With the support of Mayor Richard M. Daley, Speaker of the U.S. House of Representatives J. Dennis Hastert, Illinois Governor George Ryan and the entire Illinois delegation, the CTA secured a Full-Funding Grant Agreement (FFGA) for this project in 2001. In 2002, the project is on time and on budget.

To keep area residents, as well as customers, informed of progress, the CTA created an advisory task force made up of representatives from dozens of local community organizations. The task force meets monthly to share information and provide project updates. The CTA is committed to community participation on this project, from problem solving, to hiring, to service recommendations. To date, 43 percent of the work on this project has been performed by minorities and women, one of the best records for transit projects nationwide.

An array of innovative systems and state-of-the-art materials have been used throughout this project, including concrete support columns to replace the original metal structure. These graceful concrete columns are designed to be graffiti resistant with tight ridges on the outside layer. They also help to absorb the noise from the trains running over the elevated tracks. Long-lasting railroad ties made from recycled plastic are being installed, and a web-based management tool coordinates all the components of this complex project.

Lower Left:
Old vs. New — On the left, the old metal supports, on the right, the new concrete supports being installed as part of the Cermak (Douglas) Blue Line renovation.

Meeting Challenges: Budget 2003
Staying the Course

State-of-the-art, low-floor model Nova bus. The newest addition to the CTA's rolling stock.

Every innovative process and improved material used in the Blue Line project will be incorporated into the next significant capital undertaking in the CTA's renovation process, the expansion of the Brown Line.

The age and condition of buses and rail cars are important elements in measuring a state of good repair. In 2002, the CTA continued to modernize and upgrade its fleet. Due to a lack of investment in years past, many CTA vehicles are well beyond their recommended useful life. To remedy this problem, and prevent future occurrences, the CTA has implemented an aggressive replacement schedule.

Since 2000, the CTA has ordered 635 new buses to replenish its fleet. Of those, 484 are Nova buses. Another 151 buses on order are 60-foot long, low-floor articulated buses that can accommodate more customers than regular 40-foot buses. Delivery of these buses will begin next year. Per an option in the contract, an additional 75 articulated buses could be ordered, bringing the total of new buses to 710. The final Nova bus was delivered in late summer, completing the purchase of 484 buses. All Nova buses are accessible, air-conditioned and fitted with security cameras.

As a result of an agreement with Access Living, an automated bus announcement system, similar in concept to the one in use on CTA trains, was approved for purchase in 2002. The system will make electronic announcements of upcoming stops, enabling customers to better determine their locations.

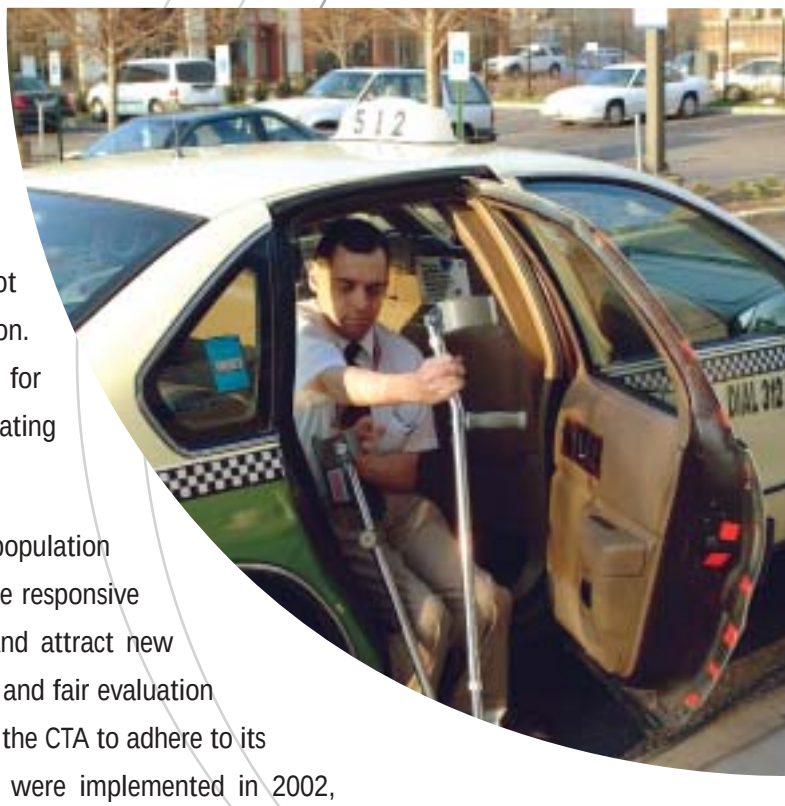
The rehabilitation of the 2600 series rail cars is nearing completion. Benefits of the rehabilitation are becoming evident in the CTA's performance measures for 2002. By keeping rail cars well maintained, more cars are available for service. As a result, service reliability has improved for customers.

The CTA continually evaluates its equipment and services to ensure that all of its customers are being served to the best of its ability, including those unable to access the mainline system.

Meeting Challenges: Budget 2003
Staying the Course

The addition of more low floor buses means that more bus routes are accessible to people with disabilities. Presently, 80 percent of routes and 96 percent of buses are accessible and 44 percent (or 64 out of 144) of rail stations are accessible to customers with disabilities.

Also in 2002, the CTA launched the Mobility Direct pilot program in conjunction with the Checker Taxi Association. The program provides another affordable transit option for people with disabilities. It is off to a good start, generating approximately 2,200 trips per week.



The Mobility Direct service provides new transportation options for customers with disabilities.

Service levels are affected by customer demand as well as population and employment shifts in the service area. Service must be responsive to these changes in order to retain current customers and attract new ones. The CTA's Service Standards are used as a consistent and fair evaluation tool when considering service changes, while still allowing the CTA to adhere to its operating budget. A number of schedule enhancements were implemented in 2002, making service more convenient for customers. Experimental express service was added along the 55th/Garfield and Irving Park routes, as well as the new X98 Avon Express route to the Avon Products facility in north suburban Morton Grove. Since 1998, 12 new bus routes have been established and hours or frequency of service have been extended for another 70 routes. Four routes were extended to make it easier for workers to reach their jobs.

Below left:
Richard Winston, Executive Vice President - Transit Operations, announces the launch of the pilot program for the X55 Garfield Express and X80 Irving Park Express services.

In addition, expanded hours were added to the Orange and Purple Rail Lines as part of a pilot program. The experimental service is part of the CTA's effort to identify new markets and increase its customer base.

On the Green Line, the new Conservatory-Central Park Drive station has served countless visitors attending the Chicago Park District's "Chihuly in the Park Exhibit: A Garden of Glass." Garfield Park Conservatory has been the venue for world renowned glass artist Dale Chihuly's exhibit of sculptures. Improved access to major exhibits

Meeting Challenges: Budget 2003
Staying the Course

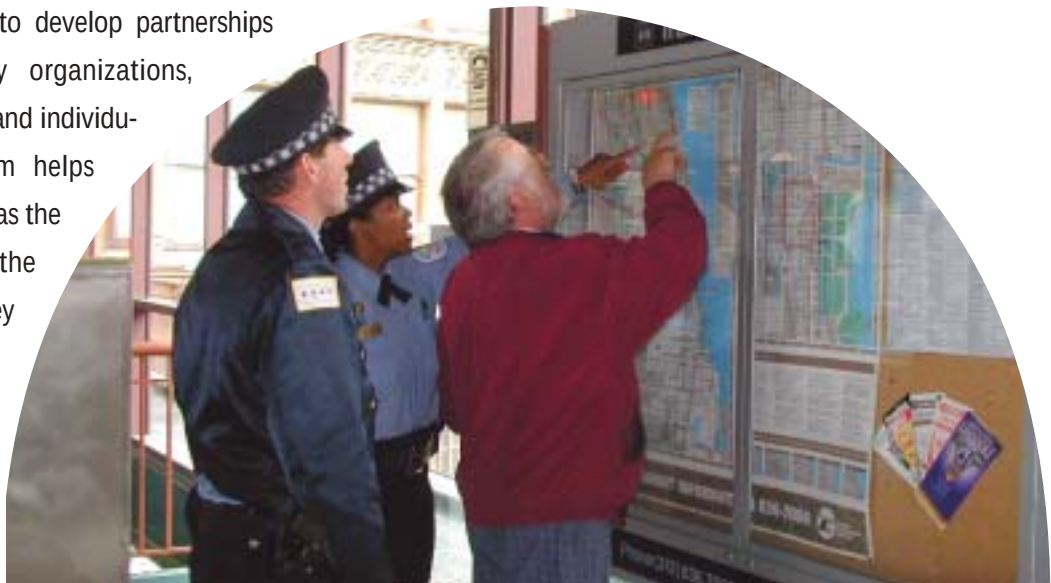
The Conservatory-Central Park Drive Station on the Green Line.

such as Chihuly help to connect customers with cultural opportunities they may have otherwise missed and to cast the spotlight on areas such as Garfield Park that are experiencing a rejuvenation spurred by the added attention. Formerly located on Homan Avenue, the station was relocated to Conservatory-Central Park Drive. The new station incorporated existing materials from the Homan Avenue Station into the construction. Pieces such as the ironwork were replicated to preserve the original design that dates back to 1893. This September, the CTA received the American Public Transportation Association's (APTA) 2002 Innovation Award in recognition of the innovative design of the station.

Although always a major focus, the events of September 11, 2001, cast all security issues in a new light. In addition to carefully evaluating and refining its security procedures, in 2002, the CTA worked to build on and strengthen its relationships with law enforcement and emergency response agencies at the local, state and federal levels. By sharing ideas, information and resources, each organization is better prepared to tackle security challenges.

The CTA is the second largest transit system in the country and takes great pride in its performance as well as its appearance. Addressing issues such as security and providing a clean and friendly environment throughout the system contribute to delivering a positive public transit experience to customers. The CTA provides communities throughout the service area with an opportunity to improve the appearance of their stations through its Adopt-A-Station program. Launched in 1997, the Adopt-A-Station program allows the CTA to develop partnerships with community organizations, local businesses and individuals. The program helps position stations as the gateways to the communities they serve.

Lower Right:
Chicago Police Department's Mass Transit Officers assisting customers.



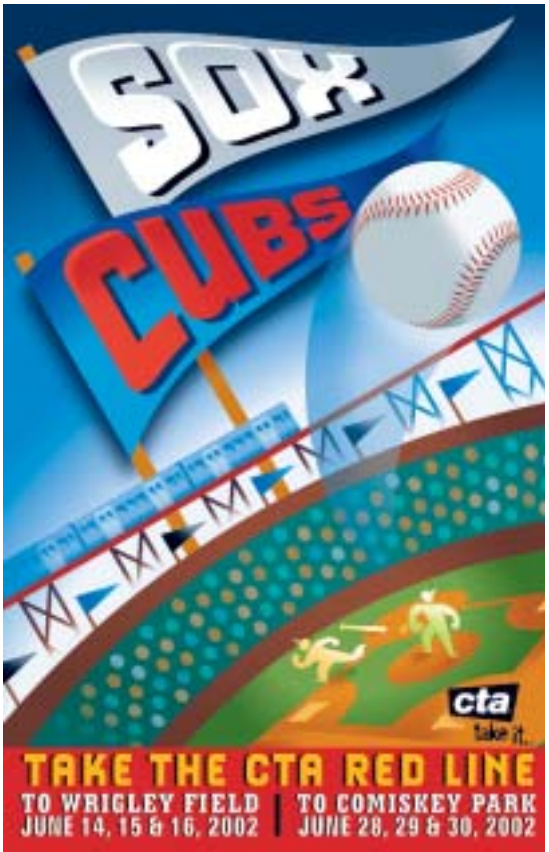
Meeting Challenges: Budget 2003
Staying the Course

To date, 14 community groups have adopted 27 CTA rail stations. In 2002, the Coalition for Developing the 95th Street Corridor adopted the 95th Street station on the Dan Ryan Branch of the Red Line. In addition, the Live Bait Theater adopted the Sheridan station on the Red Line.

Mayor Richard M. Daley is joined by artist Katie Flowers at the 95th Street Adopt-A-Station Event. CTA Chairman Valerie B. Jarrett looks on.

The CTA also participates in the crosstown rivalry between the Chicago Cubs and the Chicago White Sox. Both ballparks are located on the Red Line and during the 2002 Crosstown Classic the CTA distributed commemorative posters to customers using the Red Line to get to Wrigley Field or Comiskey Park. Chicago has the distinction of being one of the few cities in the U.S. to have both a National and American League team, and the posters celebrate the link between them — the Red Line.

In addition to these projects with business and community groups, the CTA has also worked closely with other government agencies to improve its facilities. A renovated, state-of-the-art facility opened at the Chicago Avenue station on the Red Line. The construction of the station was managed by the City of Chicago's Department of Transportation (CDOT). The $28 million station features a wide range of improvements and passenger amenities, including three new elevators, four new escalators, durable granite floors, glazed tile walls, improved lighting and a new set of stairs from the platform level to the mezzanine level. The Museum of Contemporary Art and the Greater North Michigan Avenue Association adopted the station under the CTA's Adopt-A-Station program.



The CTA's 2002 Cubs-Sox Commemorative Poster designed by local Chicago artist Steve Musgrave.

The Red Line is the busiest train line in the system, serving 207,000 customers each day. The renovated Chicago Avenue station on the Red Line serves as the gateway to one of the world's premier shopping, hotel and restaurant districts — along with thousands of office and residential buildings.

CTA customers spend $1.7 billion annually in the Loop and North Michigan Avenue

Meeting Challenges: Budget 2003
Staying the Course

As part of Ride Evanston Week, the CTA helped promote public transit by demonstrating the ease of securing a bike on a CTA bus equipped with a bike rack.

Lower right:
The pedestrian transfer tunnel at Roosevelt/State on the Red Line is scheduled to be completed in late 2002.

shopping areas, which contributes to the economic vitality of the region. This represents 35-40 percent of all consumer expenditures in the Chicago central area. Three out of four CTA riders traveling to downtown said that the CTA is their first choice for shopping in the Loop and North Michigan Avenue. From business, to tourism, to educational institutions and recreation–the CTA is succeeding in its efforts to be the transit option of choice.

Thanks to funding from both the Federal Transit Administration and Governor Ryan's Illinois FIRST program, customers now pass through a modern and more attractive station. Over the past decade the City of Chicago has provided the CTA with more than $750 million in capital improvements. This substantial investment in the CTA's infrastructure is vital to obtaining a state of good repair throughout the system.

CDOT and the CTA are also working together on an underground transfer tunnel connecting the Roosevelt/State Red Line subway with the neighboring Green/Orange Line elevated station. The renovation of the tunnel will provide an attractive, accessible connection outside the Loop for people who need to transfer between Red, Green and Orange Line trains and will be a great convenience for customers using Midway Airport. Work is scheduled to be completed by the end of 2002.

The CTA rolled out an expanded version of its Bike & Ride program to coincide with the City's Bike Chicago 2002 program. The program is designed to attract off-peak riders as well as promote using the CTA for leisure activities. It encourages intermodal transportation, further reducing the need for cars in congested areas. This year, the CTA extended the hours that bikes are allowed on trains and increased the number of bike-friendly bus routes. Bike racks are now available on four bus routes, the #65 Grand, #75 74th/75th, #72 North Avenue and #63 63rd Street.

The CTA is essential to the region's economic health. Boeing's CEO Phil Condit

cited the weight that accessible public transit carried in its decision to relocate to the area. The CTA also helps to attract new residents to the region. Public transit provides a quicker trip to work than driving. On the recreational side the CTA provides easy access to some of the area's most popular destinations such as Navy Pier, the United Center, Wrigley Field and Comiskey Park, The Art Institute of Chicago and The Museum Campus, as well as the lake shore and shopping along the Magnificent Mile.

In addition to contributing to the strength of the region's economy, the CTA is an environmentally conscious agency. By reducing the number of vehicles on the roads, air quality improves when people take public transit instead of driving. The CTA is developing a number of environmental initiatives related to service. Reducing emissions throughout its bus fleet is one goal, but using energy-efficient lighting and low-solvent paint also contribute to protecting and preserving the environment. The railroad ties being used in the renovation of the Cermak (Douglas) Branch of the Blue Line are made from recycled plastic. Not only does using recycled material benefit the environment, the plastic ties are more durable than the creosote ties that are being replaced.

But the real measure of the CTA's progress is ridership. After four years of steady gains, ridership numbers declined slightly in 2002. Ridership numbers are down throughout the region. The CTA experienced a drop of less than one percent. Metra and Pace also recorded losses. Because CTA, Metra and Pace are interconnected, ridership fluctuations on any system can impact the others.

The economic downturn is something that the CTA cannot control. However, operating the CTA in as cost-efficient manner as possible is a challenge that can be met. According to last year's Customer Satisfaction Survey, the perception of the CTA as a market-oriented agency increased from 41 percent in 1997 to 61 percent in 2001. One of the contributing factors cited for this improvement was the CTA's cost-conscious management of a large and complex system.

Meeting Challenges: Budget 2003
Progressing Toward the Vision

Given the weak economy and the uncertainty of state resources, the CTA faces financial challenges in 2003 and beyond. It will, however, continue to rebuild the system and improve the product. That commitment to customers is unwavering.

The CTA began an aggressive capital improvement program in 1999 to bring facilities up to a state of good repair. For customers, the improvements have translated into more convenient, reliable trips. The goal is to continue to produce the high quality service that CTA customers expect and deserve.

Work continues on plans to expand capacity on the Brown Line. This project is designed to relieve congestion, meet anticipated increases in ridership, eliminate slow zones, and improve service delivery and passenger comfort. In addition, it will make the Brown Line accessible to all CTA customers, in accordance with the Americans with Disabilities Act (ADA) guidelines.

The design will be finalized spring 2003 and the CTA is working to secure a Full-Funding Grant Agreement with the federal government. Construction will begin in 2003.

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

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

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

Meeting Challenges: Budget 2003
Progressing Toward the Vision

Also in this upcoming budget year, the CTA will continue to evaluate and test ways to increase bus service reliability. Bus routes will be examined to determine the efficiency of bus stop spacing. This process will result in improved on-time performance and traffic flow in bus lanes making bus service more competitive with cars. The ongoing bus operator empowerment initiative also contributes to reliability by encouraging bus drivers to work as a team to find the best ways to maintain proper intervals and ensure reliable, scheduled service.

The Chicago Card is embedded with a microchip that can be read by a panel on rail turnstiles and bus fareboxes.

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

Improving internal operations through technology also contributes to a more streamlined and efficient agency. "Link It," the Enterprise Resource Plan, was coordinated throughout 2002 and in 2003 will be implemented to improve electronic communication and recordkeeping throughout the entire agency. From procurement, to benefits, to payroll, CTA's systems are becoming integrated and more cost-effective.

In its continuing efforts to control and reduce operating costs, CTA is evaluating its current and future office space needs. As part of this analysis, the CTA is looking at purchasing a headquarters. By owning a building instead of leasing, the CTA has the potential to save millions of dollars annually in operating costs. This benefits customers as it results in money that CTA could spend on service.

Fleet improvements will continue in 2003. The CTA advertised for bids for the manufacture of up to 406 'L' cars, with options to build up to 300 additional cars. These will be the first new 'L' cars since the purchase of the 3200 series in 1992 which are used on the Orange, Brown and Yellow Lines. The new cars will replace one-third of the CTA's current rail fleet, the 2200 and 2400 series cars that date back as far as 1969. The new cars will help to accommodate growing ridership on busier lines, and provide more reliable service for customers.

Even with all of these ambitious initiatives and projects, the CTA still has a great deal of work to do. It needs $5 billion over the next five years to bring the entire system into a state of good repair.

