Designing for the Future of Public Transit

Proposed 2004 Budget Summary

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Chicago Transit Authority

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Frank Kruesi, President

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Chicago Transit Authority

Letter from the President

Designing the Future of Public Transit–that is the vision that guided the CTA in preparing the budget for 2004.

Our mission is to provide quality, affordable transit services that link people, jobs and communities. As communities grow and change, what works well today may not work as well in the future. The CTA must be prepared to serve future customers. Each year, the CTA prepares a five-year capital plan that sets priorities for the future and determines which initiatives will best serve customers in the years ahead. Our focus is on projects that will rebuild the system, improve the product and sustain the momentum of the past six years.

Planning for the future is critical right now. The legislation that determines federal funding is expiring and transit agencies around the country are introducing projects that will be competing with one another for a share of scarce future funding.

To meet future transit needs, the CTA projects growth patterns and has developed plans that provide service in key areas while best using the current infrastructure. With limited resources available, this approach maximizes customer benefits with strategic investment. This type of analysis led to long-term proposals, such as the Circle Line and express rail service to both airports, but also to shorter-term investments, such as ongoing fleet and facility upgrades.

In addition to developing long-term plans, the CTA creates an annual spending plan for capital improvements and prepares an operating budget that determines the quality and level of service it can provide in the coming year.

Developing those budgets was very challenging this year. Resources, which have always been limited, have become even tighter. In the past six years, the CTA has worked diligently to balance its budget. Even when money has been tight, we have been able to find new ways to control costs or increase revenues while still finding a way to invest in projects and services that will benefit our customers. 2003 was a prime example. As we developed the budget last year, we faced an operating shortfall. But by continuing to work smarter, cut expenses and seek new sources of revenue, we were able to balance the budget and still fund our most ambitious service improvements yet. It has been a source of pride for us that we have been able to continue to deliver more, with less, and that the CTA has gone more than 12 years without a fare increase.

But times have changed. As we prepared the 2004 budget, we faced an operating shortfall of at least $88 million. We also are in arbitration with our largest union, ATU Local 241. We have made some reasonable assumptions about the outcome, but we won't know the actual costs until the arbitrator renders a decision.

The weak economy has a direct impact on the two major sources of CTA's operating revenue. Nearly half of the CTA's operating budget is funded through the state's sales tax. Sales tax revenues are down this year and, as a result, the CTA's operating funds have been reduced by nearly $12 million compared to last year.

The other portion of the CTA's operating revenues comes primarily from fares, which, of course, depend on ridership. This year, after five years of continuous growth, ridership dipped. To a large extent, this decrease is also tied to the economy as regional unemployment levels hover at about eight percent.

Revenues are down, and expenses, though carefully controlled, continued to inch up. An $88 million gap is a large one to fill and we had already exhausted most available options to balance previous budgets. Ongoing cost reductions since 1998 have saved the CTA a total of $554.8 million. In addition, over the past few years, sales of surplus properties, innovative lease transactions and other initiatives have pumped $92 million in revenues into the budget.

We had to look seriously at new ways to balance the budget, including reducing the work force. Rather than turn to layoffs, we are eliminating a total of 400 positions over this year and next. Cuts have been made in every CTA department, but not to positions directly involved in delivery of service to our customers. These cuts will result in a 17 percent reduction of non-service related positions.

But even with this work force reduction and tighter cost controls in place, we still faced a budget gap and had to consider the first fare increase since 1991. In the 2004 budget, the CTA is proposing a fare increase of 25 cents, which would increase the base fare to $1.75. To minimize the impact on ridership, pass prices will remain the same and the price of a transfer will be reduced from 30 cents to 25 cents. To speed boarding and therefore speed service, we will encourage the use of Chicago Cards™ by offering a 10 percent bonus on purchases of $10 or more.

This fare increase will allow the CTA to balance its budget and continue to provide the high level of service that we have worked hard to achieve over the past six years.

As we move into 2004 and beyond, the CTA will continue to look for the most efficient operating methods and ways to increase revenues that will provide long-term financial stability.

Over the next few weeks, the Chicago Transit Board, the Cook County Board and the Regional Transportation Authority will review this proposal. There are also opportunities for public comment, by testifying at our October 30 public hearing at the Palmer House Hilton or by writing us at the Merchandise Mart, P.O. Box 3555, Chicago, Illinois 60654. Copies of the budget are available for review at CTA headquarters, public libraries and on our web site at www.transitchicago.com

Sincerely,

Frank Kruesi, President

Designing for the Future of Public Transit: Budget 2004

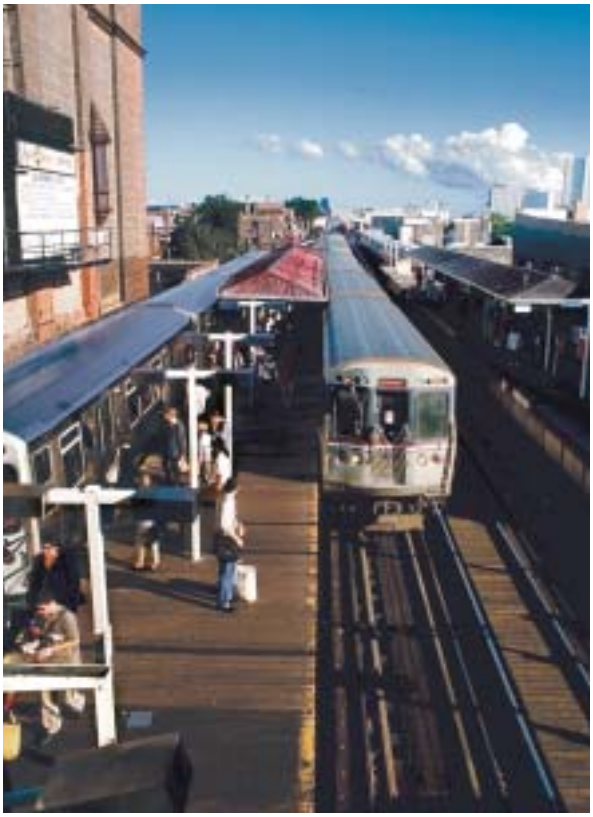
INTRODUCTION

The mission of the Chicago Transit Authority is to deliver quality, affordable transit services that link people, jobs and communities. It is why the CTA exists—to transport customers to their destinations in the most efficient manner possible.

Accommodating current transit needs is only part of the CTA's mission, however. The CTA must continually look ahead to be prepared to serve future customers. As communities grow and change, what worked well yesterday may not work as well today or tomorrow. Shopping centers, business districts and recreational attractions are not the same as they were 20 years ago, or even as recently as 10 years ago. Neighborhoods throughout Chicago and the suburbs have experienced dramatic changes—a great deal of revitalization has taken place resulting in new and densely populated communities. Anticipating customer needs, projecting travel patterns and designing the future of public transit using today's infrastructure as a blueprint is the full scope of CTA's mission.

For the past several years, the CTA has worked diligently to deliver on its mission while operating in an increasingly tough economic environment. Like many other businesses, the CTA is experiencing the impact of rising operating costs such as health insurance, while looking for solutions to offset the effects of declining revenue and limited funding.

Because of ongoing cost containment and revenue enhancement measures, we have been able to offset a fare increase for more than a decade while building an improved agency by way of better service, facilities, equipment and operations. Not only have we maintained our level of service for the past five years, we have improved upon it. Since November 1998, CTA has made service improvements on 66 percent of its bus routes (98 out of 148 total routes) and on all seven of its rail routes. A total of 219 bus improvements have been implemented which include 22 new bus routes, expanded hours of service, added trips to reduce wait time, and route changes to improve access and connectivity.



The last fare increase was in 1991, when fares for both bus and rail went from $1.25 to $1.50. In 1998, we introduced a simplified fare structure that reduced certain fares. As intended, the plan resulted in increased ridership on the system by offering incentives for frequent customers. The revised structure reduced the Monthly Pass to $75 from $88. The cost of the Reduced Monthly Pass was dropped to $35

from $44. Other advantages of the revised fare structure included the Transit Card bonus being increased to a $1 bonus for every $10 of value stored on the card.

Strategic decision-making and investment in the system has served us well over the years. Today we are reaping the benefits of those efforts. We have worked hard to bring stability to a transit system that had fallen into a state of disrepair, and are now implementing plans that not only help to replace our aging infrastructure, but also to bring new and better service offerings to our customers.

We have remained committed to service as our top priority, carefully managing our operations to reduce costs without sacrificing the level of service provided to our customers. Since 1998, the CTA has realized a total of $554.8 million in savings as a result of these efforts. This requires a delicate balance between service planning, preventative maintenance, investing in equipment and facilities, and recruiting and retaining experienced staff to keep Chicago and the surrounding suburbs moving smoothly each day.

In 1997, when the CTA introduced an automated fare collection (AFC) system through the use of Transit Cards, more than $11 million in annual savings was realized by reducing the amount of cash fares handled on the system. Similarly, the switch to one-person operations on all rail lines has saved the CTA more than $10 million annually. Better purchasing and inventory management have resulted in annual savings of $7.1 million. The CTA realized a savings of $10 million in 2003 by eliminating 200 positions by attrition, restricting overtime and carefully monitoring hiring, and expects to achieve additional savings in 2004 by eliminating an additional 200 positions through attrition.

In addition to carefully controlling costs, the CTA has actively sought to increase revenues beyond the farebox. In 2002, the CTA generated $2.7 million in revenue by entering into an innovative lease agreement to lease 411 Nova buses to an equity investor.

In another lease transaction the same year, the CTA generated approximately $19.4 million in revenue as the result of an agreement involving portions of the CTA's control center, AFC system, rail and bus communications systems and the rail control/signaling system. Since 1998, innovative financing transactions have generated $39 million in revenue for the CTA.

By the end of 2003, CTA rail customers will have access to automated teller machines (ATMs) at 11 rail stations. The move will generate an estimated $432,900 in additional revenue for the CTA in the next three years. Added to lease transactions and assets sales, this brings the revenue received by the CTA through alternative sources to $92 million since 1998.

As resourceful as we have been, our efforts have not been able to keep pace with the sustained sluggish economy and we are forced to face some difficult financial decisions in 2004 and beyond.

2003 ACCOMPLISHMENTS

The CTA experienced some great successes in 2003 despite operating in a challenging economic environment. Some of the most significant achievements were a result of improved bus service for our customers. CTA staff across several departments—service planning, operations, facilities maintenance, government and community relations, communications and marketing—worked in a coordinated effort to design and implement enhancements for 32 bus routes.

Bus service enhancements were introduced on an experimental basis for customers in Evanston, Skokie and West Rogers Park, as well as for customers along North and South Lake Shore Drive. These service improvements reflect the growth in these communities—changes in travel patterns due to residential and commercial development in burgeoning neighborhoods—as well as the CTA's commitment to provide quality service that transports people to where they want to go.

Chicago's West Side is a prime example of how CTA service has evolved to keep pace with a changing neighborhood. In 1996, a completely rebuilt Green Line reopened on the West Side. Since 1998, ridership on the Lake Street branch of the Green Line increased 29 percent and in 2001 longer trains were added to accommodate growing ridership. Over the past few years, eight of the nine main West Side bus routes were enhanced with improvements such as extended service hours and adjustments in destinations to better serve customers' needs. Since 1998, ridership on the nine main bus routes has increased 10 percent. In 2003, the CTA began another analysis of West Side service to ensure the changing needs of customers are met.

More service was made possible, in part, by a more reliable fleet. The ongoing effort to upgrade CTA's bus fleet continued as the first of 226 new low-floor articulated, or accordion-style, buses manufactured by

Lake Shore Drive bus route enhancements improve local service and move already full express buses to Lake Shore Drive earlier in the route resulting in a faster, more reliable trip for customers.

CTA's bus fleet will soon be 100 percent accessible, enabling even more customers with disabilities to use the main system.

North American Bus Industries (NABI) began arriving in late summer 2003. While a significant number of these buses will be used to serve customers on express routes along Lake Shore Drive, all of our bus customers will benefit from the acquisition. Newer equipment means greater reliability for the entire CTA fleet as older buses are retired, and fewer repairs are

needed to keep the remaining buses in good working order. And, with the addition of the NABIs, the CTA's entire bus fleet will soon be fully air-conditioned and 100 percent accessible, a critical achievement that will make it possible for more customers with disabilities to use the main system.

In addition to providing a fully accessible bus fleet, progress is being made at rail stations throughout the system as well. In 2003, newly rehabilitated stations at Kostner in Chicago and 54th/Cermak in Cicero were the first of the fully accessible, newly renovated stations completed and opened for customer use as part of the Cermak (Douglas) rehabilitation project. Modern amenities such as island platforms, benches, overhead heaters, canopies, ramps and wheelchair turnstiles provide accessibility for all of our customers, as well as added comfort and convenience. In addition, all of the stations along the branch will be 100 percent accessible. Prior to the rehabilitation, slow zones were present throughout nearly 50 percent of the track. Since rehabilitation efforts began in 2001, slow zones have already declined to 6.8 percent.

The $482.6 million renovation of the Cermak (Douglas) branch of the Blue Line is on time, on budget and service remains uninterrupted. Rail service continues to operate during the week while construction work is in progress. Track work was completed on weekends when the branch was not in service. With two new stations open and miles of new track installed, CTA customers along this line are already experiencing faster, smoother and more reliable rapid transit service.

In March 2003, the CTA broke ground to begin renovating the Paulina Connector. This is the first phase of a project that will provide more transit options for customers in the future. The 108-year-old 'L' connector track just west of Paulina Avenue links the Green Line on Lake Street with the Cermak (Douglas) branch of the Blue Line.

A train arrives at the newly renovated platform at Kostner station, part of the Cermak (Douglas) rehabilitation project.

Renovation of the Paulina Connector will be completed in 2005.

The connector track was used to reach the Lake Street 'L' for trips to the Loop. When 'L' service moved to the median along the Eisenhower Expressway in 1958, the Paulina Connector was closed for service and is now used primarily to shuttle Blue Line cars requiring major maintenance to CTA's rail heavy maintenance shop in Skokie.

Rehabilitating this essential stretch of track will restore a link for the Blue Line to the rest of the CTA rail network, providing additional transit options for our customers as well as allowing the CTA an opportunity to increase ridership. By upgrading existing structures such as this, we are wisely using resources that provide the most potential for cost-effective enhancements.

Harrison Curve, an expanse of track similar in age to the Paulina Connector, was also improved this year. The reconfiguration of Harrison Curve, once the sharpest turn in the rail system, was completed this past summer. The S-shaped portion of elevated track located at Harrison and Wabash was straightened. Throughout the nine-month course of the project the new track structure was built in place alongside the old structure. Service was interrupted only once, over Memorial Day weekend, to physically remove the curved structure and align the old track with the newly constructed linear structure.

Built in 1897, the severity of the curve required Green and Orange Line trains to slow to 10 miles per hour to safely navigate that section of track. The straighter track now allows trains to increase speed up to 35 mph, providing a faster trip for the 58,800 rides taken over that section each day. By speeding up travel through the curve, the straighter track also gives the CTA more flexibility in the delivery of service. It allows time for more trains per hour to travel into the Loop.

Another major infrastructure improvement project began in 2003. The reconstruction of the bus bridges at 69th and 95th Streets is a part of the larger Dan Ryan Red Line rehabilitation project. Work at both locations involves replacing the bridge deck, bus lanes, curbs, sidewalks and passenger islands. When the entire Dan Ryan Red Line project is completed in fall 2006, the CTA will have rehabilitated bus bridges at 69th and 95th Streets, improved signal communications and power substation systems, and renovated seven of the most heavily used rail stations between Cermak Road and 95th Street.

The CTA made improvements to grade crossings in Skokie and Evanston, installing new gates and lights at 10 locations. It also took the first steps toward replacing the overhead catenary power on the Yellow Line with contact rail such as that used everywhere else on the CTA system. These initiatives will improve service reliability.

The curved track at Harrison Curve was removed and replaced with a new, more linear track. These before and after photos show what the CTA can accomplish in a weekend.

In an ongoing effort to increase bus service reliability without sacrificing the level of service, the CTA completed the Schedule Efficiency project in 2003. By closely examining 50 bus routes and adjusting schedules accordingly, CTA was able to achieve more accurate running times and better alignment of bus routes to bus garages. The resulting changes have helped the CTA realize $5 million in savings annually in operating costs due to more efficient schedules.

To further improve the transit experience, new bus shelters were installed along many of CTA's busiest routes. Funded by the City of Chicago's Street Furniture project, plans call for a total of 2,175 shelters to be installed throughout the city. In addition to providing protection from the elements, the new

structures help attract new customers to public transit by featuring useful amenities such as bright lighting and CTA system maps. They are kept in tip-top condition by a mobile staff that handles maintenance and repairs.

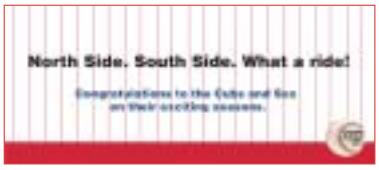
Projects of the scope and magnitude necessary to maintain the second largest transit system in the country require a great deal of support, and the CTA has received generous support from the City of Chicago in restoring its facilities. In 2003, the Chicago Department of Transportation (CDOT) funded and managed the reconstruction of the underground transfer tunnel at the CTA's State/Jackson subway station on the Red Line. The tunnel provides a pedway connection between the Red and Blue Line platforms at State/Jackson, adding greater convenience for CTA customers as well as protection from the elements. Renovation of the transfer tunnel is part of a project currently underway by CDOT to completely rebuild the Red Line platform between Adams and Van Buren.

Since 1989, the City of Chicago has provided the CTA with more than $753 million in funding for facility improvements. This substantial investment in the CTA's infrastructure is vital to obtaining a state of good repair throughout the system.

CTA and CDOT had another opportunity to work in tandem in 2003, resulting in a savings of both time and money. The CTA rehabilitated the Sox-35th Red Line station while CDOT rebuilt the bridge over the Dan Ryan at 35th Street. Rehabilitation of the station was completed in time for Major League Baseball's All-Star Game at U.S. Cellular Field.

As a result of the All-Star Game, the Sox-35th Red Line station set a record by serving more customers in one day than ever before. The Sox-35th station welcomed nearly 14,000 customers on the day of the All-Star Game. To compare, on a typical game day approximately 8,000 customers pass through the station. This Red Line station, along with the 35th-Bronzeville-IIT

CTA posters commemorating Major League Baseball's 2003 All-Star Game, Red Line service and the 2003 season.



The newly renovated Sox-35th station on the Red Line.

Green Line station, also served customers visiting the ballpark for festivities surrounding the All-Star Game such as the Home Run Derby. Several bus routes also provided service to the ballpark, as well as Fan Fest held at McCormick Place.

CTA is an integral part of the City's planning for special events and has capitalized on opportunities to attract additional customers. In preparation for events such as the All-Star Game, CTA employees spend months planning and preparing promotional efforts to inform customers of their public transit options. The effort to match service with customer needs contributed to this record-breaking success.

Another milestone was realized in March 2003. The CTA issued bonds for the first time since 1953, successfully selling $207.2 million in Capital Grant Revenue Bonds to help fund the continuing renovation of the Cermak (Douglas) branch of the Blue Line. The CTA received an A3 bond rating from Moody's Investors Service and an A- rating from Standard & Poor's, which are the highest ratings for this class of debt issuance. The CTA has worked very hard to demonstrate that it is a fiscally responsible agency. The ability to successfully complete major capital projects on time and within budget, as well as the sound management of the operating budget each year were both key factors in the rating.

Investing in our employees is just as important as investing in our fleet and facilities. In 2003, the benefit offered by the Tuition Reimbursement program increased from $1,000 to up to $3,000 in a given academic year in recognition of this belief. The Tuition Reimbursement program provides a way for employees to pursue their goals and has been instrumental in helping the CTA promote talented, qualified individuals from within its ranks. It is also of great benefit to the CTA to help employees develop and improve their skills. A skilled, well-rounded workforce is an asset to every organization. In 2002, more than 800 CTA employees took advantage of the program, attending classes at DePaul University, City Colleges of Chicago and the University of Illinois at Chicago, as well as technical courses.

A mural entitled "Hopes and Dreams" greets customers at the Roosevelt transfer tunnel.

Investing in safety has also been a top priority at CTA in 2003. Working with a leader in the safety industry, we have developed a more comprehensive safety management program. The focus of the program is to enhance safety throughout the workplace and, in doing so, reduce costs associated with employee injuries. By incorporating new processes into existing training methodologies, evaluating the way we think of safety and requiring line supervision to be more actively responsible for safety, we are better able to maintain the well-being of our customers and employees while working or traveling on the system.

The program is expected to save CTA $51-$63 million over a five-year period by reducing safety incidents. In that time, the CTA anticipates achieving a reduction in work-related injuries, in days lost due to injuries and in the bus and rail incident rates per 100,000 miles.

Designing for the Future of Public Transit: Budget 2004

In an effort to further refine our security measures, the CTA continued to work with local, state and federal authorities to anticipate and respond to potential emergencies. In May, the CTA participated in TOPOFF 2, a fully integrated national emergency simulation drill. Led by the City's Office of Emergency Management Communication, local agencies and emergency responders participated in a series of scenarios laid out by the U.S. Department of Homeland Security. In some cases, CTA simulated reroutes and special transportation needs for the drill, and in others, actually rerouted service around designated disaster sites such as Midway Airport.

While service and facilities are of great importance in providing a positive transit experience, so is the environment in which our customers travel. An important initiative was launched in 2002, which benefited customers in 2003. In an ongoing effort to improve the transit experience for our customers, the CTA launched a Repeat Offender initiative designed to rid the system of chronic lawbreakers. Under the initiative, the CTA works in conjunction with the Chicago Police Department, Cook County State's Attorney's Office, Cook County Probation Office and Cook County Social Services, to arrest and bar from CTA property any individual who breaks state or local laws. This initiative targets multiple offenders such as peddlers or panhandlers whose intrusive and annoying activities bother customers. By identifying and prosecuting these repeat offenders, the CTA can provide a more welcoming environment for customers.

Communicating CTA's improved transit experience with a large-scale audience led to CTA's first foray into cable television. *Connections*, the CTA's monthly television program, made its debut in May, reaching out to more than 500,000 households through municipal cable channels in Chicago and surrounding suburbs. The half-hour program delivers the CTA's mission and message directly to its customers, potential customers and employees to raise awareness and increase ridership. A new program airs each month, taking viewers on a trip through neighborhoods and attractions, demonstrating how CTA service helps customers get where they are going.

Officers from the Chicago Police Department's Public Transportation Sector help direct rail customers.

The CTA is improving its fleet with 226 new articulated buses that run on ultra low sulfur diesel fuel.

Current programs on Chicago's municipal channels include *Chicago Works*, produced by the Mayor's Office; *Come Out and Play*, produced by the Chicago Park District; *CrimeWatch*, produced by the Chicago Police Department; and *A Better Place*, produced by the Chicago Housing Authority. These programs have proven successful by presenting information in an entertaining format, through stories of real people, programs, events and services.

Designing for the Future of Public Transit: Budget 2004

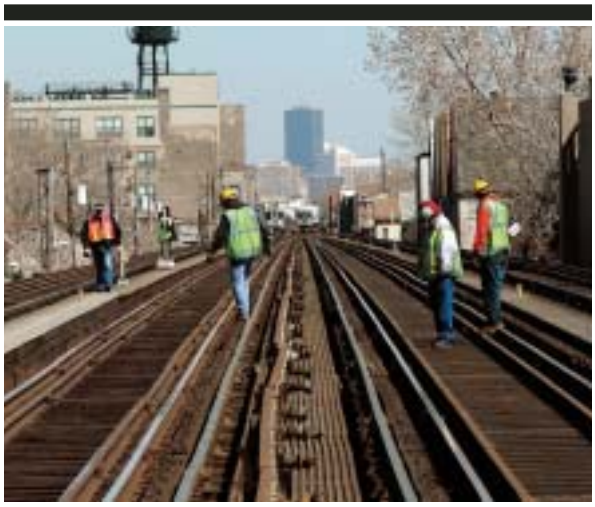
CTA has developed a number of initiatives in its effort to operate in an environmentally friendly manner. Lessening the impact of CTA's fleet and operations on the environment also contributes to an improved transit experience for customers, as well as people who reside within the service area. In 2003, the CTA converted all diesel vehicles in the fleet from #1 diesel fuel to ultra low sulfur diesel (ULSD) fuel to reduce emissions. The CTA uses 23 million gallons of diesel fuel annually. Converting to ULSD is the most cost-effective way to reduce emissions because it can be used to fuel older buses as well as new buses. By converting to ULSD in 2003, the CTA is ahead of schedule in implementing the 2007 Federal Emission requirements for reduced particulate matter and carbon monoxide.

As far back as 1998, when performing routine track maintenance, CTA began replacing wooden creosote-soaked railroad ties with ties made from recycled plastic. Wooden ties require creosote treatments to extend their service life, especially in certain harsh climates. The recycled plastic ties offer both performance and environmental advantages as they are designed to resist decay, insect attack and water absorption.

The rehabilitation of the Cermak (Douglas) Blue Line has provided the opportunity to accelerate the use of recycled plastic ties in the system because of the new track being laid. To date, the CTA has installed the largest number of recycled plastic composite ties of any public transit agency in the country. Of the 650,000 track ties in use on the CTA system, 32,000 are made from plastic, with an additional 9,000 currently on order.

