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Determining the Equitable Allocation of Public Funding for a Regional Transit System

Interim Report

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Submitted By:

Delcan

In Association With
Eno Center for Transportation
TranSmart

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EXECUTIVE SUMMARY

While the original goal of the Interim Report was to concentrate on RTA's discretionary fund, it became clear that viewing this program in isolation will not address the funding allocation challenge the RTA region has been confronting. A more comprehensive approach that considers all funds, operating and capital, and that examines the statutory formulas as well as discretionary funding, will lead to options that could generate outcomes that are both more equitable and more effective. This report describes five approaches or options for the allocation of funding to the Service Boards. These options range from the current 2013 allocation to proposals that provide awards for improved performance, options that emphasize a competitive process, allocations based on sub-area equity, and formula-based allocations with advantages and disadvantages of each option presented.

A significant aspect of the Interim Report is the identification of a set of strategic guidelines to shape the discussion of different allocation approaches. These include:

1. ***The funding allocation process should emphasize regional goals.*** Rather than focus on what is best for individual Service Boards or specific sub-regions, funds should encourage actions that support a healthy regional economy anchored by a strong, safe, and customer-focused regional transit system that is accessible to all residents;
2. ***Changes in how funds are allocated should not be viewed in isolation,*** but rather as part of efforts to improve regional governance, planning, livability, and coordination of public transit service in the RTA region;
3. ***Any change in how funds are allocated should involve a process*** that is transparent, targeted, objective, and that demonstrates results; and
4. ***Recommended options should be viewed in a broader context*** that covers the allocation of all capital and operating funds. This overall view and impact on funding will be addressed in the Final Report on Funding Allocation Scenarios.

Deciding how much money to provide for each transit agency through any funding allocation option will generate controversy, particularly at a time when reasonable needs exceed available funds. Any new allocation process that focuses on one specific portion of the RTA's program will increase funds for one or more Service Boards at the expense of another – unless of course there is a sufficient increase in overall revenues. While opportunities exist for increased revenues, significant growth is unlikely in the immediate future. This Interim Report describes several options for allocating funds, while recognizing the importance of financial stability for the Service Boards.

The principles and options should help stimulate a productive debate over how best to improve the region's transit system. Any specific discussion of possible changes in how funds are allocated only makes sense as part of a presentation regarding possible changes to the full RTA program.

INTRODUCTION

The Regional Transportation Authority (RTA) for Northeastern Illinois must pass a budget that includes capital and operating funds for the region's three transit providers (known as Service Boards[1]). In 2012 RTA was unable to meet budget deadlines because of disagreements over the allocation of a discretionary fund among the Service Boards. While RTA is responsible for the allocation of transit funds to the three Service Boards, most funds are distributed based on fixed formulas set by state legislation passed in 1983 and updated in 2008. For 2013, RTA's discretionary fund for operations totaled $189 million. Historically, almost all of this discretionary funding has gone to CTA, with Pace receiving the balance. Apart from extraordinary funding related to the June 2003 destruction by fire of a wooden trestle railroad bridge, Metra has not received discretionary funding since the late 1980s.

During the budget negotiations in 2012, Metra made a case for a share of discretionary funds, which inevitably would have reduced funds for CTA and Pace. While the dollar amounts were not large relative to the RTA region's annual budget, CTA considers that virtually all of the discretionary funding is needed in order to maintain its operations and they have relied on this historical precedent. Metra considers that while it has not had reason to request discretionary funds for almost a decade, current financial circumstances dictate that this is no longer the case.

The 2012 deadlock regarding allocation of discretionary funds was broken at a special meeting of RTA's Board of Directors on October 10, 2012. The RTA Board passed an ordinance which provided Metra with capital funds from the RTA fund balance so that CTA and Pace received their expected level of funds from the discretionary account. Recognizing that the basis for the 2012 solution was unsustainable, the RTA Board called for an independent review of funding options:

"As soon as practicable, RTA staff is directed to solicit and engage an independent entity, with relevant expertise in public transportation and finance, to study and develop a recommended method of determining the allocation of public funding to the Service Boards. The vendor shall, as part of its report/study, map the source of all subject funds, including 'discretionary' funds not specifically allocated by statute."

While the origin of this study relates to the unprecedented 2012 impasse over the allocation of discretionary funding, the scope of work covers both discretionary and formula funding for operations as well as funds for the capital program. This Interim Report focuses on discretionary funding, in part since RTA has considerable flexibility in how these funds are allocated. This report also covers the principles that will be used to develop allocation scenarios. The Final Report on Funding Allocation Scenarios will address possible changes to the formulas, including some changes that will require state legislation.