Meeting Challenges: Budget 2003
Progressing Toward the Vision

Currently, the CTA has identified approximately $3.1 billion toward that goal and must secure an additional $1.9 billion to meet its needs. Despite the recent success in acquiring state and federal capital funds, the agency is still faced with a sizeable list of unmet capital needs.

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

The reauthorization of TEA-21 is essential for the CTA and its sister agencies to obtain the funding to meet the future needs of customers. The support the CTA has received from all levels of government acknowledges that public transit is an important part of the solution to regional traffic congestion.

TEA-21 is designed to meet the challenges of improving safety as traffic continues to increase at record levels, protecting and enhancing communities and the natural environment as transit agencies provide transportation, and advancing America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

Millions of customers board buses and trains every day. Public transit is part of their daily lives. Looking ahead, the CTA has laid out long-term plans addressing how it will meet the challenge of growing demand in service.

Meeting Challenges: Budget 2003
Progressing Toward the Vision

Today's CTA rail system is centered on the Loop. This works well for Loop-bound trips, but it means indirect service for customers making crosstown trips. The proposed Circle Line will connect all of Chicago's transit lines to one another in what amounts to a Super Loop. It is a profoundly important initiative that will be presented as a New Start proposal for the reauthorization of TEA-21 next year. By further improving connections between CTA and Metra, the Circle Line will create valuable shortcuts for customers on multiple bus and rail routes, saving them travel time.

The proposal will link all of CTA's and Metra's rail lines with only 6.6 miles of new or rebuilt elevated and subway tracks. Eight of 11 new or rebuilt stations would create connections between CTA and/or Metra lines where none currently exist.

The Circle Line is included in the City of Chicago's Central Area Plan, which outlines concepts that address growth in the downtown area over the next 20 years. Also included is a new underground busway that would allow CTA customers to bypass surface traffic via a link running from the West Loop to Michigan Avenue. The CTA is also working on a plan to offer express service from downtown to O'Hare for travelers. Passengers could check their bags and get their boarding passes downtown, hop on the train and get to the airport in just under a half hour, passing local trains along the way.

A number of suburbs have expressed interest in CTA rail service expansion into their communities as well. For example, Skokie is very interested in having the Yellow Line extended from Dempster up to Old Orchard. The Village of Schaumburg and neighboring communities are interested in having the Blue Line extend out to Schaumburg, and in the other direction, Oak Brook has inquired into having the Blue Line extended. There is also interest in having the Orange Line extended from Midway Airport to Ford City, and having the Red Line extended further south. The CTA looks forward to continuing to work with all these communities in developing New Start proposals for these projects as well.

Public transit is a vital part of urban life and, in growing numbers, suburban life. Valuable resources such as time, land use and clean air are key elements that contribute to the quality of life in a modern society. The CTA is committed to providing and continually enhancing solutions and services for its customers that meet their needs today and far into the future.

CTA Salutes Its 2002 Bus & Rail Champions and Kathy Osterman Award Winners

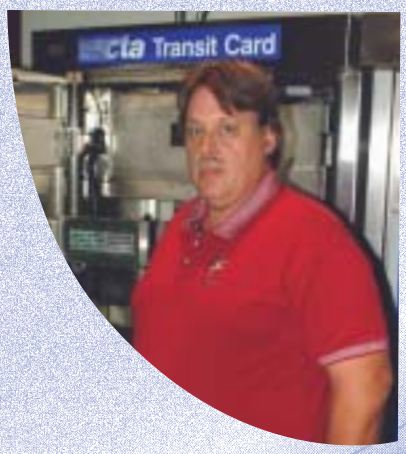
Rail Cleanliness Champion
Patricia Baran
(South Section)

Rail Operator Champion
Christopher Fisher
(Howard Terminal)

Kathy Osterman Honorees
(l to r) Cheryl A. Cook, Outstanding Clerical Employee winner (Executive Assistant Construction, Engineering & Facilities) and Mildred F. Leonard, Outstanding General Service Employee winner, (Electrical Worker Leader, Transit Operations).

Bus Operator Champion
Lorenzo Gunn, Jr.
(103rd Street Garage)

Rail Customer Assistant Champion
Andrea DeFell
(95th Terminal)



AFC Technician Champion
Stanley Majewski
(901 W. Division)

Rail Maintenance Team Champions
(l to r) Terry Sottile, Darnell Stovall and Elmer Costabile
(Skokie Shop)

Bus Maintenance Team Champions
(l to r) Marc Schergen, Edward Jordan and Patrick Davis
(Archer Garage)

2002 Rail Rodeo Champion Andrea DeFell assists a customer.

Courteous

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

2002 Operating Budget Performance

The year 2002 was defined by a weak economic environment with a high unemployment rate. For CTA, the impact of this economic downturn challenged us to operate in a more cost-efficient manner. Through the implementation of a cost containment strategy as well as conducting special route studies, CTA was able to reduce operating expenses and improve operational efficiencies by $21.1 million. As a result of tough, prudent management decisions, CTA has been able to hold the line on fares since 1991, yet provide increased service and increase the investment in the infrastructure.

Fiscal Year 2002 financial performance centered around providing our customers with on-time, clean, safe, and friendly transit service. This commitment was demonstrated by increased and improved service reliability, upgraded bus and rail fleets, and renovated infrastructure. CTA also continued to achieve significant gains in customer satisfaction and loyalty, according to the 2001 Customer Satisfaction Survey. Overall satisfaction has increased from 80 percent in 1999 to 85 percent in 2001, and the number of loyal CTA customers has more than doubled in the past six years. Additionally, CTA has achieved an increase in the number of choice riders, reaching 80 percent in 2001.

CTA's on-going effort to provide a better link between residential communities and job locations resulted in regular bus route evaluations to make route adjustments and identify the potential of adding new experimental bus routes. X55 Garfield Express and X80 Irving Park Express bus routes were part of an experimental plan that began June 2002 and operated weekdays for the purpose of supplementing local service and enabling customers to reach their destinations quickly and directly. X98 Avon Express was another six-month experimental service to Avon Products Inc. facility in north suburban Morton Grove. The Avon Express route was designed to make reverse commuting convenient and economical for customers who travel to the suburbs. Another new weekday service was the #168 UIC-Pilsen Express bus route that connects the UIC and Pilsen communities on the near southwest side with the UPS facility in Hodgkins.

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

- #20 Madison ♿
- #146 Marine/Michigan Express
- #147 Outer Drive Express ♿
- #156 LaSalle

- #X49 Western Express ♿
- #53 Pulaski ♿
- #60 Blue Island ♿
- #62 Archer ♿
- #70 Division ♿
- #82 Kimball-Homan ♿
- #147 Outer Drive Express ♿
- #126 Jackson ♿
- #53A South Pulaski ♿
- #2 Hyde Park Express ♿
- #4 Cottage Grove ♿

The wheels of progress continue to turn for the CTA's largest capital improvement project, the $482.6 million rehabilitation of the Blue Line Cermak (Douglas) Branch. To accommodate the needs of the customers who use the stations undergoing reconstruction, two temporary stations were opened, serving Pulaski and Kildare as well as Central Park and Kedzie.

The beginning of this year also marked the official opening of the newly reconstructed Western Avenue station on the O'Hare branch of the Blue Line. The $13 million construction project involved the demolition of the original station and the construction, design, and engineering of a new, modern and accessible facility.

The authority's elevated structure at the intersection of Wacker and Wells was rebuilt as part of the ongoing reconstruction of Wacker Drive. This consisted of removing and installing new track, girders, support columns, third rail, and signals. Work is also underway on an underground transfer tunnel connecting the CTA State/Roosevelt Red Line subway with the Green/Orange Line elevated station. This will yield service improvements by providing customers with a free, direct link that saves time and is easy to use by people with disabilities.

In order to provide faster and more convenient service, a number of service improvements were implemented on the rail system by running longer trains and adding more trains to provide more frequent service. Some of the service expansion included:

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

In May, CTA rolled out its Bike & Ride program to coincide with the city's Bike Chicago 2002 program. Bike racks are now available on two additional bus routes, the #65 Grand and #75 74th/75th. The hours that bikes are allowed on trains were lengthened to include all times except for weekday rush periods.

To better serve customers with disabilities, CTA increased paratransit service by implementing Mobility Direct, a one-year pilot program that expands the CTA's Taxi Access Program (TAP) and provides voucherless subscription service for people with disabilities. Mobility Direct is a curbside subscription service, offers a more convenient option for subscription customers who take at least two round trips weekly, and enables CTA to meet increasing demand for paratransit in a more cost-efficient way. Like TAP, Mobility Direct services are available 24 hours a day, 7 days a week. The advantages over TAP include the fact that customers do not have to purchase TAP vouchers ahead of time or book each trip separately. Since launching Mobility Direct in February, the program has generated more than 1,600 trips per week.

The agency worked on renewing and upgrading the existing bus fleet. The Nova bus procurement for 485 buses was completed this year. New buses consisting of 176 40-foot air-conditioned, accessible Nova buses were delivered in 2002. To improve the reliability of the bus fleet, the midlife overhaul of 208 TMC buses and the pneumatic valve change-out on the 5300 and 6000 series buses were completed. The process of overhauling 64 1995 New Flyer buses has started and is expected to be completed by the end of 2003. With the addition of new air-conditioned buses as well as air-conditioning upgrades on some older buses, 91 percent of the bus fleet was equipped with air-conditioning in 2002.

The midlife overhaul on 598 2600 series rail cars serving the Blue, Red, Brown, and Purple Lines will be completed by the end of the year. The rehabilitation program is expected to add 15 years to the rail cars' service life. The installation of air control units on the 2200 series and the change-out of the inverters on the 2400 series rail cars were also completed to improve the reliability of the rail fleet.

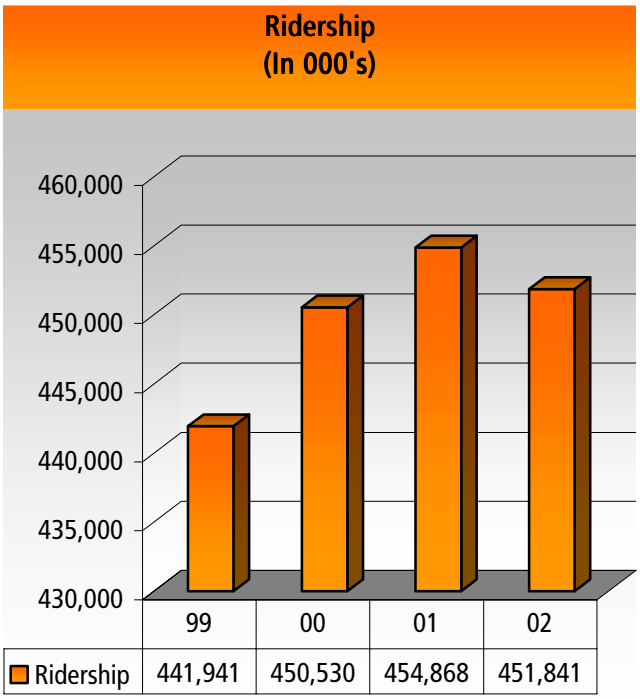
The Adopt-A-Station, a program launched by CTA in 1997 to establish partnership between community organizations, local businesses and individuals, continued to add new sponsors during the year. Stations are adopted for a period of two years in which adopting organizations are given an opportunity to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

The Enterprise Resource Planning (ERP) system, named 'Link It', started in the beginning of the year. The project goal is to replace the CTA's current stand-alone financial systems with a fully integrated software platform for financial and human resources management. The Link It project is on schedule and on budget with

the Mobilization Phase, Financials Prepare Phase, and Financials Design Phase scheduled to be delivered by the end of 2002.

Ridership

Ridership is estimated at 451.8 million trips by the end of 2002. This is 3.0 million trips or 0.7% below 2001. The decline in ridership is the first drop in five years.



Bus ridership is forecasted at 298.5 million trips. Compared to prior year, bus ridership is 3.2 million or 1.1% lower. Rail ridership is projected at 151.9 million and is slightly over prior year by 0.1 million or 0.1%. Paratransit is expected to end the year at 1.5 million trips, 4.0% higher than prior year.

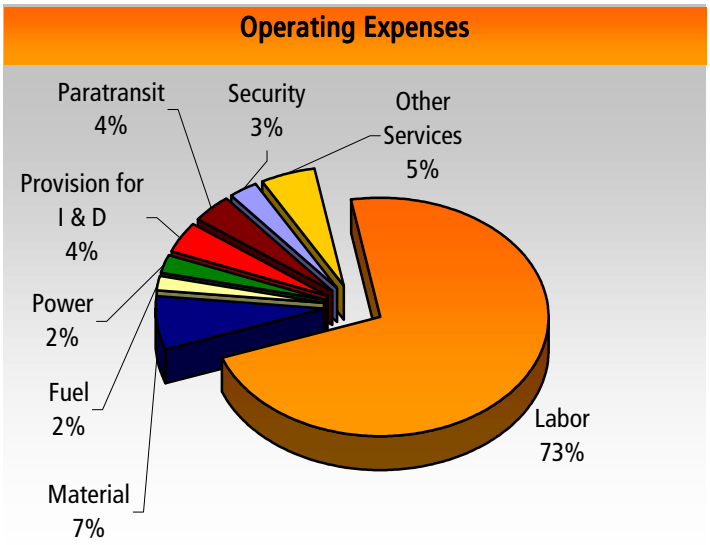
Nationally, public transit ridership fell 2.4% in the first quarter of 2002 compared to the same period in 2001 (Source: APTA). For public transit agencies in major metropolitan urban areas, the ridership loss was even higher: Boston's MBTA ridership fell 3.2% and Philadelphia's commuter line fell 3.4% in the first quarter of 2002. San Francisco's transit agency, BART, saw the largest decrease, 9%, reflecting in part the drastic downturn in the technology-dominated local economy. CTA's ridership slipped in the same period. Metra and Pace also recorded losses.

Because CTA, Metra, and Pace are interconnected; ridership fluctuations on any system can impact the others. Approximately 8% of Metra riders and 38% of Pace riders use CTA's service daily to complete their journey.

Operating Expenses

FY 2002 operating expenses are estimated at $906.1 million and compare favorably to the budget by $8.7 million or 1.0%. All expense categories are expected to finish the year under budget except for the provision for injuries and damages, security, and paratransit. The expense reductions are related to the cost containment strategies implemented to ensure that CTA achieves a balanced budget in 2002.

Labor expense is projected at $655.0 million and is $12.6 million or 1.9% below budget. The decrease in labor expense is related to the implementation of cost containments and operational efficiencies. The CTA reached a collective bargaining agreement with the Craft Union Coalition, which represents 11 trade unions. The agreement provides wage increases and improved pension and health care benefits for employees. For CTA, the agreement offers work rule changes that will allow for more cost-efficient operations. CTA has reached labor contract agreements with all unions except the Amalgamated Transit Union, Local 241, which represents bus operators. That agreement is in interest arbitration.



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

Fuel expense for revenue equipment is expected to finish the year at $18.5 million. This is $4.5 million or 19.6% under budget. FY2002 budget assumed an average price of $1.00 per gallon and 23.0 million gallons. Fuel prices and consumption have been running below budget and are estimated to end the year at an average price of $0.84 and 22.1 million gallons, leading to savings in fuel expenses.

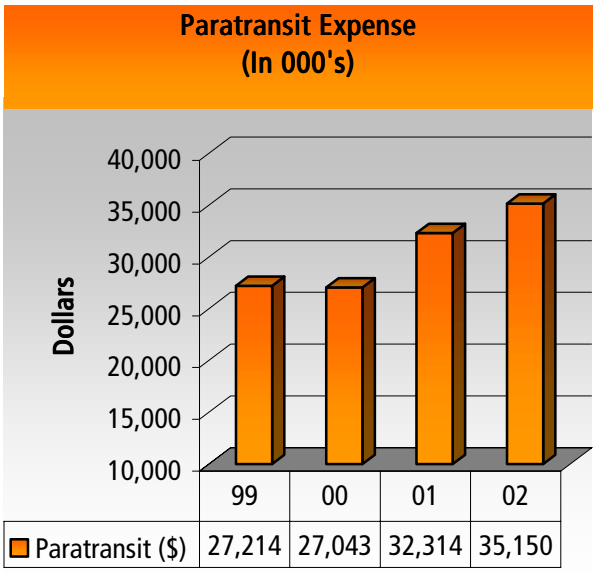
Electric Power expense for the rail system is forecasted at $20.9 million, $1.8 million less than budget. This is a result of lower tax expense and lower consumption. The lower consumption is due to facility energy efficiencies and construction on the system.

The Provision for Injuries and Damages represents the expense for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles. The 2002 forecast is $39.0 million and is above budget by $16.0 million. The increase in funding reflects management's use of the proceeds from the innovative lease transactions to reduce outstanding liabilities.

The Purchase of Paratransit expense is estimated at $35.1 million, $1.6 million or 4.6% higher than budget. Paratransit trips are projected to finish the year at 1.5 million trips, 97,948 trips or 7.0% over the 2002 budget. This curbside service is provided by three carriers (SCR, CDT, and Art's) and taxicab companies. This increase is

due, in part, to an aging population. Looking towards the future, CTA's goal is to have the bus fleet fully accessible by the end of 2003.

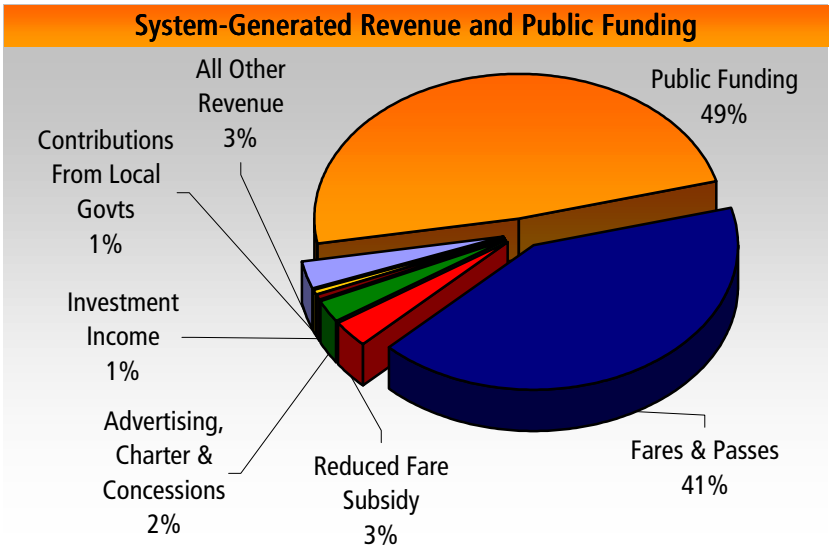
Security is strategically deployed throughout the system to provide 24-hour coverage, seven days a week. This service is provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expense is estimated at $24.2 million, $1.2 million above budget.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



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

Revenues

The impact of the weak economy has perhaps been most evident in CTA's ridership and revenues. Regional sales tax, investment, and advertising revenues have fallen from the high levels of the past years due to decreased economic activity. As a result, both CTA and the region have sought creative revenue sources to maintain operations.



System-Generated revenues are estimated at $464.5 million and compare unfavorably to budget by $8.7 million or 1.8%. All revenue categories were under budget except for contributions from local governments and other revenue. Public funding through RTA is forecasted at $441.6 million and is on par with budget.

Revenues from fares are forecasted at $375.6 million and compare unfavorably to the budget by $13.3 million or 3.4%. The lower fare revenue is due to lower ridership. The average fare for 2002 is estimated to be $0.83, which is on par with budget. The economic recession continues to be the most likely reason behind the decline in fare revenue.

The Reduced Fare Revenue is the State of Illinois reimbursement to CTA for providing discounted fares to disabled, elderly, and student customers. Reduced Fare Reimbursement is projected at $29.5 million and is below budget by $2.8 million due to the reduction in funding for the 2001-2002 State fiscal year budget. The state cut this funding to balance its own budget. Ridership for reduced fare customers, however, continues to exceed prior year.

