

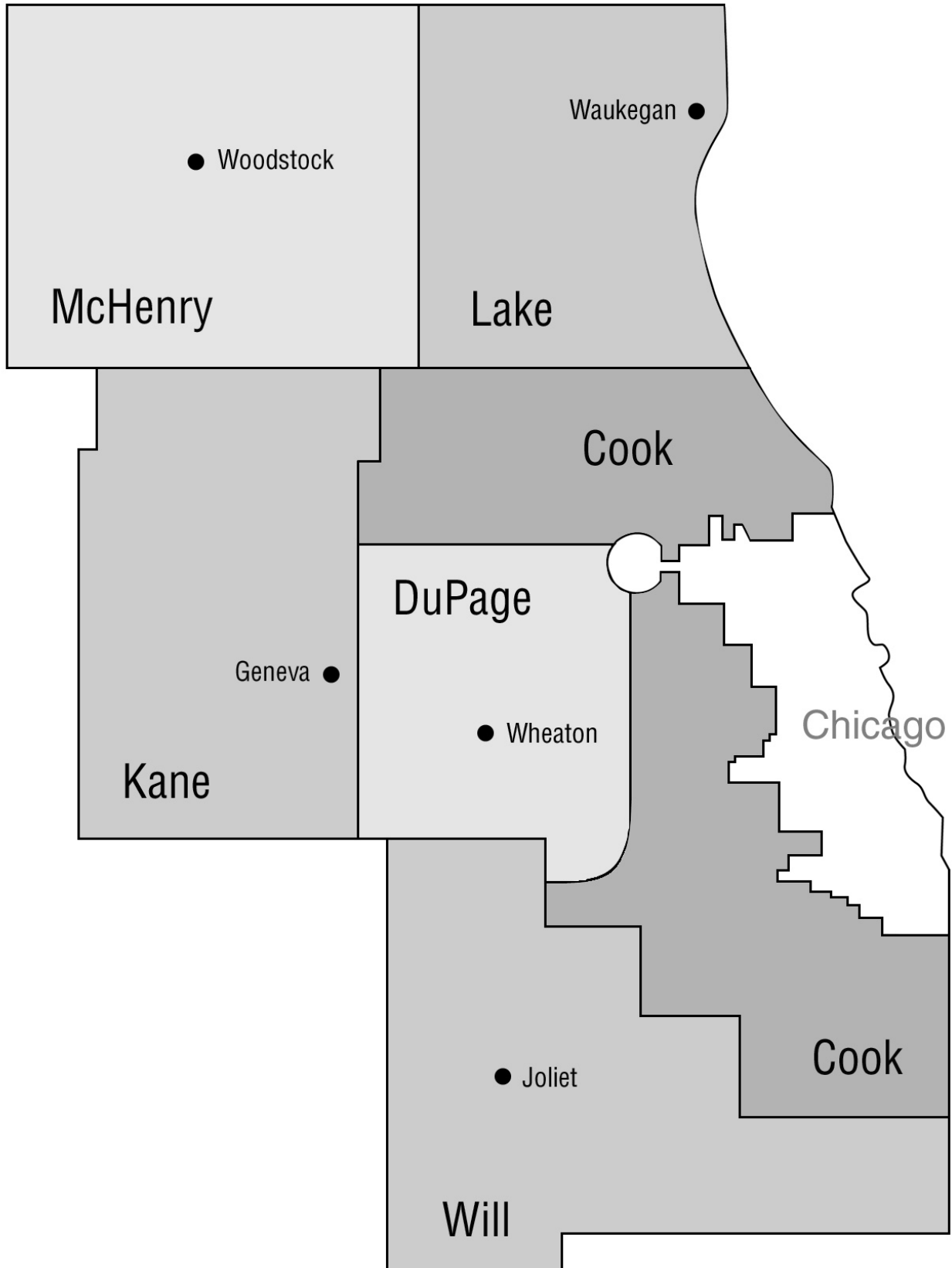


Regional
Transportation
Authority

2004 Annual Budget and Five-Year Program

179.21

RTA Six County Region and County Seats



The Regional Transportation Authority Board of Directors

Thomas J. McCracken, Jr., Chairman

Appointing Authority: RTA Board of Directors

Carole L. Brown

Appointing Authority: Chicago Transit Authority

Allan C. Carr

Appointing Authority: Suburban Board Members of Cook County

Patrick J. Durante

Appointing Authority: DuPage County

Armando Gomez, Sr.

Appointing Authority: City of Chicago

Dwight Magalis

Appointing Authority: Kane, Lake, McHenry and Will Counties

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Fred T. L. Norris

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Douglas M. Troiani

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Rev. Addie L. Wyatt

Appointing Authority: City of Chicago

Executive Director

Paula S. Thibeault



Regional Transportation Authority

To the riders and taxpayers of the RTA region:

The 2004 budget and five-year program combines the spending plans of the Chicago Transit Authority (CTA), Metra and Pace along with that of the Regional Transportation Authority. As the region's public transit providers, we recognize that to retain and attract riders, we must provide high quality services that meet our customers' needs. The 2004 budget and five-year capital program represents our plans to continue to provide essential services while meeting our statutory obligation to ensure the economic stability of our transit system.

The upcoming year will be a difficult one for our region's transit system. Our economy has yet to display consistent signs of improvement. As a result, sales tax receipts, which are used to fund transit operating budgets, have been at lower than projected levels for the past three years. The RTA has maintained financial stability by tapping its reserves to bridge sales tax shortfalls. We've been able to ride out this recession better than many other public agencies. As a result, our ability to use these resources has come to an end.

Sales tax receipts have remained flat in 2003. For 2004, the RTA will fund CTA, Metra and Pace operations at levels established in the 2003 financial plan. A year ago, we informed the CTA, Metra and Pace what the funding levels would be so they could prepare without implementing immediate service cutbacks. Through prudent financial management, the RTA has been able to maintain the funding level for 2004. But these levels were not enough to close our budget gap. Cost efficiencies and revenue enhancements were implemented by the CTA, Metra and Pace to balance their 2004 budgets as required by the *RTA Act*.

For the 2004 budget, the RTA's recovery ratios for the CTA, Metra and Pace remain constant at 52.9 percent, 55 percent and 40 percent, respectively. In 2004, the RTA operating funding for the CTA is \$442 million, for Metra it is \$223 million and for Pace it is \$79 million.

Despite the impact of a sluggish economy on transit operations, the RTA system is in the midst of an unprecedented capital improvement program made possible through the state's *Illinois FIRST* program and the federal government's *Transportation Equity Act for the 21st Century (TEA-21)*. Thus far, we have received authorization to issue \$1 billion in Strategic Capital Improvement Program (SCIP) bonds as part of *Illinois FIRST* and plan to issue up to \$260 million in SCIP bonds in 2004 so that we can continue to rebuild, extend and improve our transit system and stimulate the regional economy.

In the upcoming year, we will continue to pursue projects and studies designed to improve transit service and coordination throughout the region. We will continue to help communities throughout the region make land use decisions that better accommodate transit service. In addition, we will work with our legislators in Washington and Springfield to secure funding through the federal reauthorization and to secure a new local match program, so that we can continue to maintain and expand our region's transit system.

Although we anticipate challenges in the coming year, this 2004 budget and five-year capital plan shows that we are working together to ensure that the RTA system is committed to meeting our region's mobility needs now and in the future.

Sincerely,

A handwritten signature in black ink, reading 'Thomas J. McCracken, Jr.', written in a cursive, flowing style.

Thomas J. McCracken, Jr.

Chairman



**Regional
Transportation
Authority**

Regional Transportation Authority (RTA)

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(312) 836-4949 (TTY)

RTA ADA Certification Helpline
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(312) 913-3122 (TTY)

RTA Reduced Fare Card
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

Community Outreach
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RTA Transit Check
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Table of Contents

Budget in Brief

Overview	1-1
Strategic Focus	1-1
Operating Plan	1-3
Revenues	1-3
Expenditures.....	1-4
Total Expenditures	1-6
Fund Balance	1-6
Recovery Ratio	1-7
Statutory Compliance.....	1-7
Public Funding	1-7
Capital Program	1-7

Region

Operating Plan	2-1
Overview	2-1
Strategic Focus	2-1
Budget and Financial Plan.....	2-2
Revenue	2-2
Operating Expenditures	2-4
Debt Service & Capital Expenditures....	2-6
Total Expenditures	2-6
Fund Balance	2-6
Recovery Ratio	2-7
Capital Program	2-7
Reference	2-9
2003 Budget vs. 2003 Estimate.....	2-9
Authority and Responsibility	2-9
Budget Process.....	2-10
RTA Bonds	2-11
Fund Accounting	2-13
Governmental Fund Types	2-14
Proprietary Fund.....	2-14
Fiduciary Fund Types.....	2-15
Fund Balance	2-15
Basis of Budgeting	2-16

Agency

Operating Plan	3-1
Overview	3-1
Strategic Focus	3-1
Operating Budget and Financial Plan	3-3
Operating Revenue	3-3
Operating Expenses.....	3-4
Organizational Units.....	3-5
Reference	3-11
2003 Budget vs. 2003 Estimate	3-11
Agency Initiatives and Services	3-11
Regional Coordination and Technology Initiatives	3-13
Organization.....	3-15

CTA

Operating Plan	4-1
Overview	4-1
Strategic Focus	4-1
Budget and Financial Plan	4-5
System-Generated Revenues	4-5
Operating Expenses	4-7
Expense Elements	4-7
CTA Capital Impact on Operations	4-9
Deficit and Funding	4-11
Recovery Ratio	4-11
Reference	4-13
2003 Budget vs. 2003 Estimate	4-13
RTA Public Operating Funds	4-14
System Description	4-14
Operating Data	4-14
Statutory Compliance	4-15
Historical Perspective	4-15
Organizational Structure	4-16

Metra

Operating Plan	5-1
Overview	5-1
Strategic Focus	5-1
Budget and Financial Plan	5-4
System-Generated Revenues	5-4
Operating Expenses	5-5
Expense Elements	5-5
Capital Impact on Operations	5-6
Deficit and Funding	5-7
Recovery Ratio	5-8
Reference	5-9
2003 Budget vs. 2003 Estimate	5-9
RTA Public Operating Funds	5-9
System Description	5-9
Fare Structure	5-10
Statutory Compliance	5-10
Organization Chart	5-10

Pace

Operating Plan	6-1
Overview	6-1
Strategic Focus	6-1
Budget and Financial Plan	6-4
System-Generated Revenues	6-4
Operating Expenses	6-5
Expense Elements	6-6
Capital Impact on Operations	6-7
Deficit and Funding	6-8
Recovery Ratio	6-8
Reference	6-9
2003 Budget vs. 2003 Estimate	6-9
RTA Public Operating Funds	6-9
System Description	6-10
Organization Chart	6-10

Capital

Regional Overview	7-1
Source of Funds	7-1
Use of Funds	7-4
CTA	7-6
Metra	7-8
Pace	7-9
Five-Year Capital Program (Schedule II)	7-11

Appendices

Supplemental Data	8-1
National Economic Projections	8-1
RTA Region	8-1
Glossary	8-6
Public Hearings Legal Notice	8-10
Hearings Overview	8-10
Ordinance No. 2003-76	8-11

Budget in Brief

Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in northeastern Illinois as set forth by the *RTA Act*. The RTA Board of Directors governs the agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus, have operational responsibility for transportation services within the six-county region and are governed by their own boards of directors.

Yearly, the RTA Board must adopt an annual budget, two-year financial plan, and a five-year capital program for each Service Board. The principal features of this process are outlined in the following paragraphs.

In September, the RTA Board approves the “marks” for each Service Board. The marks include the recovery ratio for the annual budget, operations funding for the annual budget and two-year financial plan, and the five-year capital program.

The marks guide the Service Boards’ budgetary process. Each Service Board pre-

pares and publishes, for public hearing and comment, a comprehensive budget document that conforms to the RTA marks. After considering public comment, the CTA, Metra and Pace board members adopt their respective budgets.

In November, those budgets are forwarded to the RTA, which consolidates the agency and the Service Board budgets into a proposed RTA budget document. The RTA Board distributes this document for public hearing and comment before adoption in December.

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

Strategic Focus

The RTA Board of Directors has developed a mission statement that reflects the responsibilities of the agency as set forth by the *RTA Act*. The RTA’s mission is to act as an oversight agency ensuring a financially sound, comprehensive and coordinated public transportation system for northeastern Illinois. The region’s overall business strategy is built to satisfy its “customers.”

The Service Boards, the CTA, Metra and Pace, are each responsible for determining levels of service, fares and operational policies. They develop their own set of business strategies and work with the RTA on common strategic themes which point to a continually improved transit system that is financially sound.

The key measures of our achievements are ridership and customer satisfaction. Exhibit 1-2 illustrates system-wide ridership and ridership projections from 1997 through 2006.

Exhibit 1-1: **RTA/Service Boards Financial Relationship/Responsibility**

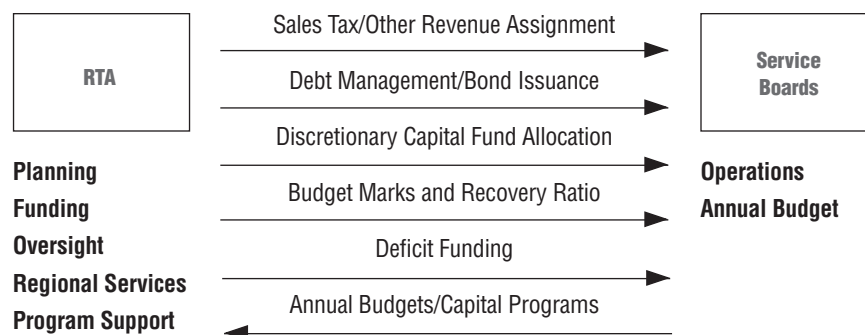
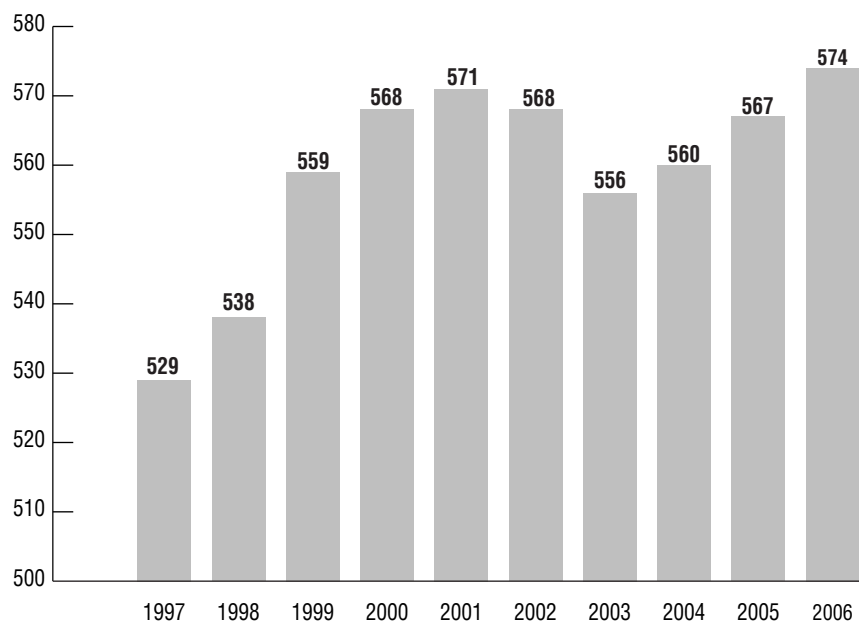


Exhibit 1-2: RTA System Ridership (in millions)



To continue to grow ridership and improve customer satisfaction, the RTA and the Service Boards must work to provide a seamless transit system that is responsive to increasing changes in market requirements. To meet these needs, resources must be used effectively, balancing improvement to aging core infrastructure with service expansion needs. To address customer and market needs, our strategies will focus on service quality, new services, partnerships and fiscal (capital and operating) resources. A brief outline of each of these topics is presented below. A more comprehensive discussion of these subjects is provided in the remaining sections of this document. Also available are the individual Service Board program and budget documents that have been issued for public hearing.

Service Quality

Quality service is delivered through a clean, on-time, safe, responsive and reliable transit system. To retain steady customers and attract new riders, each Service Board has on-going initiatives designed to improve the quality of its services. For example, the CTA has improved the service environment for its riders through a variety of station, route, shelter and vehicle improvements. Metra has also pursued a

program of infrastructure improvements to reduce bottlenecks and enhance service delivery. Pace has started the implementation of a comprehensive long-term plan, Vision 2020, which will create an ideal suburban transit network through route restructuring.

New Services

Each Service Board pursues initiatives to attract new riders in expanding market segments. As the environment and customer needs change, a Service Board may increase capacity or change routes. Outlined below are projects that work to increase ridership levels and improve customer satisfaction.

The Federal Transit Administration (FTA) has approved full-funding grant agreements for the CTA and Metra projects that will improve the reliability of current services, add capacity, and/or extend new services to the edge of the RTA region.

The CTA is reconstructing the Douglas Branch of the Blue Line and is awaiting federal approval for capacity expansion on the Brown Line. Blue Line week-day rail service continues while construction work is in progress; and with miles of new track installed and two new stations open, customers are already experiencing faster more reliable service.

Metra is working on three New Start projects: the extension of the SouthWest Service from Orland Park to Manhattan; the addition of a second mainline track on the North Central Service to Antioch; and the extension of the UP-West Line from Geneva to Elburn. These services will be in place by late 2005.

Pace will continue to build on the success of its vanpool program which is the second largest operation of its kind in the nation. In 2004, Pace plans to expand its fleet by 8 percent and carry almost 1.4 million passengers in 475 vehicles.

Partnerships

Coordinating activities is an important ingredient of a partnership as it demonstrates the ability to work toward common goals. Below are some examples of the RTA and the Service Boards' coordination efforts.

For the past four years, the RTA has partnered with the CTA to offer both Transit Checks and CTA fare cards through the RTA/CTA Transit Benefit Program. This partnership has made the program much more convenient for both employers and riders.

The Intelligent Transportation Systems Plan (ITS) is an ongoing effort by the RTA, the Service Boards, the Illinois Department of Transportation (IDOT), the Chicago Department of Transportation (CDOT), counties and municipalities to develop a coordinated technological approach to our transportation network that will improve the convenience and effectiveness of our system.

One ITS project that is nearly complete is Pace's Intelligent Bus System (IBS). This satellite-based communications system provides real-time information about every bus in service and will benefit riders, dispatchers and service planners.

The Regional Transit Coordination Plan has been undertaken by the RTA to enhance regional mobility by improving inter-agency travel. Working in cooperation with the Service Boards and local planning entities, the RTA is nearing the final evaluation stages of information, physical, service, and fare coordination opportunities.

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

	2003 Estimate	2004 Budget
Revenue		
Sales Tax	\$ 650,925	\$ 671,750
Public Transportation Fund	162,731	167,938
State Financial Assistance	71,408	90,632
Reduced Fare	39,600	39,200
Investment Income & Other	24,840	18,536
Total Revenue	\$ 949,504	\$ 988,056
Operating Expenditures		
Operations Funding	\$ 752,294	\$ 743,471
Reduced Fare	39,600	39,200
Sales Tax Interest	400	410
Agency Operations	18,561	18,309
Regional Technology & Coordination	5,320	5,364
Total Operating Expenditures	\$ 816,175	\$ 806,754
Debt Service & Capital Expenditures		
Principal and Interest	\$ 137,464	\$ 160,032
Regional Technology & Agency Programs	5,379	7,319
Metra Transfer Capital	25,556	10,044
CTA Transfer Capital	29,253	20,353
Total Debt Service and Capital Expenditures	\$ 197,648	\$ 197,748
Total Expenditures	\$1,013,823	\$1,004,502
Fund Balance (undesignated/unreserved)		
Beginning Balance	\$ 65,491	\$ 14,126
Revenues less Expenditures - Surplus/(Deficit)	(64,319)	(16,446)
Designations/Reserves	12,954	8,528
Ending Balance	\$ 14,126	\$ 6,208
% of Total Operating Expenditures	1.7%	0.8%

In addition to the ongoing development of a coordination plan, the RTA is actively involved in a number of other studies and efforts to coordinate transit services, such as the Northwest Corridor Study, the Cook-DuPage Corridor Study and the SouthEast Rail Corridor Study.

Capital Funding

In May of 1998, Congress approved the *Transportation Equity Act for the 21st Century*, commonly known as *TEA-21*. This legislation increased basic funding levels for public transit renewal. The increased funding levels under *TEA-21* also required increases in local matching funds. Therefore, the RTA region needed a state-sponsored program to fund the federal government's 20 percent local match requirement. This was accomplished in May 1999, when the Illinois General Assembly approved a group of bills collectively known as *Illinois FIRST* (Fund for Infrastructure, Roads, Schools and Transit).

Even with the aid of the *TEA-21* and *Illinois FIRST* legislation, there continues to be a cumulative, system-wide short-fall of capital to maintain and bring our existing system infrastructure to a state of good repair, and to service expanding market needs. Legislation that determines both federal and state funding is expiring. It is critical that the next authorization bills at the federal and state level include support of these infrastructure and new market initiatives.

The region is pursuing funding for several major programs that address expanding market needs including: the CTA's circle line and express service to both airports and Metra's new STAR (Suburban Transit Access Route) and the SouthEast Service Line. In addition, Metra is planning and will need funding for new infrastructure programs that reach 60 percent of its existing customer base and include upgrades to its UP-Northwest and UP-West lines.

These upgrades will increase capacity, improve service reliability and reduce operating costs. More detailed capital program information can be reviewed in the Capital Section of this document (Section 7).

One of the agency's primary responsibilities is to serve as the bonding authority for public transit services in the region. Through the *Illinois FIRST* program, the RTA has the authority to issue up to \$1.3 billion in SCIP bonds for capital improvements. The first \$260 million was issued in June 2000, and by the end of 2003 the Agency will have the authorization to issue \$ 1.040 billion in bonds from this program. The 2004 budget includes plans to issue the remaining \$260 million in SCIP bonds authorized by *Illinois FIRST*.

Operating Plan

A statement of revenues and expenditures for the 2003 estimate and the 2004 budget is presented in Exhibit 1-3. The statement of RTA revenues and expenditures from 2002 through 2006 is shown in Exhibit 2-1 of the Region Section.

Revenues

In 2004, total RTA revenues are projected at \$988.1 million. This represents an increase of \$38.6 million or 4.1 percent over the 2003 estimate of \$949.5 million. Nearly 85 percent, or \$839.7 million, of these receipts will be generated from RTA Sales Tax and Public Transportation Fund (PTF) receipts. State financial assistance (SFA) of \$90.6 million provides 9 percent of revenues. State reduced fare reimbursement (RF) programs equal 4 percent of total revenues, or \$39.2 million. Investment income and other revenue account for the remaining balance of \$18.5 million, or 2 percent. Exhibit 1-4 illustrates this distribution.

Sales Tax

RTA Sales Tax is the primary source of revenue for the system. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region and collected

Exhibit 1-4: 2004 RTA Revenue Sources

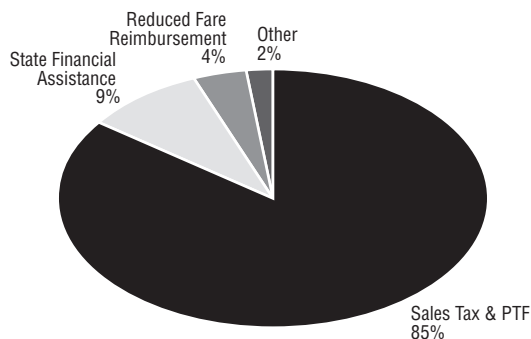
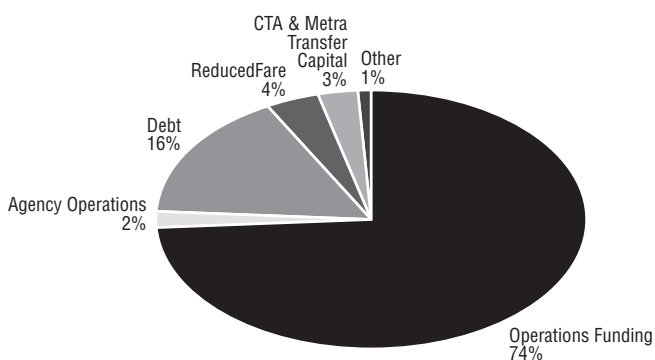


Exhibit 1-5: 2004 RTA Expenditures—\$1,004.5 Million



by the state. Eighty-five percent of RTA Sales Tax receipts are apportioned to the Service Boards by statutory formula. Details of this apportionment can be found in the Region Section of this document.

The 2003 sales tax estimate and the 2004 budget year sales tax projections were worked out after assessing forecasts issued by the Illinois Office of Management and Budget (OMB). Their projections pointed to RTA receipts in 2003 and 2004 that were essentially even with RTA 2002 revenues of \$647.7 million. Based on this information and supplementary state and regional economic data, the RTA decided to apply more upbeat estimates to 2002 figures. As a result, the RTA projected sales tax to grow to \$650.9 million in 2003, an increase of \$3.2 million or 0.5 percent compared to OMB'S figure of \$647.7 million.

Using the RTA's 2003 base of \$650.9 million and a growth rate of 3.2 percent produces an estimated sales tax level of \$671.8 million in 2004. A growth of \$20.8

million over the RTA 2003 estimate and a difference of \$24.1 million when compared with the OMB forecast of \$647.7 million. Using the RTA sales tax figures for 2004 combined with Public Transportation Funds (PTF) that accompany this growth, yields a difference of \$30.1 million between the combined RTA 2004 budget figures and the amount available using the combined OMB estimate (\$839.7 million versus \$806.9 million). This additional revenue of \$30.1 million played a key role in funding service board operations at the level planned in 2003 for 2004. (See Operation Funding to Service Boards later in this section for more information).

Public Transportation Funds (PTF)

State Public Transportation Funds (PTF) are based on a formula tied to sales tax results and are, therefore, projected to increase at the same growth rate as the sales tax. For every four dollars that is collected in sales tax, the RTA receives an additional

dollar for PTF. Estimated receipts in 2004 are \$167.9 million.

State Financial Assistance

This revenue source is state-authorized assistance to help offset the debt service expenses for RTA Strategic Capital Improvement Program (SCIP) bonds. Subject to the appropriation of funds by the state, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments. Projected receipts for 2004 are \$90.6 million.

Reduced Fare

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

In 2002, the state reduced its funding from \$40 million to \$36 million. However, for 2003 funding returned to \$40 million less a 2 percent reserve. The budgeted amount for 2004 is \$39.2 million.

Investment Income and Other

This revenue category includes sales tax interest, investment income, finance transaction receipts, miscellaneous revenue, and grant funds from state and local agencies for regional coordination and technology initiatives. Total receipts in 2004 are budgeted at \$18.5 million.

Expenditures

Total RTA expenditures (operating, debt service and capital) for 2004 are budgeted at \$1,004.5 million. This amount is \$9.3 million or about 1.0 percent less than the 2003 estimate of \$1,013.8 million. Exhibit 1-5 illustrates the expense distribution planned for 2004.

Operations Funding to the Service Boards

The RTA's principal expenditure is the funding of Service Board operating deficits. The RTA Board establishes "marks" for each Service Board to use in their proposed budget and program. The marks are set in September for the next fiscal (calendar)

year. Operating marks include a recovery ratio for the next budget year and operating funds for the budget year and the following two-year financial planning period. Operating funds are disbursed as budgeted unless amended by the RTA Board. There have been no amendments to the operating budget in 2003 and the estimated funding amount of \$752.3 million equals the budgeted sum.

The combined budgets for operating funds in 2004 total \$743.5 million, which is 1.2 percent or \$8.8 million less than the 2003 budget. However, this action was planned. In recent years, the RTA has placed increased importance on its' two-year operations funding figures, especially for the first year of the two-year financial plan. This strategy provides the Service Boards an additional year to plan operating levels and avoid making immediate service or administrative changes. Therefore, the funding provided in 2004 equals the funding pledged to the Service Boards when the 2003 budget and 2004-2005 financial plan was adopted by the RTA Board.

CTA

The RTA's funding mark for CTA operation's in 2004 is \$441.6 million, an \$11.9 million or 2.6 percent decline from 2003. This action was planned as discussed in the preceding paragraphs.

Metra

Metra's operating funding level for 2004 is \$222.8 million or 3.1 percent higher than last year. Their direct sales tax apportionment more than covers the increase, but the money available from this statutory allocation that is used for their capital program will be adversely affected. The funding increase will be used to pay for higher health insurance premiums.

Pace

Pace's operations funding level from the RTA for 2004 is \$79.1 million, down \$3.6 million (as planned) or 4.5 percent from their 2003 budget of \$82.7 million.

Reduced Fare

State reduced fare reimbursements are received as revenue by the RTA, as previously described, and flow directly to the Service Boards to help defray program costs. With a 2004 reimbursement level of \$39.2 million, most program operating costs will be offset by this repayment.

Sales Tax Interest to Service Boards

There is a lag in time between when the state collects the RTA Sales Tax and when it distributes the funds to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of these funds to the Service Boards using the same formula as the sales tax distribution. The sales tax interest distributed by the RTA has been adversely affected by lower interest rates and sales tax receipts. Payments in 2004 are estimated to be \$0.4 million and even with 2003.

Agency Operations

Agency operations represent on-going RTA functions to execute its planning, funding, and financial oversight responsibilities. Estimated agency program revenues of \$1.9 million will offset expenditures in 2004 of \$18.3 million. These receipts lower 2004 funding requirements to \$16.4 million, down 2.9 percent from the 2003 figure of \$16.9 million. This funding level holds the agency even with their 2002 budget marks and is the same funding criteria applied to the CTA and Pace operating marks in 2004. More detailed information regarding agency expenditures and funding levels is presented in the Agency Section.

Regional Technology and Coordination

The RTA continues to support growing demands for technical assistance initiatives and coordination programs across the region. During the planning period, program expenditures will average about \$4.6 million. Through partnership efforts with other state and local agencies, the RTA receives additional funds that defray part of the program costs. These receipts are expected to average about \$2.1 million during the planning cycle with the annual balance of \$2.1 million funded by the RTA. Planned

expenditures in 2004 of \$5.4 million are shared evenly by the RTA and other state and local agencies requiring RTA funds of \$2.7 million.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to show a slight increase from \$197.6 million in 2003 to \$197.7 million in 2004.

Principal and Interest

Principal and interest expenditures increase from \$137.5 million in 2003 to \$160 million in 2004. Payments cover the issuance of bonds, authorized under the state's *Illinois FIRST* program, which help fund Service Board capital programs. The increase of \$22.5 million in 2004 is primarily recovered from state financial assistance (SFA) funds that show an increase of \$19.2 million over 2003 receipts (\$90.6 million versus \$71.4 million). The RTA issued \$429.1 million in bonds in 2003 (\$260 million were SCIP bonds) and plans to issue \$260 million (SCIP bonds) in 2004 under the *Illinois FIRST* program.

Regional Technology and Agency Programs

The 2004 budget continues the RTA's commitment to region-wide capital-driven technology advancement. Expenditure plans of \$7.3 million next year are up \$1.9 million from 2003. The major portion of this increase is directly related to Pace's bus information system project. The RTA receives reimbursement (revenue) from federal programs and local initiatives that help offset part of these expenditures. In 2004, receipts of \$1.3 million will lower RTA funding requirements to \$5.4 million. The Agency Section of this document provides additional program and financial information.

Metra Transfer Capital

The statutory apportionment of sales tax to a Service Board can exceed their operating marks. When this occurs, the Service Boards can transfer the funds to capital projects. Currently, Metra is the only Service Board that uses a portion of its sales tax for capital programs. In 2003, it is estimated

Exhibit 1-6: RTA Expenditures in 2004 (dollars in millions)

	CTA	Metra	Pace	Agency	Total
Receipts Allocated by Formula (1)	\$297.9	\$226.0	\$76.6	—	\$ 600.6
RTA Discretionary for Operating Deficit (2)	176.5	—	6.0	—	182.5
Transfer Capital (3)	20.4	10.0	—	—	30.4
RTA Funds for Agency Operations (4)	—	—	—	18.3	18.3
RTA funds for Regional Technology, Capital & Coordination (5)	—	—	—	12.7	12.7
Principal & Interest payments (debt service) (6)	80.0	72.0	8.0	—	160.0
Total Used	\$574.8	\$308.1	\$90.6	\$31.0	\$1,004.5

(1) Receipts allocated by formula to the Service Boards to cover operating deficits. Includes sales tax, sales tax interest and reduced fare reimbursements. (2) RTA formula revenue and other receipts used to fund Service Board deficits. (3) Metra formula sales tax receipts used for capital and CTA Transfer capital. (4) RTA formula revenue and other receipts used to fund agency operations. (5) RTA formula revenue and other receipts used to fund Regional Technology, Capital & Coordination programs. (6) Debt service for bonds applied by formula (CTA 50%, Metra 45%, Pace 5%)

Exhibit 1-7: 2004 Expenditure Use by Organization—\$1,004.5 Million

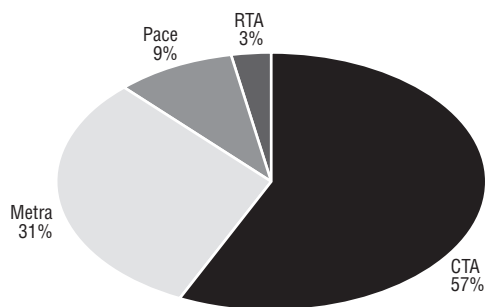
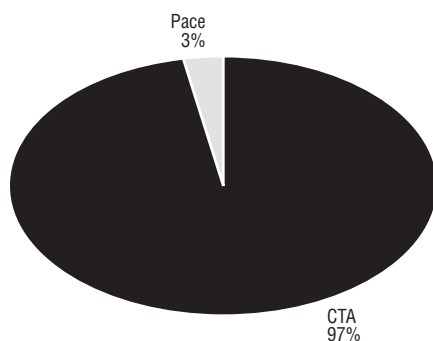


Exhibit 1-8: RTA 2004 Discretionary Funds for Service Board Operations—\$182.5 Million



that Metra will receive \$25.6 million in transfer capital funds. RTA discretionary funds of \$8.0 million are included in this figure. In 2004 Metra's statutory apportionment of sales tax will provide \$10.0 million in capital funds. Reduced sales tax revenues and increased operating costs have decreased the amount of funds projected to be on hand for Metra's capital programs during the planning cycle.

CTA Transfer Capital

Since 1995, the RTA has transferred a portion of its discretionary funds, available for region-wide capital or operating initiatives, to the CTA for capital investment. The annual funding for this program during the next three-year financial planning period is \$20.4 million. In 2003, an additional amount of \$8.9 was made available, for a program total of \$29.3 million.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. The 2004 budget is \$1,004.5 million.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance. The percentage is based on total operating expenditures for the year (as shown on Exhibit 3-1). The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods. This policy proved its value as a weakened economy over the past three years dramatically reduced sales tax receipts. However, the RTA has still funded Service Board operations as budgeted and planned.

The estimated balance for 2003 is \$14.1 million and the remainder for the 2004 budget is \$6.2 million. To bring the reserve back to the 5 percent policy level by the end of the financial planning period (2006) requires the RTA to hold CTA, Pace, and agency operating funding steady through the planning period. Metra will continue to operate below its statutory sales tax allotment but will have a reduced level of funds available for its capital program.

Beginning Balance

The beginning balance is the amount of funds in the undesignated and unreserved fund balance after the previous year's results have been audited and the accounting books are closed. All statements in this document reflect 2002 actual results for the 2003 beginning balance. This amount is \$65.5 million.

Revenues less Expenditures— Surplus/ (Deficit)

Total RTA revenue less total RTA expense produces an annual change in the fund balance. When revenue exceeds expense, a gain or surplus is added to the fund balance. If expense exceeds revenue, the fund balance is reduced by the deficit amount. 2003 and 2004 projections indicate deficit amounts of \$63.4 million and \$16.4 million respectively.

Designations/Reserves

Certain agency program expenditures are obligated in the prior year's fund balance when the RTA Board adopts the following year's program. As funds are de-obligated and/or re-obligated, changes in the fund balance take place. The 2002 ending fund balance of \$65.5 million included \$29.5 million in reserved technology funds that were de-obligated by RTA Board action in 2002 to cover projected operating funding shortfalls in 2003 created by reduced sales tax and PTF revenues. Partially offsetting this increase was a Board approved reserve of \$8.9 million for CTA transfer capital. Funds in this category in 2003 through 2006 are mainly from various bond financial transaction receipts used to reduce bond interest payments.

Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal (calendar) year for each Service Board. The *RTA Act* further requires that the combined revenues from RTA operations cover at least 50 percent of the system operating cost. The RTA's system-generated revenue recovery ratio for 2004 is 54.6 percent. The calculation includes Pace's revenue and expense figures as presented in Exhibit 6-4. The detailed breakdown of this calculation is provided in the Region section (Exhibit 2-20).

In meeting the 50 percent recovery ratio, the *RTA Act* requires that the revenue figures include all receipts consistent with generally accepted accounting principles (GAAP) with certain specified exceptions. Therefore, the revenue figure used to determine whether the RTA system meets this 50 percent requirement includes not only all of the items contained in the recovery ratio for the Service Board budgets, but also the net gain on lease/leaseback transactions. The calculation also includes the 1989 Metra fare increase even though these items are restricted for capital investment. This statutory calculation therefore computes to more than 54 percent in 2004, well above the mandated 50 percent.

Statutory Compliance

The *RTA Act* requires that the CTA, Metra and Pace each have a balanced budget; the region's recovery ratio is at least 50 percent; and the RTA's (agency's) administrative expenses do not exceed an established statutory cap (CAP). The CAP for 2004 is \$12.6 million and the agency's administrative expenses of \$5.8 million are 54 percent below this amount. *The Act* also requires that prudent fiscal practice be followed such as proper cash management, use of reasonable assumptions, and sound accounting and financial practices. Each Service Board, the agency and the region as a whole have budgets presented in this document, which comply with these stipulations.

Public Funding

Each section of the 2004 Program and Budget Book presents the source and use of funds through the RTA for the respective operation. The subsequent paragraphs and exhibits summarize the use of these funds (expenditures) for the 2004 budget.

In 2004, the RTA plans to receive \$988.1 million in total revenue from sales tax, state assistance, investment income, agency program revenues and other sources (Exhibit 1-3).

The use of the RTA funds of \$1,004.5 million is detailed in Exhibit 1-6. The CTA will receive \$575 million or 57 percent, Metra \$308 million or 31 percent, Pace \$91 million or 9 percent and the RTA will use \$31 million or 3 percent (Exhibit 1-7).

Included in the use of RTA funds (Exhibit 1-6) is an operating discretionary amount of \$182.5 million. This is budgeted to fund the operating deficits of the CTA and Pace. The 2004 budget distributes \$176.5 million, or 97 percent, to the CTA and \$6 million, or 3 percent, to Pace (Exhibit 1-8).

Capital Program

As previously discussed, the RTA Board must adopt a five-year capital program on an annual basis. Details of this program are provided in the Capital Section of this document.

Operating Plan

Overview

The Chicago metropolitan area is the fifth most congested area in the nation according to the Texas Transportation Institute's 2003 Urban Mobility Study. Experts predict that over the next 20 years, density on the region's roads will double. The region continues to expand and new markets are developing as the population increases further from Chicago's central business district. What has worked to supply the market in the past may not work in this changing environment and there will be even more need for an effective public transit system.

Benefiting from federal (*TEA-21*) and state (*Illinois First*) funding authorizations, the region has many important initiatives that reconstruct and expand major transit pathways. However, the current authorizations are expiring and it is critical that the next authorization bills at the federal and state level provide the funding needed to continue the expansion and improvement plans in the region's capital program.

In this document, the Region Section represents a consolidated view of the budgets, financial plans and capital programs of the three Service Boards (CTA, Metra, and Pace) and the agency (RTA). It includes a summary of strategic goals, objectives and measures addressed by the Service Boards and the agency, a consolidated budget and financial plan, and a collective capital program that works to meet the region's growing public transit needs during the planning period.

Strategic Focus

Each Service Board develops a set of goals, objectives, and business strategies and works with the RTA toward common strategic themes and objectives. The regional strategy is constructed to support a "customer first" approach. It reflects the belief that to successfully retain and increase ridership, high quality service and new market services must be supported by a financially sound and efficient organization.

Key measures of our success are ridership and customer satisfaction. To improve these measures, we must provide on-time, reliable, safe, clean, and friendly service. A wide range of market research techniques are used to learn more about customer needs and increase transit usage. New technologies are also explored and implemented with the goal of increasing the effectiveness of our service.

From a financial perspective, the organizations work to maintain financial stability and increase efficiency. Our strategy includes building partnerships with customers and stakeholders (i.e. communities, private businesses, and legislators) to develop appropriate levels of quality transit services and financial support.

The Service Boards are responsible for all operating issues and set their own performance indicators to measure the success of these initiatives. Customer indicators include ridership, customer satisfaction, passengers/mile, passengers/revenue vehicle hour, capacity utilization, and on-time performance. Financial indicators include recovery ratio, net subsidy, cost/vehicle mile, cost/vehicle hour, cost/passenger, revenue/passenger, deadhead ratio, and

Exhibit 2-1: RTA Statement of Revenues and Expenditures (dollars in thousands)

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Revenue					
Sales Tax (1)	\$ 647,685	\$ 650,925	\$ 671,750	\$ 693,250	\$ 718,900
Public Transportation Fund (PTF)	165,665	162,731	167,938	173,313	179,725
State Financial Assistance (SFA)	67,455	71,408	90,632	110,070	125,239
Reduced Fare (RF)	36,260	39,600	39,200	39,200	39,200
Investment Income & Other (2)	13,545	24,840	18,536	15,173	13,616
Total Revenue	\$ 930,610	\$ 949,504	\$ 988,056	\$ 1,031,006	\$ 1,076,680
Operating Expenditures					
Operations Funding	\$ 724,558	\$ 752,294	\$ 743,471	\$ 749,710	\$ 756,093
Reduced Fare	36,260	39,600	39,200	39,200	39,200
Sales Tax Interest & Other (3)	749	400	410	420	430
Agency Operations	18,418	18,561	18,309	18,391	18,441
Regional Technology & Coordination	5,613	5,320	5,364	4,165	4,198
Total Operating Expenditures	\$ 785,598	\$ 816,175	\$ 806,754	\$ 811,886	\$ 818,362
Debt Service & Capital Expenditures					
Principal and Interest	\$ 111,650	\$ 137,464	\$ 160,032	\$ 178,621	\$ 202,027
Regional Technology & Agency Programs	2,199	5,375	7,319	4,942	4,842
Metra Transfer Capital	38,161	25,556	10,044	11,309	13,872
CTA Transfer Capital	20,353	29,253	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	\$ 172,363	\$ 197,648	\$ 197,748	\$ 215,225	\$ 241,094
Total Expenditures	\$ 957,961	\$ 1,013,823	\$ 1,004,502	\$ 1,027,111	\$ 1,059,456
Fund Balance (undesignated/unreserved)					
Beginning Balance	\$ 73,627	\$ 65,491	\$ 14,126	\$ 6,208	\$ 13,030
Revenues less Expenditures - Surplus/(Deficit) (4)	(27,351)	(64,319)	(16,446)	3,895	17,224
Designations/Reserves (5)	19,215	12,954	8,528	2,927	10,665
Ending Balance	\$ 65,491	\$ 14,126	\$ 6,208	\$ 13,030	\$ 40,919
% of Total Operating Expenditures	8.3%	1.7%	0.8%	1.6%	5.0%

Notes (1) The sales tax figure on this schedule for 2003 is \$3.2 million higher than the OMB estimate of \$647.7 million for the same time period. The amounts in 2004 through 2006 grow from the 2003 RTA figure. (2) The 2002 RTA budget established a process for reserving moneys needed to fund the longer-term nature of its Regional Coordination, Technology and Capital programs (similar to service board capital program processes). Annual revenue from 2004 through 2006 is projected to average about \$3.2 million. Exhibit 3-8 in the Agency section illustrates the program. (3) 2002 includes \$361k to cover costs to relocate the RTA office. The remaining balance each year is the sales tax interest to the Service Boards. (4) Equals Total Revenue less Total Expenditures. (5) Recognizes certain changes in the fund balance from designated or reserved funds each year. The figure in 2002 includes \$29.5 million from the technology reserve transferred to the undesignated/unreserved fund balance. An offsetting entry of \$8.9 million covered CTA's additional transfer capital funding. The amounts from 2003 through 2004 are primarily interest earnings from capital fund reserves that by policy can be used for interest payment.

funding changes. The RTA monitors the Service Boards' performance monthly by using a subset of these indicators.

The Service Boards and the RTA have developed specific objectives and initiatives that support this overall strategy. Specific activities pursued to fulfill operating objectives are outlined in the Agency, CTA, Metra, and Pace Sections of this document. A separate Capital Section identifies the programs needed to support the region's growing market.

plan, and a five-year capital program that meets specific statutory requirements. This document identifies the source, distribution, and use of operating and capital funds.

Exhibit 2-1 provides a summary of the RTA's statement of revenues and expenses for 2002-2006. Throughout this document, 2002 is actual data, 2003 is the estimate of year-end results, 2004 is the operating budget, and 2005-2006 is the two-year financial plan.

Revenue

As identified in Exhibit 2-1, total revenues are projected to grow from \$931 million in 2002 to \$1,077 million in 2006. This is an increase of \$146 million over the

four-year period, or a 3.7 percent compound annual growth rate.

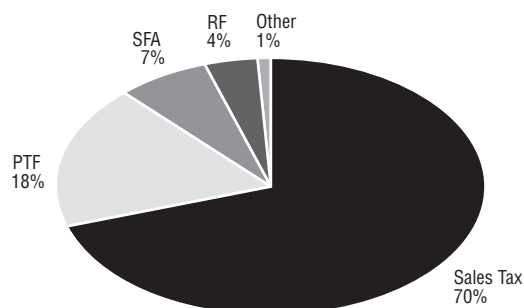
The RTA sales tax is the primary source of revenue for the RTA. In 2002, RTA sales tax receipts of \$648 million comprised 70 percent of the RTA's total revenue. Public transportation funds (PTF), state financial assistance (SFA), state reduced fare (RF), and investment income/other revenue provided the balance of RTA revenues, totaling \$283 million or 30 percent of total revenue (Exhibit 2-2).

Sales Tax

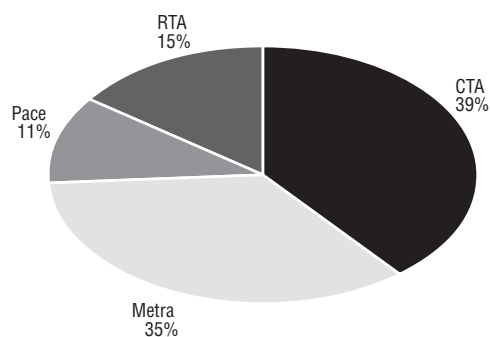
The RTA sales tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The

Budget and Financial Plan

The RTA must prepare and publish a document every year that includes a one-year operating budget, a two-year financial

Exhibit 2-2: **2002 RTA Sources of Revenue—\$931 Million**Exhibit 2-3: **RTA Sales Tax Distribution Collected Within:**

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

Exhibit 2-4: **2002 RTA Sales Tax Distribution by Service Board 2002—\$648 Million**

RTA sales tax is collected by the Illinois Department of Revenue and paid to the Treasurer of the State of Illinois to be held in trust for the RTA outside the state treasury. Proceeds from the RTA sales tax are paid monthly directly to the RTA, without appropriation, by the State Treasury on the order of the State Comptroller.

The sales tax is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in the collar counties of DuPage, Kane, Lake, McHenry and Will. The 1 percent sales tax in Cook County is comprised of 1 percent on food and drugs and 0.75 percent from all other sales, with the state then providing a “replacement” amount to the RTA equivalent to 0.25 percent of all other sales. The RTA retains 15 percent of the total sales tax and passes the remaining 85 percent to the Service Boards

according to the formula specified in the RTA Act (Exhibit 2-3).

Exhibit 2-4 breaks out the 2002 sales tax distribution by Service Board. In 2002, the \$648 million in sales tax was broken out in the following manner; CTA 39 percent, Metra 35 percent, Pace 11 percent, and RTA 15 percent. Sales tax is projected to increase from \$648 million in 2002 to \$719 million in 2006, a compound growth rate of 2.6 percent (Exhibit 2-5).

The 2003 sales tax estimate and the 2004 budget year sales tax projections were developed after assessing the Illinois Office of Management and Budget (OMB) projections and other state and regional economic information. For 2003 and 2004, the OMB projection held receipts level with 2002 results of \$648 million. Based on other observations and trends, the RTA ap-

plied a more positive outlook to 2002 results and used growth rates of 0.5 percent and 3.2 percent for 2003 and 2004, respectively.

This change from the OMB figures increased projected sales tax receipts by \$3 million in 2003 (\$651 million versus \$648 million) and by \$24 million (\$672 million versus \$648 million) in 2004. Sales tax receipts for 2005 and 2006 were built from the RTA’s projected amount of \$672 million in 2004, and increased by 3.2 percent and 3.7 percent respectively. The corresponding sales tax revenues for 2005 and 2006 are \$693 million and \$719 million (Exhibit 2-5).

From a distribution standpoint, the City of Chicago accounted for 30 percent of the sales tax collected in 2002, suburban Cook 55 percent, and the collar counties 15 percent (Exhibit 2-6).

Public Transportation Funds (PTF)

Revenue from this special fund may be paid to the RTA only upon state appropriation. In accordance with the RTA Act, the State Treasurer is authorized and required to transfer from the State’s General Revenue Fund an amount equal to 25 percent of net revenues realized from RTA sales taxes. These receipts are based on a formula tied to sales tax results and are, therefore, projected to increase at the sales tax growth rate. For every four dollars that is collected in sales tax, the RTA receives an additional dollar for PTF.

None of the PTF revenues are payable to the RTA until it certifies to the Governor, the State Comptroller and the Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the RTA Act. The amounts each Service Board receives through the RTA from the PTF are allocated at the discretion of the RTA Board upon the review and approval of each Service Board’s annual or revised budgets.

State Financial Assistance

This revenue source is state-authorized assistance to help offset the debt service expenses for the RTA’s Strategic Capital Improvement Program (SCIP 1989 autho-

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

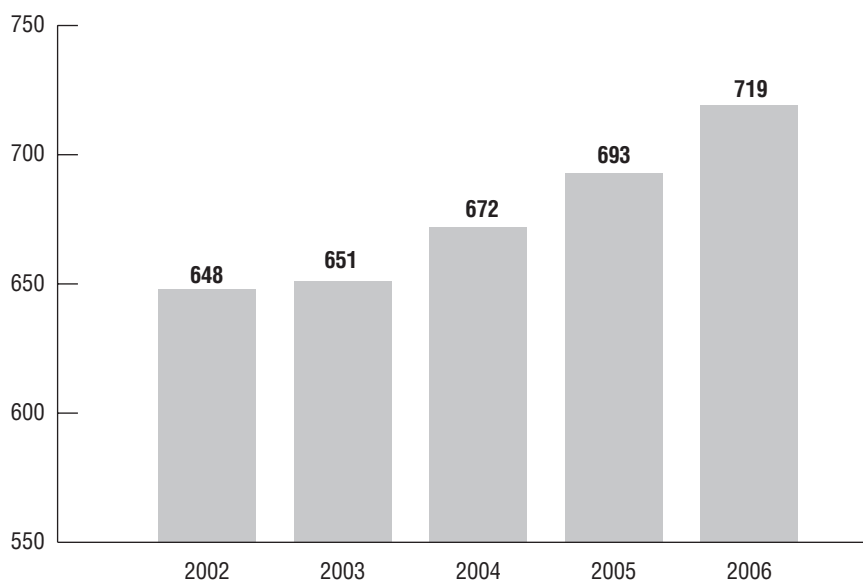
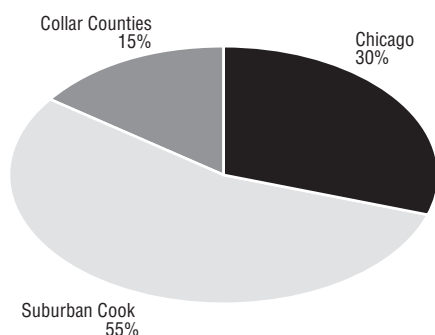


Exhibit 2-6: 2002 RTA Sales Tax Collection by Area 2002—\$648 Million



rization) and (SCIP *Illinois First*) bonds. Subject to the appropriation of funds by the state, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments. The RTA received \$67.5 million in 2002 and estimates \$71.4 million in 2003, \$90.6 million in 2004, \$110.1 million in 2005, and \$125.2 million in 2006.

Continuing the RTA's emphasis on capital investment, the 2004 budget includes future debt issuance of \$260 million (SCIP *Illinois FIRST*) in 2004 and \$260 million (SCIP Increased Borrowing Authority) in 2005.

Reduced Fare (RF)

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

and then, to the Service Boards.

The Illinois General Assembly passed legislation in 1989 that provided funds to reimburse the service boards for the cost of providing reduced fares for the above mentioned categories. The fare reimbursement is included in revenues and became available in July 1989.

In the state's 2000 fiscal year budget, the reimbursement level was increased from \$20 million to \$40 million. In 2002, the state reduced its funding to \$36 million. In 2003 funding was returned to \$40 million less a 2 percent (or \$0.8 million) administrative fee. Because the state fiscal year begins in July, the impact will be \$0.4 million in 2003. The RTA is projecting a steady reimbursement level from 2004 through 2006 of \$39.2 million.

Investment Income and Other

The investment income and other revenue category consist of sales tax interest, investment income, financial transaction receipts, and agency revenue. Total receipts in 2004 are budgeted at \$18.5 million.

The state pays interest on sales tax receipts to the RTA from the time of collection until it is disbursed to the RTA. The RTA then disburses this interest to the Service Boards based on the RTA sales tax formula. In 2004, sales tax interest is budgeted at \$0.5 million.

RTA investment income is dependent on available cash balances and prevailing market rates. The RTA's cash balance is primarily composed of funds reserved in prior years for various service board capital projects and associated financial transaction proceeds. This revenue source is budgeted at \$12.1 million for 2004.

Agency revenues of \$5.9 million for 2004 include the fees charged to employers for transit checks, which offset the costs of administering this program, as well as matching funds obtained under federal, state and local programs for regional planning, development and new technology efforts.

The 2002 agency budget established a process for reserving monies needed to fund the long term nature of its technology, coordination and capital programs. The Agency Section provides more detailed information regarding the funding of these initiatives (Exhibit 3-8).

Operating Expenditures

Exhibit 2-1 provides a summary of the RTA's operating expenditures from 2002 through 2006. Total operating expenditures are projected to grow from \$786 million in 2002 to \$818 million in 2006. This is an increase of \$32 million over the four-year period, or a 1.0 percent annual growth rate.

Operations Funding

The RTA's primary expenditure is the funding of the Service Boards' operating deficits. An operating deficit is the difference between a Service Board's system-generated revenues (fare box and other revenues) and system operating expenses.

The RTA provides operating funds to each Service Board equivalent to their budgeted deficit for the year as opposed to funding the actual deficit. This policy encourages cost efficiencies by the Service Boards and allows them to retain any budgeted funds that are not expended. Such funds are generally referred to as a positive budget variance, or PBV.

Exhibit 2-7 presents the combined funding levels for the three Service Boards. From 2002-2006, Service Board operations funding from the RTA is expected to increase from \$725 million to \$756 million. This \$31 million increase represents a compound annual growth rate of 1.1 percent.

Operating funds of \$752 million to the Service Boards in 2003 represents a 3.8 percent increase over the 2002 figure of \$725 million. However, sales tax revenue from 2002 through 2003 is projected to increase only 0.5 percent. To cover the shortfalls created by lower sales tax and PTF revenues and to maintain a level of funding

in 2003 that is consistent with last year's plan for 2003, the RTA used \$29.5 million in funds that had been previously reserved for region-wide technology initiatives. The RTA will also fund Service Board deficits in 2004 at the level it set for the 2004 plan in 2003. This will happen even though sales tax forecasts for 2003 and 2004 are now \$45 million less than the projections in last year's plan for the same time-frame.

This RTA funding strategy stabilized regional operating levels while several agencies across the nation faced severe service changes. However, to build the RTA fund balance back to its policy level of 5 percent of total operating expenses by the end of the three-year planning cycle requires the CTA and Pace to operate at their 2004 RTA funding level through 2006. The slight increase in funding represents Metra's use of its statutory sales tax for operations instead of for its capital program.

Exhibit 2-8 provides a more detailed analysis of total operations funding by Ser-

vice Board from 2002 through 2006. The RTA's budget mark for the CTA in 2004 of \$441.6 million is 2.6 percent below the 2003 estimate and is held steady through 2006.

Metra's operating funding level for 2004 is \$222.8 million or 3.1 percent higher than the prior year. Their direct apportionment of sales tax covers this level of increase but their statutory transfer capital program will be adversely influenced. The funding increase will be used, in part, to support higher health insurance and natural gas costs.

Pace's operations funding level of \$79.1 million is 4.5 percent below the 2003 amount and is held steady through 2006.

Reduced Fare

State reduced fare reimbursements are received as revenue by the RTA, as described earlier, and flow directly to the Service Boards to help defray program costs. With a reimbursement level of \$39.2 million in 2004, most operating costs for reduced fare programs are offset by this repayment.

Sales Tax Interest and Other

There is a lag in time between when the state collects the RTA sales tax and distributes it. The RTA receives interest on this sales tax, and then disburses 85 percent of these funds back to the Service Boards using the same formula as the sales tax distribution. From 2003 through 2006, sales tax interest distributed by the RTA to the service boards is projected to be about \$0.4 million annually. In 2002, disbursements of \$0.8 million included the costs to relocate the RTA office. The move was required because the agency's existing lease expired during the fourth quarter of 2002 and the new lease rate was excessive.