While the origin of this study relates to the 2012 impasse over the allocation of discretionary funding, the scope of work covers ***both discretionary and formula funding*** for operations as well as ***funds for the capital program***.

1 Chicago Transit Authority (CTA – provider of bus and rail service within the City of Chicago); Metra (provider of the Chicago region's suburban rail service); and Pace (provider of the Chicago region's paratransit service and bus service outside of the City of Chicago).

BACKGROUND

In recent decades, the RTA region, like many other metropolitan areas across the nation, has experienced strong economic growth in its suburbs, known locally as the collar counties (DuPage, Kane, Lake, McHenry, and Will). There are signs of a second wave of suburban expansion extending beyond the collar counties. This suburban growth has been driven by many factors, notably the widespread availability and cost of land and lower traffic congestion compared to the central business district and close-in suburbs. Since the end of the recession, the City of Chicago has accounted for half of the region's growth in jobs since 2010.

Suburban expansion, however, presents serious challenges to the Service Boards—CTA, Metra, and Pace. For example, Metra commuter rail services cannot easily adapt to serve reverse commuters (i.e., those who live in the central area and commute to the suburbs.) Similarly, the fixed route nature of most Pace bus services cannot easily serve the numerous suburb to suburb travel needs of those who both live and work in the collar counties. The lower density of trips also leads to high costs per passenger mile for bus service.

The challenges presented to the provision of transit services, in both the City of Chicago and in the suburbs, should be addressed at a regional level. Although there is some overlap, the institutional environment for transit decisions in the RTA region is focused on the three Service Boards, each with its own chain of command, internal accountability, and base of political support. In effect, transit services provided by the Service Boards are subsystems within a larger regional system, each with different operational characteristics and core customer bases. The Service Boards' first responsibility is to ensure their respective transit services are safe, efficient, and meet the travel needs of their customers.

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THE SERVICE BOARDS

- *Chicago Transit Authority (CTA)* is the oldest of the three Service Boards, technically formed in 1947 when it took over the Chicago Rapid Transit Company and the Chicago Surface Lines. These rail lines had been in operation since 1892 and some of the infrastructure when CTA was formed was already 55 years old. The CTA system is currently the second largest public transportation system in the nation in terms of passenger trips, and serves the City of Chicago as well as 35 communities adjacent to the city. CTA service accounts for more than 80 percent of the transit trips (1.6 million rides per average weekday) made in the six county Chicago metropolitan area. CTA operates 1,200 rail cars over eight routes covering 224 miles of track, making 2,145 trips per day. CTA's 1,781 buses make 19,709 trips per day, serving 11,493 posted bus stops along 1,959 route miles.

- *Metra* is the second largest commuter rail agency in the nation (based on directional route miles) serving Cook, DuPage, Will, Lake, Kane, and McHenry counties. The agency was branded with the name Metra in 1984, but commuter rail service has been prominent in the Chicago area for much longer. Metra's rail system covers 495 miles and serves 241 stations. Metra operates 702 weekday trains, and carries about 50 percent of the trips into downtown along major expressway corridors. Of the morning peak trips made on Metra, 88 percent end in Chicago.
- *Pace* is the suburban transit provider for the Chicago region, providing suburban bus and regional ADA-paratransit services. Pace operates vanpools and Dial-a-Ride programs in the six county Chicago metropolitan area as well as providing bus service to suburban Cook County and the collar counties, serving 284 municipalities. The agency was created in 1983, and in 2007 Pace became responsible for ADA and paratransit services in the full six-county Chicago region. Pace's total ridership in 2012 was about 39 million. Pace has 209 accessible bus routes, 454 paratransit buses, and 694 vanpools.

Transit services provided by the Service Boards have overlapping geographic footprints, but are generally supportive of economic and other activities in the City of Chicago and suburban Cook County, which together serve as the traditional economic hubs for the region. Both CTA and Metra face serious challenges such as ageing rail infrastructure, rail capacity constraints, and numerous station access issues for travelers with disabilities.