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, respectively, to the operations of CTA each year.

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

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

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

CTA projects a balanced budget as required by law with Public Funding Required for Operations equaling the funding mark of $441.6 million set by RTA. The Recovery Ratio, which measures the percentage of operating expenses CTA funds from revenues, is estimated at 52.9 percent which exceeds the Required Recovery Ratio by 0.9 percentage points. The higher recovery ratio is related to an exemption for depreciation expense for paratransit carriers and inclusion of in-kind revenue for services provided by the Chicago Police Department and Cook County SWAP Program.

Despite tough economic times, CTA has not raised fares for more than a decade and has increased service. CTA continues to strive to maintain improved service levels and to be more efficient in its operations.

2002 Operating Budget Summary

(In Thousands)	2002 Budget	2002 Projected	(Unfav)/Fav Variance	(Unfav)/Fav % Variance
Operating Expenses				
Labor	$ 667,597	$ 655,000	$ 12,597	1.89%
Material	66,949	64,544	2,406	3.59%
Fuel -- Revenue Equipment	23,000	18,500	4,500	19.57%
Electric Power -- Revenue Equipment	22,700	20,895	1,806	7.95%
Provision for Injuries and Damages	23,000	39,000	(16,000)	(69.57%)
Purchase of Security Services	22,989	24,200	(1,211)	(5.27%)
Purchase of Paratransit	33,591	35,150	(1,559)	(4.64%)
Other Expenses				
Utilities	20,740	17,735	3,006	14.49%
Maintenance and Repair	13,069	13,830	(761)	(5.82%)
Advertising and Promotion	2,311	1,633	678	29.33%
Contractual Services	21,003	17,900	3,103	14.77%
Provision for Passenger Security	4,845	4,550	295	6.09%
Leases and Rentals	7,706	8,160	(454)	(5.89%)
Travel, Training, Seminars and Dues	804	789	15	1.92%
Warranty and Other Credits	(19,840)	(20,347)	507	(2.56%)
General Expenses	4,323	4,581	(257)	(5.95%)
Total Other Expenses	54,962	48,830	6,133	11.16%
Total Operating Expenses	$ 914,787	$ 906,118	$ 8,669	0.95%
System Generated Revenue				
Fares and Passes	$ 388,890	$ 375,557	$ (13,333)	(3.43%)
Reduced Fare Subsidy	32,300	29,500	(2,800)	(8.67%)
Advertising, Charter, & Concessions	30,280	21,738	(8,542)	(28.21%)
Investment Income	10,670	4,864	(5,806)	(54.41%)
Contributions from Local Governments	5,000	5,000	-	0.00%
All Other Revenue	6,016	27,828	21,812	362.58%
Total System Generated Revenue	$ 473,156	$ 464,487	$ (8,669)	(1.83%)
Public Funding Required for Operations	$ 441,631	$ 441,630	$ -	0.00%
Public Funding Available through RTA	$ 441,631	$ 441,630	$ -	0.00%
Recovery Ratio	52.00%	52.87%	-	-
Required Recovery Ratio	52.00%	52.00%	-	-
Fund Balance	-	-	-	-

Note: Recovery Ratio for 2002 Projected includes In-Kind revenue and In-Kind expenses for SWAP, CPD, and excludes depreciation expense from the paratransit service providers.

2002 Bus Roadeo Winner Lorenzo Gunn, Jr.

Innovative

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

2003 Operating Budget Performance

CTA's proposed FY 2003 budget is balanced and focuses on providing world-class transit services. In some areas, services have been increased to better serve customers. During the 2002 fiscal year, the CTA balanced its budget despite declining farebox and sales tax revenues by implementing new fiscal management controls and innovative revenue transactions. These measures enabled CTA to maintain fares while expanding service to customers such as adding two new express bus routes and extending Purple and Orange Line hours.

2003 Customer-focused Goals

The CTA serves 1.5 million customers each weekday, providing 450 million trips per year. By providing affordable, quality transit services, the CTA increases the attractiveness of living and working in the Chicago region, and 2003 is no exception. Public transportation is increasingly recognized as playing an important factor in reducing congestion, pollution and promoting quality-of-life for Chicago area residents and businesses.

In 2003, CTA customers will continue to benefit from service expansion and innovation through pursuit of the following agency goals:

- Improve scheduling practices and reliability, including intervals between buses, via technology.
- Expand accessibility of mainline service to customers with disabilities, in part by achieving a 100% accessible bus fleet and installing TDD phones in rail stations.
- Improve signage and directional guidance in rail stations and at bus stops and improve customer communications.
- Implement "green" technology plan to reduce emissions and use environmentally friendly materials on major construction projects, including recycled plastic ties on the Cermak (Douglas) Blue Line Reconstruction.

In 2003, CTA customers will benefit from attractive iron bus benches and bus shelters added through the City of Chicago's Street Furniture program. The CTA will continue pilot programs to increase public access to the city's parks, lake and cultural assets including more bike-friendly options that also provide a public benefit by reducing congestion and air pollution.

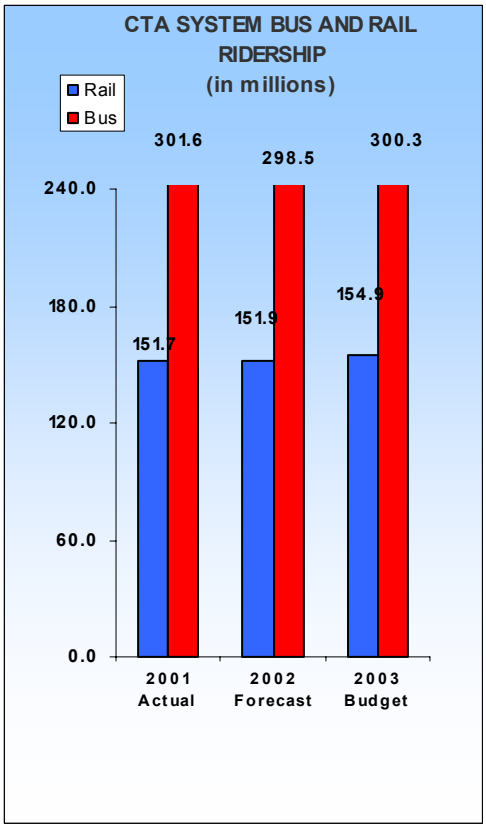
In 2003, the CTA will continue to update its bus and rail fleet through the Capital Improvement program. Through both the purchase and rehabilitation of the bus and rail fleet, customers will see increasingly modern buses and train cars that enhance rider comfort and service reliability across the system.

Finally, in 2003 the CTA will continue to make significant investments in technology to reduce operating costs and improve services. The CTA plans to expand its Chicago Card™, a smart card fare system that is based on a microchip and provides customer security if the card is lost or stolen. When fully implemented, the Chicago Card™ will speed up the time it takes each customer to pay for a fare, resulting in faster service. The CTA will also initiate a bus farebox replacement that will increase customer options for paying and buying fare cards. Lastly, the CTA has begun implementation of an integrated purchasing and financial system. When the system is fully implemented by 2004, the CTA will have access to up-to-date technology tools to more effectively manage resources.

2003 Ridership

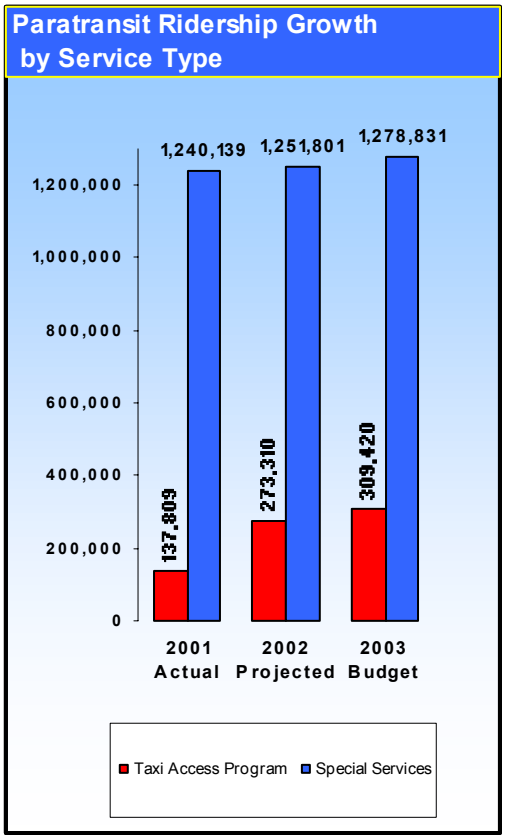
The CTA estimates providing 456.8 million trips in 2003, an increase of 1.1% over 2002 forecasted levels. The ridership trends are similar to 2001 levels.

Bus ridership in 2003 is projected to be 300.3 million total trips, an increase of 0.6% over 2002 forecasts.



Rail ridership is projected to be 154.9 million rides in 2003, an increase of 2% over 2002 forecasts of 151.8 million trips. The projected increase is due to the greater convenience for riders using the CTA system, including additional train runs and expanded service hours in addition to improved scheduling between rail and bus lines.

CTA forecasts providing 1.6 million paratransit trips in 2003, an increase of 9% over FY 2002 forecasts. Paratransit ridership has historically climbed 10% or higher each year due to high demand for the service. For 2003, the CTA projects providing 1.27 million Special Service trips, a growth rate of 3% over 2001 levels of 1.24 million. For 2003, the CTA also projects providing 309,900 Taxi Access Program (TAP) trips, a growth rate of 124% over 2001 levels of 137,809 TAP trips. The increase in the TAP program reflects increased outreach and communication about the program (see chart).

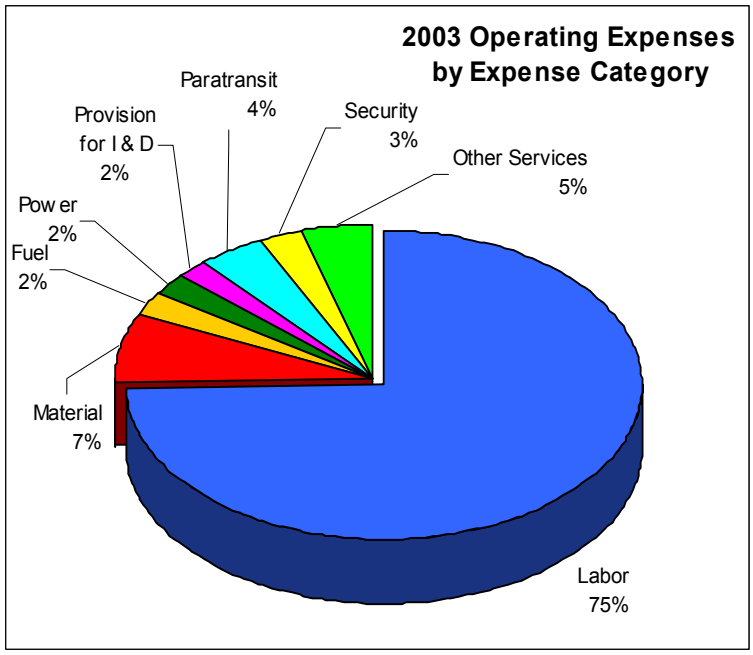


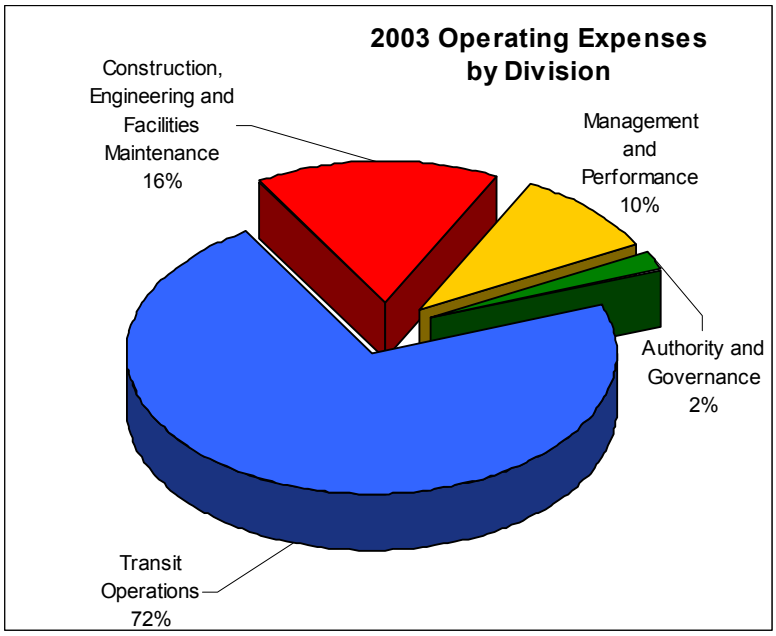
2003 Operating Expenses

While economists are hopeful that the Chicago region will regain its economic strength, the CTA must remain conservative in its budget assumptions for 2003. In 2003, the CTA's challenge is two-fold: to identify new resources and to focus resources more strategically. Given the uncertain economy, managing this balance without impacting service levels will require vision and regional cooperation.

Total operating expenses for 2003 are $924.6 million, a 1.1% increase over 2002 budget of $914.8 million. Comparatively, the Consumer Price Index (CPI) growth is estimated at a 2% growth rate for 2003. Labor expenses make up nearly 75% of the CTA's operating expenses. Labor expenses include bus and rail operator hours to support 24-hour operations – the CTA covers more than 67.5 million bus miles and 63.4 million rail miles over the course of the year.

The remaining 25% of the budget consists of material, fuel, power, security, paratransit and other services. Because many of the CTA expenses are fixed, such as security and paratransit services, material and other service expenditures must be monitored closely in 2003 should the economy continue to falter. In addition, fuel and power expenses that are dependent on national and international trends may continue to fluctuate. While budgeted expenses are consistent with recent trends, it may be necessary to adjust them as the market is impacted by U.S. energy policy and conflicts in the Middle East.

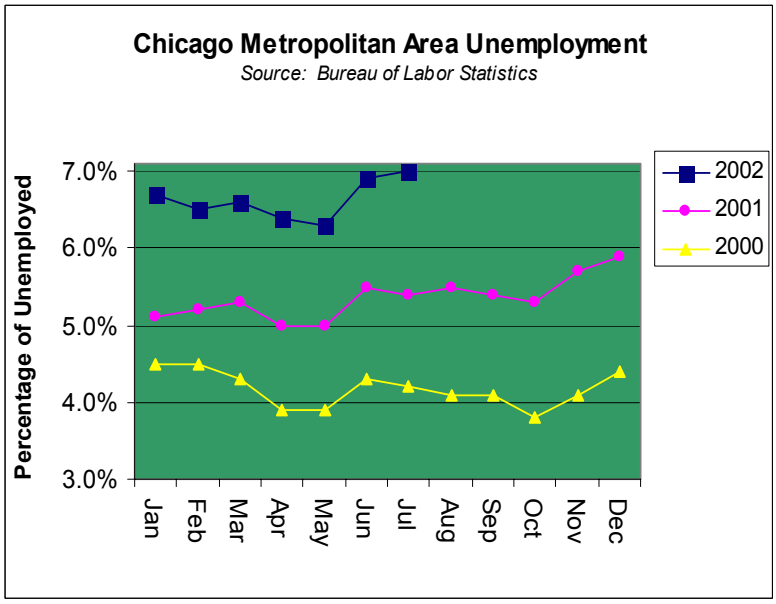




Internally, Transit Operations accounts for 72% of the CTA's 2003 operating expenses. Transit Operations includes the Bus, Rail, Security, Paratransit and Planning Departments. Combined, Transit Operations will receive 2.3% more resources in 2003 than 2002, a rate twice as high as the agency's overall growth. The Construction, Engineering & Facilities Maintenance Division represents 16.4% of the 2003 budget and has been budgeted at levels approximate with 2002. The administration arm of the agency, Management and Performance, represents 10% of the budget and will see a decrease in expenses in 2003 due to improved fiscal oversight and a reduction of contractual obligations. The remaining 2% of resources are devoted to agency governance and will be budgeted at levels consistent with 2002.

The fiscal challenges facing the CTA in 2003 are related to the events of September 11, 2001 and the resultant downturns of the national and local economy. While farebox and sales tax revenues declined, the CTA added additional security services during 2002. In 2003, the CTA has increased contract security by $0.6 million and will continue working closely with law enforcement to maintain the right balance between security and personal mobility.

The primary economic indicator impacting ridership and operating funds is unemployment. The City of Chicago, which was buffered from earlier dips in the economy, experienced higher than average job losses through the first two quarters of 2002 than the rest of the Chicago region (Source: Illinois Department of Employment Security). The following chart demonstrates that the unemployment rate for the Chicago Metropolitan area increased from



4.2% in July 2000 to 7.0% in July 2002. The CTA will continue to closely monitor unemployment trends in 2003 and will be prepared to initiate cost containment and revenue enhancement measures if revenues fall below projections.

Labor Expenses are projected to increase in 2003 even though no new positions were added to the budget. Labor expenses are forecast to cost $686.9 million in 2003, an increase of $19.3 million or 2.9% over 2002. This increase is to due to a combination of wage increases to accommodate expenses for cost of living, health insurance and workers' compensation.

Material Expenses will increase a modest $0.5 million to $67.4 million in 2003 from $66.9 million in the 2002 budget. The minimal increases in material expenses are due to receipt of new buses, the bus and rail vehicle overhaul programs and higher capitalization of vehicle components.

Fuel for Revenue Equipment for 2003 is budgeted at $22.4 million, a decrease of $0.6 million from $23.0 million in the 2002 budget. The budgeted rate per gallon is $1.00 and is consistent with 2002 forecasts. 2003 fuel consumption is projected to be lower than 2002 budget due to scheduling efficiencies and fewer bus re-routes from construction.

Electric Power for Revenue Equipment covers the electricity to support the rail system. Expenses for electricity are 6.2% lower in 2003 due to decreased demand and exemption from municipal taxes. The 2003 budgeted level for power is $21.3 million compared to $22.7 million in the 2002 budget.

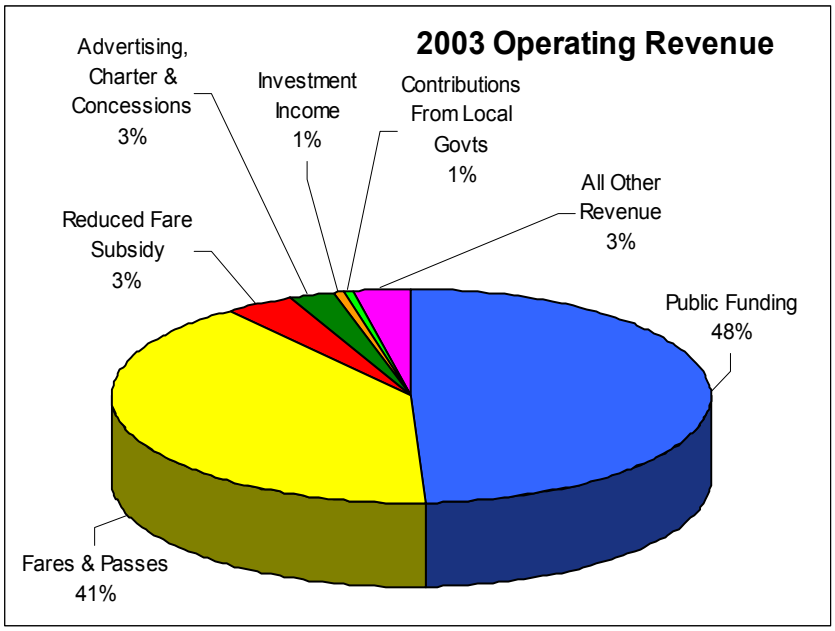
Provision for Injuries and Damages is expected to decrease from $23.0 million in the 2002 budget to $17.6 million in 2003 due to a multi-million dollar increase in the damage reserve fund in 2002 from proceeds from a lease transaction.