Agency Operations

Agency operations represent on-going RTA functions to execute its planning, funding, and financial oversight responsibilities. Agency operating expenses of \$18.6 million in 2003 represent a \$0.2 million or 0.8 percent increase over 2002. Certain agency program revenues (such as the transit check receipts) reduce overall agency funding requirements. Expenditures in 2003

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

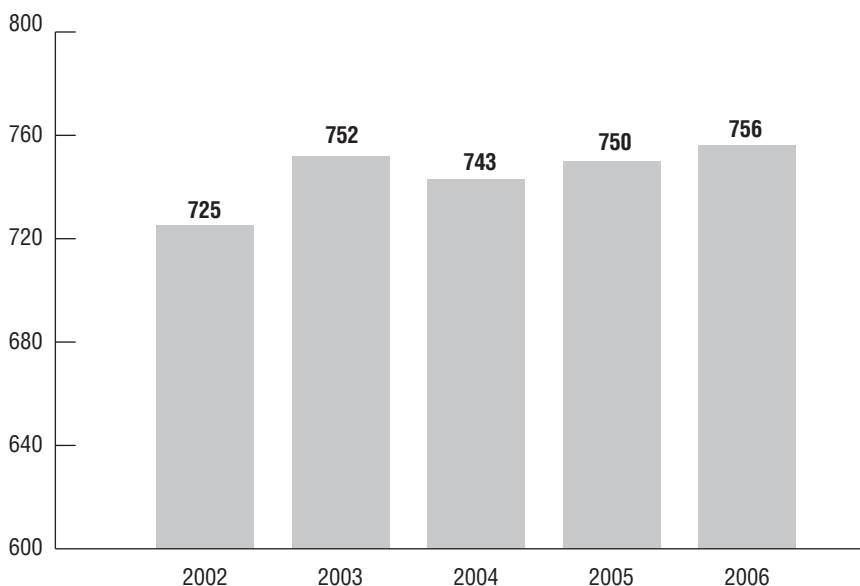


Exhibit 2-8: RTA Operations Funding by Service Board (dollars in thousands)

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Operations Funding					
CTA	\$ 441,632	\$ 453,488	\$ 441,632	\$ 441,632	\$ 441,632
Metra	203,874	216,059	222,787	229,026	235,409
Pace	79,052	82,747	79,052	79,052	79,052
Total Operations Funding	\$ 724,558	\$ 752,294	\$ 743,471	\$ 749,710	\$ 756,093

of \$18.6 million will be offset by estimated agency program revenues of \$1.7 million and lower funding to \$16.9 million, an increase of 3.0 percent over 2002 funding. Agency funding from 2004 through 2006 returns to the 2002 level of \$16.4 million, the same constraint placed on the CTA and Pace operating funds for the same time period. More detailed information regarding agency expenditures and funding levels are presented in the Agency Section.

Regional Technology and Coordination

The RTA supports growing demands for technical assistance initiatives and coordination programs across the region (for example, the Regional Technical Assistance Program (RTAP), and the Regional Transit Coordination Plan (RTCP). From 2003 through 2006, program expenditures will average about \$4.8 million. Through its partnership efforts the RTA receives revenues from other state and local agencies to defray a portion of these costs. During the four-year period, 2003 through 2006, receipts are projected to average \$2.4 million leaving a balance of \$2.4 million to be funded by the RTA. The Agency Section provides additional program and financial information.

Debt Service & Capital Expenditures

Exhibit 2-1 provides a summary of the RTA's debt service and capital expenditures from 2002-2006. Total expenditures in this category are projected to grow from \$172 million in 2002 to \$241 million in 2006.

Principal and Interest Payments

Principal and interest payments reflect the RTA's expenses and projected expenditures from 2002 through 2006. Payments increase from almost \$112 million in 2002 to \$202 million in 2006 to cover the issuance of bonds authorized under the state's *Illinois FIRST* program. Projected state financial assistance for the SCIP bond program will help defray about 59 percent of the costs from 2002 through 2006.

Regional Technology and Agency Programs

The 2004 budget continues the RTA's commitment to region-wide capital driven technology enhancements. From 2003

through 2006, expenditures for these programs are projected to average about \$5.0 million annually. However, the RTA receives reimbursement (revenues) from federal programs and local initiatives that are projected to average about \$1.3 million during the same time period. As a result, net RTA funding for these projects will average \$3.7 million each year. The Agency Section provides additional program and financial information.

RTA Discretionary Capital

The RTA has played a major role in financing Service Board capital improvements through its discretionary capital program. This program includes providing money to the Service Boards to use for the 20 percent "local match" that the federal government requires from local agencies on all federally-funded capital projects, and funding selected capital projects at 100 percent of their cost. Projects funded through this program require RTA Board approval. The "local match" funds are appropriated annually by the RTA Board from the general fund balance. The capital projects that are funded 100 percent by the RTA are exclusively RTA funds.

In 2001, discretionary capital funding was approximately \$10 million. No funds were provided in 2002. Due to the current soft economic environment, the RTA has again deferred the designation of discretionary capital funds through the 2004-2006 planning period.

Metra Transfer Capital Program

The statutory apportionment of sales tax to a Service Board can exceed its operating marks. When this occurs, the Service Board can transfer the funds to capital projects. Metra is the only Service Board to achieve this source of capital funds. The 2003 estimate includes RTA discretionary funds for this program. In 2002, the actual distribution to Metra was approximately \$38 million. In 2003, Metra is projected to receive approximately \$26 million, while estimates for 2004 through 2006 are roughly \$10 million, \$11 million and \$14 million, respectively. Reduced sales tax revenues have

decreased the amount of funds projected to be on hand for Metra's capital programs after operating costs are funded.

CTA Transfer Capital Program

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. The program was originally funded at an annual level of \$11 million from 1995 through 1997. In 1998, CTA's funding for this program was increased to \$16.5 million. The CTA transfer capital program was funded at \$19.2 million in 1999. From 2000 through 2002, funding was \$20.4 million, and increased to \$29.3 million in 2003. The 2004-2006 plan includes an amount of \$20.4 million.

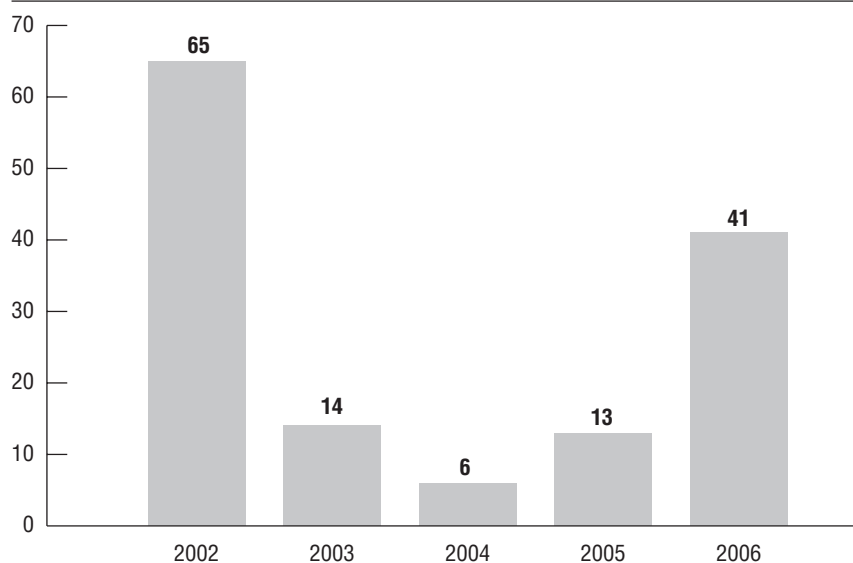
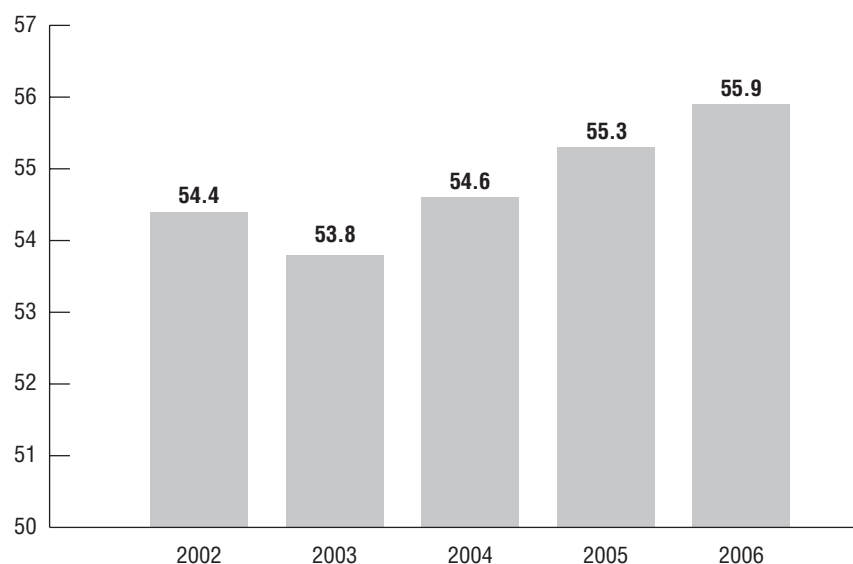
Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. From 2002 through 2006 these expenses are projected to increase from \$958 million to almost \$1.1 billion, this represents a compound growth rate of 2.5 percent.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance as a percentage of operating expenditures. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods.

The RTA Board manages the use of funds to arrive at a planned balance for unreserved and undesignated funds. The 2002 balance was \$65.5 million. The estimated balance for 2003 is \$14.1 million. The respective balances for the 2004 budget and two-year financial plan (2004 to 2006) are \$6.2 million, \$13.0 million, and \$40.9 million, respectively (Exhibit 2-9). The unreserved and undesignated fund balance for the planning period meets policy requirements by achieving a balance of 5 percent in 2006. Fund balance policy details are outlined in the Region Reference Section.

Exhibit 2-9: **RTA Ending Unobligated & Unreserved Fund Balance (dollars in millions)**Exhibit 2-10: **System-Generated Revenue Recovery Ratio (percent)**

The ending balance is determined by increasing or decreasing the beginning fund balance by the annual change between revenue and expense and the de-obligation and/or re-obligation of certain program funds. These revisions are described later in this section.

The beginning balance is the amount of funds in the undesignated and unreserved fund balance after the previous years results have been audited and the accounting books are closed. All statements in this document reflect 2002 actual results of \$65.5 million for the 2003 beginning balance.

Revenues less Expenditures— Surplus/(Deficit)

Total RTA revenue less total RTA expense produces a change to the fund balance. When revenue exceeds expense a gain or surplus is added to the fund balance. If expense exceeds revenue a deficit occurs, and this amount reduces the fund balance. The 2003 and 2004 projections indicate deficit amounts of \$64.3 million and \$16.4 million respectively.

Designations/Reserves

Certain agency program expenditures are obligated in the current year's balance when the RTA Board adopts the following year's program. As funds are de-obligated and/or re-obligated, changes in the fund balance take place. The figures in Exhibit 2-1 reflect these changes. The 2002 adjustment includes \$29.5 million in reserved technology funds that were de-obligated to cover operating funding shortfalls created by reduced sales tax and PTF revenues during the past two years. An offsetting entry reserved an additional \$8.9 million for CTA transfer capital. Funds from 2003-2006 are primarily from bond proceed financing transactions that by policy can be used to reduce debt service interest payments.

Recovery Ratio

The RTA Act requires the RTA Board to set a recovery ratio for the next fiscal year for each Service Board. The RTA Act further requires that the combined revenues from RTA operations cover at least 50 percent of the system operating cost (Exhibit 2-10). The RTA's system-generated revenue recovery ratio for 2004 is 54.6 percent. This statutory calculation computes to more than 4 percentage points above the mandated 50 percent. The ratio is 55.3 percent in 2005 and 55.9 percent in 2006.

In meeting the 50 percent recovery ratio, the RTA Act requires that the revenue figures include all receipts consistent with generally accepted accounting principles with certain specified exceptions. Therefore, the revenue figure used to determine whether the RTA system meets this 50 percent requirement includes not only all of the items contained in the recovery ratio for the Service Board budgets, but also the net gain on lease/leaseback transactions, and the 1989 Metra fare increase—even though these items are restricted for capital investment. A detailed breakout of this calculation is provided in Exhibit 2-20.

Capital Program

The available capital program funding sources for 2004-2008 are detailed in a separate Capital Section.

Reference

2003 Budget vs. 2003 Estimate

Total RTA revenues of \$949.5 million are projected to be \$22.6 million lower than 2003's budget of \$972.1 million. Sales tax and associated PTF revenues are expected to be well below plan due to a slow economic environment (Exhibit 2-11).

Total operations expenditures of \$816.2 million are projected to be favorable by \$1.3 million due to lower reduced fare reimbursements and sales tax interest and

other expenditures. Total debt service and capital expenditures of \$197.6 million, are expected to be unfavorable to budget by \$7.2 million. CTA transfer capital was \$8.9 million higher than budget. Principal and interest expenditures are \$1.7 million lower than budget.

Total expenditures are projected to exceed total revenue by \$64.3 million, which is \$28.5 million unfavorable to budget. The 2003 beginning fund balance of \$65.5 million was favorable to the budget, but the ending fund balance of \$14.1 million is estimated to be unfavorable to the budget by \$26.7 million.

Exhibit 2-11: **RTA Statement of Revenues and Expenditures**
2003 Budget versus 2003 Estimate (dollars in thousands)

	2003 Budget	2003 Estimate	Change
Revenue			
Sales Tax	\$ 673,129	\$ 650,925	(\$ 22,204)
Public Transportation Fund (PTF)	168,282	162,731	(5,551)
State Financial Assistance (SFA)	75,910	71,408	(4,502)
Reduced Fare (RF)	40,000	39,600	(400)
Investment Income & Other	14,775	24,840	10,065
Total Revenue	\$ 972,096	\$ 949,504	(\$ 22,592)
Operating Expenditures			
Operations Funding	\$ 752,294	\$ 752,294	—
Reduced Fare	40,000	39,600	\$ 400
Sales Tax Interest & Other	1,360	400	960
Agency Operations	18,483	18,561	(78)
Regional Technology & Coordination	5,320	5,320	—
Total Operating Expenditures	\$ 817,457	\$ 816,175	\$ 1,282
Debt Service & Capital Expenditures			
Principal and Interest	\$ 139,162	\$ 137,464	\$ 1,698
Regional Technology & Agency Programs	5,375	5,375	—
Metra Transfer Capital	25,556	25,556	—
CTA Transfer Capital	20,353	29,253	(8,900)
Total Debt Service and Capital Expenditures	\$ 190,446	\$ 197,648	(\$ 7,202)
Total Expenditures	\$ 1,007,903	\$ 1,013,823	(\$ 5,920)
Fund Balance (undesignated/unreserved)			
Beginning Balance	\$ 46,848	\$ 65,491	\$ 18,643
Revenues less Expenditures - Surplus/(Deficit)	(35,807)	(64,319)	(28,512)
Designations/Reserves	29,827	12,954	(16,873)
Ending Balance	\$ 40,868	\$ 14,126	(\$ 26,742)
% of Total Operating Expenditures	5.0%	1.7%	(3.3%)

Authority and Responsibility

The RTA was established in 1974 upon approval of a referendum in its six-county northeastern Illinois region. The operating responsibilities of the RTA are set forth in the RTA Act. The RTA is a unit of local government, body politic, political subdivision and Municipal Corporation of the State of Illinois.

As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services as well as a planning and funding agency. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The reorganization placed all operating responsibilities with three Service Boards—the Chicago Transit Authority (CTA) and two operating divisions of the RTA, a Commuter Rail Division (Metra) and a Suburban Bus Division (Pace)—each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers.

The RTA became exclusively responsible for financial oversight and regional planning issues.

The Service Boards operate within the RTA's region, but are separate legal entities. The Board of Directors of each Service Board is completely independent of the RTA Board. The RTA Board has control neither in the selection nor in the appointment of any Service Board director or its management. Further, directors of the CTA, Metra and Pace are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chair of the CTA Board, who is also an RTA Board member.

The *RTA Act* sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA's system as a whole achieves an annual "system-generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50 percent of the cost of the operation of transportation services. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA is responsible for supervising the budgets and financial performance of the CTA, Metra, and Pace.

The Service Boards are considered fiscally independent of the RTA. Although the RTA reviews the budgets of the CTA, Metra and Pace, approval of the budgets is mandated by state statute if such budgets meet specified recovery ratios.

The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters including ownership of assets, relations with federal and state transportation funding agencies, and the preparation of their operating budgets. They are also responsible for the purchase of services and approval of contracts relating to their operations.

The CTA, Metra and Pace provide services to different geographic areas within the six-county region. The CTA provides rail and bus service to the City of Chicago and 38 neighboring suburbs within Cook

County. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburbs and commuting to the City of Chicago. Pace's primary bus service area is suburbs in the six-county region, with service to areas within the City of Chicago.

The *RTA Act* establishes the RTA as the primary public body with authority to apply for and receive grants, loans, and other funds from the state or the federal government for public transportation programs in Cook, DuPage, Kane, Lake, McHenry and Will counties ("northeastern Illinois"). The RTA is responsible for the allocation of certain federal, state and local funds to finance both the operating and capital needs of public transit in the six-county region.

The *Act* confers upon the RTA Board powers to prescribe regulations requiring that the Service Boards submit to the RTA such information as the RTA may require. The Board has statutory authority to establish by rule or regulation financial, budgetary, or fiscal requirements for the system.

In addition to its annual budget and financial plan responsibilities, the RTA, each year, is required to prepare and adopt a five-year capital program. The Service Boards are prohibited from undertaking any capital project in excess of \$250,000 unless the project has been approved by the RTA Board and incorporated into the RTA capital program. The RTA also conducts market research and coordinates planning for public transportation in northeastern Illinois. The RTA funds the development of new types of service, both in the suburbs and in the City of Chicago, on a demonstration basis.

Budget Process

The *Act* requires that the RTA Board of Directors approve an annual budget, a two-year financial plan, and a five-year capital program. The budget calendar and statutory oversight and amendment requirements govern this process. Specific highlights of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 8-11).

Budget Calendar

By July 1st of each year, the Illinois Office of Management and Budget (OMB) submits to the RTA an estimate of revenues to be collected from taxes for the next fiscal year.

Based upon the estimate of tax receipts and revenues from other sources, "the Board shall, not later than ... September 15 prior to the beginning of the Authority's next fiscal year" advise each Service Board of the amounts estimated to be available during the upcoming fiscal year and following two years. The Board is also required to advise the Service Boards of the times when the amounts will be available and the next year's cost recovery ratio.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document and a two-year financial plan. "The proposed budget and financial plan shall be based on the RTA's estimate of funds to be available to the Service Boards by or through the Authority, and shall conform in all respects to the requirements established by the Authority."

Before submitting the budget to the RTA, the Service Boards must hold at least one public hearing in each of the counties in which it provides service. Each Service Board must hold at least one meeting with the affiliated county boards. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA on November 15. The *Act* requires that the budgets submitted by each Service Board not project or assume receipt of revenues greater than those set in the estimates provided by the RTA.

The RTA Board must then hold at least one public hearing in the metropolitan region and one meeting with each county board on the proposed budget. Twenty days prior notice is required for the public hearing.

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt a budget which meets the statutory criteria.

Unless the Board can pass (by nine votes) a budget and financial plan for a Service Board which meets these criteria, *the Act*

states that “the Board shall not release to that service board any funds for the periods covered by such budget and financial plan” except for the 85 percent of sales tax proceeds which are directly allocated to the Service Boards.

Also, if the RTA does not find that a Service Board budget meets the criteria set forth under *the Act*, the Board shall, five working days after the start of the Service Board’s fiscal year, adopt a budget and financial plan meeting these criteria.

The RTA, CTA, Metra, and Pace all report on a calendar-year basis.

Statutory Requirements

The *RTA Act* sets forth six statutory criteria for Board approval of the budget and financial plan of each Service Board. These six criteria are:

Balanced Budget

Such budget and plan shall show a balance between (a) anticipated revenues from all sources, including operating subsidies, and (b) the costs of providing the services specified and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness.

Cash Flow

Such budget and plan shall show cash balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs and expenses as incurred.

Recovery Ratio

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

Assumptions

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

Financial Practices

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

Other Requirements

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

Operating Budget Oversight

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

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

shows that the budget criteria “will be met in a time period less than four quarters.”

Amendment

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

RTA Bonds

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

All bonds are general obligations of the RTA to which the full faith and credit of the RTA are pledged. These general obligation bonds, with a balance of \$1,610.4 million as of December 31, 2002, are divided into two types: \$968.4 million in Strategic Capital Improvement Program (SCIP) bonds and \$642.0 million in RTA bonds (Exhibits 2-12 and 2-13).

The bonds are payable from all revenues and all other funds received or held by the RTA that lawfully may be used for retiring the debt. Exceptions to this are amounts in the Joint Self-Insurance Fund (JISF) and amounts required to be held or used with respect to separate ordinance obligations. The bonds are secured by an assignment of a lien on the sales taxes imposed by the

RTA. All sales tax receipts are to be paid directly to the trustee by officials of the State of Illinois. If, for any reason, the RTA has not made the required monthly debt service payment, the trustee is to deduct it from the receipts. If all payments have been made, the funds are made available to the RTA for regular use. Under the RTA Act, the CTA, Metra and Pace fare box receipts and funds on hand are not available for payment of debt service.

On June 21, 1993, the RTA issued an advance refunding of a portion of its 1990A Series general obligation bonds. The RTA issued \$23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group.

On January 30, 1996, the RTA also issued an advance refunding of a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued \$151,235,000

of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group.

On September 18, 1997, the RTA issued an advance refunding of a portion of its 1990A, 1991A, 1992B and 1993B Series general obligation bond issues. The RTA issued \$98,385,000 of general obligation refunding bonds (1997 Series). Proceeds from the issuance amounted to \$105,570,935, including a premium of \$7,185,935. The proceeds are to fund an irrevocable trust for generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group.

On August 10, 1999, the RTA made an advance refunding of a portion of its 1992A, 1993A, 1994A, and 1994C Series

general obligation bond issues. The RTA issued \$298,725,000 of general obligation (1999) bonds to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. The refunded bonds are as follows: \$113,895 of the 1992A Series, \$9,720,000 1993A, \$142,615,000 1994A, and \$21,955,000 1994C. The refunding was undertaken to reduce debt service over the next 26 years by \$22 million, an economic gain of \$11.4 million, which represents a 3.9 percent savings on the previous debt service.

On February 1, 2001 the RTA defeased the remaining balance (\$37,750,000) of Series 1993A by issuing Series 2001B. As a result, the refunded bonds have been removed from the general long-term debt account group. The refunding was undertaken to reduce debt service through 2023 by \$3.4 million (an economic gain of \$2.1 million) which is a 4.7 percent savings on the previous debt service.

Effective January 1, 2000, the RTA Act was amended to authorize the issuance of an additional \$260 million of SCIP Bonds in each year for the period of 2000 to 2004. In March 2001, the RTA issued \$100 million in SCIP bonds.

During 2002, the RTA issued two bond offerings. The first issue was a \$160 million SCIP bond offering. The second issue was a \$200 million non-SCIP issue.

During 2003, the RTA issued three bond offerings. On January 1, the RTA issued \$150,000,000 of general obligation (2003B) bonds to provide resources to fund an irrevocable trust for the purpose of gen-

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

General Obligation 2002	January 1, 2002	New Issues	December 31, Retirements	
1990A	\$ 60,795	—	—	\$ 60,795
1991A	55,745	—	—	55,745
1992A* and 1992B	71,040	—	\$ 4,290	66,750
1993A* and 1993B	4,840	—	2,360	2,480
1993C Refunding	21,965	—	200	21,765
1994A* and 1994B	44,550	—	4,955	39,595
1994C* and 1994D	82,635	—	2,800	79,835
1996 Refunding	148,650	—	595	148,055
1997 Refunding	95,275	—	4,705	90,570
1999 Refunding*	293,165	—	595	292,570
2000A*	260,000	—	3,630	256,370
2001A*	100,000	—	1,400	98,600
2001B Refunding*	37,280	—	30	37,250
2002A*	—	160,000	—	160,000
2002B	—	200,000	—	200,000
Total	\$ 1,275,940	\$ 360,000	\$ 25,560	\$ 1,610,380

Note: *Strategic Capital Improvement Program (SCIP) Bonds.

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

As of	Total Debt Outstanding	Total SCIP Principal Outstanding	Total Non-SCIP (RTA) Principal Outstanding	RTA Non-SCIP Debt Cap	Authorized but Unissued RTA Debt
December 31, 2002	\$ 1,610,380	\$ 968,405	\$ 641,975	\$ 800,000	\$158,025
December 31, 2003	2,001,495	1,210,415	791,080	800,000	28,070

erating resources for all future debt service payments. The second issue was a \$260 million SCIP bond offering on April 1. On the same day, the RTA refunded the remaining portion (\$19,055,000) of its 1993C Series general obligation bond issue. As a result the refunded bonds are considered to be defeased and the liability has been removed for the general long-term debt account group. The refunding was undertaken to reduce debt service through 2009 by \$ 1.6 million (an economic gain of \$ 1.6 million) which is a 6.9 percent savings on the previous debt service.

RTA sales tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 2-14), the RTA meets this test. Any differences between debt service amounts presented and amounts shown in general purpose financial statements represent timing differences between payments made to trustees and payments made to bondholders. Also, investment income earned in the debt service accounts may lower actual cash transfers from the General Fund.

The RTA and its Service Boards have put an emphasis on making sure that the bond proceeds are spent in a timely and efficient manner. Exhibit 2-15 highlights recent bond issues with the largest project-to-date expenditures.

Fund Accounting

The accounts of the RTA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are separated in its own set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. RTA resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be utilized and the means by which spending activities are controlled. In the financial statements, the various funds are grouped into three broad fund types and six generic fund categories, which are discussed in the ensuing paragraphs.

Exhibit 2-14: 1993-2002 Debt Service Requirement Test (dollars in thousands)

	Sales Tax Revenue	Debt Serv. Req.	2.5 Times Debt Serv. Req.
1993	\$ 462,393	\$ 39,909	\$ 99,773
1994	497,698	51,978	129,945
1995	513,301	76,550	191,375
1996	532,304	77,639	194,098
1997	555,496	78,359	195,898
1998	576,704	77,883	194,708
1999	613,514	77,866	194,665
2000	650,284	81,676	204,190
2001	653,522	95,187	237,968
2002	647,685	113,526	283,815

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

Service Board	Bond Series	Description	Amount
CTA	2000 A	Replace up to 450 buses (option 2/partial)	\$ 26,629,764
CTA	2000 A	Rehab CTA Douglas Branch New Start/Blue Line (partial \$)	19,408,745
CTA	2000 A	Install air conditioning on up to 490 TMC buses	8,853,252
CTA	2000 A	Provide for land acquisition	7,562,059
CTA	2000 A	Perform rail car 'C' overhaul for up to 450 rail cars (2400 & 3200 series)	6,918,469
CTA	2000 A	Perform bus overhaul for 200 TMC buses	6,641,127
CTA	2000 A	Perform bus overhaul for up to 2000 TMC buses (4400 series)	5,505,857
CTA	2000 A	Replace motor alternators/97 2400 rail cars	5,430,775
CTA	2000 A	Perform rail car overhaul and upgrade activities	5,150,311
CTA	2000 A	Perform mid-life & life extending bus overhaul	5,009,372
CTA	2000 A	Replace financial systems (partial \$)	4,986,789
CTA	2000 A	Perform bus overhaul and upgrade activities	4,735,816
Metra	2000 A	Purchase 300 accessible bi-level cars	102,718,177
Pace	2000 A	Purchase 61 fixed-route replacement buses & power packs	12,427,841
CTA	2001 A	Rehab CTA Douglas Branch New Start/Blue Line	\$ 10,894,550
CTA	2001 A	Replace financial system	4,702,493
CTA	2001 A	Perform bus overhaul for up to 2000 TMC buses (4400 series)	1,107,201
CTA	2001 A	Perform rail car 'C' overhaul for up to 450 rail cars (2400 & 3200 series)	537,118
CTA	2001 A	Perform bus overhaul and upgrade activities	474,948
Metra	2001 A	Purchase 300 accessible bi-level cars	76,814,051
Metra	2001 A	Purchase 26 accessible bi-level electric mu commuter cars-med	7,222,020
Metra	2001 A	Expand Southwest Service	703,046
Metra	2001 A	Rehabilitate up to 20 bi-level cars-BNSF	661,438
Metra	2001 A	Expand North Central Service	529,854
Metra	2001 A	Replace 21 bridges-18th to 55th Streets/Rock Island District	479,009
Pace	2001 A	Purchase 61 fixed-route replacement buses & power packs	3,008,831
Pace	2001 A	Purchase up to 13 fixed-route buses	504,974
CTA	2002 A	Replace financial systems—systemwide	\$ 8,940,633
CTA	2002 A	Replace up to 80 articulated buses	5,785,060
CTA	2002 A	Perform mid-life & life extending bus overhaul	5,240,788
CTA	2002 A	Perform rail car overhaul for up to 450 rail cars (2400 & 3200 series)	4,682,263
CTA	2002 A	Rehab CTA Douglas Branch New Start/Blue Line	4,034,327
Metra	2002 A	Purchase 300 accessible bi-level cars	72,011,544
Metra	2002 A	Purchase 26 accessible bi-level electric commuter cars	15,301,379
Pace	2002 A	Purchase 32 fixed-route buses	8,913,692
CTA	2002 B	Rehab CTA Douglas Branch New Start/Blue Line	\$ 89,370,933
CTA	2002 B	Rehabilitate Dan Ryan Branch/Red Line	2,074,470
Metra	2002 B	Replace 21 bridges-18th to 55th Streets/Rock Island District	10,396,041
Metra	2002 B	Expand Southwest Service	2,663,798
Metra	2002 B	Rehab 15 locomotives	2,221,614
Pace	2002 B	Purchase 18 fixed-route buses	4,461,091

Exhibit 2-16: **RTA 2002 Combined Fund Statement of Revenues & Expenditures by Fund (dollars in millions)**

	General	Agency	Debt	Capital	JSIF	Pension	Combined
Revenues							
Sales Tax	\$ 97.1	\$ 550.5	—	—	—	—	\$ 647.6
Public Transportation Funds (PTF)	165.7	—	—	—	—	—	165.7
State Financial Assistance (SFA)	67.5	—	—	—	—	—	67.5
Reduced Fare Reimbursements	—	36.3	—	—	—	—	36.3
Investment Income and Other	13.1	0.4	\$ 10.8	\$ 1.6	\$ 1.1	(\$ 6.4)	20.6
Pension Contribution	—	—	—	—	—	6.8	6.8
Total Revenues	\$ 343.4	\$ 587.2	\$ 10.8	\$ 1.6	\$ 1.1	\$ 0.4	\$ 944.5
Expenditures							
Operations Assistance to Service Boards	\$ 209.1	\$ 550.5	—	—	—	—	\$ 759.6
Sales Tax Int to Service Boards	—	0.4	—	—	—	—	0.4
Reduced Fare Reimbursements	—	36.3	—	—	—	—	36.3
Agency Operations	24.4	—	—	—	\$ 4.9	\$ 2.7	32.0
Capital Grants	31.1	—	—	\$ 319.9	—	—	351.0
Debt Service Operating Transfer	—	—	—	—	—	—	—
Joint Self-Insurance	—	—	—	—	—	—	—
P&I Bondholder Payment	—	—	109.8	—	—	—	109.8
Bond Proceeds	111.6	—	(111.6)	(387.0)	—	—	(387.0)
Other	1.1	—	—	—	—	—	1.1
Total Expenditures	\$ 377.3	\$ 587.2	(\$ 1.8)	(\$ 67.1)	\$ 4.9	\$ 2.7	\$ 903.2
Revenues less Expenses (1)	(\$ 33.9)	\$ 0.0	\$ 12.6	\$ 68.7	(\$ 3.8)	(\$ 2.3)	\$ 41.3
Fund Balance beginning of the year	\$ 153.9	\$ 0.0	\$ 44.6	\$ 292.6	\$ 50.5	\$ 76.4	\$ 618.0
Fund Balance end of the year (2)	\$ 120.0	\$ 0.0	\$ 57.2	\$ 361.3	\$ 46.7	\$ 74.1	\$ 659.3

(1) Reconciliation of Budgetary basis to GAAP basis provided on Exhibit 2-18 (Total adjustments). (2) Before reserves and designations. General Fund reserves and designation totalled \$53.5 million in 2002 leaving an unreserved/undesignated fund balance of \$65.5 million.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund. Revenues and expenditures by fund type are detailed in Exhibit 2-16.

General Fund

The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund such as the Agency Fund. Exhibit 2-17 highlights the 2004 budget by fund type. The General and the Agency Funds are the only two funds that have annual budgets.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The interest earned is generated from the funds being held for payment to the bondholders.

The difference between the transfer and payment expenditures reflects the year-over-year timing variance.

Capital Projects Fund

In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of \$500 million of SCIP bonds, and to have a maximum of \$500 million RTA bonds outstanding. Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of the bond issues. The first Capital Projects Fund was established in 1990 with the issue of \$100 million of RTA bonds to fund capital projects at the Service Boards. The RTA allocated the proceeds from the bonds issued under the General Assembly's authorization as follows: 50 percent for CTA capital projects; 45 percent for Metra capital projects; and 5 percent for Pace capital projects. Projects included in approved five-year capital programs will be eligible for reimbursements from these proceeds by the RTA without further review or action by the RTA Board of Directors.

Effective January 1, 2000, the RTA Act was amended to authorize the issuance of an additional \$260 million of SCIP Bonds in each year for the period of 2000 through 2004 and to issue and have outstanding an additional \$300 million of non-SCIP Bonds.

Proprietary Fund

Proprietary Funds are used for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one Proprietary (Enterprise) Fund—the Joint Self-Insurance Fund.

Joint Self-Insurance Fund

The Joint Self-Insurance Fund is used to finance claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. This fund is reported as an enterprise fund since the predominant participants are outside of the RTA.

Exhibit 2-17: **RTA Statement of Revenues and Expenditures 2004 Budget by Fund Type**
(dollars in thousands)

	General Fund	Agency Fund	Total Budget
Revenue			
Sales Tax	\$ 100,763	\$ 570,988	\$ 671,750
Public Transportation Fund (PTF)	167,938	—	167,938
State Financial Assistance (SFA)	90,632	—	90,632
Reduced Fare (RF)	—	39,200	39,200
Investment Income & Other	18,126	410	18,536
Total Revenue	\$ 377,459	\$ 610,598	\$ 988,056
Operating Expenditures			
Operations Funding	\$ 182,527	\$ 560,944	\$ 743,471
Reduced Fare	—	39,200	39,200
Sales Tax Interest & Other	—	410	410
Agency Operations	18,309	—	18,309
Regional Technology & Coordination	5,364	—	5,364
Total Operating Expenditures	\$ 206,200	\$ 600,554	\$ 806,754
Debt Service & Capital Expenditures			
Principal and Interest	\$ 160,032	—	\$ 160,032
Regional Technology & Agency Programs	7,319	—	7,319
RTA Discretionary Capital	—	—	—
Metra Transfer Capital	—	\$ 10,044	\$ 10,044
CTA Transfer Capital	20,353	—	20,353
Total Debt Service and Capital Expenditures	\$ 187,704	\$ 10,044	\$ 197,748
Total Expenditures	\$ 393,904	\$ 610,598	\$ 1,004,502
Fund Balance (undesignated/unreserved)			
Beginning Balance	\$ 14,126	—	\$ 14,126
Revenues less Expenditures - Surplus/(Deficit)	(16,446)	—	(16,446)
Designations/Reserves	8,528	—	8,528
Ending Balance	\$ 6,208	—	\$ 6,208
% of Total Operating Expenditures	—	—	0.8%

Exhibit 2-18: **2002 Reconciliation of Budgetary Basis to GAAP Basis Accounting**
(dollars in thousands)

	General Fund
Excess of revenues over expenditures and other financing use-budgetary basis	(\$27,351)
Adjustments	—
Capital grant expenditures incurred in current year but considered in prior years' budgets	(12,079)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	4,416
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	1,085
Total Adjustments	(\$ 6,578)
Deficiency of revenues over expenditures and other financing use-GAAP basis	(\$33,929)
Net Changes in Reserves	\$25,793
Net Change in Fund Balance	(\$ 8,136)

Fiduciary Fund Types

Fiduciary Funds account for assets held by a governmental entity in a trustee capacity or as an agent for others. The RTA's Fiduciary Funds consist of an Agency Fund and a Pension Trust Fund.

Agency Fund

The Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales tax), interest on this tax, reduced fare reimbursement grants and federal operating assistance grants. Sales tax revenues are recorded in the fund and are equally offset by expenditures recording the pass through to the Service Boards.

Pension Trust Fund

The Pension Trust Fund is used to account for all accumulation of resources for and payments of, retirement benefits to employees participating in the RTA Pension Plan and Trust.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The RTA has established this objective to maintain financial stability in order to carry out the RTA's legislative mandates to plan, fund and oversee public transportation in the region. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods.

The ordinance states:

- The Annual Budget adopted by the RTA each year will reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than 5 percent of the RTA's total operating expenditures for that year.

- If actual sales tax receipts or other RTA revenues fall short of the amounts reflected in the annual budget, then the succeeding year's annual budget and two-year financial plan will provide for the replacement of any shortfall in the unreserved and undesignated balance of the RTA general fund, by no later than the end of the

Exhibit 2-19: **RTA 2002 Statement of Revenues and Expenditures General and Agency Fund**
(dollars in thousands)

	2002 Budget	2002 Actual	Change
Revenue			
Sales Tax	\$ 692,000	\$ 647,685	(\$ 44,315)
Public Transportation Fund	173,000	165,665	(7,335)
State Assistance	57,499	67,455	9,956
Reduced Fare	40,000	36,260	(3,740)
Investment Income & Other	13,741	13,545	(196)
Technology Receipts	—	—	—
Total Revenue	\$ 976,240	\$ 930,610	(\$ 45,630)
Operating Expenditures			
Operations Funding	\$ 724,558	\$ 724,558	—
Reduced Fare Reimbursements	40,000	36,260	(\$ 3,740)
Sales Tax Interest & Other	1,600	749	(851)
Agency Operations	17,831	18,418	587
Regional Technology & Coordination	3,863	5,613	1,750
Total Operating Expenditures	\$ 787,852	\$ 785,598	(\$ 2,254)
Debt Service & Capital Expenditures			
Principal and Interest	\$ 121,233	\$ 111,650	(\$ 9,583)
Regional Technology & Agency Programs	7,333	2,199	(5,134)
Metra Transfer Capital	38,161	38,161	—
CTA Transfer Capital	20,353	20,353	—
Total Debt Service and Capital Expenditures	\$ 187,080	\$ 172,363	(\$ 14,717)
Total Expenditures	\$ 974,932	\$ 957,961	(\$ 16,971)
Fund Balance (undesignated/unreserved)			
Beginning Balance	\$ 63,221	\$ 73,627	\$ 10,406
Revenues less Expenditures - Surplus/(Deficit)	1,308	(27,351)	(28,659)
Designations	3,600	19,215	15,615
Ending Balance	\$ 68,129	\$ 65,491	(\$ 2,638)
% of Total Operating Expenditures	8.6%	8.3%	(0.3%)

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

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

three-year planning period. (In 2006, the year-end unreserved and undesignated fund balance has been budgeted at \$40.9 million which is 5 percent of the total operating expenditures.)

- This policy shall be in effect beginning with the adoption of the 1999 budget and each annual budget and two-year financial plan thereafter.

- The Executive Director is authorized to take such further steps as deemed necessary or appropriate to implement, administer and enforce this ordinance.

Basis of Budgeting

The basis of budgeting refers to the conventions for the recognition of costs and revenues in budget development and in establishing and reporting appropriations. The RTA's annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles except for capital grants/expenditures and debt service payments. Capital grants/expenditures are budgeted for on a project basis, which normally exceed one year. Debt service payments are budgeted as transfers from the General Fund.

Exhibit 2-20: RTA 2002-2006 System-Generated Revenue Recovery Ratio Calculation (dollars in thousands)

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
CTA Operating Revenues	\$ 478,254	\$ 440,203	\$ 493,797	\$ 513,423	\$ 539,391
CPD In-Kind Revenues	22,000	22,000	22,000	22,000	22,000
Total CTA Recovery Ratio Revenues	\$ 500,254	\$ 462,203	\$ 515,797	\$ 535,423	\$ 561,391
Total Metra Recovery Ratio Revenues	\$ 240,350	\$ 244,616	\$ 246,138	\$ 253,262	\$ 260,546
Pace Operating Revenues	\$ 50,783	\$ 61,399	\$ 58,840	\$ 59,869	\$ 60,839
ADvAntage In-Kind Revenues	2,552	2,552	—	—	—
Total Pace Recovery Ratio Revenues (1)	\$ 53,335	\$ 63,951	\$ 58,840	\$ 59,869	\$ 60,839
Total RTA Revenues (2)	\$ 13,841	\$ 24,440	\$ 18,126	\$ 14,753	\$ 13,186
CTA leasing transactions	\$ 4,262	\$ 4,262	\$ 4,262	\$ 4,262	\$ 4,262
Metra Capital Farebox Financing	9,023	8,947	9,041	9,224	9,408
Total Other System-Generated Revenues (3)	\$ 13,285	\$ 13,209	\$ 13,303	\$ 13,486	\$ 13,670
Total System-Generated Recovery Ratio Revenues	\$ 821,065	\$ 808,419	\$ 852,204	\$ 876,793	\$ 909,632
CTA Operating Expenses	\$ 919,653	\$ 893,691	\$ 935,429	\$ 955,055	\$ 981,023
CPD In-Kind Expense	22,000	22,000	22,000	22,000	22,000
Less 1988 Security Exclusion	(10,227)	(10,227)	(10,227)	(10,227)	(10,227)
Less 15% Reduced Fare Security Exclusion	(4,530)	(4,845)	(4,845)	(4,845)	(4,845)
Total CTA Recovery Ratio Expenses	\$ 926,896	\$ 900,619	\$ 942,357	\$ 961,983	\$ 987,951
Metra Expenses	\$ 445,167	\$ 457,025	\$ 468,925	\$ 482,288	\$ 495,955
Less Security Exclusion	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Less Depreciation Exclusion	(2,881)	(2,735)	(2,735)	(2,735)	(2,735)
Less Transportation Facility Lease Exclusion	(13,057)	(13,277)	(13,667)	(14,077)	(14,499)
Total Metra Recovery Ratio Expenses	\$ 424,229	\$ 436,013	\$ 447,523	\$ 460,476	\$ 473,721
Pace Operating Expenses	\$ 130,790	\$ 138,784	\$ 147,020	\$ 140,659	\$ 141,486
ADvAntage In-Kind Expenses	2,552	2,552	—	—	—
Total Pace Recovery Ratio Expenses (4)	\$ 133,342	\$ 141,336	\$ 147,020	\$ 140,659	\$ 141,486
Total RTA Expenses (5)	\$ 24,392	\$ 23,881	\$ 23,673	\$ 22,556	\$ 22,639
Total System-Generated Recovery Ratio Expenses (6)	\$ 1,508,859	\$ 1,501,849	\$ 1,560,573	\$ 1,585,674	\$ 1,625,797
Total System-Generated Revenue Recovery Ratio	54.4%	53.8%	54.6%	55.3%	55.9%

Notes: (1) Includes all revenues presented on Pace Exhibit 6-4; (2) Excludes from RTA investment income & other revenue on Exhibit 2-1 entries for the gain or loss from finance transactions and 85 percent of the sales tax interest that is disbursed to the Service Boards as revenue; (3) By policy, the revenue figures for the CTA and Metra exclude the gain from leasing transactions restricted by ordinance for capital. Also by policy, the Metra revenue figures exclude the proceeds from a fare increase restricted by ordinance for capital. (4) Includes all expenditures presented on Pace Exhibit 6-4; (5) The sum of agency operations and regional technology & coordination on RTA Exhibit 2-1; (6) The expense amounts deducted above from CTA and Metra represent exclusions listed by the RTA Act.

Operating Plan

Overview

The Regional Transportation Authority (RTA) is a unit of local government within the State of Illinois that serves as the financial oversight and regional planning agency for the public transportation operators in the six-county northeastern Illinois region. Three entities, the Chicago Transit Authority (CTA), Metra and Pace, which are referred to as “Service Boards”, operate the rail and bus systems overseen by the RTA.

The corporate authority and governing body of the RTA is the 13-member RTA Board of Directors. Twelve directors are appointed from within the six-county region: four directors by the Mayor of the City of Chicago, and a fifth director who is the chairman of the CTA; four directors by the suburban members of the Cook County Board; two directors by the Chairmen of the County Boards of Kane, Lake, McHenry, and Will counties; and one director by the Chairman of the DuPage County Board. The Chairman of the Board, its 13th member, is elected by at least nine of the 12 appointed members. The Board’s committee structure is described in detail in the Agency Reference Section, Exhibit 3-15.

To administer the agency’s statutory requirements, the Board hires officers and staff. One of its officers, who must be approved by the Board, is the Executive Director. The Executive Director executes the Board’s policy decisions and staffs the agency to carry out its mission and goals.

One of the RTA Board’s primary responsibilities is to adopt an annual budget, a two-year financial plan, and a five-year cap-

ital program. The Region Section describes the budget and five-year capital program from a regional perspective. This section is a summary of the RTA’s (agency’s) budget and programs.

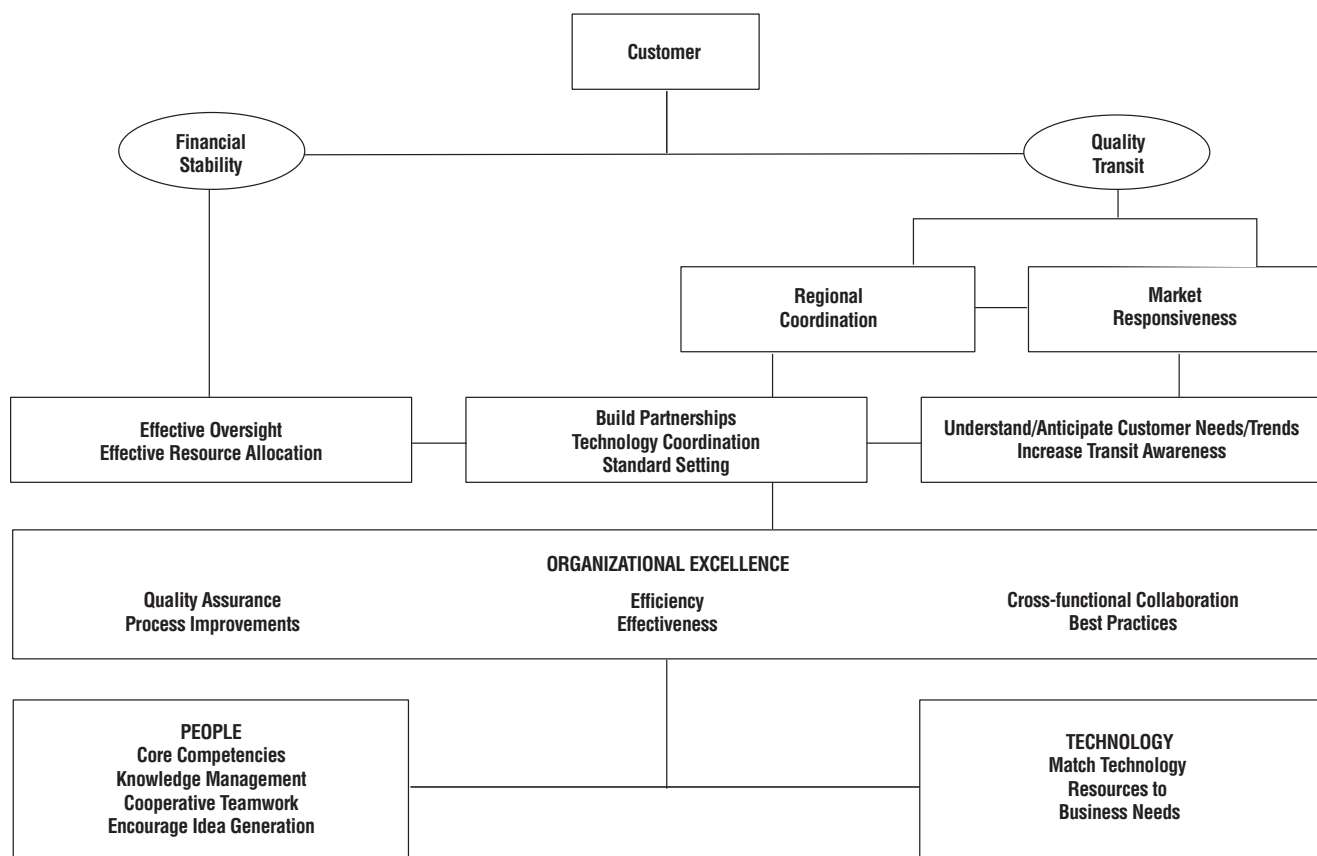
Strategic Focus

The RTA Board of Directors developed the following mission statement to reflect the responsibilities of the RTA as set forth in the RTA Act. Our mission is to ensure a financially sound, comprehensive, and coordinated public transportation system for the northeastern Illinois region. To align with this mission, the agency has defined its business as transit resource management with professional activities that plan, fund and oversee the region’s public transportation system.

The RTA’s vision is: to create a more efficient and effective public transportation system, valued by all people in the region, and used as their preferred means of mobility. The RTA will work to fulfill this vision by leading the region to use the best transit business practices, products, and technologies available in the public and private sectors worldwide.

The Federal Government Performance and Results Act mandates that federal agencies employ results-based budgeting that is linked to strategic plan objectives and performance measures. While not a requirement for the RTA, these goals represent good business practices, and match budgeting concepts promoted by the Government Finance Officers Association (GFOA). The RTA has, therefore, initiated a budgeting process to more closely align its mission, goals and objectives for achieving and

Exhibit 3-1: RTA Strategy Map



measuring results. As part of this process, the RTA is using a balanced scorecard (BSC) strategy map approach to help it design a set of measurable strategic objectives and performance measures.

Using the strategy map as a guide, the RTA's intent is to formulate measurable objectives that improve the linkage between key departmental processes and strategic regional goals. Exhibit 3-1 identifies the RTA's strategic themes and highlights linkages between core themes and objectives.

The RTA's strategy has been constructed to support its mission, vision, and the region's transit system as a whole. It is designed to create synergies between the Service Boards and targets the value-added activities of transit resource management. This strategy reflects the RTA's balanced view between the customer, financial, internal, and learning and growth perspectives of the BSC approach.

To meet/exceed the expectations of our customers, the RTA will maintain the transit system's financial stability, which is measured by the regional recovery ratio, bond ratings, and outside funding. The RTA will also address customer satisfaction by increasing the quality of transit services it provides. To achieve this, the RTA will improve efficiency, and build strategic partnerships with the support of improved business processes and competent employees. The RTA will determine its success by using measurements such as ridership and customer satisfaction indexes.

Quality Transit

The RTA's effort to achieve its goal of quality transit services is built around two questions. The first is: what can the RTA do to help the Service Boards improve the quality of public transit and better serve the riders? The second is: How can we improve the quality of the RTA's core products?

The RTA will work to improve coordination by enhancing and implementing regional initiatives. These include but are not limited to the following: ADA Special Services, Intelligent Transportation Systems (ITS), Job Access Reverse Commute, the Regional Technical Assistance Program, Regional Transit Coordination Plan, RTA/CTA Transit Benefit Program, RTA Customer Service Center, RTA Reduced Fare Program and the Travel Information Center. Improvement will be measured by indicators such as the number of joint projects implemented and the number of multi-agency transit riders. For more information about programs please see Regional Initiatives and Services in the Agency Reference Section.

To be successful in transit resource management, we must rely on strong strategic partnerships with other entities in the region. These include the Service Boards, communities and other planning agencies

such as the Northeastern Illinois Planning Commission, the Illinois Department of Transportation, and the Chicago Area Transportation Study. To increase outside funding and successfully leverage state, local, and federal resources, we must also work closely with legislators in Springfield and Washington. The Governmental Affairs department works on initiatives that address a major portion of these industry and regional concerns.

The RTA will also continue efforts to increase transit's market responsiveness. This will be accomplished by employing the use of different initiatives. For example, continuing to market transit services through advertisements, videos, publications, and the RTA/CTA Transit Benefit Program. In addition, we will increase distribution of RTA maps and continue to sponsor outreach programs. Also, the RTA will regularly look to improve its web site, its trip planning functions, and continue to provide timely and reliable transit information through the Travel Information Center (TIC).

Financial Stability

Providing quality transit requires a financially stable environment. The RTA will continue to develop initiatives that improve the efficiency and the effective use of available resources. This includes but is not limited to regional study and coordination projects, capital programs, bond authorization, and operations funding.

In the 2004 budget, the RTA has set aside \$2.7 million of its discretionary funds for study and coordination initiatives. In addition, the RTA will provide \$5.4 million for capital programs that use new or advanced technologies that enhance quality transit (Exhibit 3-8).

Organizational Excellence

To support higher level goals and objectives, the RTA must excel in its key business processes. The RTA is committed to the continuous improvement of its business activities through the use of best business practices. These improvements will lead to more efficient processes that allow the RTA

to dedicate more resources (time and funding) to vision-directed projects.

People and Technology

The RTA believes that its success depends on its people. Only skilled and well-informed employees are able to execute the RTA's strategy. The RTA will continue to refine core job requirements to determine the necessary training programs needed to fill any "skill gaps" in today's ever-changing information technology environment.

Operating Budget and Financial Plan

Total operations funding for 2004 is \$16.4 million. This funding mark represents a 3 percent decrease over the 2003 budget and estimate figure of \$16.9 million. Funding for the two-year financial plan (2005-2006) remains at the 2004 level of \$16.4 million (Exhibit 3-2).

Of the \$16.4 million in operations funding required by the agency in 2004, \$5.8 million will be used to cover administrative activities. This expense classification is capped by state statute and is 54 percent below the statutory ceiling for 2004. The remaining balance is used to support extensive regional initiatives and services.

The financial schedule presented in Exhibit 3-3 summarizes operating funding results and plans of the agency from 2002 through 2006. This schedule breaks down agency operations by expense element and organizational unit. The ensuing discussions identify the revenue and expense components. Additional details regarding revenue and expenses for programs and services can be reviewed in the Agency Reference Section.

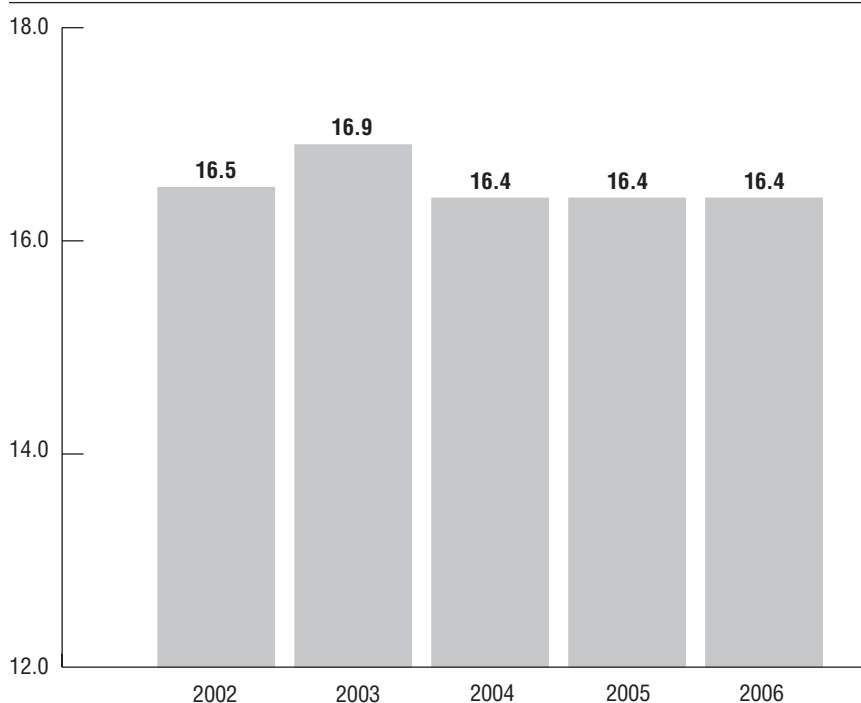
Operating Revenue

The main revenue for agency operations comes from the RTA's Transit Check program. Transit Check revenue accounts for 96 percent of total agency operations revenue during the planning period. The remaining 4 percent is primarily the charge to replace lost reduced fare cards.

RTA Transit Check Fees

Transit checks, which are distributed by employers through the RTA/CTA Transit Benefit Program, are tax-free fare vouchers that promote ridership. The agency collects a handling charge and per-check fee to defray expenses. Revenues from this program are projected to grow from \$1.6 million in 2002 to \$2.0 million by 2006.

Exhibit 3-2: **Agency Operations Funding (dollars in millions)**



The transit benefit program has grown dramatically since the legislative changes brought about by *TEA-21*. More companies have become aware of the program through our marketing and sales efforts. The program currently has more than 4,500 participating companies. In 1998, when *TEA-21* became law, year-end sales were at just under \$9 million. Year-end 2003 sales are projected to surpass \$60 million with similar sales levels projected for 2004.

Other Revenues

The other revenue category includes card replacement receipts and miscellaneous income. Revenues from lost cards are collected from reduced fare card applicants to offset the cost of replacement. Total receipts annually average about \$80,000.