Also in 2003, the CTA won an award from the Mayor's Bike Advisory Committee for being the most bike-friendly governmental agency in the city. Through the Bike & Ride Program, the CTA has made it more convenient for customers to bring their bicycles on both buses and trains. CTA buses are equipped with bike racks making Chicago, behind Los Angeles, home to the nation's second largest bike accessible bus fleet.

A CTA bus equipped with a bike rack operates along Lake Shore Drive.



Track maintenance is performed on an elevated rail structure.

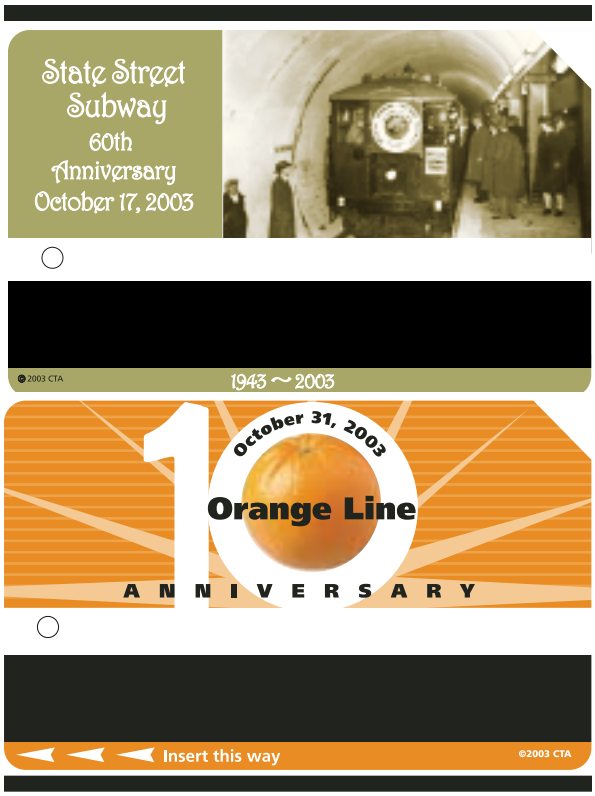
Since 2000, CTA has allowed two bicycles on each rail car at all times except two hours during weekday morning (7-9 a.m.) and evening (4-6 p.m.) rush periods, and during special events when ridership is high. Bikes are allowed on rail cars during all hours on weekends. For those who want to pedal to a rail station and complete their commute by rail, bicycle parking is available at 94 rail stations, including 26 stations with indoor racks.

Designing for the Future of Public Transit: Budget 2004

Two rail lines celebrated anniversaries in 2003. The Orange Line was built in 1993, serving customers in southwestern neighborhoods, as well as an important final destination, Midway Airport. Also in 2003, the State Street subway celebrated its 60th Anniversary. Built in 1943, it was Chicago's first subway, providing easy access to the business and retail district, long before the days of parking lots and malls. Today the State Street subway is part of the CTA's Red Line, the busiest line in the system. Both anniversaries were marked with commemorative farecards.

These achievements are evidence that the CTA is a dynamic agency with a hopeful future. But it is also true that the faltering economy has taken a toll on CTA's operating budget. A portion of CTA's funding comes from regional sales tax revenue, which has decreased as a result of the stagnant economy. Compounding the loss in sales tax revenue is the fact that after five years of growth, in 2003, ridership dipped on both the bus and rail systems. In addition, the CTA is required to meet the Recovery Ratio set by the Regional Transportation Authority (RTA), meaning that the CTA is required to fund more than 50 percent of its operating budget from revenue generated largely through fares.

As a result of several innovative revenue projects and cost-cutting efforts, CTA has been able to balance its budget even when revenues have fallen short. Yet, challenges remain. With lower sales tax revenues, unemployment, a stagnant economy, and the first ridership loss in more than five years, the CTA has had to make very difficult decisions to balance its operating budget, including proposing a fare increase for the first time in more than 12 years. The CTA will, however, continue its unwavering commitment to rebuild the system and improve the product.



Commemorative farecards acknowledge the 60th Anniversary of the State Street subway and 10th Anniversary of the Orange Line.

2004 PLANS

Despite the financial challenges, the CTA expects to accomplish a great deal in 2004. And it will do so by being resourceful and innovative, while still carefully managing costs.

One of the best examples of this way of doing business is the planned purchase of new rail cars. In 2004, a request for proposals will be released for the manufacture of new 'L' cars that will be delivered in 2008. The new rail cars will use AC (alternating current) traction motor propulsion instead of DC (direct current) motors that are used to power the existing fleet. The business decision to switch to AC power is a major shift for the CTA, and a wise one. AC propulsion systems are already used by other major transit agencies including New York, Washington D.C. and Atlanta. DC systems, such as the one in use at CTA, are becoming obsolete. Converting to a more modern AC system will reduce the growing cost of

maintaining an outdated system. For example, there are more equipment suppliers for AC motors than for DC, meaning that the supply will be more reliable and the costs more competitive.

The AC system will require less maintenance and provide operational savings. AC power can also provide a more comfortable ride through smoother acceleration and braking. AC also reduces the slip-slide of wheels on the rail, resulting in less noise and less wear and tear on the wheels and rails. The new cars are expected to replace the CTA's 2200-series Budd cars that were purchased in 1969-70, and the 2400-series Boeing-Vertol cars purchased in 1976-78.

CTA's bus and rail fleets have vastly improved over the past five years, and that trend will continue beyond the purchase of new rail cars. A number of 40-foot buses will be nearing retirement age in 2004. Purchasing new buses to replace those that have nearly exceeded their useful life will be evaluated in 2004 and beyond.

As part of its ongoing effort to maintain and upgrade the quality of its bus fleet, the CTA is overhauling its New Flyer buses (5800 Series), which were purchased in 1995. The overhaul will extend the service life of the buses, improve reliability and reduce emission levels. The overhaul includes a new Exhaust Gas Recirculation (EGR) engine, the addition of a particulate filter and a new transmission.

EGR engines take a portion of gas exhaust and run it back through the engine. In other words, they re-burn the exhaust, which makes the engine run cleaner. A particulate filter removes soot particles from the exhaust, virtually eliminating particulate matter emissions into the air. The result is an environmentally friendly bus fleet that by 2004 will have reduced emissions by 23 percent from what they were in 1997. In addition, 330 Flxible buses, also purchased in 1995, will undergo a life-extending overhaul (up to six years) involving complete body, structure and cosmetic work including installation of a rebuilt engine and transmission.

Investment in the system continues as CTA expects to purchase 2,500 new fareboxes in 2004 for installation throughout the entire bus fleet. Fareboxes currently in place on buses are approximately 25 years old, well beyond their useful life. It is estimated that nearly $5 million is lost each year due to broken fareboxes. The entire bus fleet will be outfitted with new fareboxes over the next two years.

Soon, the CTA will break ground on what will become the largest capital improvement project in its history, the Capacity Expansion project on the Brown Line. Running between downtown and the Northwest Side, the Brown Line was originally constructed in the late 1800s and early 1900s. The line is one of CTA's busiest rail lines, serving more than 61,000 customers each weekday, with 19 stations from Kimball on the north to the downtown Chicago Loop. Since the mid-1990s, CTA has made operational changes to accommodate

demand on the Brown Line, including having Purple Line trains stop at Brown Line stations from Belmont to downtown Chicago, extending service hours, adding additional trips during afternoon rush hours, reducing headways and restoring service on Sundays.

Despite these service adjustments, persistent crowding on Brown Line station platforms continues to impact customers. The goal of the project is to provide fully accessible stations capable of supporting eight-car trains to increase capacity and bring stations along the line to a state of good repair.

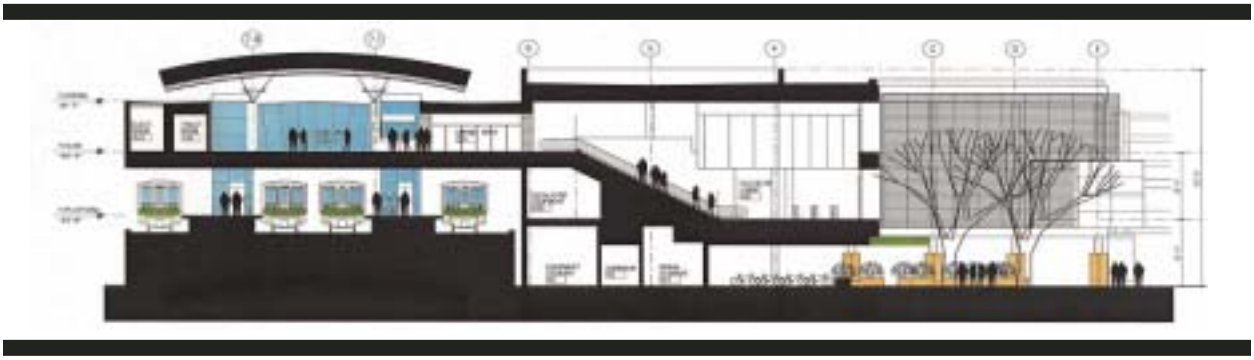
In 2004, CTA will begin work on the $50.5 million renovation of the Howard 'L' Station on Chicago's North Side. More than 15 years ago, the CTA began modernizing and expanding the Howard rail yard—which is adjacent to the station—to accommodate the additional cars that would be needed when the Howard and Dan Ryan 'L' branches were joined together in 1993. The realignment that took place that year allowed the CTA to make more effective use of its rail fleet by tying together the two branches that carried the most riders, while connecting two more lightly used lines.

Today the station at Howard is a busy boarding and transfer point, and it has more trains operating in and out than any other station in the CTA system. An estimated 17,200 customers change trains at the station each day, and another 6,000 customers enter the station from the street.

The project includes building a new ADA accessible station entrance and fare control area that will provide a convenient, accessible path between the existing platforms and the recently constructed multi-story parking garage and bus terminal on the west side of the station. The existing Howard Street station and Howard Street viaduct also will be renovated. Additionally, new facilities will be constructed to house the Red Line rail operations department and CTA's maintenance department.

The project is expected to be completed in 2007 and will bring major overall improvements and boost ongoing neighborhood revitalization efforts in the Howard Street area, where CTA's major intermodal transportation center serves customers on the Red, Purple and Yellow Lines, seven CTA bus routes and two Pace bus routes.

In addition to improving facilities, the CTA will continue to evaluate ways to improve service despite financial constraints. In 2004, the CTA will complete additional service evaluations including a comprehensive corridor study focusing on the West Side.



Artist renderings of the renovated station on the Brown Line at Armitage (right) and the Red Line's Howard 'L' station (below).

Funding has also been secured for the design and construction to rebuild the Main Street viaduct in Evanston. The CTA has conceptual approval from the City of Evanston Planning and Appearance Review committee and expects final approval in early 2004. Construction is expected to begin in mid-2004 and take about one year to complete.

Infrastructure improvements to transport customers are on the agenda as well. With 145 escalators on its system, 19 of which remain from their original installation in the 1940s, CTA will embark on an escalator modernization plan in 2004 to replace or rehabilitate older escalators throughout the system. Replacement of 10 Loop escalators will address breakdown and repair issues typical of 25- to 60-year-old units.

Seven escalators on the Red Line and three on the Blue Line will be replaced between September 2004 and May 2006. The Red Line escalators include one each at Harrison and Jackson/Van Buren, two at Adams/Jackson and three at Monroe/Adams. Blue Line escalators include one each at Randolph/Washington, Madison/Monroe and Jackson/Van Buren. From a business perspective, investing in new equipment saves on repair and maintenance costs, but this provides direct benefits as some customers find it difficult to use stairs, and escalators provide convenience and comfort.

When 2004 begins, CTA will implement its Enterprise Resource Plan (ERP) system by replacing CTA's stand-alone computer systems with a software platform that centralizes and integrates the current financial and administrative operations to better communicate and conduct the business of transit. A new, integrated system will result in a more streamlined and efficient agency, better able to manage, track and allocate its resources. A similar upgrade will be implemented throughout the maintenance information system that will help to more accurately track labor and material resources in bus and rail maintenance facilities. Improved processes and tracking of expenses and materials are key tools that contribute to effective budget management.

The Chicago Card™, a touch and go electronic farecard (above). The Chicago Card Plus™ (below) will be available in early 2004.

Technology upgrades continue in 2004. In 2002, the CTA introduced the Chicago Card™, a touch-and-go electronic farecard designed to provide more efficient service by improving boarding on buses and trains, as well as providing fare balance protection, a four-year use life and greater durability than magnetic strip cards. In 2004, the Chicago Card Plus™ will be introduced with enhanced features for CTA customers. The Chicago Card Plus™ will allow customers to automatically add more value to their cards via credit cards or debit cards when the balance runs low. The Chicago Card Plus™ will also be used in the Transit Benefit program, increasing the ease with which businesses can participate in this cost-saving program.

The Transit Benefit program provides a tax benefit to both employers and employees by enabling them to purchase fares with pre-tax earnings. Participants' monthly pre-tax deductions can be up to $100, which enables employees to save $200 to $465 in taxes annually by paying for transit with pre-tax dollars set aside from their paychecks. Employers benefit by getting an annual payroll tax savings of approximately 10 percent of what their employees set aside due to decreased payroll costs. Currently, 2,800 employers and 65,000 employees in the Chicagoland area are enrolled in the Transit Benefit program. Transit Benefit sales have grown from $1 million in 1999 to $12 million in 2002, a 1,100 percent increase.

In our continuing efforts to control and reduce operating costs, CTA will move into its new headquarters located at 567 West Lake Street in fall 2004. This relocation will reduce the CTA's annual operating expenses by saving an average of $7.7 million annually over the life of a lease alternative.

The CTA's headquarters have been located in the Merchandise Mart since the agency's inception in 1947. The CTA also occupies office space at 350 N. Orleans (Apparel Center) and 120 N. Racine at an annual cost of $5.5 million. Consolidating administrative offices and owning rather than leasing will provide the strongest long-term investment value and allow the CTA to use capital funds rather than operating funds for its office space. The total base building development cost is $75.9 million, with additional costs such as architectural services, relocation costs and furnishings bringing the total to $94.6 million, which will be paid for entirely by capital funds. No operating funds will be used for this building.

The decision to relocate is a long-term financial opportunity that will not only reduce office space expenses, but will enable the CTA to shift the expense of a lease payment from the operating budget to the capital budget. Using capital funds will help to balance the operating budget and meet the RTA's Recovery Ratio. In addition, by eliminating a lease payment from the operating budget, those funds can be used to support service for customers.

Operating the CTA in as cost-efficient manner as possible is a challenge that can be met. According to our most recent 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.

FUTURE PLANS—BEYOND 2004

In Chicago, transit is not simply an overflow outlet for those who would rather drive; for many, it is—by choice—their primary mode of transportation. In the entire area CTA serves, just 10 percent of households have residents who have never used CTA. One in five of CTA's current customers live in the Chicago suburbs. Sixty-eight percent of CTA customers have a car or other option available, but choose to ride the CTA—and this number has been growing. Transit plays a critical role in settings where land values are high and the space for new highway construction, and associated parking needs, is significantly limited or non-existent.

The CTA's current infrastructure provides the most integrated blueprint for designing the future of the region's public transit. It is the core system with the most potential for cost-effectively connecting to other

public transit lines. Looking forward, enhancing CTA's current infrastructure will provide the best results in regional efforts to reduce traffic congestion.

State and federal funding has been crucial to CTA's ability to rebuild the system. Specifically, Mayor Richard M. Daley, Governor Rod Blagojevich, U.S. House Speaker Dennis Hastert, the Illinois Congressional delegation, the Illinois General Assembly, and Illinois FIRST have provided the financial support needed to help bring the system to a state of good repair. By providing the local match, the Illinois FIRST program enabled the CTA and other infrastructure, road, school and transit agencies to leverage federal money that would otherwise have gone to other states.

Thanks to the infusion of capital this program provides, CTA customers have more comfortable, reliable service. Capital investment in the bus and rail fleet has yielded visible results as more new air-conditioned, accessible buses replace aging vehicles. It has also enabled the CTA to make improvements to rail service by speeding up the renovation and replacement of older rail cars.

Without Illinois FIRST, the CTA would be tearing down the century old Cermak (Douglas) branch of the Blue Line instead of rehabilitating this vital transportation artery for the people of Lawndale, Little Village, Pilsen and Cicero.

The CTA is seeking funding for a series of projects that will meet customer needs and help relieve regional gridlock in the future. Congress is currently evaluating projects to submit for funding through the Federal Transit Administration's (FTA) discretionary New Starts program.

The New Starts program is the federal government's primary financial resource for supporting locally-planned, implemented and operated transit capital investments. From heavy to light rail, from commuter rail to bus rapid transit systems, the New Starts program has helped to make possible hundreds of

CTA buses serve the 42,000 employee Illinois Medical District.

Mayor Richard M. Daley joined CTA President Frank Kruesi and elected officials at the opening of Kostner station on the Blue Line.

new or extended transit systems across the country. These rail and bus investments, in turn, have improved the mobility of millions of Americans, helped to reduce congestion and improve air quality in the areas they serve, and have fostered the development of viable, safer and more livable communities.

The Transportation Equity Act for the 21st Century (TEA-21) authorized $8.2 billion in New Starts funding nationwide through fiscal year 2003. The competition for funding remains highly competitive as transit agencies throughout the country experience the same impact as CTA from a down economy.

Top CTA projects include express rail service to both Midway and O'Hare Airports, building the Circle Line, extending the Orange Line from Midway Airport to Ford City, extending the Red Line from 95th to

130th/Stony Island, extending the Yellow Line to Old Orchard Mall, and establishing a street car and bus rapid transit system along the Ogden and Carroll Avenue corridors.

Express rail service to both airports is currently being evaluated by the CTA and CDOT. The improvements necessary to create express service would not only mean faster trips for CTA customers traveling to O'Hare and Midway from downtown, but for CTA customers overall. Passing tracks would be installed as part of the project, allowing trains on the Orange and Blue Lines to pass other trains at certain points. This will improve reliability and reduce travel times for all customers. The CTA is currently negotiating with Mills Corporation, the developer of Block 37, to include a significant transit facility in this major commercial development creating an important focal point for the city and for CTA's transit system.

A subway connection would be built between CTA's existing Red and Blue Line tunnels. The facility would incorporate platforms and other station features needed to provide future express train service between downtown and Midway and O'Hare airports. Currently, trips on the Blue Line between O'Hare and downtown take about 45 minutes and trips on the Orange Line between Midway and downtown take an average of 30 minutes. The new express trains would take less than 30 minutes to get to O'Hare, and less than 20 minutes to Midway.

The Circle Line would leverage the CTA's ongoing investment in its rail infrastructure by connecting nearly all of the city's major employment and special event destinations with CTA and Metra rail lines. This would make rail service more attractive to all transit customers and reduce travel times. The Circle Line project is designed to provide convenient shortcuts for CTA and Metra customers making crosstown trips, while also improving access to the periphery of Chicago's central area. The CTA has obtained funding to conduct a comprehensive alternatives analysis for the proposed Circle Line project that will lead to the selection of a locally preferred alternative, and to perform the necessary analysis to prepare a draft environmental impact statement.

A soundproofing tube surrounds the Green Line track at the Illinois Institute of Technology.

Extending the Orange Line to Ford City would complete the original Orange Line plan to provide improved access to downtown from the far southwest side and from the central city to the strong employment corridor along South Cicero Avenue.

Plans for new transit service along the Ogden and Carroll Avenue corridors would involve bus rapid transit and electric streetcar transit service, and serve as a catalyst for further transit-oriented economic revitalization of the communities through which it travels. The line would connect several Chicago neighborhoods including Douglas Park, the West Loop and the 42,000-employee Illinois Medical District. The proposed transit line would have a western terminal at North Riverside Park Mall at Harlem and Cermak, and operate along Cermak Road, Ogden Avenue, Randolph

Street, Carroll Avenue and Grand/Illinois with an eastern terminal at the main entrance to Navy Pier.

Extending the Red Line from its existing south terminal at 95th Street to a new terminal at 130th would streamline bus-to-rail connections for 13 CTA bus routes and six Pace routes, and would also connect with Metra's South Shore commuter rail line.

The proposed extension of the Yellow Line would provide service to major destinations such as Old Orchard Mall, Cook County Courthouse, and adjacent office and retail developments currently just beyond the reach of the existing terminal. Expanding service would strengthen the reverse-commute flow along both the Yellow and Red Lines, and make better use of CTA's existing service capacity.

Even with all of these ambitious initiatives and projects, the CTA still has a great deal of work to do. Transit agencies today are facing a number of challenges, ranging from competition for limited funds due to the growing demand for new transit projects, tough competition for local sources to match federal funding requirements, and cost burdens associated with increasing safety and security responsibilities brought about by the security-enhanced environment in which we live.

The CTA needs $5 billion over the next five years to bring the existing system into a state of good repair. Currently, the CTA has identified approximately $2.95 billion toward that goal and must secure an additional $2.05 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.

Public transit is of major importance to large cities such as Chicago. In these places, transit is critical for convenient, safe and affordable access to jobs, schools, healthcare, shopping and recreation. It also provides a necessary balance to automobile travel. Without transit, Chicago's expressways would suffer from traffic jams far more serious than those already experienced on a daily basis.

A streetcar (circa 1933) takes visitors to the World's Fair in Chicago.

Catenary lines powering the Yellow Line will soon be replaced by contact rail.

The CTA is committed to serving its customers. As we move ahead into 2004 and beyond, we will continue to look for the most efficient operating methods and call upon the resourcefulness of staff to help reduce costs and increase revenue. Our focus remains on maintaining and continually improving the level of service currently provided to our customers. The region we serve is one of the most dynamic in the country, and we will work together to provide service that is on time, clean, safe and friendly for everyone who travels on the CTA system.

CTA Salutes its 2003 Bus & Rail Champions and its Osterman Award Finalists

Kathy Osterman Honorees
Craig Rogers, Bus Instructor II (Chicago Avenue Training Center) and Mary Conley, Transportation Manager (103rd Garage)

Bus Operator Champion
Edward Baus
(Forest Glen Garage)

Rapid Transit Operator Champion
Michael Sheehan
(Midway)

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

Rail Rodeo Maintenance Champions
(l to r) Jae Lee, Gregory Booth and Greg Winski
(Skokie Shop)

Bus Fare Box Technician Champion
William Moore
(901 W. Division)

Rail Switchman Champions
(l to r) Anthony Martin (Howard) and Roosevelt Haymon (54th Street)

AFC Lineman Champion
Stanley Majewski
(901 W. Division)

Rail Customer Assistant Champion, Belky Liz
(O'Hare)

Rail Cleanliness Champion
Naaman Harper
(North Section)

cta take it.SM

Courteous

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

Chicago Transit Authority

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2003 Operating Budget Performance

The CTA forecasts completing 2003 with a balanced budget as a result of tight fiscal controls and implementation of alternative revenue programs. Achieving a balanced budget was exceedingly challenging as CTA's revenues were adversely affected by the economic environment. After five consecutive years of growth, the CTA experienced a decline in ridership for the first time since 1997. Ridership loss was also experienced by our sister agencies Metra and Pace, as well as most other public transportation agencies across the nation. The loss of jobs in the region is the primary factor.

The economy in 2003 proved weaker than expected. Both ridership and sales tax revenues for the region fell short of predictions. To add further strain, prices for diesel fuel exceeded budget, and healthcare costs outpaced the rate of inflation more than five-fold. As weaknesses in revenues were experienced early in the year, management immediately implemented a plan of action to address the shortfalls. Once again neither service nor fares were impacted. In fact, service has been increased and improved each year since 1998 and fares have not been increased since December of 1991.

In 2003, despite falling sales tax and fare box revenue projections, CTA continued its commitment to service improvements to both rail and bus customers. In response to growth in the industrial and commercial corridors in Chicago, Evanston and Skokie, CTA developed service enhancements to address the transportation needs of employers and employees. Overall, CTA has made service improvements on 61 percent, or 87 out of 142, of its bus routes and on all of its rail routes since November 1998. These improvements include 15 new bus routes, expanded hours of service, added trips to reduce wait time, and route changes to improve access and connectivity.

In 2003, the Chicago Transit Authority also made transit more convenient for rail customers:

- Purple Line – Earlier weekend service on both Saturday and Sunday mornings between Linden and Howard.
- Brown Line – More frequent evening service on weekdays and weekend evenings.
- Blue Line – More frequent weekday service between the O'Hare branch and downtown and between the Forest Park and Cermak (Douglas) branches and downtown.
- Red Line – More frequent Saturday service.

The CTA also improved bus service on a number of routes throughout the city on both weekends and weekdays to accommodate customers:

- Weekend service on the **#3 King Drive** route was improved by adding service on Saturday and Sunday mornings.
- Bus service to and from Midway Airport was increased on the **#55 Garfield** route and the **#62 Archer** route was expanded to provide 24 hour service from Midway.
- More frequent weekday service was provided on **#20 Madison** and **#34 South Michigan** buses.
- Service enhancements for bus routes serving Lake Shore Drive.

2003 Operating Budget Performance

CTA's management has made significant steps in 2003 to implement environmental initiatives across the transit and administrative operations. In 2003, the CTA voluntarily began converting all diesel vehicles in CTA's fleet – both buses and non-revenue vehicles – to more expensive ultra low-sulfur diesel (ULSD) fuel. By converting to ULSD now, the CTA is ahead of schedule in implementing the 2007 Federal Emission requirements for reduced particulate matter and carbon monoxide. The CTA also reached an agreement between the City of Chicago and Commonwealth Edison to upgrade facilities with energy-efficient lighting and improved heating and cooling systems to reduce electricity and natural gas consumption. The agreement will enable the CTA to save nearly $0.5 million per year in energy costs.