Purchase of Paratransit Services is budgeted at $37.2 million in 2003, an increase of $3.6 million or 10.8% over 2002 budget levels of $33.6 million. This increase reflects increased demand for paratransit services each year of approximately 10% annually. The CTA provides two types of paratransit services, Special Services and taxi cab service (TAP). Each Special Service trip costs the CTA on average $26.39, while the TAP program costs the CTA an average of $13.14 per trip.

Purchase of Security Services is budgeted at $24.8 million, an increase of $1.8 million from 2002 budget due to increased security coverage of rail stations by the Chicago Police Department and private security firms.

Other expenses are budgeted at $46.9 million for FY 2003 and are $8.0 million less than 2002 due to lower third party contracting costs (data processing, accounting, engineering and other consulting services) and lower utility expenses.

The CTA projects a balanced budget as required by law. The Recovery Ratio, which measures the amount of operating expenses CTA has to fund from revenues it generates, has been set by the RTA once again at 52.00%. The CTA forecasts achieving a recovery ratio of 52.6% in 2003, slightly above the mark due to two factors that are new to the 2003 budget. The first is an exclusion of depreciation expenses for paratransit carriers and the second factor is the inclusion of in-kind services as revenue for security provided by the Chicago Police Department and Cook County SWAP Program, equal to $22.0 million and $3.0 million per year respectively.



FY 2003 Revenue

The CTA collects revenue from two main sources, system-generated revenues (fares and passes, advertising income) and public funding generated primarily from sales tax revenues and public transportation funds (state match on sales tax) that is channeled through the Regional Transit Authority (RTA), the oversight agency for Metra, Pace and CTA.

The CTA's total system revenue for FY 2003 is $471.1 million and is slightly higher than the FY 2002 forecast. The revenues are below the 2002 budget by $2.1 million or 0.4% due to a combination of factors, including lower ridership, lower average fare, and lower advertising and investment income.

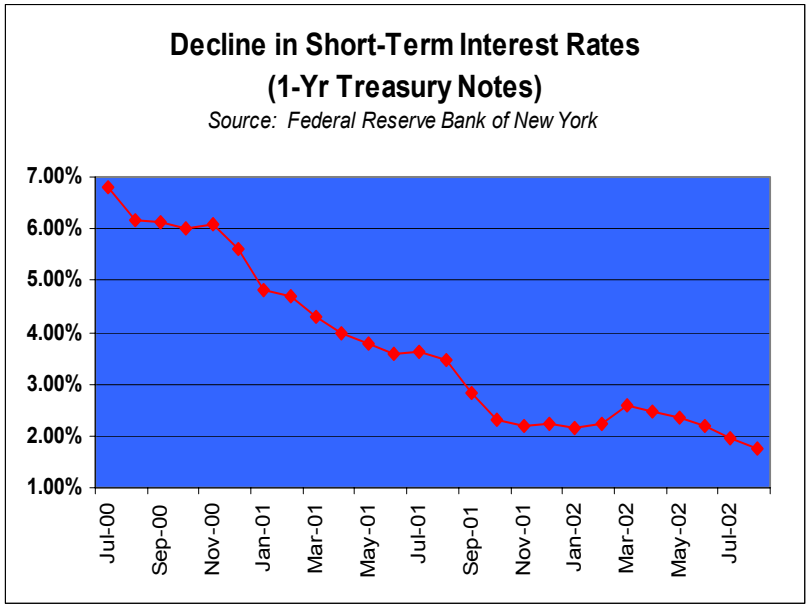
Revenue from fares and passes is budgeted at $376.1 million for 2003. This amount is $12.7 million or 3.3% less than 2002 budget due to lower actual ridership trends in 2002. The lower revenue is a direct result of the economic recession and greater use of discounted fare media by customers.

Reduced fare subsidy from the state is flat at $32.3 million.

Advertising, Charter and Concessions revenue in 2003 is $24.6 million, which is $5.6 million lower than 2002 budget levels. The lower revenues are due to the softening economy and lower investment by the private sector in marketing and advertising.

Investment returns are also down 50% due to lower interest rates due to actions by the Federal Reserve Board, which has lowered interest rates from 6.8% in July 2000 to below 2% in 2002 (see chart).

All Other Revenue will increase $22.2 million from the 2002 budget to $28.2 million in FY 2003 due to one-time revenue-enhancement strategies.



2003 Operating Budget Summary

(In Thousands)	2001 Actual	2002 Budget	2002 Projected	2003 Budget
Operating Expenses				
Labor	$ 629,619	$ 667,597	$ 655,000	$ 686,912
Material	64,879	66,949	64,544	67,466
Fuel - Revenue Equipment	23,326	23,000	18,500	22,375
Power - Revenue Equipment	21,835	22,700	20,895	21,296
Provision for Injuries and Damages	44,000	23,000	39,000	17,568
Purchase of Security Services	22,512	22,989	24,200	24,813
Purchase of Paratransit	32,314	33,591	35,150	37,215
Other Expenses				
Utilities	18,119	20,740	17,735	18,666
Maintenance and Repair	14,376	13,069	13,830	12,484
Advertising and Promotion	1,490	2,311	1,633	5,006
Contractual Services	15,283	21,003	17,900	15,549
Provision for Passenger Security	4,869	4,845	4,550	4,845
Leases and Rentals	7,273	7,706	8,160	8,460
Travel, Training, Seminars, and Dues	770	804	789	945
Warranty and Other Credits	(19,438)	(19,840)	(20,347)	(20,557)
General Expenses	2,686	4,323	4,581	1,524
Total Other Expenses	45,428	54,962	48,830	46,922
Total Operating Expenses	$ 883,912	$ 914,787	$ 906,118	$ 924,566
System Generated Revenue				
Fares and Passes	$ 373,811	$ 388,890	$ 375,557	$ 376,132
Reduced Fare Subsidy	32,463	32,300	29,500	32,300
Advertising, Charter, & Concessions	20,372	30,280	21,738	24,598
Investment Income	10,674	10,670	4,864	4,864
Contributions from Local Governments	5,000	5,000	5,000	5,000
All Other Revenue	22,587	6,016	27,828	28,184
Total System Generated Revenue	$ 464,907	$ 473,156	$ 464,487	$ 471,078
Public Funding Required for Operations	$ 419,006	$ 441,631	$ 441,630	$ 453,488
Public Funding Available through RTA	$ 419,006	$ 441,631	$ 441,630	$ 453,488
Recovery Ratio	52.89%	52.00%	52.87%	52.56%
Required Recovery Ratio	52.10%	52.00%	52.00%	52.00%
Fund Balance	$ -	$ -	$ -	$ -

Note: Recovery Ratio for 2002 Projected includes In-Kind revenue and In-Kind expenses for SWAP, CPD, and excludes depreciation expense from the paratransit service providers.

2003 Department Budget Summary

(In Thousands)	2001 Actual	2002 Budget	2002 Projected	2003 Budget
Authority Governance	$ 978	$ 1,132	$ 1,089	$ 1,293
Office of the President	800	922	857	920
Office of Inspector General	1,634	1,801	1,926	2,176
General Counsel	13,089	15,199	13,978	15,303
TRANSIT OPERATIONS				
EVP Transit Operations	731	531	712	698
Operations Support Services	830	924	873	1,274
BUS OPERATIONS				
VP Bus Operations	769	670	819	580
Bus Operations Oversight	-	-	-	823
Scheduled Transit Operations - Bus	222,536	233,413	227,872	241,158
Bus Garages	127,118	129,861	121,252	128,807
Bus Heavy Maintenance	33,178	31,905	34,078	35,951
Engineering & Technical Services - Bus	1,934	2,105	2,104	1,995
Total Bus Operations	385,535	397,954	386,126	409,313
RAIL OPERATIONS				
VP Rail Operations	347	217	395	280
Rail Operations Oversight	364	567	602	542
Scheduled Transit Operations - Rail	77,520	79,684	76,885	81,575
Rail Terminals	60,800	64,699	59,265	62,509
Rail Heavy Maintenance	6,082	9,772	7,828	8,198
Rail Car Appearance	9,422	9,999	9,784	9,997
Engineering & Technical Services - Rail	2,189	2,399	2,608	2,566
Total Rail Operations	156,724	167,338	157,366	165,667
SAFETY, SECURITY, & TRAINING				
Security Services	23,494	24,608	25,330	26,041
System Safety & Environmental Affairs	1,531	1,862	1,804	1,890
Communication Power/Control	6,857	7,383	7,988	7,039
Training & Instruction	9,635	10,590	10,667	10,752
Total Safety, Security, & Training	41,517	44,443	45,788	45,722
PLANNING				
VP Planning	395	511	498	600
Planning	3,577	3,494	4,287	4,333
Strategic Planning	845	1,674	998	946
Facility & ADA Planning	861	919	961	965
Total Planning	5,678	6,599	6,743	6,844
ADMINISTRATION & PARATRANSIT				
VP Customer Service & Paratransit	-	175	87	242
Administration & Paratransit	140	200	153	209
Customer Service	1,403	1,646	1,478	1,589
Paratransit Operations	33,382	34,851	36,325	38,330
Total Administration & Paratransit	34,926	36,873	38,043	40,370
Total Transit Operations	$ 625,940	$ 654,661	$ 635,651	$ 669,887
CONSTRUCTION, ENGINEERING & FACILITIES MAINTENANCE				
EVP Construction, Engineering & Facilities I	$ 459	$ 512	$ 494	$ 375
Real Estate	7,769	8,155	9,274	9,573
Engineering	3,270	3,404	3,675	3,990
Construction	1,343	1,180	1,568	1,771

(In Thousands)	2001 Actual	2002 Budget	2002 Projected	2003 Budget
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)				
MAINTENANCE				
VP Maintenance	$ 452	$ 445	$ 518	$ 750
System Maintenance Support	15,225	15,092	15,849	13,269
Power & Way Maintenance	27,272	26,378	27,118	28,351
Communication Engineering and Maintena	37,753	41,119	38,294	40,541
Rail Station Appearance	20,308	20,291	22,304	20,429
Facility Maintenance	31,444	33,096	28,772	32,781
Total Facilities Maintenance	132,453	136,421	132,856	136,121
Total Construction, Engineering & Facilities	$ 145,294	$ 149,673	$ 147,867	$ 151,830
MANAGEMENT & PERFORMANCE				
EVP Management & Performance	$ 360	$ 365	$ 440	$ 417
Communications	5,884	6,839	6,574	9,872
Government & Community Relations	1,452	1,620	1,572	1,600
DBE Program/EEO/Contract Compliance	983	1,015	1,169	1,219
FINANCE				
Sr VP Finance/Treasurer	438	448	232	499
Accounting Operations	2,477	2,533	2,664	2,618
Treasury	11,288	11,791	11,819	12,163
VP Finance/Comptroller	2,509	3,497	2,974	3,833
Capital Investment	321	539	482	616
Total Finance	17,033	18,808	18,172	19,729
HUMAN RESOURCES				
VP Human Resources	1,395	1,074	1,114	1,109
Recruiting & Staffing	1,945	2,215	2,256	1,208
Compensation & Recognition	702	1,203	774	938
Benefits	2,911	2,774	3,241	3,024
HR Technology	-	-	-	287
Total Human Resources	6,953	7,265	7,385	6,566
EMPLOYEE RELATIONS				
VP Industrial Relations	897	1,224	867	1,164
Program Compliance	985	970	1,258	1,066
Total Employee Relations	1,882	2,193	2,126	2,230
TECHNOLOGY DEVELOPMENT				
VP Technology Development	431	428	1,136	1,094
Environmental Technology	920	1,257	448	481
Enterprise Systems Services	12,526	14,972	9,172	10,311
Business Network Solutions	4,648	3,180	4,198	4,207
Revenue Equipment Technology & Mntc.	11,921	11,834	10,962	11,572
Total Technology Development	30,447	31,671	25,916	27,665
PURCHASING/WAREHOUSING				
VP Purchasing/Warehousing	235	426	195	273
Quality Assurance	1,627	1,883	2,103	2,382
Purchasing	3,750	5,170	4,507	4,564
Purchasing & Warehousing Programs	759	699	1,069	1,288
Purchasing & Warehousing Business System	1,425	1,605	1,392	1,355
Warehouse/Stockroom	11,215	12,600	11,772	11,253
Total Purchasing/Warehousing	19,011	22,384	21,038	21,114
Total Management & Performance	$ 84,005	$ 92,160	$ 84,391	$ 90,411
Non - Departmental	12,172	(760)	20,359	(7,255)
TOTAL CTA	$ 883,912	$ 914,788	$ 906,118	$ 924,566

2003 Department By Line Item

(In Thousands)	Labor	Material	Other Services*	Fuel/Power/ Provisions	Total
Authority Governance	$ 1,249	$ 14	$ 30	$ -	$ 1,293
Office of the President	853	11	57	-	920
Office of Inspector General	1,977	25	174	-	2,176
General Counsel	10,180	95	5,028	-	15,303
TRANSIT OPERATIONS					
EVP Transit Operations	$ 389	$ 25	$ 283	$ -	$ 698
Operations Support Services	1,256	18	-	-	1,274
BUS OPERATIONS					
VP Bus Operations	177	9	394	-	580
Bus Operations Oversight	823	-	-	-	823
Scheduled Transit Operations - Bus	241,158	-	-	-	241,158
Bus Garages	80,568	25,438	426	22,375	128,807
Bus Heavy Maintenance	26,036	9,689	226	-	35,951
Engineering & Technical Services - Bus	1,850	57	87	-	1,995
Total Bus Operations	350,612	35,194	1,133	22,375	409,313
RAIL OPERATIONS					
VP Rail Operations	231	6	43	-	280
Rail Operations Oversight	542	-	-	-	542
Scheduled Transit Operations - Rail	81,575	-	-	-	81,575
Rail Terminals	46,183	16,214	112	-	62,509
Rail Heavy Maintenance	8,559	(523)	162	-	8,198
Rail Car Appearance	9,666	330	2	-	9,997
Engineering & Technical Services - Rail	2,226	214	126	-	2,566
Total Rail Operations	148,983	16,241	443	-	165,667
SAFETY, SECURITY, & TRAINING					
Security Services	1,820	15	24,206	-	26,041
System Safety & Environmental Affairs	1,764	50	75	-	1,890
Communication Power/Control	6,942	26	71	-	7,039
Training & Instruction	10,285	224	243	-	10,752
Total Safety, Security, & Training	20,812	315	24,595	-	45,722
PLANNING					
VP Planning	546	9	45	-	600
Planning	3,996	42	294	-	4,333
Stategic Planning	894	5	47	-	946
Facility & ADA Planning	955	4	6	-	965
Total Planning	6,392	60	393	-	6,844
ADMINISTRATION & PARATRANSIT					
VP Customer Service & Paratransit	222	6	15	-	242
Administration & Paratransit	209	-	-	-	209
Customer Service	1,572	10	7	-	1,589
Paratransit Operations	1,085	26	37,219	-	38,330
Total Administration & Paratransit	3,087	42	37,241	-	40,370
Total Transit Operations	$ 531,530	$ 51,894	$ 64,088	$ 22,375	$ 669,888
CONSTRUCTION, ENGINEERING & FACILITIES MAINTENANCE					
EVP Construction, Engineering & Facilities Mntc.	$ 357	$ 5	$ 12	$ -	$ 375
Real Estate	1,522	14	8,037	-	9,573
Engineering	3,822	102	66	-	3,990
Construction	1,789	44	(62)	-	1,771

* Includes Purchase of Paratransit and Purchase of Security Services

(In Thousands)	Labor	Material	Other Services*	Fuel/Power/ Provisions	Total
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)					
MAINTENANCE					
VP Maintenance	$ 717	$ 4	$ 29	$ -	$ 750
System Maintenance Support	11,097	1,125	1,048	-	13,269
Communication Engineering and Maintenance	4,449	431	35,661	-	40,541
Power & Way Maintenance	24,666	3,031	654	-	28,351
Rail Station Appearance	17,626	1,296	1,508	-	20,429
Facility Maintenance	21,571	4,305	6,904	-	32,781
Total Facilities Maintenance	80,125	10,193	45,804	-	136,121
Total Construction, Engineering & Facilities Maintenance	$ 87,616	$ 10,358	$ 53,856	$ -	$ 151,830
MANAGEMENT & PERFORMANCE					
EVP Management & Performance	$ 374	$ 2	$ 41	$ -	$ 417
Communications	3,531	302	6,039	-	9,872
Government & Community Relations	1,062	4	533	-	1,600
DBE Program/EEO/Contract Compliance	1,105	18	95	-	1,219
FINANCE					
Sr VP Finance/Treasurer	435	7	57	-	499
Accounting Operations	2,599	16	2	-	2,618
Treasury	6,327	2,456	3,381	-	12,163
VP Finanace/Comptroller	3,307	35	491	-	3,833
Capital Investment	600	8	8	-	616
Total Finance	13,267	2,522	3,939	-	19,729
HUMAN RESOURCES					
VP Human Resources	1,059	9	41	-	1,109
Recruiting & Staffing	1,029	31	148	-	1,208
Compensation & Recognition	873	8	58	-	938
Benefits	1,482	25	1,517	-	3,024
HR Technology	287	-	-	-	287
Total Human Resources	4,729	73	1,764	-	6,566
EMPLOYEE RELATIONS					
VP Industrial Relations	780	9	375	-	1,164
Program Compliance	1,053	10	3	-	1,066
Total Employee Relations	1,833	19	379	-	2,230
TECHNOLOGY DEVELOPMENT					
VP Technology Development	1,068	18	7	-	1,094
Environmental Technology	385	1	95	-	481
Enterprise Systems Services	5,717	175	4,419	-	10,311
Business Network Solutions	1,137	27	3,044	-	4,207
Revenue Equipment Technology & Mntc.	10,410	1,046	116	-	11,572
Total Technology Development	18,717	1,267	7,681	-	27,665
PURCHASING/WAREHOUSING					
VP Purchasing/Warehousing	263	-	10	-	273
Quality Assurance	2,347	22	13	-	2,382
Purchasing	4,433	69	62	-	4,564
Purchasing & Warehousing Programs	1,224	4	61	-	1,288
Purchasing & Warehousing Business Systems	1,177	9	168	-	1,355
Warehouse/Stockroom	10,486	186	580	-	11,253
Total Purchasing/Warehousing	19,930	291	894	-	21,114
Total Management & Performance	$ 64,548	$ 4,499	$ 21,365	$ -	$ 90,411
Non - Departmental	(11,040)	570	(19,785)	23,000	(7,255)
TOTAL CTA	$ 686,912	$ 67,466	$ 124,813	$ 45,375	$ 924,566