RTA RESPONSIBILITIES

The responsibilities of RTA are mandated by provisions specified in the RTA Act. One of RTA's main responsibilities is to review and approve annual financial plans from the three Service Boards for operating and capital investments. The approval of a budget requires a super majority vote of the RTA Board, allowing groups to block plans that they dislike. The Board consists of 16 representatives, including a Chairman and 15 members appointed from within the six-county region. RTA also continually monitors the budgetary and operational performance of the Service Boards. RTA prepares and adopts a five-year capital program each year and issues bonds for Service Board capital programs. In addition, RTA conducts regional planning, feasibility analyses for regional capital projects, and provides program management oversight for those projects that are approved. RTA is also responsible for audits and regional coordination of government affairs. RTA administers the Reduced Fare Program for seniors, students, and persons with disabilities, as well as the ADA-paratransit Eligibility Certification Program.

RTA is responsible for fulfilling financial oversight and strategic regional planning functions that enhance the regional transit system for the residents of the entire six-county region, including the City of Chicago. This study is consistent with that mission. Each of the Service Boards recognizes transit's key role in supporting and enhancing the economic vitality and quality of life of the RTA region and the State of Illinois, particularly in the face of competition for jobs from other regions and states. Both the traditional central business district model and suburban expansion have been successful where they improve

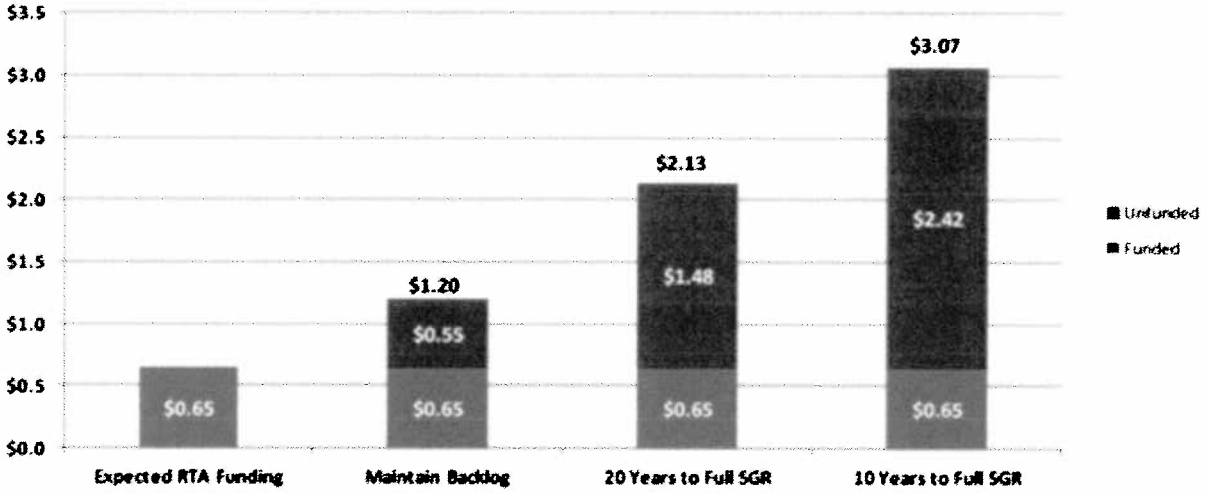
The *Service Boards* provide service to the third largest transit market in the U.S. The region consists of a population of *more than 8 million*, and serves two million daily riders.

access to labor (for employers) and to jobs (for employees).

GENERAL SHORTFALL IN FUNDS

The Service Boards provide service to the third largest transit market in the US. The region consists of a population of more than 8 million, and serves 2 million daily riders. Chicago's system comprises some of the nation's oldest transit facilities. To reach a state of good repair as of late 2011, the RTA would require $18.7 billion to address the state of good repair backlog, and an additional $12.4 billion to meet the ten-year need for normal capital reinvestment for a total of $31.1 billion.[2]

Figure 1: Expected vs. Required Annual Funding to Achieve a State of Good Repair[3]



To obtain a state of good repair over a 10 year period, the annual cost would be approximately $3 billion, or $1.20 billion to maintain the current backlog. But, the region's expected annual capital funds amount to only $650 million. Even when spreading the costs over a greater span of time, this is still a significantly higher amount than the capital funds available to the region. Since the 2010 analysis, the estimate of backlog and 10-year state of good repair needs has grown by 17 percent. This sharp increase is due in part to more precise methods of estimation, along with improved data and the completion of inventory records. The RTA is currently working with all three Service Boards to generate consistency with respect to how assets are characterized.