The CTA continued enhancing its transit infrastructure with several major bus and rail projects in 2003 that included the following highlights:

- Ongoing rehabilitation of the Cermak (Douglas) Branch of the Blue Line.
- Purchase of new low-floor articulated buses.
- Installation of an automated bus announcement system.
- Upgrade of the bus turnaround at 95th Street.
- Start renovation on eight stations on the Dan Ryan Branch of the Red Line late fourth quarter.
- Upgrade of the signal and communications systems at Clark Junction.

In 2003, the CTA celebrated the opening of two of the eight new or rehabilitated stations as part of the largest rehabilitation in the history of the Cermak (Douglas) Branch of the Blue Line.

In the 4th quarter of 2003, the CTA will begin its multi-year Brown Line capacity expansion project. The project, which will be completed in 2008, will reconstruct and expand "L" service to the fastest growing market segment in CTA's system. The Brown Line was developed in the late 1800's and includes neighborhood stations that are outdated and cannot accommodate the neighborhood growth along the line. Included in the expansion project are platform extensions to allow for eight-car trains; platforms that meet accessibility requirements of the Americans with Disabilities Act (ADA); upgraded power, signal and communication equipment; and reduction of slow zones.

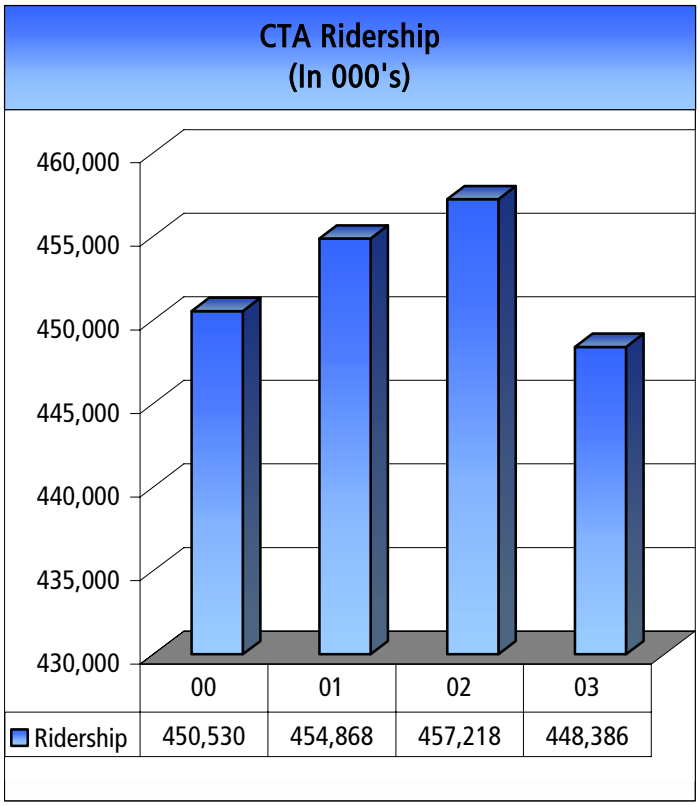
In 2003, the CTA completed rehabilitation of the Harrison curve, a section of the rail system south of the Loop that had a sharp turn requiring slow zones (lower train speed). The elevated structure was built in 1897 by the South Side Elevated Railroad Company to connect with the Loop 'L' and serves the Orange and Green Lines. The sharp "S" curve was replaced with new tracks that allows the Orange and Green "L" trains to travel at speeds up to 35 miles an hour from 10 miles per hour prior to the modernization and therefore increases loop track rush-hour capacity.

Ridership

Ridership for 2003 is forecasted at 448.4 million trips. This forecast is 8.4 million trips or 1.8% below budget and 8.8 million trips or 1.9% below 2002 actual ridership. The decline in ridership is a direct result of the poor economic climate and higher unemployment levels in 2003 for the metropolitan region.

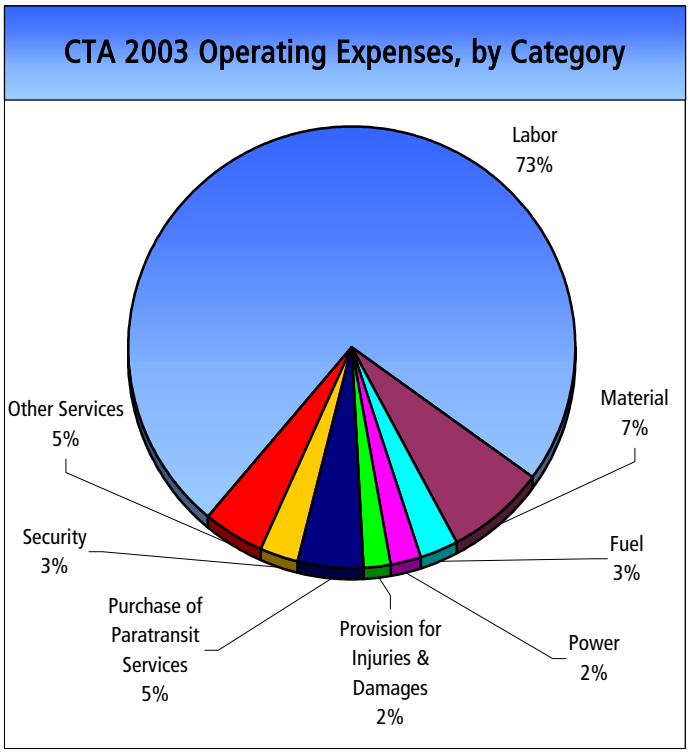
2003 Operating Budget Performance

Bus ridership is forecasted at 295.7 million trips for 2003 and is 4.6 million trips or 1.5% lower than budget and 7.6 million trips or 2.5% lower than prior year. Rail ridership is projected at 150.8 million trips and is below budget by 4.1 million trips or 2.6%. Rail ridership is also lower than the prior year by 1.5 million trips or 1.0%. Paratransit ridership is expected to end the year at 1.8 million trips, 18.0% higher than 2003 budget and prior year actual.



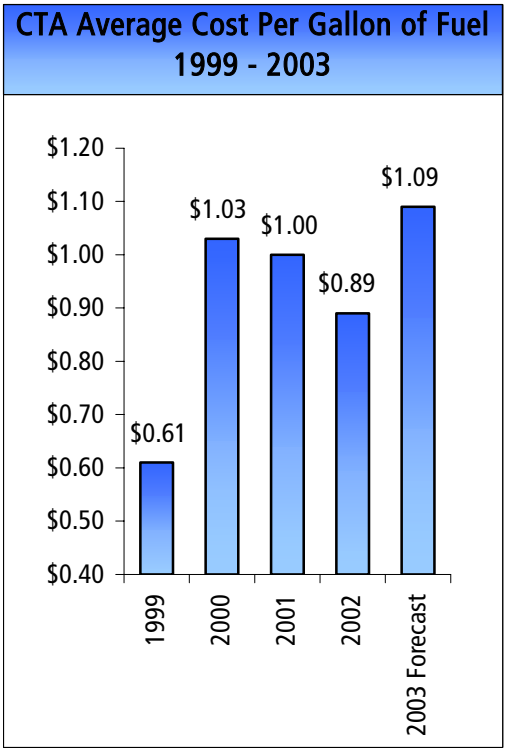
Operating Expenses

The CTA will complete 2003 with expenditures lower than the prior year. The 2003 operating expenses are estimated at $893.7 million and compare favorably to the budget by $30.9 million or 3.3%. All expense categories are expected to finish the year under budget except for fuel and paratransit expenses. The lower operating expenses are largely related to the belt tightening and fiscal controls implemented early in 2003 to ensure that CTA achieves a balanced budget by year-end. CTA's operating expenses are forecasted at $26.0 million or 2.8% lower than the 2002 actual operating expenses in a year when inflation ran at 2.4%.



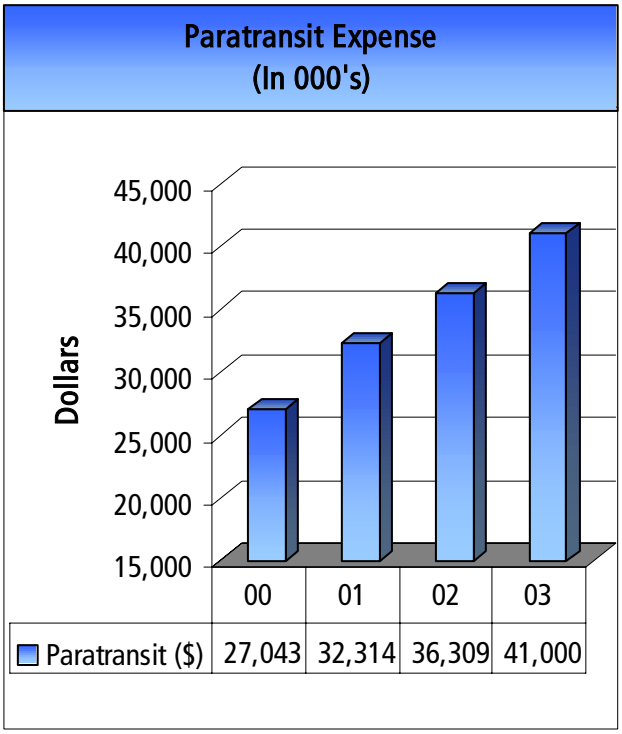
Labor expense is projected at $662.2 million and is $24.7 million or 3.6% below budget. Lower labor expenses were related to the tight day-to-day fiscal monitoring of expenses. Overtime was managed very tightly and vacancies that were not service related were not filled. This is evidenced by a comparison to 2002 actual financial results -- labor expense is $1.3 million lower. Additionally, more labor was charged to capital budgets due to the extraordinary amount of capital work underway requiring force labor. At this time, CTA has yet to finalize a labor

contract agreement with the Bus Operators Amalgamated Transit Union Local 241. The arbitration process is underway and a decision is expected by the end of this year. This will be the main cost driver for 74% of CTA's expenses in 2003 and beyond.



Material expense is forecasted at $63.5 million, $4.0 million or 5.9% favorable to the budget. The reduction in material expense 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 slightly below $24.0 million. This is $1.6 million or 7.2% higher than budget. The 2003 budget assumed an average price of $1.00 per gallon and consumption of 22.4 million gallons. Fuel prices and consumption have been above budget and are estimated to end the year at an average price of $1.09 per gallon and consumption of 23.0 million gallons. In addition to switching to ultra low-sulfur fuel to reduce emissions, higher fuel expenses were seen during 2003 due to the war in Iraq and an oil strike in Venezuela, a major supplier of oil to the U.S. The switch to ultra low-sulfur fuel resulted in a cost increase of $0.08 per gallon.



Electric Power expense for the rail system is forecasted at $20.1 million, $1.2 million less than budget. The lower expense is due to facility energy efficiencies and a refund of local taxes charged in 2002 from which the CTA is exempt.

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 2003 forecast for Provision for Injuries and Damages is $17.6 million and is on par with budget.

The purchase of paratransit expense is estimated at $41.0 million, $3.8 million or 10.2% higher than

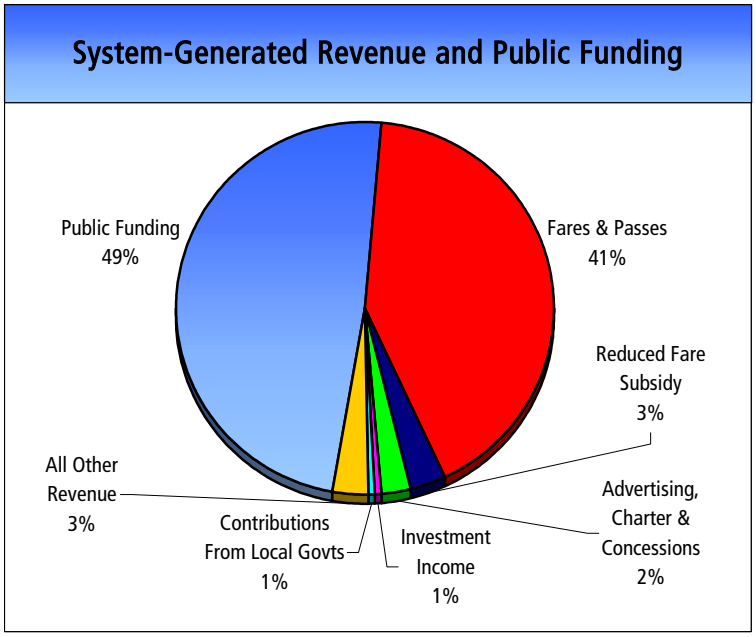
budget. Paratransit trips are projected to finish the year at 1.8 million trips, 280,866 trips or 18.0% more than the 2003 budget. This curbside service is provided by three carriers (SCR, CDT, and Art's Transportation) and taxicab companies. This increase in trips provided is due in part to an aging population. Looking towards the future, CTA's goal is to have the bus fleet fully accessible as new buses are delivered. Along with more ADA compliant stations and CTA's zero tolerance for lift failures, more customers with disabilities will be able to use CTA's system.

Security is strategically deployed throughout our system to provide coverage seven days a week. Security services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year security expense is estimated at $24.8 million, on par with budget. In addition to the services contracted by CTA, the Mass Transit Unit of the Chicago Police Department (CPD) continues to provide dedicated services to CTA customers at an estimated cost of $22.0 million.

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 $40.5 million and is below budget by $6.4 million. The lower expense resulted primarily from a higher allocation of overhead and fixed expenses to capital projects, lower data processing, accounting, engineering, and other consulting services as a result of stringent financial controls placed on all business units.

Revenues

The impact of the weak economy has perhaps been most evident in CTA's ridership and revenue results. Regional sales tax, investment, and advertising revenues have fallen dramatically from the higher levels of the past years due to the loss of jobs in the region. As a result, both CTA and the region have sought alternative revenue sources to maintain operations.



System-Generated revenues are estimated at $440.2 million and compare unfavorably to budget by $30.9 million or 6.6%. All revenue categories were under budget except for reduced fare reimbursements and contributions from local governments. Public funding through RTA is forecasted at $453.5 million and is on par with budget.

2003 Operating Budget Performance

Revenues from fares are forecasted at $367.0 million and compare unfavorably to the budget by $9.1 million or 2.4%. The lower fare revenue is due to lower ridership and increased use of discounted fares and passes. The average fare for 2003 is estimated to be $0.818, which is 0.6% lower than budget. Even though CTA's basic cash fare is $1.50, CTA's average fare is only $0.82 – 45% less than the basic cash fare. This difference is due to customers utilizing discounted fare media products including daily, 7-Day and 30-Day pass media, as well as, the University Pass (U-Pass). Customers also take advantage of the transit and Chicago cards that provide various levels of bonus.

The Reduced Fare reimbursement is the State of Illinois contribution to CTA for providing discounted fares to the disabled, elderly, and student customers. Reduced Fare Reimbursement is projected at $32.3 million and is on par with budget.

Advertising, Charter, and Concessions revenues in 2003 are projected to be $22.0 million and is below budget by $2.6 million or 10.6%. This shortfall is due to the soft economy and lower investment by businesses in advertising.

Investment Income is estimated at $2.4 million, $2.4 million or 50.3% lower than budget. This is due primarily to low interest rates. Interest rates are the lowest they have been in 40 years due to Federal Reserve Board rate cuts.

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.

Other revenues are projected at $11.5 million, $16.7 million below budget. The reduction in other revenue is due to lower lease transaction revenue and surplus property sales.

CTA projects a balanced budget by the end of 2003 due to cost containment efforts. The RTA Act requires CTA to achieve a balanced budget each year. The Recovery Ratio, which measures the percentage of operating expenses CTA funds from revenues it generates, is estimated to be 51.32 percent and is below the required recovery ratio of 52.9 percent. The lower recovery ratio is due to the lower-than-budget revenues. The RTA Act requires the regional recovery ratio to equal 50%.

Although the year unfolded with many financial challenges, CTA was able to quickly offset revenue shortfalls from cost controls that did not affect the service we deliver. We remain committed to providing high quality and high value service for our customers.

2003 Operating Budget Summary

(In Thousands)	2003 Budget	2003 Projected	(Unfav)/Fav Variance	(Unfav)/Fav % Variance
Operating Expenses				
Labor	$ 686,913	$ 662,228	$ 24,685	3.6 %
Material	67,466	63,500	3,966	5.9 %
Fuel -- Revenue Equipment	22,375	23,995	(1,620)	(7.2) %
Electric Power -- Revenue Equipment	21,296	20,100	1,196	5.6 %
Provision for Injuries and Damages	17,568	17,568	0	- %
Purchase of Security Services	24,812	24,800	11	0.05 %
Purchase of Paratransit	37,214	41,000	(3,786)	(10.2) %
Other Expenses				
Utilities	18,666	16,866	1,800	9.6 %
Maintenance and Repair	12,484	11,922	561	4.5 %
Advertising and Promotion	5,006	2,451	2,556	51.0 %
Contractual Services	15,549	15,194	355	2.3 %
Provision for Passenger Security	4,845	4,826	19	0.4 %
Leases and Rentals	8,460	7,575	885	10.5 %
Travel, Training, Seminars and Dues	945	2,765	(1,820)	(192.6) %
Warranty and Other Credits	(20,557)	(23,162)	2,604	(12.7) %
General Expenses	1,524	2,063	(539)	(35.4) %
Total Other Expenses	**46,922**	**40,500**	**6,422**	**13.7** %
Total Operating Expenses	**$ 924,566**	**$ 893,691**	**$ 30,874**	**3.3** %
System Generated Revenue				
Fares and Passes	$ 376,132	$ 367,000	$ (9,132)	(2.4) %
Reduced Fare Reimbursement	32,300	32,300	0	- %
Advertising, Charter, & Concessions	24,598	22,000	(2,598)	(10.6) %
Investment Income	4,864	2,415	(2,449)	(50.4) %
Contributions from Local Governments	5,000	5,000	0	- %
All Other Revenue	28,184	11,488	(16,696)	(59.2) %
Total System Generated Revenue	**$ 471,078**	**$ 440,203**	**$ (30,875)**	**(6.6)** %
Public Funding Required for Operations	$ 453,488	$ 453,488	$ -	- %
Public Funding Available through RTA	$ 453,488	$ 453,488	$ -	- %
Recovery Ratio	52.93%	51.32%	(1.6)	(3.0) %
Required Recovery Ratio	52.90%	52.90%	-	-
Fund Balance	-	-	-	-

Note: Recovery Ratio includes In-Kind revenue and In-Kind expenses for CPD and excludes 15% of reduced fare subsidy and 1988 base year security expenses.

Innovative

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

Chicago Transit Authority

cta take it.SM

2004 Operating Budget

In developing the 2004 budget, CTA faced difficult decisions. The last three years have been challenging for businesses and government agencies alike across the country. A weak economic environment and revenue shortfalls have increased the need to streamline operations, cause layoffs, enact price increases and supplement taxes. By streamlining operations and enhancing revenues, CTA was able to offset potential shortfalls without negatively impacting customers.

For example, CTA's 2003 revenues are forecasted at $30.9 million less than budget. To address this shortfall, hiring of non-service positions was carefully monitored, overtime was restricted, department spending was reduced, employees share of health insurance costs were increased and efficiencies were achieved to increase schedule efficiency. On the revenue side, CTA completed a bus lease transaction, sold surplus property and contracted with a local bank to share revenues from ATM machines installed at several CTA facilities.

In 2002, CTA also completed a Qualified Technology Equipment (QTE) leveraged lease that generated $19.3 million, a bus lease transaction that generated $2.9 million, sold surplus property that generated over $5.0 million and entered into a five-year contract with an industry leader to implement a safety program expected to save $50.0 million over the next five years.

In 2001, CTA sold surplus property that netted over $16.0 million and reengineered the design of parts that achieved cost savings of $3.0 million. In addition, the CTA started implementation of an Enterprise Resource Planning (ERP) system that will streamline operations and provide better business intelligence for timely decision-making.

The State of Illinois restored $15.0 million of funding to the reduced fare reimbursement for seniors and customers with disabilities in 2000. Additionally, CTA entered into a transaction to swap investment securities used in a prior lease transaction that generated investment income of $4.3 million for the agency.

The list of actions undertaken by CTA to reduce operating costs and increase non-fare revenues are numerous and have aided CTA in achieving balanced budgets while maintaining service and keeping fares constant. Since 1997, CTA cost reduction efforts have provided savings of $554.8 million. Sales of surplus property, innovative lease transactions and other miscellaneous transactions have provided the CTA a one-time revenue benefit of $185.0 million.

Recently, the RTA issued CTA the funding marks for the next three years that was based upon the State of Illinois Office of Management and Budget's projection of sales tax. Per statutory allocation, the RTA projects to provide CTA $441.6 million in 2004, 2005 and 2006. These funding marks are based on the statutory funding formula included in the RTA Act that provides a set percentage to allocate sales taxes collected in the City of Chicago, suburban Cook County, and the collar counties to the three service boards, plus the allocation of some discretionary funds. The funding mark for CTA is $11.9 million lower for each of the years than the amount of public funding provided to the CTA in 2003. In fact, public funding to the CTA has been rolled back to the 2002 level. The lower amount of public support will create a significant financial challenge for CTA.

Meanwhile costs continue to rise, along with inflation. Our rail operators' top wage rate will increase to $23.01 by the end of 2003. At the same time, healthcare costs have soared during the last five years, rising over 73% and the price of fuel has also increased by over 77% since 1999. Furthermore, customer demand for paratransit service provided to our passengers with disabilities has increased significantly since 2000, increasing expenses by over 34% for this service.

With rising wages, health care costs and fuel prices, combined with declining revenues, CTA is now confronted with difficult choices for balancing the operating budget in the face of the reduced public funding. CTA proposes to close the gap through position reductions, productivity improvements from new technologies, more flexible negotiated work rules, streamlined operations, health care management changes and a fare increase.

These actions result in a balanced budget, with a modest 1.3% increase in operating expenses over the 2003 budget. This projected increase is below the consumer price index forecast for 2004. However, the decision to increase fares is a difficult one. CTA has not increased fares since December 1991, and in fact decreased fares in 1999 with a fare simplification program that reduced monthly pass prices and increased the discount on Transit Card purchases.

Since 1991, Metra raised fares twice, some of which are for capital purposes, and Pace raised fares three times during this period. The price of a weekday edition of a major Chicago newspaper increased by 42.9% to $0.50 and a Chicago business periodical increased $1.00 or 33.3%. The price of a postage stamp has increased three times since 1995 for a total increase of 15.6%. There are very few businesses or governments that have not increased prices or fees during the past 12 years.

The region's economy has been weakened by a steady loss of its manufacturing base, resulting in the highest unemployment rates in a decade. For the region, unemployment has remained high, with an average rate of 7.9% for the first half of 2003, a slight improvement from 8.1% unemployment in 2002, yet far above the low rates of 6.9% for 2001 and 5.6% for 2000. The economic recovery of the region remains hopeful but the timing is uncertain.

In a speech on July 28, 2003, the President and CEO of the Federal Reserve Bank of Chicago, Michael H. Moskow, stated: "Output is rising, but it does not feel like an expanding economy for many people because of a stagnant job market. Solid productivity trends, fiscal stimulus, and low interest rates have laid the groundwork for stronger growth. But corporate governance issues and geopolitical events have left many business managers with a diminished appetite for risk."

2004 Performance Goals

A healthy public transportation system is an integral part of a growing, thriving Chicago region that helps improve the quality of life of residents, attracts businesses and tourists. Each year, CTA provides over 450 million trips to and from work, school, the region's two main airports, recreational and sporting events, as well as to shopping centers and cultural institutions. In response to growth throughout the region, CTA has expanded service to the north and south side neighborhoods with lakefront bus service improvements, to the

southwest side with the renovated Cermak (Douglas) Branch of the Blue Line to the neighborhoods, to the north side of Chicago and 40 surrounding suburbs with north lakefront service improvements.

In 2004, CTA customers will continue to see new, modernized stations that reflect the unique neighborhoods they serve, such as the Sox 35th station on the Red Line, and will continue to benefit from service expansion and innovation through pursuit of the following agency goals:

- Continued bus route improvements and pilot programs on growing service routes.
- Improved automated scheduling and management system for Paratransit customers.
- Expanded and more frequent rail service during mid-day and evening weekday service and weekend service.
- Delivery of new articulated low-floor, air-conditioned buses from North American Bus Industries, Inc. (NABI).
- Start rehabilitation of Red Line and Brown Line stations.

In 2004, CTA plans to introduce additional express bus routes similar to bus routes #X80 Irving Park Express and #X55 Garfield Express. These services, which operate with fewer stops than the local service, have increased customer satisfaction and ridership in the corridors where they have been introduced. CTA hopes to continue that trend in 2004, with two new express routes.

Also in 2004, CTA will continue its evaluation of service in the west side neighborhoods, and could recommend service adjustments based on the results of that evaluation. Downtown circulation and rail system service levels will also be evaluated and adjusted as needed in 2004.

CTA Environmental Initiatives

Based on a unique funding agreement with the City of Chicago and Commonwealth Edison, CTA will make investments to upgrade its facilities with energy-efficient lighting and improved heating and cooling systems to reduce electricity and natural gas consumption. The agreement will enable CTA to save nearly $0.5 million per year in energy expenses when fully implemented, while improving the Authority's facilities and the environment.