 * Includes Purchase of Paratransit and Purchase of Security Services

2003 Department Budgeted Positions

	2001 Budgeted Positions	2002 Budgeted Positions	2003 Budgeted Positions
Authority Governance	15	15	15
Office of the President	6	7	7
Office of Inspector General	19	19	21
General Counsel	129	132	132
TRANSIT OPERATIONS			
EVP Transit Operations	2	3	3
Operations Support Services	16	17	17
BUS OPERATIONS			
VP Bus Operations	4	3	1
Bus Operations Oversight	-	-	9
Scheduled Transit Operations - Bus	4,077	4,250	4,318
Bus Garages	1,296	1,299	1,288
Bus Heavy Maintenance	491	489	492
Engineering & Technical Services - Bus	33	33	34
Total Bus Operations	5,901	6,074	6,142
RAIL OPERATIONS			
VP Rail Operations	5	2	2
Rail Operations Oversight	-	3	9
Scheduled Transit Operations - Rail	1,373	1,487	1,407
Rail Terminals	601	595	589
Rail Heavy Maintenance	237	240	240
Rail Car Appearance	193	192	192
Engineering & Technical Services - Rail	39	39	39
Total Rail Operations	2,448	2,558	2,478
SAFETY, SECURITY & TRAINING			
Security Services	32	32	32
System Safety & Environmental Affairs	23	23	23
Communication Power/Control	92	92	92
Training & Instruction	149	153	153
Total Safety, Security, Comm.& Training	296	300	300
PLANNING			
VP Planning	4	5	5
Planning	68	48	58
Strategic Planning	-	21	11
Facility & ADA Planning	13	12	12
Total Planning	85	86	86
ADMINISTRATION & PARATRANSIT			
VP Customer Service & Paratransit	2	2	2
Administration & Paratransit	3	3	3
Customer Service	26	26	26
Paratransit Operations	17	17	17
Total Administration & Paratransit	48	48	48
Total Transit Operations	8,796	9,086	9,074
CONSTRUCTION, ENGINEERING & FACILITIES MAINTENANCE			
EVP Construction, Engineering & Facilities Mntc.	3	4	3
Real Estate	23	22	22
Engineering	71	72	72
Construction	28	28	29

2003 Department Budgeted Positions

	2001 Budgeted Positions	2002 Budgeted Positions	2003 Budgeted Positions
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)			
MAINTENANCE			
VP Maintenance	4	4	8
System Maintenance Support	208	210	203
Communication Engineering & Maintenance	50	50	58
Power & Way Maintenance	454	454	451
Rail Station Appearance	318	326	324
Facility Maintenance	327	327	327
Total Facilities Maintenance	1,361	1,371	1,371
Total Construction, Engineering & Facilities Maintenance	1,486	1,497	1,497
MANAGEMENT & PERFORMANCE			
EVP Management & Performance	3	3	3
Communications	53	53	53
Government & Community Relations	11	11	11
DBE Program/EEO/Contract Compliance	23	23	23
FINANCE			
Sr VP Finance/Treasurer	3	3	3
Accounting Operations	38	39	39
Treasury	103	103	103
VP Finance/Comptroller	53	56	56
Capital Investment	34	34	34
Total Finance	231	235	235
HUMAN RESOURCES			
VP Human Resources	4	6	7
Recruiting & Staffing	17	18	13
Benefits	24	23	21
Compensation & Recognition	11	11	13
HR Technology	-	-	4
Total Human Resources	56	58	58
EMPLOYEE RELATIONS			
VP Industrial Relations	14	13	9
Program Compliance	8	9	13
Total Employee Relations	22	22	22
TECHNOLOGY DEVELOPMENT			
VP Technology Development	1	4	12
Environmental Technology	14	15	5
Business Network Solutions	17	6	14
Enterprise Systems Services	78	84	78
Revenue Equipment Technology & Mntc.	140	149	149
Total Technology Development	250	258	258
PURCHASING/WAREHOUSING			
VP Purchasing/Warehousing	3	4	2
Quality Assurance	27	26	33
Purchasing	43	63	58
Purchasing & Warehousing Programs	10	9	17
Purchasing & Warehousing Business Systems	14	16	15
Warehouse/Stockroom	210	189	182
Total Purchasing/Warehousing	307	307	307
Total Management & Performance	956	970	970
TOTAL CTA	11,407	11,726	11,716
Pension	15	15	15

Summary of Projected Cash Flow for Year 2003

(In Millions)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BEGINNING CASH BALANCE	85.0	73.1	51.3	42.0	66.0	55.1	55.6	67.6	83.4	95.7	93.7	97.3	97.3
CASH RECEIPTS													
System Generated Revenue	39.6	37.5	39.7	40.1	41.1	37.6	40.0	39.1	37.9	41.1	38.0	39.4	471.1
RTA Assistance	37.4	37.3	42.8	34.9	35.2	36.9	37.9	38.6	39.4	37.9	37.5	37.7	453.5
Capital Grants	56.6	35.9	46.1	55.6	58.8	59.6	71.8	71.8	59.8	61.5	58.6	43.9	680.0
TOTAL CASH RECEIPTS	133.6	110.7	128.6	130.6	135.1	134.1	149.7	149.5	137.1	140.5	134.1	121.0	1,604.6
CASH DISBURSEMENTS													
Labor & Related Payroll	58.0	53.4	57.2	59.0	56.4	52.6	59.0	56.5	56.2	62.8	54.8	61.0	686.9
All Other	87.5	79.1	80.7	47.6	89.6	81.0	78.7	77.2	68.6	79.7	75.7	72.3	917.7
TOTAL CASH DISBURSEMENTS	145.5	132.5	137.9	106.6	146.0	133.6	137.7	133.7	124.8	142.5	130.5	133.3	1,604.6
ENDING CASH BALANCE	73.1	51.3	42.0	66.0	55.1	55.6	67.6	83.4	95.7	93.7	97.3	85.0	85.0

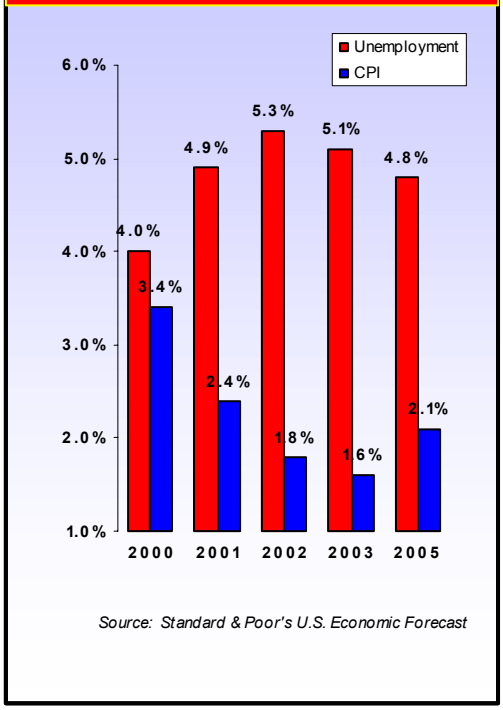
Professional

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

For 2004 and beyond, the economy is expected to improve significantly. The CTA estimates that ridership will grow at a rate of 3.3% in 2004 and 3.0% in 2005 as the economy recovers. The major factor that will impact CTA's financial health is employment levels. New job creation in the region will be imperative to grow and maintain ridership levels.

Predicting the future economy is more challenging than in previous years. The recession that took effect in 2001 into 2002 has begun to show signs of recovery in the third quarter of 2002, such as an expanding Gross Domestic Product (GDP) and stronger Purchasing Managers Index (PMI). The PMI, a composite index of five purchasing indicators (New Orders, Production, Supplier Deliveries, Inventories, and Employment), has averaged 53.7% through July 2002 compared to an average PMI of 43.9% for all of 2001. A PMI of 50% or higher indicates the economy is generally expanding.

Projected Unemployment and Change in Consumer Price Index Rates (CPI)



Source: Standard & Poor's U.S. Economic Forecast

According to Standard and Poor's Economic Outlook, overall inflation growth will be modest in the near future, growing at 1.8% in 2004 and 2.1% in 2005. The 2004 GDP is predicted to be a healthy 3.5% and the 2005 GDP is predicted to grow by 3.0%. More importantly, national unemployment rates are predicted to level off after 2003 to below 5.0% in 2004 and 4.8% in 2005, down from 5.3% in 2002 but still higher than 2000 levels of 4.0%.

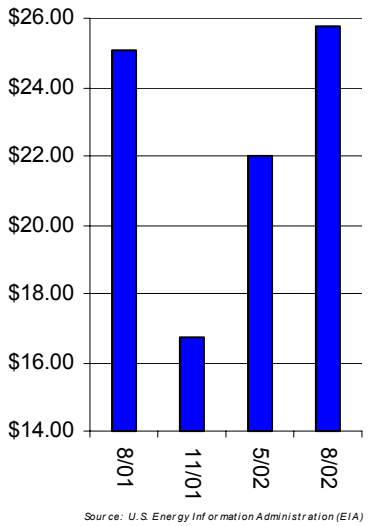
2004 and 2005 Operating Budget

The projected operating budget for 2004 is $968.1 million and is 4.7% higher than 2003, primarily due to higher labor expenses from wage increases under the union contracts and increased health insurance costs. The 2005 budget is anticipated to be $993.3 billion and is 2.6% higher than fiscal year 2004, again due primarily to higher labor costs.

Labor

Labor expenses in fiscal year 2004 are projected at $722.0 million for the year, a 5.1% increase over 2003 due to anticipated labor rate increases from labor contracts and higher health insurance and worker's compensation costs. Labor expenses in 2005 are predicted to increase 3% over 2004 to $742.0 million, which is consistent with trends.

Crude Oil Price Volatility (Price per barrel)



Material

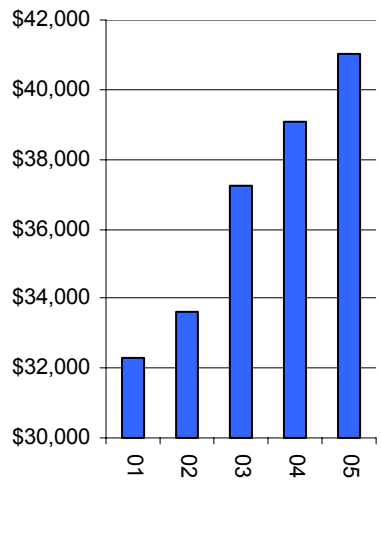
The CTA projects that material expenses will remain flat at $67.1 million in both 2004 and 2005 due to capital overhaul programs for bus and rail, the acquisition of a new fleet still under warranty, and the utilization of capital funds when available.

Fuel and Power

Fuel for revenue equipment will remain flat at $22.0 million in 2004 and 2005 approximating recent trends. Consumption and volatility in the U.S. and world fuel market at present indicate that $1.00 per gallon is an adequate level for 2004 and 2005.

Provision for Injuries and Damages

Cost of Paratransit Services (in 000's)



Funding of the Provision for Injuries and Damages is expected to increase to $22.0 million for both 2004 and 2005 from $17.6 million in the 2003 budget. The increase is consistent with trends for damage reserve fund levels.

Purchase of Paratransit Services

Purchase of Paratransit Services is expected to increase by 5% for 2004 and 2005 respectively, reflecting increased service demand each year and inflation. The budgeted amount for paratransit services is $39.1 million for 2004 and $41.0 million for 2005. The following chart demonstrates the growth in cost of paratransit services since 2001.

The CTA continues to increase accessibility of mainline services for customers with disabilities. By year-end 2003, 100% of the buses will

be accessible. Additionally, the planned rehabilitation of 'L' stations for the Blue and Brown lines will make 24 more stations accessible in coming years.

Security

Purchase of security services will remain a high priority. Expenses for security services are projected to increase by 3.8% in 2004 and 3.4% in 2005 due to cost of living increases for Securitas, a private security service firm contracted by the CTA.

Other Services

Other expenses cover contractual obligations for data processing maintenance and consulting, accounting, engineering and other consulting services, rents and utilities. Due to efficiencies and cost containment efforts, expenses for other services will grow at a rate below inflation (2.0%) for 2004 to $47.9 million and to $49.8 million in 2005.

Revenues

The source of CTA revenue includes system-generated fares as well as public funding. System-generated revenue for FY 2004 is projected at $526.5 million and $536.2 for FY 2005, a growth rate of 11.7% and 1.8%, respectively. The increase in revenues between 2003 and 2004 is due to increased ridership and innovative revenue programs.

Fares and Passes

Revenue from fares and passes is projected to increase in both 2004 and 2005 due to ridership growth. Revenue from fares and passes for 2004 is projected to increase 6.7% to $401.6 million from $376.1 in 2003. In 2005, revenue from fares and passes is projected to grow by $11.8 million or slightly under 3% to $413.3 million.

Reduced Fare Subsidy

Reduced fare subsidy from the state is flat at $32.3 million.

Advertising, Charter and Concessions

Advertising, Charter and Concessions revenues are derived from advertisements placed on buses, trains and stations, as well as income from concessions. In 2004 and 2005, revenues are projected to increase 32% to

$32.5 million and $33.0 million, respectively, from the budgeted level of $24.6 million in 2002. The higher revenues are due to a healthier economy and new advertising concepts.

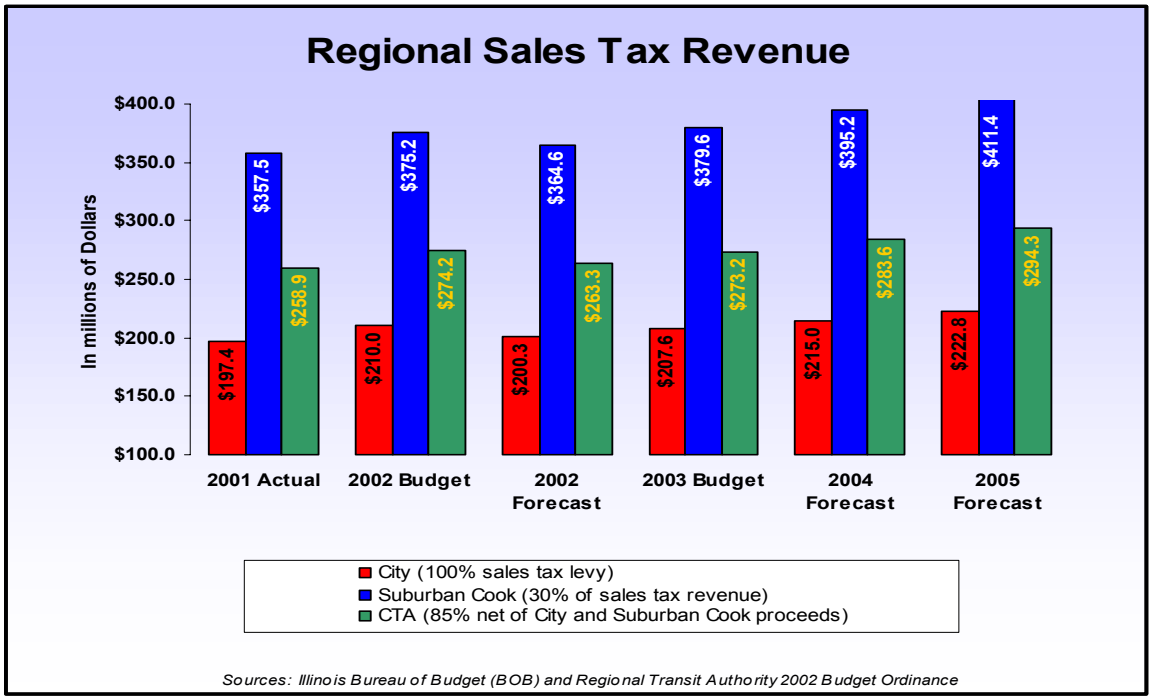
All Other Revenue will increase substantially to $49.1 million in 2004 and $43.7 in 2005 million due to continued innovative revenue enhancement strategies.

Public Funding

The public funding CTA receives for its operations flows through the Regional Transit Authority (RTA). The public funding consists of two primary revenue sources: sales taxes and public transportation funds. The sales tax levy earmarked for transportation 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 Act. 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% allocated to the RTA.

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

The Public Funding Available for Operations represents the funding "mark" issued by the 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 3.6% for 2004 and 2005. In suburban Cook County, from which the CTA receives 30% of the sales tax revenues, the RTA has forecasted sales tax revenue growth of 4.1% for 2004 and 2005. The average for the CTA is a sales tax growth rate of 3.8% per year (see chart). However, in 2002 sales taxes were flat, so although the projected growth rates reflect a growth economy, sales tax growth is below the level projected last year for 2002.



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 combined. The RTA assigns each Service Board a recovery ratio when it issues the funding marks on September 15 of each year. The budgets submitted by each Service Board must be balanced and meet the required recovery ratio before the RTA can approve them. CTA projects achieving a 55.8% recovery ratio in 2004 and 55.4% recovery ratio in 2005.

Accounting Notes

The CTA's ongoing operations are accounted for on a proprietary fund basis. Operations are financed and operated similar to a private business, 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.

(In Thousands)	2001 Actual	2002 Budget	2002 Projected	2003 Budget	Financial Plan 2004	Financial Plan 2005
Operating Expenses						
Labor	$ 629,619	$ 667,597	$ 655,000	$ 686,912	$ 722,000	$ 742,000
Material	64,879	66,949	64,544	67,466	67,050	67,050
Fuel - Revenue Equipment	23,326	23,000	18,500	22,375	22,375	22,700
Power - Revenue Equipment	21,835	22,700	20,895	21,296	22,000	22,000
Provision for Injuries and Damages	44,000	23,000	39,000	17,568	22,000	22,000
Purchase of Security Services	22,512	22,989	24,200	24,813	25,770	26,648
Purchase of Paratransit	32,314	33,591	35,150	37,215	39,075	41,029
Other Expenses						
Utilities	18,119	20,740	17,735	18,666	19,034	19,829
Maintenance and Repair	14,376	13,069	13,830	12,484	12,729	13,261
Advertising and Promotion	1,490	2,311	1,633	5,006	5,105	5,318
Contractual Services	15,283	21,003	17,900	15,549	15,855	16,517
Provision for Passenger Security	4,869	4,845	4,550	4,845	4,940	5,147
Leases and Rentals	7,273	7,706	8,160	8,460	8,626	8,987
Travel, Training, Seminars, and Dues	770	804	789	945	964	1,004
Warranty and Other Credits	(19,438)	(19,839)	(20,347)	(20,557)	(20,961)	(21,838)
General Expenses	2,686	4,323	4,581	1,524	1,554	1,619
Total Other Expenses	45,428	54,964	48,830	46,922	47,845	49,845
Total Operating Expenses	$ 883,912	$ 914,789	$ 906,118	$ 924,566	$ 968,115	$ 993,272
System Generated Revenue						
Fares and Passes	$ 373,811	$ 388,890	$ 375,557	$ 376,132	$ 401,564	$ 413,324
Reduced Fare Subsidy	32,463	32,300	29,500	32,300	32,300	32,300
Advertising, Charter, & Concessions	20,372	30,280	21,738	24,598	32,500	33,000
Investment Income	10,674	10,670	4,864	4,864	6,000	8,900
Contributions from Local Governments	5,000	5,000	5,000	5,000	5,000	5,000
All Other Revenue	22,587	6,016	27,828	28,184	49,119	43,659
Total System Generated Revenue	$ 464,907	$ 473,156	$ 464,487	$ 471,078	$ 526,483	$ 536,183
Public Funding Required for Operations	$ 419,006	$ 441,632	$ 441,630	$ 453,488	$ 441,632	$ 457,089
Public Funding Available through RTA	$ 419,005	$ 441,631	$ 441,630	$ 453,488	$ 441,632	$ 457,089
Recovery Ratio	52.89%	52.00%	52.87%	52.56%	55.85%	55.44%
Required Recovery Ratio	52.10%	52.00%	52.00%	52.00%	52.00%	52.00%
Fund Balance	$ (1)	$ -	$ -	$ -	$ -	$ -

Note: Recovery Ratio for 2002 Projected includes In-Kind revenue and In-Kind expenses for SWAP, CPD, and excludes depreciation expense from the paratransit service providers.