Aside from capital funding, operating costs are also increasing each year; this will continue to be a challenge faced by all three Service Boards. While it is recognized that the RTA requires new sources of funding, the focus of this report is the allocation of existing funds among the Service Boards.

2 Backlog is defined as investments that have been deferred for purposes such as asset rehabilitation, replacement, and annual capital maintenance. The details regarding these estimates can be found in RTA's Capital Asset Condition Assessment Update.
3 RTA's Capital Asset Condition Assessment Update, as of December 31, 2011.

NOT UNIQUE TO NORTHEASTERN ILLINOIS – PROBLEM FOR OTHER METRO AREAS

This problem of shortfall in transit funds is not unique to the RTA region. Every major US city faces similar gaps between available funds and capital needs – this is particularly true for regions with older rail systems. The national estimate of the cost to return the nation's transit systems to a state of good repair totals $78 billion.

TRENDS SUMMARY

POPULATION

In the 1980 to 2012 period, Cook County's population has fallen by 0.4 percent while the other five counties in the RTA region have grown. Chicago's population fell by 9.7 percent while the balance of Cook County has grown by 11.9 percent. As a share of the regional population, Chicago shrank from 42.3 percent to 32.4 percent of the RTA region from 1980 to 2012. Since 2010, Cook, DuPage, Kane, and Will Counties have grown slightly, while Lake and McHenry Counties have lost population.

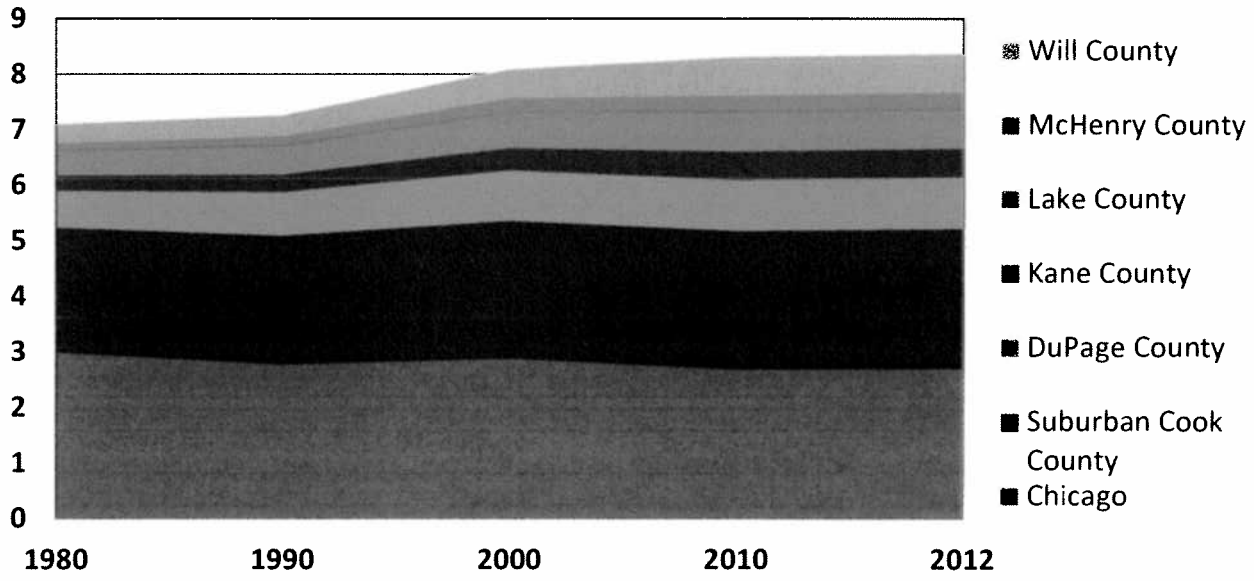


Figure 2: Shares of Regional Population, 1980 - 2012, in millions

EMPLOYMENT

The location of jobs in the RTA region over the 1981 – 2012 period indicate two trends:

1. Sub-urbanization of jobs throughout the collar counties; and
2. Decline of employment in the inner ring suburbs (suburban Cook County and DuPage County).

Suburban Cook County and DuPage County are mature and largely built out; meanwhile, firms might be moving to more cost-effective or productive locations within the region. Will and McHenry counties were the only RTA counties to experience employment gains between 2001 and 2012. Since 2010, all RTA geographic divisions have experienced employment growth, with suburban Cook County and McHenry County lagging the rest of the region. Conversely, employment in the Loop peaked in 2007 just prior to the recession. It should be noted that these data do not include non-incorporated self-employed persons—which include many professional job categories such as attorneys, accountants, and physicians—and thus likely under-counts the number of employed persons working in central Chicago.