In 2004, CTA will continue to incorporate green technologies into bus purchases and maintenance programs that meet higher environmental standards. With grant funding from the City of Chicago, the CTA will begin a comprehensive overhaul of its 5800 series of New Flyer buses purchased in 1995 with an Exhaust Gas Recirculation (EGR) system. EGR equipped engines take a part of the exhaust gases and burn them, reducing emissions. The result is an improvement to CTA's environmentally friendly bus fleet that by 2004 will have reduced emissions by 23 percent from 1997 levels. Although by its nature, public transit is environmentally friendly, the addition of EGR equipped engines and particulate filters on CTA's New Flyer buses builds on these inherent benefits by lowering emissions by 30 tons per year, thereby improving customer satisfaction and environmental consciousness.

CTA Technology Initiatives

In 2004, the CTA will continue to invest in technology to improve service to its customers. One of these technology improvements is the Chicago Card Plus. Chicago Card Plus offers a cash-free way to pay for fares through web-enabled credit card payments or direct payments through employer transit benefit programs. Similar to the CTA's current smart card, Chicago Card, the Chicago Card Plus is a fare media that will provide customer security if the card is lost or stolen.

Finally, in 2004, the CTA will fully implement the Enterprise Resource (ERP) system and continue implementation of the maintenance management information system, a result of a multi-year upgrade that will improve the tracking of financial, purchasing and resource data. The new system will help contain unnecessary costs through better data management. Implementation of a new time and attendance system will aid in controlling and reducing overtime and lost time costs thereby improving productivity and holding down labor costs.

CTA Capital Improvements

In 2003, customers saw improved integration and transferability to 'L' lines through the completion of a transfer tunnel between the State/Roosevelt Red Line subway with the Green/Orange Line elevated station, providing greater access to the CTA system at this busy and growing area of the Chicago Loop. In 2004, CTA will begin renovation of eight stations on the Dan Ryan Branch of the Red Line, CTA's highest volume 'L' line in the rail system. New, higher capacity power substations will also be added to the 95th branch to support the added service on a line that is now 30 years old.

The CTA's largest current construction project, the Cermak (Douglas) Branch reconstruction of the Blue Line, expects to be on schedule and on budget without disruption to service. When completed in 2005, it will have new platforms, ADA compliant stations, upgraded tracks with no slow zones and state of the art signal and communication systems.

2004 Ridership

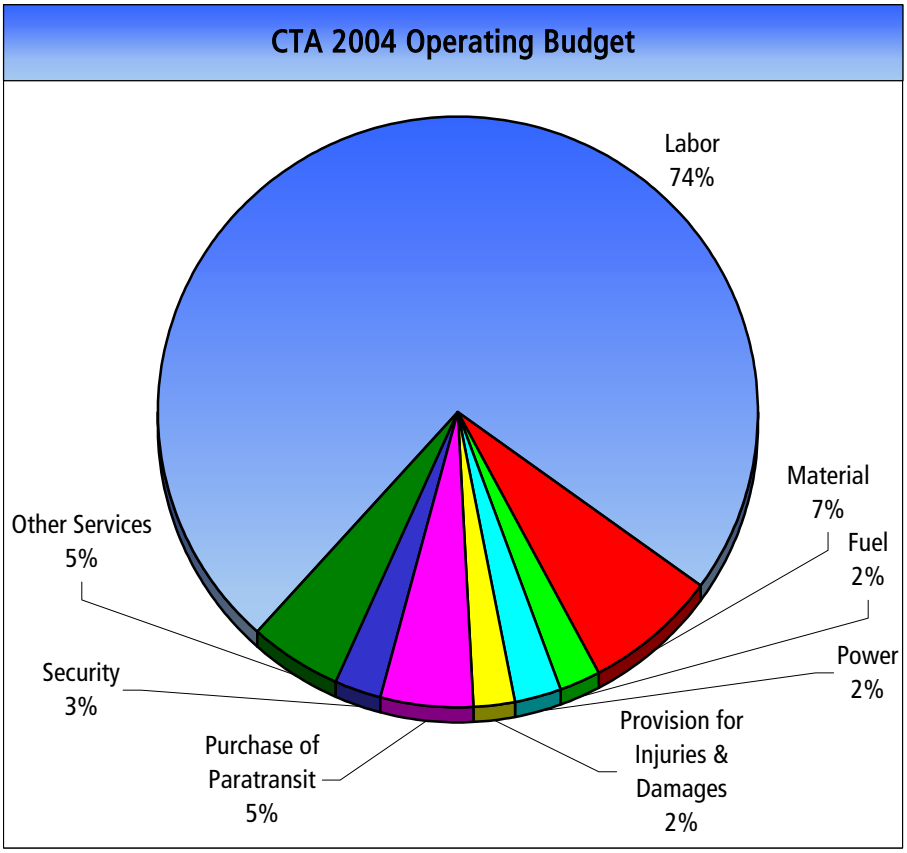
The CTA forecasts providing 452.6 million trips in 2004, an increase of 1.0% over 2003 forecasted levels. The unemployment rates in the region have thwarted the ridership growth over the past year. The region's unemployment level peaked at 8.6% in the summer of 2002, and has fluctuated within a few tenths of a percentage point in the following 15 months. As of June 2003, the unemployment level was 8.1%.

However, bus ridership in 2004 is projected to be 298.1 million total trips, an increase of 0.8% over 2003 forecasted levels of 295.7 million trips. Rail ridership is projected to be 152.6 million rides in 2004, an increase of 1.8 million trips or 1.2% over the 2003 forecast. CTA forecasts providing 1.9 million paratransit trips in 2004, an increase of 5% over 2003 forecasted levels. Paratransit ridership is expected to grow at a slower pace as more riders are transitioned to the mainline service. For 2004, the CTA projects providing 1,444,858 Special Service trips and 466,144 Taxi Access Program (TAP) trips, a growth rate of 5%.

2004 Operating Budget

2004 Operating Expenses

Total operating expenses for 2004 are $936.6 million, a 1.3% increase over the 2003 budget of $924.6 million and below the projected CPI rate of inflation. Because CTA is a service provider, labor expenses make up nearly 74% of the CTA's operating expenses. Labor expenses include bus and rail operator hours to support 24-hour operations – the CTA projects covering 68.0 million bus miles and 65.6 million rail miles during 2004, an increase of 1.4 million and 6.7 million miles, respectively, over 2003 budget due to service expansion. While labor costs have grown as a result of wage and healthcare cost increases, these expenses have been offset by a reduction in administrative and support personnel and operational efficiencies.



The remaining 26% 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 2004. CTA remains guarded about fuel and power expenses, which are dependent on national and international trends that are outside of CTA's control. While the budget for expenses is consistent with recent trends, it may be necessary to readjust them as the market is impacted by U.S. energy policy and conflicts in the Middle East.

Labor expenses for 2004 will rise at a modest 0.1% over the 2003 budget due to a reduction of 200 positions that will help offset increases in higher wages and health insurance expenses. An additional 200 positions are planned for phase out during 2004, bringing the total staff reductions to 400 since 2003. The reduction in positions is projected to occur through attrition over the next 12 months. Additional savings are projected from employee retirement, work rule changes and changing to a pretax pension contributions system.

Material expenses will decrease in 2004 by $1.5 million or 2.2% over the 2003 budget to $66.0 million. The decrease in material expenses is due to the replacement of older buses with a new fleet, expanded bus and rail vehicle overhaul programs and higher capitalization of vehicle components.

Fuel for revenue equipment for 2004 is budgeted at $23.0 million, an increase of $0.6 million from $22.4 million in the 2003 budget. The budgeted rate per gallon is $1.08 for 2004. In 2003, CTA switched to Ultra Low Sulfur Diesel (ULSD) fuel increasing the per gallon costs by $0.08. The incremental cost of $0.08 per gallon will be funded by a CMAQ grant that will be fully utilized by the end of 2004. Fuel consumption in 2004 is also higher than 2003 by 625,000 gallons due to expanded bus service and new bus routes throughout the service area.

Electric power for revenue equipment covers the electricity to power the 'L' system. The 2004 budgeted level for power is $22.0 million, which is $0.7 million or 3.3% higher than the 2003 budget of $21.3 million. The increase is due to a refund received in 2003 for taxes charged to CTA in error in prior years that CTA and other municipal governments are exempt from paying. During the year, CTA will benefit from improved energy efficiency initiatives undertaken in partnership with the City of Chicago.

Provision for Injuries and Damages is expected to increase to $22.0 million in 2004 or 25.2% from $17.6 million in 2003.

Purchase of Security Services is budgeted at $25.0 million for 2004, an increase of $0.2 million from the 2003 budget due to contract increases for the privatized security companies utilized by the CTA. The CTA will continue to utilize the services of Chicago, Evanston and Oak Park police officers in providing security to CTA customers.

Purchase of Paratransit Services is budgeted at $45.1 million in 2004; a $7.9 million or 21.2% increase over the 2003 budget. This increase reflects the combination of growth in demand of paratransit services and vendor rate increases. The CTA provides two types of paratransit services, Special Services and the Taxi Access Program (TAP). Each Special Service trip costs the CTA on average $26.51 while the TAP program costs the CTA an average of $13.53 per trip.

Other expenses are budgeted at $45.9 million for 2004 and are $1.0 million less than 2003 due to lower third party contracting costs and lease expenses. In November of 2004, CTA will move out of its headquarters at the Merchandise Mart and consolidate its administrative offices into one location generating a $7.0 million annual reduction in operating lease expenses over the life on a comparable lease alternative.

Revenues

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

2004 Operating Budget

CTA's total system generated revenue for 2004 is $495.0 million and is above the 2003 budget by 5.1% or $23.9 million. For the first time since 1991, CTA proposes to increase fares in the amount of $0.25 per ride for cash and Transit Card customers.

Single Ride Fares/Passes	Current	Last Changed (Introduced)	Recommended for FY2004	Percent Change
Cash	$1.50	1991	$1.75	17%
Full Fare Transit Card	$1.50	(1997)	$1.75	17%
Transit Card Bonus	10%	(1997)	0%	Eliminated
Full Fare Chicago Card[1]	$1.50	(2002)	$1.75	17%
Chicago Card Bonus[1]	10%	(2002)	10%	Unchanged
Transfer[2]	$0.30	1995	$0.25	-17%
Paratransit/TAP/Mobility Direct	$1.50	1991	$1.75	17%
1-Day Pass	$5.00	(1998)	$5.00	Unchanged
2-Day Visitor Pass	$9.00	(1998)	$9.00	Unchanged
3-Day Visitor Pass	$12.00	(1998)	$12.00	Unchanged
5-Day Visitor Pass	$18.00	(1998)	$18.00	Unchanged
Full Fare 7-Day Pass	$20.00	(1998)	$20.00	Unchanged
Full Fare 30-Day Pass	$75.00	1998	$75.00	Unchanged

Reduced Single Ride Fares/Passes	Current	Last Changed (Introduced)	Recommended for FY2004	Percent Change
Cash	$0.75	1991	$0.85	13%
Reduced Fare Transit Card	$0.75	(1997)	$0.85	13%
Reduced Fare Chicago Card	$0.75	(1997)	$0.85	13%
Transfer[2]	$0.15	1991	$0.15	Unchanged
Reduced Fare 30-Day Pass	$35.00	1998	$35.00	Unchanged

[1] For every $10 purchase, $11 of value is added to the card.
[2] Allows two additional rides within two hours of issue. Transfers will only be valid for travel in the same direction.

This fare increase compares favorably with other transit properties in the U.S., including the Metropolitan Transit Authority service in the New York area, which increased cash fare by $0.50 this spring. Similarly, Metra and Pace have recently increased fares in order to maintain service due to declining sales tax revenues and ridership. The table below summarizes fare increases implemented by transit agencies in our nation during the past two years.

Transit Agency	Former Base Fare	New Base Fare	Percent Increase	Date of Increase
Metropolitan Transportation Authority (MTA), New York	$1.50	$2.00	33%	May 2003
San Francisco Municipal Railway (Muni)	$1.00	$1.25	25%	September 2003
Bay Area Rapid Transit (BART), San Francisco	$1.15	$1.25	9%	January 2004
Washington Metropolitan Area Transit Authority (WMATA)	$1.10	$1.20	9%	June 2003

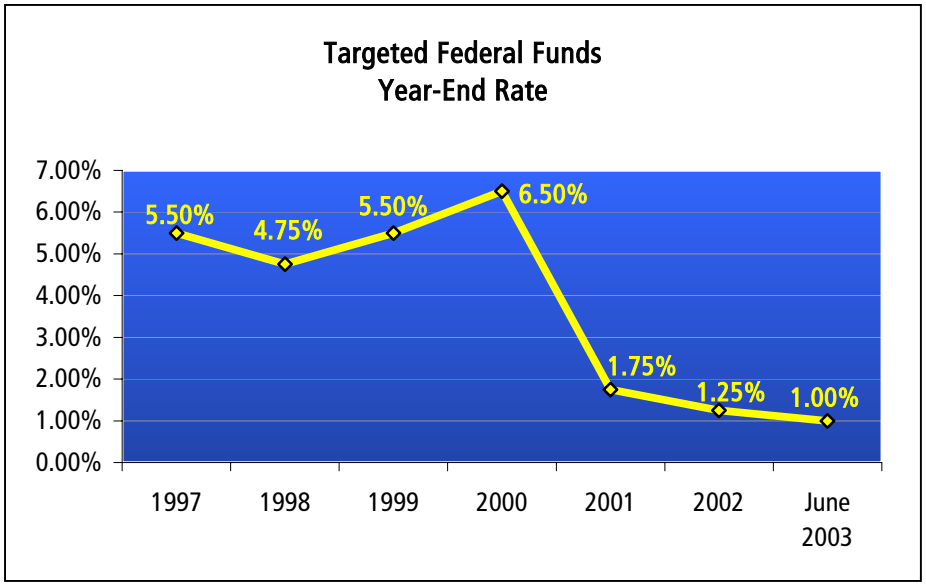
Revenue from fares and passes is budgeted at $394.5 million for 2004. This amount is $18.4 million or 4.9% higher than the 2003 budget due to the proposed fare increase noted above. Even though CTA's basic cash fare is $1.50, the realized fare is only $0.82 – 45.3% less than the base cash fare. This difference is due to customers using discounted fare media products including daily, 7-day and 30-day pass media, as well as the University Pass (U-Pass). Customers also take advantage of the Transit and Chicago Cards that provide various levels of bonus. It is important to note that the price of the 1-day, 7-day and 30-day passes, an increasingly popular choice for CTA customers, will not be increased for 2004.

Reduced fare reimbursement received from the state is projected flat at $32.3 million.

Advertising, Charter and Concessions revenue in 2004 is forecasted at $24.3 million, which is $0.3 million lower than 2003 budget level, but $2.3 million higher than 2003 forecast. The decrease from the 2003 budget is due to the soft economy that has seen lower advertising expenditures by companies. CTA plans to launch a new advertising initiative with a third party provider that is expected to generate an additional $2.0 million in revenue in 2004.

Investment returns are also down 38.3% due to lower interest rates tied to cuts by the Federal Reserve Bank, which have cut interest rates from 6.8% in July 2000 to below 2% in 2003. The following chart demonstrates how the economic downturn has stimulated dramatic cuts in short-term rates to boost the economy. The downside is that return on short-term investments has been cut by 80%.

Contributions from Local Governments of $5.0 million are on par with 2003 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.



All Other Revenue is projected to increase to $35.9 million in 2004 from $28.2 million in 2003 due to sales of surplus properties, higher parking fees and utilization of FTA funds to cover a portion of paratransit expenses.

Public funding available through RTA is budgeted at $441.6 million. This is a decrease of $11.9 million or 2.6% from 2003. This is due to the lower sales tax forecast in Chicago and Suburban Cook County for 2004 prepared by the Office of Management and Budget. CTA depends on this funding to aid in maintaining a stable fare structure. A decline in this funding exacerbates the need for a fare increase.

The CTA projects a balanced budget as required by law and expects to meet the recovery ratio mandated by RTA. The recovery ratio, which measures the amount of operating expenses CTA has to fund from revenues it generates, has been set at 52.90% by the RTA.

2004 Operating Budget Summary

(In Thousands)	2002 Actual	2003 Budget	2003 Projected	2004 Budget
Operating Expenses				
Labor	$ 663,577	$ 686,913	$ 662,228	$ 687,528
Material	67,931	67,466	63,500	66,000
Fuel - Revenue Equipment	20,098	22,375	23,995	23,000
Power - Revenue Equipment	21,062	21,296	20,100	22,000
Provision for Injuries and Damages	39,000	17,568	17,568	22,000
Purchase of Security Services	24,719	24,812	24,800	25,042
Purchase of Paratransit	36,309	37,214	41,000	45,113
Other Expenses				
Utilities	18,026	18,666	16,866	16,827
Maintenance and Repair	15,888	12,484	11,922	12,900
Advertising and Promotion	1,144	5,006	2,451	4,461
Contractual Services	16,043	15,549	15,194	15,413
Provision for Passenger Security	4,413	4,845	4,826	4,845
Leases and Rentals	8,257	8,460	7,575	7,812
Travel, Training, Seminars, and Dues	930	945	2,765	2,965
Warranty and Other Credits	(20,776)	(20,557)	(23,162)	(21,852)
General Expenses	3,031	1,524	2,063	2,574
Total Other Expenses	46,957	46,922	40,500	45,945
Total Operating Expenses	**$ 919,653**	**$ 924,566**	**$ 893,691**	**$ 936,628**
System Generated Revenue				
Fares and Passes	$ 383,859	$ 376,132	$ 367,000	$ 394,512
Reduced Fare Reimbursement	30,197	32,300	32,300	32,300
Advertising, Charter, & Concessions	21,340	24,598	22,000	24,250
Investment Income	4,613	4,864	2,415	3,000
Contributions from Local Governments	5,000	5,000	5,000	5,000
All Other Revenue	33,245	28,184	11,488	35,935
Total System Generated Revenue	**$ 478,254**	**$ 471,078**	**$ 440,203**	**$ 494,997**
Public Funding Required for Operations	**$ 441,399**	**$ 453,488**	**$ 453,488**	**$ 441,631**
Public Funding Available through RTA	**$ 441,631**	**$ 453,488**	**$ 453,488**	**$ 441,631**
Recovery Ratio	53.97%	52.93%	51.32%	54.79%
Required Recovery Ratio	52.00%	52.90%	52.90%	52.90%
Fund Balance	$ 232	$ -	$ -	$ -

Note: Recovery Ratio for 2003 Budget, 2003 Projected & 2004 Budget includes In-Kind revenue and In-Kind expenses for CPD and excludes 15% of reduced fare subsidy and 1988 base year security expenses.

2004 Department Budget Summary

(In Thousands)	2002 Actual	2003 Budget	2003 Projected	2004 Budget
Authority Governance	$ 1,027	$ 1,293	$ 1,041	$ 1,106
Office of the President	889	920	878	1,023
System Safety & Enviornmental Affairs	1,720	1,890	3,997	3,952
Office of Inspector General	1,823	2,176	1,837	2,035
General Counsel	13,615	15,303	13,907	14,775
TRANSIT OPERATIONS				
EVP Transit Operations	688	698	663	815
Operations Support Services	929	1,275	925	-
Training & Instruction	10,669	10,752	10,707	10,992
BUS OPERATIONS				
VP Bus Operations	560	580	569	768
Bus Operations Oversight	-	823	380	540
Bus Service Management	-	-	-	13,712
Bus Garages	122,524	128,807	128,403	118,403
Scheduled Transit Operations - Bus	230,639	241,158	234,127	250,175
Bus Heavy Maintenance	33,671	35,951	33,373	31,903
Engineering & Technical Services - Bus	1,912	1,995	1,742	1,916
Total Bus Operations	389,305	409,314	398,594	417,417
RAIL OPERATIONS				
VP Rail Operations	379	280	342	500
Rail Operations Oversight	636	542	620	512
Rail Terminals	56,373	62,509	57,379	56,549
Scheduled Transit Operations - Rail	77,674	81,575	78,382	83,904
Rail Heavy Maintenance	9,385	8,198	7,047	8,588
Rail Car Appearance	9,374	9,997	9,627	10,122
Engineering & Technical Services - Rail	2,447	2,566	2,599	2,536
Total Rail Operations	156,269	165,667	155,997	162,712
SECURITY & COMMUNICATION / POWER CONTROL				
VP Security & Communication / Power Control	-	242	1	180
Security Services	25,755	26,041	25,852	25,630
Communication/Power Control	6,783	7,039	6,507	6,821
Total Security & Communication / Power Control	32,538	33,323	32,361	32,631
PLANNING				
VP Planning	250	600	230	261
Planning	4,284	4,333	4,832	4,344
Strategic Planning	1,026	946	956	1,003
Facility & ADA Planning	1,027	965	1,067	937
Total Planning	6,587	6,844	7,086	6,546
CUSTOMER SERVICE & PARATRANSIT				
VP Customer Service & Paratransit	42	60	135	220
Administration & Paratransit	129	209	129	145
Customer Service	1,451	1,529	1,475	1,316
Paratransit Operations	37,393	38,330	42,027	46,216
Total Customer Service & Paratransit	39,015	40,127	43,767	47,896
Total Transit Operations	**635,999**	**667,999**	**650,100**	**679,009**
CONSTRUCTION, ENGINEERING & FACILITIES				
MAINTENANCE				
EVP Construction, Engineering & Facilities Mntc.	472	375	440	391
Real Estate	9,660	9,573	8,768	9,174
Engineering	3,516	3,990	3,301	3,082
Construction	1,519	1,771	1,447	1,348

2004 Department Budget Summary

(In Thousands)	2002 Actual	2003 Budget	2003 Projected	2004 Budget
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)				
MAINTENANCE				
VP Facilities Maintenance	513	750	509	495
System Maintenance Support	15,270	13,269	15,153	15,368
Power & Way Maintenance	25,601	28,351	23,874	28,435
Communications, Engineering and Maintenance	38,871	40,541	37,907	39,643
Rail Station Appearance	23,348	20,429	20,673	22,219
Facilities Maintenance	28,793	32,781	27,720	31,698
Total Facilities Maintenance	132,397	136,121	125,836	137,857
Total Construction, Engineering & Facilities Maintenance	**147,563**	**151,830**	**139,792**	**151,853**
MANAGEMENT & PERFORMANCE				
EVP Management & Performance	402	417	389	448
Communications	6,152	9,872	6,894	9,490
Government Affairs & Affirmative Action	2,496	2,818	2,478	2,726
FINANCE				
Sr VP Finance/Treasurer	219	499	720	660
Accounting Operations	2,483	2,618	2,526	2,534
Treasury	10,965	12,163	10,523	11,745
VP Finance/Comptroller	3,180	3,833	2,958	3,296
Capital Investment	409	616	438	685
Total Finance	17,257	19,729	17,165	18,919
HUMAN RESOURCES				
VP Human Resources	1,441	1,109	1,410	846
Recruitment & Staffing	1,751	1,208	1,802	1,294
Compensation & Recognition	844	938	744	580
Benefits	3,605	3,024	3,266	3,480
HR Technology	-	287	-	-
Total Human Resources	7,641	6,566	7,222	6,200
EMPLOYEE RELATIONS				
VP Industrial Relations	750	1,164	742	725
Program Compliance	1,242	1,066	1,254	1,176
Total Employee Relations	1,993	2,230	1,996	1,901
TECHNOLOGY MANAGEMENT				
VP Technology Management	981	1,094	911	508
Environmental Technology	574	481	495	-
Business Network Solutions	4,264	4,207	3,926	4,281
Enterprise Systems Services	11,773	10,311	9,673	10,556
Program Management	-	-	-	740
Revenue Equipment Technology & Mntc.	11,750	11,572	12,184	11,937
Total Technology Management	29,341	27,665	27,189	28,022
PURCHASING/WAREHOUSING				
VP Purchasing/Warehousing	182	273	199	227
Quality Assurance	2,176	2,382	2,109	2,471
Purchasing	4,569	4,564	4,524	5,303
Purchasing & Warehousing Programs	1,264	1,288	1,358	1,322
Purchasing & Warehousing Business Systems	1,350	1,355	996	1,481
Warehouse/Stockroom	10,987	11,253	10,775	11,319
Total Purchasing/Warehousing	20,529	21,114	19,962	22,123
Total Management & Performance	**85,811**	**90,411**	**83,297**	**89,830**
Non - Departmental	31,206	(7,255)	(1,158)	(6,956)
TOTAL CTA	**$ 919,653**	**$ 924,566**	**$ 893,691**	**$ 936,628**