Operating Expenses

The agency's operating expense elements include wages, benefits, other personnel, professional services, management fees, office services, and certain regional programs. A general description of the type of expense charged within each element is illustrated in Exhibit 3-4. Of the total expenses budgeted in 2004, human resource costs (wages, benefits, other personnel) represent 42 percent, professional services and management fees are 29 percent, office services are 14 percent, with the balance of 15 percent targeted for agency programs (Exhibit 3-5). A summary of each expense category follows.

Wages

Estimated 2003 expenditures of \$5.4 million are \$0.1 million higher than 2002 actual results of \$5.3 million. The variance is primarily attributable to salary admin-

istration changes. The 2004 budget and 2005-2006 financial plan calls for reduced temporary staffing and debiting regional coordination, study and capital technology initiatives for direct labor and benefit costs. A staffing discussion is provided in the Agency Reference Section.

Benefits

From 2002 to 2006, benefits are expected to average about \$2.2 million. The administration of regional coordination, study and capital technology labor and benefits will offset increased pension and health insurance costs.

Other Personnel

These expenses represent about one percent of the agency's overall needs and average roughly \$0.2 million each year. Business travel, training, and memberships are the primary components of this category.

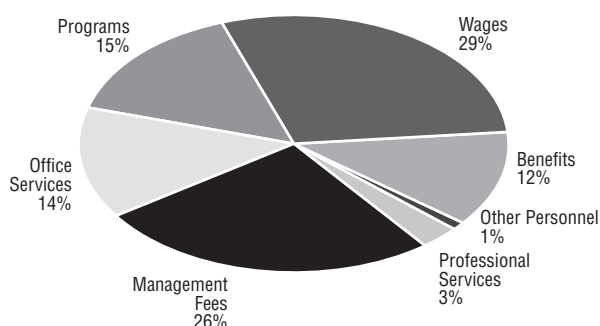
Exhibit 3-3: **Agency Operations 2004 Budget and 2005-2006 Financial Plan (dollars in thousands)**

Agency Operations by Expense Element	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Revenues					
RTA Transit Check	\$ 1,575	\$ 1,570	\$ 1,818	\$ 1,900	\$ 1,950
Other Revenue	383	88	80	80	80
Total Revenues	\$ 1,958	\$ 1,658	\$ 1,898	\$ 1,980	\$ 2,030
Expenses					
Wages	\$ 5,295	\$ 5,443	\$ 5,182	\$ 5,190	\$ 5,200
Benefits	2,135	2,241	2,169	2,185	2,191
Other Personnel	237	214	183	185	190
Professional Services	568	842	619	620	625
Management Fees	4,780	4,790	4,845	4,850	4,860
Office Services	2,548	2,361	2,499	2,525	2,535
Programs	2,855	2,671	2,812	2,836	2,840
Total Expenses	\$ 18,418	\$ 18,561	\$ 18,309	\$ 18,391	\$ 18,441
Total Operations Funding	\$ 16,460	\$ 16,903	\$ 16,411	\$ 16,411	\$ 16,411
Agency Operations by Organization Unit	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Managing Services	\$ 2,630	\$ 2,900	\$ 2,813	\$ 2,814	\$ 2,816
Government & External Affairs	912	972	1,031	1,033	1,035
Travel Information Center	4,209	4,080	4,174	4,175	4,177
Americans with Disabilities Act	2,708	2,754	2,865	2,867	2,869
Reduced Fare & Customer Service	559	631	638	640	641
Total Regional & Governmental Affairs	\$ 8,388	\$ 8,437	\$ 8,708	\$ 8,715	\$ 8,722
Communications	\$ 948	\$ 600	\$ 417	\$ 406	\$ 394
Finance	2,211	2,734	2,832	2,833	2,835
Planning	2,284	2,231	1,641	1,643	1,644
Total Funding by Organizational Unit	\$ 16,460	\$ 16,903	\$ 16,411	\$ 16,411	\$ 16,411

Exhibit 3-4: 2004 Agency Expense Descriptions

Expense	General Description
Wages	Salaries, Overtime, and Temporary help
Benefits	FICA, Health Insurance, Pension, Unemployment compensation, and Workers compensation
Other personnel	Business expense, Travel, Training, and Membership
Professional services	Consulting and Legal fees
Management fees	Outsourced operational fees for Reduced Fare Registration, ADA and the Travel Information Center
Office services	Printing, Photography, Equipment maintenance, Office supplies, Office rental, Utilities, Telephone, and Publications
Programs	ADA applicant appeals and paratransit trips, RTA Map, TIC Advertising, TV Production, Marketing, Transit check fees, Legislative consulting

Exhibit 3-5: 2004 Agency Expenses—\$18.3 million



Professional Services

From 2002 to 2006, professional services (consulting expenses and legal fees) are expected to remain essentially constant at about \$0.6 million.

Management Fees

From 2002 to 2006, management fees are expected to average about \$4.8 million annually. The agency contracts with outside management companies to help provide ADA certification, to issue reduced fare cards and to operate the Travel Information Center.

Office Services

From 2002 to 2006, office services are expected to remain essentially constant at about \$2.5 million. Major expenditures include office lease, utilities, telephone, and office materials.

Programs

Initiatives that benefit the region-wide transit system include Transit Check, ADA certification programs, communications and miscellaneous other programs. From 2002 to 2006, programs are expected to average about \$2.8 million annually.

Transit Check

The 2004 budget includes \$0.7 million for Transit Check program expenses that are administered by the communications department. When combined with transit check revenues of \$1.8 million, the net results of this program for 2004 is a positive budget variance of \$1.1 million.

ADA Certification Programs

In 1999 and 2000, the RTA opened five satellite offices for the ADA Certification Program. The new sites improve the certi-

fication process for special services through personal interviews with applicants.

The 2004 budget includes \$0.7 million for ADA programs. Most of this budget item relates to paratransit trips to and from the five satellite offices.

Communications

The Communications Department produces documents, speeches, videos, radio advertising, and publications to promote the Agency's programs and initiatives.

In 2004, funding for Communications will be used to expand outreach work with legislators in Washington and Springfield to support agency efforts for the federal transportation reauthorization and new state-authorized bonding. Outreach activities will also support the agency's ongoing corridor studies, Universal Fare Card initiative, and Intelligent Transportation Systems (ITS) projects. The Communications Department will also continue to expand the distribution of the RTA System and Visitors' maps and will use radio to promote the Travel Information Center. Communications has successfully leveraged advertising dollars through partnerships with sports teams and event promoters. The budget includes \$0.8 million for these programs.

Other

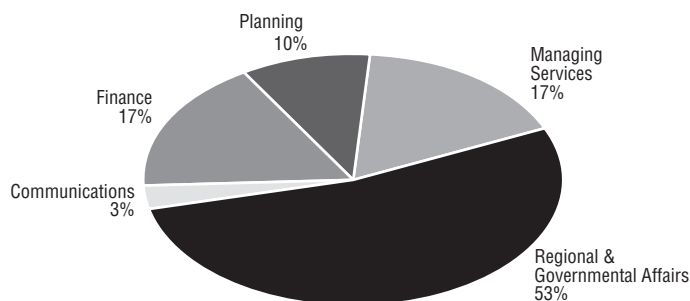
The other program category includes legislative consulting and project management oversight. The 2004 budget includes \$0.6 million to fund these programs.

Organizational Units

The agency's organizational structure and staff directly support the RTA's mission, goals and objectives. The following units manage programs that plan, fund and oversee the region-wide transit system. The organizational units are managing services, regional and governmental affairs, communications, finance, and planning. The divisions within these units are illustrated in Exhibit 3-6. For more information about the initiatives discussed in each unit segment below please see the Agency Reference Section.

Exhibit 3-6: **2004 Agency Organizational Structure**

Organizational Units	Organizational Divisions
Managing Services	Board of Directors, Executive Director, Secretary to the Authority, General Counsel, and Human Resources (includes Information Technology)
Regional and Governmental Affairs	Government Affairs, External Affairs and Regional Services (TIC, ADA, R/F, & CSC)
Communications	Communications (Includes RTA/CTA Transit Benefit Program).
Finance	Controller, Financial Planning & Analysis, Audit & Review, Treasury, Procurement, and Grants Management
Planning	Planning & Program Support (includes Market Development), Oversight & Technology, (includes Engineering & Technology, and System Planning), and Corridor Planning Studies

Exhibit 3-7: **2004 Agency Funding by Organization Unit—\$16.4 million**

Managing Services

This unit directly supports the RTA Chairman and Board of Directors, manages the day-to-day activities of the agency, provides legal counsel, human resources and information technology services. The responsibilities and initiatives of these departments/divisions are outlined below. The funding for each unit is identified in Exhibit 3-3. The percent distribution is illustrated in Exhibit 3-7.

Board of Directors

The RTA Board of Directors consists of 12 members and a chairman. The RTA Board has the statutory authority to establish by rule or regulation, financial, budgetary, or fiscal requirements for the region's transit system. The RTA Board and its committees set policy, consider matters relating to RTA operations and compliance with the ADA, supervise audits, and consider planning studies, and capital program investments.

The Board has six standing committees that review and recommend policy to the entire Board. See the Agency Reference Section for more information on the Board's committee structure.

Executive Director

The Executive Director executes the policy decisions of the RTA Board, and staffs the agency to carry out its statutory mission and implement Board policy. The Executive Director also informs and assists the RTA Chairman and the Board in the development of policy, and is the primary contact with the staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities. The Executive Director provides day-to-day direction to the RTA staff as it works to fulfill the agency's goals and objectives.

Secretary of the Authority

The Secretary to the Authority provides Board support functions by servicing the information, documentary and logistical needs of the RTA Board. The Secretary works with staff to ensure that Board members are supplied with the information and documentary materials needed to fulfill their statutory role and assures quorums are obtained for meetings of the Board and its six standing committees. The Secretary maintains the official records of the RTA Board and attests to the Executive Director's authority to sign contracts. With guidance from the general counsel, the Secretary ensures RTA compliance with the *Freedom of Information Act* and the *Open Meetings Act*.

General Counsel

The General Counsel provides legal advice to the RTA Board, the Executive Director and senior staff and is the chief legal officer of the Authority. The General Counsel ensures statutory and regulatory compliance, manages litigation, oversees the Affirmative Action program, the Disadvantaged Business Enterprise program (DBE), and the RTA's compliance with Title VI and Title VII of the *Civil Rights Act of 1964*.

The General Counsel manages the Joint Self-Insurance Fund (JSIF), reviews all legal documents to be executed by the RTA and manages and monitors litigation that is assigned to outside counsel. Duties also include briefing the Executive Director and the Board regarding the status of all cases involving the agency, and working with the CTA, Metra and Pace to coordinate civil rights programs and litigation.

Achievements in 2003 include working with the Service Boards to organize the Seventh Annual "Transit Symposium and Exchange." The event, targeted to all vendors including DBE-qualified entrepreneurs, attracted more than 500 firms seeking to do business with the region's transit agencies.

Exhibit 3-8: **Statement of Regional Technology, Coordination, and Agency Capital Programs**

	Actual 2002	Estimate 2003	Budget 2004	Plan 2005	Plan 2006
OPERATING					
Regional Technology & Coordination					
Revenue	\$ 3,148	\$ 3,297	\$ 2,626	\$ 1,924	\$ 1,800
Expense	5,613	5,320	5,364	4,165	4,198
RTA Funding	\$ 2,465	\$ 2,023	\$ 2,738	\$ 2,241	\$ 2,398
CAPITAL					
Regional Technology & Agency					
Regional					
Revenue	—	\$ 1,797	\$ 1,340	\$ 875	\$ 1,175
Expense	—	4,775	6,719	4,342	4,242
RTA Funding	—	\$ 2,978	\$ 5,379	\$ 3,467	\$ 3,067
Agency					
Capital	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Total RTA Funding	\$ 3,065	\$ 5,601	\$ 8,717	\$ 6,308	\$ 6,065

Human Resources

The Human Resources Department is comprised of two divisions that provide agency-wide services: Human Resources (HR) and Information Technology (IT). The Human Resources Department provides a variety of consulting and administrative services to its customers such as, recruitment and selection; benefit and compensation administration; employee relations counseling, organizational development, technology consulting, help desk support, information systems management and training.

In 2003, the HR & IT Services department completed researching voluntary benefits and is in the process of evaluating several programs for 2004. HR also completed a market comparison to ensure that the RTA compensation program remains competitive. The IT division completed movement of all RTA databases into a SQL server or Oracle environment, implemented the FRx Forecaster system used for budget preparation with the Finance Department and expanded the use of the RTA intranet.

In 2004, the HR department plans to implement a workplace violence policy and program and policy and procedure improvements outlined in an internal audit of the department in 2003. IT will continue its work to expand the agency intranet, streamline administrative processes and provide technical assistance for the implementation of information technology projects such as the Reduced Fare database, the

Solomon financial system and computer system security improvements.

Regional and Governmental Affairs

The Regional and Governmental Affairs Department's functions are divided into three major categories: government affairs, external affairs, and regional services. The responsibilities and initiatives of each of these divisions are outlined below.

Government Affairs

The Government Affairs Division works with federal, state, and local governments. The RTA works with the American Public Transit Association (APTA), the Illinois Public Transit Association (IPTA), and its own legislative consultants to address industry and regional concerns.

Achievements in 2003 include establishing a series of regular informational meetings with stakeholders and legislators as the region prepares its list of projects for the next federal transportation reauthorization.

In 2004, Government Affairs will continue the RTA's leadership role in the preparation for the next federal reauthorization and work to preserve RTA funding in Springfield.

External Affairs

External Affairs develops and implements the agency's outreach programs and services, which promote the use of transit.

In 2003, External Affairs continued to broaden distribution of the SMART Rider program materials to school children throughout the six-county region.

For 2004, the External Affairs division plans to continue its outreach programs to senior citizens and elementary school students and its distribution of the SMART Rider video and coloring book. External Affairs also plans to integrate a new video presentation into its programs for senior citizens promoting the use of public transit.

Regional Services

The Regional Services Division provides the RTA-operated services and programs that are the most visible to the customer. These services include the Travel Information Center (TIC), *Americans with Disabilities Act (ADA)* Certification, Reduced Fare and the Customer Service Center. For detailed explanations of each of these services, see the Agency Reference Section.

- **Travel Information Center**

The RTA's Travel Information Center (TIC) is a telephone-based service providing route and scheduling information for the CTA, Metra and Pace. TIC operators field an average of 10,000 calls each day. The TIC phone number is 836-7000, and is accessible from every area code in the region.

- **ADA/Special Services Certification and RTA Certification Helpline**

The RTA is responsible for the certification of riders who use special services, which are also known as ADA paratransit, or curb-to-curb transportation services, offered by the CTA and Pace.

- **RTA Reduced Fare Program**

The RTA Reduced Fare program allows eligible senior citizens and qualified persons with disabilities to ride RTA services at a reduced fare. There are currently some 307,000 reduced fare permits issued in the six-county region. The 2004 budget includes funding for the production of 75,000 cards.

- **RTA Customer Service Center**

The RTA Customer Service Center provides walk-in customers with maps, timetables and schedules for the CTA, Metra and Pace without charge. The center also sells monthly passes for the CTA and Pace. The Customer Service Center has a telephone with a direct connection to the TIC to provide customers with direct access to this service.

Communications

Communications assists management in the formulation and execution of agency and communications goals. Its activities include production of documents, speeches, videos and publications that explain and promote the agency's goals and initiatives. Communications also acts as the agency's liaison to the media and updates the RTA System Map.

Achievements for 2003 include a co-operative agreement with the Concierge Preferred visitor magazine to expand the distribution of the RTA Visitor Maps and awards from the Transportation Marketing Association and Print Magazine recognizing excellence in the production of the Visitors' Map and the 2001 RTA Annual Report respectively. Use of the RTA web-based trip planner continued to grow serving its 6 millionth customer in 2003.

Initiatives for 2004 include increased focus on outreach activities for the federal transportation reauthorization, the renewal of the state bond program, ongoing corridor studies and other planning efforts. Communication will also continue improvements to web site content expanding public access to agency documents and reports, publish updates of key brochures and maps and continue to work to improve and install transit maps at train stations across the region.

RTA/CTA Transit Benefit Program

The RTA/CTA Transit Benefit Program markets and administers an employee benefit that reduces transit costs for employers and encourages ridership. RTA Transit Checks are vouchers that are used to purchase transit passes for CTA, Metra, Pace, South Shore Railroad or vanpool services. In 1999, the RTA joined forces with the CTA to market the program and allow participants the option of directly purchasing CTA fare cards instead of the RTA Transit Check vouchers.

In 2003, staff continued to implement the marketing and business plan developed through an internal review of the program completed in 2001 initiating a survey of the program and similar programs outside the region with an outside consultant. For 2004, staff will evaluate bidders and enter into a new contract for Transit Check fulfillment services.

Finance

The Finance Department executes the funding and oversight responsibilities of the RTA. It works to maintain financial stability in the region and ensures that the agency, the CTA, Metra and Pace execute their statutory requirements for fiscal responsibility. In 2002, as part of an agency-wide initiative to better achieve the RTA's goals and objectives, divisions within the Finance Department were realigned and renamed to better align organizational capabilities with functional responsibilities. The Finance Department's divisions are Controller, Financial Planning and Analysis, Audit & Review, Grants Management, Treasury, and Procurement. The responsibilities and initiatives of these divisions are outlined below.

Controller

The Controller Division is responsible for all RTA's accounting functions. Responsibilities include monthly financial statements, annual reports, audit coordination, and grant accounting.

Achievements for 2003 include a certificate of excellence in financial reporting from the Government Finance Officers

Association (GFOA) for the 2002 comprehensive annual financial report (CAFR).

For 2004, the Controller Division will maintain the high standards in the preparation of the annual combining and CAFR reports. The division will also continue to work with the Service Boards to respond to developments in the accounting profession.

Financial Planning and Analysis

Formerly Budget & Finance, the Financial Planning & Analysis Division is responsible for the development of the annual operating budget, two-year financial plan, as well as the subsequent analysis of performance against those plans. The division also provides analytical support to management and the RTA Board.

Achievements in 2003 include the GFOA's distinguished budget presentation award, which is the highest form of recognition for a state or local agency budget. The department also implemented budget forecasting software to improve financial information including more timely and robust reporting on agency spending and obligations, and providing seamless links to integrated agency databases.

Audit & Review

Formerly the Oversight Division, Audit & Review examines agency activities and external audits of the Service Boards. Responsibilities for oversight of Service Board capital project management and rail safety have been shifted to the RTA Planning Department's Oversight and Technology Development Division.

In 2003, Audit & Review worked closely with the Grants Management Division to identify and implement process improvements in grants management for the capital program as well as the RTA's planning and development programs.

In 2004, Audit & Review will conduct an overall review of its internal accounting controls to ensure that the RTA, in its role as oversight agency, leads by example through effective accounting controls.

Grants Management

Grants Management, formerly the Capital and Programming Division, is responsible for the management of capital program grants, the annual five-year capital program, as well as the RTA planning and development program grants.

In 2003, Grants Management worked closely with Audit & Review to identify and implement process improvements in grants management for the capital program and the RTA planning and development programs. The division will continue to improve its reports to the Board on the status of the capital program and will continue the effort begun in 2003 to streamline the grants management process and associated database administration.

Treasury

The Treasury Division is responsible for all treasury functions of the RTA. Responsibilities include cash management, short-term and long-term financing, investments, debt service, banking relations, accounts payable, payroll, and Service Board funding.

In 2003, Treasury assisted with issuance of bonds available under the *Illinois FIRST* program and worked with Finance divisions to upgrade and improved integrated agency databases.

For 2004, Treasury will participate in the overall review of agency accounting procedures and continue work with Finance divisions to improve integrated agency databases.

Procurement

Procurement handles the agency's purchasing activities and office support services. A major responsibility of this division is to ensure compliance with legal, financial, and policy requirements for purchasing activities. Procurement also conducts ongoing reviews of all office services as part of agency objectives to lower costs.

Achievements in 2003 include continued review of office services and procurement procedures to further agency objectives to reduce costs and working with the Information Technology Division to automate and improve processes and move

toward a paperless procurement environment. Procurement will continue these efforts in 2004.

Planning

The Planning Department works to ensure an integrated regional public transportation system through comprehensive planning and coordination with service providers. In 2002, the Planning Department realigned its structure as part of an agency-wide initiative to align organizational capabilities with functional responsibilities. The department now consists of three divisions with five supporting units. The three divisions are: Planning and Program Support, Oversight and Technology Development and Corridor Planning Studies. The responsibilities and initiatives of each division and their supporting units are outlined below.

Planning and Program Support Division

This division created in 2002 consists of two entities: Market Development and Program Support.

Market Development

Market Development is responsible for developing the annual Regional Technical Assistance Program (RTAP), managing station area planning studies, and developing and managing a program of ongoing surveys related to regional transit usage.

Achievements in 2003 include the presentation of preliminary results of a 2002 Market Survey. In 2004, Market Development will complete an analysis of the data from the 2002 Market Survey.

Market Development will also continue to manage the Regional Transit Assistance Program (RTAP) with 18 projects under its supervision in 2004.

Program Support

Program Support serves as the RTA's liaison with other regional planning bodies, provides department-wide integration, performs user research, and manages the multi-year effort to ensure a comprehensive and coordinated public transportation system for the region - known as the Regional Transit Coordination Plan (RTCP).

In 2003, Program Support worked with other regional planning bodies on development and approval of the 2030 Regional Transportation Plan. The division completed the information & physical coordination study component of the Regional Transit Coordination Plan (RTCP) as well as the service coordination component and began work on the fare coordination component.

The division will also provide design services and support toward the integration of information products including the RTA web site, RTAMS, and information kiosks.

Oversight and Technology Development (OTD) Division

The OTD Division, which consists of three entities: Oversight, Engineering and Technology and System Planning was created in 2002 as a result of an agency realignment of responsibilities between the Finance and Planning Departments.

Oversight

Oversight is responsible for CTA Rail Safety Oversight and capital Project Management Oversight (PMO) for the Service Boards. As the designated oversight agency for safety and security on the CTA's rapid transit system, the RTA assures compliance with the Federal State Safety Oversight Rule for Rail Fixed Guide-way Systems. Ongoing activities include investigation of major CTA rail accidents and annual safety audits.

In 2004, staff will continue to provide oversight for major capital projects and participate in the FTA 2004 Triennial Safety Review of the CTA Rail System Safety Program Plan.

Engineering & Technology Unit

Engineering and Technology is responsible for conducting research and development studies of emerging transit technologies. It manages the development and coordination of technology initiatives in the region, and oversees the demonstration and implementation of these technologies by the CTA, Metra and Pace. The RTA's current technology initiatives include Intelligent Transportation Systems (ITS), and alternative fuel and propulsion technologies.

Achievements for 2003 include the ongoing development of ITS projects such as: Active Transit Station Signs (ATSS), Transit Signal Priority (TSP), Parking Management Guidance Systems (PMGS) and a Regional Transit ITS Plan (RTIP). They also developed a pilot project for implementation of a Multi-Modal Information Kiosk (MMIK) concept for the region. These projects encompass RTA and Service Board technology initiatives that will support the creation of a centralized source of multi-modal travel information for the region, known as the Illinois Transit Hub (ITH).

Initiatives and ongoing activities for 2004 include the field demonstration and evaluation of the ITS projects mentioned above. They will also continue to oversee the implementation of the CTA and Pace transit management systems while developing a real-time bus information system concept.

System Planning

System Planning provides analytic support for investigations of longer-term plans, projects, and policies, which impact the development of the region's transit system. It also leads efforts to develop new tools and techniques and conducts technical reviews in support of capital investment decisions.

Achievements in 2003 include the completion of the model simulation component of the Regional Traffic Simulation for the TSP research project and a redesign and upgrade of the RTAMS database.

For 2004, the division will continue to provide analytic support for planning projects. Work will also continue to improve RTAMS and expand its user base.

Corridor Planning Studies Division

The Corridor Planning Studies Division is responsible for developing and managing RTA led corridor level and regional planning studies of major transit capital investments in the Chicago metropolitan area. Corridor Planning provides direct program and project management for RTA led studies as well as technical, administrative and financial guidance in connection with RTAP Corridor Planning grants.

Achievements for 2003 include the selection of a locally-preferred alternative for the Northwest Corridor and the initiation of the Cook-DuPage Corridor Study and the SouthEast Rail Corridor Study.

Initiatives for 2004 include the continuation the Cook- DuPage Corridor Study in cooperation with IDOT and the continuation of work with the South Suburban Mayors & Managers Association to study transit supportive land use policies and local financing mechanisms for communities along the SouthEast Rail Corridor. The division will also work with the City of Evanston and the Village of Skokie on a travel market analysis for potential new stations along the CTA Yellow Line (Skokie Swift).

Reference

2003 Budget vs. 2003 Estimate

The total operations funding requirement (expenses less revenues) is expected to be even with the 2003 budget of \$16.9 million (Exhibit 3-9).

Reduced office service and other personnel and program costs offset increased pension, legal service and TIC management fees. TIC fees exceeded plan as contractual incentive standards were exceeded.

Office space, building utility and telephone networking expenditures are below those planned for the new office location. Close administration of business travel and consulting services also held costs under budget.

Agency Initiatives and Services

ADA/Special Services Certification and RTA Certification Helpline

The ADA Certification Program conducts interviews and does assessments for applicants requesting a determination for ADA paratransit certification as determined by guidelines established in the *Americans with Disabilities Act (ADA)*. The interviews

and assessments are completed at five sites operated under contract to Community Alternatives Unlimited (CAU), a not-for-profit social service agency. A video is shown at each of the assessment sites to introduce applicants to fixed-route accessibility features and to encourage increased use of fixed-route services by people with disabilities.

An accessibility specialist who reviews customer issues concerning mainline accessible transit services, paratransit accessible services and accessibility information, also provides support to these programs. The accessibility specialist represents the agency on advisory committees established by the CTA, Metra, and Pace and chairs the agency's Advisory Committee on Accessible Transportation and Mobility.

Since November 1993 when the service began, a total of 55,000 certifications have been completed, an annual average of 9,167 certifications. Of that total, more than 31,000 persons currently hold RTA certification. A revised program was implemented in 1999 and became fully operational in 2000. Through the revised program, applicants for ADA paratransit services make appointments through the RTA for interviews and assessments at one of five sites located throughout the six-county region. Each applicant is interviewed by a trained professional; and when necessary, applicants are provided a physical assessment to determine their functional abilities to use the fixed route buses or trains and/or a cognitive assessment. The process helps assure that applicants being certified for ADA paratransit services are truly in need of paratransit.

For more information about special services certification, contact the RTA's Certification Helpline at (312) 663-HELP (4357, voice) or (312) 913-3122 (TTY for the hearing impaired).

Exhibit 3-9: Agency 2003 Budget vs 2003 Estimate (dollars in thousands)

Agency Operations by Expense Element	2003 Budget	2003 Estimate	Variance
Revenues			
RTA Transit Check	\$ 1,500	\$ 1,570	\$ 70
Other Revenue	80	88	8
Total Revenues	\$ 1,580	\$ 1,658	\$ 78
Expenses			
Wages	\$ 5,444	\$ 5,443	\$ 1
Benefits	1,695	2,241	(546)
Other Personnel	278	214	64
Professional Services	712	842	(130)
Management Fees	4,650	4,790	(140)
Office Services	2,729	2,361	368
Programs	2,975	2,671	304
Total Expenses	\$ 18,483	\$ 18,561	(\$ 78)
Total Operations Funding	\$ 16,903	\$ 16,903	—

RTA/CTA Transit Benefit Program

The RTA Transit Check is an employee benefit that promotes system ridership. The checks are vouchers purchased by employers and distributed as a benefit to employees. RTA Transit Checks are used to purchase transit passes for the CTA, Metra, Pace, South Shore Railroad, or vanpool services.

The *Transportation Equity Act for the 21st Century (TEA-21)*, which was signed into law on June 9, 1998, expanded the applicability and acceptance of the RTA Transit Check program.

In an effort to broaden the program's reach, the RTA joined forces with the CTA in July 1999 to jointly market the program as the RTA/CTA Transit Benefit Program. The expanded program allows the region's employers to offer both RTA Transit Checks and CTA fare cards to employees.

A federal Executive Order signed by President Clinton in April 2000 mandated that all Federal Agencies provide a "Transit Benefit" to their employees by October 1, 2000. This mandate further pushed the program numbers to new records for participants and dollar volume growth.

As of January 1, 2002, employers can let employees set aside pre-tax salaries up to \$100 a month (\$1,200 a year) to pay for their commuting costs. By exempting their transit costs from federal, state and local payroll taxes, employees who regularly use public transportation can reduce their taxable income, while employers can reduce their payroll taxes. These changes make the program more attractive for employers and make using the mass transit system more attractive to commuters.

The program since the legislative changes in June 1998 under *TEA-21* has grown dramatically. In 1998, year-end sales were at just under \$9 million. Year-end 2003 sales are projected to be at \$60 million (Exhibit 3-10). The RTA currently has 4,500 participating companies in the region.

For more information about RTA/CTA Transit Benefit Program, call 1-800-531-2828 between 9:30 a.m. and 7:30 p.m. Central Time.

RTA Customer Service Center

The RTA Customer Service Center, located on the second floor level at 175 West Jackson Boulevard in downtown Chicago, provides walk-in customers with maps, timetables and schedules for the CTA, Metra and Pace without charge. The center also sells monthly passes for the CTA and Pace. The Customer Service Center has a telephone with a direct connection to the TIC to provide customers with direct access to this service.

The Customer Service area currently uses electronic kiosks where customers can access and print CTA, Metra and Pace schedules as well as trip plans from the RTA's Internet-based trip planner. In addition, RTA system maps, CTA maps as well as miscellaneous brochures detailing various programs and seasonal services are available to the public. The center also sells both CTA and Pace 30-day passes.

RTA Reduced Fare Program

The RTA Reduced Fare Program allows eligible senior citizens and qualified persons with disabilities to ride RTA services at a reduced fare. There are currently some 307,000 reduced fare permits issued in the six-county region. Call the RTA Travel Information Center at 836-7000 (voice) or 312/836-4949 (TTY) for information on how to apply for a RTA Reduced Fare Card.

The 2004 budget includes funding for the production of 75,000 cards. Service effectiveness is measured by the turnaround time for producing and distributing reduced fared permits. The benchmarks for turnaround time evaluation have been established by

contract and the contractor has continued to meet these requirements.

A reduced fare smart card has been offered as a pilot program since 2000. About 2,200 smart cards are currently being used by reduced fare customers. The "smart card" provides easier access to the fare collection systems of the CTA and Pace for some people with disabilities. Fare values can also be added and deducted from the card. This initiative has been well received by many reduced fare riders.

RTA Travel Information Center

The RTA's Travel Information Center (TIC) is a telephone-based service providing route and scheduling information for the CTA, Metra and Pace. TIC operators, working 20 hours a day from 5 a.m. to 1 a.m., 365 days a year, field an average of 10,000 calls each day. The TIC phone number is 836-7000, and is accessible from every area code in the region.

The performance of the TIC is measured and reported on a daily basis. The most important measure is the call capture rate (calls answered/calls received) which indicates the efficiency of the service. TIC's contract has established a 94 percent call capture rate as the minimum to be maintained each month without a penalty being assessed against the contractor. Conversely, when the call capture rate is above 96 percent, an incentive payment is paid. In 2002, the call-capture rate averaged 96.6 percent, and is estimated to finish 2003 at 95.4 percent (Exhibit 3-11). In 2002, the average response time was 26 seconds.

Exhibit 3-10: **Transit Check Program (in thousands)**

	2000	2001	2002	2003 estimate
Total Face Value	\$30,105	\$38,663	\$57,592	\$60,000
Quantity	625	839	1,102	1,000
New Companies	426	334	375	300

Exhibit 3-11: **TIC (calls in thousands)**

	1999	2000	2001	2002	2003 estimate
Calls Accepted	2,667	2,757	2,742	2,931	3,300
Call Capture Rate	94.1%	96.7%	97.6%	96.6%	95.4%
Average Response Time (sec)	50	27	21	26	26
Average Talk Time (sec)	138	138	134	121	124

Regional Coordination and Technology Initiatives

Intelligent Transportation Systems (ITS)

The RTA's strategy map emphasizes the coordination of transit plans and programs to provide an integrated and efficient regional transit system. A wide variety of ITS technologies have been used by the transit industry to increase both operational efficiency and customer satisfaction. By investigating and testing emerging and existing technologies, the RTA and the Service Boards look to improve the ability to share information and coordinate services for the benefit of the riding public. Projects under development include:

Active Transit Station Signs (ATSS)

ATSS are variable message signs designed to provide real-time "next train" or "next bus" arrival information at transit stations throughout the RTA region. In 2001, the RTA initiated the third phase of a project to provide an operational ATSS demonstration system at four CTA rail locations. In 2002, the ATSS demonstration project was deployed at the CTA-Metra Davis Street station in Evanston, the CTA Cumberland Avenue train station and the CTA O'Hare and Midway Airport stations. In 2002, the demonstration project was expanded and signs were scheduled for placement in selected passenger terminals at O'Hare and Midway airports. The additional signs will provide both transit and highway information. The demonstration project includes the procurement of hardware and software, systems integration and construction. In 2004, staff will undertake the expansion and evaluation of the ATSS system in conjunction with the CTA, Metra and Pace.

Parking Management Guidance Systems (PMGS)

The objective of this project is to promote transit use and ride sharing by suburban commuters through the delivery of accurate real-time parking information. In May of 2000, the RTA conducted the Phase I Feasibility Study to develop functional requirements, standard specifications, design, and a

general deployment strategy for demonstration projects in support of this promising technology. The Phase II study was initiated in 2002 as part of the RTA's Regional Technical Assistance Program (RTAP). In 2004, staff will provide technical oversight for construction, field demonstration and evaluation of two different parking systems at Metra stations in Tinley Park.

Regional Transit Asset Management System (RTAMS)

RTAMS is a central component of the RTA's effort to improve and increase the flow and quality of information to the RTA and Service Board staff and Boards, as well as peer agencies, regional decision-makers, consultants and eventually, the public at large. RTAMS is an Internet-based application that allows users to view and query databases on the region's transit assets and corresponding information in a user-friendly mapping application. The RTA continued to improve RTAMS in 2004 incorporating additional data sources, expanding access, improving the application's user-friendliness, and continuing to develop new user-driven tools. The growth of RTAMS is fully integrated with the development of other numerous RTA-sponsored technology projects, especially the ITS Program.

Regional Transit Intelligent Transportation Systems Plan (RTIP)

The RTIP is the strategic plan for the continued study and development of transit ITS in northeastern Illinois. The plan, which the RTA initiated in June 2000, examines the technological and management capabilities of ITS to improve safety, traveler information, and mobility throughout the region's transportation system. A critical component of the RTIP is the Illinois Transit Hub (ITH). The ITH is intended to be the centralized source for transit information for the region, providing current information to various traveler information systems. This multi-year plan will facilitate real time enhancements to the trip planning services.

Transfer Connection Protection

Transfer Connection Protection (TCP) systems seek to minimize connecting time between transit vehicles by ensuring that pre-scheduled connections are maintained. In addition, TCP has the potential to improve travel safety by reducing the amount of time people spend waiting at bus and train stops. The first phase of this project, which identified the hardware and software requirements for data exchange between carriers and/or vehicles, was completed in May 2000. Further development of the Service Board's transit management systems is required for the second phase to proceed. This second phase will involve the design and testing of a prototype TCP system.

Transit Management Systems

Transit management systems incorporate voice/data communication functions, and computer-aided dispatching and automatic vehicle location (CAD/AVL) technologies to improve the transit operating efficiency, increase service reliability, and ensure schedule adherence. The RTA's role in this project is to support the development of advanced and integrated transit management systems for the Service Boards. The CTA's Bus Service Management System (BSMS) and Pace's Intelligent Bus System (IBS) are being studied to determine feasible integration technologies that will support a regionally compatible real-time bus information system.

Transit Signal Priority (TSP)

Transit signal priority is a tool that can reduce travel times, improve bus schedule adherence, and reduce bus-operating costs, while complementing the region's ongoing efforts to reduce traffic congestion. The RTA is leading the development of regional standards and guidelines for design, procurement, testing, installation, operation, and maintenance of a multi-jurisdictional transit signal priority system. The primary components of this project are the Regional Signal Inventory, the Location Study, and the Technology Study.

Completion of the various elements of the overall integration plan has resulted in

(1) mapping data for more than 6,600 traffic signals in the RTA region; (2) identification of potential transit routes and roadway corridors, and (3) operation impact analysis. The upcoming Technology Study includes current and future demonstration projects by the Service Boards to determine the technical feasibility, operational impacts, and regional standards for signal priority. As part of this study, an operational test plan has been developed for Western Avenue with the cooperation of the Chicago Department of Transportation (CDOT). A field demonstration of TSP in this corridor as well as a demonstration for Pace focusing on its Harvey Transportation Center are scheduled for the 2004 RTAP Program.

Job Access Reverse Commute (JARC)

The RTA's Job Access Reverse Commute (JARC) grant program takes a regional approach to job access challenges through the Chicago Area Transportation Study's (CATS) Regional Job Access and Reverse Commute Transportation Plan. The projects developed through this plan support the implementation of transportation services that may be needed to connect welfare recipients to jobs and related employment activities. All projects funded under the JARC grant program must be derived from the CATS regional plan.

The JARC program has two major goals. The first is to provide transportation services in urban and suburban areas that enable welfare recipients and low income individuals to access employment opportunities. The second is to increase collaboration among the transportation providers, human service agencies, employers, metropolitan planning organizations (CATS), the state and affected communities and individuals.

The RTA is the locally designated recipient of JARC funds for northeastern Illinois. In this capacity, the RTA acts both as a grantee and a grantor of JARC funds on behalf of sub-recipients which include the Chicago Housing Authority and DuPage County. In addition, the RTA has made its JARC clearinghouse funds available to the Work Force Boards in the region through a technical assistance grant.

Regional Technical Assistance Program (RTAP)

Through RTAP, the RTA provides technical and/or financial assistance to various levels of local government for planning projects that support transit services. RTAP's goal is to enhance service delivery and emphasizes a balanced, coordinated, and integrated approach to regional transit planning. RTAP is designed to serve as a technical assistance clearinghouse for various levels of local government by:

- collaborating with local decision makers to share new ideas that increase efficiency, and result in new solutions to current transportation needs;
- focusing regional transit planning resources and expertise to support local transit planning efforts;
- partnering with a consortium of agencies to support and promote increased transit usage;
- bringing together various entities that share common technical problems and concerns; and
- providing partial financial assistance grants.

Northwest Corridor Transit Study

Northwest Corridor Transit Feasibility Study is one of the RTA's principal planning efforts and the largest project included in the RTAP funding category.

The Northwest Corridor study was initiated to examine ways to improve mobility in an area extending from east of O'Hare International Airport west to the Cook County line, centered on the I-90 Northwest Tollway. This study, led by the RTA, is being conducted in partnership with the Illinois State Toll Highway Authority (ISTHA), and the municipalities of Elk Grove Village, Hoffman Estates, Rolling Meadows, Rosemont and Schaumburg.

The Northwest Corridor Transit Phase I Feasibility Study was completed during the year 2000. Working with a consultant, the study participants identified the Northwest Corridor's transportation problems and developed a small set of transportation options that could improve access to jobs and major activity centers in the corridor. These options included bus rapid transit, light rail,

heavy rail, commuter rail, express bus, and high occupancy vehicle (HOV) lanes.

In 2002, the RTA and its partners initiated a series of complementary sub-studies, which will comprise the Phase II-Alternatives Analysis. Phase II will further develop the transportation alternatives, corridor planning standards, and other information necessary for evaluation, recommendation and selection of a locally preferred alternative for the corridor. Work performed during Phase II is intended to help the region compete for the federal transportation dollars necessary to implement the transportation option identified as the locally preferred alternative.

In 2003, the RTA and its partners selected Metra's Outer Circumferential Corridor (STAR Line) as the locally preferred alternative for the corridor. Metra has included the western portion of the STAR Line (Hoffman Estates to Joliet) as part of their package of projects for the federal reauthorization.

Regional Transit Coordination Plan (RTCP)

The RTCP is a multi-year program of complimentary studies aimed at enhancing regional mobility by improving interagency travel opportunities between the CTA, Metra and Pace. This effort complies with RTA's mission to ensure a comprehensive and coordinated public transportation system for northeastern Illinois.

Led by the RTA, in cooperation with the Service Boards and other local planning entities, the RTCP serves as the regional framework for a series of evaluations and recommendations in the areas of physical coordination, service coordination, fare coordination and information coordination.

Several information-gathering efforts related to the market identification component of the RTCP were completed in 2001. These efforts included focus groups and a transfer location study. The transfer location study identified, classified and prioritized the approximately 300 existing locations in Northeastern Illinois where it is possible to transfer between two or more transit operators. Interviews, and focus groups for residents and stakeholders,

Exhibit 3-12: 2004 Agency Statutory Cap
(dollars in thousands)

	Admin
Total Revenues	—
Expenses	\$ 5,756
Funding	\$ 5,756
Statutory Cap	\$ 12,635
Percent under Cap	54.4%

Exhibit 3-13: Agency Budgeted Positions

	2002	2003	2004	2005	2006
By Group					
Board	13.0	13.0	13.0	13.0	13.0
Agency and Regional Services	84.2	84.8	85.2	85.2	85.2
FTE (Temporary Assistants)	2.7	1.9	1.6	1.6	1.6
Total	99.9	99.7	99.8	99.8	99.8
By Organizational Unit					
Managing Services	27.9	27.7	26.2	26.2	26.2
Regional & Governmental Affairs	26.0	26.0	26.6	26.6	26.6
Communications	5.0	5.0	5.0	5.0	5.0
Finance	21.0	22.0	23.0	23.0	23.0
Planning	20.0	19.0	19.0	19.0	19.0
Total	99.9	99.7	99.8	99.8	99.8

clearly identified the need for better coordination of basic transit information and better connections between transit services, so that travelers can best use the entire regional transit system.

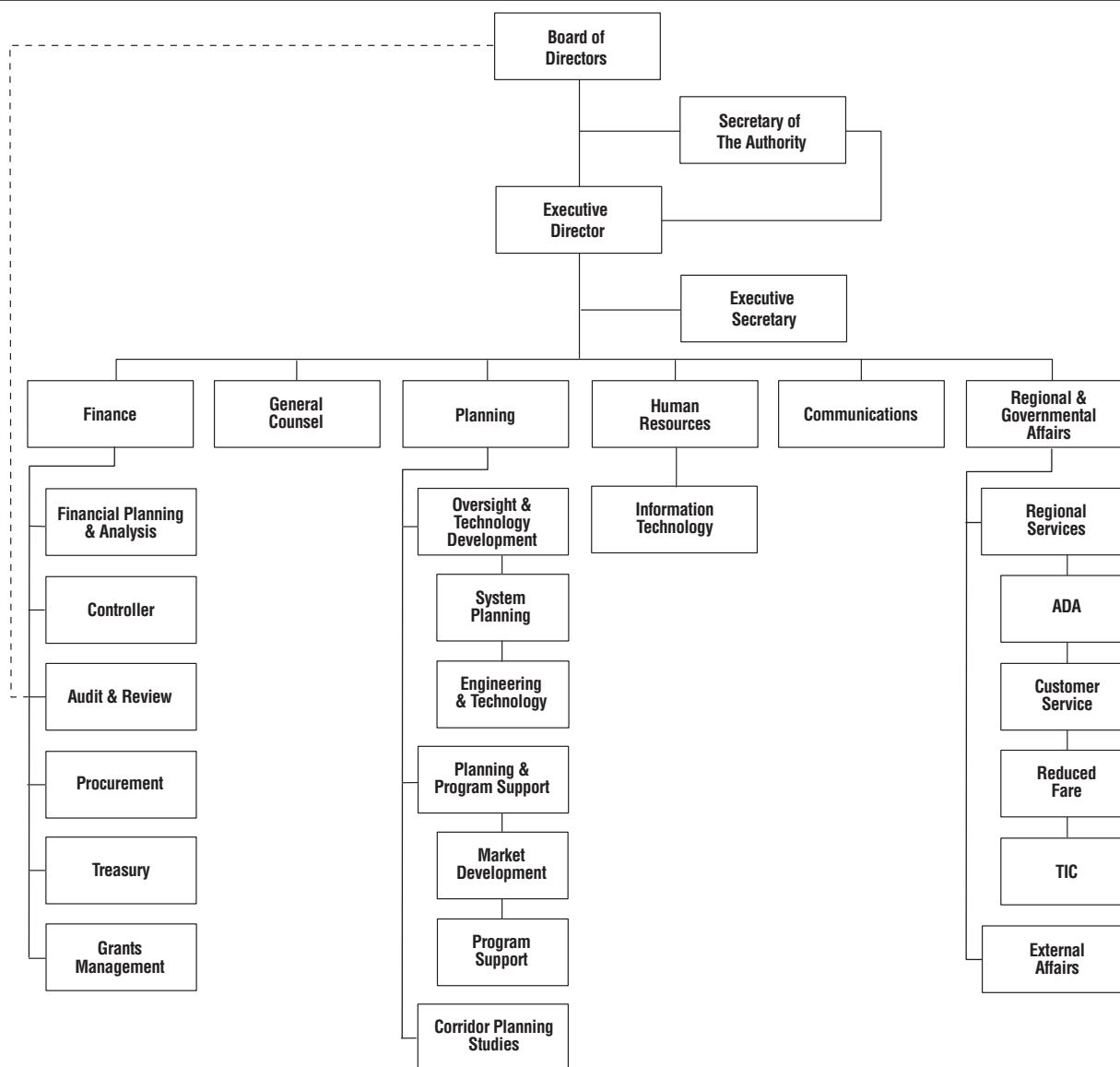
Recognizing that information coordination and physical coordination are complementary, in mid-2001 the RTA initiated an effort to address both issues simultaneously for existing transfer locations. This effort included an assessment of information from the perspective of transferring passengers and field visits to 75 priority transfer locations throughout the region. In 2003, the RTA completed the information and physical coordination and service coordination study components and initiated a fare coordination study.

Agency Statutory Cap

The statutory cap for administrative spending was set at \$5 million in 1985, with a growth rate of 5 percent per year. The 2004 cap allowance is \$12.6 million. The agency spending of \$5.8 million is 54 percent below the administrative cap (Exhibit 3-12).

Organization

Budgeted positions in 2004, including the RTA Board and temporaries, total 99.8 people (Exhibit 3-13). There were no material organizational realignments in 2003. The agency organization chart is presented in Exhibit 3-14. A description of the RTA Board Committees is included as Exhibit 3-15.

Exhibit 3-14: **Agency Organization Chart, Summary by Operating Division**Exhibit 3-15: **RTA Board Committees**

Committee	Description
Administrative	Considers matters relating to the operation of the RTA which are not otherwise within the jurisdiction of another committee including contracting policies, personnel policies and issues, marketing and advertising, and litigation.
Audit	Authorizes and supervises all audits and reviews, considers matters related to investment performance and review of financial controls.
Chairman's Coordinating	Considers matters referred to it by the Chairman of the Board of Directors. The members of this committee are comprised of the Chairman of the Board and the Chairmen of the standing committees of the RTA.
Finance	Considers issues related to revenues and expenses, including the operating budgets and financial programs of the RTA and the Service Boards.
Mobility Limited	Considers ADA Paratransit Certification and other issues relating to the provision of public transportation services to the elderly and persons with disabilities.
Planning	Considers system planning issues, which include the RTA and Service Board capital programs and plans, and special planning studies.

Operating Plan

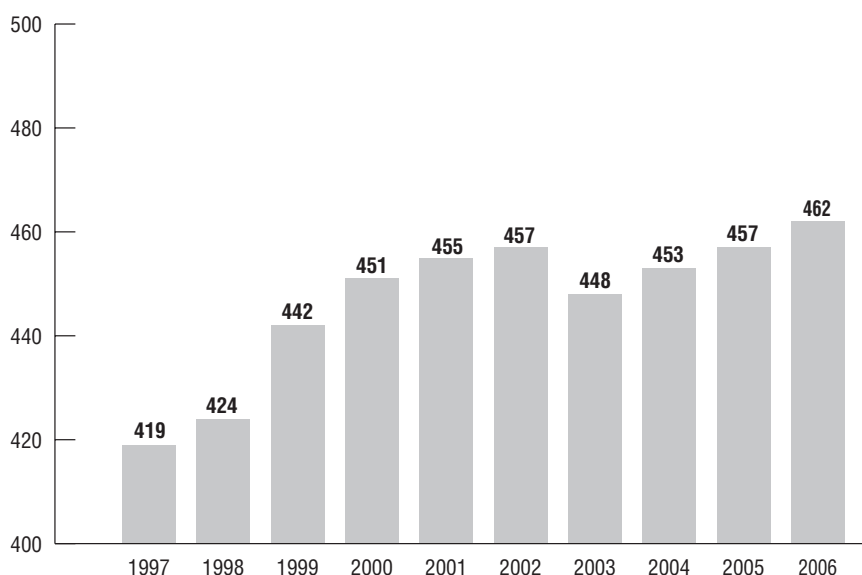
Overview

The Chicago Transit Authority (CTA) was created by the Illinois State legislature in 1945 and began operations in 1947. It became the sole operator of Chicago transit in 1952 when it purchased the Chicago Motor Coach System. The CTA is the region's largest transit operator providing service on 142 bus routes and seven rapid transit routes. The CTA is governed by the seven-member Chicago Transit Board.

Strategic Focus

The CTA's strategic focus is to provide quality, affordable transit services that link people, jobs and communities for present and future times. It includes projects that will rebuild the system, improve the product for its customers, sustain the ridership gains of the past few years and close operating shortfalls. The CTA will be exercising cost controls, reduce its work force, and implementing its first fare increase since 1991. In its 2004 budget, the CTA proposes a fare increase of 25¢, increasing its base fare to \$1.75. To minimize the impact on ridership, prices will remain the same for its multiple-use passes and the price of a transfer will be reduced from 30¢ to 25¢.

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



Ridership

Ridership is estimated at 448.3 million trips by the end of 2003. This is 8.8 million trips or 1.9 percent below 2002 (Exhibit 4-1). The decline in ridership is a direct result of the poor economic climate and higher unemployment levels in 2003 for the metropolitan area. Bus ridership is forecasted at 295.7 million trips in 2003. Compared to 2002, bus ridership is 7.6 million or 2.5 percent lower (Exhibit 4-2). Rail ridership is projected at 150.8 million in 2003 and is lower than the prior year by 1.5 million or 1.0 percent. Paratransit is expected to end the year at 1.8 million trips, 18 percent higher than 2002.

The CTA is the largest transit provider in the region, carrying more than 80 percent of all public transit riders in the City of Chicago and 40 surrounding suburbs. Average weekday ridership is approaching 1.5 million, while Saturday and Sunday average

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

	2000	2001	2002	2003	2004
Bus	302.1	301.7	303.3	295.7	298.1
Rail	147.2	151.7	152.4	150.8	152.6
Paratransit/Taxi	1.2	1.5	1.6	1.8	1.9
Total Ridership	450.5	454.9	457.3	448.3	452.6

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

	2000	2001	2002	2003	2004
Weekday	1,466	1,481	1,481	1,552	1,517
Saturday	848	862	878	912	881
Sunday	557	577	583	606	589

ridership is at 912,000 and 606,000 respectively (Exhibit 4-3).

Service Quality

The CTA has continued to work at improving bus service and upgrading its bus fleets. In 2003, the CTA designed and implemented enhancements to 87 bus routes. Enhancements included extended hours, additional trips to reduce waiting time, adjustments in destinations and route changes to improve access and connectivity. Additional bus service enhancements were introduced to customers in Evanston, Skokie, West Rogers Park, North and South Lake Shore Drive on an experimental basis. These service improvements reflect the growth in these communities and changes in travel patterns due to residential and commercial development.

Added service was made possible, in part, by a more reliable fleet. In late summer 2003, the first of 226 new low-floor articulated, or accordion-style, buses manufactured by North American Bus Industries (NABI) arrived. 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. 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.

Various CTA rail stations also saw improvements in 2003. Stations at Kostner in Chicago and 54th/Cermak in Cicero were the first of the CTA's fully accessible, newly renovated stations completed and opened for customer use. Modern amenities such as island platforms, benches, overhead heaters, canopies, ramps and wheelchair turnstiles provide accessibility, comfort, and convenience.

The CTA also made significant steps in implementing the environmental initiatives across the transit and administrative operations. In 2003, the CTA voluntarily began converting all diesel vehicles (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 emissions. The CTA also reached an agreement with 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.

To provide faster and more convenient service, the CTA implemented a number of service improvements on the rail system in 2003. Enhancements include running longer trains and adding trains to provide more frequent service. The service expansions included:

- Red Line: More frequent Saturday service.
- Blue Line: More frequent weekday service between the O'Hare branch and downtown and between the Forest Park and Cermak (Douglas) branches and downtown.
- 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.

New Services

The CTA began major infrastructure improvements for its rail lines 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, which is projected to be completed in fall

2006. The project will improve signal communications and power substation systems and renovate the line's seven most heavily used rail stations between Cermak Road and 95th Street. Another major project will install new gates and lights at 10 locations along the CTA Yellow Line in Skokie and Evanston. This is the first step toward replacing the overhead catenary power on the Yellow Line. Both initiatives will improve service reliability.

By the end of 2003, CTA rail customers will have access to automated teller machines (ATMs) at 11 rail stations.

New bus shelters were also 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.

CTA has also improved service on many bus routes in 2003 to offer its customers greater flexibility and convenience. These service enhancements included increasing weekday and weekend service hours, adding more buses to fill the expanded schedule, and increasing accessible bus routes with the acquisition of Nova buses. The following is a list of some of the bus routes that have had service improvements:

No.	Bus Route
2	Hyde Park Express
3	King Drive
20	Madison
21	Cermak
30	South Chicago
34	South Michigan
55	Garfield
62	Archer
77	Belmont
129	West Loop/South Loop
145	Wilson/Michigan Express
151	Sheridan
156	LaSalle

Capital Investments

On January 19, 2001, the CTA signed a full-funding grant agreement with the Federal Transit Administration (FTA). With this agreement, the FTA will provide \$384 million toward the \$482 million cost to renovate the Cermak (Douglas) Branch of the Blue Line. On September 10, 2001, the CTA broke ground on the Cermak (Douglas) Blue Line project. The project will take more than four years to complete and the improvements include eight accessible stations and more than five miles of new track resulting in a faster commute. The project is on schedule and on budget through the third quarter of 2003. Currently, two new stations have opened and several miles of new track have been installed without any service interruption. Rail service continues to operate during the week while construction work is in progress. On March 2003, the CTA issued bonds for the first time since 1953 for \$207.2 million to help fund the continuing renovation of the Cermak (Douglas) Branch of the Blue Line.

After federal approval, the CTA plans to begin its multi-year Brown Line capacity expansion project. The Brown Line running between Chicago's Loop and the city's northwest side was originally constructed in the late 1800s and early 1900s. The line is one of CTA's busiest, serving more than 61,000 customers each weekday, with 19 stations from Kimball to the Loop. The goal of the project is to provide fully accessible stations capable of supporting eight-car trains to increase capacity, upgraded power, signal and communication equipment; and reduced 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 will be replaced with new track. This will allow the Orange and Green "L" trains to travel at speeds up to 35 miles an hour increasing the Loop track's rush-hour capacity.

The CTA also broke ground to begin renovating the Paulina Connector. This is the first phase of a project that will provide more transit options for customers. 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.

Even with all of these ambitious initiatives and projects, the CTA still has a great deal of work to do. It needs \$5 billion over the next five years to bring the entire system into a state of good repair. Currently, the CTA has identified approximately \$3 billion toward that goal and must secure an additional \$2 billion to meet its needs. Despite the recent success in acquiring state and federal capital funds, the CTA is still faced with a sizeable list of unmet capital needs.

Today's CTA rail system is centered on the Loop. This works well for Loop-bound trips, but it means indirect service for customers making cross town trips. A proposed Circle Line will connect all of Chicago's transit lines to one another in what amounts to a Super Loop.

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. By further improving connections between CTA and Metra, the Circle Line will create valuable, time-saving shortcuts for customers on multiple bus and rail routes. 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.

Another new initiative involves a proposed bus rapid transit and electric streetcar transit service that will 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.

A number of suburbs have expressed interest in CTA rail service expansion into their communities as well. For example, Skokie is very interested in having the Yellow Line extended from Dempster up to Old Orchard. Oak Brook has inquired into having the Blue Line extended. Additionally, there is interest in having the Orange Line extended from Midway Airport to Ford City, and extending the Red Line further south.

Partnerships

The CTA works to maintain partnerships with many groups. The CTA's efforts to strengthen its relationship with its riders have been discussed previously in this section. The CTA also works to create partnerships with its workforce, vendors, the mobility impaired, the city of Chicago, the legislature and its security agencies.

Workforce

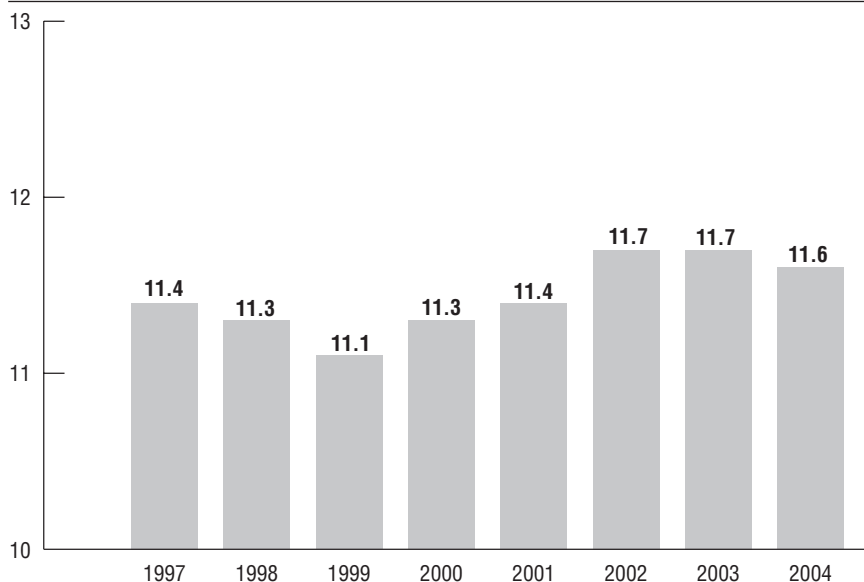
The CTA has stepped up its efforts to attract and retain high caliber employees through job fairs and other recruitment efforts and by updating and refining the process it uses to determine salaries. The CTA has budgeted 11,563 positions for 2004, which makes it one of the largest employers in Chicago. Expanded service is the primary driver for the increased number of budgeted positions (Exhibit 4-4).