2003-2007 Capital Improvement Plan & Program

Reliable

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

2003 Capital Improvement Program Overview

This 2003-2007 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 that over $5 billion is needed to bring its system to a state of good repair. In addition to the $3.1 billion needed to fund the projects identified in this current CIP, $1.9 billion of needed capital projects remain unfunded. Consequently, despite CTA's recent success in acquiring state and federal assistance for CTA's 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 $3.1 billion will be available over the next five years, to help bring CTA's system to a state of good repair, whereby:

- *CTA's goal is to keep no bus 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 years begins to raise serious maintenance issues and affects the quality of service CTA can give its 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 employed 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.*

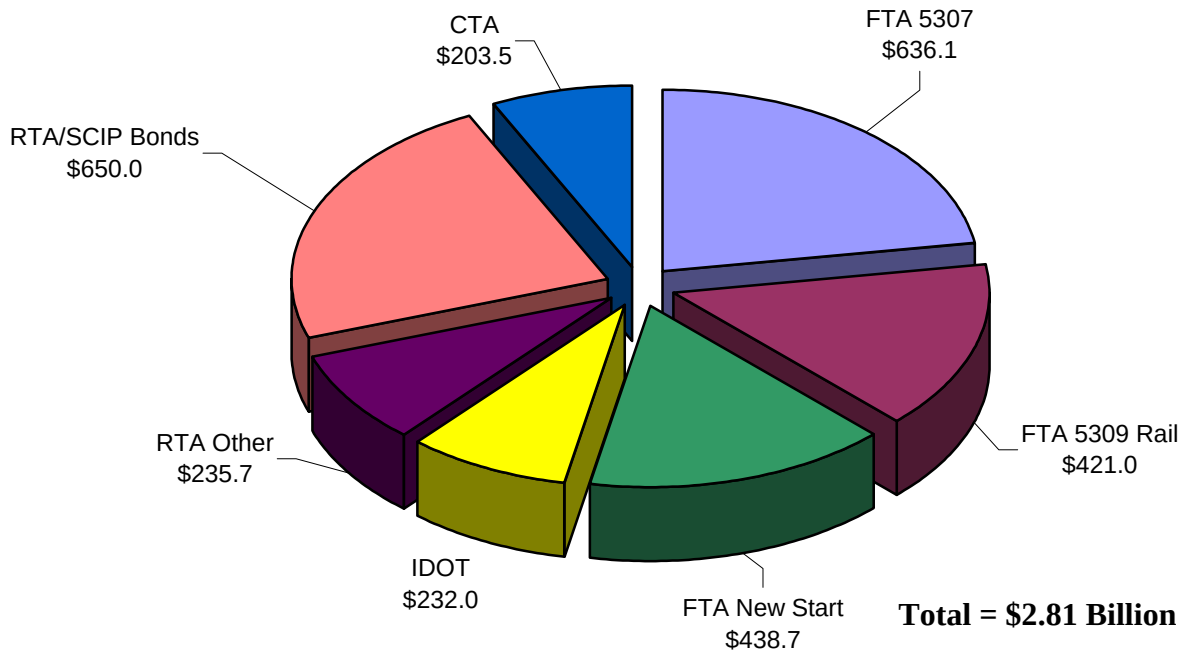
Meeting and maintaining these standards would improve the comfort and reliability of the services CTA provide its customers, and yield operational and maintenance benefits for CTA.

2003 Capital Improvement Program Overview

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 $1.495 billion from the Federal Transit Administration (FTA), $232 million from the State of Illinois, $885.7 million from the RTA (including $650 million of SCIP Bonds administered by the RTA and backed by the State of Illinois), and $203.5 million from the CTA. Total available funding is $2.81 billion. This is presented in the figure, *Preliminary 2003-2007 Capital Improvement Program Funding Sources*. In addition, CTA has assumed $285 million over five years for debt financing. The federal funds are consistent with *TEA-21*, and the local and state funds with the RTA financial structure after passage of *Illinois FIRST*.

PRELIMINARY 2003-2007 CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES
(Millions of Dollars)



2003 Capital Improvement Program Overview

Staying the Course: Continuing to...
Rebuild CTA's System, Sustain the Momentum and Improve the Product

Using the capital program marks as a foundation, the CTA has developed a program of capital projects for the 2003–2007 Capital Improvement Program. The CTA's 2003-2007 capital budget continues to work towards the goals and objectives outlined in the 2002-2006 CIP:

- *Continue New Starts projects intended to rehabilitate deteriorated rail infrastructure [Blue Line – Cermak (Douglas) Branch)] and expand capacity to accommodate growth in ridership [Brown Line]. Rebuild the system, starting with the portions of CTA's rail system most in need.*

- *Fund the procurement/replacement of vehicles as needed. Replace CTA's bus and rail fleets and provide safe and reliable transportation to CTA customers.*

- *Renew CTA's rail right-of-way (ROW). Eliminate ROW slow zones that increase travel times. Work to place CTA's rail system in a state of good repair and increase the reliability of CTA service.*

- *Fund the implementation of preventive maintenance programs for CTA's bus and rail fleets. Improve CTA's product to provide on-time, clean, safe and friendly transit service.*

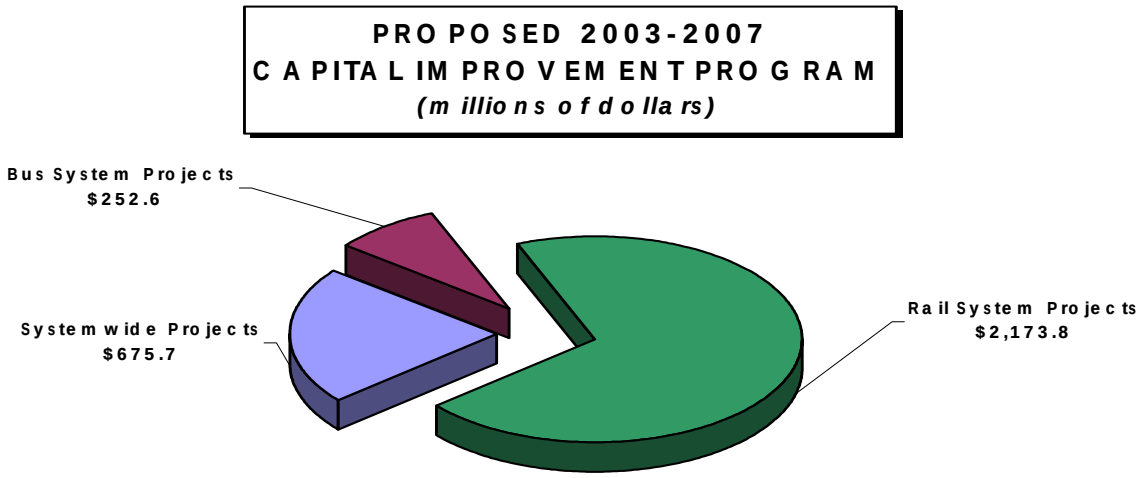
- *Upgrade maintenance facilities and provide the necessary equipment to keep CTA's buses and trains running. Sustain the momentum reflected in CTA's increased ridership and customer satisfaction.*

During weak economic times, the traveling public is more than ever dependent on the CTA system to meet its mobility needs. Investment in vital public infrastructure projects provides jobs, creates and supports better economic growth and ensures the future of the region. The 2003-2007 capital program provides much of the funding necessary to continue to address CTA's customers concerns over the next five years.

2003 Capital Improvement Program Overview

Uses of Funds

The *Proposed 2003-2007 Capital Improvement Program* shows the proposed program, by the general category of asset being improved or replaced. The attached table, *Proposed 2003-2007 Capital Improvement Program* lists each project in the Program. A detailed description of each project can be found in the *Proposed 2003 Annual Budget and Department Detail and 2003-2007 Capital Program* volume of the CTA's 2003 budget documentation.



Total = $3.1 Billion

Over 40 combined projects comprise the CTA's 2003-2007 capital program. Each project is evaluated based on the needs of CTA's customers, the program requirements of CTA's transit operations and maintenance activities, and the operating efficiencies it contributes to CTA's system. These capital projects for 2003 and beyond 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.

2003 Capital Improvement Program Overview

Proposed 2003- 2007 Capital Program

Proj #	Title	Funded	2003	2004 -2007	5 Year Funding	Outyear	Project Total
Bus Projects							
	Rolling Stock						
021.803	Purchase/Install Bus Components	2,332	9,038	30,353	39,391	0	41,723
021.806	Perform Mid-Life Bus Overhaul	9,849	10,261	10,261	20,522	0	30,371
031.054	Replace Buses	81,169	73,464	119,283	192,747	123,371	397,287
	Sub-Total	93,350	92,763	159,896	252,659	123,371	469,380
Rail Projects							
	Acquisitions & Extensions						
194.115	Expand Capacity Expansion – Brown Line	54,199	53,151	292,217	345,369	130,342	529,910
194.117	Rehab Blue Line – Cermak (Douglas) Branch	155,236	67,500	259,943	327,443	0	482,679
194.139	Rehab Red Line - Dan Ryan Branch	50,518	50,655	170,129	220,784	0	271,302
	Sub-Total	259,954	171,307	722,289	893,596	130,342	1,283,892
	P/W Electric, Signal, Comm.						
121.018	Replace/Upgrade Power Distribution and Signals	23,367	8,679	164,001	172,680	13,271	209,317
162.046	Upgrade Loop Signals & Interlocking (Tower 18)	0	3,823	72,629	76,452	0	76,452
	Sub-Total	23,367	12,501	236,631	249,132	13,271	285,769
	P/W Track & Structure						
171.036	Renew Structure	14,670	0	6,562	0	0	21,232
171.133	Repair Track and Structure Defects	5,401	5,401	21,603	27,004	0	32,405
171.217	Replace Flange Angles	27,399	11,467	15,748	27,215	0	54,614
181.040	Replace Ties - North Main Line	12,013	7,314	7,527	14,841	0	26,854
181.045	Upgrade Track - Addison to O'Hare - O'Hare	3,335	3,657	27,698	31,355	0	34,690
181.046	Replace Ties - State Subway	0	461	10,320	10,781	31,822	42,603
181.047	Renew R.O.W. and Footwalk – Systemwide	18,177	4,037	17,395	21,432	0	39,610
182.040	Replace Ties – Ravenswood	8,730	2,512	1,886	4,398	0	13,128
	Sub-Total	89,724	34,849	108,740	143,589	31,822	265,136
	Rolling Stock						
022.903	Perform Rail Car Overhaul & Mid-Life Rehabilitation	20,588	3,498	110,592	114,090	183,692	318,370
022.906	Purchase/Install Rail Components	0	11,814	33,839	45,653	0	45,653
132.055	Implement Test Cars for New Technology	0	0	1,856	1,856	14,888	16,744
132.056	Purchase Rail Cars	34,516	62,845	595,637	658,482	551,835	1,244,833
	Sub-Total	55,103	78,158	741,923	820,081	750,416	1,625,600
	Stations & Pass. Facilities						
141.272	Design Rail Stations	5,326	3,226	5,989	9,214	125,291	139,831
141.273	Reconstruct Rail Stations (Includes Howard 2010)	4,940	14,873	43,324	58,196	155,797	218,934
	Sub-Total	10,267	18,098	49,312	67,410	281,088	358,765

2003 Capital Improvement Program Overview

Proposed 2003- 2007 Capital Program

Proj #	Title	Funded	2003	2004 -2007	5 Year Funding	Outyear	Project Total
Systemwide Projects							
	Miscellaneous						
052.018	Implement Control Center Projects	54,921	1,166	14,346	15,513	0	70,433
053.016	Upgrade Communications – Systemwide	24,489	6,996	31,696	38,699	35,170	98,351
061.059	Implement Computer Systems	23,812	5,907	20,307	26,220	19,356	69,382
062.090	Replace Financial Sys. & Corporate Time & Attend.	0	4,804	4,804	9,613	0	9,608
102.039	Implement Automated Fare Control (AFC) Projects	23,524	30,866	34,763	65,660	10,092	99,245
110.011	Improve Signage Program – Systemwide	11,600	0	10,599	10,599	0	22,199
150.028	Implement Security Projects	0	7,142	22,300	29,449	0	29,442
190.033	Implement Quality Assurance Program	3,298	445	1,916	2,361	0	5,658
190.037	Land Acquisition	11,660	11,660	46,640	58,312	0	69,960
202.012	Upgrade Fleet - Low Sulfur Diesel (CMAQ)	0	3,240	0	3,243	0	3,240
202.205	Program Management	8,000	4,664	18,656	23,325	0	31,320
	Sub-Total	161,303	76,889	206,026	282,915	64,619	508,837
	Support Facilities & Equip.						
042.023	Upgrade Facilities – Systemwide	18,897	10,064	36,374	46,439	0	65,336
070.023	Improve Bus/Rail Facilities	0	8,000	15,617	23,617	0	23,617
073.059	Improve Facilities – Systemwide	4,949	7,548	230,219	237,767	183,756	426,472
076.041	Replace/Upgrade Escalators and Elevators	5,548	15,819	6,847	22,667	0	28,215
084.059	Purchase Equipment & Non-Revenue Vehicles	41,863	12,978	49,328	62,306	0	104,169
	Sub-Total	71,258	54,409	338,386	392,796	183,756	647,810
	Total Capital Projects	764,326	538,975	2,563,204	3,102,178	1,578,684	5,445,188
	Marks		538,975	2,278,059	2,817,034		
	Private Financing		(0)	(285,144)	(285,144)		

2003 Capital Improvement Program Overview

The Bus System

The Chicago Transit Authority operates approximately 1,964 buses, making over 24,031 weekday trips on 142 routes, providing over 1 million rides on a typical weekday. Each customer who boards a bus at one of over 12,000 bus stops located throughout the 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.

The CTA has begun installing protective deflectors on all CTA buses. The protective deflectors are designed to protect the public from accidents involving the right-rear wheel of the bus. The bus fleet will be outfitted with the deflective protectors by the end of 2003.

Bus Rolling Stock

CTA continues to make improvements to the bus fleet. A total of 484 new Nova forty-foot fully accessible buses were delivered and placed in service through 2002. CTA's new bus purchase demonstrates CTA's commitment to its customers by providing new, air conditioned, and fully accessible buses.

CTA's articulated bus fleet also continues to be improved. These buses carry more passengers than a standard 40-foot bus, and are used on CTA's most heavily traveled routes. CTA entered into a contract with North American Bus Industries during 2001 for the procurement of up to 226 fully accessible articulated buses. The 2003 Budget will continue funding the final option for bus vehicle needs, budgeting nearly $28 million during the coming year to purchase new articulated buses to meet the growing demand for bus service. The prototype bus will arrive in fall 2002, production of the buses will begin, and delivery is scheduled to be completed by year-end 2003.

The CTA has made great strides in improving its core product. The bus fleet is better then ever. By the end of 2002, CTA will have taken delivery of 484 air conditioned, fully accessible Nova buses. The CTA is also scheduled to receive 226 air-conditioned and fully accessible articulated buses by year-end 2003.

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

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

and causes dissatisfied customers. CTA is improving service reliability through routine replacement of major mechanical components subject

Bus Rolling Stock (continued)

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

2003 Bus and "L" Car Highlights		
	**NEW BUSES:** •25 forty-five foot composition buses •226 new sixty-foot articulated buses **TOTAL: 251**	**BUS REHAB:** •Overhaul of 90 TMC buses •Overhaul of 65 New-Flyer Buses **TOTAL: 155**
	**NEW RAIL "L" Cars** •Place order for 406 new "L" cars to be delivered in 2005-2007 •Options to order an additional 300 new rail cars	**RAIL "L" Car Overhaul** •2400 Series – targeted rehab: replace flooring for 28 Cars, Heavy inspection of PMP trucks (16 cars) and Inverter/motor replacement (16 cars); cam inspection and cleaning (122 cars) •3200 Series - Quarter life overhaul for trains acquired in 1991 – 257 total cars when completed

The Rail System

CTA's rail system consists of approximately 1,190 rail cars, traveling over 289 miles of track, making approximately 2,100 train trips on seven routes serving 144 stations on a typical weekday. Thousands of customers depend on the CTA's rail system to deliver them to their destination quickly and safely every day. To meet CTA's customers' expectations, CTA must coordinate the efforts of thousands of employees working together to deliver on-time, clean, safe, and friendly service to CTA's customers.

Rail Rolling Stock

The five-year CIP allocates $658.5 million for the purchase of 406 rail cars that will replace the aging 2200 and 2400 Series fleet and provide additional cars to meet service requirements due to the Brown Line Capacity Expansion Project. The 2200 Series cars have been in service for more than 30 years and are beyond their expected service lives. The 2400 Series have been in service for more than 26 years and will be beyond their expected service lives

when new cars are received in 2006 to replace them. The schedule replacement of cars that are beyond their expected service life continues the CTA's effort in the rebuilding of the rail car fleet and improving rail car accessibility for all of CTA's customers. Based on current ridership patterns, CTA anticipates expanding the rail fleet to meet future increased service demands.

CTA's 2003-2007 capital program also sets aside $3.4 million in 2003 for the overhaul and upgrade of CTA's rail fleet, representing the first installment of nearly $114 million in projected funding during the next five years. The CTA will complete and continue overhaul initiatives in 2003 that includes a targeted overhaul of the 2400 Series rail cars and the continuation of the quarter-life overhaul of the 3200 Series rail cars. Beyond 2003 the CTA will begin the mid-life rehab of the 3200 Series rail cars and the quarter-life overhaul of the 2600 Series cars. Capital funding also provides for a test project that will evaluate the use of new state-of-the-art subsystems such as passenger controlled doors, on-board communications systems, and advanced technology propulsion and braking systems on a selected group of modified CTA rail cars. This project continues CTA's effort to incorporate the most efficient technologies into system operations.

A "New Start" for the Blue Line: Rebuilding the Blue Line – Cermak (Douglas) Branch

Using TEA-21 and Illinois FIRST funds, the much anticipated reconstruction of the Blue Line's Cermak (Douglas) Branch will continue into 2003 and beyond. In addition to the nearly $155.3 million already funded for planning, design work and construction, over $67 million is budgeted for partial construction needs in 2003, and a total of $483 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.

The Blue Line is the CTA's second busiest rail line, averaging 122,376 passengers per weekday in 2002 (January through July). The Cermak (Douglas) Branch provides an average of 8,902 rides on a weekday basis. The Brown Line is the third busiest rail line serving 47,000 customers each weekday.

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

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. CTA's capital budget provides $53.1 million for final design work and initial construction needs on the Brown Line in 2003, with $54.1 million having already been budgeted on project planning and design. Current projections estimate an additional $345.4 million will be allocated to the Brown Line expansion over the next five years and future funds of $130.3 million to complete the capacity expansion project. This project will extend station platforms at 18 stations to accommodate eight-car trains and increase capacity by 33 percent. Sixteen stations will be reconstructed. Thirteen will have elevators installed to provide improved station accessibility for all customers, the other three are at-grade and will be made accessible through the use of ramps. Signal, electrical and communications upgrades will be made as well. The total Brown Line Capacity Expansion project budget is $530 million to be spent through 2009.

Clark Junction will be rehabilitated prior to the beginning of the Brown Line Capacity Expansion project. Clark Junction is located where the Brown, Purple and Red Line trains merge, just north of Belmont Station. The rehabilitation effort consists of replacing sections of track, installing special track work, and upgrading third rail power, communications and signal systems. This project is expected to cost $60.7 million and will be completed in sequence with the beginning of station work on the Brown Line Capacity Expansion project.

Other 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 2003. The 2003-2007 capital program allocates $50.6 million in 2003 for continuing design and construction work and $170.1 million to complete construction in the five-year program.

The upgrading of Loop Signals & Interlockings - Tower 18 is a key component of modernizing the carrying capacity of CTA's elevated system. Located at the northwest corner of the Loop, this control point handles hundreds of train movements each day on the Green, Brown, Orange, and Purple Lines. As rail ridership grows, requiring longer and more frequent trains, this element of CTA's infrastructure will need capital investment.