2004 Department By Line Item

(In Thousands)	Labor	Material	Other Services*	Fuel/Power/ Provisions	Total
Authority Governance	$ 1,063	$ 14	$ 30	$ -	$ 1,106
Office of the President	955	10	58	-	1,023
System Safety & Environmental Affairs	1,825	54	2,072	-	3,952
Office of Inspector General	1,908	29	99	-	2,035
General Counsel	10,052	96	4,628	-	14,775
TRANSIT OPERATIONS					
EVP Transit Operations	507	25	283	-	815
Training & Instruction	10,523	226	243	-	10,992
BUS OPERATIONS					
VP Bus Operations	326	5	437	-	768
Bus Operations Oversight	540	-	-	-	540
Bus Service Management	13,702	10	-	-	13,712
Scheduled Transit Operations - Bus	250,175	-	-	-	250,175
Bus Garages	69,225	25,753	426	23,000	118,403
Bus Heavy Maintenance	23,291	8,584	27	-	31,903
Engineering & Technical Services - Bus	1,772	59	86	-	1,916
Total Bus Operations	359,031	34,411	976	23,000	417,417
RAIL OPERATIONS					
VP Rail Operations	419	5	76	-	500
Rail Operations Oversight	512	-	-	-	512
Rail Terminals	40,008	16,431	110	-	56,549
Scheduled Transit Operations - Rail	83,904	-	-	-	83,904
Rail Heavy Maintenance	8,524	(100)	163	-	8,588
Rail Car Appearance	9,780	340	1	-	10,122
Engineering & Technical Services - Rail	2,196	216	124	-	2,536
Total Rail Operations	145,345	16,892	475	-	162,712
SECURITY & COMMUNICATION / POWER CONTROL					
VP Security & Communication / Power Control	154	12	14	-	180
Security Services	1,056	16	24,558	-	25,630
Communication/PowerControl	6,423	26	372	-	6,821
Total Security & Communication / Power Control	7,632	55	24,944	-	32,631
PLANNING					
VP Planning	238	9	15	-	261
Planning	4,009	42	293	-	4,344
Stategic Planning	950	6	47	-	1,003
Facility & ADA Planning	928	4	5	-	937
Total Planning	6,125	61	360	-	6,546
CUSTOMER SERVICE & PARATRANSIT					
VP Customer Service & Paratransit	220	-	-	-	220
Administration & Paratransit	145	-	-	-	145
Customer Service	1,297	10	8	-	1,315
Paratransit Operations	1,073	26	45,116	-	46,216
Total Customer Service & Paratransit	2,735	36	45,125	-	47,896
Total Transit Operations	**531,898**	**51,706**	**72,405**	**23,000**	**679,009**
CONSTRUCTION, ENGINEERING & FACILITIES MAINTENANCE					
EVP Construction, Engineering & Facilities Mntc.	373	6	12	-	391
Real Estate	1,446	15	7,714	-	9,174
Engineering	2,909	100	73	-	3,082
Construction	1,376	43	(71)	-	1,348

2004 Department By Line Item

(In Thousands)	Labor	Material	Other Services*	Fuel/Power/ Provisions	Total
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)					
MAINTENANCE					
VP Facilities Maintenance	454	2	38	-	495
System Maintenance Support	13,146	1,207	1,016	-	15,368
Communications Engineering and Maintenance	4,553	433	12,657	22,000	39,643
Power & Way Maintenance	24,717	3,062	656	-	28,435
Rail Station Appearance	18,365	1,316	2,538	-	22,219
Facilities Maintenance	22,221	3,710	5,766	-	31,698
Total Facilities Maintenance	83,456	9,730	22,672	22,000	137,857
Total Construction, Engineering & Facilities Maintenance	**89,559**	**9,895**	**30,399**	**22,000**	**151,853**
MANAGEMENT & PERFORMANCE					
EVP Management & Performance	406	2	40	-	448
Communications	3,769	277	5,444	-	9,490
Government Affairs & Affirmative Action	2,058	28	641	-	2,726
FINANCE					
Sr VP Finance/Treasurer	486	10	164	-	660
Accounting Operations	2,515	17	2	-	2,534
Treasury	5,913	2,421	3,411	-	11,745
VP Finance/Comptroller	2,773	33	489	-	3,296
Capital Investment	670	8	7	-	685
Total Finance	12,357	2,489	4,073	-	18,919
HUMAN RESOURCES					
VP Human Resources	809	10	27	-	846
Recruitment & Staffing	1,122	32	141	-	1,294
Compensation & Recognition	514	9	58	-	580
Benefits	1,712	26	1,742	-	3,480
HR Technology	-	-	-	-	-
Total Human Resources	4,157	76	1,967	-	6,200
EMPLOYEE RELATIONS					
VP Industrial Relations	443	6	276	-	725
Program Compliance	1,161	10	5	-	1,176
Total Employee Relations	1,604	16	281	-	1,901
TECHNOLOGY MANAGEMENT					
VP Technology Management	403	19	86	-	508
Environmental Technology	-	-	-	-	-
Business Network Solutions	1,294	13	2,974	-	4,281
Enterprise Systems Services	5,793	256	4,507	-	10,556
Program Management	707	3	31	-	740
Revenue Equipment Technology & Mntc.	10,774	1,047	116	-	11,937
Total Technology Management	18,971	1,336	7,715	-	28,022
PURCHASING/WAREHOUSING					
VP Purchasing/Warehousing	223	-	4	-	227
Quality Assurance	2,438	19	13	-	2,471
Purchasing	5,174	70	60	-	5,303
Purchasing & Warehousing Programs	1,258	4	61	-	1,322
Purchasing & Warehousing Business Systems	1,204	9	268	-	1,481
Warehouse/Stockroom	10,649	217	452	-	11,319
Total Purchasing/Warehousing	20,945	319	859	-	22,123
Total Management & Performance	**64,267**	**4,543**	**21,019**	**-**	**89,830**
Non - Departmental	(14,001)	(347)	(14,610)	22,000	(6,957)
TOTAL CTA	**$ 687,528**	**$ 66,000**	**$ 116,100**	**$ 67,000**	**$ 936,628**

2004 Department Budgeted Positions

	2002 Budgeted Positions	2003 Budgeted Positions	2004 Budgeted Positions
Authority Governance	15	15	14
Office of the President	7	7	7
System Safety & Environmental Affairs	23	23	23
Office of Inspector General	19	21	19
General Counsel	132	132	125
TRANSIT OPERATIONS			
EVP Transit Operations	3	3	4
Operations Support Services	17	17	-
Training & Instruction	153	153	148
BUS OPERATIONS			
VP Bus Operations	3	1	3
Bus Operations Oversight	-	9	7
Bus Service Management	-	-	201
Bus Garages	1,299	1,288	1,120
Scheduled Transit Operations - Bus	4,250	4,318	4,381
Bus Heavy Maintenance	489	492	413
Engineering & Technical Services - Bus	33	34	34
Total Bus Operations	6,074	6,142	6,159
RAIL OPERATIONS			
VP Rail Operations	2	2	4
Rail Operations Oversight	-	9	9
Rail Terminals	595	589	584
Scheduled Transit Operations - Rail	1,487	1,407	1,389
Rail Heavy Maintenance	240	240	229
Rail Car Appearance	192	192	187
Engineering & Technical Services - Rail	39	39	35
Total Rail Operations	2,555	2,478	2,437
SECURITY & COMMUNICATION / POWER CONTROL			
VP Security & Communication / Power Control	-	2	1
Security Services	32	32	18
Communication Power/Control	92	92	85
Total Security & Communication / Power Control	124	126	104
PLANNING			
VP Planning	5	5	2
Planning	48	58	56
Strategic Planning	-	11	11
Facility & ADA Planning	12	12	12
Total Planning	65	86	81
CUSTOMER SERVICE & PARATRANSIT			
VP Customer Service & Paratransit	2	1	2
Administration & Paratransit	3	3	2
Customer Service	26	25	20
Paratransit Operations	17	17	16
Total Customer Service & Paratransit	48	46	40
Total Transit Operations	**9,039**	**9,051**	**8,973**
CONSTRUCTION, ENGINEERING & FACILITIES MAINTENANCE			
EVP Construction, Engineering & Facilities Maintenance	4	3	3
Real Estate	22	22	19
Engineering	72	72	70
Construction	28	29	27

2004 Department Budgeted Positions

	2002 Budgeted Positions	2003 Budgeted Positions	2004 Budgeted Positions
CONSTRUCTION, ENGINEERING & FACILITIES (Continued)			
MAINTENANCE			
VP Facilities Maintenance	4	8	5
System Maintenance Support	210	203	198
Communications Engineering & Maintenance	50	58	59
Power & Way Maintenance	454	451	445
Rail Station Appearance	326	324	321
Facilities Maintenance	327	327	322
Total Facilities Maintenance	1,371	1,371	1,350
Total Construction, Engineering & Facilities Maintenance	**1,497**	**1,497**	**1,469**
MANAGEMENT & PERFORMANCE			
EVP Management & Performance	3	3	3
Communications	53	53	51
Government Affairs & Affirmative Action	34	34	31
FINANCE			
Sr VP Finance/Treasurer	3	3	4
Accounting Operations	39	39	36
Treasury	103	103	101
VP Finance/Comptroller	56	56	53
Capital Investment	34	34	33
Total Finance	235	235	227
HUMAN RESOURCES			
VP Human Resources	6	7	8
Recruitment & Staffing	18	13	15
Benefits	23	21	23
Compensation & Recognition	11	13	7
HR Technology	-	4	-
Total Human Resources	58	58	53
EMPLOYEE RELATIONS			
VP Industrial Relations	13	9	5
Program Compliance	9	13	14
Total Employee Relations	22	22	19
TECHNOLOGY MANAGEMENT			
VP Technology Management	4	12	4
Environmental Technology	15	5	-
Business Network Solutions	6	14	14
Enterprise Systems Services	84	78	74
Program Management			7
Revenue Equipment Technology & Maintenance	149	149	148
Total Technology Management	258	258	247
PURCHASING/WAREHOUSING			
VP Purchasing/Warehousing	4	2	2
Quality Assurance	26	33	34
Purchasing	63	58	65
Purchasing & Warehousing Programs	9	17	17
Purchasing & Warehousing Business Systems	16	15	15
Warehouse/Stockroom	189	182	169
Total Purchasing/Warehousing	307	307	302
Total Management & Performance	**970**	**970**	**933**
TOTAL CTA	**11,702**	**11,716**	**11,563**
Bus STO Positions	4,250	4,318	4,381
Rail STO Positions	1,487	1,407	1,389
TOTAL CTA WITHOUT STO	5,965	5,991	5,793
Pension	15	15	15

Summary of Projected Cash Flow for Year 2004

(In Millions)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BEGINNING CASH BALANCE	**85.0**	**47.8**	**19.6**	**39.3**	**55.1**	**32.9**	**26.8**	**15.6**	**24.6**	**73.2**	**63.3**	**80.3**	**80.3**
CASH RECEIPTS													
System Generated Revenue	37.6	36.1	40.7	41.2	38.4	46.5	40.0	41.5	40.0	42.0	48.1	43.0	**495.0**
RTA Assistance	35.8	36.1	40.5	33.8	34.3	35.3	37.1	37.1	37.9	37.1	36.8	36.8	**438.7**
Capital Grants	20.9	23.5	71.1	41.2	37.2	40.1	33.5	57.1	86.2	38.5	54.9	47.1	**551.4**
TOTAL CASH RECEIPTS	**94.3**	**95.7**	**152.3**	**116.2**	**109.9**	**121.9**	**110.5**	**135.6**	**164.1**	**117.7**	**139.8**	**126.9**	**1,485.1**
CASH DISBURSEMENTS													
Labor & Related Payroll	55.4	55.2	62.5	59.1	54.2	57.6	53.4	59.5	55.9	58.2	57.1	59.3	**687.5**
All Other	76.0	68.7	70.1	41.4	77.9	70.4	68.4	67.1	59.6	69.3	65.8	62.8	**797.5**
TOTAL CASH DISBURSEMENTS	**131.5**	**123.9**	**132.7**	**100.4**	**132.1**	**128.0**	**121.8**	**126.6**	**115.5**	**127.5**	**122.9**	**122.2**	**1,485.1**
ENDING CASH BALANCE	**47.8**	**19.6**	**39.3**	**55.1**	**32.9**	**26.8**	**15.6**	**24.6**	**73.2**	**63.3**	**80.3**	**85.0**	**85.0**

2005-2006 Operating Financial Plan

Professional

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

Chicago Transit Authority

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2005-2006 Operating Financial Plan

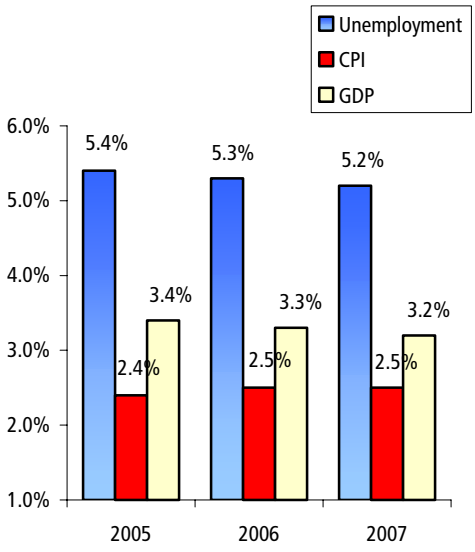
On September 12, 2003, the RTA issued the funding marks for the three service boards for the three-year plan period 2004-2006. The marks assigned to CTA and Pace hold public funding constant over the three-year horizon at a level equal to the amount received in 2002. These marks represent a decrease in public funding from the amounts received in the 2003 budget for both CTA and Pace. The marks issued for CTA and Pace will have severe consequences on delivery of public transportation.

Metra was assigned a mark by RTA that provides for an increase in funding of approximately 3.0% each year over the prior year budget. This disparity between the funding allocated to the three service boards is due to the statutory funding formula and the difference in growth rates of sales tax for the City of Chicago, suburban Cook County, and the collar counties.

Public funding CTA receives through RTA provides approximately 46.1% of CTA's revenues. The anticipated funding reductions (as compared to 2003 budget) may result in service cuts, fare increases and staff reductions on top of the productivities and efficiencies already programmed for the period.

For the 2005-2006 plan periods, a stable economy with modest job growth is forecasted. Retail sales remain depressed as evident by the funding marks set by RTA that were based upon the State of Illinois Office of Management and Budget's sales tax projection. This forecast is revised downward from a year ago, when the economic signals suggested a greater resiliency than what actually occurred during 2003. One critical factor that will continue to affect the CTA during the plan period will be employment levels and growth of new job opportunities within the service area.

Projected Unemployment, Consumer Price Index Rates (CPI) and Gross Domestic Product Estimates (GDP)



Source: Congressional Budget Office Projections

The Congressional Budget Office predicts a decline in the national unemployment levels to 5.4% in 2005 and 5.3% in 2006. These rates are below the 5.9% rate projected for 2003 but higher than the actual rates experienced from 1997 to 2001 that averaged below 5.0%. As of June 2003, the unemployment rate in the Chicago metropolitan region was 8.1%. This rate does not recognize individuals whose unemployment benefits have been exhausted.

The overall inflation growth, measured by the Consumer Price Index (CPI), is forecast to grow to 2.4% in 2005 and 2.5% in 2006, which is on par with historical trends. Likewise, the overall growth of the economy, measured by the Gross Domestic Product (GDP), will grow at a healthy rate of 3.4% in 2005 and 3.3% in 2006. These forecasts remain subject to national and international events that can impact economic growth and stability.

A slight decrease in the unemployment rate is expected to contribute to an increase in ridership as more employees

use public transportation to go to work. An increase in the GDP is an indication of a growing economy. A relatively flat CPI signals stable consumer prices. Although the U.S. is widely acknowledged to be in a recovery, unemployment rates have failed to decrease appreciably, prompting some to refer to current conditions as a jobless recovery. This remains to be an obstacle to our financial health.

2005 and 2006 Operating Budget

Based on the projected economic conditions, CTA is forecasting modest growth for 2005 and 2006 revenues and expenses. The projected operating budget for 2005 is $956.3 million and is 2.1% higher than 2004. The 2006 budget is anticipated to be $982.2 million and is 2.7% higher than fiscal year 2005, primarily due to higher labor costs as a result of wage rate and health care cost increases.

Labor

Labor expenses are projected to increase at an annual rate of 2.1% during 2005 and 2.4% during 2006 to $701.9 million and $718.7 million, respectively. Increases in wages and benefits are partially offset by labor savings from productivity gains and streamlining of operations. This projection includes a reduction of 200 more positions that are planned for phase out during 2004 through attrition, bringing the total staff reductions to 400 since 2003. CTA continues to emphasize cost reductions achieved through productivity gains, efficiencies, streamlining business operations, and automation and work rule changes.

Also driving down the annual increase in labor costs are savings expected from retirements, lower absenteeism and reductions in overtime. A new time and attendance system is planned for implementation starting in 2004 with an expected completion date in mid-2005 that will result in the aforementioned savings.

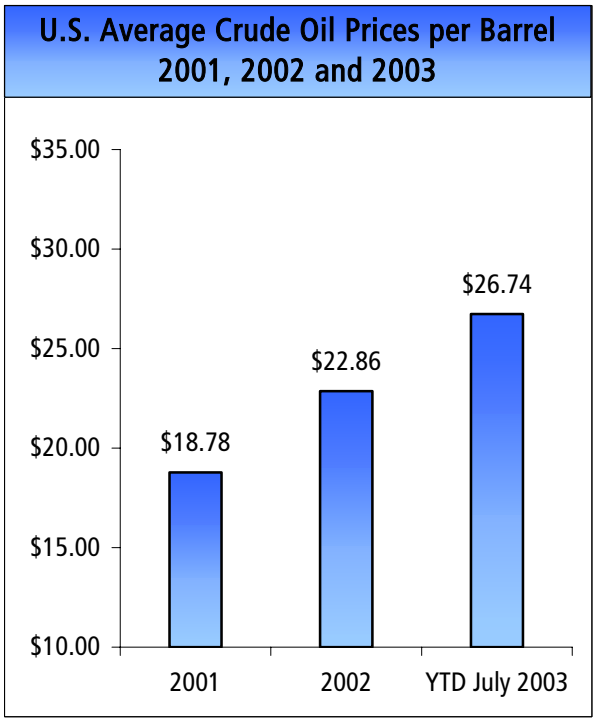
CTA has been experiencing increased costs in fringe benefits, particularly health care and workers compensation expenses. In 2002, CTA entered into a contract with a nationally recognized leader in safety management and accident reduction programs. This contract expects to reduce worker related injuries by 50% over the five-year contract term. Health care expenses have been growing at an annual average rate of 14.0% since 1995 -- over five times the rate of inflation. To aid in controlling these costs, CTA will work to restructure benefits and seek a larger contribution from employees.

Material

CTA projects material expenses to increase by $1.5 million or 2.3% in 2005 to $67.5 million. However, in 2006, material expenses are forecast to decrease by $2.5 million or 3.7% as a result of efficiencies achieved from implementation of the maintenance management system. This system will track the life cycle of vehicle parts, warranties and vehicle repairer information.

Fuel and Power

Fuel for revenue equipment will increase by $1.8 million or 8.0% in 2005 to $24.8 million. Fuel costs are projected to remain at the 2005 level in 2006. The increase in fuel costs is due to the higher costs for ultra low-sulfur diesel fuel that CTA began using in 2003. The price increase is not fully realized in CTA's 2004 budget because the CTA received a grant from the federal government to pay for the $0.08 price differential for the first two years. The average cost per gallon is expected to be $1.08 per gallon with an annual consumption of 23.0 million gallons for both 2005 and 2006.



No rate increases are projected for power expense. However, costs are expected to increase by $1.0 million or 4.5% in 2005 due to higher consumption. This reflects an increase in the average running speeds of trains as CTA continues to renew its track and reduce slow zones.

Provision for Injuries and Damages

Funding of the Provision for Injuries and Damages is expected to decrease due to anticipated benefits derived from the implementation of safety programs designed to reduce injuries and accidents. This cost is budgeted to be lower than the historical annual funding amount of $31.0 million due to CTA prefunding this expense in 2001 and 2002. This was done to achieve a balanced budget in 2003 without increasing fares. The higher funding in 2001 and 2002 enabled CTA to lower damage reserve funding in 2003-2005.

The $3.0 million decrease in 2005 to $19.0 million is a result of projected savings from the safety program. In 2006, however, the fund for Injuries and Damages increases $8.0 million to $27.0 million. This amount represents the previous annual funding level of $31.0 million less accident savings of $4.0 million from the implementation of the safety program.

Purchase of Paratransit Services

Purchase of Paratransit Services is expected to increase by 4.0% for 2005 and by 3.0% for 2006, a growth rate that is lower than prior years reflecting the transition of riders to mainline service. However, the growth in paratransit continues to be higher than the projected rates of inflation due to a combination of rate increases and growth in the number of trips provided.

The CTA continues to increase accessibility of mainline services for customers with disabilities. With the addition of new NABI buses, 100% of the bus fleet will be accessible. Additionally, the planned rehabilitation of 'L' stations on the Blue and Brown Lines will make 24 more stations accessible in coming years (two Blue Line stations are already open).

Paratransit expense represents 4.9% of CTA's total operating costs. CTA only receives $1.50 per trip taken with a private carrier while it pays the third party vendor approximately $26.00 -- a loss of $24.50 per ride. Special funding is not provided for this service. Since 2000, paratransit expense has increased by over 73%. CTA remains challenged to meet the service needs of the community while working to reduce the cost of providing this service.

Security

Because security is a high priority for the CTA and its customers, purchase of security expenses will increase. Expenses for security services are projected to increase by 3.0% in 2005 to $25.8 million and 3.0% in 2006 to $26.6 million due to contractual cost of living increases for the employees of Securitas, a private security service firm contracted by the CTA.

Other Services

Other services include rent, utilities, data processing maintenance, consulting, accounting, engineering, and other consulting services. Other services expenses will grow at rate of 3.0% for 2005 to $47.3 million and $48.7 million in 2006.

Revenues

The sources of CTA revenue include system-generated revenues as well as public funding. System-generated revenue is projected to be $514.6 million and $540.6 in 2005 and 2006, respectively. This represents a growth rate of 4.0% for 2005 and a growth rate of 5.0% for 2006. Public funding, as previously mentioned, is projected by the RTA to be flat at the amount received in 2002. Over 46% of CTA's revenue is derived from public funding through RTA. CTA is faced with a financial challenge spurred by the lack of an adequate funding source. What business can continue to keep service levels and quality constant for five years while revenues remain flat but costs continue to rise? The following explains the changes in each of the revenue categories over the two-year period.

Fares and Passes

Revenue from fares and passes are projected at $421.0 million in 2005 and $438.8 million in 2006. This represents an increase of 6.7% over 2004 and 4.2% over 2005 levels. These increases reflect modest fare increases. Without additional public funding, CTA may be forced to increase fares in conjunction with other cost containment initiatives to balance its budget while maintaining service.

Reduced Fare Reimbursement

Reduced fare reimbursement from the state is projected flat at $32.3 million for 2005 and 2006.

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. Advertisement revenues in 2005 are projected to increase by $2.0 million or 8.2% to $26.2 million. In 2006, advertising revenues are expected to increase by an additional $4.5 million or 17.1% to $30.7 million due to an increase in advertising revenues on the system and expanded concession contracts.

Investment Income

Investment Income is projected to remain flat at the 2004 budget of $3.0 million as short-term interest rates are projected to remain low.

Other Revenues

Other revenues are forecasted at $27.0 million in 2005. Revenues in this category include a grant from the Federal Transit Administration (FTA) to fund some paratransit expenses, parking fees, rental properties, third party contractor reimbursements, fees from movie studios and other miscellaneous revenues.

All Other Revenue will decrease by $8.9 million in 2005 because 2004 included revenue from sales of surplus properties. In 2006, other revenue is forecast to increase by $3.7 million due to surplus property sales.

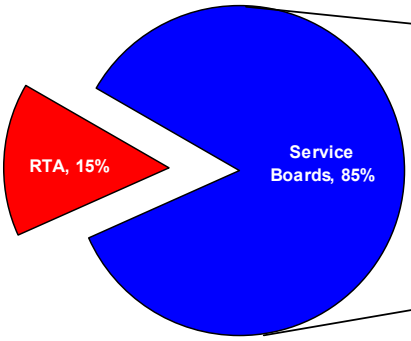
Public Funding

The Public Funding Available for operations represents the funding "mark" issued by the RTA, based upon the State of Illinois Office of Management and Budget's projection. Per statutory allocation, the RTA projects to provide CTA $441.6 million in 2004, 2005 and 2006. This is 2.6% less than it provided in 2003 and is set at the 2002 funding mark. Pace also will receive the same funding amount it received in 2002 for each year 2004-2006. In contrast, Metra will receive annual increases of 3.1% in 2004, 2.8% in 2005 and 2.8% in 2006. These funding marks are based on the statutory funding formula included in the RTA Act that provides a set percentage to allocate sales taxes collected in the City of Chicago, suburban Cook County, and the collar counties to the three service boards.

All of the public funding the service boards (CTA, Metra, and Pace) receive for operating needs is funneled through the RTA. The RTA currently has two principal sources of operating funds used to fund the three service boards:

(1) RTA Sales Tax;
(2) Public Transportation Fund appropriated by the State annually.