The CTA has reached labor contract agreements with all unions including the Amalgamated Transit Union, Local 241, which represents bus operators. That agreement was finalized in November 2003 following binding arbitration.

The CTA together with a leader in the safety industry, DuPont, has 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. The program is expected to save CTA \$51 to \$63 million over a five-year period by reducing safety incidents.

The CTA has partnered with IBM to implement its Enterprise Resource Plan (ERP)

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



system in the beginning of 2004. This system will integrate financial, purchasing, and human resources data systems and allow CTA to better allocate and manage resources. In addition, CTA will implement an enhanced time and attendance system to assist in controlling costs. It will also continue implementing the comprehensive rail and bus vehicle maintenance system that will improve its ability to track maintenance scheduling and resources, saving costs and improving efficiencies.

Vendors

The CTA Purchasing Department follows an aggressive Disadvantaged Business Enterprise Program (DBE) that encourages minority participation in CTA contracts. The CTA has set a minimum level of 30 percent for minority participation for projects requiring outside vendors. The CTA has also pursued cost savings in its purchasing practices by finding lower cost manufacturers. These efforts have saved the CTA several million dollars over the past few years.

Mobility Impaired

To better serve customers with disabilities, the CTA increased paratransit service by implementing its Mobility Direct service. Mobility Direct expands the CTA's Taxi Access Program (TAP) and provides

voucherless subscription service for people with disabilities. Mobility Direct is a curbside subscription service offering a more convenient option for customers who take at least two round trips weekly, enabling the CTA to meet increasing demand for paratransit in a more cost-efficient way. Like TAP, Mobility Direct services are available 24 hours a day, 7 days a week. The program's advantages over TAP include that customers do not have to purchase TAP vouchers in advance or book each trip separately.

City of Chicago

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

Over the past decade, the City of Chicago has provided the CTA with more than \$753 million in capital improvements. This substantial investment in the CTA's infrastructure is vital to obtaining a state of good repair throughout the system.

Chicago's Department of Transportation (CDOT) and the CTA worked together in 2003 rebuilding the bridge over the Dan Ryan at 35th Street and rehabilitating the Sox-35th Street Red Line station. The 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 serving more customers in one day than ever before.

Legislators

The federal full-funding grant agreement for the CTA Blue Line Douglas Branch Reconstruction Project was signed at a formal ceremony on January 19, 2001. Attendees at the signing included: CTA President Frank Kruesi, U.S. Sen. Peter Fitzgerald, U.S. Sen. Richard Durbin, U.S. Rep. Mark Kirk, U.S. Speaker of the House Dennis Hastert, former U.S. Transportation Secretary Rodney Slater, Chicago Mayor Richard Daley, and former U.S. Transportation Deputy Secretary Mortimer Downey. This agreement would not have been possible without Governor George Ryan's *Illinois FIRST* program and the support of the Illinois General Assembly.

Illinois FIRST and the federal *TEA-21* transportation funding authorization have provided the funding that has made the CTA's capital improvements possible. The CTA is one of only two transit agencies in the country that run a 24-hour transit operation. The Metropolitan Transit Authority of New York is the other. The fact that more people are riding the CTA compared to five years ago means customers are choosing public transit and recognizing its value. Managing the money the CTA now has and securing adequate funding in the future are the main financial challenges that the agency faces in the years ahead.

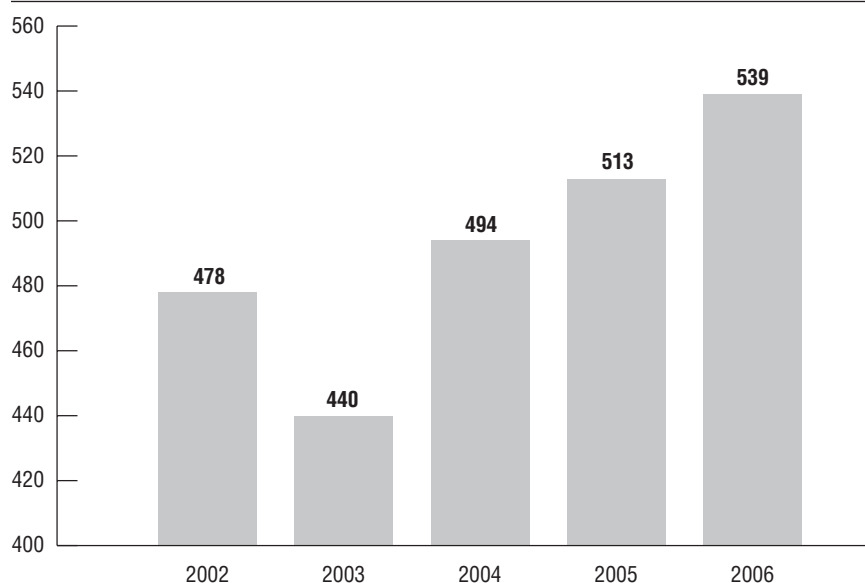
The reauthorization of *TEA-21* is essential for the CTA to obtain funding to meet the future needs of customers. The support the CTA has received from all levels of government acknowledges that public transit is an important part of the solution to regional traffic congestion. *TEA-21* is designed to meet the challenges of improving safety as traffic continues to increase

Exhibit 4-5: CTA 2004 Budget and 2005-2006 Financial Plan (dollars in thousands)

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
System-Generated Revenues					
Passenger Revenue	\$ 383,859	\$ 367,000	\$ 393,562	\$ 420,081	\$ 437,808
Reduced Fare Subsidy	30,197	32,300	32,300	32,300	32,300
Other Revenue	64,198	40,903	67,935	61,042	69,283
Total Revenues	\$ 478,254	\$ 440,203	\$ 493,797	\$ 513,423	\$ 539,391
Operating Expenses					
Labor	\$ 663,577	\$ 662,228	\$ 685,028	\$ 699,381	\$ 716,247
Material	67,931	63,500	66,000	67,500	65,000
Fuel	20,098	23,995	23,000	24,840	24,840
Power	21,062	20,100	22,000	23,000	23,000
Insurance & Claims	39,000	17,568	22,000	19,000	27,000
Purchase of Security Services	24,719	24,800	25,042	25,794	26,567
Purchase of Paratransit Services	36,309	41,000	45,113	46,918	48,325
All Other	46,957	40,500	47,246	48,622	50,044
Total Operating Expenses	\$ 919,653	\$ 893,691	\$ 935,429	\$ 955,055	\$ 981,023
Operating Deficit	\$ 441,399	\$ 453,488	\$ 441,632	\$ 441,632	\$ 441,632
Recovery Ratio % (1)	54.0 %	51.3 %	54.7 %	55.7 %	56.8 %

(1) Items excluded from expenses are security at 15% of reduced fare and 1988 security expenses of \$10,227. In-kind revenues and expenses from CPD of \$22,000 are included.

Exhibit 4-6: CTA System-Generated Revenues (dollars in millions)



at record levels, protecting and enhancing communities and the natural environment as transit agencies provide transportation, and advancing America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

As of November 14, 2003, the federal full-funding grant agreement for the CTA's

Brown Line Ravenswood Branch Reconstruction Project will undergo the required 60-day review by Congress. Built more than a century ago, the Brown Line serves as a vital link between the northwest side and downtown. Along the way, it winds through some of Chicago's historic neighborhoods: Ravenswood, North Center, Wrigleyville, Lakeview, and Lincoln Park.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2004 through 2006, conforms to the established RTA marks set on September 12, 2003. The CTA's operating funding marks were set at \$441.6 million for 2004, 2005, and 2006. The CTA met this target. The CTA's recovery ratio mark was set by the RTA at 52.9 percent for 2004, which the CTA has exceeded in its budget submission. The CTA's statement of revenues and expenses, which includes the recovery ratio, is presented in Exhibit 4-5.

System-Generated Revenues

Total system-generated revenues are expected to increase from \$478 million in 2002 to \$539 million in 2006. This is an increase of \$61 million over the four-year period, which is a 3.1 percent average annual increase. System-generated revenue includes: passenger revenue, reduced fare reimbursement, and other revenue (Exhibit 4-6).

Passenger revenue comprises 79 percent of the CTA's total operating revenues. The reduced fare subsidy and other revenue equally account for the remaining 21 percent (Exhibit 4-7).

Passenger Revenue

Passenger revenue is expected to increase from \$384 million in 2002 to \$438 million by 2006, a \$54 million increase, or 3.3 percent annual growth rate.

Revenues from fares are forecast at \$367.0 million in 2003, a decrease from the prior year of \$17 million. This decrease is attributable to lower ridership and a lower average fare (81.8¢ in 2003 versus 83.9¢ in 2002) as more customers use discounted fare media (Exhibit 4-8).

Higher ridership and a base fare increase of 25¢ is the reason for the projected increase in fare revenues for 2004. Revenue from fares is estimated at \$393.6 million in 2004, which is \$26.6 million higher than the 2003 forecast.

The CTA expects to collect \$420.1 million in fare revenue during 2005, a 6.7 percent increase over the 2004 operating budget. The average fare is expected to increase by approximately 5¢ or 5.8 percent, and ridership is expected to be 4.3 million higher or 0.1 percent.

Fare revenue is projected at \$437.8 million in 2006, an increase of 4.2 percent. This increase is due to projected ridership growth of 1.2 percent.

The CTA fare structure is shown in Exhibit 4-9. The full base fare is \$1.75 per ride, an increase of \$0.25 or 16.5 percent from previous base fare of \$1.50. Reduced fare rides would increase \$0.10 to \$0.85. There will be no change in pass prices.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 that provided funds to reimburse the CTA for the cost of providing reduced fares for the elderly, students, and the disabled. The fare reimbursement is included as revenue and became available in July 1989. In the state's 2004 fiscal year budget, the appropriation for reduced fare for the RTA region is \$40 million, less a 2 percent reserve of \$0.8 million. These funds are split between the three Service Boards based on their reduced fare revenues. The CTA estimates its share at \$32.3 million per year from 2004-2006.

Exhibit 4-7: **2004 CTA Revenues—\$494 Million**

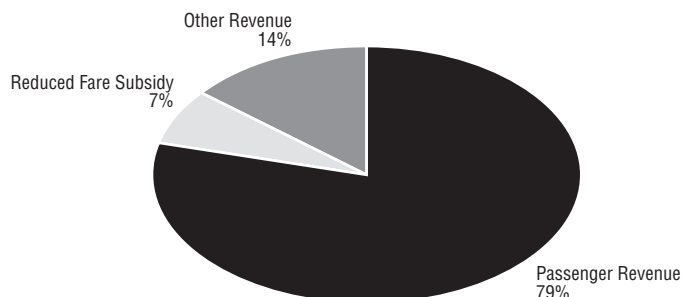


Exhibit 4-8: **CTA Average Fare Calculation (Revenue and Ridership in thousands)**

	2002	2003	2004	2005	2006
Passenger Revenue	\$ 383,859	\$ 367,000	\$ 393,562	\$ 420,081	\$ 437,808
System Ridership	457,271	448,386	452,653	456,953	462,528
Average Fare	\$ 0.839	\$ 0.818	\$ 0.869	\$ 0.919	\$ 0.947

Exhibit 4-9: **CTA Fare Structure**

	Full	Reduced
Basic Cash Fare and Transit Cards	\$ 1.75	\$ 0.85
Paratransit Special Services	\$ 1.75	None
Chicago Taxi Access Program Voucher	\$ 1.75	None
First Transfer W/Fare Card (1)	\$ 0.25	\$ 0.15
Full Fare Chicago Card	\$ 1.75	\$ 0.85
Transit Card Packs (2)		
Ten-Pack	\$ 15.00	None
Twenty-Pack	None	\$ 13.50
Passes		
1-day	\$ 5.00	None
7-day	\$ 20.00	None
30-day	\$ 75.00	\$ 35.00
Visitor Passes		
1-day	\$ 5.00	None
2-day	\$ 9.00	None
3-day	\$ 12.00	None
5-day	\$ 18.00	None
Link-up Pass (3)	\$ 36.00	None
Express Surcharge (4)	\$ 0.25	\$ 0.25
Rush Shuttle Fares (5)	\$ 1.00	None
128 Soldier Field Express	\$ 1.00	\$ 0.50
154 Wrigley Field Express (6)	\$ 5.00	None

Comments: (1) Second transfer within two hours is free; (2) Sold at Jewel, Dominick's, Cub Foods, Currency Exchanges, and the Internet; (3) Sold by Metra; use with Metra monthly ticket; (4) Downtown on bus routes 2, 6, 14, and 147; (5) To/from downtown Metra stations during rush hour; (6) Per carload. Note: Reduced fares are for children 7 through 11 years old. Grade and high school students with CTA riding permit. Seniors age 65+ and riders with disabilities with RTA reduced fare riding permit.

Other Revenue and Investment Income

This category includes: advertising, charters, concessions, contributions from local governments (Chicago-\$3 million and Cook County-\$2 million), investment income, the provision for paratransit services under contract, and other revenue (Exhibit 4-10). Revenue for this category was approximately \$64 million in 2002, and is expected at \$69 million in 2006. Reasons for this increase include more lease transactions and other revenue enhancement strategies.

Operating Expenses

Total operating expenses are forecast to increase from \$920 million in 2002 to \$981 million in 2006. This \$61 million increase equals a 1.6 percent annual compound growth rate (Exhibit 4-11).

Calendar year 2003 operating expenses are estimated at \$893.7 million. This is 2.8 percent lower than the 2002 actual expense of \$919.7 million. The expense decrease is due mainly to lower insurance and claims expenses.

The 2004 expense budget of \$935.4 million is 4.7 percent higher than the 2003 projected results. As in 2003, higher labor expenses represent the major increase.

The 2005 and 2006 financial projections show operating expenses of \$955.1 million and \$981.0 million, respectively. The 2005 financial projection represents an increase of 2.1 percent over the 2004 operating budget. The 2006 financial projection represents an increase of 2.7 percent over the 2005 budget. These increases are primarily attributable to higher projected labor costs.

Expense Elements

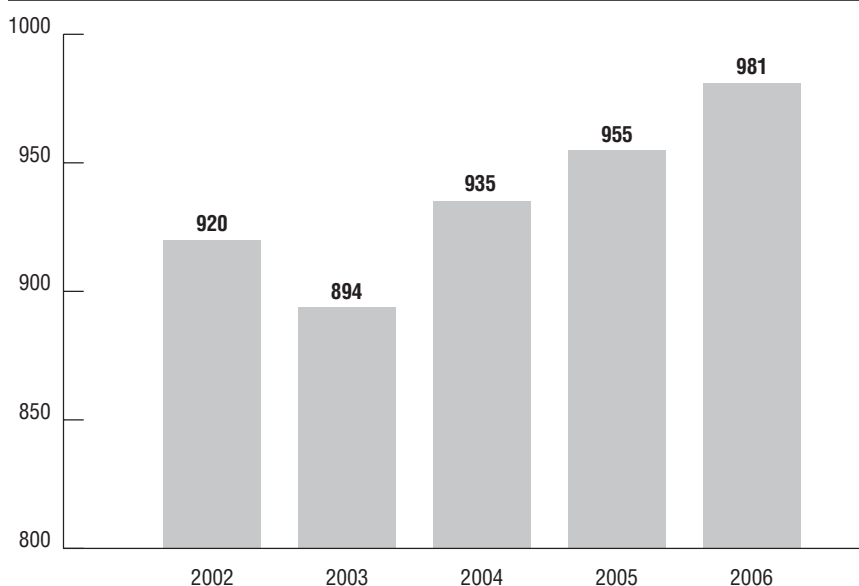
Operating expense components include labor, material, fuel, power, insurance/claims, security, paratransit services, and other. Labor expenses, including fringes, represent 74 percent of the CTA's total expenses. Base wages represent about two thirds of that total, while fringe benefits, which are primarily medical insurance and pension costs, represent the remaining one third. Materials, used primarily for maintenance, are 7 percent of total expenses.

Exhibit 4-10: All Other Revenue (dollars in thousands)

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
All Other Revenues					
Advertising, Charter, & Concessions	\$ 21,340	\$ 22,000	\$ 24,250	\$ 26,250	\$ 30,750
Investment Income	4,613	2,415	3,000	3,000	3,000
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue (1)	33,245	11,488	35,685	26,792	30,533
Total All Other Revenues	\$ 64,198	\$ 40,903	\$ 67,935	\$ 61,042	\$ 69,283

(1) Includes provision for paratransit revenue of \$18,045 in 2004, \$18,767 in 2005, and \$19,330 in 2006.

Exhibit 4-11: CTA Total Operating Expenses (dollars in millions)



Fuel and power represent 4 percent of the CTA's expenditures. Insurance and claims represent 2 percent of total spending. Paratransit services, security, and other expenses comprise the remaining 13 percent. The other expense category includes items such as lease, utility, and contractual services (Exhibit 4-12).

Labor Costs

Labor expenses are expected to increase from \$664 million in 2002 to \$716 million in 2006. This is a \$52 million increase or a 1.9 percent compound annual growth rate. Wage and health insurance increases contribute to the higher expenses (Exhibit 4-13).

Labor expense for 2003 is estimated at \$662 million; this is \$1.4 million and slightly less than last year. The CTA has reached labor contract agreements with all unions including the Amalgamated Transit Union, Local 241, which represents bus operators. That agreement was reached in

November 2003 following arbitration.

Labor Expenses are projected to increase in 2004 even though no new positions were added to the budget. Labor expenses are forecast to cost \$685.0 million in 2004, an increase of \$22.8 million or 3.4 percent over 2003. This increase is due to a combination of wage increases to accommodate expenses for cost of living, health insurance and workers' compensation. Overall, labor expenses of \$699.4 million in 2005 and \$716.2 million in 2006 are projected to rise 2.1 percent and 2.4 percent, respectively. This is the result of increases in labor rates, health insurance and workers' compensation expenses.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expense is forecast at approximately \$63.5 million in 2003, \$66 million in 2004, \$67.5 million in 2005, and \$65 million in 2006.

Fuel

The CTA estimates fuel expense at \$24.0 million for 2003. The assumption is 22.0 million gallons at \$1.09 per gallon (Exhibit 4-14). The cost per gallon is higher than 2002 actual results.

The CTA forecasts the need for 21.4 million gallons of diesel fuel in the 2004 budget. Due to the uncertainty surrounding energy prices, the CTA estimates the cost of fuel to be about \$1.08 per gallon. The 2005 and 2006 financial projections hold diesel fuel costs steady at \$1.08 per gallon, the same cost budgeted for 2004. This assumes the purchase of more than 23 million gallons.

Power

Electric power expense for the rail system is forecast at \$20.1 million in 2003, which is \$1.0 million less than the prior year. This decrease largely reflects lower consumption due to facility energy efficiencies and construction on the system.

Expenses for power increase by \$1.9 million in 2004 and by another \$1.0 million in 2005. Power costs remain steady in 2006.

Insurance and Claims

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 is \$17.6 million and is lower from the prior year by \$21.4 million.

The 2004 Funding of the Provision for Injuries and Damages is \$22.0 million versus an estimate of \$17.6 million for 2003. In 2005 and 2006, the CTA projects this expense to be at \$19 million and \$27 million.

As shown in Exhibit 4-15, the CTA expects to reduce its bus and rail accidents per 100,000 over the next couple of years. This will help the CTA reduce its reserve for injuries and damages.

Purchase of Security Services

Security coverage is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. This service is provided by the Chicago, Evanston and Oak Park Police depart-

Exhibit 4-12: 2004 CTA Operating Expenditures—\$935 Million

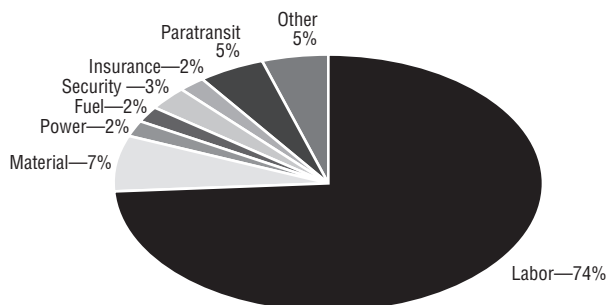


Exhibit 4-13: CTA Labor Expense Growth (in thousands)

	2002	2003	2004	2005	2006
Labor Expense	\$ 663,577	\$ 662,228	\$ 685,028	\$ 699,381	\$ 716,247
% Change from Prior Year	5.4 %	0.0 %	3.4 %	2.1 %	2.4 %

Exhibit 4-14: CTA Fuel Cost per Gallon (Cost and Gallons in thousands)

	2002	2003	2004	2005	2006
Fuel Cost	\$ 20,098	\$ 23,995	\$ 23,000	\$ 24,840	\$ 24,840
Gallons	22,684	22,000	21,400	23,000	23,000
Cost Per Gallon	\$0.886	\$1.091	\$1.075	\$1.080	\$1.080

ments, the Wells Fargo Guard Service and National K-9 Security service.

Expenses are forecast at \$24.8 million in 2003, which represents a \$0.1 million increase from prior year (Exhibit 4-16). The events of September 11, 2001 have forced the CTA to re-evaluate its security coverage. After the terrorist attacks in New York and Washington D.C., the CTA has expanded security deployed throughout the system to protect customers and employees. The 2004 budget is \$25 million and for 2005 and 2006, security expenses are expected to increase \$0.8 million each year. Increased costs are due to inflation and greater coverage.

Purchase of Paratransit Services

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

the door-to-door service provided by three carriers and by taxicab companies in the CTA's paratransit program continues to increase this expense (Exhibit 4-17).

Expenses for paratransit service are projected at \$41.0 million in 2003, which is \$4.7 million or 12.9 percent more than prior year. Paratransit trips are forecast at 1.4 million trips for the current year, an increase of approximately 112,000 trips over the previous year. Almost all of this growth has occurred in the door-to-door service provided by the special services' carriers.

Purchase of paratransit services is expected to increase by over 5 percent annually from 2004-2006 reflecting increased service demand and inflation. The CTA continues to increase accessibility of mainline services for customers with disabilities. By year-end 2004, 100 percent of its buses will be accessible. Additionally, the CTA is continuously improving its rail stations to be more ADA compliant and has established a zero tolerance policy for lift failures.

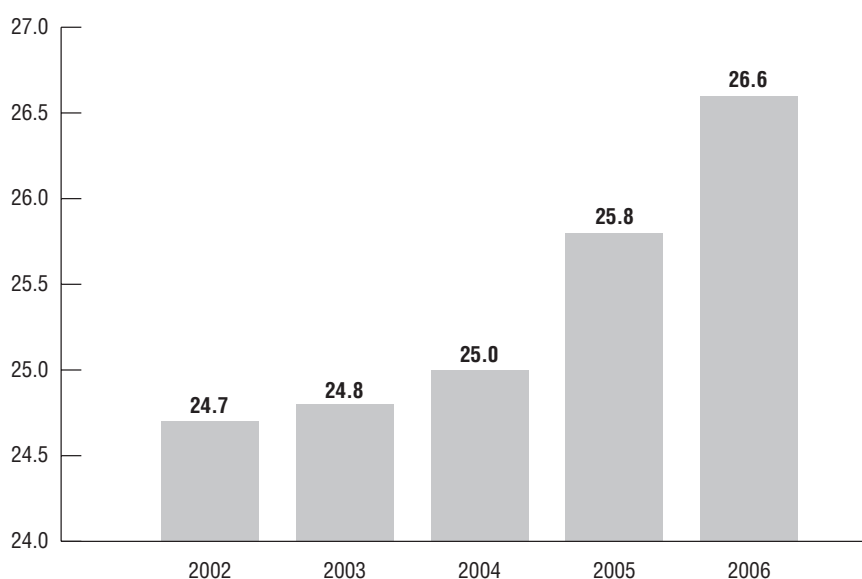
All Other Expenses

Other Expenses include utilities, rents, maintenance and repair, advertising, com-

Exhibit 4-15: CTA Claims and Safety Statistics (dollars in thousands)

	2002	2003	2004
Claims Reserve	\$ 39,000	\$ 17,568	\$ 22,000
Bus Accidents per 100,000 Miles	6.20	6.00	5.90
Rail Accidents per 100,000 Miles	0.10	0.09	0.09

Exhibit 4-16: CTA Purchase of Security Services (dollars in millions)



missions, consulting, insurance, and other general expenses. The current 2003 forecast equals \$40.5 million and is lower than prior year by \$6.5 million or 13.8 percent (Exhibit 4-18).

The 2004 budget is \$47.2 million, which is higher than the 2003 estimate by \$6.7 million. The increase is due to increased contractual services. Expenses for other services are forecasted to rise in 2005 and 2006 above 2004 levels as a result of inflation.

CTA Capital Impact on Operations

The CTA spent \$491 million on capital programs in 2002. The CTA is expected to spend over \$1.5 billion from 2002-2004 (Exhibit 4-19).

Bus System

The CTA's goal is to keep no bus in service past the industry standard retirement age of 12 years. In special circumstances, buses may be kept in service 14 years, but extension beyond 14 years 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.

The CTA's articulated bus fleet also continues to be improved. These buses carry more passengers than a standard 40-foot bus, and are used on CTA's most heavily traveled routes. CTA entered into a contract with North American Bus Industries (NABI) during 2001 for the procurement of up to 226 fully accessible articulated buses. As of November 15, 2003, the CTA has received delivery of 79 out of 226 new-low articulated, or accordion-style, fully accessible buses. The new bus purchase demonstrates CTA's commitment to its customers by providing new, air conditioned, and fully accessible buses.

Over the next five years, the CTA plans to spend over \$147 million on additional purchases of new low floor and air conditioned buses. By year-end 2004, the CTA will have its entire bus fleet air con-

ditioned and fully accessible. These buses will primarily be used to replace models that entered service in 1985-1991. Replacing this outdated equipment will increase the comfort for thousands of CTA customers.

Other customer-focused improvements to the CTA's existing buses are also on the capital agenda. The CTA has completed Operation Clearview on the bus fleet. This program utilizes a protective plastic coating to minimize damage done to window glass by vandals. Operation 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 announcement system on the bus fleet and will continue the bus preventive maintenance program aimed at reducing costs and improving service.

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

The CTA plans to spend \$26.6 million in 2004-2008 to conduct mid-life overhauls on buses. The CTA will continue bus overhaul initiatives in 2004 to the Flxible (Series 6000) buses. Beyond 2004, the 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.

Rail System

Using *TEA-21* and *Illinois FIRST* funds, the reconstruction of the Blue Line's Cermak (Douglas) Branch will continue into 2004. In addition to funds already spent, a total of \$261 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 track work, as well as the purchase and

Exhibit 4-17: **CTA Paratransit Cost and Statistics**

	2002	2003	2004
Total Cost of Paratransit Services (in thousands)	\$ 36,309	\$ 41,000	\$ 45,113
Average Cost per Trip	\$ 23.12	\$ 22.29	\$ 23.36
Number of Trips (in thousands)			
Paratransit	1,283	1,395	1,465
Taxi	287	444	466
Average Cost per Trip by Mode			
Paratransit	\$ 25.54	\$ 25.86	\$ 26.51
Taxi	\$ 13.08	\$ 13.14	\$ 13.47

Exhibit 4-18: **CTA All Other Expenses (dollars in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
All Other Expenses					
Utilities	\$ 18,026	\$ 16,866	\$ 16,827	\$ 17,336	\$ 17,856
Maintenance and Repair	15,888	11,922	12,900	13,290	13,689
Advertising and Promotion	1,144	2,451	4,461	4,596	4,734
Contractual Services	16,043	15,194	16,713	17,179	17,656
Provision for Passenger Security	4,413	4,826	4,845	4,992	5,141
Leases and Rentals	8,257	7,575	7,812	8,048	8,290
Travel, Training, Seminars, and Dues	930	2,765	2,965	3,054	3,146
Warranty and Other Credits	(20,776)	(23,162)	(21,852)	(22,524)	(23,200)
General Expenses	3,032	2,063	2,575	2,651	2,732
Total All Other Expenses	\$ 46,957	\$ 40,500	\$ 47,246	\$ 48,622	\$ 50,044

Exhibit 4-19: **CTA Capital Statistics (dollars in thousands)**

	2000	2001	2002	2003	2004
CTA Total Capital Expenditures	\$ 280,406	\$ 355,873	\$ 491,038	\$ 497,445	\$ 551,355
CTA Bus Vehicles	1,863	1,919	2,011	1,991	2,039
Average Age of Buses (in years)	10.0	8.7	8.4	9.4	8.5
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	16.9	18.0	19.0	20.0	21.0
Bus Routes Offering Lift Service	73	78	125	132	149
ADA Accessible Stations	50	64	64	71	72

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. Re-configuration of track work 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 CTA's proposed Circle Line. The Circle Line project will add three segments

of new track and 11 new or rebuilt stations to CTA's system. The 6.6 miles of new elevated and subway tracks would allow the 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 so that this project can meet federal funding requirements.

The CTA Brown Line serves about 49,000 customers each weekday. The CTA is planning to expand capacity on this 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 \$104.8 million in 2004. 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 13 will have elevators installed to improve station accessibility for all customers. The other three stations are at-grade and will be made accessible through the use of ramps. Also, signal, electrical and communications upgrades will be made. 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 the Belmont Station. The rehabilitation effort consists of replacing sections of track, installing special track work, and upgrading third rail power, communications and signal systems.

The five-year capital improvement program allocates \$497.4 million for the purchase of 706 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 by the time new replacement cars are received. The schedule replacement of cars that are beyond their expected service life continues the CTA's effort in the rebuilding of the rail car fleet and improving rail car accessibility for all of the 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. The CTA's 2004-2008 capital program also sets aside \$215.5 million in projected funding during the next five years for the overhaul and upgrade of the CTA's rail fleet.

The CTA will complete and continue overhaul initiatives in 2004 that include a targeted overhaul of the 2400 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. The CTA's preventive maintenance program

raises the level of commitment to overhaul railcars. Through December of 2002, 42 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.

The Dan Ryan Branch of the Red Line has not had any major rehabilitation work since it was built more than 30 years ago. This line serves more than 55,000 customers per weekday with nine stations. This project will provide for station upgrades, reconstruction of a bus bridge and bus turnarounds, as well as track and signal system replacement. The 2004-2008 capital program allocates \$80.2 million in 2004 for continuing design and construction work and \$29.5 million to complete construction in the five-year program. The total project cost is \$304 million.

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, \$31.8 million will be budgeted in 2004 to provide improvements and upgrades to the CTA's rail system infrastructure. A viaduct at Main Street on the Evanston Purple Line will be reconstructed in 2004. The design and reconstruction of an additional Evanston Purple Line viaduct is also included the five-year program. Footwalks used by maintenance staff and by passengers in case of emergencies will be replaced/renewed. Right-of-way, ties, track, and structure will be replaced, eliminating slow zones and maintaining heightened service standards. The CTA will also replace and upgrade power distribution and support structures for \$208.7 million over the five-year plan using a recently completed system master plan.

Facility Improvements

The CTA will spend more than \$115.1 million on facility improvements in 2004, including upgrades to its buses. In the five-year program, \$389.6 million is allocated to construct or improve CTA support facilities.

The 2004 Budget includes an additional \$37 million to repair and renovate the elevators and escalators in the CTA's stations throughout the system including escalators on the Red Line. Escalators facilitate the transfer of passengers from station to street and in the downtown area, from one rail line to another. Many of these escalators exceed the average service life of 20 years; others need extensive mechanical overhaul to bring them to a state of good repair.

System-wide Improvements

The 2004 program includes an additional \$85.7 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, \$34 million is included

for communication projects to enhance the safety and security of CTA's customers and CTA's employees.

Deficit and Funding

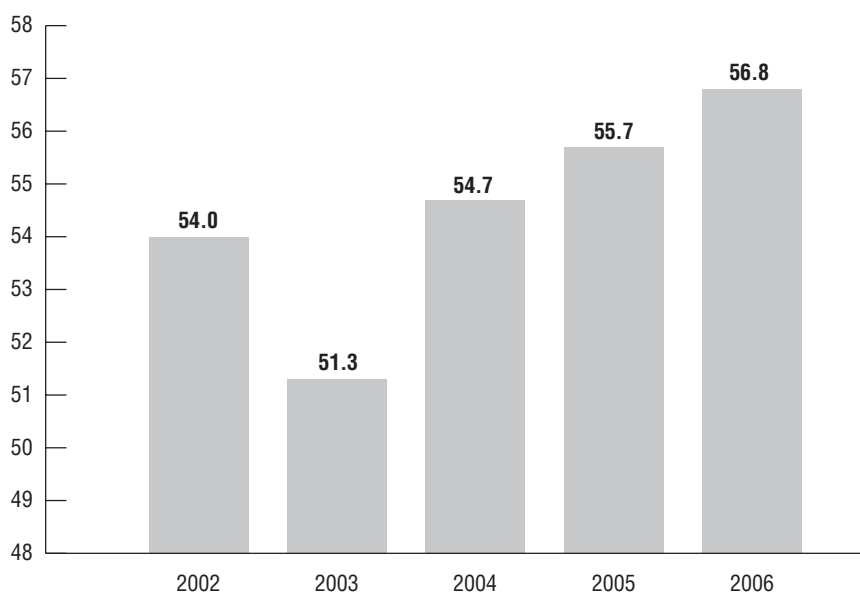
System-generated revenues (fares and other revenue) generally total slightly more than one-half of the CTA's operating budget, with the remainder covered by public funding from the RTA.

The RTA funds the budgeted operating deficits of the Service Boards. The operating deficits are derived from total system-generated revenues minus total operating expenses. RTA sales tax and RTA discretionary funding represent the major sources of public funds to the CTA and are usually slightly less than one-half of the CTA's operating budget.

Recovery Ratio

The CTA's recovery ratio equals system-generated revenues divided by system operating expenses less certain exclusions. The CTA forecasts that it will achieve a recovery ratio of 54.7 percent in 2004, higher than the 52.9 percent mark set by the RTA. Since 1989, the CTA has used 15 percent of the funding from the state's reduced fare reimbursement to cover some security costs. This particular amount is excluded from expenses when calculating the recovery ratio.

Exhibit 4-20: CTA 2002-2006 Recovery Ratio (percent)



There are two factors that affect the 2003 estimate and 2004-2006 plan which increase the recovery ratio. The first is the inclusion of in-kind services for security provided by the Chicago Police Department. This amount is equal to \$22 million and is included as both a revenue and expense in the recovery ratio calculation. The second is the exclusion of additional security expenses from the recovery ratio. Starting in 2002, the CTA's 1988 security expenditures of \$10.2 million are being excluded from the recovery ratio as per Section 27a of the *Metropolitan Transit Act*.

The CTA's recovery ratio was 54.0 percent in 2002, and is expected to be at 51.3 percent in 2003. In 2004 and 2005, the CTA recovery ratio is expected to be at 54.7 percent and 55.7 percent, respectively. The ratio is at 56.8 percent in 2006 (Exhibit 4-20).

Reference

2003 Budget vs. 2003 Estimate

The CTA expects a balanced budget for 2003.

Revenues

Revenues from fares are forecast at \$367.0 million and compare unfavorably to the budget by \$9.1 million or 2.4 percent. 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 82¢, which is 0.6 percent lower than budget. The economic slowdown continues to be the primary reason behind the decline in fare revenue (Exhibit 4-21).

The reduced fare subsidy is the State of Illinois' reimbursement to the CTA for providing discounted fares to disabled, elderly, and student customers. The reduced fare reimbursement is projected at par with bud-

get. Ridership for reduced fare customers, however, continues to exceed prior year.

Other revenue is expected to be \$21.7 million unfavorable to plan.

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

Revenues from advertising, charter, and concessions are projected to be below budget by \$2.6 million. This short-fall is due to lower investment by businesses in advertising as a result of a soft economy.

Investment income is estimated at \$2.4 million, \$2.4 million 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.

Remaining revenues in this category are projected at \$11.5 million, which is \$16.7 million lower than budget. The reduction reflects lower lease transaction revenue and surplus property sales.

Expenses

Calendar year 2003 operating expenses are estimated at \$893.7 million and are projected to be favorable to the budget by \$30.9 million or 3.3 percent. All expense categories are expected to finish the year under budget except for the provision for fuel, and paratransit. The expense reductions are related to the cost containment strategies implemented to ensure that the CTA achieves a balanced budget in 2003.

Labor expense is projected at \$662.2

Exhibit 4-21: CTA 2003 Budget vs 2003 Estimate (dollars in thousands)

	2003 Budget	2003 Estimate	Variance
System-Generated Revenues			
Passenger Revenues	\$ 376,132	\$ 367,000	(\$ 9,132)
Reduced Fare Subsidy	32,300	32,300	—
Other Revenue	62,646	40,903	(21,743)
Total Revenues	\$ 471,078	\$ 440,203	(\$ 30,875)
Operating Expenses			
Labor	\$ 686,912	\$ 662,228	\$ 24,684
Material	67,466	63,500	3,966
Fuel	22,375	23,995	(1,620)
Power	21,296	20,100	1,196
Insurance & Claims	17,568	17,568	—
Purchase of Security Services	24,813	24,800	13
Purchase of Paratransit Services	37,214	41,000	(3,786)
All Other	46,922	40,500	47,246
Total Operating Expenses	\$ 924,566	\$ 893,691	\$ 30,875
Operating Deficit	\$ 453,488	\$ 453,488	—
Recovery Ratio %	52.9 %	51.3 %	1.6 pts.

Exhibit 4-22: **Chicago Transit Authority Sources of Public Funding (dollars in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
85% Sales Tax	\$ 256,374	\$ 256,997	\$ 265,107	\$ 273,474	\$ 283,469
RTA Discretionary Funds	185,258	196,491	176,525	168,158	158,163
Total Funding	\$ 441,632	\$ 453,488	\$ 441,632	\$ 441,632	\$ 441,632

million and is \$24.7 million or 3.6 percent below budget. The decrease in labor expense is related to the implementation of cost containments and operational efficiencies. Overtime was managed very tightly and vacancies that were not service related were not filled. Additionally, more labor was charged to capital budgets due to the extraordinary amount of capital work underway. Labor will be the main cost driver for 74 percent of CTA's expenses in 2003 and beyond.

Material expense is forecasted at \$63.5 million, \$4.0 million or 5.9 percent favorable to the budget. The reduction in material expenses is associated with lower maintenance parts and components usage. This is related to the ongoing 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 million. This is \$1.6 million or 7.2 percent higher than budget. The 2003 budget assumed an average price of \$1.00 per gallon and 22 million gallons. Fuel prices and consumption have been running above budget and are estimated to end the year at an average price of \$1.09 and 22 million gallons. Higher fuel expenses were seen during 2003 due to following: the switching to ultra low-sulfur fuel to reduce emissions, the war in Iraq, and an oil strike in Venezuela, a major supplier of oil to the U.S.

Electric power expense for the rail system is forecasted at \$20.1 million or \$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 is \$17.6 million and is on par with budget.

Security is strategically deployed throughout the system to provide 24-hour coverage, seven days a week. This service is provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expense is estimated at \$24.8 million, and on par with budget. In addition to the services contracted by CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide dedicated services to CTA at an estimated cost of \$22 million.

The purchase of paratransit expense is estimated at \$41 million, \$3.8 million or 10.2 percent higher than budget. Paratransit trips are projected to finish the year at 1.8 million trips, 280,866 trips or 18 percent over the 2003 budget. This curbside service is provided by three carriers and taxicab companies.

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 expenses resulted primarily from a higher allocation of overhead and fixed expenses to capital projects, lower heating costs as a result of lower natural gas prices, and lower data processing, accounting, engineering, and other consulting services as a result of stringent financial controls placed on all business units.

The recovery ratio, which measures the amount of operating expenses that the CTA funds from the revenues it generates, is forecast at 51.3 percent, which is below budget by 1.6 percentage points.

RTA Public Operating Funds

The RTA sales tax is a primary source of the CTA's operating funding. The RTA retains 15 percent of the sales tax funds, and passes on the remaining 85 percent to the service boards. The CTA receives 100 percent of the RTA sales tax dollars collected in Chicago and 30 percent of the sales tax dollars collected in suburban Cook County. The CTA's sales tax proceeds are projected to grow at an annual rate of 2.6 percent between 2002 and 2006.

RTA discretionary funds for the CTA are expected to range between \$185 million and \$158 million from 2002 to 2006. Apportionments from the RTA's 15 percent share of the sales tax revenue and the state's public transportation fund (PTF) are the primary sources of the RTA's discretionary funds (Exhibit 4-22).

System Description

The CTA operates the second largest public transportation system in the United States. Average weekday ridership is slightly below 1.5 million. In 2003, 448.4 million trips are projected.

The CTA's service area is composed of the 220 square miles of the City of Chicago and 40 surrounding suburbs.

The CTA has 1,993 buses operating over 143 routes, making more than 24,031 weekday trips. On the rail system, the CTA has a fleet of 1,190 rapid transit cars operating over seven routes. The CTA contracts with three carriers and taxicab companies to provide door-to-door service for riders with disabilities. In 2003, about 1.5 million paratransit and taxi trips are projected.

Operating Data

The CTA expects its ridership levels to increase by a compound growth rate of 0.3 percent from 2002 through 2006. Total vehicle miles in 2003 increase from 2002. The CTA expects vehicle miles to remain flat from 2004 through 2006 (Exhibit 4-23).

Exhibit 4-23: **CTA Ridership and Miles (Riders and Miles in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Ridership	457,271	448,386	452,653	456,953	462,528
Vehicle Miles	130,795	133,601	133,601	133,601	133,601
Passengers Per Mile	3.5	3.4	3.4	3.4	3.5

Statutory Compliance

The RTA Act requires that each Service Board must meet the six criteria, which are detailed in the Regional Section, for approval of its budget. The CTA budget, as submitted, meets each of the criteria.

Historical Perspective

1859 marked the beginning of mass transportation in Chicago. This early service used horse-drawn vehicles. 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 expanded and eventually 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.

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 Chicago Motor Bus Company in 1922.

The Chicago and South Side Rapid Transit Railroad Company opened on June 6, 1892, bringing elevated train service to Chicago. By 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 in 1924, merged to create the Chicago Rapid Transit Company.

By the mid-1920s, three companies controlled Chicago's streetcar, elevated and bus lines. The companies were regulated by the state as public utilities.

The Great Depression undermined the finances of the elevated and streetcar companies, depriving them of the capital needed to renew the system. By the end of World War II, the city's transit providers were straining to carry record numbers of passengers on deteriorating equipment. To ease this congestion, the U.S. Department of Interior, the Public Works Administration, and the City of Chicago financed the State Street Subway which opened in 1943 and the Dearborn Street Subway which opened in 1951.

However, the city's private operators continued to struggle financially. The Chicago Transit Authority, an independent government agency, was formed in 1945 when the Illinois General Assembly passed the *Metropolitan Transit Authority Act*. The Act empowered the CTA to acquire and operate public transportation in the city and nearby suburbs and freed the CTA from regulation as a utility. The CTA was then allowed to set fares and routes. 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 passed the act and ordinance in a referendum on June 4, 1945.

The CTA began operations 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.

During the 1950s and 1960s, Chicago expressways were expanded to ease traffic congestion. In 1958, the Congress Branch of the CTA's elevated train lines opened along the median of the newly expanded Congress (Eisenhower) expressway. The Congress Branch extended east-west from Forest Park, Ill., to the loop with connection to the northwest subway at the Dearborn station.

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 and Milwaukee Railway. The Skokie Swift quickly became a popular rail shuttle and also served as a suburban and inter-city bus hub.

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

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

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

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.

The CTA celebrated the re-opening of the rehabilitated Green Line in 1996, improving the service to 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.

Organizational Structure

The CTA organization consists of the following divisions (Exhibit 4-24).

CTA Board

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.

The Citizens Advisory Board, the CTA Board Members, the Chief of Staff to the Chairman, and the Secretary of the CTA Board report to the Chairman of the Board.

General Counsel

The General Counsel handles appellate matters, claims/tort litigation, and workers compensation.

President

The CTA President is the agency's chief executive who executes the policy decisions of the CTA Board of Directors and provides direction to the CTA staff as it works to fulfill its goals and mission.

Office of Inspector General

The Office of Inspector General reviews and analyzes the integrity of financial, operating, and computer system activities and any other organizational activity that management requires. This department is also responsible for financial and general investigations.

Treasurer

The primary responsibilities of the Treasury department include management of farebox equipment and investments.

Management and Performance

Communications is responsible for marketing, media relations, reprographics, and publications. Finance is responsible for grant, property, budget, and general accounting. Capital investment support, program development, control, and funding are also Finance responsibilities. The Government and Community Relations department monitors transit legislation that affects the CTA on both regional and national levels. The Human Resources and Employee Services department includes human resources, industrial relations, benefit services, medical services, and program compliance. The Technology Development department includes management information systems. The Purchasing/Warehousing department includes inventory management. The DBE/EEO/Contract Compliance department ensures that discriminatory practices are not used in regard to contracting, employment, or service delivery.

Transit Operations

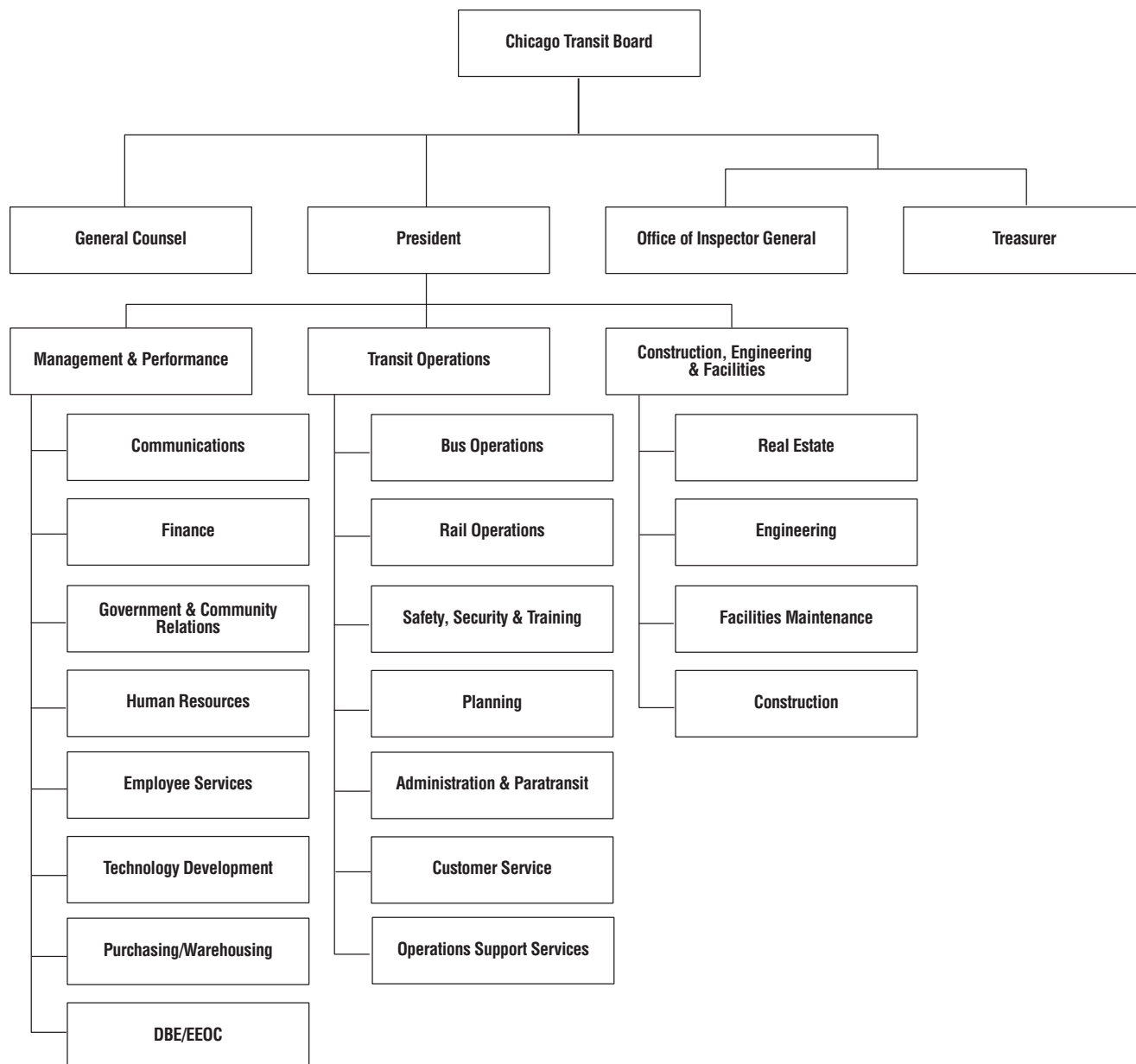
Transit Operations is responsible for the operation of buses and trains, paratransit services, safety, security, environmental affairs, and operations support.

Transit Operations represents the largest percentage of the CTA employees. The Safety, Security and Training department monitors passenger security and facility security. This department also maintains accident statistics and monitors environmental affairs. The Customer Service department provides customer information, researches ways to increase customer satisfaction, and forges business relationships.

Construction, Engineering and Facilities Maintenance

The Engineering, Construction, and Facilities departments include system maintenance support, power and way maintenance, rail station appearance, and facility maintenance. Real estate and community development services are also part of this group.

Exhibit 4-24: CTA Organization Chart



Operating Plan

Overview

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra (the commuter rail division) is responsible for the day-to-day operations of the region's commuter rail system including fare and service levels, capital improvements, finances, passenger services, safety, and systems planning. Service is operated by private carriers under contract to Metra and by Metra directly.

Metra is governed by a seven-member board of directors. Three directors are appointed by the suburban members of the Cook County Board. The County Board Chairmen of Kane, Lake, McHenry, and Will Counties appoint two directors and the County Board Chairman of DuPage County appoints one director. The Mayor

of the City of Chicago, subject to City Council approval, also appoints one director. The Chairman of Metra's board of directors must be one of the seven directors, and is appointed by the concurrence of five directors.

Strategic Focus

Metra's business is moving people. To be successful, Metra works to provide safe, reliable, clean, on-time service; to maintain and improve the region's existing commuter rail assets; to know their customers and market their service; and to promote the commuter rail component of the region's transportation network.

To achieve its goals, Metra has constructed a business strategy with four key components: customer service, capital funding, freight carrier cooperation and labor partnership. These strategies reflect the principle that improved service quality and new services must be supported by a financially secure and efficient organization that relies on its people and benefits from strategic partnerships. The customer perspective is discussed in the following subsections.

Ridership

Metra's ridership for the year 2002 totaled 76.3 million passenger trips. This was a 3.7 percent decline from 2001 ridership of 79.2 million, but the fourth highest in Metra's 19-year history (Exhibit 5-1).

Early in 2002, Metra recognized that a declining regional economy was having an adverse impact on ridership. This situation has continued in 2003. By year-end, Metra projects that it will have provided 74.0 million trips (excluding the Indiana portion of the South Shore), a decline of 3.0 percent

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

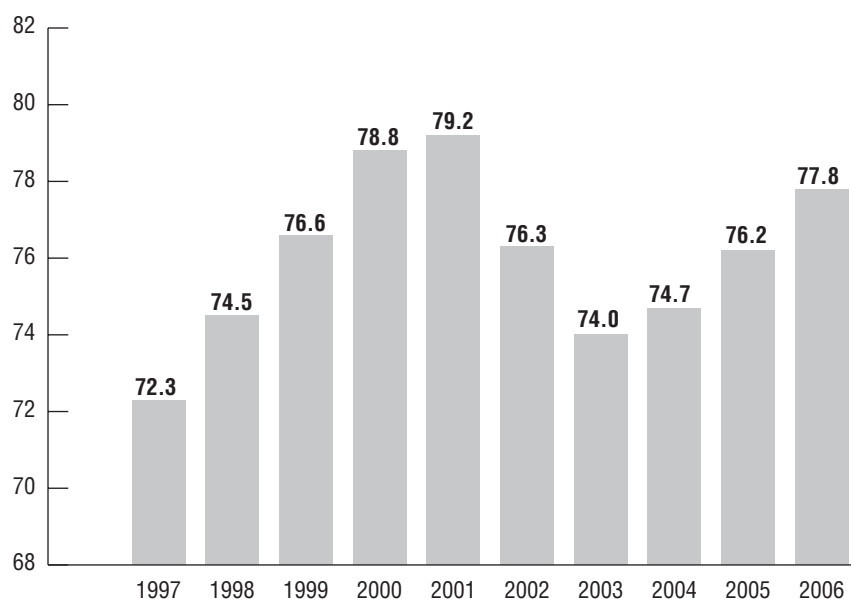


Exhibit 5-2: **Riders and Miles (in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Total Riders	79,300	76,911	77,680	79,234	80,818
South Shore Elimination (1)	(3,011)	(2,907)	(2,936)	(2,996)	(3,055)
Total Metra Riders	76,289	74,004	74,744	76,238	77,763
Total Revenue Car Miles	32,427	32,306	32,426	32,311	32,217
South Shore Elimination (1)	(2,475)	(2,465)	(2,473)	(2,465)	(2,459)
Total Metra Revenue Car Miles	29,952	29,841	29,953	29,846	29,758
Total Passenger Miles	1,766,029	1,724,497	1,741,742	1,776,577	1,812,108
South Shore Elimination (1)	(88,952)	(85,777)	(86,635)	(88,368)	(90,135)
Total Metra Passenger Miles	1,677,077	1,638,720	1,655,107	1,688,209	1,721,973

(1) Operations outside the Illinois service area are eliminated (79%) from the South Shore operating statistics.

from 2002. Future ridership projections and service provided are summarized in Exhibit 5-2.

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

Exhibit 5-3 compares 1999 and 2003 average daily load counts by service period. Trains operating in the reverse peak direction, during midday, evening, and weekend periods have realized the greatest percentage gains. These gains are attributed to efforts taken by Metra to broaden its ridership base. Such efforts include Metra's weekend ticket, enhanced off-peak service, targeted promotion of service to suburban employers, and marketing the service for travel to cultural and entertainment attractions. Passenger loads on peak period and peak direction trains have realized a slight decrease (less than 1 percent) during this five-year

period, which is attributed to decreased employment levels in downtown Chicago. In 2002, the number of persons employed in the region was down by 160,000 compared to the year 2000. For the five month period April-August 2003, the regional employment trend shows a slight increase compared to the same period of 2002.

In general, Metra's ridership levels are dependent upon the success of its customer-driven business strategies, a strong regional economy, and worsening traffic congestion. The recent effects of the economic downturn and a decline in the rate of absorption of downtown office space may signify the end of a period of employment growth. The regional economic and employment trends and their effect on ridership are analyzed in the Appendices.

Service Quality

To deliver on its objective to provide service that is customer-driven, flexible and personalized, Metra knows that an understanding of customer needs and their interests is critical. Metra periodically con-

ducts on-board surveys to measure various service attributes. Metra not only measures general rider satisfaction, but also collects information on what service attributes are considered the most valuable in attracting and retaining riders. This data provides direction for planning, scheduling and marketing activities. For example, Metra's goal to provide safe, reliable, clean and on-time service is directly derived from the most important service characteristics identified through these customer surveys.

Metra measures service reliability by on-time performance. A train delay is recorded if the train is more than five minutes late compared to the schedule at the final destination. Exhibit 5-4 presents system wide annual on-time performance since 1998.

Metra's on-time performance in 2002 was 96.5 percent, which is the second highest in the last five-years. Through August 2003, on-time performance averaged 97.0 percent.

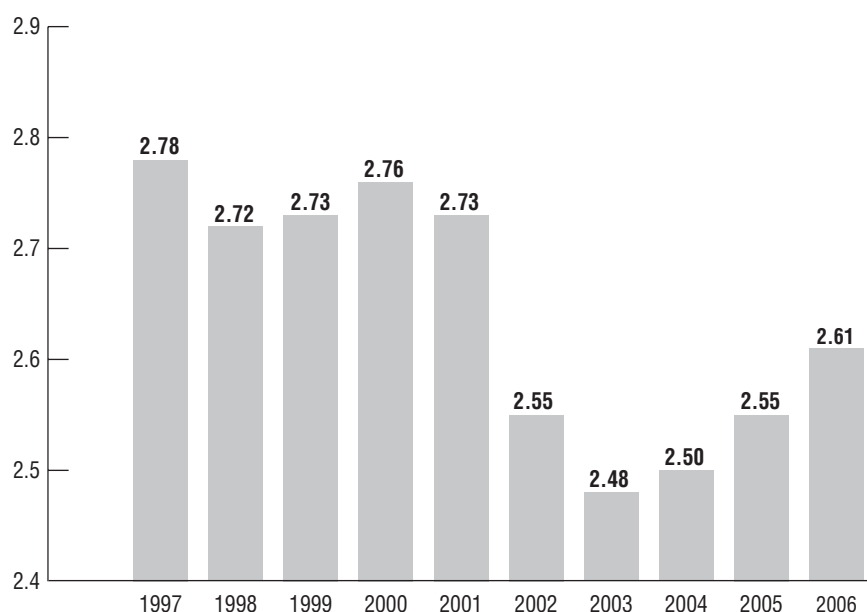
To support its objective of improved customer communications, especially regarding service conditions, Metra has developed and deployed several initiatives. To improve on-board communication, Metra has installed a satellite-based vehicle location and communication system that significantly improves on-board communications. Starting as a demonstration project on the SouthWest Service and Milwaukee North in 1999, the Train Information Management System (TIMS) has proved to be advantageous in informing customers about service conditions and allowing Metra's operations staff to respond to service disruptions. Metra completed system-wide installation of TIMS in late 2001.