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

In addition to the improvements realized through the reconstruction of the Cermak (Douglas) Branch of the Blue Line, the Brown Line and the Red Line (Dan Ryan Branch) projects, $38.4 million will be budgeted in 2003 to provide improvements and upgrades to CTA's rail system infrastructure. A viaduct at Main Street on the Evanston Purple Line will be reconstructed. Footwalks used by maintenance staff and by passengers in case of emergencies will be replaced/renewed. Right-of-way, ties, track, and structure will be replaced, eliminating slow zones and maintaining heightened service standards. CTA will also replace and upgrade power distribution and support structures for $39 million over the five-year plan using a recently completed System Master Plan. Tower 18 signals and interlockings, which control train movement through the heart of the Loop, will also, be

slated for major rehabilitation and upgrade. Design is funded for 2003 at $3.8 million. Construction completion is scheduled for 2006 with a total of $76.4 million in the five-year program. Realignment of Harrison Curve in 2003 will allow more efficient train operation on the Green and Orange Lines in the south Loop and improve street traffic conditions by relocating footings and structural columns from Harrison Street. Finally, the structural steel elements used to support CTA's world famous elevated track will be rehabilitated in locations throughout the system.

In the 2003-2007 program, CTA will spend $58.2 million to reconstruct Howard Station on the Red Line. This is the last of the Key Stations outside of the current line rehabilitations, which has not been brought into compliance with the ADA.

Facility Improvements

The CTA will spend nearly $11.4 million on facility improvements in 2003, including upgrades to bus facilities, rail station amenities, and various support facilities throughout the system. Also in 2003, $7.5 million provides for project planning and design of two new needed bus maintenance facilities and, in the five-year program, $236.4 million is allocated to construct or improve CTA support facilities.

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

CTA will also spend over $28.4 million for other miscellaneous bus facility improvements including bus turnarounds, repair of systemwide roofs, and upgrading ventilation systems at the bus overhaul facility located at South Shops.

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

CTA has similar elevator rehabilitation needs. Elevators assist in providing access to CTA's rail system for CTA's customers with disabilities. Many of CTA's elevators have exceeded their expected service lives, 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 stations.

2003 Capital Improvement Program Overview

Systemwide Improvements

The 2003 Budget features over $90 million allocated to various projects, which directly or indirectly support CTA's service delivery. These projects improve the operation of CTA's Control Center, upgrade communications systems, manage information technology, upgrade CTA's financial systems and provide critical management information and operational support to CTA's bus and rail fleets. Over the five-year program, $38.6 is included for communications projects to enhance the safety and security of CTA's customers and CTA's employees.

In 2003, CTA provides approximately $25 million for design and replacement of aging fare boxes that are beyond their service lives; 2004 funding of $25.6 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.

Also in 2003 over $3.5 million is allocated to fund the accelerated implementation of the Chicago Card. This project will enhance CTA's fare media for the convenience of CTA's customers. These rechargeable plastic cards are embedded with a special computer chip, which tracks the value of the card. They can be touched to the turnstile or farebox rather than inserted, speeding customers to their destinations.

Looking Ahead

CTA is making progress towards CTA's goal of providing on time, clean, safe, and friendly service; but much remains to be done to bring CTA's system to a state of good repair. The 2003-2007 Capital Improvement Program projects $3.1 billion will be available over the next five years to help the CTA continue its renewal, but that will only be the first step.

Completely rebuilding CTA's system means addressing over $1.9 billion in unfunded capital needs over the next five years, including rail station rehabilitation, maintenance facility improvements, track renewal, and technology and communications upgrades. In addition $4.2 billion is needed over the following five-year period for continued progress toward a state of good repair. Robust population growth continues to prime local economic growth, but brings traffic congestion, transportation gridlock and the need for transit service expansion. Potential future expansion projects such as Circle Line, and Orange, Blue, Red, and Yellow Line extensions will be predicated on additional capital funding through federal and local sources.

The CTA works ceaselessly to bridge the funding gap between today's needs and tomorrow's increasing demands for service. 2003 represents the fourth year of funding under Illinois FIRST; and the last year of TEA-21. Thanks to the strong support of Mayor Richard M. Daley, Governor George Ryan, House Speaker J. Dennis Hastert and the Illinois Congressional delegation, these programs have helped advance CTA's efforts to rehabilitate rail lines and to renew CTA's bus fleet and incorporate or expand preventive maintenance programs.

2003 Capital Improvement Program Overview

With every dollar of new capital funding obtained, with every capital dollar well spent, and with each project completed, the CTA comes closer to realizing its goal of providing high quality service for its customers. When one of the new Nova buses stops to pick up customers, or a fully overhauled 2600 Series rail car pulls into a newly rebuilt station, CTA's customers experience the results of CTA's capital program. They see first hand that the CTA is staying the course: moving in the right direction, providing quality, affordable transit services that link people, jobs and communities.

Results-Oriented

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

1 Creation of the 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 public transit 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.

1 Creation of the Agency

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.

"Orange" Midway 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 City of Chicago 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 40 nearby suburbs
- The service area has 3.3 million people

Ridership

- 456.8 million trips projected in 2003
- Over 1.5 million trips per weekday

Bus Service

- 1,964 buses travel over 142 routes
- Routes cover 2,252 miles, with over 12,387 bus stops

Rail 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
- 1,558,437 trips projected in 2003

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 2003 budget for sales tax revenue for the Region is $695.0 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 Sales Tax Revenue	Suburban Cook Sales Tax Revenue	Collar County Sales 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 2003 Budget includes $175.0 million in PTF funds.

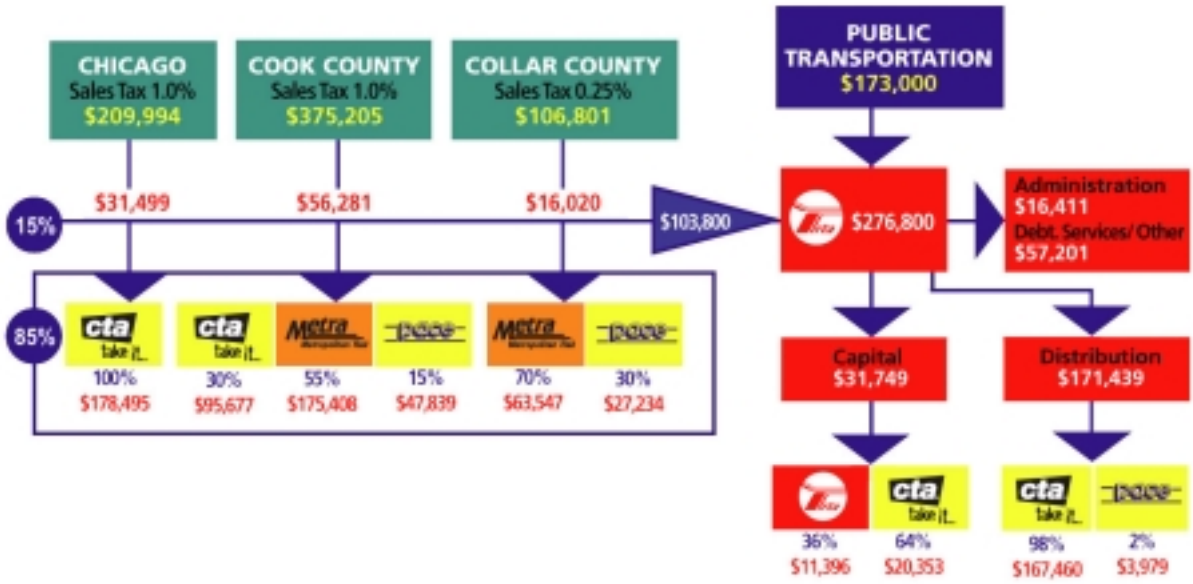
State Assistance

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 (Based on 2002 Budget)



Notes:

1) Data in 000's.
2) Data is 2002 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 public transit infrastructure needs under Illinois FIRST in Northeastern Illinois. CTA expects to receive approximately $2.75 billion from all sources to spend on capital needs for the period 2003-2007.

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 equaled anticipated federal funding, meaning a significant number of non-federal funds 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 its 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.

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.

6 Accounting System & Budgetary Control

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.

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.

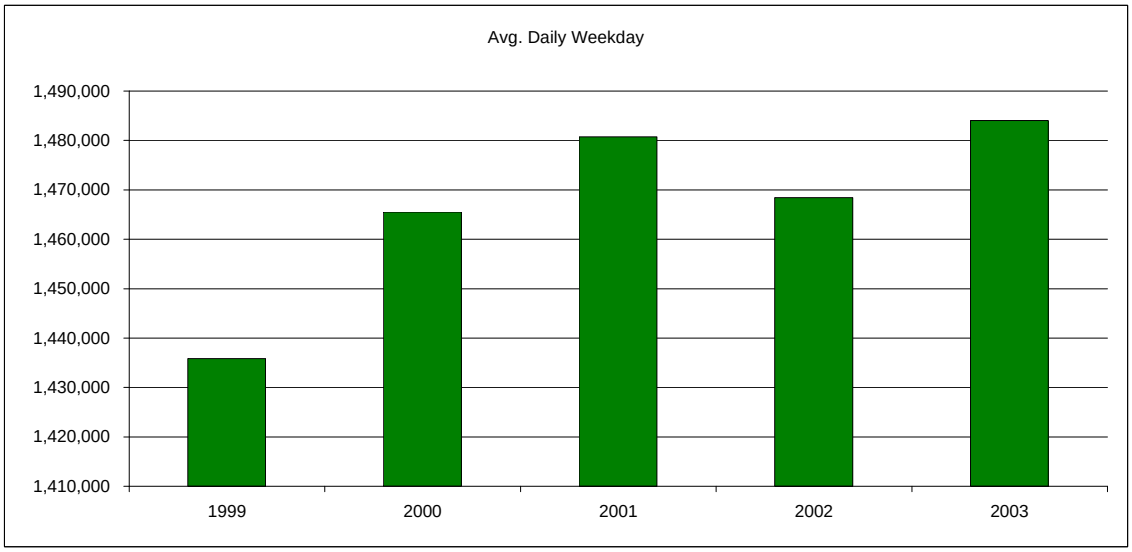
The RTA monitors the CTA's performance against the budget on a quarterly basis, and if in the judgment of the RTA, this performance is not substantially in accordance with CTA's budget for such period, the RTA shall so advise the CTA. The CTA must, within the period specified by the RTA, submit a revised 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

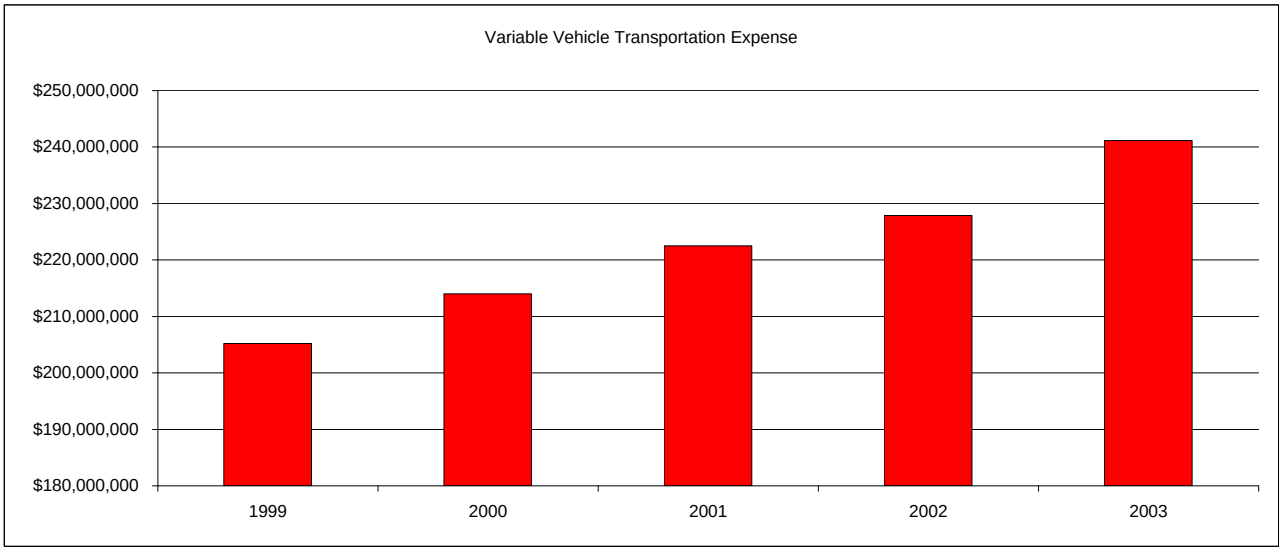
CHARACTERISTICS	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Budget
Ridership					
Avg. Daily Weekday	1,435,850	1,465,529	1,480,766	1,468,424	1,484,026
Avg. Daily Saturday	829,659	848,279	862,182	854,953	864,101
Avg. Daily Sunday	537,103	557,116	576,838	575,037	581,247
System Wide Ridership	441,940,935	450,530,411	454,867,660	451,840,811	456,785,575
Expense					
Top Operator Rate	$ 20.01	$ 20.01	$ 21.31	$ 21.91	$ 23.01
Capital Expenditures	$ 199,540,018	$ 280,405,661	$ 355,869,108	$ 337,471,851	$ 324,653,614
Revenue					
Average Fare per Trip	$ 0.83	$ 0.82	$ 0.82	$ 0.83	$ 0.82
Public Funding per Trip	$ 0.87	$ 0.89	0.92	$ 0.98	$ 0.99
Safety (Reported & Blind)					
Bus Accidents per 100,000 Miles	6.44	7.06	6.44	6.20	6.00
Rail Accidents per 100,000 Miles	0.18	0.12	0.10	0.10	0.09



8 Operating Statistics

BUS

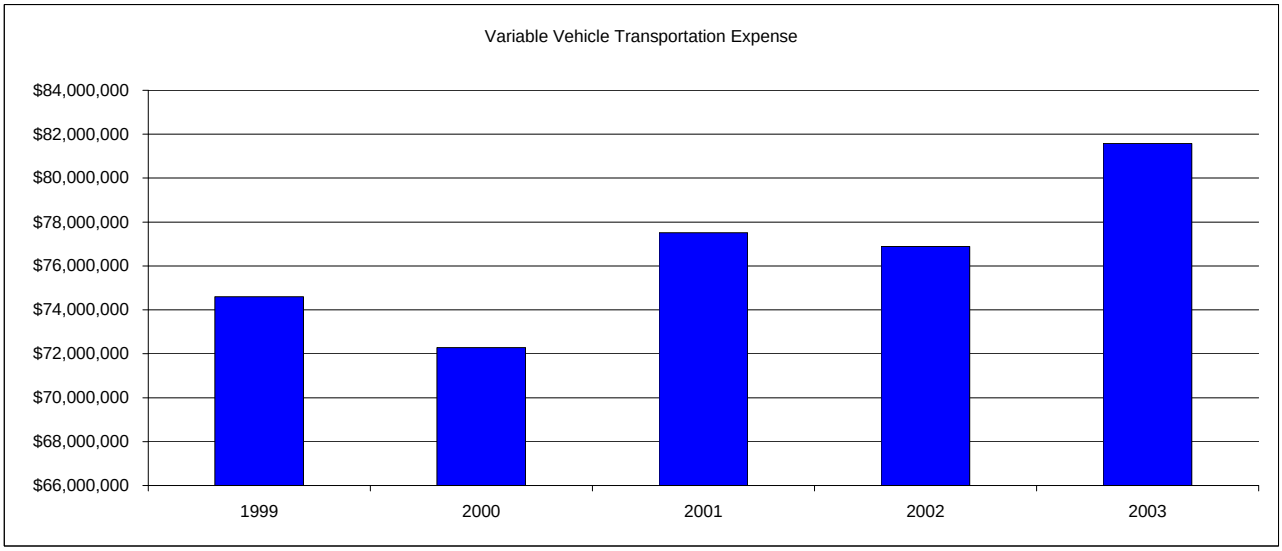
CHARACTERISTICS	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Budget
Expenses					
Operating Expense	$ 350,748,269	$ 372,865,388	$ 385,534,831	$ 386,126,008	$ 409,313,432
Variable Vehicle Transportation Expense	$ 205,246,407	$ 213,983,589	$ 222,535,985	$ 227,872,426	$ 241,157,520
Variable Vehicle Maintenance Expense	$ 86,158,611	$ 95,110,317	$ 96,280,740	$ 90,385,467	$ 97,225,157
Fuel Expense	$ 12,480,466	$ 23,305,022	$ 23,325,998	$ 18,500,003	$ 22,375,012
Miles					
Annual Vehicle Revenue Miles	66,001,000	67,000,000	66,556,099	66,500,000	67,575,226
Trips					
Annual Unlinked Trips	299,092,752	302,124,236	301,690,747	298,473,622	300,334,336
Vehicles					
Annual Vehicle Revenue Hours	6,184,115	6,189,046	6,466,776	6,633,440	6,712,640
Vehicles Operated in Max. Service	1,559	1,604	1,643	1,685	1,683
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,878	1,863	1,919	2,015	1,973
Average Age of Vehicles	9.3	10.0	8.7	8.6	7.9



9 Operating Statistics

HEAVY RAIL

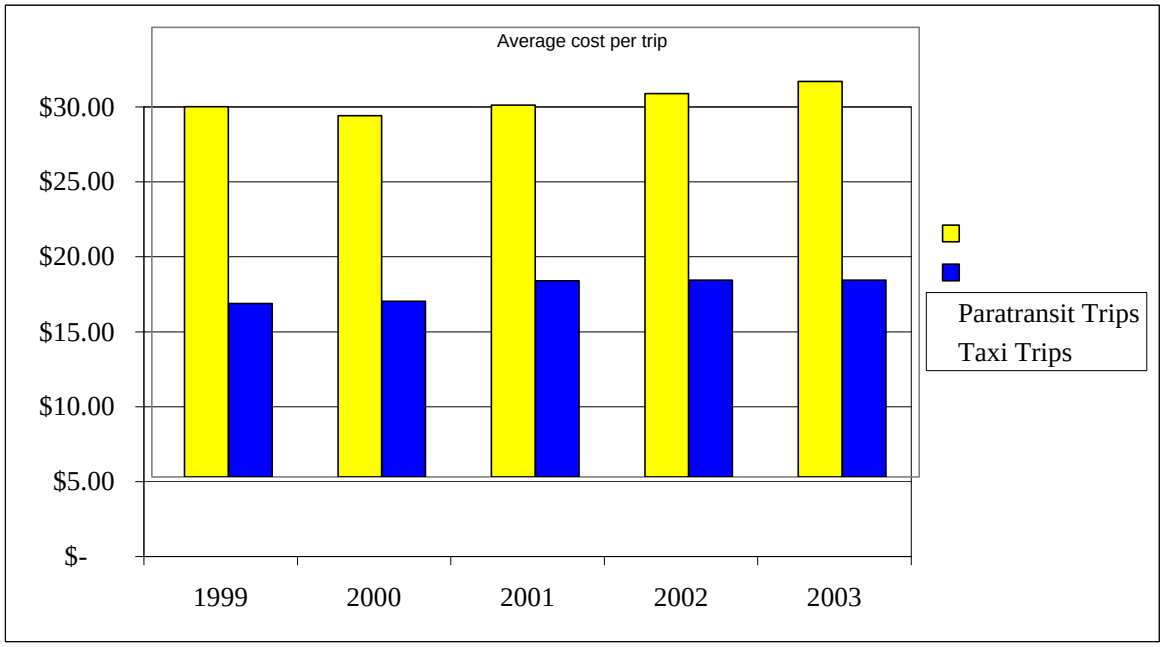
CHARACTERISTICS	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Budget
Expenses					
Operating Expense	$ 154,248,424	$ 151,069,436	$ 156,723,522	$ 157,366,052	$ 165,667,006
Variable Vehicle Transportation Expense	$ 74,598,386	$ 72,281,742	$ 77,520,365	$ 76,885,016	$ 81,574,783
Variable Vehicle Maintenance Expense	$ 40,919,649	$ 36,235,621	$ 36,743,210	$ 34,178,219	$ 36,096,354
Power Expense	$ 16,569,862	$ 21,021,791	$ 21,834,681	$ 20,894,724	$ 21,295,717
Miles					
Annual Vehicle Revenue Miles	54,564,724	56,000,000	54,201,051	63,400,000	63,400,000
Trips					
Annual Unlinked Trips	141,682,673	147,194,341	151,739,030	151,871,457	154,892,802
Vehicles					
Annual Vehicle Revenue Hours	476,527	485,774	600,550	626,642	603,137
Vehicles Operated in Max. Service	926	926	988	1,038	1,100
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,190	1,190	1,190	1,190	1,190
Average Age of Vehicles	16.0	16.9	18.0	19.0	20.0