Sales Tax Distribution

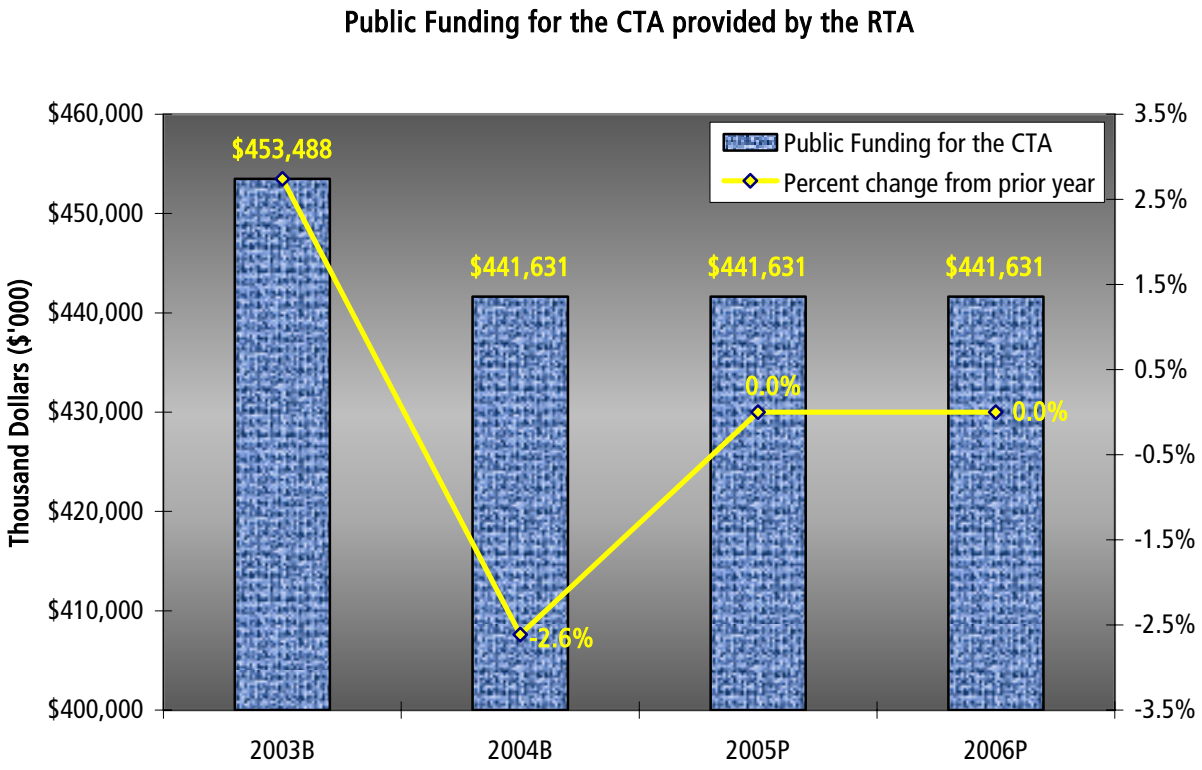


	Chicago Sales Tax Revenue	*Suburban Cook Sales Tax Revenue*	*Collar County Sales Tax Revenue*
CTA	100%	30%	0%
Metra	0%	55%	70%
Pace	0%	15%	30%
Total	100%	100%	100%

Sales Tax - The RTA sales tax consists primarily of the equivalent of a 1.0% sales tax in Chicago and suburban Cook County and a 0.25% sales tax in the collar counties (DuPage, Kane, Will, Lake, & McHenry). Sales tax revenue is distributed by statutory formula. The Act provides that the RTA withholds 15.0% of the tax revenues to fund its budgetary needs. 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.

Public Transportation Fund - In accordance with the RTA Act, the State Treasurer is required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from RTA sales taxes. These amounts are subject to annual State appropriation. The amounts allocable to each Service Board are allocated at the discretion of the RTA Board.

Approximately one third of CTA's public funding from RTA is discretionary. This funding stream is composed of public transportation funds and the remainder of RTA's share of the 15% sales tax it receives after RTA operations are funded and debt service requirements are met. Since the inception of the statutory formula, CTA's portion of formula sales tax was never sufficient to fully fund CTA's operating needs. CTA has always relied on the RTA discretionary funding to provide one-third of the public funding. However, this source of funding is also used for RTA debt service needs. As debt service requirements have grown, this source of funding for CTA is shrinking.



Recovery Ratio

The RTA Act requires the region to fund 50% of its expenses through revenues generated by the RTA and the three service boards. The recovery ratio measures the percentage of expenses that a service board must pay for using revenues it generates. System-generated revenues, operating expenses and certain statutory exclusions are used in the calculation.

Recovery Ratio = System-Generated Revenues/(Operating Expenses – Exclusions)

The RTA assigns each Service Board a recovery ratio when it issues the funding marks as required by the Act. The budgets submitted by each service board must be balanced and meet the required recovery ratio before the RTA can approve them. RTA's funding mark for CTA included a recovery ratio of 52.9% for all three years. CTA projects achieving a 55.7% recovery ratio in 2005 and 56.9% recovery ratio in 2006.

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.

During 2003, CTA issued debt to finance the renovation of the Cermak (Douglas) Branch of the Blue Line. This debt is backed by the full funding grant agreement with the FTA. All debt service payments will be made with FTA funds.

2005 - 2006 Operating Financial Plan

(In Thousands)	2002 Actual	2003 Budget	2003 Projected	2004 Budget	Financial Plan 2005	Financial Plan 2006
Operating Expenses						
Labor	$ 663,577	$ 686,913	$ 662,228	$ 687,528	$ 701,881	$ 718,747
Material	67,931	67,466	63,500	66,000	67,500	65,000
Fuel - Revenue Equipment	20,098	22,375	23,995	23,000	24,840	24,840
Power - Revenue Equipment	21,062	21,296	20,100	22,000	23,000	23,000
Provision for Injuries and Damages	39,000	17,568	17,568	22,000	19,000	27,000
Purchase of Security Services	24,719	24,813	24,800	25,042	25,794	26,567
Purchase of Paratransit	36,309	37,214	41,000	45,113	46,918	48,325
Other Expenses						
Utilities	18,026	18,666	16,866	16,827	17,336	17,856
Maintenance and Repair	15,888	12,484	11,922	12,900	13,290	13,689
Advertising and Promotion	1,144	5,006	2,451	4,461	4,596	4,734
Contractual Services	16,043	15,549	15,194	15,413	15,879	16,356
Provision for Passenger Security	4,413	4,845	4,826	4,845	4,992	5,141
Leases and Rentals	8,257	8,460	7,575	7,812	8,048	8,290
Travel, Training, Seminars, and Dues	930	945	2,765	2,965	3,054	3,146
Warranty and Other Credits	(20,776)	(20,557)	(23,162)	(21,852)	(22,524)	(23,200)
General Expenses	3,031	1,524	2,063	2,574	2,652	2,731
Total Other Expenses	46,957	46,922	40,500	45,945	47,323	48,743
Total Operating Expenses	**$ 919,653**	**$ 924,566**	**$ 893,691**	**$ 936,628**	**$ 956,255**	**$ 982,222**
System Generated Revenue						
Fares and Passes	$ 383,859	$ 376,132	$ 367,000	$ 394,512	$ 421,031	$ 438,758
Reduced Fare Reimbursement	30,197	32,300	32,300	32,300	32,300	32,300
Advertising, Charter, & Concessions	21,340	24,598	22,000	24,250	26,250	30,750
Investment Income	4,613	4,864	2,415	3,000	3,000	3,000
Contributions from Local Governments	5,000	5,000	5,000	5,000	5,000	5,000
All Other Revenue	33,245	28,184	11,488	35,935	27,042	30,783
Total System Generated Revenue	**$ 478,254**	**$ 471,078**	**$ 440,203**	**$ 494,997**	**$ 514,623**	**$ 540,591**
Public Funding Required for Operations	**$ 441,399**	**$ 453,488**	**$ 453,488**	**$ 441,631**	**$ 441,632**	**$ 441,631**
Public Funding Available through RTA	**$ 441,631**	**$ 453,488**	**$ 453,488**	**$ 441,631**	**$ 441,632**	**$ 441,631**
Recovery Ratio	53.97%	52.93%	51.32%	54.79%	55.71%	56.87%
Required Recovery Ratio	52.00%	52.90%	52.90%	52.90%	52.90%	52.90%
Fund Balance	$ 232	$ -	$ -	$ -	$ -	$ -

Note: Recovery Ratio for 2003 Budget - 2006 Financial Plan includes In-Kind revenue and In-Kind expenses for CPD and excludes 15% of reduced fare subsidy and 1988 base year security expenses.

2004-2008 Capital Improvement Plan and Program

Reliable

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

Chicago Transit Authority

cta take it.SM

2004 Capital Improvement Program Overview

This 2004-2008 Capital Improvement Program (CIP) identifies and targets available capital funds toward recognized capital renewal and improvement needs of CTA's system. The program is funded from five sources:

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

Each of these sources provides funding to cover projects contained in the typical CTA five-year capital program. CTA estimates that over $5 billion is needed over the next five years to bring its system to a state of good repair. Of this amount $2.95 billion has been identified in this current CIP while $2.05 billion of needed capital projects remain unfunded. Consequently, despite CTA's recent success in acquiring state and federal assistance for CTA's capital program, CTA is still faced with a sizeable list of unmet capital needs and as a result continues to look for new sources of funding for the capital program. Vital projects such as replacement of subway lighting and ventilation systems; renewal of Red Line and Purple Line viaducts, track, and track bed; and upgrades to Red Line and Blue Line stations are unfunded. The use of private financing is proposed as an appropriate mechanism to accelerate addressing this unmet need.

CTA is projecting total capital funding of $2.95 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 customers. 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. Stations should be replaced or rehabilitated at the end of their useful life of 40 years.*

- *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, with suitable maintenance and reinvestment, such buildings can effectively serve for as much as 70 years.*

- *CTA has judiciously employed the use of certain categories of capital funds to help ensure the adequate maintenance of assets such as buses and rail cars. This keeps the bulk of capital funds committed to replacing or renewing the equipment and facilities while continuing services until additional operating funding becomes available.*

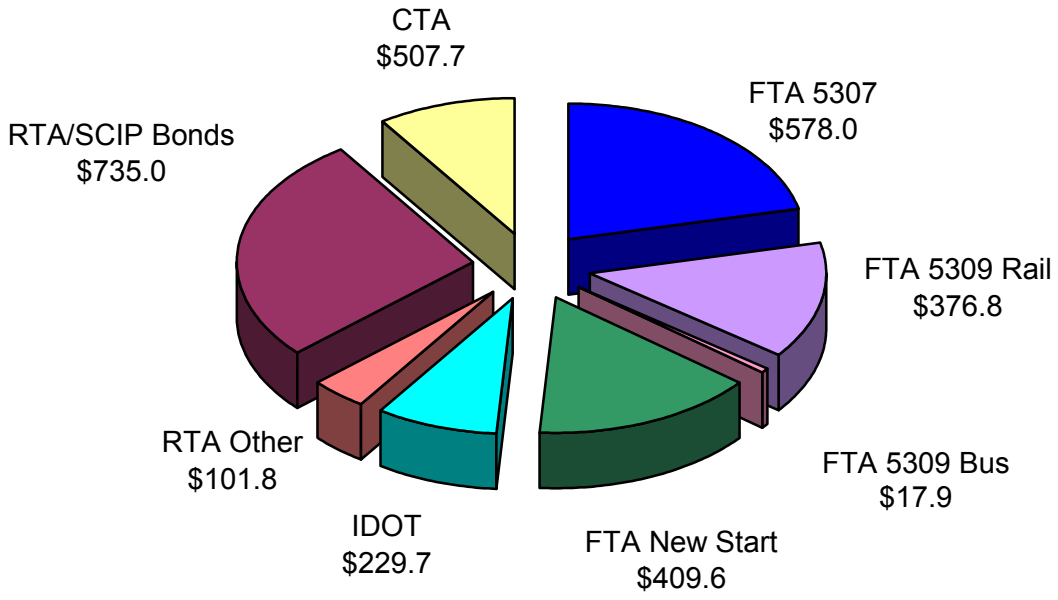
Meeting and maintaining these standards would improve the comfort and reliability of the services CTA provides its customers, and yield operational and maintenance benefits for CTA.

2004 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 $1.382 billion from the Federal Transit Administration (FTA), $230 million from the State of Illinois, $837 million from the RTA (including $735 million of SCIP Bonds administered by the RTA and backed by the State of Illinois), and $508 million from CTA. Total available funding is $2.95 billion. This is presented in the figure, *Preliminary 2004-2008 Capital Improvement Program Funding Sources*. The federal funds assume reauthorization consistent with *TEA-21*, and the local and state funds with the RTA financial structure after passage of *Illinois FIRST*. CTA funds include bonding supported by future federal grant funds.

PRELIMINARY 2004-2008 CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES
(Millions of Dollars)



Total = $2.95 Billion

2004 Capital Improvement Program Overview

Uses of Funds

Using the capital program marks as a foundation, CTA has developed a program of capital projects for the 2004–2008 Capital Improvement Program. CTA's 2004-2008 capital budget continues to work towards the goals and objectives outlined in the 2003-2007 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 segments 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.*

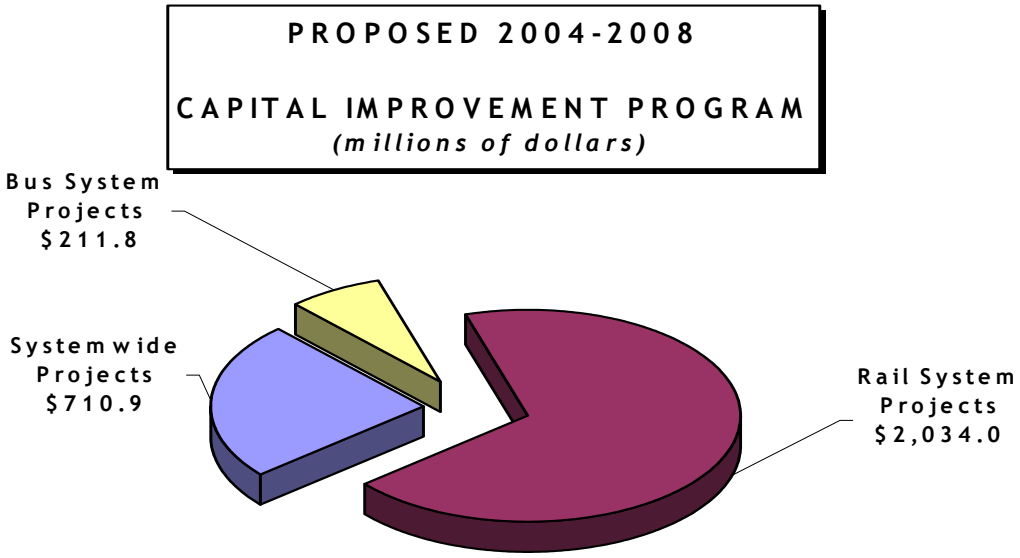
- *Fund the implementation of preventive maintenance programs for CTA's bus and rail fleets. Improve CTA's product to provide on-time, clean, safe and friendly transit service.*

- *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 CTA's 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 2004-2008 capital program provides some of the funding necessary to continue to address CTA's customers' concerns over the next five years.

2004 Capital Improvement Program Overview

The Proposed 2004-2008 Capital Improvement Program *shows the proposed program, by the general category of asset being improved or replaced. The attached table,* Proposed 2004-2008 Capital Improvement Program *lists each project in the Program. A detailed description of each project can be found in the* Proposed 2004 Budget and Department Detail and 2004-2008 Capital Plan document.



Total = $2.95 Billion

Over 30 combined projects comprise CTA's 2004-2008 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. Rail System Projects are allocated a significantly larger proportion of CTA's capital program funding due to the need to maintain the right of way; CTA buses operate on streets maintained by others. These capital projects for 2004 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.

CHICAGO TRANSIT AUTHORITY
Proposed FY 2004- 2008 Capital Program

All figures in '000

Proj #	Title		Funded	2004	2005-2008	5 Year Funding	Outyear	Project Total
Bus Projects								
	Rolling Stock							
021.803	Perform Bus Maintenance Activities		11,370	7,588	30,353	37,941	0	49,311
021.806	Perform Mid-Life Bus Overhaul		20,110	10,261	16,335	26,596	0	46,706
031.054	Replace Buses		154,633	48,000	99,301	147,301	93,314	395,248
		Sub-Total	**186,113**	**65,849**	**145,989**	**211,838**	**93,314**	**491,265**
Rail Projects								
	Acquisitions & Extensions							
194.115	Expand Capacity - Brown Line		112,425	117,941	247,558	365,499	51,986	529,910
194.117	Rehabilitate Blue Line - Cermak Branch		211,333	85,000	135,443	220,443	0	431,776
194.139	Rehabilitate Red Line - Dan Ryan Branch		148,642	105,979	49,409	155,388	0	304,030
		Sub-Total	**472,401**	**308,920**	**432,410**	**741,330**	**51,986**	**1,265,716**
	P/W Electric, Signal, Comm.							
121.500	Replace/Upgrade Power Distribution and Signals		35,868	11,697	208,143	219,840	28,522	284,230
		Sub-Total	**35,868**	**11,697**	**208,143**	**219,840**	**28,522**	**284,230**
	P/W Track & Structure							
171.036	Renew Structure		14,670	6,562	0	6,562	0	21,232
171.133	Repair Track and Structure Defects		5,401	5,401	22,782	28,183	0	33,584
171.217	Replace Flange Angles		38,866	11,811	3,937	15,748	0	54,614
173.022	Rehabilitate Purple Line Viaducts		8,635	816	10,216	11,032	0	19,666
181.500	Infrastructure Safety & Renewal Program		60,236	7,178	46,306	53,483	24,612	138,331
		Sub-Total	**127,808**	**31,767**	**83,241**	**115,008**	**24,612**	**267,427**
	Rolling Stock							
022.903	Perform Rail Car Overhaul & Mid-Life Rehabilitation		29,086	29,150	154,087	183,237	104,373	316,696
022.906	Perform Rail Car Maintenance Activities		11,814	8,460	33,839	42,299	0	54,113
132.056	Purchase Rail Cars		44,328	0	498,135	498,135	501,183	1,043,646
		Sub-Total	**85,228**	**37,610**	**686,061**	**723,671**	**605,556**	**1,414,455**
	Stations & Pass. Facilities							
141.272	Design Rail Stations		15,387	0	4,154	4,154	22,189	41,729
141.273	Reconstruct Rail Stations (Howard & Washington St. Stations)		18,782	171,433	58,605	230,039	208,811	457,632
		Sub-Total	**34,168**	**171,433**	**62,759**	**234,192**	**231,000**	**499,361**
Systemwide Projects								
	Miscellaneous							
052.018	Implement Control Center & SCADA Operational Sys. Projects		56,087	583	13,763	14,346	0	70,433
053.016	Systemwide Communication Upgrades		31,485	6,996	26,984	33,980	29,170	94,635
061.059	Implement Computer Systems		30,319	6,025	19,795	25,819	17,105	73,243
062.090	Replace Financial Systems & Corporate Time & Attendance		4,804	2,402	2,402	4,804	0	9,608
102.039	Implement Automated Fare Control (AFC) Projects		34,890	45,904	6,814	52,718	10,092	97,700
110.011	Improve Systemwide Signage Program		11,600	0	10,599	10,599	0	22,199
150.028	Implement Security Projects		12,259	4,025	23,158	27,183	0	39,442
190.033	Implement Quality Assurance Program		3,742	458	1,973	2,431	0	6,173
190.037	Land Acquisition		23,320	11,660	44,287	55,947	0	79,267
202.205	Program Management		12,664	4,664	18,656	23,320	0	35,984
202.220	Alternatives Analysis & P E - Ogden & Circle Line		399	2,915	11,660	14,575	0	14,974
307.001	Paratransit Service Capital Cost of Contracting		16,500	18,045	78,906	96,951	0	113,451
308.002	Bond Repayment, Interest Cost, & Finance Cost		0	0	88,667	88,667	243,833	332,500
		Sub-Total	**238,069**	**103,676**	**347,664**	**451,340**	**300,201**	**989,609**
	Support Facilities & Equip.							
073.500	Improve Facilities - Systemwide		74,615	58,272	139,686	197,958	133,156	405,729
084.059	Purchase Equipment & Non-Revenue Vehicles		54,841	12,131	49,499	61,630	0	116,472
		Sub-Total	**129,456**	**70,403**	**189,185**	**259,588**	**133,156**	**522,201**
		Capital Total	**1,309,111**	**801,355**	**2,155,451**	**2,956,806**	**1,468,347**	**5,734,264**
		Marks		**551,355**	**2,155,452**	**2,706,806**		
		CTA Bond		**250,000**	**0**	**250,000**		
		Marks/Variance		**(0)**	**0**	**(0)**		

2004 Capital Improvement Program Overview

The Bus System

The Chicago Transit Authority operates approximately 1,993 buses, making over 24,031 weekday trips on 143 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 CTA's service area expects 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 CTA's ability to renew, maintain and operate the bus fleet.

Bus Rolling Stock

CTA's commitment to its customers continues by providing new, air conditioned, and fully accessible buses. A total of 226 new North American Bus Industries articulated, fully accessible, buses are scheduled to be delivered and placed into service throughout 2003 and 2004. In the last five years, CTA has made significant progress towards its goal of having its entire bus fleet air conditioned and fully accessible. In the next five years, CTA plans to spend over $147 million on additional purchases of new low floor fully accessible air-conditioned buses. By year-end 2004, CTA will have its entire bus fleet air conditioned and fully accessible. These new buses will replace models that entered service in 1991 and later. Replacing this outdated equipment will increase the comfort for thousands of CTA customers.

The bus preventative maintenance program continues to improve service through regular replacement of major mechanical components subject to extensive wear. With fewer road calls and fewer buses taken out of service due to mechanical problems, CTA bus service is more reliable. CTA plans to spend $26 million in 2004-2008 to conduct mid-life overhauls on the bus fleet. CTA will continue bus overhaul initiatives in 2004 to the Flxible (Series 6000) buses. Beyond 2004 CTA will begin the mid-life rehabilitation of the Nova (Series 6400) buses. With a projected service life of 12-13 years, CTA's plan calls for a 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 service CTA's customers.

CTA has made significant improvements to its bus fleet. The completion of the overhaul of 490 TMC buses will ensure on-time reliable service to our bus riders. Bike racks have been installed on all CTA buses providing another enhanced amenity to our customers. By the end of 2003, all CTA buses will be also equipped with protective deflectors.

Other customer-focused improvements to CTA's existing buses are also on the capital agenda. CTA has completed Operation Clearview on the bus fleet. A protective plastic coating minimizes damage done to window glass by vandals. Clearview has also funded the installation of security video cameras and recorders on the bus fleet and has been successfully completed. CTA is also installing an automated bus announcement system on the bus fleet. 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 results in dissatisfied customers.

2004 Capital Improvement Program Overview

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 CTA's rail system to deliver them to their destinations 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.

During the last five years CTA has invested $400 million in bus and rail fleet overhaul programs. This strategic renewal of vehicles at mid-life or quarter-life intervals has increased service reliability and reduced the fleet spare ratio.

Rail Rolling Stock

The five-year CIP allocates $498 million for the purchase of approximately 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.

The scheduled replacement of cars that are beyond their expected service life continues CTA's effort in rebuilding the rail car fleet and improving rail car accessibility for CTA's customers. These cars will be powered by the newest A/C propulsion system and will incorporate the most efficient technologies into system operation.

Conversion of System to AC Propulsion		
Signals	**Scheduled Line Conversion** • Red Line – Dan Ryan • Loop Elevated • Blue Line	**Funding** $115,400,000 $65,600,000 $129,300,000

Railcars	**AC Propulsion Benefits**
	• Standard components that are more efficient and reduced in weight and size.
	• System power savings of approximately 20%
	• Lower maintenance costs
	  • Extends basic maintenance cycle 33% to 50%
	  • Extends overhaul cycle 33% (estimated)
		Rail Car Procurement
		• Replacement of the 2200/ 2400 Series Cars
		• Expanded service on the Brown Line
		• Airport Express
		• Rail Line Extensions

2004 Capital Improvement Program Overview

CTA's 2004-2008 capital program also sets aside $225 million in projected funding during the next five years for the overhaul and upgrade of CTA's rail fleet. Mid-life and quarter-life rehabilitation returns these valuable assets to comfortable, reliable service for CTA customers. CTA will continue overhaul initiatives in 2004 for 2400 and 2600 Series rail cars and the continuation of the quarter-life overhaul of the 3200 Series rail cars. Beyond 2004 CTA will begin the mid-life rehab of the 3200 Series rail cars.

CTA's preventive maintenance program raises the level of commitment to overhaul railcars. Through December of 2002, forty-two Series 3200 railcars have received a quarter life overhaul and Series 2400 car Cam Group replacements are underway. In 2003, life-extending overhaul work will begin on Series 2200 and 2400 railcars while Series 3200 overhaul and 2400 Cam group work will continue.

Major New Start Projects on Blue and Brown Lines

Using TEA-21 and Illinois FIRST funds, the reconstruction of the Blue Line's Cermak (Douglas) Branch will continue into 2004. This largest CTA capital project is on budget and on-time. In addition to funds already spent, a total of $220 million is projected to be spent through 2006. This project includes the reconstruction of eight elevated stations and over five miles of elevated structure and trackwork, as well as the purchase and installation of new signal/communications equipment, plus miscellaneous work on the right-of-way and track. Funding is also provided for reconstruction of the Paulina Connector as a two-track railroad. The Paulina Connector is located on the elevated section of railroad that connects the Lake street segment of the Green Line to the Blue Line at Paulina where the Cermak Branch joins the Forest Park Branch. Reconfiguration of trackwork at this location will provide CTA rail operations greater operating flexibility and will result in added capacity to the existing rail system. The Paulina Connector is the first phase in a future three-phase project implementing the Circle Line. The Circle Line project calls for adding three segments of new track and eleven new or rebuilt stations to CTA's system. The 6.6 miles of new elevated and subway tracks would allow CTA to operate a new cross town route, which would significantly reduce travel times between CTA and Metra stations throughout the city and region. CTA will begin an alternatives analysis in FY 2004 for this project to meet federal requirements.

CTA is planning to expand capacity on the Brown (Ravenswood) Line. Ridership on the Brown Line has exceeded both projections and the level that can be supported by current station and signal infrastructure. The capital budget provides $117.9 million in 2004, in addition to $112.4 million provided in FY 2002. Current projections estimate an additional $365.5 million will be allocated to the Brown Line expansion over the next five years and future funds of $52 million beyond 2008 to complete this project, with a total project budget of $530 million. 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, of which 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. 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.