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

Service Period	July 1998- June 1999	July 2002- June 2003	Change	% Change
Peak Direction	239	237	(1)	(0.6%)
Reverse Peak	11	14	2	17.8%
Midday	28	30	2	9.1%
Evening	16	16	—	0.0%
Total Weekday	294	296	3	1.0%
Saturday	50	52	2	3.5%
Sunday	28	30	1	5.0%

Exhibit 5-4: **On-Time Performance**

Year	Delays	% On-Time
1998	7,961	95.8
1999	9,257	95.2
2000	7,688	96.0
2001	6,287	96.8
2002	6,809	96.5

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

Passenger information delivered through TIMS will initially be limited to automated on-board messages. In later phases, the system will be expanded to include auditory and visual messages at all outlying stations.

Service Enhancements

New Services

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

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

Another, more general, measurement of system-wide effectiveness is made by relating the number of passengers to the number of miles of service, thereby calculating passengers-per-mile. Metra's passengers-per-revenue-car-mile ratio decreased from 2.78 in 1997 to 2.55 in 2002. The decrease is attributable, in part, to the North Central

Service, which began in August 1996. In the case of a new service, the number of miles increases faster than ridership, thereby decreasing the passenger per mile ratio.

Metra strives to strike a balance between mile increases due to service expansions and passenger growth. 2002 shows an essential decrease in the passenger-per-mile ratio to 2.55, while the 2003 estimate shows a further decline to 2.48. According to their 2004 budget, Metra estimates a ratio of 2.50, which is expected to increase to 2.61 by 2006 (Exhibit 5-5).

Service Changes

Based on 2004 budget constraints, the implementation of any significant service changes are limited. Metra will be analyzing the addition of a main line express train on the Rock Island District and revised weekend service on three Union Pacific rail lines. In 2004, work will begin in revamping the SouthWest and North Central Services to accommodate the increased trains scheduled for late 2005.

Service Expansion

On November 5, 2001 through the cooperation of the Illinois congressional delegation, the Northeast Illinois region achieved a major milestone as Metra entered into three Full-Funding Grant Agreements with

the FTA for New Start expansion projects, totaling \$585 million.

Part of Metra's current "New Start" program includes infrastructure improvements that will allow Metra to improve its peak and off-peak service. The work includes more second track on its Chicago-to-Antioch North Central Service allowing additional passenger trains to efficiently share the route with freight trains; improvement to the Chicago-to-Orland Park SouthWest Service route plus an extension of this line to Manhattan; and the extension of the Chicago-to-Geneva Union Pacific West Line to Elburn. These projects serve communities that are experiencing significant population growth and economic development, with forecasts for continued growth.

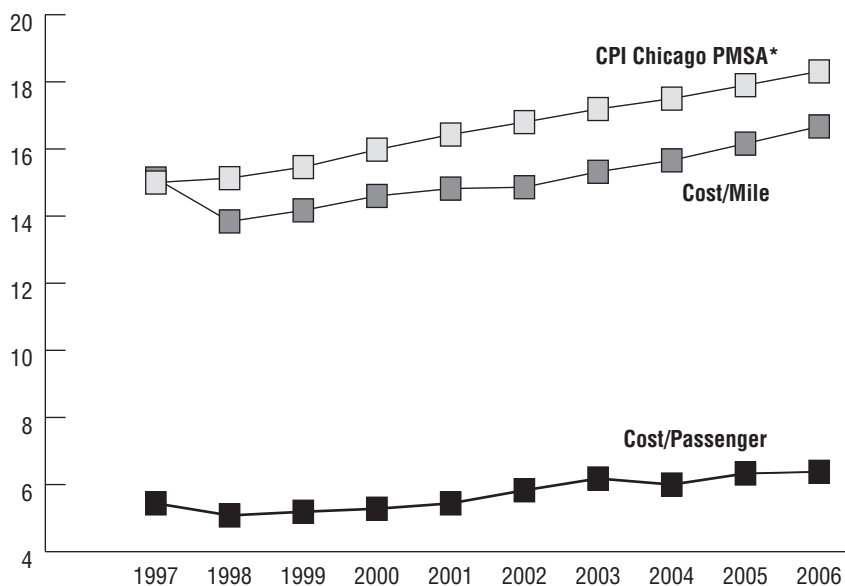
Capital Investments

Effective capital investment is crucial to maintaining and improving Metra's existing rail assets. Metra believes that the better they capitalize, the less they have to subsidize. In other words, the better the available capital funds are deployed, the more likely trains will run safely, more reliably and at a lower operating cost. This perspective supports Metra's goal of providing its customers with safe, reliable and cost-effective service.

Metra prioritizes its capital projects according to how well they reduce operating costs (focusing on preventive maintenance) and how they contribute to Metra's customer-focused objectives.

Metra's capital investments have helped them remain cost efficient and effective. For example, one way to measure whether costs are being contained and efficiency maintained is by cost-per-revenue-car-mile. This measure recognizes that costs tend to vary with the amount of service provided. As seen in Exhibit 5-6, Metra has efficiently held expenses in-line with cost increases, when compared to the Consumer Price Index (CPI).

The cost-per-passenger ratio, which measures cost effectiveness, examines how well vehicles are deployed to serve riders. As Exhibit 5-6 illustrates, Metra's cost-per-passenger ratio has outperformed the CPI.

Exhibit 5-6: **Cost Efficiency and Effectiveness**

*CPI = Consumer Price Index; PMSA = Primary Metropolitan Statistical Area.

Exhibit 5-7 **Metra 2004 Budget and 2005-2006 Financial Plan (dollars in thousands)**

Actual	2002 Estimate	2003 Budget	2004 Plan	2005 Plan	2006
System-Generated Revenues					
Passenger Revenue (1)	\$ 181,315	\$ 180,020	\$ 181,948	\$ 185,587	\$ 189,299
Reduced Fare Subsidy	2,949	3,040	3,040	3,040	3,040
Other Revenue	56,086	61,556	61,150	64,635	68,207
Total Revenues	\$ 240,350	\$ 244,616	\$ 246,138	\$ 253,262	\$ 260,546
Expenses					
Operations (2)	\$ 163,105	\$ 170,658	\$ 174,720	\$ 179,918	\$ 185,113
Maintenance	193,924	197,524	201,012	206,985	212,992
Administration	35,579	34,867	35,711	36,746	37,844
Fuel/Power	26,280	27,009	27,145	27,726	28,319
Insurance & Claims	10,650	13,376	16,624	16,851	17,203
Regional Services	15,629	13,591	13,713	14,062	14,484
Total Expenses	\$ 445,167	\$ 457,025	\$ 468,925	\$ 482,288	\$ 495,955
Net Results	\$ 204,817	\$ 212,409	\$ 222,787	\$ 229,026	\$ 235,409
Recovery Ratio % (3)	56.7 %	56.1 %	55.0 %	55.0 %	55.0 %

(1) Also referred to as fare or farebox revenue. Excludes Metra's 5% Capital Farebox Financing Program.

(2) Operations include the following expenses: Transportation, and Downtown Stations.

(3) Includes allowable deductions (funded depreciation, security, and lease); in 2004 of \$21.4 million.

Partnerships

To support its overall business strategy, Metra builds and maintains strategic partnerships with customers and stakeholders. This includes: good relationships with state and federal legislators to develop appropriate levels of financial support; strong working relationships with communities; and partnerships with other railroads.

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

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

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

Budget and Financial Plan

Metra's 2004 Operating Budget and 2005-2006 Financial Plan holds the line on expense growth in the face of an uncertain economic environment. Although Metra and the region face lower passenger and other revenues as well as lower sales tax proceeds, Metra projects that it will achieve a 55 percent revenue recovery ratio (Exhibit 5-7) and live within its statutory funding limits without the need for a fare increase.

The RTA has set total operations funding levels for Metra at \$222.8 million, \$229.0 million, and \$235.4 million for 2004, 2005, and 2006. The RTA Board also set a recovery ratio of 55 percent for 2004. Metra's 2004 budget is in compliance with the funding marks set by the RTA Board on Sept. 12, 2003.

System-Generated Revenues

Metra's system-generated revenue is primarily derived from passenger operating receipts, which comprise 74 percent of the total revenue planned for 2004 (Exhibit 5-8). Passenger revenues for 2004 are projected to be \$182 million, which is \$7 million less than the 2003 budget. Weaknesses in the economy and employment have impacted Metra's core ridership and discretionary trips. Conductor ticket sales have

Exhibit 5-8: 2004 Metra Revenues—\$246.1 Million

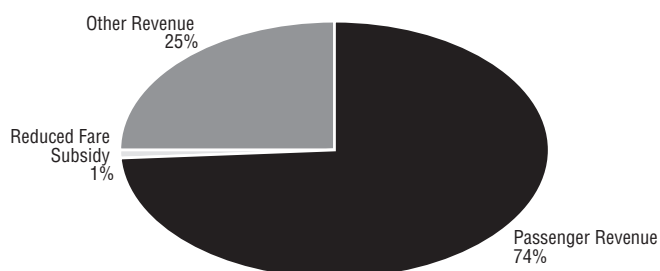


Exhibit 5-9 Ticket Sales by Ticket Type (in thousands)

	July 2001- June 2002	July 2002- June 2003	Change	% Change
Monthly	1,142	1,118	(24)	(2.1%)
25-Ride	14	14	—	0.7%
Ten-Ride	1,839	1,703	(135)	(7.4%)
Regular One-Way	5,820	5,687	(133)	(2.3%)
Conductor	4,670	4,031	(639)	(13.7%)
Weekend	1,036	1,027	(9)	(0.8%)
Link-Up	50	54	4	7.3%
PlusBus	14	16	2	15.8%

experienced the greatest decline since the June 1, 2002 fare increase due to the surcharge increasing from \$1 to \$2. See Ticket Sales by Ticket Type (Exhibit 5-9).

Total system-generated revenue and passenger revenue are projected to recover slowly over the period of 2004 through 2006, primarily due to increased ridership. For 2004, Metra is anticipating a 1 percent increase in ridership and a very slight increase in revenue.

Total system-generated revenues are expected to increase from \$240.3 million in 2002 to \$260.5 million in 2006. This represents an increase of \$20.2 million or an annual compound growth of 2.0 percent (Exhibit 5-7).

Passenger Revenue

Passenger revenue, or farebox revenue, is estimated to increase from \$181.3 million in 2002 to \$189.3 million by 2006. This increase of \$8.0 million represents a 1.1 percent annual growth rate. Metra's passenger revenue increases can also be traced to changing rider and ticket trends previously discussed.

Passenger revenues do not include proceeds from the Capital Farebox Financing Program, which constitute 5 percent of gross passenger revenues collected in the Metra system. Revenues generated under this program are used to fund part of the Metra Capital Program. Proceeds from this program average about \$9.2 million annually during the planning period.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 providing funds to reimburse Metra for the cost of providing reduced fares for the elderly, students, and persons with disabilities. The fare reimbursement is included in revenues and is contingent upon annual approval by the state. In 1999, the Assembly passed new reduced fare legislation, which doubled the reimbursement level of previous years. This aid, which totals approximately \$3 million in 2004, is expected to remain constant during this planning cycle.

Other Revenue

The other revenue category represents 25 percent of Metra's total revenue for 2004. The components of this category are: investment income, joint facility and lease revenue, advertising income, capital grant project reimbursements and miscellaneous non fare-generated income. This category is expected to grow from \$56.1 million in 2002 to \$68.2 million in 2006, which is a 5.0 percent annual growth rate.

Operating Expenses

Total operating expenses are forecast to increase from \$445.2 million in 2002 to \$496.0 million in 2006. This \$50.8 million increase represents a 2.7 percent annual compound growth rate.

Several external factors have put cost pressure on Metra's budget. These include: higher health insurance costs, which for 2003 increased by 9 percent and in 2004 are projected to increase by 10 percent.

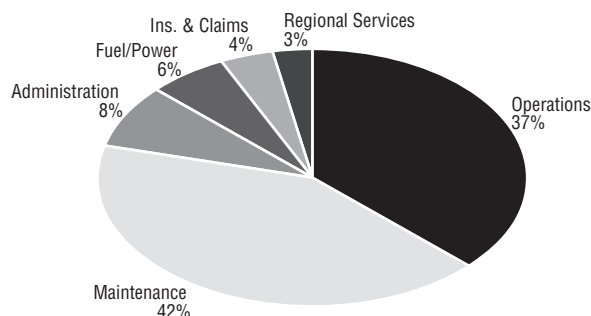
The other factor, which is one of the more significant and unexpected increases in operating expenses, is for natural gas utilities. Natural gas costs are expected to be nearly three times the amount budgeted in 2003. For 2004, the rate of growth is expected to slow to an estimated 7.5 percent.

Metra's proposed 2004 operating budget of \$468.9 million is projected to grow by 2.6 percent from the 2003 estimate. Growth in operating expense has been curtailed by effective use of capital program money and by constant review of ongoing programs for savings and reductions.

In 2005 and 2006, expenses will increase by 2.8 percent respectively compared to the previous year (Exhibit 5-7). Inflation is the major cost factor.

Expense Elements

Operating expense components include operations, maintenance, administration, fuel and power, insurance and claims, and regional services expenses. Metra's 2004 total expenditures breakdown is: operations 37 percent, maintenance 42 percent, administration 8 percent, fuel and power 6 percent, insurance and claims 4 percent and regional services 3 percent (Exhibit 5-10).

Exhibit 5-10: **2004 Metra Operating Expense Elements—\$468.9 Million**

Metra has labor agreements in place with all 16 of its labor unions for employees involved in Metra's directly owned and operated rail lines. Metra has also entered into three-year extensions of three labor agreements that cover approximately two-thirds of its unionized work forces. The purchase of service carrier labor agreements expired at the end of 1999. Several of the national labor organizations have settled with the freight railroads, the balance of the unions are currently still in negotiations. The 2004 Budget includes estimated expenses consistent with the pattern of recently ratified agreements.

Operations

Operating expenses are expected to increase from \$163.1 million in 2002 to \$185.1 million in 2006. The growth in this cost category of \$22.0 million represents a 3.2 percent compound annual growth rate (Exhibit 5-7).

Maintenance

Maintenance expenses are expected to increase from \$193.9 million in 2002 to \$213.0 million in 2006. This \$19.1 million increase represents an annual compound growth rate of 2.4 percent.

Maintenance programs are being expanded to meet the needs of Metra's growing rail car fleet, as well as to satisfy increased federal safety requirements.

Administration

Administration expenses are expected to increase from \$35.6 million in 2002 to \$37.8 million in 2006. The \$2.3 million

increase represents a compound annual growth of 1.6 percent.

Fuel and Power

Fuel expenses are projected to increase from \$26.3 million in 2002 to \$28.3 million in 2006 (Exhibit 5-7). This \$2.0 million increase represents a compound annual growth of 1.9 percent. Metra, in order to help stabilize the uncertain and potentially costly fluctuations in the energy markets, entered into a fixed price agreement for the purchase of diesel fuel in 2004 at 80¢ per gallon for the year. This agreement will ensure that Metra obtains diesel fuel at an average price that is lower than 2003.

Insurance and Claims

Expenses for insurance and claims are expected to increase from \$10.7 million in 2002 to \$17.2 million by 2006. This \$6.6 million increase represents a compound annual growth rate of 12.7 percent. The 2004 Budget for claims is \$2.8 million higher than the 2003 Estimate. Insurance costs are also projected to increase significantly in 2004 as a continuation of the post September 11 environment.

Regional Services

Regional Services expenses are expected to decrease from \$15.6 million in 2002 to \$14.5 million by 2006. This \$1.1 million decrease represents a compound annual decrease rate of 1.9 percent.

Capital Impact on Operations

In Metra's 2004 capital program, the largest categories of capital investment are rolling stock at \$121.9 million, extensions

and expansions at \$99.4 million, stations and parking at \$46.6 million, track and structure at \$43.0 million, signal/electrical communications at \$28.5 million, and support facilities/equipment & miscellaneous at \$23.4 million.

In general, capital investments have improved the overall reliability and efficiency of Metra's operations. The majority of projects included in the capital program sustain Metra's existing infrastructure in order to maintain and/or improve performance levels, service and customer satisfaction. Highlights of some of the major investments' impact on operations are as follows.

Rolling Stock

This program involves rehabilitation of existing vehicles and the purchase of new vehicles. This maintains operating flexibility and reduces operating costs.

The 2004 program provides \$74.3 million to complete the acquisition of 300 new bi-level gallery cars begun in 2001. These cars will replace the "old, painted carbon steel cars" found on the Union Pacific and the oldest remaining stainless steel cars (built in the 1950s) on the BNSF. The order will also provide the cars necessary to expand service on the SouthWest and North Central lines following completion of current new start projects. Also for 2004, funding in the amount of \$34.8 million is earmarked for the current order of 26 new Highliner cars for use on Metra's Electric District. This order is the first step in the complete replacement of that fleet.

For 2005-2008, the largest project under this category is the complete replacement of the Electric District Highliners. Specifically, 160 new highliners will be acquired at an estimated cost of \$410 million.

Extensions and Expansions

This category consists of major investments that increase the capacity and extend coverage of the commuter rail system in order to meet long-term needs. In 2001, Metra entered into long-term Full Funding Grant Agreements with the federal government for three additional New Starts: The North Central Service Expansion, the Union Pacific West Line Extension, and

the SouthWest Service Expansion and Extension. FY 2004 through 2006 funding will continue work on these projects. Also, Metra continues to seek federal approval and funding for additional New Start projects to be implemented in subsequent years.

North Central Line

The planned improvements to the North Central line include infrastructure work that allows improvement in the peak and off-peak services. Specifically, the work includes more second track allowing additional trains to more efficiently share the Chicago-to-Antioch North Central Service route with freight trains. Five new stations will also be added.

Union Pacific West Line

The extension of the Union Pacific West line will extend the service from Geneva to Elburn, Illinois. This project includes the construction of main line track and signal improvements to minimize freight interference. Two new stations and a new rail yard are included as part of this extension.

South West Line

The improvement of the Chicago-to-Orland Park SouthWest Service route will extend service to Manhattan, Illinois. The project includes three miles of second main line track, 12 miles of track upgrades, three new stations and a new rail storage yard.

These projects serve communities that are experiencing significant population growth and economic development, with forecasts for continued growth.

Track and Structure

This program component provides for the continued rehabilitation and upgrade of the railroad right-of-way on which commuter rail service operates. In addition to assuring operational safety, well-maintained track and structures provide reduced train running times, resulting in better on-time performance, fewer service interruptions, and greater passenger comfort, and also help produce a significant reduction of maintenance costs. A scheduled track and structure rehabilitation program also allows for more efficient utilization of plant and equipment.

During the next five years, Metra will continue its commitment to replacing and restoring the system's aged bridge infrastructure. In 2004, the complete replacement of the Rock Island District bridges in the City of Chicago will continue. More than \$25 million is budgeted for this project between 18th and 60th Streets.

For 2005-2008, more than \$103 million has been earmarked to address the needs of the bridges on the Union Pacific North Line. These 22 structures were included in the 1990 study which identified 91 bridges in the Metra system in need of replacement or total rehabilitation. Upon completion of these two critical projects, more than 80 percent of the 91 bridges will have been rehabilitated.

Stations and Parking

Most of Metra's station program consists of the rehabilitation or expansion of existing stations to serve Metra's increasing ridership. The five-year program also focuses on the Commuter Parking Program, which is to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Both station and parking improvements are performed in accordance with all requirements of the *Americans with Disabilities Act*.

A major element of the station program will be the completion of the renovation of Randolph Street Station. This project is scheduled to be finished by spring 2006. It will result in a total redesign of the station's ticketing, concourse, and vending areas along with new mechanical systems and enhanced passenger amenities.

In 2004, the selected commuter parking projects are primarily those on New Start lines and those for which Metra and affected municipalities have secured special funding sources.

The 2005-2008 parking component of this category includes \$64 million for future projects to be determined.

Facilities and Equipment

Support Facilities and Equipment focuses on various yards, buildings, and maintenance equipment.

Beyond improvements to existing yards and shops, the 2004-2008 capital program also includes funding for the construction of a new outlying maintenance and storage facility on the Metra Electric District. This program includes \$98 million for real estate acquisition, engineering, and construction.

Signal, Electrical and Communication

In the signal, electrical and communication category, Metra's interlocker projects are expected to improve on-time performance, which may increase ridership. These improvements are also expected to slow the growth of operating and maintenance expenses.

Signal projects primarily include the comprehensive upgrading of signal systems along the rights-of-way as well as the replacement of tracks, switches, switch heaters, and signals at interlockers, located where trains merge, diverge, or cross. Currently, the largest project is the ongoing replacement of the Lake Street interlocker north of Chicago's Union Station, which will increase service reliability for the two Milwaukee District rail lines and the North Central Service.

In recent years, Metra has significantly increased its investment in new communications systems that will improve communications with Metra's customers as well as improve communication among operations personnel. The proposed capital programs will provide continued funding for the forthcoming new Passenger Information Display System and the Train Information Management System currently in operation on all Metra trains.

Deficit and Funding

System-generated revenues (fares and other revenue) total 55 percent of Metra's operating budget.

The RTA Sales Tax is the major source of public funds from the RTA to Metra. The RTA funds the budgeted operating deficits of the Service Boards and intermittent funding agreements such as loans and reserve programs. The operating deficits are derived from the equation of total system-generated revenues minus total operating

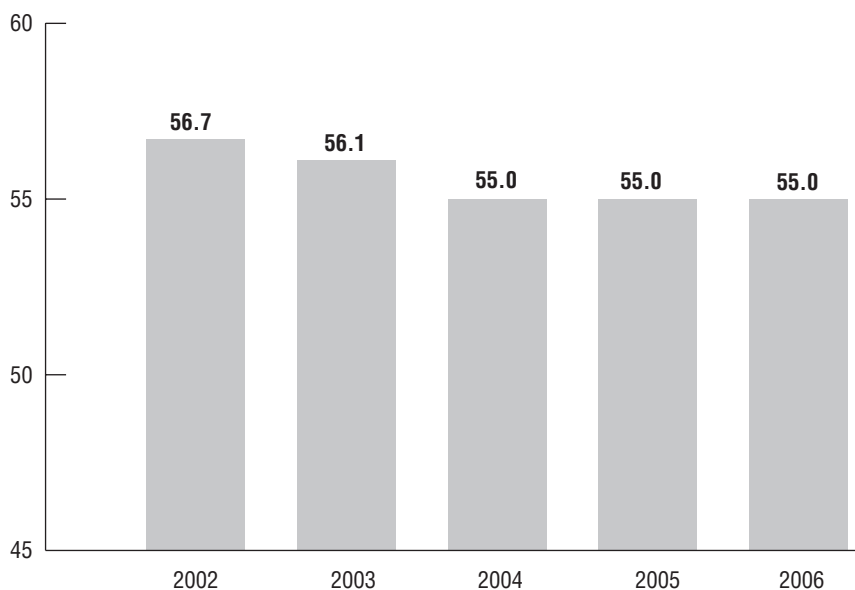
expenses. The addition of any RTA-approved intermittent agreements establishes total funding.

Detailed information regarding RTA public funding revenue may be reviewed in the Region Section.

Recovery Ratio

Metra's recovery ratio equals system-generated revenues, excluding the proceeds from Metra's capital farebox financing program, divided by system operating expenses, less deductions for funded depreciation, leases, and security (Exhibit 5-11).

Exhibit 5-11: **Metra 2002-2006 Recovery Ratio (in percentage)**



Reference

2003 Budget vs. 2003 Estimate

Total revenue is expected to finish \$2.0 million, or 0.8 percent favorable to budget for 2003. Passenger revenues are projected to be unfavorable to budget by \$9.3 million, due to lower ridership. Other revenues are expected to be favorable to budget by \$11.3 million. Most of these additional revenues are the result of Metra's review and update of its capital project administration and cost recovery programs.

The 5 percent fare increase in June 2002 helped Metra to deal with the current financial environment and should allow it to avoid future increases in 2004 or 2005.

Expenses are forecast to finish \$1.6 million or 0.4 percent below budget for 2003. Unfavorable maintenance, fuel, and insurance costs have been offset by favorable operations, administration, and regional services costs. Exhibit 5-12 details the variance between the 2003 budget and 2003 estimate.

RTA Public Operating Funds

The RTA Sales Tax is the primary source of funding for Metra. The RTA retains 15 percent of the sales tax receipts and passes the remainder to the service boards. Of this remaining amount, Metra receives 55 percent of the RTA sales tax dollars from suburban Cook County, and 70 percent of RTA sales tax collected from the collar counties. Metra's sales tax funding is projected to grow at an annual rate of 2.7 percent during the period 2002-2006 (Exhibit 5-13).

Savings from the operating budget, called positive budget variances (PBV), are retained by each service board under RTA policy and are used for capital projects.

Additional capital funding from the RTA in 2003 to compensate for lower than budgeted sales tax receipts is projected to be \$8 million.

System Description

The Metra system is comprised of 11 separate lines, which run north, west, and south of the Chicago central business district. The system extends 546 route-miles to the limits of the six-county area and serves 228 local rail stations. Metra's average weekday ridership is 296,500. Peak period ridership represents 80 percent of the total average weekday trips.

Metra operates 59.3 percent of its trains on weekdays, 25.9 percent on Saturdays and 14.8 percent on Sundays and holidays. The trains' operating speeds are 11 percent higher during a weekday peak period than during off-peak hours.

Exhibit 5-12: **Metra 2003 Budget vs. 2003 Estimate (dollars in thousands)**

	2003 Budget	2003 Estimate	Variance
Revenues			
Passenger Revenue	\$ 189,358	\$ 180,020	(\$ 9,338)
Reduced Fare Subsidy	3,040	3,040	—
Other Revenue	50,217	61,556	11,339
Total Revenues	\$ 242,615	\$ 244,616	\$ 2,001
Expenses			
Operations	\$ 171,465	\$ 170,658	\$ 807
Maintenance	196,577	197,524	(947)
Administration	35,815	34,867	948
Fuel/Power	26,108	27,009	(901)
Insurance & Claims	12,845	13,376	(531)
Regional Services	15,864	13,591	2,273
Total Expenses	\$ 458,674	\$ 457,025	\$ 1,649
Operating Deficit	\$ 216,059	\$ 212,409	\$ 3,650
Recovery Ratio %	55.0 %	56.1 %	1.2 pts

Fare Structure

On June 1, 2002, Metra implemented a 5 percent fare increase. Its first in six years. The fare hike was only the fourth fare increase in the 19 years of Metra's management of the Northeast Illinois commuter rail system.

Commuter rail fares are set according to travel between designated fare zones, which are set at five-mile intervals beginning at each rail line's downtown Chicago station. The zone system does not apply to the South Shore fares, which are set by the Northern Indiana Commuter Transportation District (NICTD).

A uniform base fare is charged for travel within a zone and increments are added to this base fare as additional fare zone boundaries are crossed. The present base fare is \$1.85 for a one-way trip. The incremental charge is 40¢ for more zones (Exhibit 5-14).

Statutory Compliance

The *RTA Act* requires that each service board meet six criteria, which are detailed in the reference section, for Board approval of its budget. The Metra budget, as submitted, meets each of these criteria.

Organization Chart

Metra's administrative organization chart is presented on the following page (Exhibit 5-15).

Exhibit 5-13: **Sources of Public Funding (dollars in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
85% Sales Tax	\$ 223,965	\$ 225,565	\$ 232,831	\$ 240,335	\$ 249,281
Additional Capital Funding	18,070	16,050	—	—	—
Total Funding	\$ 242,035	\$ 241,615	\$ 232,831	\$ 240,335	\$ 249,281
Operating Deficit	\$ 204,817	\$ 212,409	\$ 222,787	\$ 229,026	\$ 235,409
Transfer Capital (1)	37,218	29,206	10,044	11,309	13,872
Total Funding	\$ 242,035	\$ 241,615	\$ 232,831	\$ 240,335	\$ 249,281

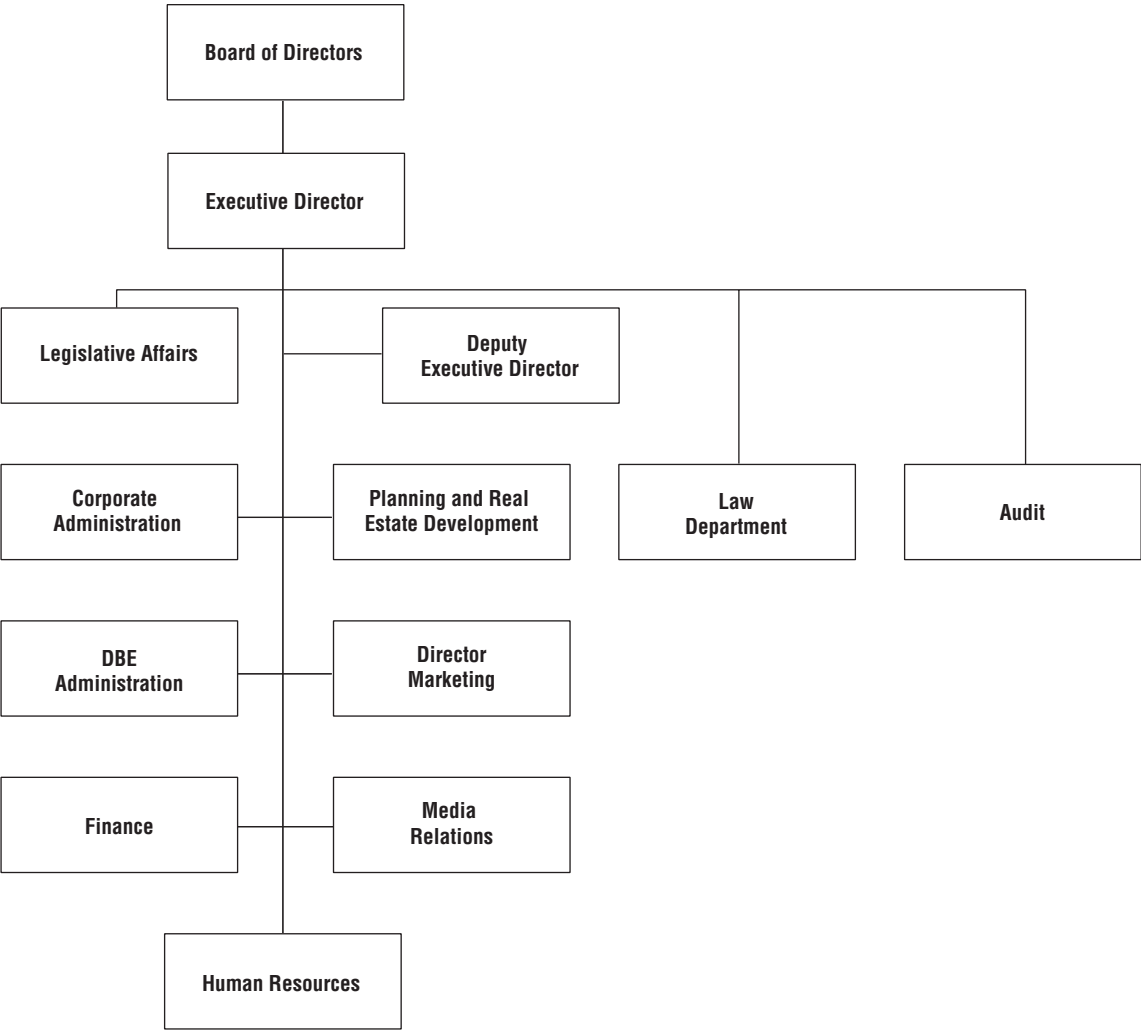
(1) 2002 includes Metra use of funds of \$943,000.

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

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

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

Exhibit 5-15: **Metra Organizational Chart**



Operating Plan

Overview

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority (RTA), and began service in 1984. A 12-member board of directors made up of current and former village presidents and mayors governs Pace.

Strategic Focus

Pace's mission is to provide transportation services in the suburban Chicago area while remaining fiscally responsible.

In April 2002, Pace unveiled a new long range Comprehensive Operating Plan (COP) called Vision 2020. The plan outlines the goals and overall direction for Pace for the 21st century and a plan to create a true suburban transportation network through route restructuring. Vision 2020 also includes plans for bus signal priority, bus-only lanes, regional transportation centers that provide coordinated links between the region's transit services and localized flexible transit services.

In March 2003, Pace held a kickoff demonstration of the innovative technology being installed in Pace buses and facilities as part of its Intelligent Bus System (IBS). Through vehicle location tracking, the IBS will reduce waiting times, improve connections to other Pace buses, and provide visual and verbal announcements of bus stops. The IBS implementation is scheduled to be completed in 2004.

Traffic signal priority already benefits Pace passengers traveling on Cermak Road in Cicero and Berwyn. Traffic signal priority allows a bus to electronically trigger a traffic signal to shorten a red light or extend a green light. Pace is working to expand traf-

fic signal priority to 23 corridors throughout its service area.

Pace has already restructured routes in Elgin, and studies are underway in the North Shore, the Halsted Corridor, and the Aurora/Naperville area. With the RTA's support, Pace is applying \$1 million in federal and Pace funds to restructure routes in the entire six-county service area.

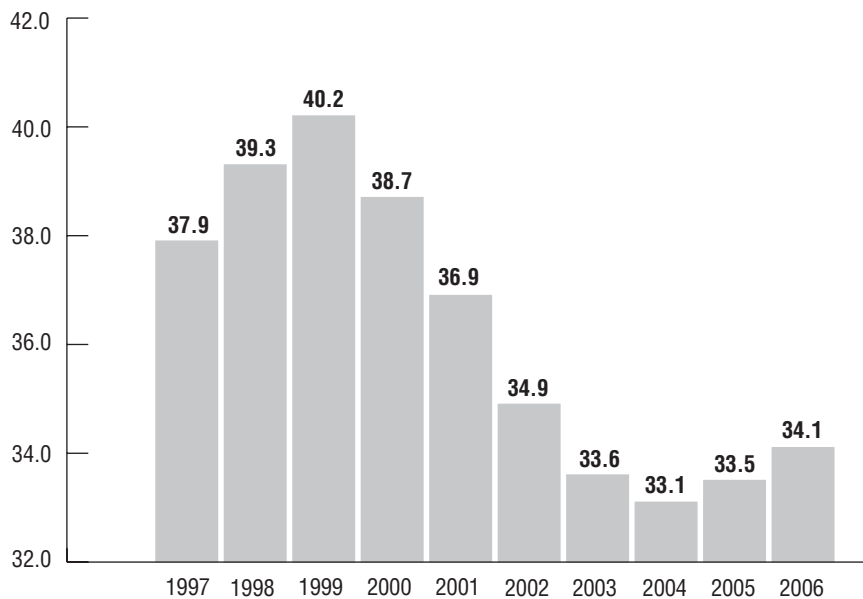
Together, these efforts support Pace's new marketing strategy called Speed. This strategy introduces new service concepts and addresses the need for public transportation to compete with the automobile.

Ridership

Pace's ridership grew steadily from 1996 to 1999 topping 40 million riders in 1999. However, in the intervening years, ridership has declined by 5.3 million passengers or 13.2 percent to 34.9 million in 2002. Pace had fare increases in 2000 and 2001. Ridership is expected to continue to decrease in 2003 to 33.6 million and in 2004 to 33.1 million.

Vanpool, Dial-a-Ride and ADA Paratransit ridership are expected to increase in 2003. This trend is expected to continue in 2004 for Vanpool and ADA Paratransit. However, these increases are not expected to offset declines in fixed-route ridership. Service segments are explained in the expense elements section.

To reverse the decline in fixed-route ridership, Pace has made efforts to improve its services on a number of levels. Over the past decade, Pace has replaced older buses with vehicles that are accessible to passengers who use mobility aids. As of July 2003, all Pace routes feature wheel-chair accessible buses. Since 2002, all Pace fixed-route

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

buses have also been equipped with a bike rack, giving people who don't live within walking distance of a bus route a way to use public transit. Pace also initiated a student fare promotion in August and September 2003 which increased sales of its monthly Student Haul Passes.

Pace expects ridership to increase from 33.1 million in 2004 to 34.1 million in 2006 due to growth in the fixed-route ridership base and continued expansion of the vanpool, municipal vanpool, and ADA programs. This projection is a 1.0 million increase in ridership and represents a 1.5 percent annual compound growth rate (Exhibit 6-1).

Pace provides services to three major markets: suburb-to-city, suburb-to-suburb, and city-to-suburb (or reverse) commute markets. Pace's marketing plan, published in 2000, focuses on work commute trips which comprise 80 percent of Pace's customer base. The following summarizes each of the marketing plan's major segments:

The Market

Eighty percent of Pace's customers use the service to get to work. During the 1990s, the City of Chicago lost 0.3 percent of its population, but added 0.8 percent to its employment base; meanwhile, the suburbs grew 7.5 percent in population

and suburban employment increased 14.3 percent. Pace's largest market is suburb-to-suburb trips.

The Customer

Recent market research reveals marketable differences between Pace customers in each of its major markets. Customers in the suburb-to-city market are less transit dependent, earn higher incomes, are more likely to own a home, be married, and have been a Pace customer longer than customers in the suburb-to-suburb or city-to-suburb markets. A large proportion of Pace's customers also use the CTA (48 percent) and Metra (13 percent) on a regular basis. A significant number (6 percent) also use autos or vans in addition to using Pace. The main reasons customers cite for leaving Pace are related to the purchase of a car, moving or switching jobs.

The Competition

Automobiles command 80 percent of the journey-to-work commute market. The lowest share, 71 percent, is in the suburb-to-city market, and the highest, 95 percent, is in the suburb-to-suburb market. Autos have actually gained market share from transit in the suburb-to-city market.

Marketing Strategies

An assessment of Pace's market position shows that its strongest competitive position is in the suburb-to-city market. While the suburb-to-suburb and city-to-suburb markets exhibit greater growth potential, they are more difficult to serve cost-effectively. Pace's strategy for each market is identified as follows:

Suburb-to-City:

Increase focus on efficient elements, eliminate low productivity elements, and re-invest in high-potential services.

Suburb-to-Suburb:

Extend and develop suburb-to-suburb commute options where productivity is good, lower service costs via capital investment or direct operation rather than outsourced operations, and heavily promote low-cost, higher revenue services such as vanpools.

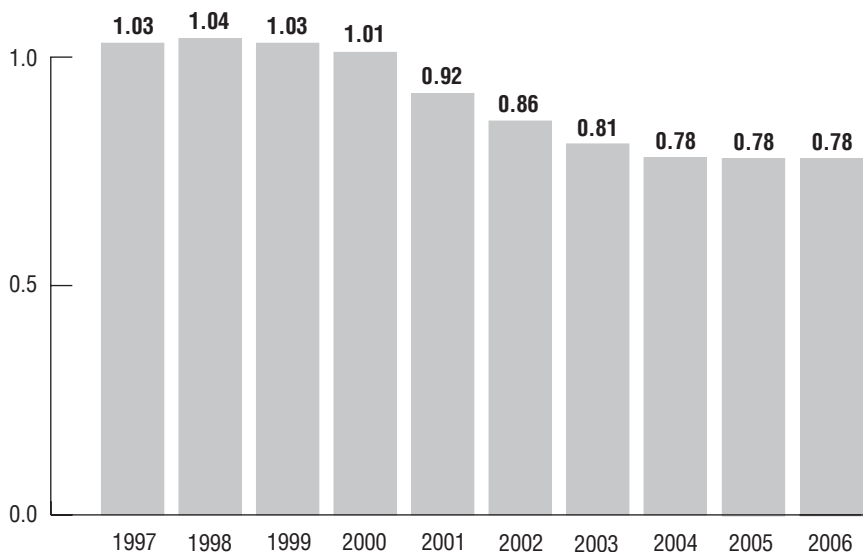
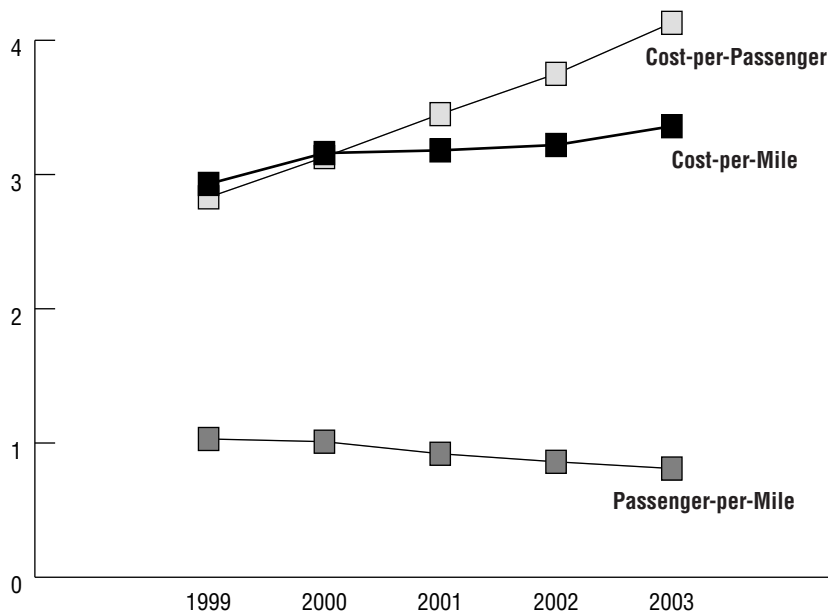
City-to-Suburb:

Build reverse commute elements for CTA connectors and multiple market routes. Market fixed-route (reverse connections) to CTA. Identify more efficient service opportunities that originate in Chicago such as express bus, subscription bus, and vanpools.

These strategies are further developed via an advertising plan that focuses on increasing ridership and the farebox recovery ratio. The Strategic Plan, Comprehensive Operating Plan, and Vision 2020 Plan are used to identify programs for promotional efforts.

Service Quality

As part of redefining its services, Pace is evaluating ways to improve service provisioning. One goal of its Vision 2020 Plan is to gather public input from throughout the region to introduce improved local service and connecting service between suburbs. Pace then plans to restructure its existing routes to meet the needs outlined through this public meeting process.

Exhibit 6-2: **Passengers-Per-Mile**Exhibit 6-3: **Cost Efficiency**

Improving the ridership within the inner suburbs will be key for Pace to increase ridership and achieve its farebox recovery ratio. It is essential that services be redefined to better utilize resources.

Strategic plan initiatives that support service quality include:

- providing bus priority at traffic signals to improve fixed-route service reliability and operating speeds;
- enhancing passenger information;

- enhancing service quality by using comfortable tour-style buses on longer routes and adding bike racks to all of its buses; and
- monitoring on-time performance and cost efficiency.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply vs. demand is to relate the number of passengers

to the number of miles serviced. Pace's passengers-per-mile ratio decreased from 1.03 in 1997 to 0.86 in 2002, indicating that system efficiency has decreased (Exhibit 6-2).

The cost-per-mile measurement recognizes that expenses tend to vary with the amount of service provided (Exhibit 6-3). Cost-per-mile has increased from \$2.93 in 1999 to \$3.22 in 2002, and is projected to rise to \$3.26 in 2003. Pace has successfully held expense growth down when measured against service miles. However, as measured by passenger volume, Pace's efficiency shows a decline. Pace's cost-per-passenger has increased from \$2.83 in 1999 to \$3.75 in 2002, and is projected to rise to \$4.13 in 2003. Pace's growing vanpool programs, which yield a high revenue-to-cost ratio but fewer passengers per vehicle mile, put downward pressure on cost-per-passenger.

New Services

Building on the success of Pace's Vanpool Incentive Program (VIP), Pace introduced a new Municipal Vanpool Program in 2002. For a reasonable monthly cost, Pace will lease vans to communities. A community will then have greater flexibility in serving its residents' transportation needs. Another relatively new service is the Schaumburg Shuttle, a shoppers' shuttle service implemented in the Woodfield Mall area in 2001. The service is funded at 100 percent by the Village of Schaumburg.

Initiatives from the strategic plan that support new services include:

- allocating service to expand Pace's express bus network, including routes serving as extensions of CTA rail lines;
- utilizing vanpool and subscription bus service, particularly in low density areas, and identifying other transit options; and
- developing appropriate levels of financial support (both public and private).

Partnerships

An External Relations Department has been created to emphasize the importance of maintaining strong relationships with Pace customers and stakeholders (riders, businesses, and community, state and federal officials). Through these relationships,

Exhibit 6-4: **Pace 2004 Budget and 2005-2006 Financial Plan (dollars in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
Revenues					
Passenger Revenue (1)	\$ 40,733	\$ 40,664	\$ 40,609	\$ 40,927	\$ 41,629
Reduced Fare Subsidy	3,274	3,555	3,510	3,510	3,510
Advertising/Investment/Other	6,776	7,025	7,508	8,219	8,487
Provision for Paratransit (2)	—	10,155	7,213	7,213	7,213
Total Revenues	\$ 50,783	\$ 61,399	\$ 58,840	\$ 59,869	\$ 60,839
Expenses					
Labor/Fringes	\$ 74,824	\$ 77,706	\$ 83,169	\$ 87,288	\$ 91,850
Parts/Supplies	3,449	3,515	3,526	3,572	3,700
Utilities	1,321	1,580	1,684	1,755	1,880
Fuel	4,421	5,331	4,987	4,987	4,987
Insurance	5,908	6,441	7,406	7,583	7,773
Other	7,154	7,931	7,784	7,971	8,170
Dial-a-Ride	11,065	11,971	12,491	12,791	13,110
Private Contract	7,616	7,595	8,023	8,216	8,421
ADA Paratransit	9,738	10,266	10,931	11,193	11,473
Vanpool	2,134	2,518	2,720	2,921	3,122
Other Services (3)	3,160	3,930	4,299	4,402	4,512
Service Standard Savings	—	—	—	(12,020)	(17,512)
Total Expenses	\$ 130,790	\$ 138,784	\$ 147,020	\$ 140,659	\$ 141,486
Operating Deficit	\$ 80,007	\$ 77,385	\$ 88,180	\$ 80,790	\$ 80,647
Deficit Funding Summary					
RTA Operating	\$ 79,052	\$ 82,747	\$ 79,052	\$ 79,052	\$ 79,052
Other Federal Funds (4)	2,128	3,417	1,675	1,738	1,595
Use of Fund Balance (5)	—	—	7,453	—	—
Total Deficit Funding	\$ 81,180	\$ 86,164	\$ 88,180	\$ 80,790	\$ 80,647
Funding Surplus/Deficit (revenue less expense)	1,173	8,779	—	—	—
ADvAntage Program - in-kind (6)	2,552	2,552	—	—	—
Recovery Ratio % (7)	40.0%	45.2%	40.0%	40.0%	40.0%

(1) Includes vanpool, municipal vanpool, and other services. (2) Pace's proposed budget included these figures as public funding. However, since the capital-related costs of paratransit service are characterized as operating expenses under GAAP, the funding becomes operating revenue as shown on this schedule. (3) Includes CMAQ, JARC, and shuttle services. (4) JARC and CMAQ. (5) Pace funds available from prior year funding surplus. (6) The ADvAntage Program - in-kind revenue and expense (of equal amount) are included in Pace's recovery ratio calculation. Pace's 2004 budget and 2005-2006 financial plan do not include any revenue and expense amount. (7) The recovery ratio in 2004 of 40.0% corresponds to the Mark set for Pace by the RTA Board on September 12, 2003. The 2005-2006 financial plan presented in this schedule matches the figure used by Pace. However, the ratio does not compute because only a portion of the provision for paratransit revenue was included.

Pace can form partnerships for new and improved services and initiatives.

Pace has worked with the business community to establish a myriad of services throughout the suburban area. Businesses need employees and Pace provides an important transportation option to get people to work.

Over the past few years, Pace has established working partnerships with large employment centers to increase ridership. For example, the United Parcel Service facility in southwest suburban Hodgkins is served by bus routes that connect with the Orange and Red CTA rapid transit lines, as

well as other areas. Funding is provided, in part, by UPS.

In 2003, Pace completed a stakeholder satisfaction survey of government leaders and the business community. The objective was to determine the perceived importance of public transportation in general and Pace in particular. The results indicate that Pace has the opportunity to capitalize on the willingness of government officials and business leaders to provide support.

Budget and Financial Plan

The Pace budget and financial plan presented in this document corresponds to the marks set by the RTA on September 12,

2003. The marks set the total RTA funding levels at \$79.1 million for 2004, 2005, and 2006. The RTA has set Pace's recovery ratio for 2004 at 40.0 percent, the same level as in 2003. Pace's budget and financial plan is presented in Exhibit 6-4.

System-Generated Revenues

Total system-generated revenues (Exhibit 6-5) were \$50.8 million in 2002. As a result of the inclusion of a provision for paratransit service beginning in 2003, revenues peak at \$61.4 million in that year. Revenues are then expected to increase from \$58.8 million in 2004 to \$60.8 million by 2006, a compound annual growth

Exhibit 6-5: **Pace System-Generated Revenues (dollars in millions)**

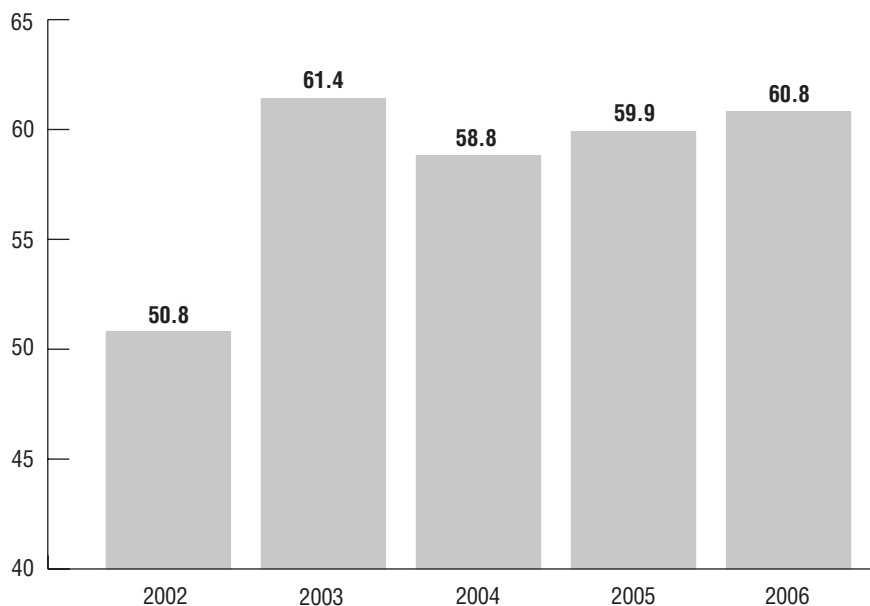
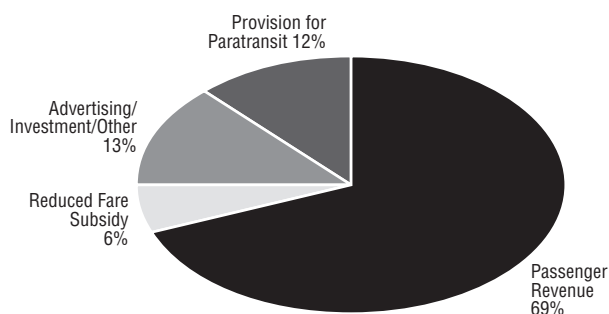


Exhibit 6-6: **2004 Pace Revenues—\$58.8 million**



rate of 1.7 percent over the two-year period. These revenues also include: passenger revenue, reduced fare subsidy, and advertising/investment/other. In 2004, passenger revenue totals 69 percent, provision for paratransit service 12 percent, reduced fare subsidy 6 percent, and advertising/investment/other revenue 13 percent (Exhibit 6-6).

Passenger Revenue

In 2004, passenger or farebox revenue is projected to decrease by \$55,000 to \$40.6 million. Pace does not intend to adjust its base fare at this time but will match the new CTA transfer price of 25¢.

Passenger or farebox revenues are expected to increase from \$40.7 million in 2002 to \$41.6 million by 2006, a \$0.9 million increase or a 0.5 percent compound annual growth rate (Exhibit 6-7). Fare and pass (farebox) revenues include passenger, vanpool, and other services. Other services are Congestion Mitigation Air Quality (CMAQ) receipts, Job Access Reverse Commute (JARC) receipts, and shuttle service receipts.

Reduced Fare Subsidy

The reduced fare subsidy is expected to remain constant during the planning period at approximately \$3.5 million. In 1999,

the subsidy essentially doubled due to the implementation of *Illinois FIRST*.

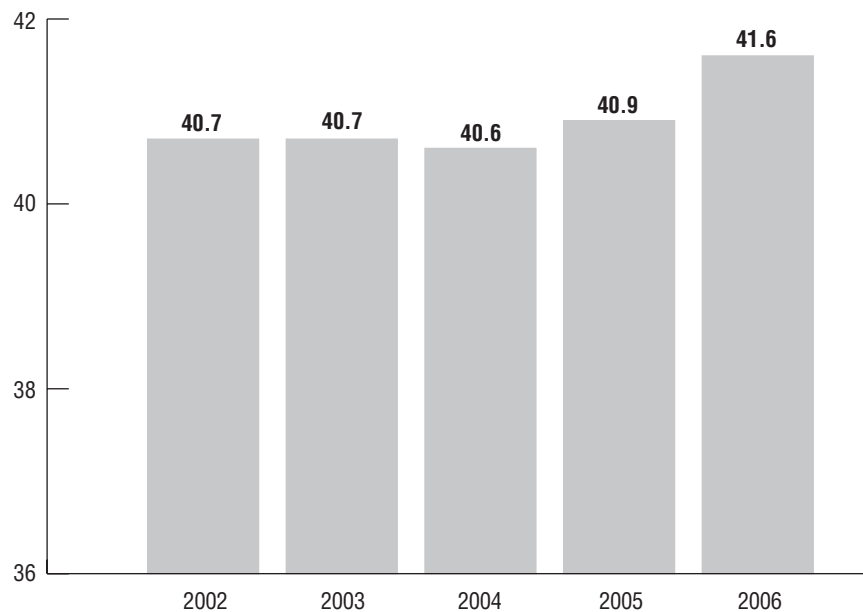
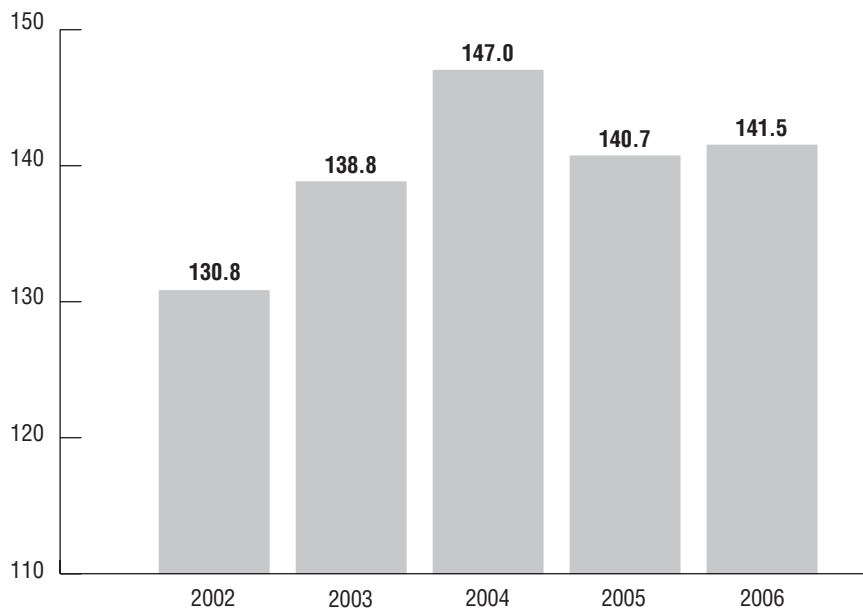
Advertising/Investment/Other

Advertising revenue is expected to increase from \$3.0 million in 2002 to \$4.4 million by 2006, a 10.0 percent compound annual growth rate. Pace stands to benefit from a successful long-term advertising contract that became effective in the early part of 2001. In May 2003, the Pace Board of Directors adopted guidelines for special-event advertising that allows wrapped buses featuring large-format graphics to be used as rolling billboards outside major special events and sports stadiums. Pace's share of the ad revenue could total between \$50,000 and \$125,000 annually. In September 2003, the Pace Board of Directors approved a revenue-generating contract with Transit Television Network (TTN) of Orlando for the installation of on-board broadcasting monitors, 15-inch color screens that will air informational programming on all fixed-route buses starting early next year. Fully funded by TTN, the project will provide Pace with a minimum of \$500,000 during the five-year agreement. A fixed column on the left edge of the screen will provide up-to-the-minute details on that particular bus route through a link with Pace's new Intelligent Bus System.

Pace invests its cash balances in order to earn investment income. Investment income is expected to decline due to lower cash balances. Other revenue represents funding agreements from the United Parcel Service and Metra. Investment and other revenue combined are expected to increase from \$3.7 million in 2002 to \$4.1 million by 2006. This \$0.4 million increase represents a 2.6 percent compound annual growth rate.

Operating Expenses

In October 2003, the consulting firm of Booz Allen Hamilton presented preliminary results of a cost containment study that identified non-service related cost reductions that can be implemented in 2004 and the magnitude and direction of service restructuring that will be needed to close

Exhibit 6-7: **Pace Farebox Revenue (dollars in millions)**Exhibit 6-8: **Pace Total Operating Expenses (dollars in millions)**

the funding shortfall projected for 2005 and beyond. Proposals from the consultants include policy changes, overhead and administrative cost reductions, potential revenue sources, and service restructuring. The Pace Board is reviewing the consultant's suggestions and will formulate an action plan over the next several months.

The second phase of the Booz Allen Hamilton effort will be a major service restructuring study to be initiated by the end of 2004. The goal of this phase will be to identify significant cost savings via service restructuring which can be implemented by 2005. The objective of the study will be to reduce the cost of providing service while

restructuring the existing route system to better serve customer needs.