Some of the loss of jobs in the counties can be attributed to the recession of 2008–09; slight job declines were already evident in Cook, DuPage, Kane and McHenry counties from 2007 to 2008. Suburban Cook County saw a much steeper job decline from 2001 to 2012 than did Chicago. Between 2001 and 2012, Chicago lost 5.5 percent of its jobs while suburban Cook County lost 14.8 percent and DuPage lost 4.2 percent. Since 2010, the City of Chicago has accounted for about half of the regions's growth in jobs.

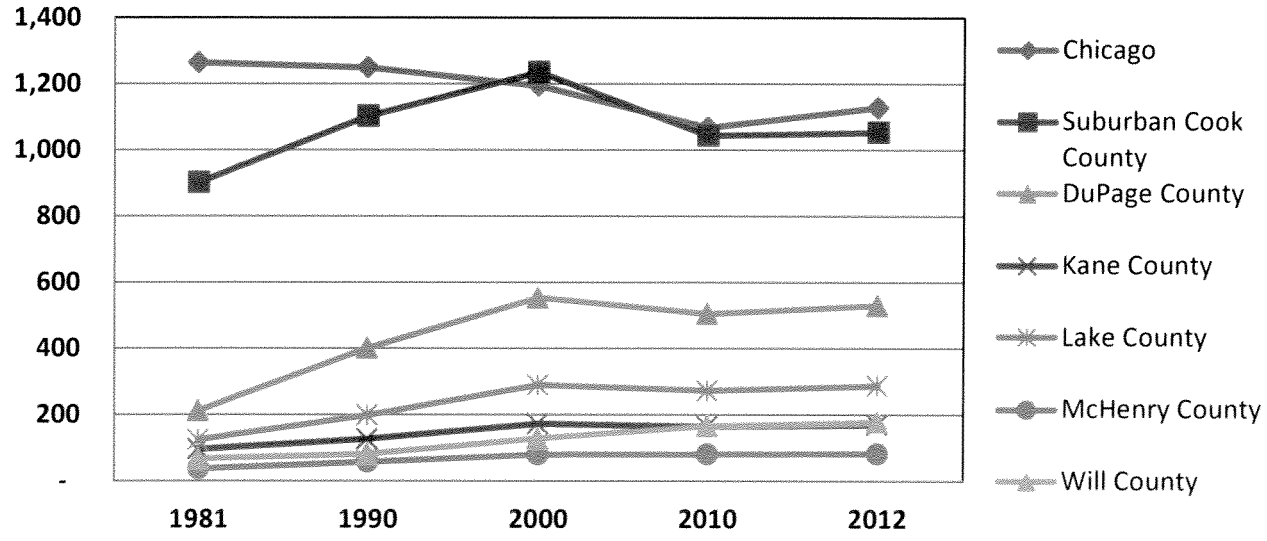


Figure 3: Jobs in RTA Geographic Divisions, 1981 - 2012, in thousands

RIDERSHIP BY SERVICE BOARD[4]

Between 1991 and 2012, total annual RTA ridership experienced growth of only 1.6 percent. However changes in CTA's method for counting rail ridership changed in 1997, meaning that trends for the period from 1998 onwards are more consistent. During the period from 1998 to 2012, total annual RTA ridership grew by 19 percent. During this period, Metra, CTA rail, and CTA bus saw gains of 17 percent, 50 percent, and 8 percent respectively, while Pace bus experienced a ridership loss of 15 percent.

ADA-paratransit, dial-a-ride, vanpool, and other demand response services are excluded from counts of unlinked passenger trips. The Service Boards' shares of RTA ridership have roughly held steady over the 1991 – 2012 period. As a percentage of overall RTA ridership, Metra's share has grown slightly while CTA and Pace's have declined slightly. Despite this, CTA has consistently provided the vast majority of unlinked passenger trips, making up at least 80 percent of RTA's unlinked trips each year.