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

The Dan Ryan (Red) Line serves over 51,000 passengers per weekday over nine stations. Dan Ryan rehabilitation will replace and/or upgrade substations, signals, communications, and rail stations. Renovated stations will provide greater access to nearby street locations, improved bus to rail transfers, and enhancement of variety of passenger amenities.

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. The 2004-2008 capital program allocates $106 million in 2004 for continuing design and construction work and $155 million to complete construction in the five-year program. The total project cost is $304 million.

In 2004-2008, $125 million has been provided 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. This upgrade improves service reliability for all Blue Line customers. In addition, the initial phase of this project includes $128.7 million for reconstruction of the Washington Station on the Blue and Red Lines to allow for future airport express service.

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, $31.7 million will be budgeted in 2004 to provide improvements and upgrades to CTA's rail system infrastructure. The Main Street viaduct on the Evanston Purple Line will be reconstructed in 2004. The design and reconstruction of an additional Evanston Purple Line viaduct is also included in the CIP. Footwalks used by maintenance staff and by passengers in case of emergencies will be replaced or renewed. Right-of-way, ties, track, and structure will be replaced; eliminating slow zones and maintaining heightened service standards.

Howard Station is the last of the Key Stations to be upgraded to bring it into compliance with ADA requirements. In addition to accessibility improvement, this station reconstruction will enhance customers' waiting facilities, platforms, and the fare collection areas.

CTA will also replace and upgrade power distribution and support structures for $40.4 million over the five-year plan using a recently completed System Master Plan. Train movement through the heart of the Loop, controlled by a signal territory including both Tower 12 and Tower 18, is also slated for $64.5 million over five years for rehabilitation and upgrade. The structural steel elements used to support CTA's world famous elevated track will be rehabilitated in locations throughout the system.

In the 2004-2008 program, CTA will spend $42.6 million to reconstruct Howard Station on the Red Line. Design will be completed during 2003 with construction to follow in 2004 and 2005. This is the last of the Key Stations outside of the current line rehabilitations that have not yet been brought into compliance with the ADA.

2004 Capital Improvement Program Overview

Systemwide Improvements

The 2004 Budget includes an additional $103.6 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, $33.9 million is included for communications projects to enhance the safety and security of CTA's customers and CTA's employees.

In the 2004-2008 program, CTA provides approximately $43.5 million for design and replacement of aging fare boxes that are beyond their useful lives. This project continues CTA's efforts in automating the fare collection system to provide faster passenger entry and access to the transit system. An additional $2.3 million is allocated in 2004 to fund the continued 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. Computer software upgrades will facilitate customer use of their cards.

Facility Improvements

CTA will spend over $58 million on facility improvements in 2004, including upgrades to bus facilities, rail station amenities, and various support facilities throughout the system. In the five-year program, $197.9 million is allocated to construct or improve CTA support facilities.

Scheduled for replacement in the 5 Year CIP is the 77th Street Garage. This operating garage houses 261 buses and is located within the South Shops Heavy Maintenance Facility. The buildings to be replaced on this site include some which were originally built in the 1900's as trolley car barns. Replacement of these inefficient buildings will greatly facilitate provision of bus service to our customers.

The 2004-2008 program includes $8.1 million to repair and renovate the elevators and escalators in CTA stations, including escalators on the Red Line. Escalators facilitate the transfer of customers 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 while others need extensive mechanical overhaul to bring them to a state of good repair. Elevators and escalators help facilitate 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.

2004 Capital Improvement Program Overview

Looking Ahead

CTA is dedicated to 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 2004-2008 Capital Improvement Program projects $2.95 billion will be available over the next five years, but that will only be the first step.

Completely rebuilding CTA's system means addressing over $2.05 billion in unfunded capital needs over the next five years. Strategic investment is needed in railcar replacement, traction power system modernization, right of way, viaduct renewal, escalators and elevators in rail stations, and upgrade of critical communications systems. An additional $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, Ogden Avenue, and Orange, Blue, Red, and Yellow Line extensions will be predicated on additional capital funding through federal and local sources.

CTA plans to issue $250 million in Capital Bonds in 2004. These bonds will be backed by future federal formula funds, and will be utilized for long life assets. Without these funds, major projects including the Dan Ryan Rehabilitation, Howard Station, and garage replacement will be significantly delayed. Bond financing will be repaid with future federal funds matched entirely with CTA generated sources; no RTA funds will be utilized for this purpose.

CTA will work tirelessly to bridge the funding gap between today's needs and tomorrow's increasing demands for service. 2004 represents the last year of funding under Illinois FIRST; and will be the first year funded under the replacement for TEA-21. Thanks to the strong support of Mayor Richard M. Daley, Governor Rod R. Blagojevich, House Speaker J. Dennis Hastert, the Illinois Congressional delegation, and the General Assembly, 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.

With every dollar of new capital funding obtained, with every capital dollar well spent, and with each project completed, 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 CTA is providing quality, affordable transit services that link people, jobs and communities.

1 History of the Agency

Transit in Chicago: Creation of CTA

The Chicago Transit Authority ("CTA"), 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. 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.

Results-Oriented

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

Chicago Transit Authority

cta take it.SM

1 History of the Agency

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 during the 1970's 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 3.8 million people

Ridership

- 452.7 million trips projected in 2004
- Over 1.5 million trips per weekday

Bus Service

- 1,993 buses travel over 143 routes
- Routes cover 2,290 miles, with over 12,324 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
- 1,931,266 trips projected in 2004

3 Operating Funding Summary

Most of the public funding that the 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 2004 Sales Tax Budget for the Region is $648.0 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 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%

In addition, RTA may distribute at its discretion any funds remaining from the initial allocation of the 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. In addition, 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 in conformance with the requirements of the RTA Act. The RTA uses these funds at its discretion to fund the service board needs, RTA operations, debt service and capital investment. RTA's 2004 Budget includes $164.0 million in PTF funds.

3 Operating Funding Summary

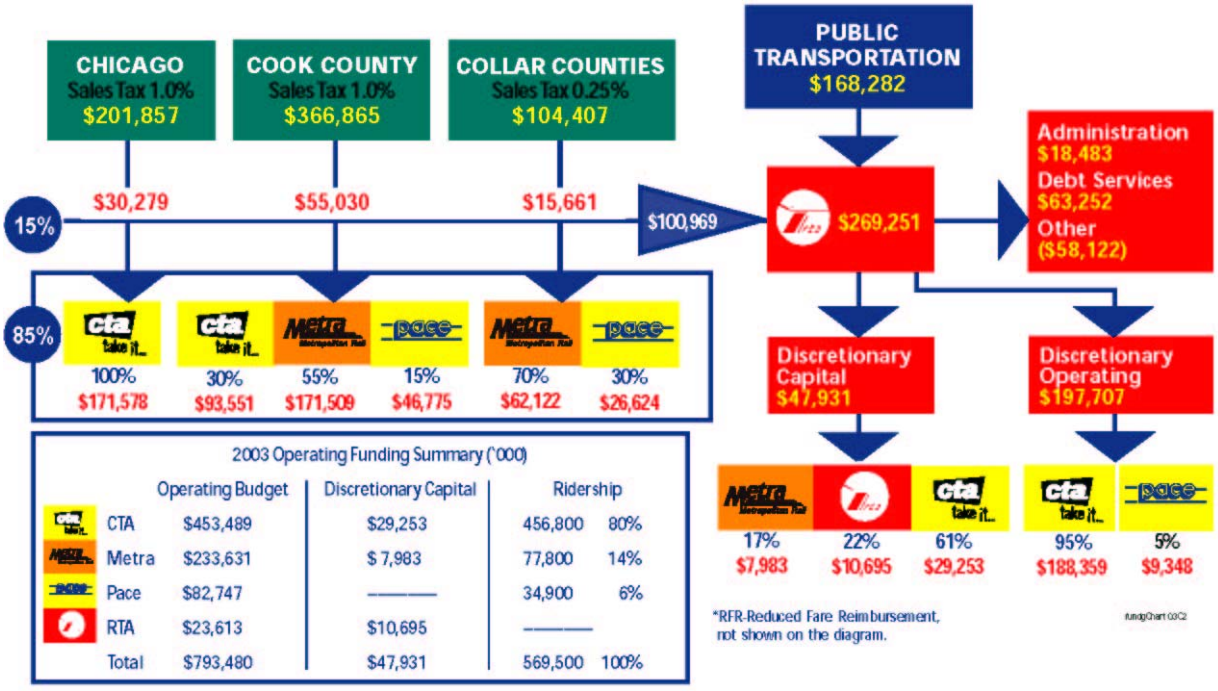
State Assistance

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 2003 Budget)



Notes:

1) Data in 000's.
2) Data is 2003 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 of the United States Department of Transportation (FTA); 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 contracts with the CTA for work.

The majority of FTA funds come 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. TEA-21 provided a six-year authorization of the Federal Transit Program. TEA-21 was due to expire on September 30, 2003. It is expected that Congress will act to either extend the current provisions of TEA-21 or pass a new authorization bill, which will replace TEA-21. A successor bill to TEA-21 would most likely continue many of its key provisions. 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 $2.7 billion from all sources to spend on capital needs for the period 2004-2008.

- Section 5309, "Capital Investment Program" authorizes grants under three programs. The Fixed Guideway Modernization program provides funding for modernization of existing rail transit systems, with funds allocated by statutory formula. The Bus Discretionary program allocates funding for bus and bus related projects allocated nationwide using a Congressional earmarking process. Finally, New Starts are authorized in this section, with annual Congressional appropriation and allocation to special projects designed to enhance or expand the capacity of existing transit systems or to begin new services.

- 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 received grants of $1.3 million from the discretionary program during 2003.

- 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. Transit systems in large urban areas, such as CTA, do not receive any operating grant funds, only capital.

4 Capital Funding Summary

The Congestion Mitigation and Air Quality Improvement Program (CMAQ), funds transit, highway, or non-traditional projects with the specific intent to improve the 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 $61.6 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 lesser of the debt service or $55.0 million annually;
- IDOT Series B Transportation Bonds;
- CTA's fund balance which represents an operating budget surplus that 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 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 (scope) and corresponding budget. The usual practice is to fund several different items of work in each grant. 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.

A mix of FTA, IDOT and RTA funds in separate grant agreements provide for most of CTA's capital projects. 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

4 Capital Funding Summary

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 a macro-level budget and a two-year financial plan 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 CTA 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 identified in the RTA Act. If the RTA Board does not approve the budget, the RTA Board cannot release any discretionary 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.

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.

6 Accounting System & Budgetary Control

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.

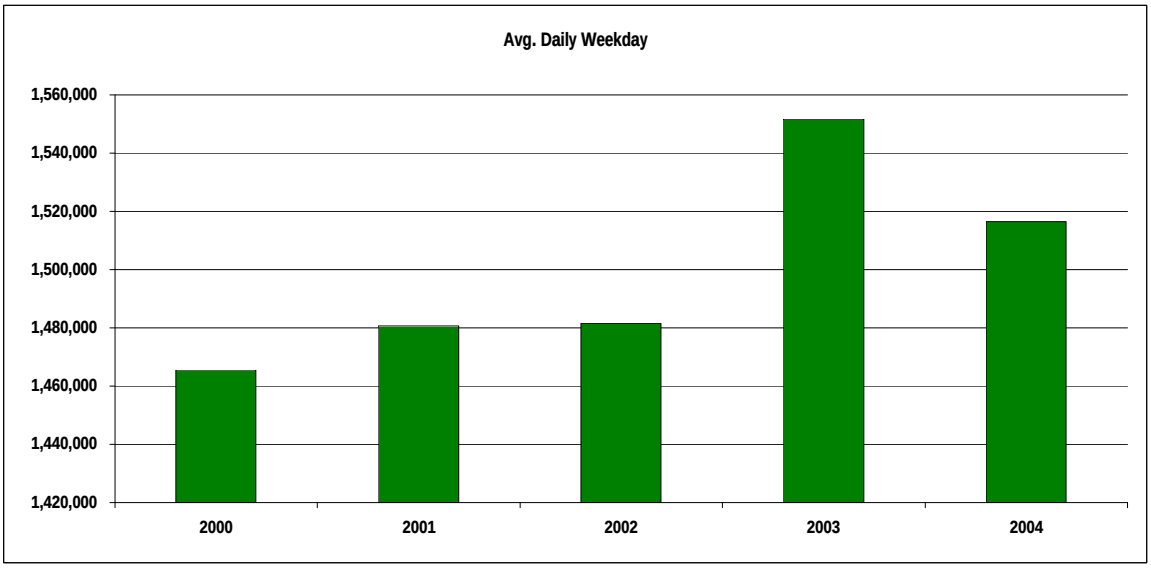
The RTA monitors the CTA's performance against the budget on a quarterly basis, and if in the judgment of the RTA, this performance is not substantially in accordance with CTA's budget for such period, the RTA shall so advise the CTA. The CTA must, within the period specified by the RTA, submit a revised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

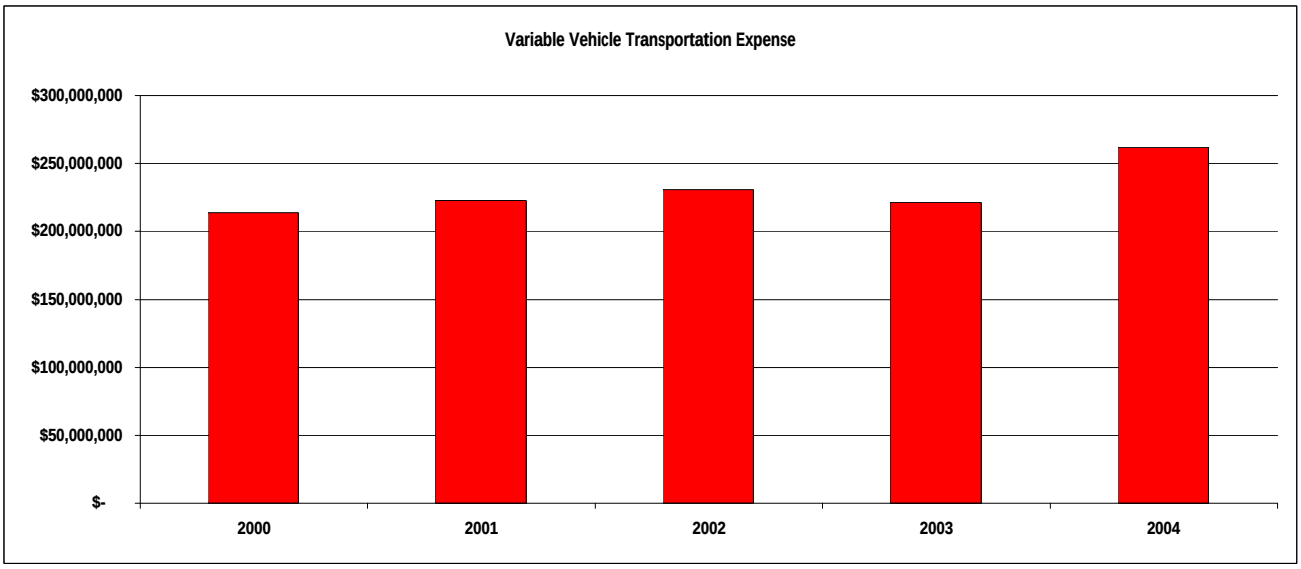
CHARACTERISTICS	2000 Actual	2001 Actual	2002 Actual	2003 Projected	2004 Budget
Ridership					
Avg. Daily Weekday	1,465,529	1,480,766	1,481,463	1,551,713	1,516,502
Avg. Daily Saturday	848,279	862,182	847,670	911,563	881,266
Avg. Daily Sunday	557,116	576,838	582,867	606,318	589,350
System Wide Ridership	450,530,411	454,867,660	457,270,578	448,385,688	452,653,358
Expense					
Top Rail Operator Rate	$ 20.51	$ 21.31	$ 21.91	$ 23.01	$ 23.01
Capital Expenditures	$ 280,405,661	$ 355,873,276	$ 491,037,670	$ 497,445,885	$ 551,355,015
Revenue					
Average Fare per Trip (fare box only)	$ 0.82	$ 0.82	$ 0.84	$ 0.82	$ 0.87
Public Funding per Trip	$ 0.89	$ 0.92	$ 0.97	$ 1.01	$ 0.98
Safety (Reported & Blind)					
Bus Accidents per 100,000 Miles	7.06	6.44	6.20	6.00	5.90
Rail Accidents per 100,000 Miles	0.12	0.10	0.10	0.09	0.09



8 Operating Statistics

BUS

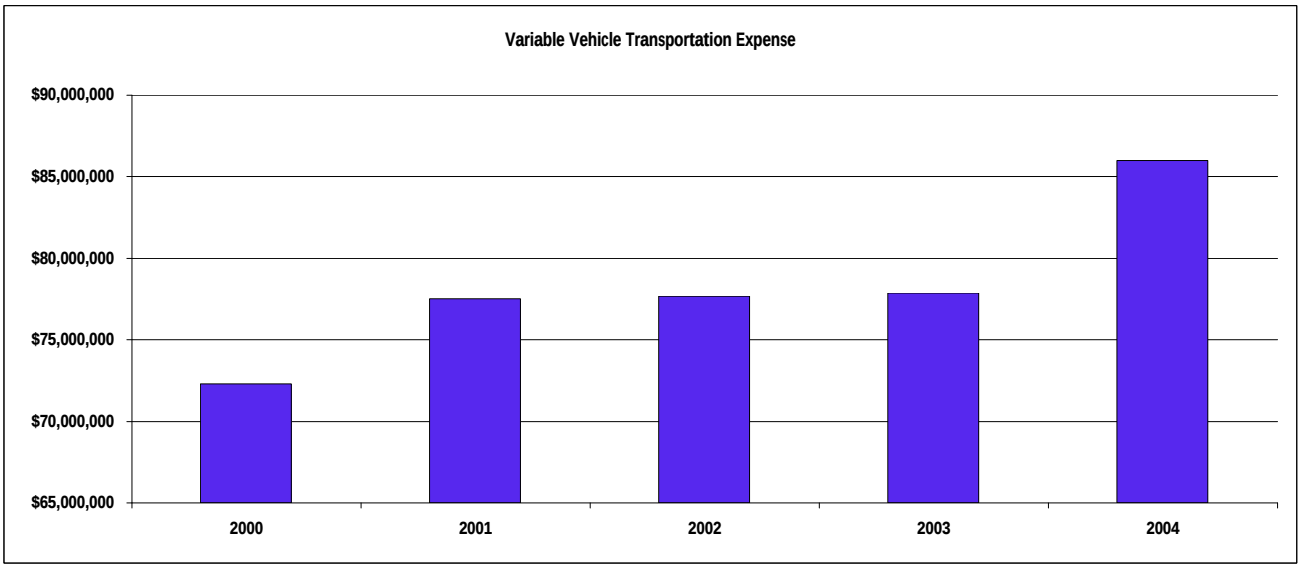
CHARACTERISTICS	2000 Actual	2001 Actual	2002 Actual	2003 Projected	2004 Budget
Expenses					
Operating Expense	$ 372,865,388	$ 385,534,831	$ 389,305,215	$ 380,831,107	$ 431,897,904
Variable Vehicle Transportation Expense	$ 213,983,589	$ 222,535,985	$ 230,638,930	$ 221,132,884	$ 261,928,254
Variable Vehicle Maintenance Expense	$ 95,110,317	$ 96,280,740	$ 93,184,287	$ 95,991,945	$ 99,180,528
Fuel Expense	$ 23,305,022	$ 23,325,998	$ 20,097,898	$ 23,995,000	$ 23,000,000
Miles					
Annual Vehicle Revenue Miles	67,130,000	66,556,099	67,095,718	67,982,464	67,982,464
Trips					
Annual Unlinked Trips	302,089,554	301,690,747	303,295,026	295,712,650	298,078,351
Vehicles					
Annual Vehicle Revenue Hours	6,189,046	6,466,776	6,576,310	6,712,640	6,884,129
Vehicles Operated in Max. Service	1,604	1,643	1,688	1,719	1,760
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,863	1,919	2,011	1,991	2,039
Average Age of Vehicles	10.0	8.7	8.4	9.4	8.5



9 Operating Statistics

HEAVY RAIL

CHARACTERISTICS	2000 Actual	2001 Actual	2002 Actual	2003 Projected	2004 Budget
Expenses					
Operating Expense	$ 151,069,436	$ 156,723,522	$ 156,268,777	$ 155,461,290	$ 166,118,609
Variable Vehicle Transportation Expense	$ 72,281,742	$ 77,520,365	$ 77,674,040	$ 77,876,276	$ 86,008,492
Variable Vehicle Maintenance Expense	$ 36,235,621	$ 36,743,210	$ 32,392,287	$ 33,604,173	$ 35,600,490
Power Expense	$ 21,021,791	$ 21,834,681	$ 21,061,704	$ 20,100,000	$ 22,000,000
Miles					
Annual Vehicle Revenue Miles	57,861,000	58,886,962	63,697,802	65,618,861	65,618,861
Trips					
Annual Unlinked Trips	147,194,341	151,739,030	152,364,552	150,833,736	152,643,741
Vehicles					
Annual Vehicle Revenue Hours	485,774	600,550	655,041	603,137	609,475
Vehicles Operated in Max. Service	926	988	980	1,020	1,064
Vehicles Owned by CTA (at Fall Fleet Assignment)	1,190	1,190	1,190	1,190	1,190
Average Age of Vehicles	16.9	18.0	19.0	20.0	21.0

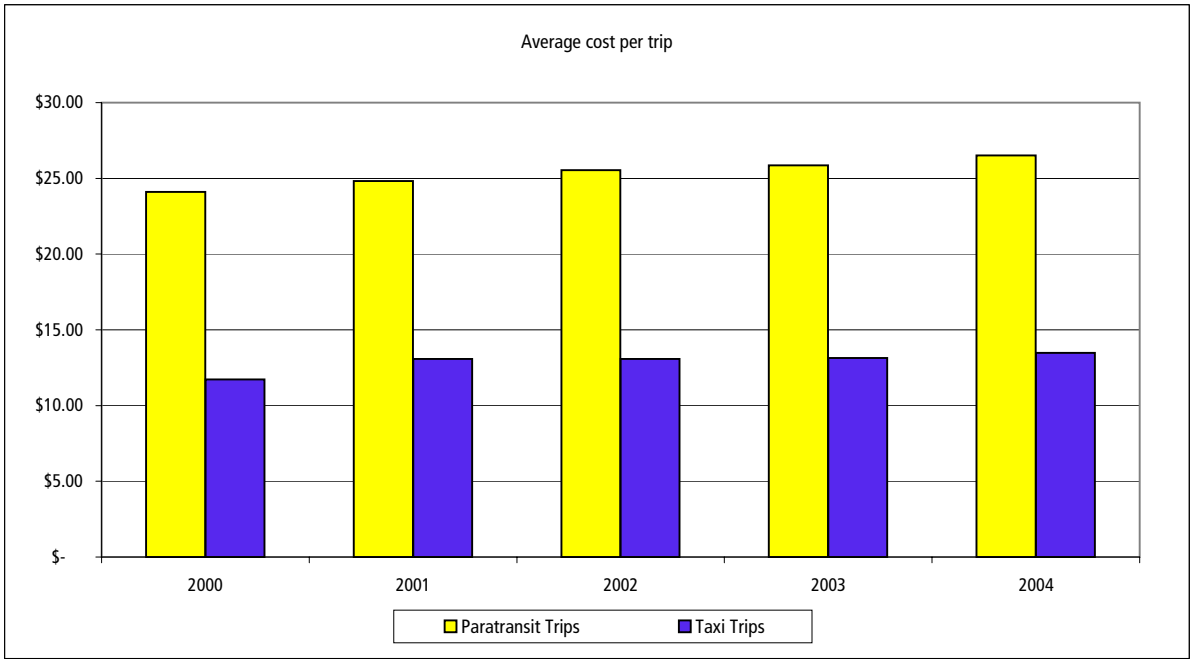


10 Operating Statistics

PARATRANSIT

CHARACTERISTICS	2000 Actual	2001 Actual	2002 Actual	2003 Projected	2004 Budget
Expenses					
Operating Expense	$ 27,043,000	$ 32,313,631	$ 36,309,149	$ 41,000,000	$ 45,113,000
Average Cost per Trip	$ 22.32	$ 23.45	$ 23.12	$ 22.29	$ 23.36
Trips					
Paratransit Trips[1]	1,094,795	1,164,685	1,283,490	1,395,354	1,465,122
Taxi Trips	117,039	273,198	287,032	443,947	466,144
Total Trips	1,211,834	1,437,883	1,570,522	1,839,301	1,931,266
Average Cost per Trip					
Paratransit Trips	$ 24.11	$ 24.82	$ 25.54	$ 25.86	$ 26.51
Taxi Trips	$ 11.72	$ 13.08	$ 13.08	$ 13.14	$ 13.47
Mainline Service					
Bus Routes Offering Lift Service	73	78	125	132	149
ADA Accessible Stations	50	64	64	71	72

[1] Excludes Companion Rides.