Total operating expenses are forecast to increase from \$130.8 million in 2002 to \$141.5 million in 2006 (Exhibit 6-8). Expenses are estimated to increase \$8.0 million or 6.1 percent to \$138.8 million in 2003, and then increase \$8.2 million or 5.9 percent to \$147.0 million in 2004, before decreasing \$6.7 million or 4.3 percent to \$140.7 million in 2005.

Expense Elements

Operating expense elements include labor and fringes, parts and supplies, utilities, fuel, insurance and claims, other, dial-a-ride, private contract, ADA paratransit, vanpool, other services (CMAQ, JARC, Shuttle), and service standard savings (Exhibit 6-4).

Labor and Fringe Costs

Labor expenses are expected to increase from \$74.8 million in 2002 to \$91.9 million by 2006. This \$17.1 million increase represents a 5.3 percent compound annual growth rate.

Parts and Supplies

Parts and supplies expenses are projected to increase from \$3.4 million in 2002 to \$3.7 million by 2006. This \$0.3 million increase represents a 2.1 percent compound annual growth rate.

Utilities

Utility expenses are projected to increase from \$1.3 million in 2002 to \$1.9 million by 2006. This \$0.6 million increase represents a 10.0 percent compound annual growth rate.

Fuel

Fuel expenses are projected to increase from \$4.4 million in 2002 to \$5.3 million in 2003. This represents an increase of \$0.9 million or 20.5 percent. Fuel expenses are projected to decline to approximately \$5.0 million from 2004 to 2006 based on anticipated lower future prices. In 2004, Pace has budgeted fuel at 83¢ per gallon.

Insurance and Claims

Insurance and claims expenses are expected to increase from \$5.9 million in 2002 to \$7.8 million by 2006. This \$1.9 million increase represents a 7.2 percent compound annual growth rate.

Other

Other expenses, including miscellaneous and other administrative costs, are expected to increase from \$7.2 million in 2001 to \$8.2 million by 2006. This is a \$1.0 million increase and represents a 3.3 percent compound annual growth rate.

Dial-a-Ride

Pace subsidizes 56 dial-a-ride (DAR) service projects throughout the six-county region. Pace contracts directly with private providers for the operation of 27 dial-a-ride projects. Communities provide financial support through "local share agreements" with Pace. Pace also has service agreements with local governments for the operation of 29 other dial-a-ride projects. Generally, the village or township, under contract with Pace, operates these services. Pace subsidizes these services based on a funding formula. Dial-a-ride expenses are expected to increase from \$11.1 million in 2002 to \$13.1 million by 2006. This increase of \$2.0 million, corresponding to a 4.2 percent compound annual growth rate, is attributed to costs associated with the renewal of the DAR contracts.

Private Contract

Pace provides fixed-route service in 40 communities by contracting directly with four private transit companies. Private contract expenses are expected to increase from \$7.6 million in 2002 to \$8.4 million by 2006. This increase of \$0.8 million represents a compound annual growth rate of 2.5 percent.

ADA Paratransit

In 2004, Pace expects to provide curb-to-curb service to approximately 32,300 riders per month. Individuals certified by the RTA who are unable to use Pace's fixed route services can register for Pace's ADA

paratransit service. Demand for the program continues to grow and expenses are expected to rise from \$9.7 million in 2002 to \$11.5 million by 2006. This \$1.8 million increase represents a compound annual growth rate of 4.3 percent.

Vanpool

The vanpool program is a commuting option that provides passenger vans to small groups of five to 15 people, allowing them to commute together to and from work. The formation of vanpools has been very popular and the demand continues to grow. Pace expects further expansion of this program, already the second largest in the nation, to 475 vans by the end of 2004. Pace's Vanpool program is comprised of three elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle Bus, and the ADvAntage program. The VIP service, the core element of the program, is projected to achieve a ridership of 659,000 with 205 vans by the end of 2004. Pace estimates that by the end of 2004 the Corporate Shuttle Program will have 43 vans in service, transporting employees between suburban employers and nearby CTA, Metra, and Pace facilities. Pace projects that by the end of 2004 the ADvAntage element of the vanpool program will have 227 vans in service, transporting individuals with disabilities to work sites or rehabilitative workshops. Vanpool expenses are projected to increase from \$2.1 million in 2002 to \$3.1 million by 2006. This \$1.0 million increase represents a 10.2 percent compound annual growth rate.

Other Services (CMAQ, JARC, Shuttle)

Pace will continue to grow its non-traditional services from \$3.2 million in 2002 to \$4.5 million by 2006. This \$1.3 million increase represents a 8.9 percent compound annual growth rate.

CMAQ Services

Pace offers fixed-route services in accordance with the federal Congestion Mitigation/Air Quality (CMAQ) program award which funds grants to cover the costs associated with the start-up and implementation of several new services. CMAQ pro-

gram expenses are projected at \$1.0 million in 2004.

JARC Services

Pace qualifies for funding under the Job Access and Reverse Commute Program (JARC). This program provides one to two-year funding for new services designed to transport welfare recipients and low-income individuals to and from jobs. JARC expenses in 2004 are expected to be \$2.2 million.

Shuttle Services

Shuttle services were implemented in Schaumburg and Downers Grove in 2001. The Downers Grove service feeds passengers to the Metra/Burlington Northern rail station in Downers Grove. In 2004, expenses are expected to be \$0.6 million. In Schaumburg, a shopper's shuttle service operates in the Woodfield Mall area. Expenses for this shuttle are expected to be \$0.5 million in 2004.

Service Standard Savings

Pace will adjust service in the outlying years based on established service criteria.

Capital Impact on Operations

Pace's 2004 capital program is projected to total \$30.0 million. The capital program funds the purchase and maintenance of rolling stock and support facilities/equipment, as well as contingencies and project management. The Capital Section provides complete details of Pace's capital program.

Rolling Stock

Rolling stock accounts for 96 percent of Pace's 2004 capital program. Pace will avoid increases in the cost of operating these vehicles by replacing outdated equipment.

The program contains funds for fixed route buses, vanpool vehicles, and associated capital for bus overhaul/maintenance expenses.

In 2004, Pace intends to replace 63 fixed-route buses which have exceeded their useful life. The new vehicles will be a mix of 30, 35, and 40-foot traditional transit buses. Pace will also undertake a rebuild program to extend the life of some of its Orion buses.

Due to planned expansion, Pace's 2004 goals for the vanpool program include carrying 1.4 million passengers, which is a ridership increase of 8.0 percent over the 2003 estimate. From 2004 through 2008, Pace will continue its capital investment in the vanpool program. The vanpools are also expected to maintain a 95.9 percent recovery ratio through this period. Pace estimates that it will have 440 vans in service by the end of 2003 and plans to increase the number of vans to 475 by the end of 2004.

Support Facilities/Equipment

Support facilities and equipment accounts for 1 percent of Pace's 2004 capital program. The program contains funds for the purchase of maintenance equipment and a service truck. The program also contains funds for improvements to garages and passenger facilities.

These improvements will generally reduce the growth of operating costs by replacing equipment before it requires increased maintenance or becomes obsolete.

Contingencies and Project Administration

Contingencies and project administration account for 3.0 percent of Pace's 2004 capital program. Contingency funds cover costs over the budgeted amounts and project administration funds cover the salaries of in-house staff associated with capital projects in the other categories.

Deficit and Funding

The operating deficits are derived from total system-generated revenues minus total operating expenses. Pace expects to finish 2003 with a net funding surplus of \$8.8 million due to the receipt of two years' provision for paratransit service (2002 and 2003). Additional service standard saving programs are needed for Pace to meet the 2005 and 2006 marks set by the RTA Board.

Recovery Ratio

Pace's recovery ratio equals system-generated revenues divided by system operating expenses. As a result of the inclusion of the revenue for the provision for paratransit service under contract beginning in 2003, Pace expects a recovery ratio of 45.2 percent that year. From 2004 through 2006, Pace projects a recovery ratio of approximately 40 percent (see note 7 on Exhibit 6-4).

Reference

2003 Budget vs. 2003 Estimate

Total revenue is projected to end the year \$7.3 million favorable to budget. The 2003 revenue estimate includes an unbudgeted \$10.2 million provision for paratransit service under contract. Farebox or passenger

revenue is expected to finish the year \$1.9 million or 4.4 percent unfavorable. The reduced fare subsidy is projected to finish the year \$0.2 million or 4.4 percent unfavorable. Advertising/investment/other revenue is projected to finish the year \$0.8 million or 10.7 percent unfavorable to budget.

Total expenses are expected to finish the year \$1.5 million unfavorable to budget. Expenses for fuel and other services (CMAQ, JARC, shuttle) were \$1.5 million and \$0.9 million unfavorable, respectively. Expenses for labor/fringes were \$1.3 million favorable. The 2003 budget also included service standard savings of \$1.7 million.

Pace's operating deficit (expenses less revenues) is projected to be \$5.8 million favorable to budget. This includes the addition of \$10.2 million in revenue for the provision for paratransit service under contract. From a funding perspective, Pace is projected to finish \$3.0 million favorable to budget. These amounts combine for a total funding surplus of \$8.8 million in 2003 (Exhibit 6-9).

Exhibit 6-9: **Pace 2003 Budget vs. 2003 Estimate (dollars in thousands)**

	2003 Budget	2003 Estimate	Variance
Revenue			
Passenger Revenue			
(with vanpool, other svcs, muni vp)	\$ 42,539	\$ 40,664	(\$1,875)
Reduced Fare Subsidy	3,720	3,555	(165)
Advertising/Investment/Other	7,869	7,025	(844)
Provision for Paratransit (1)	—	10,155	10,155
Total Revenue	\$ 54,128	\$ 61,399	\$ 7,271
Expenses			
Labor/Fringes	\$ 79,030	\$ 77,706	\$ 1,324
Parts/Supplies	3,626	3,515	111
Utilities	1,445	1,580	(135)
Fuel	4,426	5,331	(905)
Insurance	6,441	6,441	—
Other	8,289	7,931	358
Dial-a-Ride	12,148	11,971	177
Private Contract	8,136	7,595	541
ADA Paratransit	10,492	10,266	226
Vanpool	2,479	2,518	(39)
Other Services			
(CMAQ, JARC, Shuttle)	2,427	3,930	(1,503)
Service Standard Savings	(1,650)	—	(1,650)
Total Expenses	\$ 137,289	\$ 138,784	(\$1,495)
Operating Deficit	\$ 83,161	\$ 77,385	\$ 5,776
Public Funding Sources			
RTA Operations Funding	\$ 82,747	\$ 82,747	—
Other Federal Funds	414	3,417	\$ 3,003
Total Public Funding	\$ 83,161	\$ 86,164	\$ 3,003
Funding Surplus/Deficit	—	\$ 8,779	\$ 8,779
ADvAntage Program - in-kind (2)	\$ 1,320	\$ 2,552	\$ 1,232
Recovery Ratio	40.0 %	45.2 %	5.2 %

(1) Pace's 2003 estimate included this figure as public funding. However, since the capital-related costs of paratransit service are characterized as operating expenses under GAAP, the funding becomes operating revenue as shown on this schedule. (2) The ADvAntage Program - in-kind revenue and expense (of equal amount) is included in the recovery ratio calculation.

RTA Public Operating Funds

The RTA sales tax is the primary source of funding for Pace. The RTA retains 15 percent of the sales tax funds for discretionary funding, and allocates the remainder to the service boards by formula. Of this remaining amount, Pace receives 15 percent of the sales tax collected within suburban Cook County and 30 percent of the sales tax collected in the collar counties. Pace's portion of sales tax is projected to grow from \$70.2 million in 2002 to \$78.3 million by 2006. This \$8.1 million increase corresponds to a compound annual growth rate of 2.8 percent.

Exhibit 6-10: **Pace Sources of Operating Funding (dollars in thousands)**

	2002 Actual	2003 Estimate	2004 Budget	2005 Plan	2006 Plan
RTA					
85% Sales Tax	\$ 70,193	\$ 70,724	\$ 73,050	\$ 75,454	\$ 78,314
RTA Discretionary Funds	8,859	12,023	6,002	3,598	738
Total RTA Funding	\$ 79,052	\$ 82,747	\$ 79,052	\$ 79,052	\$ 79,052
Use of fund balance (1)	—	—	7,453	—	—
Other Federal Funds	2,128	3,417	1,675	1,738	1,595
Total Funding	\$ 81,180	\$ 86,164	\$ 88,180	\$ 80,790	\$ 80,647

(1) Pace funds available from prior year funding surplus.

Exhibit 6-11: **Fare Structure**

	Current Fares	
	Full Fare	Reduced Fare
REGULAR FARES		
Full Fare	\$ 1.50	\$ 0.75
Transfer to Pace/CTA	\$ 0.25	\$ 0.15
PASSES	ALL TIMES	
Pace/CTA (30-Day)	\$ 75.00	\$ 35.00
Commuter Club Card (CCC)(Pace Only)	\$ 50.00	\$ 25.00
Link-Up Ticket	\$ 36.00	
Plus Bus	\$ 30.00	
Regular 10 Ride Plus Ticket	\$ 15.00	\$ 7.50
Student (Haul Pass)	\$ 25.00	
Student Summer Pass	\$ 40.00	
Subscription Bus (Monthly)	\$ 110.00	
LOCAL FARES		
Full Fare	\$ 1.25	\$ 0.60
Transfer to Pace/CTA*	\$ 0.55	\$ 0.30
Local 10 Ride Plus Ticket	\$ 12.50	\$ 6.00
*Local transfers are free of charge		
EXPRESS FARES		
Premium (Routes 210, 355 & 855)	\$ 3.00	\$ 1.50
Route 835 (Zone Fares)	\$ 4.10	\$ 2.05
Special Express Fare (891 and 892)	\$ 2.00	\$ 1.00
Premium 10 Ride Plus Ticket (210, 355 & 855)	\$ 30.00	\$ 15.00
OTHER		
Dial-a-Ride	\$ 1.60	\$ 0.80
ADA Paratransit Services/Local Share	\$ 3.00 / \$ 2.50	
Special Services (Non-ADA)	\$ 5.00	
Shuttle Bug Fares	\$ 1.00	
Shuttle Bug Fares and Route 921	\$ 0.50	
Shuttle Bug Fares and Route 712	\$ 0.25	
Shuttle Bug Transfer to Pace/CTA	\$ 1.80	
Subscription Bus (1000 series)	\$ 3.00	

RTA discretionary funds for Pace operations are expected to decrease from \$8.9 million in 2002 to \$0.7 million in 2006. This \$8.2 million decrease corresponds to a compound annual rate of decline of 17.7 percent. The source of the RTA discretion-

ary funds includes Public Transportation Funds (PTF), apportionments from the RTA's 15 percent share of sales tax revenue, and investment income and other revenue (Exhibit 6-10).

System Description

Operating Environment

Pace's service area measures 3,446 square miles. The suburban area is divided among the six counties and incorporates 270 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. The suburb-to-suburb travel market is the largest service area in the region and is primarily served by the automobile.

Fare Structure

Exhibit 6-11 lists Pace's fares for 2003. Despite the CTA's decision to raise its base fare to \$1.75, Pace has no increase planned for 2004. However, it will change its transfer price to 25¢ to match the CTA.

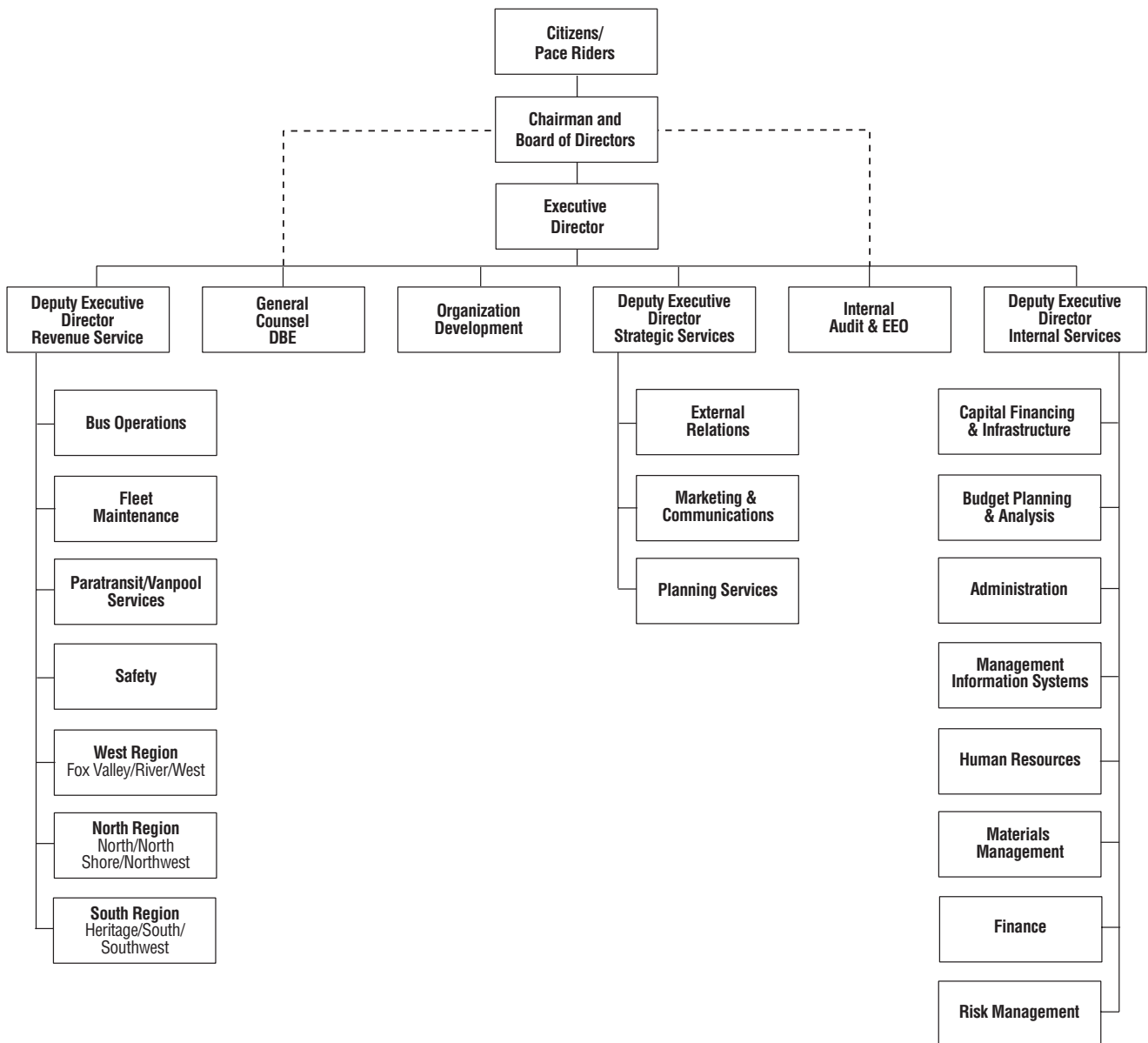
Statutory Compliance

Pace's proposed 2004 budget and 2005-2006 two-year financial plan, and 2004 recovery ratio submitted to the RTA comply with the operating marks set by the RTA Board.

Organization Chart

Pace's organizational structure is comprised of three primary elements: administration, central support, and Pace-Owned divisions. Within each element, employees are classified into four areas: operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the Federal Transit Administration Section 15 reporting requirements which apply to all public transit operators. Pace is organized into three main areas: Internal Services, Revenue Services, and Strategic Services (Exhibit 6-12).

6-12: Pace Organizational Chart



Capital Program

Regional Overview

The RTA Act requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuing review so that the RTA may budget and expend funds available to the region with maximum efficiency.

The RTA Board must adopt a five-year capital program every year. The RTA's five-year capital program describes the nature, location, and budget by project and by fiscal year of all anticipated Service Board capital improvements. Public hearings are held in each county in the northeastern Illinois region to inform the public and government officials of the Authority's capital development plans.

The RTA Strategic Plan, adopted by the RTA Board, emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's \$25.4 billion in assets (as measured in terms of replacement value) to good condition and extending or expanding service when demand is justified and funding available.

With funding needs for capital improvements and rehabilitation greatly exceeding expected resources, the RTA and the Ser-

vice Boards actively pursue additional funding opportunities to preserve and enhance the economic viability of the RTA system. The RTA Strategic Plan identifies the need to wisely allocate our available capital resources consistent with long-range plans and short-range needs.

2004-2008 Capital Program Marks Issues

Continued financial support for public transportation is vital to the region's economic health. However, the region's current transit needs, which are based upon bringing the entire system to a state of good repair, continue to outpace projected funding levels.

Source of Funds

The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the RTA, the Illinois Department of Transportation (IDOT), and the Service Boards. The total estimated capital funds available for 2004, excluding CTA financing, are projected at \$894.9 million. However, the final federal appropriation figures have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding.

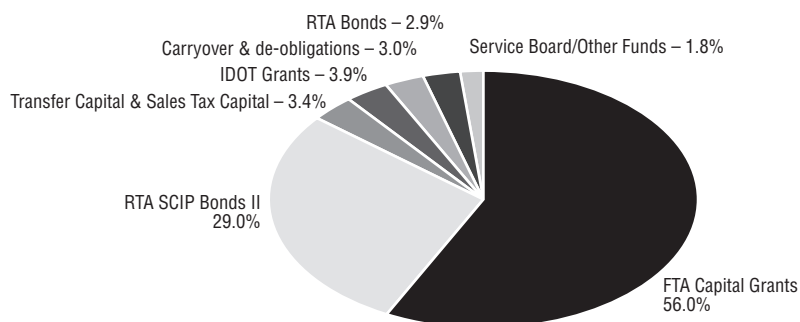
On September 12, 2003, the RTA adopted the preliminary capital funding marks. Since then, various local funding changes were proposed to the preliminary marks by the Service Boards and the RTA. From time-to-time, the RTA Board considers ordinances to incorporate these changes. The preliminary capital program contained in this document reflects changes to the marks from funding reductions for the IDOT and

Exhibit 7-1: **2004 Capital Funding Sources (dollars in thousands)**

	Amount	Percent
FTA	\$ 501,208	56.0%
IDOT	34,500	3.9%
SB	26,015	2.9%
RTA	306,111	34.2%
De-obligated Funds	27,082	3.0%
Total	\$ 894,916	100%
CTA Financing	250,000	
Total Service Boards Available	\$ 1,144,916	

Exhibit 7-2: **Capital Funding in 2004 (dollars in thousands)**

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	\$ 307,679	\$ 167,130	\$ 26,399	\$ 501,208
IDOT Grants	2,580	25,840	6,080	34,500
Service Board/ Other Funds	6,440	8,991	540	15,971
RTA SCIP Bonds	130,000	117,000	13,000	260,000
RTA Bonds	25,294	—	464	25,758
Transfer Capital & Sales Tax Capital	20,353	10,044	—	30,397
Carryover and De-obligations	—	27,082	—	27,082
Total Service Board Capital Funding	\$ 492,346	\$ 356,087	\$ 46,483	\$ 894,916
CTA Financing	250,000	—	—	250,000
Total Service Boards Available	742,346	—	—	1,144,916

Exhibit 7-3: **Capital Program Sources 2004—\$894.9 million**

RTA Bonds.

Of the estimated \$894.9 million of new and de-obligated funding sources for 2004, federal funding accounts for \$501.2 million or 56 percent. RTA funds account for \$306.1 million or 34 percent, IDOT funds account for \$34.5 million or 4 percent, Service Board funds account for \$26 million or 3 percent, and carryover and de-obligated funds account for \$27.1 million or 3 percent (Exhibits 7-1, 7-2 and 7-3).

Federal

The RTA receives federal funds authorized under Section 5307 and Section 5309 of the *Transportation Equity Act for the 21st Century (TEA-21)*. TEA-21 is the legislation that provides funding for federal surface transportation programs, including transit, and was signed into law on June 9, 1998 providing for a six-year (1998-2003) reauthorization of the federal transit program.

The reauthorization retained the Section 5307 and Section 5309 transit capital funding programs. Section 5307 funding includes the Formula program, while Section 5309 funding includes Fixed Guide-

way, New Start, and Bus programs. Flexible funding is also available to transit through the Congestion Mitigation and Air Quality (CMAQ) Program, the Surface Transportation Program (STP), the Clean Fuels Formula Program and the Job Access and Reverse Commute (JARC) Program.

Legislation temporarily extending TEA-21 passed the U.S. House on Sept. 24, 2003, the U.S. Senate on Sept. 26, 2003 and was signed by President Bush on Oct. 1, 2003. The legislation extended federal transit and highway programs authorized under TEA-21 for five months. Pending the passage of a new federal transportation authorization bill, this 5-month extension will continue to fund surface transportation activities through Feb. 29, 2004.

Funding over the five-month period was authorized on a pro-rata basis (five-twelfths), using the funding levels established in the FY 2004 Congressional Budget Resolution. However, the FTA is not expected to publish the five-twelfths apportionments under the short-term extension legislation until a longer-term FY 2004 apportionment is enacted.

TEA-21 provided guarantees that authorized levels of funding would be appropriated for the formula-based funding programs. Section 5309 Fixed Guideway and Section 5307 Formula funds are allocated nationally on a formula basis. Section 5309 New Start and Bus funds are allocated on a discretionary basis.

The RTA estimates that in 2004, 56 percent of the region's available transit capital funding will come from federal sources. Because the federal government's 2004 five-twelfths appropriation bill has not yet been published, these marks are based on preliminary estimates. The RTA preliminary estimates reflect the 2003 funding level as established in the FY 2004 Congressional Budget Resolution: \$130.4 million for Section 5309 Fixed Guideway and \$198.9 million for Section 5307 Formula funds.

The Section 5307 funding mark for 2004 was decreased for the CTA by \$16.9 million and Pace by \$7.2 million to allow the use of these funds in the respective agencies' operating budgets to pay for the capital-related portion of the operating costs of contracted paratransit service. The out-year Section 5307 amounts for the CTA and Pace were also decreased for the same reason.

For planning purposes, the fiscal years 2004 through 2008 federal marks are an extension of the fiscal year 2004 estimated mark. These proposed federal marks reflect the current funding picture which will undoubtedly change as the final federal 2004 budget takes shape.

For 2004 federal funding, the House appropriations bill (HR2989) includes Section 5309 New Start funding of \$130 million for CTA's Douglas and Ravenswood lines capital projects and \$52 million for Metra's commuter rail extensions and upgrades for a combined estimated total of \$182 million.

Flexible Funds are another source of federal funding for the RTA 2004-2008 capital program. Flexible funds are certain legislatively-specified funds that may be used either for transit or highway purposes. This provision was first included in the *Intermodal Surface Transportation Efficiency Act*

of 1999 (ISTEA) and was continued with the TEA-21. Flexible funds include Federal Highway Administration (FHWA) Surface Transportation Program (STP) funds and Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Federal Transit Administration (FTA) Urban Formula Funds.

The idea behind flexible funds is to enable a local area to choose to use certain federal surface transportation funds based on local planning priorities, not on a restrictive definition of program eligibility. Since the enactment of ISTEA, FHWA funds transferred to the FTA have provided a substantial new funding source for transit projects. FHWA funds transferred to FTA can be used for a variety of transit improvements such as new fixed guide-way projects; bus purchases; construction and rehabilitation of rail stations; maintenance facility construction and renovations; alternative-fuel bus purchases; bus transfer facilities; multimodal transportation centers; and technologically advanced fare collection systems.

When FHWA funds are transferred to FTA, they are transferred to one of the following three programs: Urbanized Area Formula Program (Section 5307), Non-urbanized Area Formula Program (Section 5311); Elderly and Persons with Disabilities Program (Section 5310). Once they are transferred to FTA for a transit project, the funds are administered as FTA funds and take on all the requirements of the FTA program. Transferred funds may use the same non-federal matching share that the funds would have been subject to if they were used for highway purposes and administered by FHWA. In urbanized areas of more than 200,000 population, the decision on the transfer of flexible funds is made by the Metropolitan Planning Organization (MPO). In the RTA region, the MPO is the Chicago Area Transportation Study (CATS) Policy Committee.

The new federal authorization bill is expected to retain CMAQ and STP as flexible funding programs. The Service Boards' proposed capital programs include projects that could be funded by these flexible programs.

All of these federal funds must be matched by local funding sources. The federal government provides 80 percent of the cost of capital projects funded with Section 5307 and 5309 funds. Local funding sources provide the remaining 20 percent match. The RTA Bond program is a significant component of this local funding match.

RTA

Transit in northeastern Illinois began a new era in 1999 with the substantial capital funding commitment provided by the \$12 billion *Illinois FIRST* program. *Illinois FIRST*, a Fund for Infrastructure, Roads, Schools and Transit, was designed to meet the state's most pressing infrastructure needs. The transit component of this program, which was signed into law on June 15, 1999, included more than \$4 billion in transit investments.

Under *Illinois FIRST*, the RTA can borrow \$1.6 billion for improvement projects allowing the RTA to leverage more than \$1.9 billion in federal funds. In fiscal year 2000, the local match provided by *Illinois FIRST* enabled work to begin on badly needed rail transit projects for the suburbs and on aging infrastructure for city and suburban lines.

The *Illinois FIRST* program augments the RTA's highly successful 1989 \$1 billion bond program. The entire \$1 billion in 1989 bond funds has been committed with the expenditure of \$994.1 million to complete transit capital projects. Any adjustments to the 1989 Bond program are simply reallocations of the currently available funds.

The entire *Illinois FIRST* program provided \$2 billion in bonding authority, for distribution by both the RTA at \$1.6 billion and IDOT at \$400 million, for capital improvement purposes. The \$1.6 billion RTA Bond program increased the region's ability to address the backlog of capital projects to repair, replace, or upgrade rolling stock and existing infrastructure and provide significant levels of funding for the CTA and Metra expansions and extensions.

The RTA's bonding authority is admin-

istered over five years under two programs, the Strategic Capital Improvement Program (RTA SCIP) at \$1.3 billion and the RTA Bond Program (RTA Bonds Post 1999) at \$300 million. RTA SCIP funding maintains the 1989 statutory bond allocation formula of 50 percent to CTA, 45 percent to Metra, and 5 percent to Pace.

In 2004, a total of \$260 million of RTA SCIP funding is available to the Service Boards for programming, and it represents the fifth and the last program of projects funded under the *Illinois FIRST Program*. The allocation of RTA Bond funds is based on the Service Board projected needs. However, due to lower than projected sales tax receipts, the RTA plans to reduce its issuances of non-SCIP bonds. The RTA had previously planned to program non-SCIP bond amounts totaling \$435 million for 2002 through 2008. At this time, the RTA will program only \$355.1 million for 2002 through 2004.

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

State

Other sources of local funding for the 2004-2008 capital plan are the State of Illinois Series "B" Bond program and General Revenue Funds (GRF). General Revenue Funds provide funds for the region's transit projects administered by the Illinois Department of Transportation (IDOT) through the Division of Public Transportation. The State of Illinois Series "B" Bond program is used in addition to RTA sources to provide the required 20 percent local match for federal funds.

In 1999, the Illinois State legislature

authorized \$380 million for the Series "B" Bond program to be administered by the Illinois Department of Transportation (IDOT). While the 2004-2008 capital program assumes availability of the Series "B" Bond funds and GRF, these sources are subject to annual legislative appropriation.

It should be noted that the CTA programmed \$41.5 million of their IDOT Bond share in 2003, leaving only \$2.6 million in 2004. Therefore, the capital plan assumes \$34.5 million in IDOT funding for 2004 and \$80 million annually for 2005-2008, based upon the 2004 reauthorization. This amount includes the IDOT GRF funds totaling \$16 million over five years, with none programmed in 2004.

Service Boards

In addition to the funding sources described above, the 2004-2008 capital programs submitted by the CTA, Metra and Pace include funding for capital needs from their own fund balances and other external sources. The Service Boards have contributed to their capital investment programs by constraining operating costs to free up funds for capital investments.

Transfer capital is funds that can be used for operations but have, through cost containment, been reallocated for use on capital improvement projects. A total of

\$30.3 million has been allocated to transfer capital for 2004. In 2004, the CTA has allocated \$20.4 million, which originates from RTA discretionary funding, and Metra has allocated \$10 million, which originates from Metra's statutorily allocated percentage of the RTA sales tax. In addition, the Service Boards will use \$16 million of their operating funds for capital projects for their five-year capital programs.

Carryover and De-obligations

For 2004, Metra has proposed to de-obligate funds in the total amount of \$27.1 million. Usually, the Service Boards de-obligate the previously approved funds from the reserved, completed or deferred capital projects and re-use it for higher priority projects in current year.

CTA Financing

The CTA projects for 2004 total an amount \$250 million higher than the amount of funding estimated to be available. The additional \$250 million reflects an acceleration of certain CTA projects. The RTA Board has determined that it is in the best interests of the RTA to accelerate certain capital projects of the CTA pursuant to a financing plan and passed an ordinance to that effect on Dec. 12, 2003.

The ordinance states that any obligations for borrowings contained in the CTA's

financing plan must be payable from and secured solely by CTA federal Section 5307 formula funds. RTA staff will work with the CTA to review the financing plan and report back to the RTA Board.

Use of Funds

At this time, the projects in the 2004-2008 capital program exceed the funds anticipated to be available. Before the program is adopted by the RTA Board, adjustments will be made to achieve a balanced program budget.

The RTA capital program increased dramatically in 2000 primarily as a result of the increased funding included in the *Illinois FIRST* program. The 1999 program totaled \$552.7 million. The average funding level from 2000 thru the 2003 program will be \$921.9 million, a 67 percent increase. The CTA, Metra and Pace have responded by significantly increasing their project implementation performance. An average of \$418 million was obligated annually by the Service Boards from 1995 thru 1999. From 2000 thru 2003 (projected), the Service Boards have awarded an annual average of \$815 million in contracts. Project spending has also increased substantially, from an average of \$420 million per year from 1995 thru 1999 to \$738 million from 2000 thru 2003 (projected). Exhibits 7-4 and 7-5 illustrate these trends. These results show that the Service Boards are putting the monies available to good use, providing benefits to public transportation riders.

The RTA expects that the Service Boards will continue these positive trends in the implementation of the 2004 Capital Program. As shown in Exhibit 7-6, the majority of project costs are related to work currently underway. Forty-seven projects representing 52 percent of the 2004 capital program involve the continued phased funding of projects that have already received initial financing. Routine, recurring projects that are necessary to maintain the capital assets of the system include 40 projects or 18 percent of the 2004 capital program. Only 24 new projects, or 30 percent of the total program budget, will be receiving initial funding in 2004.

Exhibit 7-4: RTA Capital Program Obligations

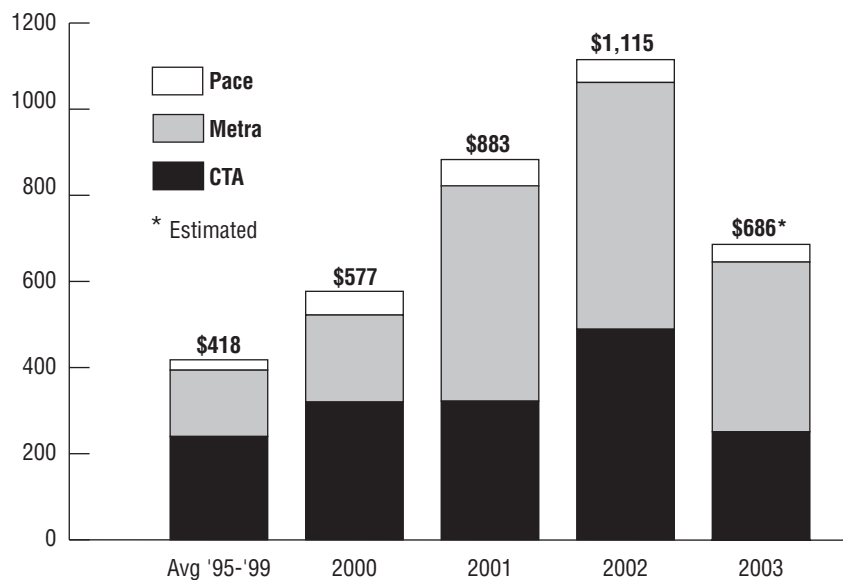


Exhibit 7-5: RTA Capital Program Expenditures

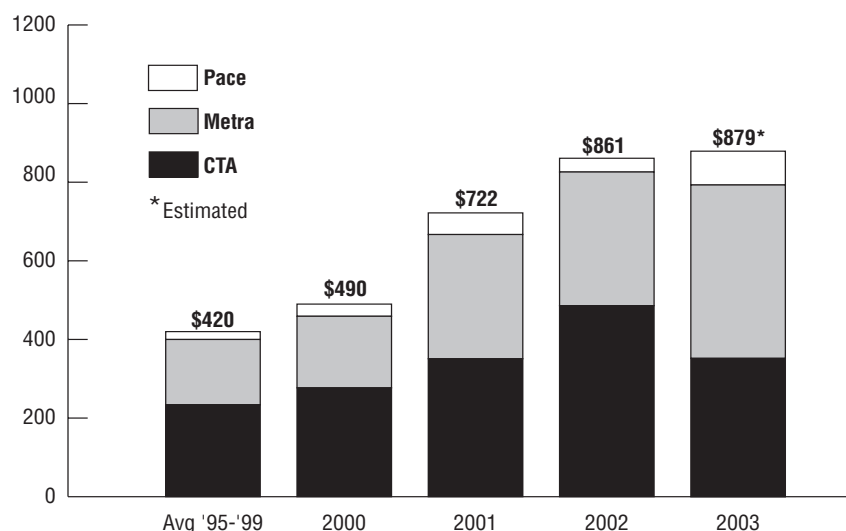


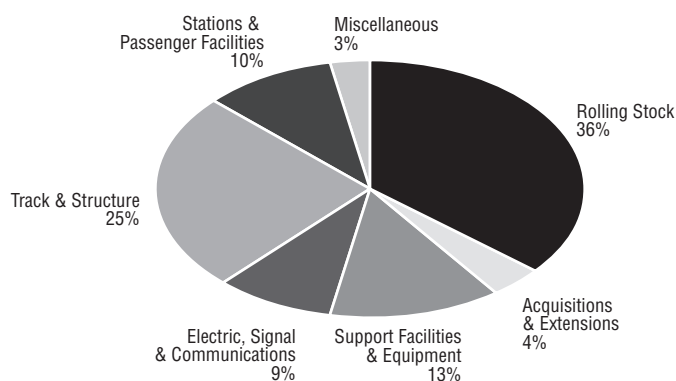
Exhibit 7-6: 2004 Capital Program Uses (dollars in millions)

Project Categories	CTA	Metra	Pace	Total	Percent
Continuation	\$ 283.4	\$ 302.6	—	\$ 586.0	52%
Routine	122.5	45.7	\$ 29.6	197.8	18%
New	329.8	14.5	—	344.3	30%
Total	\$ 735.7	\$ 362.8	\$ 29.6	\$ 1,128.1	100%

Exhibit 7-7: 2004-2008 Capital Program Uses (dollars in millions)

Project Types	CTA	Metra	Pace	Total	Percent
Preservation	\$ 1,840.1	\$ 941.9	\$ 158.1	\$ 2,940.1	63%
Improvement	429.6	363.8	24.3	817.7	18%
Expansion	490.4	332.9	39.9	863.3	19%
Total	\$ 2,760.1	\$ 1,638.6	\$ 222.3	\$ 4,621.0	100%

Exhibit 7-8: Region 2004-2008 Capital Program—\$4,621 Million



The primary emphasis of the 2004 capital program is to continue efforts to bring the system's assets to a state of good repair. When replacing worn out items, it is imperative to utilize modern technologies

that often result in improved functionalities of equipment, facilities and rolling stock. In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system

expansion. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved.

As shown in Exhibit 7-7, \$2.940 billion or 63 percent of the 2004-2008 capital program is allocated to the preservation or replacement of assets. \$817.7 million or 18 percent will be spent on improvements or modernization. Projects relating to signal and communication systems benefit most from the development of new technologies. Expansion of the transportation system accounts for \$863.3 million or 19 percent of the 2004-2008 capital program. This relatively large amount is due primarily to the funds available from the federal Section 5309 New Starts category which is available almost exclusively for this purpose.

Investments in the capital program can also be broken down by various asset categories. Exhibits 7-8 and 7-9 show that \$2,129 million or 46 percent of the program is spent on rolling stock and station and parking facilities which are considered to have the greatest direct impact on transit users. Substantial investment in other infrastructure is also critical to maintaining safe, reliable transportation services.

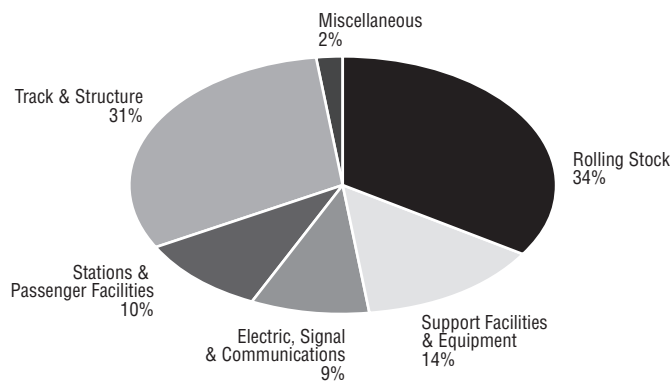
The 2004-2008 capital programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibits 7-10—7-12. Some of the more significant projects included in the proposed 2004-2008 capital program are:

- \$497.4 million for the purchase of 706 CTA rail cars,
- \$147.3 million for the purchase of 426 CTA buses,
- \$215.6 million for the rehabilitation of CTA rapid transit cars
- \$260.8 million for the reconstruction of the CTA Douglas Branch of the Blue Line,
- \$358.6 million for the expansion of the CTA Ravenswood Brown Line,
- \$109.7 million for the reconstruction of the CTA Dan Ryan Branch (22nd Street to 95th Street),
- \$208.7 million for the replacement and upgrade of the CTA power distribution and signal system,

Exhibit 7-9: 2004-2008 Capital Program Uses (dollars in millions)

Asset Category	CTA	Metra	Pace	Total	Percent
Rolling Stock	\$ 925	\$ 636	\$ 128	\$ 1,689	36.5%
Track & Structure	854	304	—	1,158	25.1%
Electric, Signal, & Communications	257	124	26	407	8.8%
Support Facilities & Equipment	390	155	61	606	13.1%
Stations & Passenger Facilities	272	166	2	440	9.6%
Miscellaneous	62	39	—	101	2.2%
Acquisitions & Extensions	—	200	—	200	4.3%
Contingencies & Administration	—	15	5	20	0.4%
	\$ 2,760	\$ 1,639	\$ 222	\$ 4,621	100%

Exhibit 7-10: CTA 2004-2008 Capital Program—\$2,760 Million



- \$234.8 million for reconstruction of five CTA rail stations on the Red, Blue and Purple Lines,
- \$109.1 million for the completion of the purchase of 326 Metra bi-level rail cars,
- \$410 million for the purchase of Metra Electric District rail cars.
- \$49.8 million for the rehabilitation of Metra commuter rail cars,
- \$17.5 million for the rehabilitation of Metra locomotives,
- \$67.8 million for the extension of the Metra Southwest Service,
- \$76.5 million for the expansion of the Metra North Central Service,
- \$54.2 million for the extension of the Metra Union Pacific West Line,
- \$103.8 million for the bridge rehabilitation on the Metra Union Pacific North Line,
- \$43.4 million for the bridge rehabilitation on the Metra Rock Island Line,
- \$98.0 million for the construction of new

- Metra Electric District yard and shops,
- \$54.6 million for the purchase of 168 Pace buses,
- \$19.0 million for the purchase of 239 Pace paratransit vehicles,
- \$28.5 million for the purchase of 723 Pace vanpool vehicles and associated equipment, and
- \$42.9 million for the construction, expansion and improvements to Pace garages.

CTA

Overview

The proposed projects in the CTA's 2004-2008 capital program total \$2.8 billion. The CTA's program continues the rehabilitation and replacement of their capital assets. The general categories of capital improvements and the percentage of the total capital program are: rolling stock at 34 percent, track and structure at 31 percent, electric, signal and communications at 9 percent, support facilities and equipment at

14 percent, stations and passenger facilities at 10 percent, and miscellaneous at 2 percent. The general categories of capital improvements that make up the CTA's capital program are illustrated in Exhibit 7-10.

See Exhibit 7-13 for a complete listing of projects in the program. Highlights of the CTA's 2004-2008 capital program are as follows:

Rolling Stock

The 2004-2008 capital program includes \$211.8 million in the bus rolling stock category. The CTA's bus fleet consists of 2,009 vehicles. The 2004-2008 capital program contains \$147.3 million for the continuation of the replacement of a minimum of 426 buses. These buses have reached the industry standard retirement age of 12 years. Continued operation of these buses imposes unnecessarily high maintenance and operating costs and reduces service reliability for the CTA's customers. All new buses will be air conditioned and accessible to persons with disabilities. In 2004, on-going bus purchases totaling \$48 million are planned for the replacement of approximately 147 buses.

In addition, \$64.5 million is budgeted for capital-eligible bus maintenance activities and life extending overhaul over the five-year program with \$17.8 million planned in 2004. The CTA will continue the overhaul program of the Flexible buses. Beyond 2004, the CTA will begin mid-life rehabilitation of the Nova buses.

The rail rolling stock category includes \$713 million in 2004-2008 to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of approximately 1,190 CTA

cars. The five-year program includes \$497.4 million for the replacement of 2200 and 2400 Series rail cars and to provide additional cars to meet the service requirements due to the Brown Line capacity expansion. The 2004-2008 capital program contains \$215.5 million to rehabilitate rapid transit rolling stock. Of this total, \$173.2 million will be used to continue the overhaul and mid-life rehabilitation for rail cars in the 2200, 2400, 2600 and 3200 Series. This mid-life rehabilitation will enable the cars to reach original useful life estimates of 25 years.

Track and Structure

The track and structure category includes \$853.7 million in 2004-2008 to rehabilitate and expand existing rail lines. The CTA rail system contains 289 total track miles, including yard track. Of these, 63.2 miles are at grade, with exclusive right-of-way; 32.1 miles are at grade with cross traffic; 109.9 miles are on elevated structure; 55.2 miles elevated are on fill; 2.9 are open cut miles; and 23.3 miles are subway.

The highlights of CTA's five-year track and structure program are:

- 1) The reconstruction of the Douglas Branch of the Blue Line from 54th and Cermak in Cicero through the incline connection to the Congress Branch, at a cost of \$260.8 million over the next five years, with \$97.5 million programmed in 2004;
- 2) The capacity expansion of the Ravenswood Brown Line from Kimball Terminal to Tower 18 in the Loop by extending platforms to accommodate eight-car trains and making selected yard improvements, at a cost of \$358.6 million over the next five years, with \$104.8 million programmed in 2004;
- 3) The reconstruction of the Dan Ryan Branch of the Red Line from 22nd Street and Cermak Station south to 95th Street Station, at a cost of \$109.7 million through 2005, with \$80.2 million programmed in 2004;
- 4) Structural improvements at a cost of \$15.8 million on both the North Main Line and the Ravenswood Line, with

\$11.8 million planned in 2004;

- 5) Rehabilitation of the viaducts and retaining walls on the Purple Line in Evanston, at a cost of \$11 million, with \$1 million programmed in 2004; and
- 6) Preliminary engineering for the Circle Line connector and the Ogden Avenue corridor, with \$9.5 million programmed in 2006.

Electric, Signal and Communications

The electric, signal and communications category totals \$257.1 million for the proposed five-year program, with \$19.3 million programmed in 2004. The CTA's five-year plan includes the replacement and upgrade of power distribution, substations and associated facilities, and Loop signals and interlocking at Tower 18, and replacement of signals system-wide, at a cost of \$208.7 million. \$11.7 million is planned in 2004. Other improvements in this category include system-wide communication upgrades for the bus, rail and support functions throughout the CTA by the installation of fiber optics communication equipment and cable, at a cost of \$34 million over the five-year program. The 2004 funding is planned at \$7 million. In addition, the Control Center and operational system improvements are planned at a cost of \$14.3 million.

Support Facilities and Equipment

The 2004-2008 capital program includes \$389.6 million in the support facilities and equipment category with 2004 funding of \$115.1 million.

The CTA's five-year program includes upgrades and improvements to bus turnarounds, rail stations and other CTA facilities. The CTA has programmed \$37 million in 2004 for these upgrades and improvements. Future funding of \$161 million will continue the bus turnaround and rail station improvements. Also, the CTA is proposing \$48.7 million for the purchase of land at various locations for bus garage improvements or replacements, and for other needs.

Over the five years of the CTA's capital program, the purchase of computer hardware

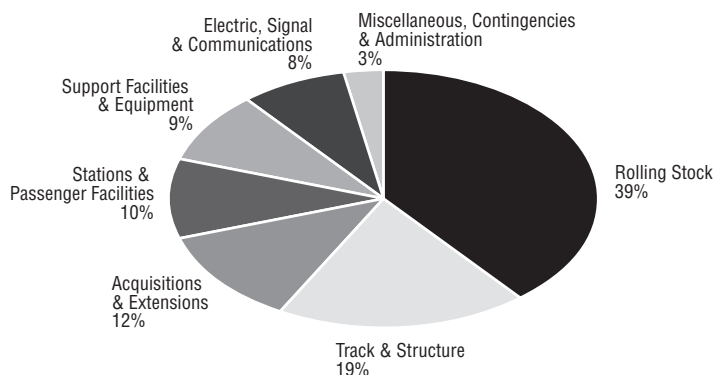
and software is planned at a cost of \$25.8 million to implement new and updated data processing systems and the purchase and installation of office computer data processing systems. Also, \$4.8 million is programmed for replacement of financial systems, with \$2.4 million planned in 2004. Upgrades to the Automatic Fare Control system are also planned at a cost of \$52.7 million in the CTA's 2004-2008 capital program, with \$45.9 million planned in 2004. The purchase of non-revenue vehicles is planned at a cost of \$59.6 million over five years, with \$12.1 million programmed in 2004.

Stations and Passenger Facilities

The stations and passenger facilities category totals \$272.6 million for the proposed five-year program with \$178.4 million programmed in 2004. The CTA operates 144 rapid transit stations serving seven routes. Fifty-one of these stations are wheelchair accessible via elevator or ramp.

The CTA's five-year program of station projects is as follows:

- 1) The reconstruction of several Red Line stations, Wilson, Granville, Morse, and Howard, and the construction of a multi-modal transportation facility between the Washington stations of the Dearborn and State Street subways are planned for \$230.6 million over the next five years with \$174.4 programmed in the 2004;
- 2) Station design and engineering for three Blue and Purple Line stations is planned at a cost of \$4.2 million. The stations are: Belmont on the O'Hare Blue Line and Dempster and Main Street on the Evanston Purple Line;
- 3) The implementation of security projects at rail stations, garages, shops and terminals throughout the CTA system at a cost of \$27.2 million is also planned with \$4 million programmed in 2004; and
- 4) The design and installation of modern signage on the rail and bus system to improve passenger understanding of routes and schedules at a cost of \$10.6 million for 2005 through 2007.

Exhibit 7-11: **Metra 2004-2008 Capital Program—\$1,639 Million**

Miscellaneous

The miscellaneous category totals \$25.8 million over the five years of the program. The CTA has programmed \$5.1 million for its Quality Assurance Program and for Program Management in 2004.

Metra

Overview

Metra's proposed 2004-2008 capital program totals \$1.64 billion. During this five-year period, Metra's program will continue the process of renewing its extensive commuter rail infrastructure, while preparing to expand its system. The general categories of capital improvements and their percentage of the total capital program are: rolling stock at 39 percent; track and structure at 19 percent; electric, signal, and communications at 8 percent; support facilities and equipment at 9 percent; stations and parking at 10 percent; acquisitions, extensions and expansions at 12 percent; and miscellaneous at 3 percent (Exhibit 7-11).

See Exhibit 7-13 (Schedule II, Five-Year Capital Program) for a complete listing of projects in the program. Highlights of Metra's 2004-2008 capital program are as follows:

Rolling Stock

The five-year rolling stock program totals \$635.7 million, with \$121.9 million planned for 2004. Metra's fleet includes 131 locomotives, 786 non-electric cars and 223 self-propelled electric cars. The 2004-2008 capital program includes \$26.8 million for

the rehabilitation of locomotives. In addition, Metra's five-year capital program includes \$74.3 million in 2004 for the ongoing purchase of a minimum of 300 ADA-compliant bi-level commuter rail cars. The 2004 capital program includes \$34.8 million for the purchase of a minimum of 26 accessible bi-level electric multi-unit commuter cars. The out-year program includes \$410 million for the engineering and purchase of additional replacement bi-level electric commuter cars. Over the five-year program, \$49.8 million is also allocated for the rehabilitation of a minimum of 281 commuter rail cars.

Track and Structure

The track and structure category totals \$304.2 million over the five years of the program, with \$43.0 million planned for 2004.

The Metra system operates on 546 route miles with 1,189 miles of track and 833 bridges. Metra is continuing a program of system-wide rehabilitation and preventive maintenance that includes bridge rehabilitation, grade separation, retaining wall rehabilitation, continuous-welded rail installation, ties and ballast replacement, rail grinding, fence installation, grade crossing replacement, and track undercutting.

Bridge rehabilitation and replacement projects, totaling \$197.4 million, are planned over the five-year program. The 2004-2008 bridge rehabilitation and replacement program includes \$103.8 million for the Union Pacific North Line, \$43.4 million on the Rock Island Line, \$20.3 mil-

lion on the Milwaukee District-West Line, \$14.1 million on the Metra Electric Line, and \$12 million on the Milwaukee District-North Line.

Metra is planning the installation of second mainline tracks, holding sidings, and new welded rail on the North Central Service Line at \$3.8 million, with \$2 million in 2004.

Electrical, Signal and Communications

A total of \$124.4 million is planned for the five-year program for electric, signal and communications projects that include upgrades and improvements to existing facilities such as interlockers, switches, signal systems, and electrical power control facilities. The 2004 program provides \$28.5 million for numerous projects throughout the system.

The \$21 million allocated in the five-year program, for the upgrade of the Lake Street interlocker located at the north side of Chicago Union Station, will continue with \$17 million programmed in 2004.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of \$2 million, in 2004 and \$13 million in the program's out years. As part of this project, a new interlocking control machine will be purchased and installed at the Lake Street Tower and track and signal layouts will be modified.

Metra has also programmed \$1.6 million in 2004 for the installation of fiber optic cable on the Burlington Northern-Santa Fe Line, to increase the effectiveness and reliability of signal and control system communications at interlockers and crossings. Metra's out-year capital program also includes \$18.3 million for continuation of this same underground fiber optic cable installation. In addition, Metra is proposing \$1.5 million in 2004 for the development of a Train Information Management System (TIMS) using a wireless communication network to provide real-time satellite based Global Positioning System (GPS) coordinates and related train information.

Support Facilities and Equipment

The support facilities and equipment category totals \$154.8 million for the 2004-2008 planning period, with \$5.2 million in the 2004 capital program. Support facilities and equipment includes rail car and locomotive maintenance buildings, storage yards, work crew headquarters, maintenance vehicles and equipment, office buildings, and associated computer hardware and software.

Metra's 2004 program includes \$2 million for construction of a new coach yard and shop on the Metra Electric District with \$96 million planned for the construction of this yard in the out years. In addition, Metra's 2004 program includes \$400,000 and an additional \$2.3 million in the out years, for the purchase of management information systems equipment and software, and \$1.5 million for a rolling stock maintenance tracking system.

Over the life of the five-year program, Metra plans to spend \$39.8 million on support facilities, yards, shops, substations and non-revenue vehicles, with \$19.6 million for specific yard improvements. Metra plans to spend \$10.6 million in the out years for improvements at its headquarters.

Stations and Parking

There are 228 stations in the Metra system, including four major terminals in downtown Chicago. In Metra's five-year capital program, a total of \$166.3 million is programmed for stations and parking. In

2004, \$46.6 million is programmed for these projects.

The 2004 program contains several major station projects:

- 1) The \$7 million for reconstruction of six stations on the South Chicago Branch of the Metra Electric District;
- 2) The \$3.5 million for rehabilitation of the Randolph Street Station in downtown Chicago;
- 3) The \$2.8 million for rehabilitation of the 99th Street-Beverly Station on the Rock Island District;
- 4) The \$2.8 million for the replacement of the Roosevelt Road Station on the Metra Electric District;
- 5) The \$2.3 million for improvements at the Des Plaines Station on the Union Pacific Northwest Line;
- 6) The \$1.6 million for the replacement of the Bartlett Station on the Milwaukee District West Line;
- 7) The \$1.5 million for rehabilitation of the Arlington Park Station on the Union Pacific Northwest Line; and
- 8) The \$1 million to upgrade the station access at the Palos Heights Station on the SouthWest Service.

The 2004 program includes \$3 million to expand the 153rd Street Orland Park Station parking on the SouthWest Service and \$1.2 million to expand the parking at the 179th Street Orland Park Station also on the SouthWest Service. An additional \$4.4 million is allocated in 2004 to address parking concerns at numerous other stations throughout the system.

Out-year funding of \$2.5 million is programmed for the rehabilitation of the 115th Street-Morgan Park Station and \$1 million to initiate the provision of a new station at 35th Street. Both of these stations are on the Rock Island Line.

Acquisitions, Extensions & Expansions

Over the five years of the program, Metra is planning to spend \$199.5 million for extension and expansion on three lines. In 2004, Metra's proposed program contains \$99.4 million for these extensions and expansion of services. The North Central Service, between Antioch and Chicago will be expanded and upgraded to enable the operation of 22 daily trains. Also, 2004 funding is allocated for the Union Pacific-West Line extension between Geneva and Elburn, and the SouthWest Service Line extension between Orland Park and Manhattan.