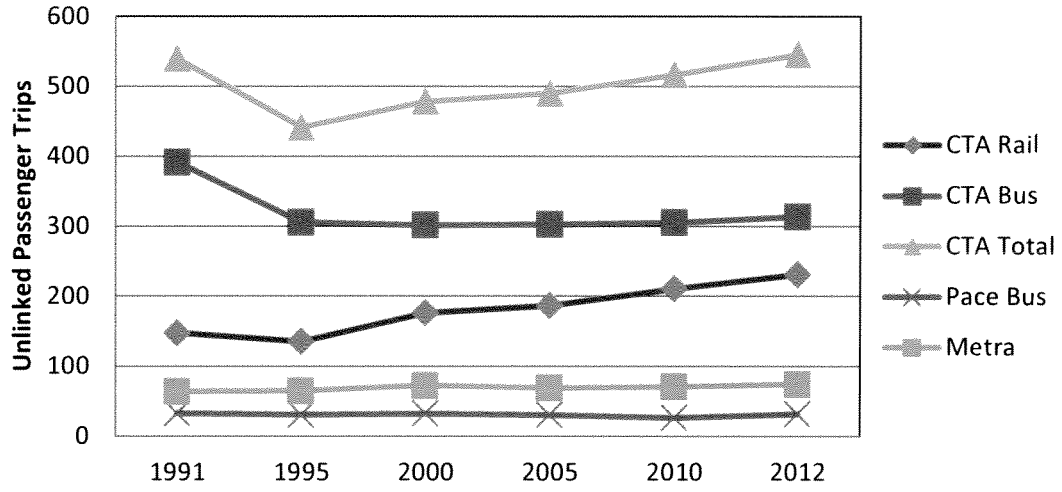


Figure 4: Service Board Ridership, 1991 - 2012, in millions

4 1991-2011 Ridership data come from the National Transit Database. 2012 ridership data come from RTA using methodologies consistent with the National Transit Database.

PASSENGER MILES TRAVELED

Passenger miles are not measured directly, but rather depend on surveys regarding average trip lengths. 2011 is the most recent year for which estimates of passenger miles traveled are available. Before 1995, data for Metra does not include passenger miles for contracted services provided directly by host railroads. In addition, Pace data do not include vanpools, dial-a-ride, or paratransit services.

Passenger miles traveled trends for the RTA Service Boards have been mixed since 1991. CTA rail has seen tremendous growth in ridership and passenger miles, more than offsetting the steady CTA bus ridership decreases. Meanwhile, Metra has experienced steady ridership growth while it extended its network outward. Pace experienced periods of both growth and decline since 1991, with modest growth in recent years. Service Board shares of RTA passenger miles have remained fairly steady since 2005, with CTA's share increasing slightly and shares for Metra and Pace bus decreasing slightly.

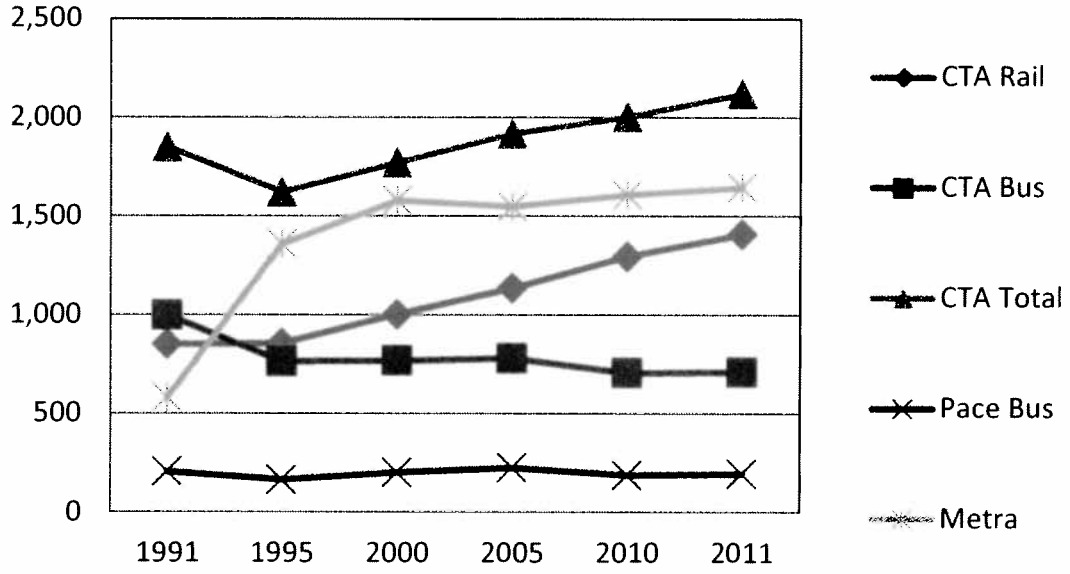


Figure 5: Passenger Miles Traveled, in millions

OPERATING COST PER TRIP

Operating expenses for both Pace and Metra grew considerably over the 2005 - 2011 period. Metra service did not include all commuter rail service in the region in 1991; privately owned services were absorbed into Metra in 1995 and 1996. Thus, Metra data for the whole 1991 – 2011 period does not accurately represent regional commuter service during this span of time.