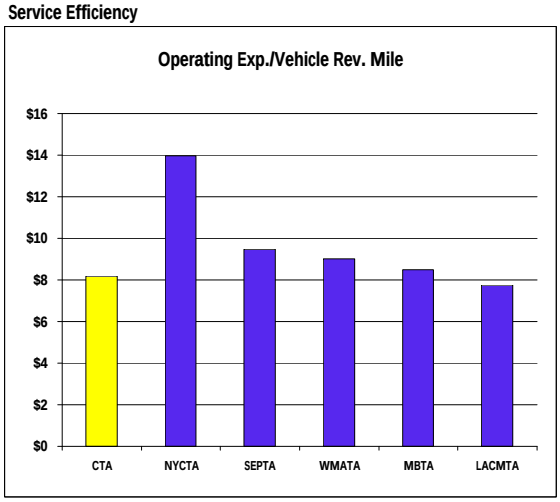


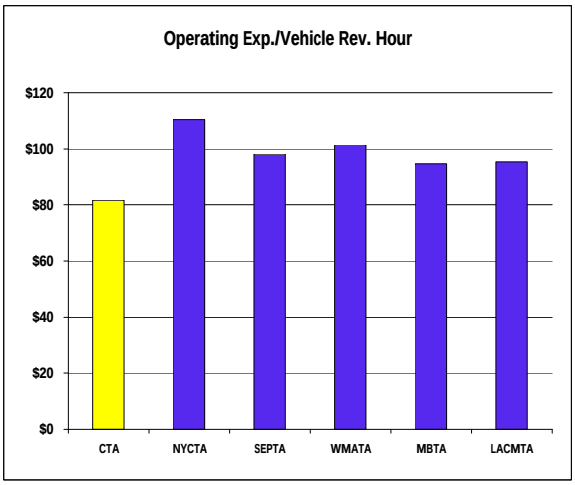
11 Comparative Performance Analysis

BUS

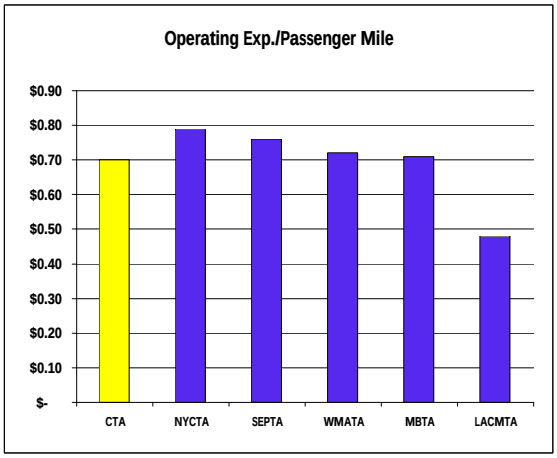
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$ 8.20	$ 13.97	$ 9.49	$ 9.03	$ 8.50	$ 7.76
Operating Exp./Vehicle Rev. Hour	$ 81.64	$ 110.40	$ 98.05	$ 101.32	$ 94.76	$ 95.32
Cost Effectiveness						
Operating Exp./Passenger Mile	$ 0.70	$ 0.79	$ 0.76	$ 0.72	$ 0.71	$ 0.48
Operating Exp./Unlinked Trip	$ 1.73	$ 1.52	$ 2.15	$ 2.31	$ 2.04	$ 1.85
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	4.73	9.17	4.42	3.91	4.17	4.19
Unlinked Trips/Vehicle Rev. Hour	47.09	72.45	45.69	43.93	46.49	51.44

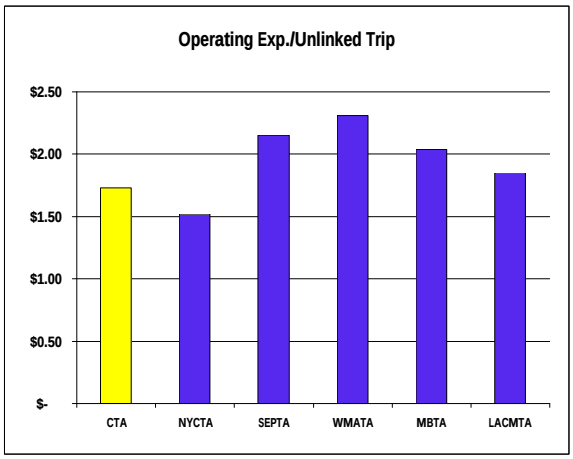
Service Efficiency





Cost Effectiveness





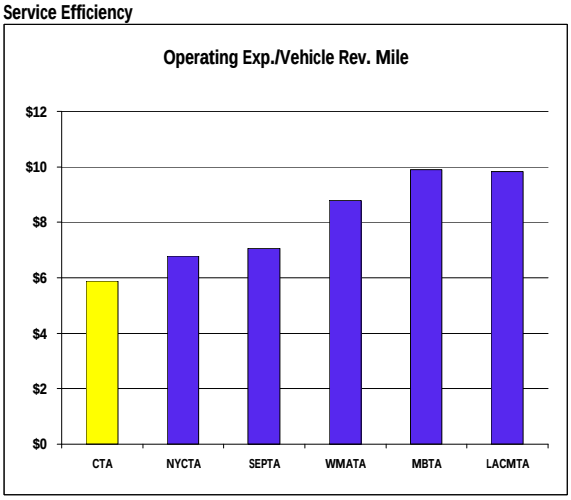
Data obtained from 2001 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

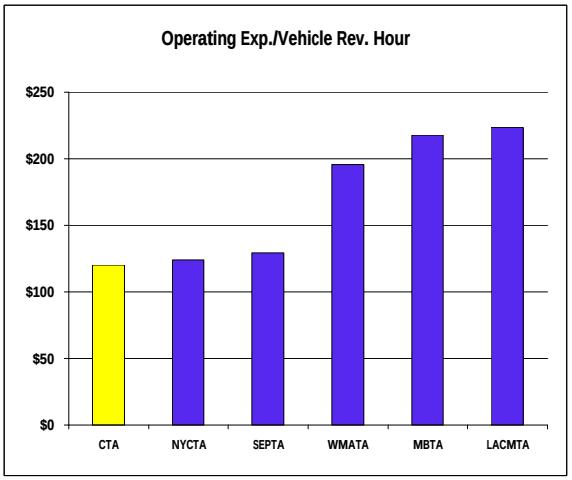
12 Comparative Performance Analysis

HEAVY RAIL

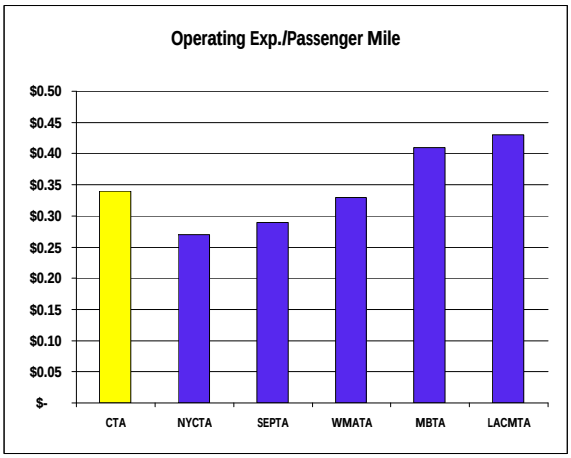
PERFORMANCE MEASURES	Comparison Group CTA	NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$ 5.89	$ 6.79	$ 7.07	$ 8.79	$ 9.89	$ 9.84
Operating Exp./Vehicle Rev. Hour	$ 120.36	$ 123.88	$ 129.23	$ 195.60	$ 217.67	$ 223.76
Cost Effectiveness						
Operating Exp./Passenger Mile	$ 0.34	$ 0.27	$ 0.29	$ 0.33	$ 0.41	$ 0.43
Operating Exp./Unlinked Trip	$ 1.87	$ 1.27	$ 1.29	$ 1.92	$ 1.50	$ 1.75
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	3.15	5.34	5.47	4.57	6.59	5.63
Unlinked Trips/Vehicle Rev. Hour	64.44	97.49	99.95	101.78	145.00	128.06

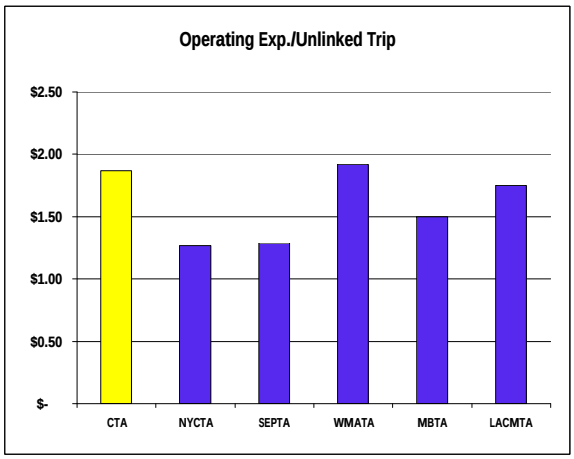
Service Efficiency





Cost Effectiveness





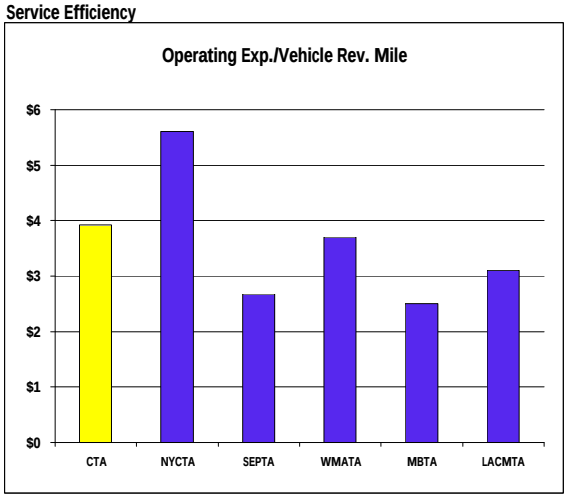
Data obtained from 2001 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

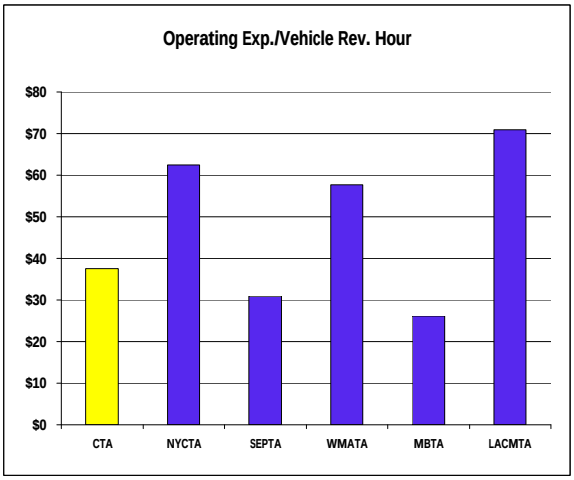
13 Comparative Performance Analysis

PARATRANSIT

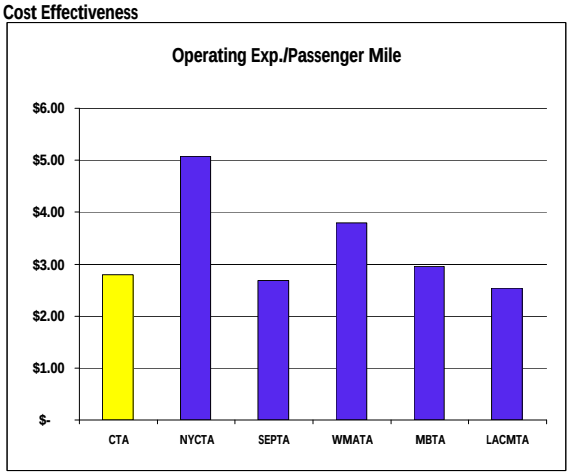
PERFORMANCE MEASURES	CTA	Comparison Group NYCTA	SEPTA	WMATA	MBTA	LACMTA
Service Efficiency						
Operating Exp./Vehicle Rev. Mile	$ 3.92	$ 5.61	$ 2.68	$ 3.70	$ 2.50	$ 3.10
Operating Exp./Vehicle Rev. Hour	$ 37.48	$ 62.52	$ 30.90	$ 57.68	$ 26.21	$ 70.95
Cost Effectiveness						
Operating Exp./Passenger Mile	$ 2.80	$ 5.07	$ 2.68	$ 3.80	$ 2.96	$ 2.54
Operating Exp./Unlinked Trip	$ 23.25	$ 56.00	$ 18.76	$ 36.97	$ 24.39	$ 27.83
Service Effectiveness						
Unlinked Trips/Vehicle Rev. Mile	0.17	0.10	0.14	0.10	0.12	0.11
Unlinked Trips/Vehicle Rev. Hour	1.61	1.12	1.65	1.56	1.66	2.55

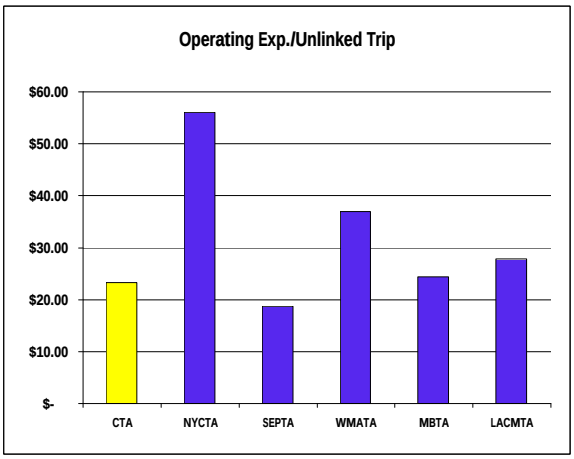
Service Efficiency





Cost Effectiveness





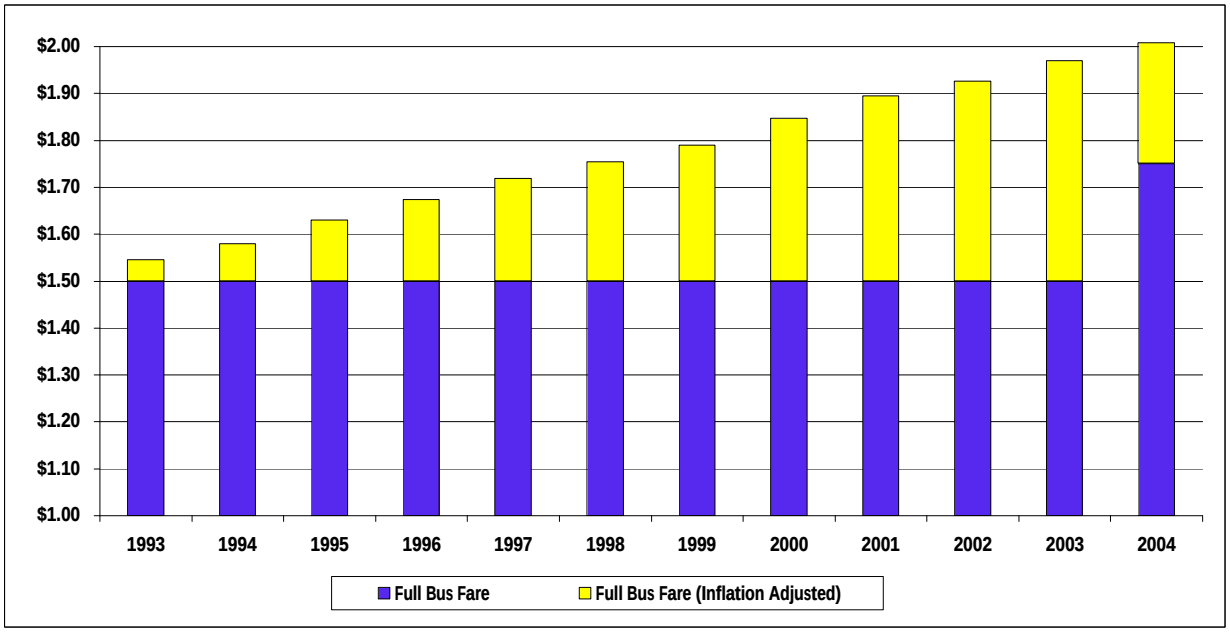
Data obtained from 2001 "Transit Profiles - The Thirty Largest Agencies" published by the National Transit Database Program

14 Fare Structure

SYSTEM

CHARACTERISTICS	2000 Actual	2001 Actual	2002 Actual	2003 Projected	2004 Budget
Full Fare					
Bus	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.75
Rail	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.75
Transfer Charge	$ 0.30	$ 0.30	$ 0.30	$ 0.30	$ 0.25
Reduced Fare					
Bus	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.85
Rail	$ 0.75	$ 0.75	$ 0.75	$ 0.75	$ 0.85
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)	$ 1.20 (1)	$ 1.20
Philadelphia (SEPTA)	$ 2.00	$ 2.00
Atlanta (MARTA)	$ 1.75	$ 1.75
New York (NYCTA)	$ 2.00	$ 2.00
Los Angeles (LACMTA)	$ 1.35	$ 1.35
San Francisco (MUNI)	$ 1.25	$ 3.00
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 $2.50 and regular route fare is $1.20

15 Comparative Farebox Recovery Ratio

CITY (SYSTEM)	FARE REVENUES	OPERATING EXPENSES	RECOVERY RATIO
CHICAGO (CTA)	$375,655	$895,802	41.94%
NEW YORK CITY (NYCTA)	$2,128,531	$3,730,126	57.06%
WASHINGTON D.C. (WMATA)	$375,184	$802,608	46.75%
PHILADELPHIA (SEPTA)	$296,000	$718,097	41.22%
BOSTON (MBTA)	$304,112	$743,143	40.92%
ATLANTA (MARTA)	$101,278	$334,702	30.26%
SAN FRANCISCO (MUNI)	$104,155	$409,448	25.44%
LOS ANGELES (LACMTA)	$213,530	$746,341	28.61%
OTHER SELECTED TRANSIT SYSTEMS			
SAN FRANCISCO (BART)	$213,260	$334,084	63.83%
NEW YORK (PATH)	$97,468	$158,089	61.65%
CLEVELAND (GCRTA)	$41,124	$228,951	17.96%

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: 2001 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.
CPI	Consumer Price Index. An index that tracks the prices of a variety of goods purchased by an average consumer. Also known as the cost of living index which is used as a reference for wage increases and other similar inflation prone items.
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.
ERP	Enterprise Resource Planning. A suite of software applications that increase organizational economy & efficiency by migrating onto a common software platform to allow departments to more easily share information and communicate with each other.
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.

16 Glossary

GDP	Gross Domestic Product. A measure of economic activity, the amount of goods and services produced in the United States in a year. It is calculated by adding together the market values of all of the final goods and services produced in a year.
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.

16 Glossary

Public Funding	Funding received from the RTA for operating or capital purposes.
Purchase of Paratransit Service	The cost of using outside vendors to provide transit to certified disabled riders.
Recovery Ratio	One of the key performance indicators, which measures the amount of operating, expense that was recouped from operating revenues.
Reduced Fares	Discounted fare for children age 7 – 11, grade and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except Paratransit Riders.
Run	Rail or Bus Operator's assigned work for the day.
Service Board	The Regional Transportation Authority Act, as amended in 1983, refers to the CTA, Metra (the commuter rail system), and Pace (the suburban bus system) as service boards.
SPTO	STO personnel that are restricted to weekend work, at a lower pay rate, and who receive no fringe benefits from the CTA.
STO	The portion of labor that represents Scheduled Transit Operations. This classification includes bus operators, motormen, conductors, and customer assistants.
System Generated Rev.	Revenue generated internally by CTA. Includes fares, charter revenue, advertising, investment income, income from local governments per a provision of the Regional Transportation Authority Act, and a subsidy for reduced fare riders per 1989 legislation.
TEA – 21	Federal transportation package which reauthorized the Federal Transit Program for six years (1998-2003). Grants can pay up to 80 percent of 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.

16 Glossary

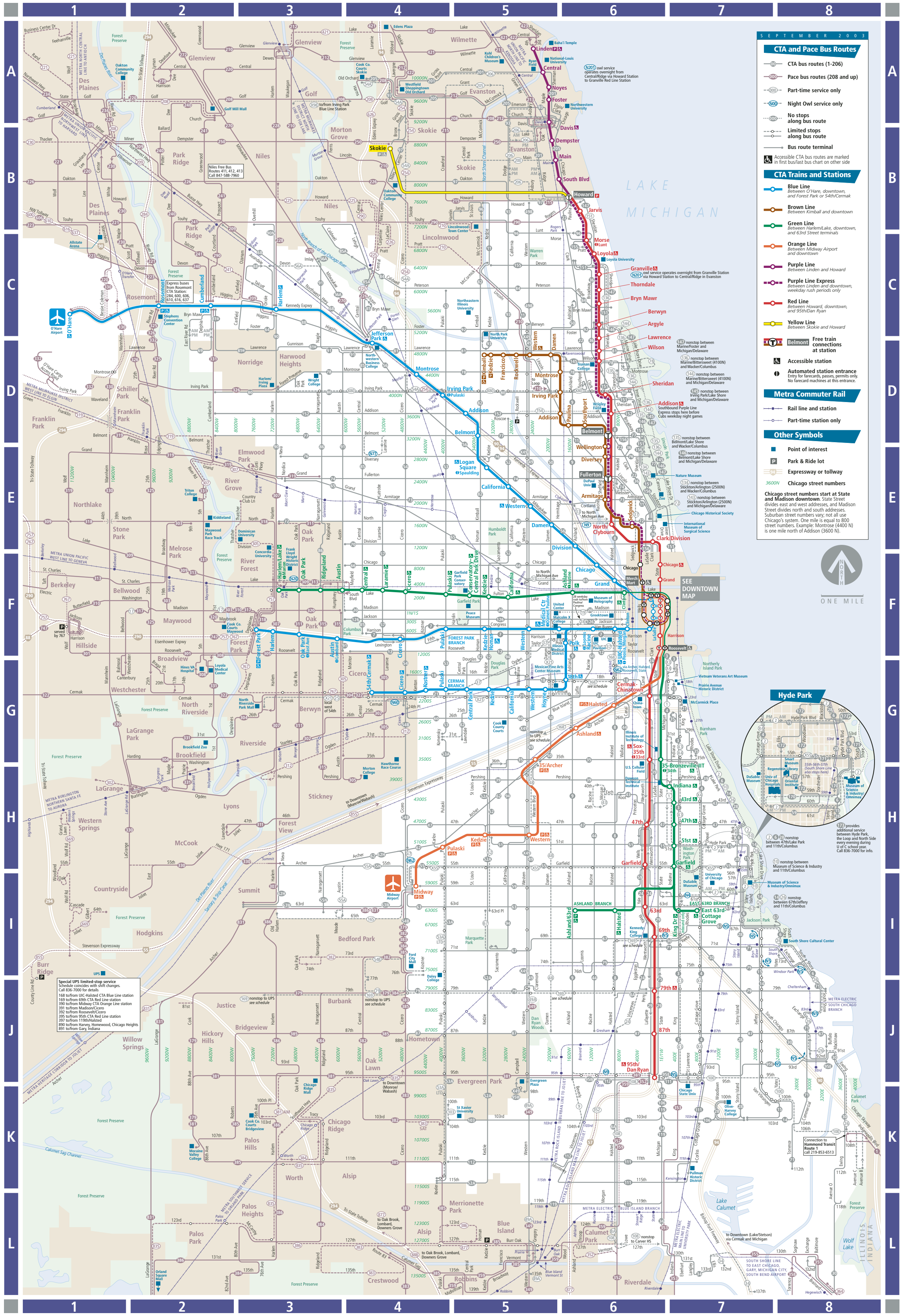
Unlinked Passenger Trip	Each boarding of a transit vehicle by a passenger is defined as an unlinked passenger trip. A single journey by one passenger, consisting of one or more unlinked boardings is considered a linked trip.
Vehicle Revenue Hours	The hours that vehicles travel while in revenue service. Vehicle revenue hours include layover/recovery time but exclude travel to and from storage facilities, training operators prior to revenue service, road test and deadhead travel, as well as school bus and charter services.
Vehicle Revenue Miles	The miles that vehicles travel while in revenue service. Vehicle revenue miles exclude travel to and from storage facilities, training operators prior to revenue service, road tests and deadhead travel, as well as school bus and charter services.
Warranty & Credits	Reimbursement for repairs covered by manufacturers warranty agreements.

Designing for the Future of Public Transit: Budget 2004

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, 2003.

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 determine its eligibility for another award.


SEPTEMBER 2003
CTA and Pace Bus Routes
CTA bus routes (1-206)
Pace bus routes (208 and up)
Part-time service only
Night Owl service only
No stops along bus route
Limited stops along bus route
Bus route terminal
Accessible CTA bus routes are marked in first bus/last bus chart on other side
CTA Trains and Stations
Blue Line
Between O'Hare, downtown, and Forest Park or 54th/Cermak
Brown Line
Between Kimball and downtown
Green Line
Between Harlem/Lake, downtown, and 63rd Street terminals
Orange Line
Between Midway Airport and downtown
Purple Line
Between Linden and Howard
Purple Line Express
Between Linden and downtown, weekday rush periods only
Red Line
Between Howard, downtown, and 95th/Dan Ryan
Yellow Line
Between Skokie and Howard
Belmont
Free train connections at station
Accessible station
Automated station entrance
Entry for farecards, passes, permits only. No farecard machines at this entrance.
Metra Commuter Rail
Rail line and station
Part-time station only
Other Symbols
Point of interest
Park & Ride lot
Expressway or tollway
3600N
Chicago street numbers
Chicago street numbers start at State and Madison downtown. State Street divides east and west addresses, and Madison Street divides north and south addresses. Suburban street numbers vary; not all use Chicago's system. One mile is equal to 800 street numbers. Example: Montrose (4400 N) is one mile north of Addison (3600 N).
NORTH
ONE MILE
LAKE MICHIGAN
SEE DOWNTOWN MAP
Hyde Park
O'Hare
Midway
Howard
Belmont
Fullerton
Clark/Division
Roosevelt
Cermak-Chinatown
95th/Dan Ryan

cta take it.SM

Chicago Transit Authority

02sk031V