Miscellaneous, Contingencies and Administration

Metra's 2004-2008 capital program includes \$53.7 million for miscellaneous items, and contingencies and administration, with \$18.2 million programmed in 2004.

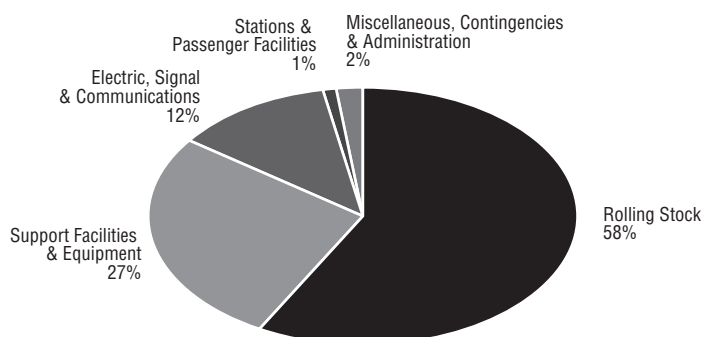
Pace

Overview

The proposed projects in Pace's 2004-2008 capital program total \$222.4 million. This funding primarily provides for the replacement and expansion of rolling stock. The general categories of capital improvements and the percentage of the total capital program are: rolling stock 58 percent; electric, signal and communications 12 percent; support facilities and equipment 27 percent; passenger facilities and miscellaneous 3 percent. These allocations are illustrated in Exhibit 7-12.

See Exhibit 7-13, Five-Year Capital Program, for a complete listing of projects in the program. Highlights of Pace's 2004-2008 capital program are as follows:

Exhibit 7-12: **Pace 2004-2008 Capital Program—\$222 Million**



Rolling Stock

In the five-year capital program, Pace plans to purchase up to 1,130 transit vehicles and perform bus upgrade and repair projects at a total cost of \$127.8 million. Pace's fleet consists of 678 fixed-route buses, 353 paratransit vehicles and 568 vanpool vehicles.

Pace's 2004 fixed-route bus budget of \$19.9 million includes the replacement of ten 40-foot Ikarus buses, seven Eldorado 29-foot buses, 31 35- and 40-foot Orion buses, and 15 Chance 26-foot buses which have exceeded their useful life. The replacement vehicles will be a mix of 30, 35 and 40-foot traditional transit buses.

In addition to other rolling stock purchases, Pace's 2004 capital program includes \$4.4 million for the purchase of a minimum of 121 vanpool vans. This program contains funds for the replacement of the VIP vanpool vehicles which have exceeded their useful life and for expansion vans.

RTA guidelines enable the Service Boards to be reimbursed for major bus maintenance costs which satisfy the definition of capital in accordance with generally accepted accounting principles. This program includes the replacement of bus components such as A/C condensers, alternators, regulators, drive shafts, transmission coolers, fan motors, steering shafts, and other items. Under the rolling stock category, Pace proposes \$2 million for the bus overhaul costs in 2004.

The purchase of associated capital items, estimated at a cost of \$1.9 million, is also planned in 2004. The 2005-2008 capital program includes \$8.5 million for associated capital purchases. Associated capital items include engines, transmissions, axle assemblies and other parts for fixed route and paratransit vehicles.

Electric, Signal and Communications

In 2005, Pace proposes \$26 million for electric, signal and communications projects. This includes \$13 million for the purchase and installation of a new system-wide radio system to replace Pace's existing system, and \$500,000 to complete its purchase of an Intelligent Bus System (IBS). Pace is currently in the process of installing Intelligent Bus System (IBS) equipment on all of their fixed-route buses and at the garages. The additional funding planned for 2005 is for upgrading software on existing traffic controllers to accept Traffic Signal Priority (TSP) devices. In addition, Pace proposes \$12.5 million to purchase and install a new system-wide farebox system and associated equipment to replace the existing system.

Support Facilities and Equipment

Pace proposes to spend \$60.7 million over five years for support facilities and equipment.

Of the \$0.4 million for support facilities and equipment projects planned in 2004, Pace's capital program includes \$0.3 million for overall improvements and upgrades at various Pace garages. Improvements include the purchase and installation of overhead doors for its garages, a king-pin lift for Heritage Division, an air compressor for Northwest Division, and make-up air intake dampers for the River Division and other improvements projects as necessary. Pace's out-year plan includes \$20.1 million for improvements and upgrades at various garages.

In addition, \$22.5 million is included in Pace's five-year program for expansion of existing garages and construction of future passenger facilities to support the existing system and expansions which might be identified in the Vision 2020 Plan.

The 2004 program includes \$100,000 for the purchase of two brake lathes and one pick up truck for maintenance staff at South Holland. Pace's out-year plan includes \$4.3 million for various maintenance and support equipment.

Pace's five-year program includes \$12.5 million for the purchase of software and hardware and associated design and installation services for computers, printers, computer systems, network, communications, and presentation needs.

Passenger Facilities

Pace's five-year program includes \$2.7 million for passenger facilities, including the installation of 630 bike rack ad frames, bus stop poles and signs, 2,000 schedule display tubes and passenger shelters.

Miscellaneous

This category provides funding for contingencies, administration and unanticipated capital. A total of \$5.2 million is proposed over five years with \$1 million estimated for 2004. Contingencies are used to cover costs over the budgeted amounts and project administration covers the in-house staff salaries associated with undertaking and completing a capital project.

Exhibit 7-13: **Five-Year Capital Program Schedule II**

	2004	2005	2006	2007	2008	Total
CTA – Bus						
Rolling Stock						
021.803 Perform Bus Maintenance Activities	7,588,250	—	—	—	—	7,588,250
021.803 Perform Bus Maintenance Activities	—	7,588,250	7,588,250	7,588,250	7,588,250	30,353,000
021.806 Perform Mid-Life Bus Overhaul-South Shops	10,260,800	—	—	—	—	10,260,800
021.806 Perform Mid-Life Bus Overhaul-South Shops	—	—	6,496,000	6,901,178	2,938,320	16,335,498
031.054 Purchase a Minimum of 426 Replacement Buses (Partial \$)-System-wide	—	38,671,486	—	30,314,657	30,314,657	99,300,800
031.054 Purchase a Minimum of 426 Replacement Buses (Partial \$)-System-wide	48,000,000	—	—	—	—	48,000,000
Total: Rolling Stock	\$ 65,849,050	\$ 46,259,736	\$ 14,084,250	\$ 44,804,085	\$ 40,841,227	\$211,838,348
Total: Bus	\$ 65,849,050	\$ 46,259,736	\$ 14,084,250	\$ 44,804,085	\$ 40,841,227	\$ 211,838,348
CTA - Rail						
Rolling Stock						
022.903 Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial \$)-Skokie Shops	—	24,345,944	33,814,416	25,513,929	60,412,667	144,086,956
022.903 Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial \$)-Skokie Shops	29,150,000	—	—	—	—	29,150,000
022.906 Perform Rail Car Overhaul Activities-System-wide	—	8,459,670	8,459,670	8,459,670	8,459,670	33,838,680
022.906 Perform Rail Car Overhaul Activities-System-wide	8,459,670	—	—	—	—	8,459,670
132.056 Replace a Minimum of 706 Rail Cars (2200 and 2400 Series, Partial \$)-System-wide	—	38,317,656	163,724,268	162,143,625	133,255,167	497,440,716
Total: Rolling Stock	\$ 37,609,670	\$ 71,123,270	\$ 205,998,354	\$ 196,117,224	\$ 202,127,504	\$ 712,976,022
Track & Structure						
171.036 Renew Structure-System-wide	6,561,716	—	—	—	—	6,561,716
171.133 Repair Track and Structure Defects-System-wide	—	5,400,804	5,400,804	5,400,804	6,579,793	22,782,205
171.133 Repair Track and Structure Defects-System-wide	5,400,804	—	—	—	—	5,400,804
171.217 Replace Flange Angles-North Main Line and Ravenswood	—	3,937,027	—	—	—	3,937,027
171.217 Replace Flange Angles-North Main Line and Ravenswood	11,811,089	—	—	—	—	11,811,089
173.022 Rehab Viaducts and Retaining Walls-Evanston/ Purple Line	816,200	—	—	—	—	816,200
173.022 Rehab Viaducts and Retaining Walls-Evanston/ Purple Line	—	8,406,860	—	—	1,808,466	10,215,326
181.500 Renew Right-of-Way and Footwalk-System-wide	7,177,610	—	—	—	—	7,177,610
181.500 Renew Right-of-Way and Footwalk-System-wide	—	14,734,580	4,411,249	13,729,650	13,430,292	46,305,771
194.139 Rehabilitate Dan Ryan Branch (Design/Construct) (22nd St. to 95th St., Partial \$)-Red Line	—	29,513,577	—	—	—	29,513,577
194.139 Rehabilitate Dan Ryan Branch (Design/Construct) (22nd St. to 95th St., Partial \$)-Red Line	80,231,929	—	—	—	—	80,231,929
Total: Track & Structure	\$111,999,348	\$ 61,992,848	\$ 9,812,053	\$ 19,130,454	\$ 21,818,551	\$ 224,753,254
Electric, Signal, & Communications						
121.500 Replace/Upgrade Power Distribution and Signals-System-wide	11,696,662	—	—	—	—	11,696,662
121.500 Replace/Upgrade Power Distribution and Signals-System-wide	—	83,012,443	54,938,121	50,085,189	9,007,350	197,043,103
Total: Electric, Signal, & Communications	\$ 11,696,662	\$ 83,012,443	\$ 54,938,121	\$ 50,085,189	\$ 9,007,350	\$ 208,739,765

7-12 Capital

		2004	2005	2006	2007	2008	Total
CTA							
Stations & Passenger Facilities							
141.272	Provide for Design Engineering for a Minimum of 3 Rail Stations Reconstruction-Blue and Purple Lines	—	—	2,076,862	2,076,811	—	4,153,673
141.273	Reconstruct Wilson, Howard, Morse and Granville Stations and Construct Washington Intermodal Transportation Station-Red/ Blue Lines	—	—	—	—	56,273,298	56,273,298
141.273	Reconstruct Wilson, Howard, Morse and Granville Stations and Construct Washington Intermodal Transportation Station-Red/ Blue Lines	174,388,924	—	—	—	—	174,388,924
150.028	Implement Security Projects-System-wide	4,024,731	—	—	—	—	4,024,731
150.028	Implement Security Projects-System-wide	—	15,579,000	7,579,000	—	—	23,158,000
Total: Stations & Passenger Facilities		\$ 178,413,655	\$ 15,579,000	\$ 9,655,862	\$ 2,076,811	\$ 56,273,298	\$ 261,998,626
Acquisitions & Extensions							
194.115	Expand CTA Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial \$)-Brown Line	—	63,954,712	63,954,712	61,889,592	63,954,712	253,753,728
194.115	Expand CTA Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial \$)-Brown Line	104,836,962	—	—	—	—	104,836,962
194.117	Reconstruct Douglas Branch (Partial \$)-Blue Line	97,500,000	—	—	—	—	97,500,000
194.117	Reconstruct Douglas Branch (Partial \$)-Blue Line	—	97,500,000	65,845,818	—	—	163,345,818
202.220	Provide for Design Engineering Ogden Corridor and Circle Lines	—	—	9,512,343	—	—	9,512,343
Total: Acquisitions & Extensions		\$ 202,336,962	\$ 161,454,712	\$ 139,312,873	\$ 61,889,592	\$ 63,954,712	\$ 628,948,851
Total: Rail		\$ 542,056,297	\$ 393,162,273	\$ 419,717,263	\$ 329,299,270	\$ 353,181,415	\$ 2,037,416,518
System							
Electric, Signal, & Communications							
052.018	Implement Control Center Projects-Control Center	583,000	—	—	—	—	583,000
052.018	Implement Control Center Projects-Control Center	—	233,200	1,929,730	11,600,216	—	13,763,146
053.016	Upgrade Communication System-System-wide	—	6,996,000	6,496,000	6,996,000	6,496,000	26,984,000
053.016	Upgrade Communication System-System-wide	6,996,000	—	—	—	—	6,996,000
Total: Electric, Signal, & Communications		\$ 7,579,000	\$ 7,229,200	\$ 8,425,730	\$ 18,596,216	\$ 6,496,000	\$ 48,326,146
Support Facilities & Equipment							
061.059	Implement Computer Systems-System-wide	—	4,630,073	4,754,975	4,897,503	5,512,140	19,794,691
061.059	Implement Computer Systems-System-wide	6,024,589	—	—	—	—	6,024,589
062.090	Replace Financial Systems-Merchandise Mart	—	2,401,960	—	—	—	2,401,960
062.090	Replace Financial Systems-Merchandise Mart	2,401,960	—	—	—	—	2,401,960
073.500	Improve Facilities-System-wide	—	84,733,012	25,470,608	24,610,721	26,189,760	161,004,101
073.500	Improve Facilities-System-wide	36,954,336	—	—	—	—	36,954,336
084.059	Purchase Equipment and Non-Revenue Vehicles-System-wide	12,131,437	—	—	—	—	12,131,437
084.059	Purchase Equipment and Non-Revenue Vehicles-System-wide	—	11,303,318	10,536,681	3,307,773	12,302,230	47,450,002
102.039	Implement Automated Fare Control (AFC) Systems-System-wide	45,904,020	—	—	—	—	45,904,020
102.039	Implement Automated Fare Control (AFC) Systems-System-wide	—	1,274,120	2,624,687	2,914,951	—	6,813,758
190.037	Provide for Land Acquisition-System-wide	11,660,000	—	—	—	—	11,660,000
190.037	Provide for Land Acquisition-System-wide	—	8,528,000	8,640,732	11,549,695	8,371,252	37,089,679
Total: Support Facilities & Equipment		\$ 115,076,342	\$ 112,870,483	\$ 52,027,683	\$ 57,280,643	\$ 52,375,382	\$ 389,630,533
Stations & Passenger Facilities							
110.011	Improve Signage Program-System-wide	—	3,602,940	3,498,000	3,498,000	—	10,598,940
Total: Stations & Passenger Facilities		—	\$ 3,602,940	\$ 3,498,000	\$ 3,498,000	—	\$ 10,598,940
Miscellaneous							
190.033	Implement Quality Assurance Program-System-wide	—	471,623	485,772	500,333	515,352	1,973,080

		2004	2005	2006	2007	2008	Total
CTA							
190.033	Implement Quality Assurance Program-System-wide	457,887	—	—	—	—	457,887
202.205	Provide for Program Management-System-wide	—	4,664,000	4,664,000	4,664,000	4,664,000	18,656,000
202.205	Provide for Program Management-System-wide	4,664,000	—	—	—	—	4,664,000
999.999	Provide for Interest on Section 5307 Federal Borrowing-System-wide	—	9,734,736	9,230,307	8,705,399	8,915,194	36,585,636
Total: Miscellaneous		\$ 5,121,887	\$ 14,870,359	\$ 14,380,079	\$ 13,869,732	\$ 14,094,546	\$ 62,336,603
Total: System		\$ 127,777,229	\$ 138,572,982	\$ 78,331,492	\$ 93,244,591	\$ 72,965,928	\$ 510,892,222
Total for Service Board: CTA		\$ 735,682,576	\$ 577,994,991	\$ 512,133,005	\$ 467,347,946	\$ 466,988,570	\$ 2,760,147,088
		2004	2005	2006	2007	2008	Total
Metra Rail							
Rolling Stock							
3310	Purchase a Minimum of 300 New Accessible Bi-level Cars-MET (Partial \$)	74,300,000	—	—	—	—	74,300,000
3403	Rehabilitate a Minimum of 20 Commuter Bi-level Rail Cars (Partial \$)-BNSF	3,116,250	—	—	—	—	3,116,250
3403	Rehabilitate a Minimum of 20 Commuter Bi-level Rail Cars (Partial \$)-BNSF	—	2,405,000	—	—	—	2,405,000
3404	Rehabilitate a Minimum of 20 Commuter Bi-level Rail Cars (Partial \$)-System-wide	—	2,650,000	—	—	—	2,650,000
3404	Rehabilitate a Minimum of 20 Commuter Bi-level Rail Cars (Partial \$)-MET	1,000,000	—	—	—	—	1,000,000
3410	Purchase a Minimum of 26 Accessible Bi-level Electric Multi-Unit Commuter Cars (Repl., Partial \$)-MED	34,783,750	—	—	—	—	34,783,750
3701	Rehabilitation of a Minimum of 12 Locomotives (Partial \$, #148-159)-MET	—	4,200,000	—	—	—	4,200,000
3803	Overhaul and Upgrade Traction Motors-MET	1,000,000	—	—	—	—	1,000,000
3804	Install Locomotive Air Conditioning-MET	200,000	—	—	—	—	200,000
3806	Overhaul Traction Motors-MED	1,000,000	—	—	—	—	1,000,000
3807	Rebuild Air Brakes-MET	4,300,000	—	—	—	—	4,300,000
3808	Replace Wheels-MET	1,800,000	—	—	—	—	1,800,000
3809	Replace Locomotive and Commuter Car Batteries-MET	400,000	—	—	—	—	400,000
96-003	Install Window Glazing Required by FRA-MET	—	300,000	—	125,000	—	425,000
96-124	Overhaul Traction Motors-MET	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-151	Rehabilitate a Minimum of 122 Cars-MWD	—	3,000,000	7,470,000	7,000,000	3,000,000	20,470,000
AC-101	Rehabilitate a Minimum of 119 Cars-BNSF	—	5,000,000	5,000,000	5,020,000	5,100,000	20,120,000
AF-111	Rehabilitate Locomotives (GMC/EMD)-MET	—	4,625,000	4,175,000	—	4,500,000	13,300,000
AF-171	Overhaul Traction Motors on the Highliner Cars-MED	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
AF-181	Overhaul Fleet Components-MET	—	7,650,000	7,825,000	5,800,000	8,320,000	29,595,000
AG-152	Improve Cars and Locomotives-MET	—	500,000	500,000	500,000	500,000	2,000,000
AG-181	Provide for Engineering and Purchase of Replacement Bi-level Electric Multi-Unit Commuter Cars (Partial \$)-MED	—	103,000,000	103,000,000	102,000,000	102,000,000	410,000,000
AH-121	Install Locomotive Air Conditioning and Other Improvements-MET	—	150,000	150,000	150,000	150,000	600,000
Total: Rolling Stock		\$ 121,900,000	\$ 135,480,000	\$ 130,120,000	\$ 122,595,000	\$ 125,570,000	\$ 635,665,000
Track & Structure							
2038	Renew Salt Creek Bridge-MWD-West Line	—	2,000,000	—	—	—	2,000,000
2112	Replace Bridges-UP - North Line (Partial \$)	—	14,000,000	14,000,000	35,500,000	40,250,000	103,750,000
2927	Replace 4 Bridges, 57th-60th Streets (Partial \$)-RID	5,000,000	—	—	—	—	5,000,000
2927	Replace 4 Bridges, 57th-60th Streets (Partial \$)-RID	—	3,500,000	—	—	—	3,500,000
2931	Fill Bridges-System-wide	—	750,000	500,000	500,000	500,000	2,250,000
3325	Replace 21 Bridges, 18th-55th Streets (Partial \$)-RID	—	6,000,000	2,000,000	—	—	8,000,000

7-14 Capital

		2004	2005	2006	2007	2008	Total
3325	Replace 21 Bridges, 18th - 55th Streets (Partial \$)-RID	18,254,302	—	—	—	—	18,254,302
3325	Replace 21 Bridges, 18th - 55th Streets (Partial \$)-RID	2,575,698	—	—	—	—	2,575,698
3427	Improve North Central Service (Partial \$)-NCS	2,000,000	—	—	—	—	2,000,000
3432	Reconstruct Bridge Z-108 (Elgin)-MWD-West Line	—	2,500,000	1,000,000	—	—	3,500,000
3433	Reconstruct Halsted Street Bridge (#96)-RID	—	—	1,250,000	—	—	1,250,000
3438	Rehabilitate Retaining Walls-UPR	—	—	1,000,000	—	1,000,000	2,000,000
3512	Improve track between Roundout and Fox Lake- MDW-North Line	—	—	—	—	5,000,000	5,000,000
		2004	2005	2006	2007	2008	Total
Metra							
3626	Rehabilitate 59th & 60th Street Bridges-MED	—	—	1,000,000	2,500,000	2,500,000	6,000,000
3724	Upgrade Bridges-MWD	250,000	—	—	—	—	250,000
3811	Replace Ties, Ballast and Switch Heaters-BNSF	1,200,000	—	—	—	—	1,200,000
3813	Replace Ties and Ballast-MED	3,250,000	—	—	—	—	3,250,000
3815	Replace Ties and Ballast-MWD	24,000	—	—	—	—	24,000
3815	Replace Ties and Ballast-MWD	1,676,000	—	—	—	—	1,676,000
3817	Replace Ties and Ballast-UP	2,000,000	—	—	—	—	2,000,000
3819	Provide for Rail Grinding-BNSF	40,000	—	—	—	—	40,000
3823	Upgrade Crossings (Road and Track)- RID, MED, MWD	1,000,000	—	—	—	—	1,000,000
3825	Perform Rail Grinding-UP	50,000	—	—	—	—	50,000
3827	Provide for Undercutting at Stations-BNSF	500,000	—	—	—	—	500,000
3829	Provide for Undercutting at Stations-UP	500,000	—	—	—	—	500,000
3831	Renew Relay and Switch Points-BNSF	500,000	—	—	—	—	500,000
3833	Relay Rail-MWD-West Line	2,283,750	—	—	—	—	2,283,750
3833	Relay Rail-MWD-West Line	916,250	—	—	—	—	916,250
3841	Rehabilitate Catenary Structure-MED	1,000,000	—	—	—	—	1,000,000
96-008	Rehabilitate Retaining Walls-BNSF	—	500,000	500,000	500,000	500,000	2,000,000
96-015	Replace Rail-MED	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
96-017	Replace Ties and Ballast-MED	—	—	3,250,000	3,250,000	2,000,000	8,500,000
96-022	Improve North Central Service-NCS	—	—	600,000	600,000	600,000	1,800,000
96-073	Provide for Rail Grinding-MET	—	300,000	300,000	300,000	300,000	1,200,000
96-074	Install Right-of-Way Fencing-MET	—	100,000	100,000	100,000	100,000	400,000
96-104	Replace Rail-RID	—	—	—	1,000,000	—	1,000,000
96-107	Replace Rail-UP	—	1,000,000	—	1,000,000	1,000,000	3,000,000
96-116	Replace Ties and Ballast-UP	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
96-126	Rehabilitate Retaining Walls-MET	—	1,000,000	—	1,000,000	1,000,000	3,000,000
96-128	Rehabilitate Catenary Structure-MED	—	700,000	700,000	700,000	700,000	2,800,000
96-133	Provide for Undercutting at Stations-UP	—	500,000	500,000	500,000	500,000	2,000,000
96-137	Replace Ties and Ballast-SWS	—	—	—	—	3,000,000	3,000,000
96-166	Rehabilitate 75th and 79th Street Bridges-MED	—	—	—	—	3,000,000	3,000,000
96-172	Replace Golf Road Bridge (A-82.5)-MWD-North Line	—	—	—	5,000,000	5,000,000	10,000,000
96-276	Replace Ties and Ballast-RID	—	—	2,000,000	2,000,000	3,500,000	7,500,000
96-302	Upgrade Bridges-MWD	—	500,000	500,000	500,000	500,000	2,000,000
AC-201	Provide for Undercutting-BNSF	—	500,000	500,000	500,000	500,000	2,000,000
AC-207	Renew 73rd Street Bridge (#9-1)-MED	—	—	500,000	2,000,000	—	2,500,000
AC-208	Replace Sacramento Boulevard Bridge-MWD-West Line	—	—	800,000	7,000,000	7,000,000	14,800,000
AD-202	Inspect New Rail-MET	—	100,000	100,000	100,000	100,000	400,000
AD-203	Install Right-of-Way Fencing-UP	—	200,000	200,000	200,000	200,000	800,000
AD-204	Replace Handrailing and Walkways-UP	—	200,000	200,000	200,000	200,000	800,000
AD-214	Provide for Rail Grinding-BNSF	—	40,000	40,000	40,000	50,000	170,000
AE-201	Replace Ties, Ballast and Switch Heaters-BNSF	—	1,200,000	1,200,000	1,200,000	1,500,000	5,100,000
AE-202	Replace Rail and Switches-BNSF	—	500,000	500,000	500,000	500,000	2,000,000
AE-242	Rehabilitate Montrose Avenue Bridge (A-36)	—	—	600,000	1,400,000	—	2,000,000
AE-243	Rehabilitate 75th Street Bridge (#82)-RID	—	—	600,000	600,000	—	1,200,000
AE-244	Rehabilitate Gresham Area Bridges-RID	—	—	1,250,000	1,250,000	1,150,000	3,650,000
AE-271	Rehabilitate Gresham Area Retaining Walls-RID	—	—	—	1,500,000	1,500,000	3,000,000
AF-211	Upgrade Crossings (Road and Track)- RID, MED, MWD	—	—	1,200,000	1,200,000	1,200,000	3,600,000

		2004	2005	2006	2007	2008	Total
Metra							
AF-213	Provide for Rail Grinding-UP	—	50,000	50,000	50,000	50,000	200,000
AF-241	Rehabilitate Bridge #9-43 at 76th Street-MED	—	—	—	375,000	1,250,000	1,625,000
AG-214	Provide for Rail Welding-MET	—	150,000	150,000	150,000	150,000	600,000
AH-226	Provide for Undercutting and Surfacing-RID	—	—	1,000,000	—	1,000,000	2,000,000
AK-203	Replace Ties and Ballast-MWD	—	2,000,000	1,700,000	2,400,000	1,700,000	7,800,000
AK-233	Replace Rail-MWD	—	—	3,000,000	3,000,000	—	6,000,000
AL-245	Rehabilitate Dixie Highway Bridge (#23-3)-MED	—	—	—	—	500,000	500,000
AL-246	Rehabilitate Vollmer Road Bridge (#26-1)-MED	—	—	—	—	500,000	500,000
AL-268	Rehabilitate Joint Line Bridges-UP	—	—	—	—	1,500,000	1,500,000
Total: Track & Structure		\$ 43,020,000	\$ 40,790,000	\$ 45,290,000	\$ 81,115,000	\$ 94,000,000	\$ 304,215,000
Electric, Signal, & Communications							
2413	Install SCADA System (Remove ARCS Cable)-MET	—	—	200,000	—	—	200,000
2539	Install Bi-Directional Signaling, 11th - 67th-MED	—	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
2623	Upgrade Centralized Traffic Control (CTC) at Kensington, CCF-MED	400,000	—	—	—	—	400,000
2835	Replace AC Transmission Lines-MED	—	800,000	900,000	900,000	900,000	3,500,000
2938	Renew A5 Interlocker, Consolidated Control Facility (CCF)-MWD	—	—	500,000	3,000,000	3,000,000	6,500,000
2939	Renew Gresham Interlocker, Consolidated Control Facility (CCF)-RID	—	3,800,000	3,800,000	—	—	7,600,000
2942	Provide for Electronic Conversion of Drawings-MED	—	75,000	75,000	75,000	75,000	300,000
3240	Provide for Crossover Consolidation-BNSF	—	—	—	—	100,000	100,000
3241	Upgrade Lake Street Interlocker (Partial \$)-CUS	—	4,000,000	—	—	—	4,000,000
3241	Upgrade Lake Street Interlocker (Partial \$)-CUS	17,000,000	—	—	—	—	17,000,000
3246	Replace Catenary Wire-MED	—	—	1,200,000	—	—	1,200,000
3334	Install Crossing Recorders-MET/RI, SWS, MED, and MWD	—	—	600,000	—	500,000	1,100,000
3337	Upgrade Lake Street Interlocker (Partial \$)-UP	—	9,000,000	2,000,000	2,000,000	—	13,000,000
3337	Upgrade Lake Street Interlocker (Partial \$)-UP	2,000,000	—	—	—	—	2,000,000
3339	Upgrade Electrical Equipment at Vollmer Road-MED	—	300,000	—	—	—	300,000
3439	Install Passenger Information Display Systems (PIDS)-MET	2,500,000	—	—	—	—	2,500,000
3446	Install Fiber Optic Cable (Partial \$)-BNSF	—	5,600,000	4,600,000	4,600,000	3,500,000	18,300,000
3446	Install Fiber Optic Cable (Partial \$)-BNSF	1,600,000	—	—	—	—	1,600,000
3454	Install Train Information Management System (Partial \$)-MET	1,500,000	—	—	—	—	1,500,000
3514	Upgrade Turnouts at Crystal Lake Junction-UP-Northwest Line	—	3,500,000	—	—	—	3,500,000
3515	Install Backup Generators Chicago Union Station-CUS	400,000	—	—	—	—	400,000
3516	Replace Switch Heaters and Power Generators-MET	1,000,000	—	—	—	—	1,000,000
3516	Replace Switch Heaters and Power Generators-MET	—	1,000,000	—	—	—	1,000,000
3733	Install Pedestrian Crosswalk Signals-MET	300,000	—	—	—	—	300,000
3741	Install Air Compressors at Yards-UP	1,500,000	—	—	—	—	1,500,000
3748	Replace Backup Batteries-UP	300,000	—	—	—	—	300,000
3843	Computer-Aided Dispatch-MET	—	600,000	—	—	—	600,000
96-023	Install Crossing Protection-BNSF	—	800,000	—	—	—	800,000
96-034	Replace Batteries-UP	—	300,000	300,000	300,000	100,000	1,000,000
96-037	Install Coded Track Circuits at Lake Forest - Rondout-MWD-North Line	—	1,000,000	700,000	700,000	—	2,400,000
96-038	Install Coded Track Circuits, B12-B35-MWD	—	—	—	500,000	1,000,000	1,500,000
96-046	Renew Union Depot (UD) Interlocker, Consolidated Control Facility (CCF)-RID	—	—	—	—	300,000	300,000

7-16 Capital

		2004	2005	2006	2007	2008	Total
Metra							
96-049	Replace Feeder Cables-MED	—	205,000	—	—	—	205,000
96-115	Upgrade Coded Track Circuits-UP	—	—	—	1,500,000	1,500,000	3,000,000
96-120	Replace Signal Equipment at the Wye at Lumber St on BNSF-CUS	—	—	—	—	700,000	700,000
96-219	Provide for Crossing Improvements-RID	—	—	400,000	—	—	400,000
AC-305	Install Coded Track, Kensington-Matteson - MED	—	—	—	1,500,000	500,000	2,000,000
AC-307	Upgrade Crossings, Blue Island Branch - RID	—	1,000,000	—	—	1,000,000	2,000,000
AC-308	Install Coded Track, Mokena-Joliet - RID	—	500,000	—	—	—	500,000
AD-301	Install Signal Equipment, Mayfair-Deval - UP Northwest Line	—	—	—	—	2,000,000	2,000,000
AD-304	Install Signal Equipment, Fox River Grove - UP	—	—	—	—	250,000	250,000
AD-310	Renew Lake Bluff Interlocker - UP-North Line	—	—	—	—	500,000	500,000
AD-312	Replace Signal Bridge - BNSF	—	250,000	—	—	250,000	500,000
AD-314	Replace Switches at Kedzie Street Interlocker - UP - West	—	—	—	—	500,000	500,000
AD-320	Upgrade Communications Equipment - MET	—	230,000	—	250,000	—	480,000
AG-308	Install Pedestrian Crosswalk Signals - MET	—	1,200,000	1,200,000	1,200,000	1,200,000	4,800,000
AG-374	Replace Cab Radios - MET	—	—	—	—	1,050,000	1,050,000
AG-377	Replace Fiber Optics Cable South Chicago Branch - MED	—	—	—	1,700,000	—	1,700,000
AG-378	Install Microwave Backup System - MED	—	300,000	300,000	—	—	600,000
AK-376	Replace Fiber Optics Cable - MED	—	—	—	—	2,000,000	2,000,000
AL-310	Improve Randolph Street Station Ventilation - MED	—	675,000	—	—	—	675,000
AL-311	Replace Underground Storage Tank at 47th Street Yard - RID	—	600,000	—	—	—	600,000
AL-312	Replace Power Cables at 47th Street Yard - RID	—	210,000	—	—	—	210,000
Total: Electric, Signal, & Communications		\$ 28,500,000	\$ 36,945,000	\$ 17,775,000	\$ 19,225,000	\$ 21,925,000	\$ 124,370,000
Support Facilities & Equipment							
3103	Purchase Rolling Stock Maintenance Tracking System - MET	1,500,000	—	—	—	—	1,500,000
3256	Improve 47th Street Yard (Partial \$) - RID	—	1,600,000	—	—	7,000,000	8,600,000
3258	Replace HVAC at 547 West Jackson Blvd - MET	—	—	—	3,500,000	2,100,000	5,600,000
3259	Improve 547 West Jackson Exterior - MET	—	1,650,000	1,100,000	—	—	2,750,000
3350	Improve 547 West Jackson Exterior - MET	—	—	—	1,000,000	—	1,000,000
3356	Purchase Management Information System Equipment - MET	400,000	—	—	—	—	400,000
3760	Purchase Client Server Software - MET	100,000	—	—	—	—	100,000
3764	Renewal of Facilities - MET	500,000	—	—	—	—	500,000
3787	Purchase 63 Coronary Defibrillators - MET	500,000	—	—	—	—	500,000
3850	Construct New Yard and Shop - MED	2,000,000	—	—	—	—	2,000,000
3850	New Electric District Yard - MED	—	10,000,000	50,500,000	35,500,000	—	96,000,000
3859	Install Backup Power System at Consolidated Control Facility (CCF) - MET	150,000	—	—	—	—	150,000
96-045	Purchase Equipment and Vehicles - MET	—	1,250,000	1,200,000	1,200,000	1,200,000	4,850,000
AC-404	Improve California and M19A Yards - UP	—	2,000,000	—	—	1,000,000	3,000,000
AC-406	Upgrade Substation Building - MED	—	2,500,000	—	1,200,000	1,300,000	5,000,000
AD-409	Renovate 547 West Jackson Headquarters - MET	—	300,000	300,000	300,000	300,000	1,200,000
AD-452	Improve Facilities - MET	—	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
AF-401	Upgrade 14th Street Yard - BNSF	—	1,000,000	500,000	500,000	500,000	2,500,000
AF-451	Purchase Management Information Systems (MIS) Equipment - MET	—	750,000	750,000	—	750,000	2,250,000
AF-452	Purchase Client Server Software - MET	—	300,000	250,000	250,000	250,000	1,050,000
AG-414	Provide for KYD Yard Facilities - MED	—	2,100,000	1,400,000	—	—	3,500,000
AK-409	Improve Western Avenue Yard - MWD	—	—	600,000	—	—	600,000
AK-409A	Improve Western Avenue Yard - MWD	—	800,000	—	—	—	800,000

		2004	2005	2006	2007	2008	Total
Metra							
AK-409B	Improve Western Avenue Yard - MWD	—	215,000	—	—	—	215,000
AK-409C	Improve Western Avenue Yard - MWD	—	—	100,000	—	—	100,000
AK-427	Construct Waukegan Crew Facility - UP-North Line	—	200,000	1,500,000	—	—	1,700,000
AK-455	Purchase Office Equipment and Furniture - MET	—	400,000	400,000	400,000	400,000	1,600,000
AL-419	Replace Blue Island Shop HVAC Equipment - RID	—	300,000	—	—	—	300,000
AL-426	Replace HVAC Shops - MET	—	—	500,000	—	500,000	1,000,000
Total: Support Facilities & Equipment		\$ 5,150,000	\$ 26,865,000	\$ 60,600,000	\$ 45,350,000	\$ 16,800,000	\$ 154,765,000
Stations & Passenger Facilities							
1788	Rehabilitate Arlington Park Station - UP-Northwest Line	1,500,000	—	—	—	—	1,500,000
2633	Construct New Pingree Road Station - UP Northwest Line	682,000	—	—	—	—	682,000
2757	Improve Randolph Street Station - MED	—	2,500,000	—	—	—	2,500,000
2757	Improve Randolph Street Station - MED	3,500,000	—	—	—	—	3,500,000
2779	Rehabilitate Cicero Station Parking Lot - BNSF	200,000	—	—	—	—	200,000
2880	Construct Cicero Avenue Station - BNSF	—	—	2,600,000	—	—	2,600,000
2974	Rehab Crystal Lake Depot - UP-Northwest Line	700,000	—	—	—	—	700,000
3170	Upgrade Palos Heights Station Access - SWS	1,000,000	—	—	—	—	1,000,000
3171	Improve Bartlett Station - MWD-West Line	1,600,000	—	—	—	—	1,600,000
3171	Improve Bartlett Station - MWD-West Line	—	1,700,000	—	—	—	1,700,000
3173	Improve Schaumburg Station - MWD-West Line	400,000	—	—	—	—	400,000
3276	Install Station Signs - MET	—	250,000	250,000	250,000	250,000	1,000,000
3280	Restore 99th Street-Beverly Station - RID	2,800,000	—	—	—	—	2,800,000
3367	Rehabilitate National Street Station - MWD West Line	525,000	—	—	—	—	525,000
3370	Improve Des Plaines Station - UP-Northwest Line	2,300,000	—	—	—	—	2,300,000
3468	Reconstruct 6 South Chicago Branch Stations (Partial \$) - MED	—	7,000,000	—	—	—	7,000,000
3468	Reconstruct 6 South Chicago Branch Stations (Partial\$) - MED	7,000,000	—	—	—	—	7,000,000
3666	Improve Randolph Street Station Concourse - MED	—	—	2,500,000	—	—	2,500,000
3672	Improve Northbrook Station - MWD-North Line	500,000	—	—	—	—	500,000
3678	Improve OTC Concourse (Partial \$) - UP	3,500,000	—	—	—	—	3,500,000
3678	Improve OTC Concourse (Partial \$) - UP	—	1,000,000	—	—	—	1,000,000
3774	Improve Station Platforms and Ramps (ADA) - MET	500,000	—	—	—	—	500,000
3775	Improve Station ADA Accessibility - MET	150,000	—	—	—	—	150,000
3775	Improve Station ADA Accessibility - MET	250,000	—	—	—	—	250,000
3861	Rehabilitate Western Springs Stations - BNSF	—	500,000	—	—	—	500,000
3861	Rehabilitate Western Springs Stations - BNSF	450,000	—	—	—	—	450,000
3863	Upgrade Stations - MED	650,000	—	—	—	—	650,000
3863	Upgrade Stations - MED	200,000	—	—	—	—	200,000
3865	Rehabilitate Roosevelt Road Station - MED	2,800,000	—	—	—	—	2,800,000
3872	Improve Downer Grove Station Parking - BNSF	200,000	—	—	—	—	200,000
3872	Improve Downer Grove Station Parking - BNSF	—	250,000	—	510,000	400,000	1,160,000
3877	Expand Grayland Station Parking - MWD-North Line	750,000	—	—	—	—	750,000
3878	Expand Ingleside Station Parking - MWD-North Line	175,000	—	—	—	—	175,000
3880	Expand Mont Clare, Mars, Galewood and Hanson Park Station Parking - MWD-West Line	1,000,000	—	—	—	—	1,000,000
3881	Expand Round Lake Beach Station Parking - NCS	455,000	—	—	—	—	455,000
3882	Expand 99th Street-Beverly Station Parking - RID	675,000	—	—	—	—	675,000
3883	Expand Joliet Station Parking - RID	700,000	—	—	—	—	700,000
3884	Expand 153rd Street Orland Park Station Parking - SWS	3,000,000	—	—	—	—	3,000,000
3885	Expand 179th Street Orland Park Station Parking - SWS	1,200,000	—	—	—	—	1,200,000

7-18 Capital

		2004	2005	2006	2007	2008	Total
Metra							
3887	Expand Lombard Station Parking - UP-West Line	680,000	—	—	—	—	680,000
3895	Provide for Station and Parking Engineering - MET	6,550,000	—	—	—	—	6,550,000
96-129	Improve Platforms and Ramps (ADA) - MET	—	1,500,000	1,000,000	1,000,000	1,000,000	4,500,000
96-292	Provide for Land Acquisitions - MET	—	1,800,000	1,400,000	1,800,000	1,000,000	6,000,000
96-295	Provide for Station and Parking Engineering - MET	—	7,350,000	7,350,000	7,350,000	7,350,000	29,400,000
AC-409	Improve Randolph Street Station - MED	—	6,000,000	—	—	—	6,000,000
AD-510	Construct Tinley Park- 80th Avenue Station - RID	—	—	5,500,000	—	—	5,500,000
AE-504	Improve Station Accessibility (ADA) - MET	—	400,000	400,000	400,000	400,000	1,600,000
AE-507	Rehabilitate 115th Street - Morgan Park Station - RID	—	2,500,000	—	—	—	2,500,000
AH-544	Winnetka Station - UP	—	—	3,800,000	—	—	3,800,000
AK-515	95th Street-CSU Station - MED	—	600,000	—	—	—	600,000
AL-531	Construct New 35th Street Station RID	—	—	—	1,000,000	—	1,000,000
AL-550	Outyear Station & Parking - MET	—	600,000	6,900,000	7,550,000	23,800,000	38,850,000
Total: Stations & Passenger Facilities		\$ 46,592,000	\$ 33,950,000	\$ 31,700,000	\$ 19,860,000	\$ 34,200,000	\$ 166,302,000
Miscellaneous							
2989	Provide for Capital Project Related Advertising - MET	—	100,000	100,000	100,000	100,000	400,000
2990	Provide for Material Handling Additive - MET	—	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
2990	Provide for Material Handling Additive - MET	3,000,000	—	—	—	—	3,000,000
2991	Provide for Railroad Protective Liability Insurance - MET	350,000	—	—	—	—	350,000
2991	Provide for Railroad Protective Liability Insurance - MET	—	450,000	450,000	450,000	450,000	1,800,000
3689	Provide for Capital Project Oversight - 547 W. Jackson Blvd. - MET	500,000	—	—	—	—	500,000
3689	Provide for Capital Project Oversight - 547 W. Jackson Blvd. - MET	—	500,000	500,000	500,000	—	1,500,000
3786	Enhance System Mapping - MET	—	80,000	80,000	80,000	80,000	320,000
3894	Provide for Program Support Engineering - MET	1,000,000	—	—	—	—	1,000,000
3894	Provide for Program Support Engineering - MET	2,500,000	—	—	—	—	2,500,000
96-296	Provide for Unanticipated Capital - MET	—	1,200,000	1,000,407	1,200,000	1,200,000	4,600,407
96-318	Provide for Capital Project Security - MET	—	100,000	100,000	100,000	100,000	400,000
AF-408	Provide for Program Support Engineering - MET	—	2,500,000	2,500,000	2,500,000	3,000,000	10,500,000
Total: Miscellaneous		\$ 7,350,000	\$ 7,930,000	\$ 7,730,407	\$ 7,930,000	\$ 7,930,000	\$ 38,870,407
Acquisitions & Extensions							
2981	Expand North Central Service (Partial \$) - NCS	11,713,100	—	—	—	—	11,713,100
2981	Expand North Central Service (Partial \$) - NCS	25,000,000	—	—	—	—	25,000,000
2981	Expand North Central Service (Partial \$) - NCS	—	20,000,000	19,790,751	—	—	39,790,751
2982	Extend Southwest Service (Partial \$) - SWS	21,695,484	—	—	—	—	21,695,484
2982	Extend Southwest Service (Partial \$) - SWS	—	15,090,663	12,281,394	—	—	27,372,057
2982	Extend Southwest Service (Partial \$) - SWS	18,750,000	—	—	—	—	18,750,000
2983	Extend Union Pacific (Partial \$) - UP-West Line	21,250,000	—	—	—	—	21,250,000
2983	Extend Union Pacific (Partial \$) - UP-West Line	—	23,673,300	9,285,749	—	—	32,959,049
3394	Provide for New Starts Land Acquisition - MET	1,000,000	—	—	—	—	1,000,000
Total: Acquisitions & Extensions		\$ 99,408,584	\$ 58,763,963	\$ 41,357,894	—	—	\$ 199,530,441
Contingencies & Administration							
3890	Provide for Project Management - MET	9,000,000	—	—	—	—	9,000,000
3898	Provide for Project Administration - MET	200,000	—	—	—	—	200,000
3898	Provide for Project Administration - MET	100,000	—	—	—	—	100,000
3899	Provide for Contingencies - MET	430,194	—	—	—	—	430,194
3899	Provide for Contingencies - MET	554,031	—	—	—	—	554,031
3899	Provide for Contingencies - MET	562,000	—	—	—	—	562,000
AD-798	Provide for Project Administration - MET	—	508,129	510,687	493,092	488,092	2,000,000

		2004	2005	2006	2007	2008	Total
Metra							
AK-791	Project Management - MET	—	847,000	—	800,000	300,000	1,947,000
Total: Contingencies & Administration		\$ 10,846,225	\$ 1,355,129	\$ 510,687	\$ 1,293,092	\$ 788,092	\$ 14,793,225
Total: Rail		\$ 362,766,809	\$ 342,079,092	\$ 335,083,988	\$ 297,368,092	\$ 301,213,092	\$ 1,638,511,073
Total for Service Board: Metra		\$ 362,766,809	\$ 342,079,092	\$ 335,083,988	\$ 297,368,092	\$ 301,213,092	\$ 1,638,511,073
		2004	2005	2006	2007	2008	Total
Pace							
Bus							
Rolling Stock							
3901	Purchase a Minimum of 16 of 20 40' & 35' Fixed Route Buses - System-wide	5,280,000	—	—	—	—	5,280,000
3901	Purchase a Minimum of 168 Fixed Route Accessible Buses - System-wide	—	11,510,000	13,300,000	8,070,000	1,750,000	34,630,000
3901	Purchase a Minimum of 4 of 20 40' & 35' Fixed Route Buses - System-wide	1,320,000	—	—	—	—	1,320,000
3901	Purchase/Replace up to 43 30' Fixed - Route Buses System-wide	13,330,000	—	—	—	—	13,330,000
3902	Purchase a Minimum of - 239 Paratransit Vehicles System-wide	—	3,150,000	5,930,000	6,060,000	3,820,000	18,960,000
3903	Provide for Extended Warranties - System-wide	—	100,000	100,000	—	—	200,000
3904	Purchase a Minimum of - 121 Vanpool Vans System-wide	4,382,400	—	—	—	—	4,382,400
3904	Purchase a Minimum of- 723 Vanpool Vans System-wide	—	6,560,000	5,520,000	6,000,000	6,000,000	24,080,000
3905	Provide for Bus Overhaul - System-wide	2,000,000	—	—	—	—	2,000,000
3905	Provide for Bus Overhaul - System-wide	—	3,300,000	3,300,000	3,300,000	3,300,000	13,200,000
3906	Provide for Associated Capital Items - System-wide	1,900,000	—	—	—	—	1,900,000
3906	Provide for Associated Capital Items - System-wide	—	1,500,000	2,000,000	1,500,000	3,500,000	8,500,000
Total: Rolling Stock		\$ 28,212,400	\$ 26,120,000	\$ 30,150,000	\$ 24,930,000	\$ 18,370,000	\$ 127,782,400
Electric, Signal, & Communications							
3635	Purchase and Installation of Intelligent Bus System (IBS) - System-wide	—	500,000	—	—	—	500,000
3908	Purchase Replacement Radio System - System-wide	—	13,000,000	—	—	—	13,000,000
3909	Purchase Replacement Farebox System - System-wide	—	12,500,000	—	—	—	12,500,000
Total: Electric, Signal, & Communications		—	\$ 26,000,000	—	—	—	\$ 26,000,000
Support Facilities & Equipment							
3910	Purchase Maintenance/ Support Equipment and Vehicles - System-wide	100,000	—	—	—	—	100,000
3910	Purchase Maintenance/ Support Equipment and Vehicles - System-wide	—	800,000	1,000,000	1,000,000	1,500,000	4,300,000
3911	Improve Garages/ Facilities - System-wide	—	1,680,000	5,000,000	6,000,000	7,400,000	20,080,000
3911	Improve Garages/ Facilities - System-wide	321,110	—	—	—	—	321,110
3912	Purchase Computers, Computer - Software Systems System-wide	—	1,870,000	3,020,000	3,280,000	4,300,000	12,470,000
3913	Purchase Office Equipment/Furniture - System-wide	—	250,000	250,000	250,000	250,000	1,000,000
3914	Provide for Expansion of Facilities - System-wide	—	—	4,000,000	7,500,000	11,000,000	22,500,000
Total: Support Facilities & Equipment		\$ 421,110	\$ 4,600,000	\$ 13,270,000	\$ 18,030,000	\$ 24,450,000	\$ 60,771,110
Stations & Passenger Facilities							
3918	Purchase and Install Bike Rack - Ad Frames System-wide	—	100,000	100,000	100,000	100,000	400,000
3919	Purchase Schedule Display Tubes - for Bus Stops System-wide	—	200,000	200,000	150,000	200,000	750,000
3920	Install Shelters/ Signs/ Passenger Amenities-System-wide	—	100,000	100,000	600,000	700,000	1,500,000
Total: Stations & Passenger Facilities		—	\$ 400,000	\$ 400,000	\$ 850,000	\$ 1,000,000	\$ 2,650,000

7-20 Capital

	2004	2005	2006	2007	2008	Total
Miscellaneous						
3922 Provide for Unanticipated Capital-System-wide	—	120,000	120,000	120,000	120,000	480,000
Total: Miscellaneous	—	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 480,000
Contingencies & Administration						
3924 Provide for Contingencies-System-wide	19,691	—	—	—	—	19,691
3924 Provide for Contingencies-System-wide	439,000	—	—	—	—	439,000
3925 Provide for Project Administration-System-wide	—	701,943	1,001,943	1,011,943	1,001,943	3,717,772
3925 Provide for Project Administration-System-wide	538,911	—	—	—	—	538,911
Total: Contingencies & Administration	\$ 997,602	\$ 701,943	\$ 1,001,943	\$ 1,011,943	\$ 1,001,943	\$ 4,715,374
Total: Bus	\$ 29,631,112	\$ 57,941,943	\$ 44,941,943	\$ 44,941,943	\$ 44,941,943	\$ 222,398,884
Total for Service Board: Pace	\$ 29,631,112	\$ 57,941,943	\$ 44,941,943	\$ 44,941,943	\$ 44,941,943	\$ 222,398,884
Grand Total (1)						
RTA 2004-2008 CAPITAL IMPROVEMENT PROGRAM	\$ 1,128,080,497	\$ 978,016,026	\$ 892,158,936	\$ 809,657,981	\$ 813,143,605	\$ 4,621,057,045

(1) At this time, the project amounts in this program exceed the funds anticipated to be available. However, final federal appropriation figures have not been determined. Once this amount has been established, the capital program will be adjusted to reflect available funding.

Supplemental Data

National Economic Projections

During the third quarter of 2003, the U.S. economy added almost 300,000 jobs and the Gross Domestic Product (GDP) grew at an annual rate of 7.2 percent, the fastest quarterly growth since the first quarter of 1984. In response to this news, economists have boosted their forecasts of economic growth for the remainder of 2003 and 2004. According to respondents to Blue Chip Economic Indicators monthly survey of leading domestic and international economists, real GDP is expected to expand at an annual rate of 3.8 percent during the fourth quarter of 2003 and 3.9 percent during the first quarter of 2004. The GDP is the value of goods and services produced in the U.S.

Exhibit 8-1 highlights the annual GDP growth from 1999 through 2004. After plummeting from 4.1 percent in 1999 and 3.8 percent in 2000 to 0.3 percent in 2001, the GDP growth rebounded to 2.4 percent in 2002. Annual GDP growth is expected to increase to 2.9 percent in 2003 and 4.2 percent in 2004.

Exhibit 8-2 shows the U.S. annual unemployment rate from 1999-2004. Although the unemployment rate declined slightly from 4.2 percent in 1999 to 4.0 percent in 2000, it increased to 4.7 percent in 2001 and then 5.8 percent in 2002. The unemployment rate is expected to peak at 6.0 percent in 2003 and then decline slightly to 5.9 percent in 2004.

Exhibit 8-3 shows the annual trend in the U.S. Consumer Price Index (CPI) from 1999 through 2004. The annual increase in the CPI reached a peak in 2000 at 3.4 percent. This marked the largest calendar year increase in 10 years. However, weaker overall economic activity since 2001 has resulted in lower annual increases. The CPI increased by 2.8 percent and 1.6 percent in 2001 and 2002, respectively. The CPI is expected to increase by 2.3 percent in 2003 and 1.9 percent in 2004.

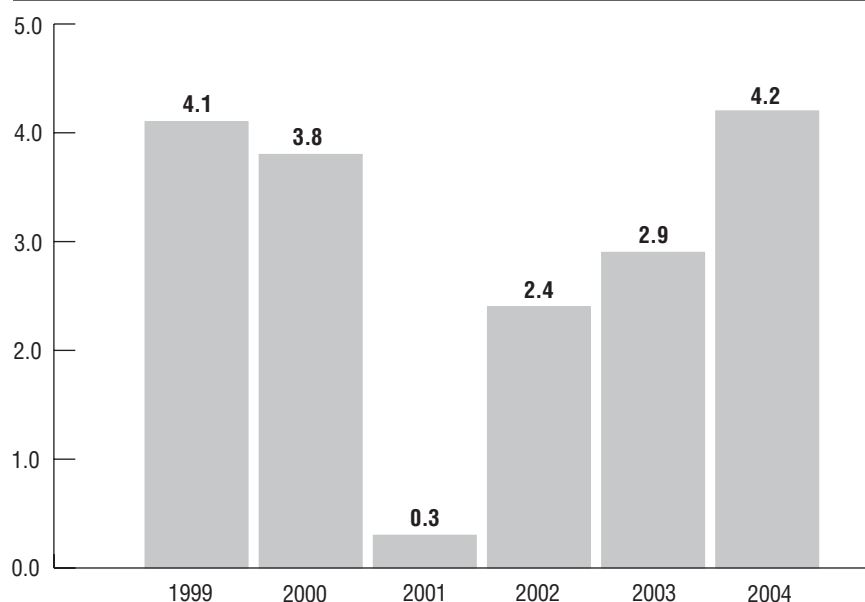
RTA Region

The following sections summarize the population and employment trends in the six-county RTA region. These trends have a significant impact on public transportation ridership, as well as sales tax revenue.

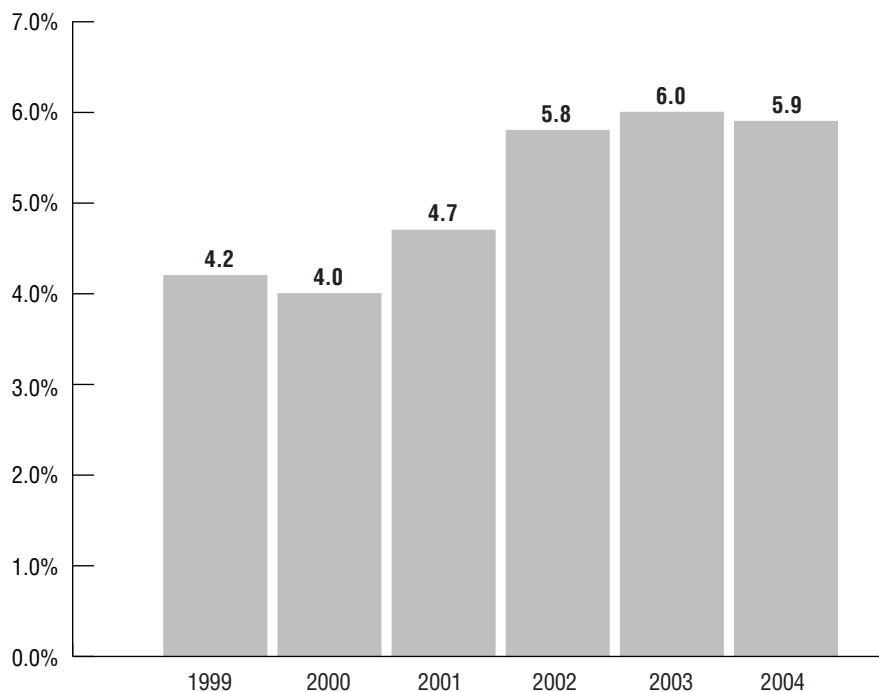
Population Trend

As shown in Exhibit 8-4, the population of the RTA region grew by 11.2 percent

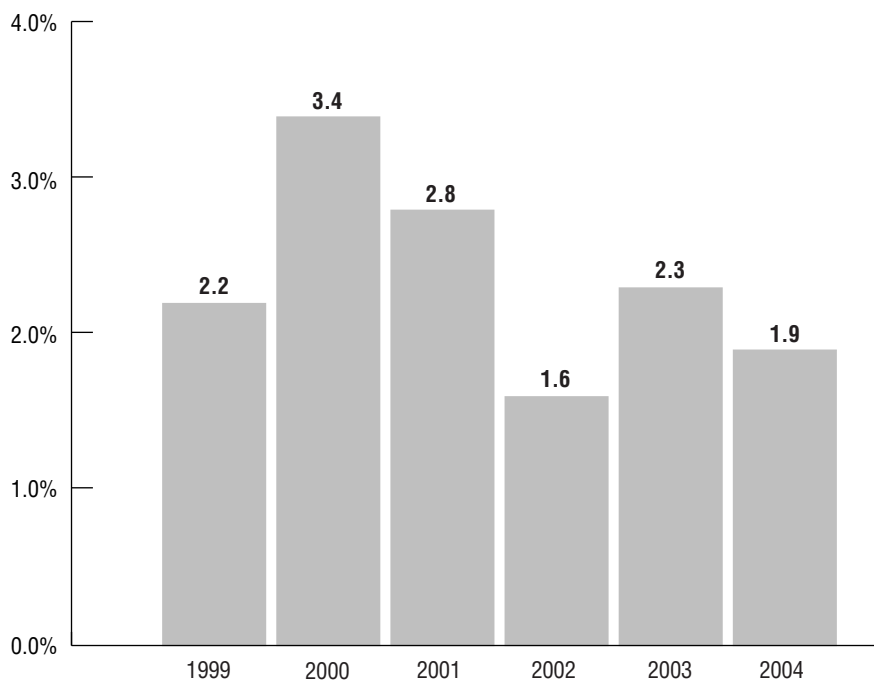
Exhibit 8-1: 1999-2004 U.S. Gross Domestic Product Percent Change



Source: Blue Chip Economic Indicators

Exhibit 8-2: **1999-2004 U.S. Unemployment Rate (in percent)**

Source: Blue Chip Economic Indicators

Exhibit 8-3: **Consumer Price Index Percent Change**

Source: Blue Chip Economic Indicators

(from 7.3 million to 8.1 million) between 1990 and 2000. Population growth in the RTA region grew at a slightly slower pace than the overall population of the United States, which increased by 13.1 percent during this period.

Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-5 illustrates the annualized population growth rates for each of the region's six counties based on the 1990 and 2000 censuses. The highest growth rates occurred in McHenry and Will counties, where the population increased at annual rates of 3.5 and 3.4 percent, respectively. The population of Kane and Lake counties increased at an annual rate of 2.4 and 2.2 percent, while the population of DuPage County increased at an annual rate of 1.4 percent. Cook County experienced the lowest annual rate of population growth at 0.5 percent. During this 10-year period, the population of the entire RTA region grew at an annual rate of 1.1 percent.

In 2000, Cook County accounted for 67 percent of the 8.1 million people living in the RTA region. DuPage County's population comprised 11 percent of the region, followed by Lake County (8 percent). Will County (6 percent), Kane County (5 percent), and McHenry County (3 percent). The population distribution for 2000 is illustrated in Exhibit 8-6.

Employment Trend

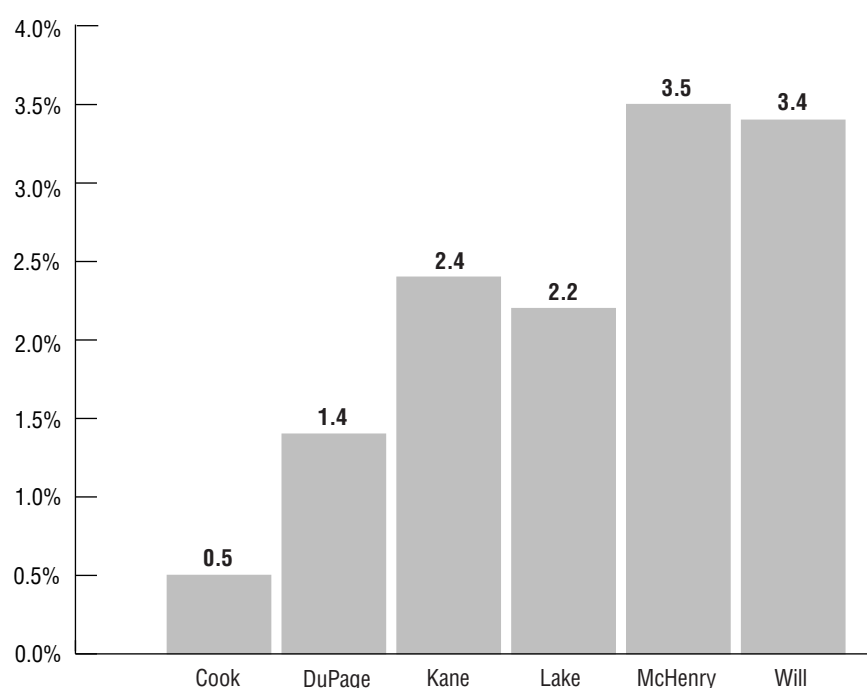
Exhibit 8-7 provides a comparison between the national unemployment rate, the unemployment rate in the state of Illinois, and the unemployment rates in each of the counties of the RTA region between 1999 and 2003. The unemployment rate in Illinois was consistently higher than the national rate. With the exception of Cook County, the unemployment rate in each county of the RTA region was typically lower than that of the State of Illinois during this period.

Over the last three years, the unemployment rate has worsened on a national, regional, and local level. The gap between the Illinois and U.S. unemployment rates has widened since 1999, with the projected

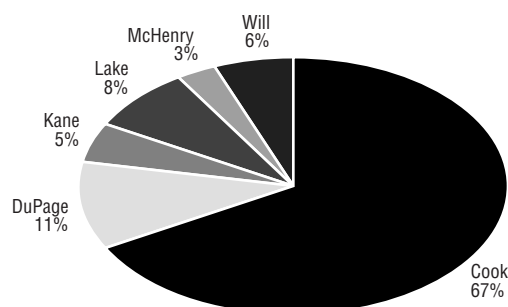
Exhibit 8-4: Population Trend by County (in thousands)

	1990	2000	% Change
Cook	5,104	5,377	5.3%
DuPage	786	904	15.0%
Kane	320	404	26.3%
Lake	520	644	23.8%
McHenry	185	260	40.5%
Will	359	502	39.8%
Total	7,274	8,091	11.2%

Source: United States Census Bureau

Exhibit 8-5: RTA Region Population Annualized Growth Rates 1990-2000 (in percent)


Source: United States Census Bureau

Exhibit 8-6: RTA Region Population Distribution by County - 2000


Source: United States Census Bureau

2003 Illinois unemployment rate a full percentage point higher than that of the nation. Among the six counties in the RTA region, Cook County's projected 2003 unemployment rate of 7.4 percent is the highest in the region, 0.3 percentage points higher than that of the state of Illinois and 1.3 percentage points higher than the national figure. DuPage County's projected 2003 unemployment rate of 5.3 percent is the lowest in the region.

Suburban jurisdictions have led the region in employment growth since 1980. In 2000, employment in the five collar counties accounted for 33 percent of the RTA region's total up from 21 percent in 1980. Cook County, which in 1980 accounted for 79 percent of the region's employment, accounted for only 67 percent of employment in 2000. Regional employment increased from 3.7 million in 1980 to 4.3 million in 1990 to 5 million in 2000 (Exhibit 8-8).

The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-9. Between 1980 and 2000, the greatest growth has occurred in the service sector. Only the manufacturing sector has experienced a loss during this period. In 2000, services comprised 34 percent of employment, retail trade 15 percent, manufacturing 13 percent, government 11 percent, and finance, insurance, and real estate 10 percent. Combined, wholesale, transportation and public utilities, construction, and other comprised the remaining 17 percent.

The RTA region experienced steady growth in per capita income from 1980 to 2000. Within the region, per capita income was highest in DuPage and Lake counties in 2000 and lowest in Kane and Will counties, as illustrated in Exhibit 8-10.

Exhibit 8-7: **Unemployment Rates 1999-2003**

	1999	2000	2001	September	
				2002	2003
United States	4.2%	4.0%	4.7%	5.8%	6.1%
Illinois	4.3%	4.4%	5.4%	6.2%	7.1%
County					
Cook	4.5%	4.7%	5.9%	7.3%	7.4%
DuPage	2.7%	2.6%	3.8%	5.1%	5.3%
Kane	3.8%	3.9%	5.2%	6.7%	6.5%
Lake	3.4%	3.6%	4.6%	5.7%	5.7%
McHenry	3.2%	3.2%	4.6%	5.7%	6.4%
Will	4.0%	4.0%	5.2%	6.4%	6.5%

Source: Illinois Department of Employment Security

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

Area	1980	% of Total	1990	% of Total	2000	% of Total
Cook	2,913	78.6%	3,135	72.5%	3,350	66.7%
DuPage	289	7.8%	509	11.8%	709	14.1%
Kane	134	3.6%	175	4.0%	242	4.8%
Lake	211	5.7%	299	6.9%	419	8.3%
McHenry	57	1.5%	84	1.9%	118	2.3%
Will	102	2.8%	125	2.9%	185	3.7%
Total	3,706	100.0%	4,327	100.0%	5,023	100.0%

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

Exhibit 8-9: **Employment Distribution by Industry (in thousands)**

	1980	% of Total	1990	% of Total	2000	% of Total
Services	862	23.3%	1,273	29.4%	1,694	34.4%
Retail	573	15.5%	666	15.4%	715	14.5%
Manufacturing	812	21.9%	667	15.4%	639	13.0%
Government	477	12.9%	501	11.6%	529	10.7%
Finance, Insurance, & Real Estate	334	9.0%	437	10.1%	492	10.0%
Wholesale	268	7.2%	297	6.9%	290	5.9%
Transportation and Public Utilities	205	5.5%	246	5.7%	285	5.8%
Construction	144	3.9%	204	4.7%	234	4.8%
Other	31	0.8%	36	0.8%	43	0.9%
Total	3,706	100.0%	4,327	100.0%	4,921	100.0%

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

Exhibit 8-10: **Region Per Capita Income**

	1980	1990	2000
Cook	\$ 11,884	\$ 22,186	\$ 33,704
DuPage	13,985	28,067	46,611
Kane	11,410	21,196	29,942
Lake	13,432	29,054	46,640
McHenry	11,558	21,966	31,571
Will	10,564	18,963	26,664

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

Exhibit 8-11: 2004 RTA Budget Calendar (Dates listed are for 2003)
2004 Budget, 2005-2006 Financial Plan and Five-Year (2004-2008) Capital Program

5/1	Finance Committee meeting; 2004 budget call release.
8/1	Deadline for Service Board Capital Program Submittals.
8/2 - 9/5	RTA analysis of the Service Board's preliminary Five-Year Capital Program. RTA and Service Board staff discuss issues. RTA staff prepares the preliminary Capital Program Marks.
8/15	Service Boards submit macro budget and two-year financial plan to the RTA.
8/18 - 9/5	RTA staff analysis of each Service Board's macro budget and two-year financial plan. RTA and Service Board staffs discuss business issues. RTA staff prepares the budget, the two-year financial plan, and the preliminary Five-Year Capital Program summaries for management review. RTA staff submits for management review the finance and ordinance information required to: (1) set the operating funding marks for the 2004 budget and the 2005-2006 financial plan of each Service Board, (2) set the 2004 budget recovery ratio for each Service Board, and (3) set the preliminary 2004-2008 Five-year Capital Program Marks.
9/12	RTA Planning Committee and Finance Committee meetings to review and discuss the preliminary Five-Year Capital Program Marks. Finance Committee meeting to review each Service Board's budget and two-year financial plan and to discuss the ordinance setting the operating funding marks and recovery ratio. RTA Board meeting to discuss and adopt the ordinance which sets the operating funding marks from 2004 through 2006, the 2004 recovery ratio and the preliminary Five-Year Capital Program Marks for each Service Board.
9/15 - 10/10	Service Boards develop detailed budgets, two-year financial plans, and preliminary Five-Year Capital Programs. Staff of the RTA and Service Boards meet to review issues.
10/13 - 11/13	Service Boards release their budgets, two-year financial plans, and preliminary Five-Year Capital Program documents to the public, and present these documents to County Boards.
10/1 - 12/12	FTA releases Federal Fiscal Year 2004 Apportionments in the Federal Register.
10/1 - 12/12	RTA and NIRPC renegotiate Letters of Understanding regarding the FTA Sections 5309 and 5807 allocations between NE Illinois and NW Indiana.
11/6	RTA Board Committees and the RTA Board review the RTA Agency budget.
11/20 - 12/9	RTA Board Members and staff present highlight summaries of the regions proposed budget, two-year financial plan, and preliminary Five-Year Capital Program to County Committees and their Boards.
11/14	Service Boards submit proposed budgets, two-year financial plans, and revised Five-Year Capital Programs to the RTA.
11/14	CATS Work Program Committee meets to recommend the FTA Section 5309 allocation between NE Illinois and NW Indiana.
11/17 - 11/26	RTA staff consolidates the proposed budgets, financial plans, and revised Capital Programs of the Service Boards and Agency into the RTA's proposed 2004 Annual Budget and Five-Year Capital Program document.
12/1	The RTA's proposed 2004 Annual Budget and Five-Year Capital Program document is available for public inspection.
12/9	RTA holds public hearings on the consolidated 2004 budget, 2005-2006 financial plan, and 2004-2008 capital program.
12/12	RTA Planning Committee, Finance Committee and RTA Board meet to review and adopt an ordinance for the 2004 budget, the 2005-2006 financial plan, and the revised Five-Year Capital Program.

Glossary

Accessible—As defined by FTA, a site, building, facility, or portion thereof that complies with defined standards and that can be approached, entered, and used by persons with disabilities.

Accessible service—A term used to describe service that is accessible to non-ambulatory riders with disabilities. This includes fixed-route bus service with wheelchair-lifts or dial-a-ride service with wheelchair lift-equipped vehicles.

ADA (*The Americans with Disabilities Act of 1990*)—This federal act requires many changes to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit. Many capital projects described in this document are being implemented to comply with the ADA.

ADA paratransit service—Non-fixed-route paratransit service utilizing vans and small buses to provide pre-arranged trips to and from specific locations within the service area to certified participants in the program.

Administration Expense—Expenses for labor, materials and fees associated with general office functions, insurance, safety, legal services, and other services.

Ambulatory disabled—A person with a disability that does not require the use of a wheelchair. This would describe individuals who use a mobility aid other than a wheelchair or have a visual or hearing impairment.

Appropriation—A legal procedure that permits a specified amount of funds for a given operating or capital purpose to be expended; the RTA appropriates funds for expenditures.

Balanced Scorecard (BSC)—A balanced scorecard translates an organization's vision and strategy into a comprehensive set of objectives and performance measures that provides the framework for a strategic measurement and management system. The BSC encompasses four distinct perspectives—financial, customer, internal, and learning and growth. The name reflects the

balance provided between short- and long-term objectives, financial and non-financial measures, past- and future-oriented indicators, and external (shareholder and customer) and internal performance perspectives.

Bond Refinancing/Refunding—is the payoff and re-issuance of bonds, to obtain better interest rates and/or bond conditions which results the defeasance of the old debt.

Budget—Funds allocated by the RTA Board for a particular purpose; each year the RTA Board approves a budget document for the following year. Funds are allocated either by programming them or by appropriating them.

Budget marks—*The Regional Transportation Authority Act*, as amended in 1983, requires the RTA to advise each of its Service Boards by September 15 of each year of its required revenue recovery ratio for the subsequent year, and the public funding to be available. These figures are referred to as budget marks.

Bus bunching—A traffic scenario in which more than one bus arrives at the same time. This phenomenon is a subject of several CTA initiatives aimed at reducing service problems through improved field management of traffic and schedules.

Bus Rapid Transit (BRT)—BRT combines the quality of rail transit and the flexibility of buses. It can operate on exclusive transitways, high occupancy vehicle (HOV) lanes, expressways, or ordinary streets. A BRT system combines intelligent transportation systems technologies, priority for transit, cleaner and quieter vehicles, rapid and convenient fare collection, and integration with land use policies.

Capacity Utilization—The percentage of seats occupied in a train or bus at a given point in time.

Car-mile or vehicle-mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

CATS (*The Chicago Area Transportation Study*)—The CATS Policy Committee is designated by federal, state and local officials as the Metropolitan Planning Organization (MPO) for the northeastern Illinois region. Together with the State of Illinois, the MPO is responsible for carrying

out the urban transportation planning process in this region. The northeastern Illinois region includes: Cook, DuPage, Kane, Lake, McHenry and Will counties and a portion of Kendall County. CATS was formed in 1955 to develop the first comprehensive long-range transportation plan for the region. This plan, completed in 1962, had a horizon year of 1980 and included many recommendations that were to become part of the present highway and transit networks. The success of that planning effort led to CATS being made a permanent agency.

CTA (*Chicago Transit Authority*)—The CTA operates bus and rapid transit service in the City of Chicago and several suburbs. The CTA was created by state legislation and began operations in 1947.

CMAQ (*Congestion Mitigation/Air Quality*) Grant—A federal grant program designed to support transportation projects that reduce traffic congestion.

Cost-per-mile—Operating expense divided by vehicle miles for a particular program or in total.

Cost-per-passenger—Operating expense divided by ridership for a particular program or in total.

Dead-head—The time when a transit vehicle is traveling toward a yard, shop, or the start of a run but is not in revenue service. Car miles include dead-head miles.

Defeasance of Bonds—a technique used to discharge older high-rate debt prior to maturity with new securities bearing lower interest rates.

Deficit—For a particular Service Board, the difference between system-generated revenues and system operating expenses. The deficit is sometimes referred to as the public funding requirement." The RTA's current practice is to provide operating funds to each Service Board equivalent to their budgeted deficit for the year as opposed to the actual deficit. For the RTA, its deficit or surplus equals total revenues (sales tax, PTF, interest, and other income) less operating funding, debt service, technology, and capital funding (RTA Capital and RTA discretionary funding of Service Board capital).

Depreciation—Expiration in the service life of fixed assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. The portion of the cost of a fixed asset, other than a wasting asset, charged to expense during a particular period.

Dial-a-Ride Service—Paratransit service that requires the user to call ahead and schedule service.

Discretionary funds—Funds that the RTA allocates, at its discretion, to the Service Boards. These funds include the PTF and a portion of the 15 percent of the RTA Sales Tax.

Elderly—A term used to describe individuals who are 65 years of age or older. This age is used to qualify for the RTA Senior Citizen Reduced Fare Card. Note that some paratransit services define elderly individuals at an age other than 65.

Express Bus (or route)—A suburban or intercity bus that operates a portion of its route without stops or with a limited number of stops.

Favorable performance—In a comparison of actual results to budgeted levels, favorable performance describes the situation in which expenses are less than budget or revenues exceed budget.

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

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes which serve Metra stations.

Financial plan—In addition to an annual budget, the *Regional Transportation Authority Act*, as amended in 1983, requires the RTA and its Service Boards to develop a financial plan for the two years subsequent to the upcoming budget year. In combination with the annual budget, this provides a three-year projection of expenses, revenues, and public funding requirements.

Fiscal year—The calendar year is the fiscal year for the RTA, CTA, Metra, and Pace. The fiscal year of the State of Illinois

extends from July 1 through June 30 of the following year. The fiscal year of the federal government extends from October 1 through September 30 of the following year.

Fixed-Route Service—Buses that operate according to fixed schedules and routes.

Flexible funds—Federal funds made available by TEA-21 that can be used for various transportation projects, including both highway and mass transit projects. Allocation of these funds is at the discretion of state and local agencies.

Fringes—(Fringe benefit expenses)—Pay or expenses to or on behalf of employees in addition to salaries and wages, including sick pay, vacation pay, pension contributions, life and health insurance, unemployment and workers' compensation, social security costs, and other programs.

FTA—(Federal Transit Administration)—The FTA is the federal agency which helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial & planning assistance to help plan, build, and operate rail, bus, and paratransit systems. Since 1988, the only FTA funding available to the RTA has been for capital projects.

Full-Funding Grant Agreement (FFGA)—The FTA is required to use a FFGA to provide financial assistance for new start projects. The FTA also has the discretion to use an FFGA in awarding federal assistance for other major capital projects. The FFGA defines the project, including cost and schedule; commits to a maximum level of federal financial assistance (subject to appropriation); establishes the terms and conditions of federal financial participation; covers the period of time for completion of the project; and helps to manage the project in accordance with federal law. The FFGA assures the grantee of predictable federal financial support for the project (subject to appropriation) while placing a ceiling on the amount of that federal support.

Full time equivalent position (FTE)—A measurement equal to one staff person working a full-timework schedule for 1 year.

Funding formula—A specific formula used to determine a subsidy level.

Fund Balance—The excess of funding over deficit for a given period of time. In this document, the fund balance refers to the unreserved/undesignated funds in the agency and general fund.

General Long Term Debt Account Group (GLTDAG)—is not a fund but a separate list of certain long-term liabilities of the general government. Debt normally is recorded at its face value, without premium or discount. Additions to and deletions from GLTDAG are disclosed in the notes to the financial statements.

General obligation bonds (GO bonds)—are bonds that are legally backed by the full faith, and credit of the issuing government. The government is legally obligated to use its full taxing power, if necessary, to repay the debt.

Grants—Moneys received from local, federal, and state governments to provide capital or operating assistance.

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

Illinois FIRST—A series of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Intelligent Bus System (IBS)—A bus communications system that uses advanced technology to monitor and improve performance on various levels. Pace's new bus communications system includes radio voice and data communications, Computer-Aided Dispatching (CAD) and Global Positioning Satellite (GPS)-based Automatic Vehicle Location (AVL) functions.

Intelligent Transportation Systems (ITS)—The application of advanced sensor, computer, electronics, and communication technologies and management strategies—in an integrated manner—to increase the safety and efficiency of the surface transportation system. ITS is a national effort designed to promote the use of advanced technologies in multimodal transportation.

ISTEA (*Intermodal Surface Transportation Efficiency Act of 1991*)—ISTEA amended the Federal Transit Act introducing new sources of flexible funds and increasing the funding authorized for public transit.

Labor expense—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Linked trip—A single, one-way trip without regard for the number of vehicles boarded to make the trip (i.e., a home-to-work trip taken by boarding a bus, to a train, to another bus represents one linked trip or three unlinked trips)

Maintenance expense—Expenses for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

Mobility limited—An individual who has a physical impairment, including impaired sensory, manual, or speaking abilities that result in functional limitations.

Modified Accrual Basis—A type of accounting whereby revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become both “measurable” and “available” for finance expenditures of the current period. “Available” means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Similarly, expenditures (e.g., debt service payments and a number of specific accrued liabilities) are only recognized when payment is due because it is only at that time that they normally are liquidated with expendable available financial resources.

New initiative—A new program or service that the RTA may approve separately from the agency’s or a Service Board’s regular budget. The RTA may attach special criteria to measure the success of a new initiative.

Non-ambulatory disabled—A person who has a disability that requires use of a wheelchair.

Northeastern Illinois Planning Commission (NIPC)—NIPC is the official comprehensive planning agency for the six-county Chicago metropolitan area. NIPC was created by the Illinois General Assembly in 1957 and assigned three broad responsibilities: to conduct research required for planning for the region; to prepare comprehensive plans and policies to guide the development of the region; and to advise and assist local governments.

Operating assistance—Financial assistance for transit operations (as opposed to capital) expenditures. Such aid may originate with federal, state, or local governments.

Operating budget—The planning of revenues and expenses for a given period of time to maintain daily operations.

Off-Peak—Non-rush hour time periods.

Pace—The Suburban Bus Division of the RTA responsible for all non-rail suburban public transit service with the exception of those services provided by the CTA. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit service—Any transit service that is not conventional fixed-route bus service. This includes dial-a-ride, fixed-route deviation, shared-ride taxicab, and vanpool services.

Passenger-mile—A single passenger traveling one mile.

Peak period—Morning or evening rush hour.

Positive budget variance (PBV)—Calculated as the difference between a Service Board’s budgeted and actual deficit, a positive budget variance results when the actual deficit is less than budgeted. Since the RTA funds the budgeted deficit, a PBV represents available funds for the Service Boards.

Program (verb)—To commit funds, for a given capital purpose, without necessarily appropriating these funds for expenditure. When the RTA Board passes its official budget document, certain funds are “programmed” so that they may be obligated (i.e., contracts signed) during the upcoming year; these funds may be expended during the upcoming or subsequent years.

Program (noun)—Groupings of expense accounts with related expenditures (i.e., operations, maintenance, administration, and capital program).

Public Transportation Fund(s) (PTF)—Each month the state transfers from its General Revenue Fund into the Public Transportation Fund an amount equal to 25 percent of the RTA Sales Tax collected in the previous month. All funds deposited in the Public Transportation Fund are allocated to the RTA to be used at its discretion for the benefit of the Service Boards.

Public funding—Funding received from the Regional Transportation Authority. Generally refers to funding for operating expenses.

Purchase of paratransit service—The amount of money paid to vendors to provide door-to-door transportation to certified disabled riders.

Recovery ratio—System-generated revenues (fares plus advertising and interest income) divided by system operating expenses less funded depreciation and exempt security expenses. This ratio is calculated for each of the Service Boards and for the RTA region as a whole. The RTA Act mandates that the RTA region must attain an annual recovery ratio of at least 50 percent.

Reduced fares—Discounted fares for children age 7-11, grade and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except paratransit riders.

Revenue-car-mile—Car-mile during which the vehicle is in revenue service (i.e., picking up and/or dropping off passengers).

Reverse commute—City-to-suburb commute. This phrase refers to the fact that most riders commute from the suburbs to the city.

Ridership—(unlinked passenger trips)—Each passenger counted each time that person boards a vehicle.

Rolling Stock—Public transportation vehicles including commuter rail cars, locomotives, rapid transit cars, buses, and vans.

RTA Sales Tax—1 percent in Cook County, 0.25 percent in the collar counties of DuPage, Kane, Lake, McHenry and Will. 85 percent of the sales tax is fully distributed to the Service Boards by the RTA according to formulas established by the *RTA Act*. 15 percent of the Sales Tax is retained by the RTA, a portion of which is distributed to the Service Boards at the RTA's discretion.

Sales Tax Designated for Capital or transfer capital - statutory—The difference between a Service Board's entitlement (from the 85 percent of the RTA sales tax) and its budgeted or actual deficit, whichever is greater. These funds, which are over and above operating needs, are generally used for capital purposes. Metra is currently the only Service Board that generates by statute sales tax for capital.

SCIP Bonds—The RTA was authorized under the *RTA Act* to issue \$500 million of bonds for public transportation projects approved by the Governor of the State as part of the RTA's Strategic Capital Improvement Program (SCIP Program). Effective January 1, 2000, the *Act* was amended to authorize the RTA to issue an additional \$260 million of SCIP bonds in each year for the period of 2000 through 2004.

Series B Bonds—State Transportation Bonds used as all or a portion of the local share required to match federal funds for public transportation capital projects.

Service Boards—The term refers to the region's three transit operators - CTA, Metra and Pace.

Signal Priority—Transit signal priority either gives or extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs.

Special service—A transportation service, as defined by the FTA, specifically designed to serve the needs of persons who, by reason of disability, are unable to use mass transit systems designed for the use of the general public.

Subscription service—Special services for users who ride on a frequent and regular basis and follow a prescribed schedule (a minimum of three times per week between the same origin and destination).

Subsidy—Funds received from another source that are used to cover the cost of a service or program that is not self-supporting.

System-generated revenue (total operating revenue) —Total revenue generated from operations includes farebox revenues, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

TEA-21 (*The Transportation Equity Act for the 21st Century*)—TEA-21 was signed into law by President Clinton on June 9, 1998, and provided a six-year reauthorization of the federal transit program and the necessary contract authority needed to fully fund the fiscal year 1998 obligation limitations contained in the fiscal year 1998 *Department of Transportation Appropriations Act*.

T-FLEx (Transit Finance Learning Exchange)—A strategic alliance of transit agencies formed to leverage mutual strengths and continuously improve transit finance leadership, development, training practices, and information sharing. Its purpose is to transform the finance function into a value-added business partner within each transit authority. Members meet twice annually in a facilitated workshop environment to develop and share best practices in active roundtable work sessions.

Total-vehicle-miles—The sum of all miles operating by passenger vehicles, including mileage when no passengers are carried.

Unreserved Fund Balance—The balance of funds that have not been reserved, designated or programmed into the budget, financial plan, or capital program.

Vanpool—Pace's VIP (Vanpool Incentive Program) is a service where a group of 5 to 15 people commute to and from work together in a Pace-owned van.

Public Hearings Legal Notice

Regional Transportation Authority Hearings on Proposed Five-Year Program for 2004-2008 and Annual Program and Budget for 2004.

Notice is hereby given that the Regional Transportation Authority (RTA) will hold public hearings on its proposed Five-Year Program for 2004-2008 (January 1, 2004 to December 31, 2008) and Annual Program and Budget for 2004.

Any person may present views orally at the hearings or by submitting written material at any time, no later than the close of business on Tuesday, December 9, 2003. Copies of the proposed Five-Year Program for 2004-2008 and the Annual Program and

Budget for 2004 will be available for public inspection in the office of the RTA, 175 W. Jackson Blvd., Suite 1550, Chicago, Illinois 60604. The document will be available at most public libraries as well as township, city and village offices in the six-county RTA region prior to the hearings.

Any person requiring special assistance, such as interpreter for the deaf, or another type of facilitator at these hearings, may call the RTA at (312) 913-3200 no later than Monday, December 1, 2003 so that proper arrangements can be made.

Listed below are the locations of the Public Hearings scheduled to be held from 4:30 p.m. – 6:00 p.m. on TUESDAY, DECEMBER 9, 2003.

Hearings Overview

Section 4.01 of the RTA Act directs the RTA to hold public hearings on its annual consolidated budget and financial plan, prior to Board consideration of the ordinance adopting the budget and plan. This year, the RTA held its public hearings on December 9, from 4:30 to 6:00 p.m., in nine locations throughout the six-county region.

RTA staff and court reporters took testimony, summarized below for your information when considering the 2004 budget, 2005-2006 financial plan, and 2004-2008 five-year capital program.

As typically has been the case for a number of years, the hearings were sparsely attended. One person provided testimony at the downtown Cook County location. Another individual attempting to attend our hearing at the downtown location was denied access by the building security. With such an unusual circumstance, we arranged to take testimony on Thursday. One person attended the hearing in DuPage County. There were no attendees at any of the other hearings. A summary of the testimony follows:

Summary of Testimony received at the Cook County public hearing

Testimony advocated that the RTA use an outside auditing firm to conduct an operational audit of the Service Boards to find cost savings and improve service. In addition, testimony called for an increased level of public transportation services.

Another person questioned the wisdom of capital expenditure on existing technology, rather than on new technology. This testimony maintained that new technology would enable system unification of service and fares. Testimony also stated that service and financial support were misaligned. Examples included too little off-peak service and service outside the central business district, and too little financial support by real estate interests benefiting from proximity to transit service.

Exhibit 8-12: RTA Hearings Schedule for Fiscal Years 2004-2008 and Annual Program and Budget for 2004

Cook County - Central

James R. Thompson Center
Room 9-039
100 West Randolph
Chicago, IL 60601

Cook County - North

Village of Arlington Heights
Beuchner Room
33 S. Arlington Heights Road
Arlington Heights, IL 60005

Cook County - South

Village of Flossmoor - Board Room
2800 Flossmoor Road
Flossmoor, IL 60422

Cook County - West

Riverside Town Hall – Room 4
27 Riverside Road
Riverside, IL 60543

DuPage County

Wheaton City Hall Building
Conley Room, Lower Level
303 West Wesley
Wheaton, IL 60187

Kane County

Kane County Judicial Center
Lower Level - Cafeteria
37W777 Route 38
St. Charles, IL 60175

Lake County

Division of Transportation
600 W. Winchester Road
Libertyville, IL 60048

McHenry County

Woodstock City Hall - Lobby
121 W. Calhoun
Woodstock, IL 60098

Will County

Will County Courthouse
Courtroom 111
14 W. Jefferson
Joliet, IL 60432

Summary of Testimony received at the DuPage County public hearing

Testimony advocated that the RTA exclude paratransit service from recovery ratio requirements and lower the recovery ratio obligation in the collar counties, to increase service. The RTA approval of using federal capital funds for the capital related costs of outsourced paratransit service was a positive step towards preserving paratransit service. In addition, the RTA should work more with communities to improve access to transit, particularly in suburban areas. The RTA should use Assisted Living Centers to help certify persons with disabilities, as “local” individuals have a better understanding of the environment. Testimony also recommended that the RTA capital program consider light rail, and form a transit district of the counties that ring the RTA region to purchase service from Metra.

ORDINANCE NO. 2003-76

Approving the 2004 Budgets and 2005 - 2006 Financial Plans of the Service Boards, Adopting the 2004 Budget and Program of the Authority, Appropriating Funds for the 2004 Budgets, Adopting the Five-Year Program, Allocating Certain Revenues of the RTA to the Respective Service Boards, and Taking Certain Other Actions with Respect to the Budget and Program for Fiscal Year 2004

WHEREAS, Section 4.01 of the Regional Transportation Authority Act, as amended (the “Act”), directs the Board of Directors of the Regional Transportation Authority (the “RTA”) to appropriate money for the expenses and obligations of the RTA, including payment of certain public funds to the Service Boards, and to prepare and adopt a comprehensive budget and program document for fiscal year 2004; and

WHEREAS, Section 4.02 of the Act establishes certain requirements with respect to the allocation and payment of funds appropriated by the RTA to the Service Boards; and

WHEREAS, Section 2.01 of the Act authorizes and directs the RTA to adopt a Five-Year Program with respect to the

operations and capital projects of the RTA and the Service Boards; and

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards for fiscal year 2004; and

WHEREAS, pursuant to Section 4.11 of the Act, the RTA has taken certain action by ordinance identifying the amounts estimated to be available for expenditure for operating purposes by each Service Board during fiscal year 2004 and the two following fiscal years and the times at which such amounts will be available; and

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has presented its proposed fiscal year 2004 budget and proposed 2005–2006 financial plan to the RTA for its review and the RTA has conducted public hearings with respect to its Proposed Annual Budget and Five-Year Program, and considered the proposed budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans; and

WHEREAS, by policy (Ordinance 96-19) the RTA Board must approve the Service Boards’ use of the proceeds from any financing transaction before such proceeds are used, and the primary use of such proceeds should be for capital programs, and such proceeds are excluded from the Service Boards’ System-Generated Revenue Recovery Ratios; and

WHEREAS, by policy (Ordinance 2003-54) federal capital funds used for the capital-related portion of the operating costs of paratransit services provided under contract are appropriately considered operating revenue for the purpose of the Service Boards’ System-Generated Revenue Recovery Ratios; and

WHEREAS, the RTA’s Funding Policy, as amended by Ordinance 93-25, states that the Service Boards may use funds from Positive Budget Variances (PBV) for “one-time, finite life operating programs” and that “the Service Boards will propose the use of PBV funds for operating purposes subject to approval of the RTA Board and inclusion in the annual budget and two-year financial plan”; and

WHEREAS, the RTA Board has determined that it is in the best interest of the RTA to take the following actions in order to carry out its powers and duties under the Act.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY that:
ADOPTED DECEMBER 12, 2003

ARTICLE I

APPROVAL OF BUDGETS AND PROGRAMS

Section One:

Service Board Budgets and Financial Plans

1.1 In compliance with the Act, the RTA has received and reviewed a proposed budget for 2004, and a financial plan for 2005 and 2006, of the Chicago Transit Authority (the “CTA”), the Commuter Rail Division (“Metra”) and the Suburban Bus Division (“Pace”) (each a Service Board”).

1.2 With respect to the proposed budgets and financial plans of the CTA, Metra and Pace (as summarized in Schedule I-B), the RTA finds as follows:

(a) Each such budget and plan shows a balance between (A) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (B) the cost of providing the services specified and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness;

(b) Each such budget and plan shows cash balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs and expenses as incurred;

(c) Each such budget and plan provides for a level of fares or charges and operating or administrative costs for the public transportation provided by or subject to the jurisdiction of such Service Board sufficient to allow the Service Board to meet its required system-generated revenue recovery ratio, as set forth on Schedule I-D;

(d) Each such budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) Each such budget and plan has been prepared in accordance with sound financial practices; and

(f) Provided that each Service Board acts in conformity with the provisions of this Ordinance, each such budget and plan meets the other financial, budgetary, or fiscal requirements which the RTA has established.

1.3 Pursuant to Section 4.11 of the Act, the budgets for 2004 and financial plans for 2005 and 2006, for the CTA, Metra and Pace, as presented in the attached Schedule I-B, are hereby approved provided, however, in the event that a budget or financial plan is inconsistent with the provisions of this Ordinance, the provisions of this Ordinance shall govern.

1.4 No more than 30 days after each quarter, each Service Board is directed to report to the RTA its financial condition and results of operations for review by the RTA for conformity with the approved budget.

Section Two:

RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2004 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2004 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2004 Annual Budget and Program shows a balance between anticipated revenue from all sources, including the application of the RTA Fund Balance, and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest when due, as summarized in Schedule I-A.

(b) The 2004 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-G.

(c) The 2004 Annual Budget and Program shows that the level of fares and charges for public transportation provided by, or under grant or purchase of service contracts of, the Service Boards is sufficient to cause the aggregate of all projected sys-

Allocations (in percent)

	Collected Within Chicago	Collected in Within Suburban Cook County	Collected in DuPage, Kane, Lake, McHenry and Will Counties
CTA	100 %	30 %	0 %
Metra	0 %	55 %	70 %
Pace	0 %	15 %	30 %
Total	100%	100%	100%

tem-generated revenues from such fares and charges received in 2004 to equal at least 50 percent of the aggregate cost of providing such public transportation in 2004, as defined in the Act, and as summarized in Schedule I-D.

(d) The budgeted "Administrative expenses" of the RTA for 2004, within the meaning of Section 4.01(c) of the Act, do not exceed the maximum administrative expenses permitted for 2004 of \$12,634,751. (2004 "Administrative expenses" are summarized in Schedule I-C.)

Section Three:

Five-Year Program

3.1 The Five-Year Program of the RTA for the fiscal years beginning January 1, 2004, and ending December 31, 2008, has been the subject of public hearings in each county as required by Section 2.01 of the Act. The RTA has considered public comments on the proposed Five-Year Program. The RTA hereby adopts the Five-Year Program attached as Schedule II, subject to continuing review. In accordance with Section 2.01(c) and 4.02(b) of the Act, no Service Board shall apply for or receive any capital grant or loan unless it is included in the RTA Five-Year Program.

ARTICLE II

APPROPRIATION OF FUNDS AND CERTAIN OTHER ACTIONS

Section One:

Appropriation for each Service Board

The following amounts for 2004 are appropriated for payment to each Service Board from the enumerated sources of funds and for the specified objects and purposes. The total appropriations as shown on Schedule I-A for RTA Opera-

tions Funding represents the legal level of budgetary control.

1.1 Statutory RTA Taxes

There is appropriated, for expenditure by each Service Board pursuant to the 2004 Budget approved in Article I, 85% of the RTA receipts from taxes imposed pursuant to Section 4.03 of the Act and allocated according to the percentages listed above and specified in Section 4.01(d) of the Act, and from the State and Local Sales Tax Reform Fund pursuant to Section 4.01(e) of the Act. The estimated amount of the appropriation is specified as "Sales Tax - 85%" on Schedule I-F.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, the Executive Director of the RTA shall provide for the payment to each Service Board the specified proportionate share of such proceeds.

1.2 Reduced Fare Reimbursement

There is appropriated, for expenditure by each Service Board pursuant to the 2004 Budget approved in Article I, amounts received from the State of Illinois Reduced Fare Reimbursement Program. The estimated amount of the appropriation is included within the "Service Board System Generated Revenues" on Schedule I-B.

After receipt by the RTA of funds from the State from the Reduced Fare Reimbursement Program, the Executive Director shall provide for the payment to each Service Board the proportionate share of such proceeds.

1.3 Discretionary Funds of the RTA— Public Transportation Fund, 15% Sales Tax, Other RTA Revenues

(a) Operating Programs: There is appropriated, for expenditure by each Service Board pursuant to the 2004 Budget approved

in Article I, the amounts specified as “RTA Discretionary (PTF, Sales Tax and Other)” on Schedule I-B from other receipts and revenues of the RTA, or so much as may be necessary such that the actual amounts appropriated for each Service Board under paragraphs 1.1, 1.2, and 1.3(a) of this section equal the amounts specified as “RTA Operations Funding” on Schedule I-B, exclusive of CMAQ and JARC funding.

The Executive Director is hereby directed to provide for the payment of such funds as soon as may be practicable upon their receipt provided that each Service Board is in compliance with the requirements of Section 4.11 of the Act and this Ordinance.

(b) Capital Programs: There is appropriated, for expenditure by the Service Boards for projects specified on Schedule II, and pursuant to the first year of the Five-Year Program approved in Article I, the amounts specified as Transfer Capital in the 2004 section on Schedule I-E from other receipts and revenues of the RTA.

The Executive Director is hereby directed to provide for payment of such funds pursuant to grant agreements with each Service Board.

Section Two:

Appropriation to the Regional Transportation Authority

In 2004 there is appropriated, for expenditure of operating purposes of the RTA, the amounts included on Schedule I-E and specified as Transfer Capital for the CTA and Metra, and for the RTA (the Agency) the amounts specified on Schedule I-A as Agency Operations, Regional Technology & Coordination and Regional Technology and Agency Programs pursuant to the 2004 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for 2004 Agency Operations, Regional Technology & Coordination, and Regional Technology and Agency Programs represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% from each of these items.

ARTICLE III IMPLEMENTATION

The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance and to prepare and disseminate the Five-Year Program of the RTA in accordance with the policies established herein.

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the Federal Transit Administration (FTA) and with the Illinois Department of Transportation (IDOT) for any monies available for funding of the RTA Annual Budget and Five-Year Program. The Executive Director is authorized to furnish such additional information, assurances, certifications and amendments as the FTA and IDOT may require in connection with the applications or the projects. The Executive Director is authorized and directed on behalf of the RTA to execute and deliver grant agreements and all subsequent amendments thereto between the RTA and the FTA, and between the RTA and IDOT. Further, the Executive Director is authorized and directed to take such action as the Executive Director deems necessary or appropriate to implement, administer, and enforce said agreements and all subsequent amendments thereto on behalf of the RTA.

The Executive Director is authorized and directed to file the 2004 Annual Budget and Program and a copy of this Ordinance with the Governor, General Assembly, the Comptroller of the State of Illinois, the Mayor of the City of Chicago and the Auditor General of the State of Illinois, along with an appropriate certification that this budget and program meet the requirements of the Act.

Schedule 1-A: **RTA Statement of Revenues and Expenditures (dollars in thousands)**

	2004 Budget	2005 Plan	2006 Plan
Revenue			
Sales Tax (1)	\$ 671,750	\$ 693,250	\$ 718,900
Public Transportation Fund (PTF)	167,938	173,313	179,725
State Financial Assistance (SFA)	90,632	110,070	125,239
Reduced Fare (RF)	39,200	39,200	39,200
Investment Income & Other (2)	18,536	15,173	13,616
Total Revenue	\$ 988,056	\$ 1,031,006	\$ 1,076,680
Operating Expenditures			
Operations Funding	\$ 743,471	\$ 749,710	\$ 756,093
Reduced Fare	39,200	39,200	39,200
Sales Tax Interest & Other	410	420	430
Agency Operations	18,309	18,391	18,441
Regional Technology & Coordination (2)	5,364	4,165	4,198
Total Operating Expenditures	\$ 806,754	\$ 811,886	\$ 818,362
Debt Service & Capital Expenditures			
Principal and Interest	\$ 160,032	\$ 178,621	\$ 202,027
Regional Technology & Agency Programs (2)	7,319	4,942	4,842
RTA Discretionary Capital (3)	—	—	—
CTA Transfer Capital	20,353	20,353	20,353
Metra Transfer Capital	10,044	11,309	13,872
Total Debt Service and Capital Expenditures	\$ 197,748	\$ 215,225	\$ 241,094
Total Expenditures	\$ 1,004,502	\$ 1,027,111	\$ 1,059,456
Fund Balance (undesignated/unreserved)			
Beginning Balance	\$ 14,126	\$ 6,208	\$ 13,030
Revenues less Expenditures - Surplus/(Deficit) (4)	(16,446)	3,895	17,224
Designations/Reserves (5)	8,528	2,927	10,665
Ending Balance	\$ 6,208	\$ 13,030	\$ 40,919
% of Total Operating Expenditures	0.8%	1.6%	5.0%
Recovery Ratio (6)	54.6%	55.3%	55.9%

(1) The sales tax figure on this schedule for 2004 is \$24 million higher than the OMB estimate of \$647.7 million for the same time period. The amounts in 2005 and 2006 grow from the 2004 RTA figure. (2) The 2002 RTA budget established a process for reserving moneys needed to fund the longer-term nature of its Regional Coordination, Technology and Capital programs (similar to service board capital program processes). Annual revenue from 2004 through 2006 is projected to average about \$3.2 million. Expenditures will average \$9.7 million. (3) Due to the current economic environment, the RTA has deferred funding through the planning period. (4) Equals Total Revenue less Total Expenditures. (5) Recognizes certain changes in the fund balance from designated or reserved funds each year. The amounts from 2004 through 2006 are primarily earnings from capital fund reserves that by policy can be used for interest payments. (6) Reference Schedule I - D for the 2004 recovery ratio calculations.

Schedule 1-B: **Service Board Deficit Funding (dollars in thousands)**

2004 Budget	CTA	Metra	Pace	Total
Service Board System-Generated Revenue	\$ 493,797	\$ 246,138	\$ 58,840	\$ 798,775
Service Board Operating Expenses	935,429	468,925	147,020	1,551,374
Service Board Deficit	441,632	222,787	88,180	752,599
Deficit Funding				
Sales Tax -85% (% of total, distributed by area collected)	265,107	232,831	73,050	570,988
RTA Discretionary (PTF, Sales Tax & Other)	176,525	—	6,002	182,527
Transfer Capital	—	(10,044)	—	(10,044)
RTA Operations Funding	441,632	222,787	79,052	743,471
CMAQ/JARC	—	—	1,675	1,675
Use of fund balance (1)	—	—	7,453	7,453
Service Board Deficit Funding	\$ 441,632	\$ 222,787	\$ 88,180	\$ 752,599
2005 Plan				
Service Board System-Generated Revenue	\$ 513,423	\$ 253,262	\$ 59,869	\$ 826,554
Service Board Operating Expenses	955,055	482,288	140,659	1,578,002
Service Board Deficit	441,632	229,026	80,790	751,448
Deficit Funding				
Sales Tax -85% (% of total, distributed by area collected)	273,474	240,335	75,454	589,263
RTA Discretionary (PTF, Sales Tax & Other)	168,158	—	3,598	171,756
Transfer Capital	—	(11,309)	—	(11,309)
RTA Operations Funding	441,632	229,026	79,052	749,710
CMAQ/JARC	—	—	1,738	1,738
Service Board Deficit Funding	\$ 441,632	\$ 229,026	\$ 80,790	\$ 751,448
2006 Plan				
Service Board System-Generated Revenue	\$ 539,391	\$ 260,546	\$ 60,839	\$ 860,776
Service Board Operating Expenses	981,023	495,955	141,486	1,618,464
Service Board Deficit	441,632	235,409	80,647	757,688
Deficit Funding				
Sales Tax - 85% (% of total, distributed by area collected)	283,469	249,281	78,314	611,064
RTA Discretionary (PTF, Sales Tax & Other)	158,163	—	738	158,901
Transfer Capital	—	(13,872)	—	(13,872)
RTA Operations Funding	441,632	235,409	79,052	756,093
CMAQ/JARC	—	—	1,595	1,595
Service Board Deficit Funding	\$ 441,632	\$ 235,409	\$ 80,647	\$ 757,688

(1) Pace funds available from prior year funding surplus generated from the revenue realized from the federal funds used for capital-related costs of paratransit service under contract.

Schedule 1-C: **Regional Transportation Authority
Proposed 2004 Agency Operations Funding (dollars in thousands)**

Agency Administration	Expense	Revenue	Funding
Managing Services	\$ 2,464	—	\$ 2,464
Communications	460	—	460
Finance	2,832	—	2,832
Total Administration	5,756	—	\$ 5,756
Statutory Cap	\$ 12,635		
Percent Under Cap	54.4%		
Regional Services			
Government Affairs	\$ 1,031	—	\$ 1,031
Planning	1,641	—	1,641
Transit check & Program Support	2,124	\$ 1,818	306
ADA	2,865	—	2,865
Reduced Fare & Customer Service	693	55	638
Travel Information Center	4,199	25	4,174
Total Regional Services	\$ 12,553	\$ 1,898	\$ 10,655
Total Agency Operations	\$ 18,309	\$ 1,898	\$ 16,411

Schedule 1-D: **Recovery Ratio Calculations (dollars in thousands)**

System-Generated Recovery Ratio Revenues	2004 Budget
CTA	\$ 515,797
Metra	246,138
Pace	58,840
RTA	18,126
Other System-Generated Recovery Ratio Revenues (1)	13,303
Total System-Generated Recovery Ratio Revenues (2)	\$ 852,204
System-Generated Recovery Ratio Expenses (3)	
CTA	\$ 942,357
Metra	447,523
Pace	147,020
RTA	23,673
Total System-Generated Recovery Ratio Expenses	\$1,560,573
Recovery Ratios (4)	
CTA	54.7%
Metra	55.0%
Pace	40.0%
Total System-Generated Revenue Recovery Ratio	54.6%

(1) By policy, the revenue figures for the Service Boards exclude the gain from leasing transactions restricted by ordinance for capital. In 2004 the CTA figure is \$4.3 million. Also by policy, the Metra revenue figures exclude the proceeds from a fare increase restricted by ordinance for capital. The amount in 2004 is \$9.0 million. (2) Includes Service Board In-Kind revenue. A matching amount is included in the respective Service Board expenses. The CTA amount for the CPD is \$22 million. Pace did not budget In-Kind ADvAntage revenue in 2004 but booked \$2.6 million in 2002 and estimates the same figure for 2003. (3) The amounts deducted from expenses represent exclusions listed by the RTA Act. CTA exclusions include a 1988 annual security exemption of \$10.2 million and a reduced fare security exemption of \$4.8 million. Metra exclusions include security of \$5 million, depreciation of \$2.7 million and transportation facility leases of \$13.7 million. (4) The 2004 recovery ratio "marks" established by the RTA Board are part of the budget approval process. The Service Boards endeavor to achieve or exceed their respective ratio to comply with their approved budgets, and as approved by the RTA Act. The CTA exceeds its "mark" of 52.9%, Metra and Pace meet their respective "marks."

Schedule 1-E: **Service Board and RTA Capital Funding for 2004 (dollars in thousands)**

Service Board Capital Funding	CTA	Metra	Pace	RTA	Total
FTA Capital Grants	\$ 307,679	\$ 167,130	\$ 26,399	—	\$ 501,208
IDOT Grants	2,580	25,840	6,080	—	34,500
Service Board/Other Funds	6,440	8,991	540	—	15,971
RTA SCIP Bonds	130,000	117,000	13,000	—	260,000
RTA Bonds	25,294	—	464	—	25,758
Transfer Capital (1)	20,353	10,044	—	—	30,397
Carryover and De-obligations	—	27,082	—	—	27,082
Total Service Board Capital Funding	\$ 492,346	\$ 356,087	\$ 46,483	—	\$ 894,916
CTA Financing	250,000	—	—	—	250,000
Total Available	\$ 742,346	\$ 356,087	\$ 46,483	—	\$ 1,144,916
RTA Capital Funding					
Regional Technology and Agency Programs (2)				\$ 7,319	

(1) Discretionary and statutory sales tax for capital. (2) Technology-driven, region-wide initiatives funded by the RTA, and Agency capital projects which average \$0.6 million annually.

Schedule 1-F: **RTA Sales Tax Distribution (dollars in thousands)**

	City of Chicago	Suburban Cook County	All Other Counties	Total Estimated Amounts
2004 Budget Service Boards				
CTA	\$ 171,535	\$ 93,571	—	\$ 265,107
Metra	—	171,548	\$ 61,283	232,831
Pace	—	46,786	26,264	73,050
Total Service Boards - Sales Tax - 85%	171,535	311,905	87,547	570,988
RTA = 15%	30,271	55,042	15,450	100,763
Grand Total	\$ 201,806	\$ 366,947	\$ 102,997	\$ 671,750
 2005 Plan Service Boards				
CTA	\$ 177,060	\$ 96,413	—	\$ 273,474
Metra	—	176,758	\$ 63,577	240,335
Pace	—	48,207	27,247	75,454
Total Service Boards - Sales Tax - 85%	177,060	321,378	90,824	589,263
RTA = 15%	31,246	56,714	16,028	103,988
Grand Total	\$ 208,306	\$ 378,092	\$ 106,852	\$ 693,250
 2006 Plan Service Boards				
CTA	\$ 183,647	\$ 99,822	—	\$ 283,469
Metra	—	183,007	\$ 66,274	249,281
Pace	—	49,911	28,403	78,314
Total Service Boards - Sales Tax - 85%	183,647	332,740	94,678	611,065
RTA = 15%	32,408	58,719	16,708	107,835
Grand Total	\$ 216,056	\$ 391,459	\$ 111,386	\$ 718,900

Schedule 1-G: **Regional Transportation Authority 2004 Monthly Cash Flow Projection General and Agency Funds (dollars in thousands)**

Cash Receipts	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
Sales Tax	\$53,058	\$53,898	\$ 64,923	\$48,244	\$49,610	\$52,656	\$57,562	\$57,169	\$58,538	\$57,749	\$56,501	\$56,314	\$ 666,222
PTF	13,927	13,745	13,437	13,650	16,442	12,218	12,564	13,335	14,577	14,478	14,825	14,625	167,823
Reduced Fare	—	9,800	—	—	9,800	—	—	9,800	—	—	9,800	—	39,200
State Assistance	6,834	—	6,834	—	6,834	20,503	—	—	—	8,271	16,542	8,271	74,089
Interest/Other Income	1,001	876	20,826	826	818	852	823	818	840	821	821	9,221	38,541
Total Cash Receipts	\$74,820	\$78,319	\$106,020	\$62,720	\$83,504	\$86,229	\$70,949	\$81,122	\$73,955	\$81,319	\$98,489	\$88,431	\$ 985,875
Cash Disbursements													
CTA													
85% Sales Tax	\$21,002	\$21,335	\$ 25,699	\$19,096	\$19,637	\$20,843	\$22,785	\$22,629	\$23,171	\$22,859	\$22,365	\$22,291	\$ 263,712
Reduced Fare Reimb.	—	8,148	—	—	8,148	—	—	8,148	—	—	8,148	—	32,591
RTA Discretionary	15,934	15,934	14,711	14,710	14,710	14,711	14,710	14,710	14,710	14,710	14,710	14,710	178,973
Capital Program - Total	4,900	4,440	4,934	4,135	4,135	4,135	4,135	4,135	4,135	4,135	4,135	4,135	51,492
2003 Budget True-up	—	—	—	2,585	2,585	2,962	—	—	—	—	—	—	8,132
Total Disbursements	\$41,836	\$49,857	\$45,344	\$40,527	\$49,216	\$42,651	\$41,631	\$49,623	\$42,017	\$41,704	\$49,358	\$41,136	\$ 534,900
Metra													
85% Sales Tax	\$18,347	\$18,638	\$22,450	\$16,682	\$17,155	\$18,208	\$19,904	\$19,769	\$20,242	\$19,969	\$19,538	\$19,473	\$230,375
Reduced Fare Reimb.	—	767	—	—	767	—	—	767	—	—	767	—	3,067
Capital Program - Total	1,062	1,062	1,062	713	713	713	713	713	713	713	713	713	9,608
2003 Budget True-up	—	—	—	2,564	2,564	2,938	—	—	—	—	—	—	8,067
Total Disbursements	\$19,410	\$20,467	\$23,512	\$19,960	\$ 21,200	\$21,859	\$20,618	\$21,249	\$20,956	\$20,682	\$21,018	\$20,186	\$251,117
Pace													
85% Sales Tax	\$ 5,750	\$ 5,841	\$ 7,036	\$ 5,228	\$ 5,377	\$5,707	\$ 6,238	\$ 6,196	\$ 6,344	\$ 6,259	\$ 6,123	\$ 6,103	\$ 72,202
Reduced Fare Reimb.	—	885	—	—	885	—	—	885	—	—	885	—	3,542
RTA Discretionary	542	542	500	500	500	500	500	500	500	500	500	500	6,085
Capital Program - Total	46	46	46	46	46	46	46	46	46	46	46	46	552
2003 Budget True-up	—	—	—	850	850	974	—	—	—	—	—	—	2,675
Total Disbursements	\$ 6,338	\$ 7,314	\$ 7,582	\$ 6,625	\$ 7,659	\$7,227	\$ 6,784	\$ 7,627	\$ 6,890	\$ 6,805	\$ 7,555	\$ 6,649	\$ 85,056
RTA Operations													
Sales Tax Interest	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 36	\$ 410
Principal and Interest Payments	13,030	13,293	13,338	12,561	6,218	8,569	13,742	13,933	13,956	13,160	11,180	10,432	143,412
Agency Operating Expenses	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,526	1,526	18,309
RTA Technology, Coordination & Programs	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	12,683
Total Disbursements	\$15,647	\$15,910	\$15,955	\$15,178	\$ 8,835	\$11,186	\$16,359	\$16,550	\$16,573	\$15,777	\$13,797	\$13,051	\$ 174,814
Total Cash Disbursements	\$ 83,230	\$93,548	\$92,393	\$82,290	\$86,909	\$82,923	\$85,392	\$95,049	\$86,436	\$84,968	\$91,728	\$81,023	\$1,045,888
Cash Balance (1)													
Beginning (2)	\$ 77,177	\$ 68,766	\$53,538	\$67,165	\$ 47,594	\$44,190	\$47,495	\$33,053	\$19,126	\$ 6,645	\$ 2,996	\$ 9,757	
Ending	\$ 68,766	\$ 53,538	\$67,165	\$47,594	\$ 44,190	\$47,495	\$33,053	\$19,126	\$ 6,645	\$ 2,996	\$ 9,757	\$17,164	

(1) Restricted and unrestricted cash. (2) Beginning 2004 Cash Balance based on the RTA's Statement of Revenues & Expenditures estimated results for 2003.



The Government Finance Officers Association of the United States and Canada (GFOA) present an award of Distinguished Presentation to the Regional Transportation Authority for its annual budget for the fiscal year beginning 2003.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The award is valid for a period of one year only. We believe our current budget book continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.



**Regional
Transportation
Authority**

Regional Transportation Authority (RTA)

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Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

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

Travel Information Center
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

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

RTA Reduced Fare Card
836-7000 (from any area code in six-county region)
(312) 836-4949 (TTY)

Community Outreach
(312) 913-3144

RTA Transit Check
1-800-531-2828

Service Boards



Chicago Transit Authority (CTA)
Merchandise Mart Plaza
P.O. Box 3555
Chicago, Illinois 60654
(312) 664-7200 extension 4020
www.transitchicago.com



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



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