CTA'S cost per trip has varied greatly for the bus and rail modes; operating cost growth has been very modest for CTA rail, while the operating cost for CTA bus has risen rapidly in the 1991 to 2011 period. At the same time, ridership for CTA rail has grown, but fallen for CTA bus. These conditions have resulted in a reversal for the two CTA modes: CTA rail cost per trip was 62 cents higher than CTA bus in 1991, but CTA rail now costs 19 cents less per trip than CTA bus. Operating cost per trip has fallen slightly for both CTA modes since 2005. Cost reduction has resulted largely due to substantial reductions in service for both modes in 2010 (bus in particular).

For Pace, suburban bus ridership has fallen steadily since 1991 while costs have risen, resulting in the largest increases in cost per trip between 1991 and 2011 amongst all Service Boards and modes. This figure does not include dial-a-ride, ADA-paratransit, or other demand response services; these direct response services are by far the most expensive types of transit service to operate.

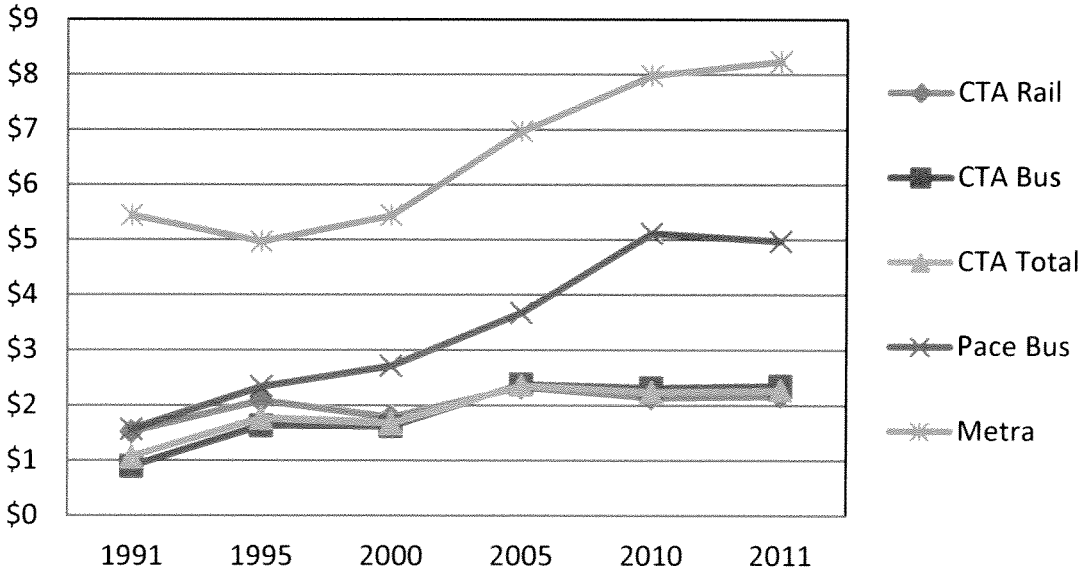


Figure 6: Operating Cost per Trip, 1991 - 2011

OPERATING EXPENSE PER PASSENGER MILE

Rail operations costs tend to be influenced by route distance served much more so than bus operations (which are more heavily influenced by vehicle operating time). On a per passenger mile basis, both CTA Rail and Metra have the lowest costs. CTA and Metra operate very different types of rail systems. CTA operates electric multiple-unit trains on a CTA-owned exclusive track system with stations in close-proximity to one another, while Metra operates a push-pull commuter system with both diesel-electric and electric locomotives on a mixed-use and mixed ownership network of rail lines with stations that can be several miles distant from one another. Since 2005:

- Overall CTA costs per passenger mile have fallen due to slow total cost growth (largely because of service cuts to both modes since 2010) and rising rail ridership; CTA bus costs per passenger mile have increased by 11 percent while CTA rail costs have decreased by 11 percent.
- Pace suburban bus service costs per passenger mile have risen by 41 percent because of a 23 percent rise in operating expenses in combination with a 13 percent drop in passenger miles and an 8 percent drop in passenger trips.
- Metra costs per passenger mile have increased by 17 percent.