10 Operating Statistics

PARATRANSIT

CHARACTERISTICS	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 Budget
Expenses					
Operating Expense	$ 27,214,000	$ 27,043,000	$ 32,313,631	$ 35,150,000	$ 37,214,725
Average Cost per Trip	$ 23.35	$ 22.32	$ 23.45	$ 23.05	$ 23.43
Trips					
Paratransit Trips	1,065,870	1,094,795	1,164,685	1,211,543	1,262,334
Taxi Trips	99,640	117,039	273,198	284,189	296,103
Average Cost per Trip					
Paratransit Trips	$ 24.70	$ 24.11	$ 24.82	$ 25.57	$ 26.39
Taxi Trips	$ 11.57	$ 11.72	$ 13.08	$ 13.13	$ 13.14
Mainline Service					
Bus Routes Offering Lift Service	75	73	78	110	110
ADA Accessible Stations	50	50	64	64	72

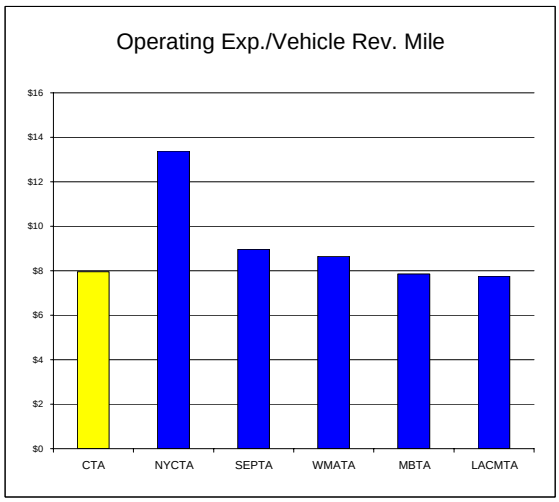


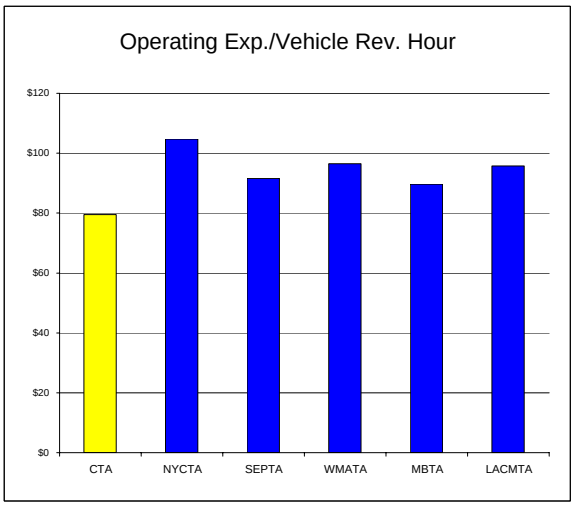
11 Comparative Performance Analysis

BUS

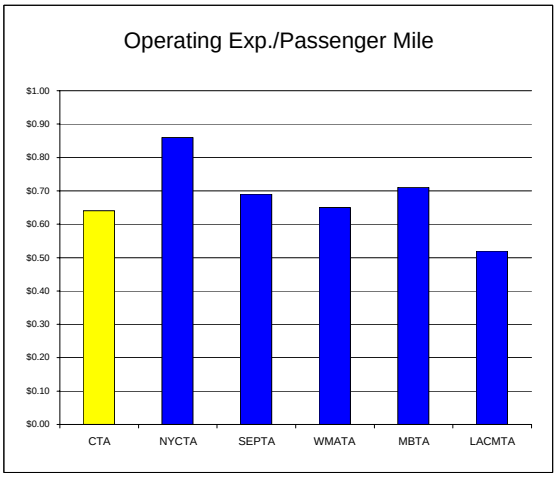
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$7.95	$13.38	$8.96	$8.65	$7.85	$7.76
Operating Exp./Vehicle Rev. Hour	$79.52	$104.70	$91.58	$96.46	$89.66	$95.78
Cost Effectiveness						
Operating Exp./Passenger Mile	$0.64	$0.86	$0.69	$0.65	$0.71	$0.52
Operating Exp./Unlinked Trip	$1.63	$1.61	$2.07	$2.28	$2.12	$1.85
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	4.88	8.31	4.33	3.79	3.70	4.19
Unlinked Trips/Vehicle Rev. Hour	48.81	65.02	44.23	42.25	42.30	51.71

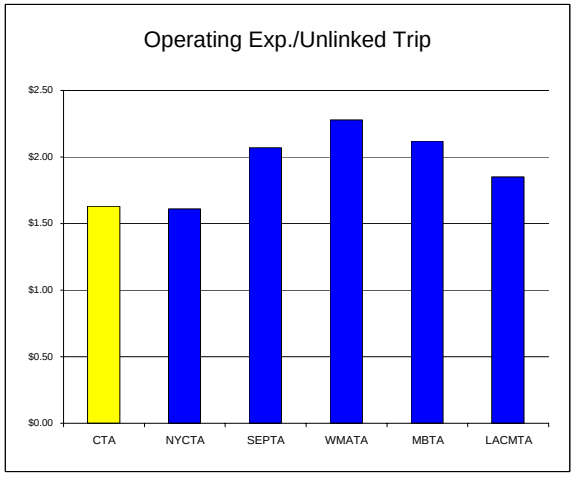
Service Efficiency





Cost Effectiveness





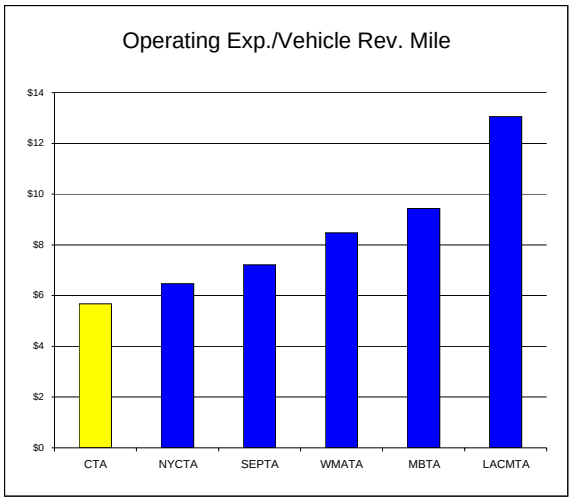
Data obtained from 2000 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

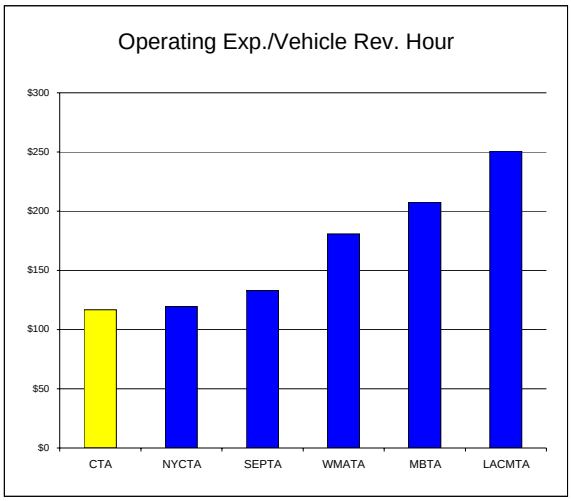
12 Comparative Performance Analysis

HEAVY RAIL

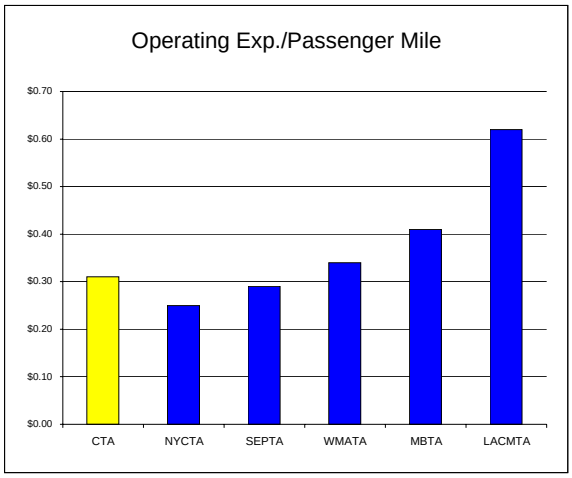
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$5.67	$6.47	$7.21	$8.47	$9.43	$13.05
Operating Exp./Vehicle Rev. Hour	$116.87	$119.47	$132.85	$180.86	$207.44	$250.84
Cost Effectiveness						
Operating Exp./Passenger Mile	$0.31	$0.25	$0.29	$0.34	$0.41	$0.62
Operating Exp./Unlinked Trip	$1.79	$1.25	$1.31	$1.87	$1.41	$1.66
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	3.17	5.19	5.51	4.52	6.69	7.84
Unlinked Trips/Vehicle Rev. Hour	65.29	95.87	101.65	96.56	147.20	150.66

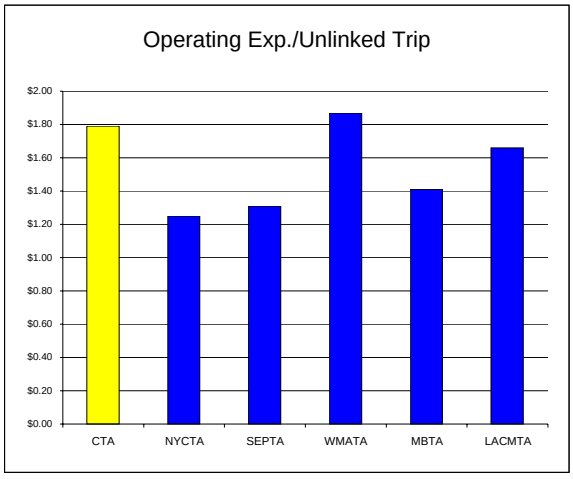
Service Efficiency





Cost Effectiveness





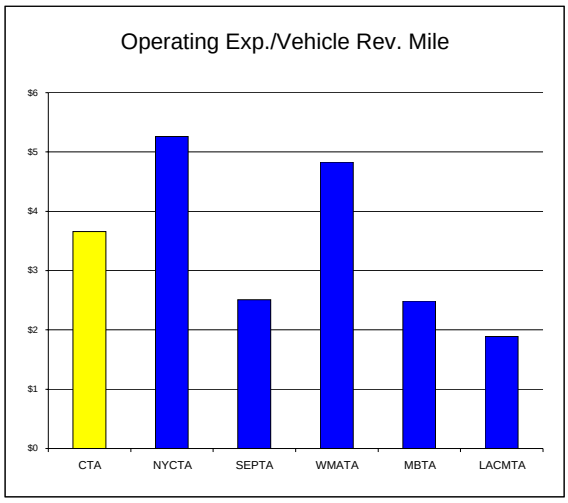
Data obtained from 2000 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

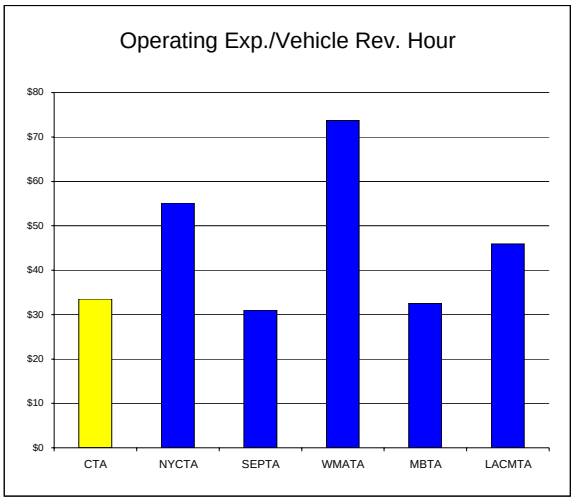
13 Comparative Performance Analysis

PARATRANSIT

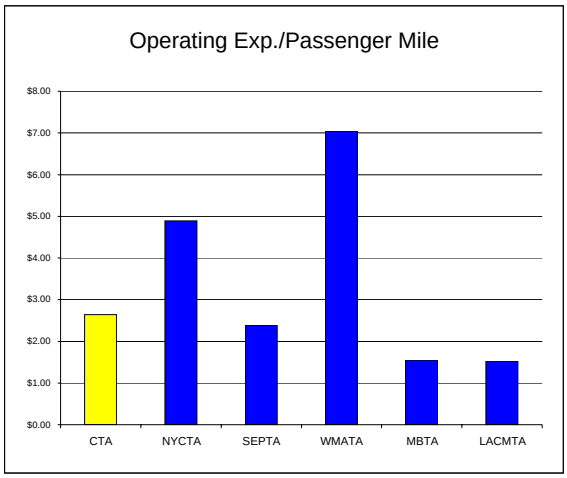
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$3.66	$5.26	$2.51	$4.83	$2.49	$1.89
Operating Exp./Vehicle Rev. Hour	$33.53	$55.13	$31.02	$73.70	$32.51	$45.89
Cost Effectiveness						
Operating Exp./Passenger Mile	$2.64	$4.89	$2.38	$7.04	$1.55	$1.53
Operating Exp./Unlinked Trip	$22.43	$52.44	$18.28	$71.48	$20.00	$17.44
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	0.16	0.10	0.14	0.07	0.13	0.11
Unlinked Trips/Vehicle Rev. Hour	1.49	1.05	1.70	1.03	1.70	2.63

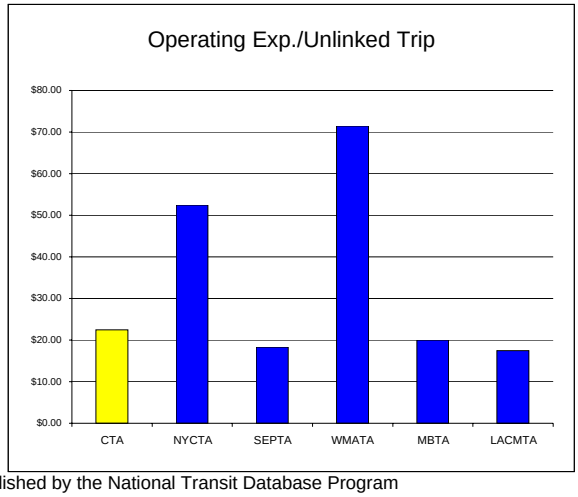
Service Efficiency





Cost Effectiveness





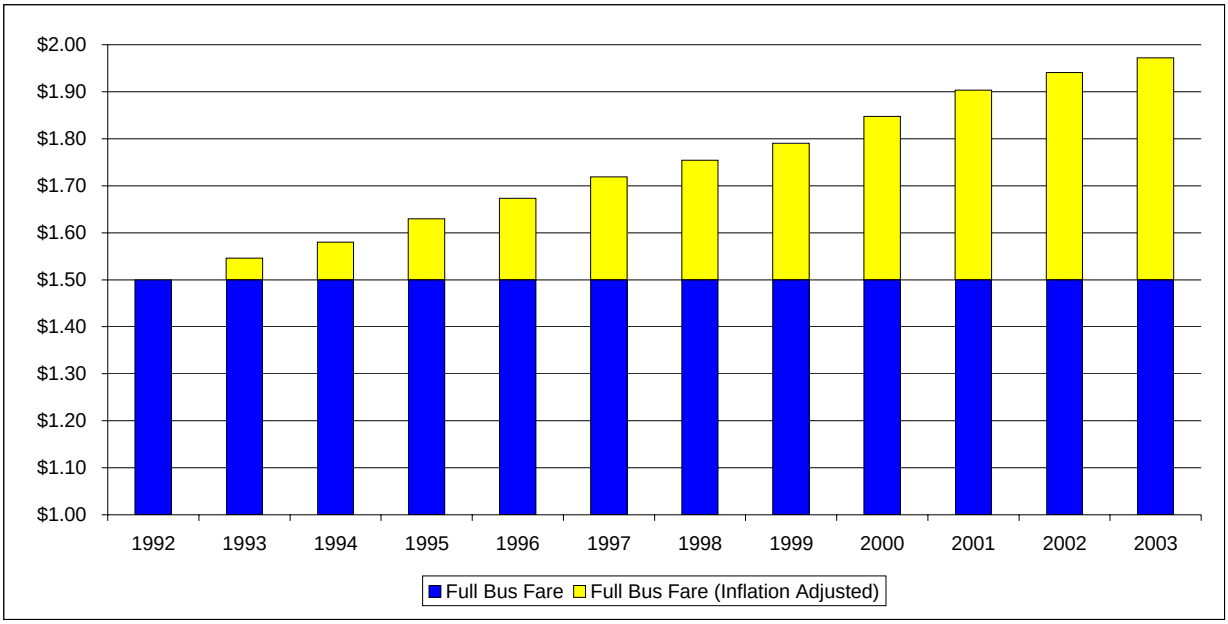
Data obtained from 2000 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

14 Fare Structure

SYSTEM

CHARACTERISTICS	1999 Actual	2000 Actual	2001 Actual	2002 Projected	2003 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)	$ 1.10	(1)	$ 1.10
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.
(1) Express route fare is $2.00 and regular route fare is $1.10

15 Comparative Farebox Recovery Ratio

CITY (SYSTEM)	FARE REVENUES	OPERATING EXPENSES	RECOVERY RATIO
CHICAGO (CTA)	$370,868	$835,585	44.38%
NEW YORK CITY (NYCTA)	$2,100,521	$3,498,171	60.05%
WASHINGTON D.C. (WMATA)	$343,537	$722,189	47.57%
PHILADELPHIA (SEPTA)	$292,992	$695,183	42.15%
BOSTON (MBTA)	$250,312	$710,709	35.22%
ATLANTA (MARTA)	$95,095	$305,960	31.08%
SAN FRANCISCO (MUNI)	$102,075	$384,113	26.57%
LOS ANGELES (LACMTA)	$233,434	$772,866	30.20%
OTHER SELECTED TRANSIT SYSTEMS			
SAN FRANCISCO (BART)	$194,291	$314,799	61.72%
NEW YORK (PATH)	$80,769	$160,903	50.20%
CLEVELAND (GCRTA)	$41,666	$219,021	19.02%

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: 2000 National Transit Database published by the Federal Transportation Administration

16 Glossary

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.
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 6:00 a.m. through 10:00 a.m. and 3:00 p.m. through 7:00 p.m.
Platform Time	The period of time in 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.

16 Glossary

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 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 Operators, 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.

16 Glossary

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.

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, 2002.

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.


SPRING/SUMMER 2002
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
CTA Trains and Stations
Blue Line
Between O'Hare and Forest Park or 54th/Cermak
Brown Line
Between Kimball and the Loop
Green Line
Between Harlem/Lake and 63rd Street terminals
Orange Line
Between Midway Airport and the Loop
Purple Line
Between Linden and Howard
Purple Line Express
Between Linden and the Loop, weekday rush hours only
Red Line
Between Howard and 95th/Dan Ryan
Yellow Line
Between Skokie and Howard
Free train connections at station
Accessible station
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
LAKE MICHIGAN
SEE DOWNTOWN MAP
Hyde Park
ONE MILE

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