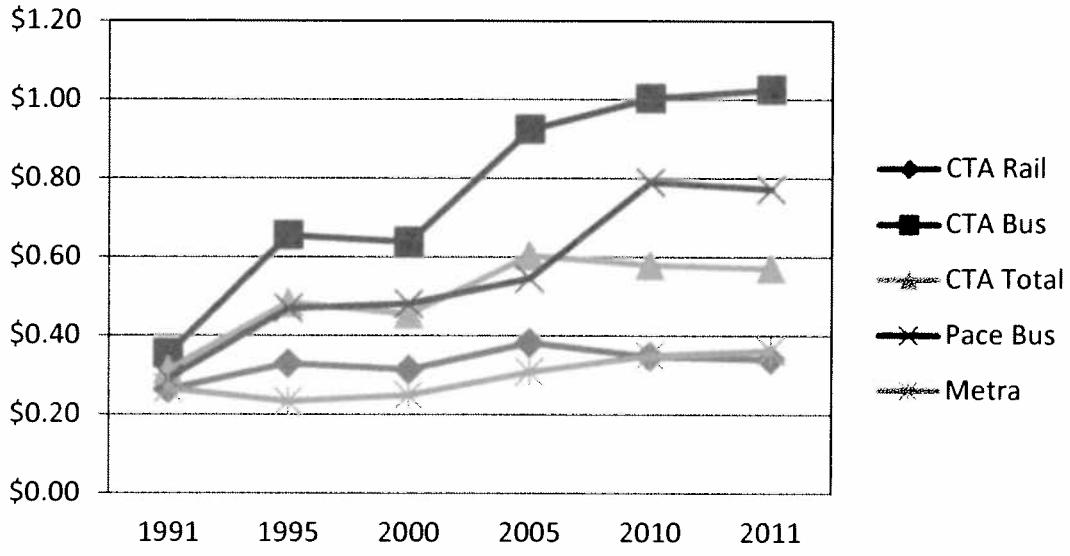


Figure 7: Operating Cost per Passenger Mile, 1991 - 2011

ADA-PARATRANSIT

RTA consolidated ADA-paratransit services under the new Pace ADA umbrella in 2006. Pace and CTA had previously provided ADA-paratransit services within their portions of the RTA region. Since 2007, the ADA-paratransit service has grown at an annual rate of 8 percent. In 2011, the total operating expenses for ADA-paratransit service amounted to more than $125 million. The cost per trip also rose steadily between 2007 and 2010, dropping slightly in 2011 to about $37 per trip. The farebox recovery ratio for these services is 7 percent. This is increasingly becoming a major concern for RTA and all three Service Boards since funding for ADA is paid before formula allocations take place.

PEER ANALYSIS

In addition to a review of existing reports, history and background on RTA, the consultant team analyzed existing practices in a number of peer metropolitan areas with the goal of identifying lessons learned regarding the allocation of funds. The team also conducted a series of stakeholder interviews, covering staff from RTA and the three Service Boards as well as other interested groups. Appendix B lists the individuals and organizations contacted to date.

PEER ANALYSIS

More than a dozen metropolitan areas across the country were reviewed before narrowing the list down to five regional case studies. These following five regions offer specific lessons with regards to management, institutional structure, governance, and funding distribution:

- *New York City* – the largest metropolitan region operated a centralized management structure with the nation's biggest and most complex transit system.
- *Philadelphia* – a large transit operator of an aging commuter rail, bus, and subway network in one of the most populous urban areas in the country, that also operates a centralized system with funds provided by the state.
- *Seattle* – the umbrella agency, Sound Transit, has a structure with many similarities to RTA and relies primarily on local sales tax funding, making it useful to understand how they have dealt with similar funding issues. They also allocate spending in part based on sub-area equity.
- *San Francisco* – the region's Metropolitan Planning Organization (MPO) is widely seen as a model for regional collaboration and funding distribution and offers lessons about institutional structures and coordination of multiple transit agencies.
- *San Diego* – has a strong MPO that takes the lead on regional planning and distributes funding to two operating agencies that adhere to the MPO's plan.

Three topics are particularly relevant:

- Approaches to governance and its impact on a regional focus,
- Funding allocation and fiduciary responsibility, and
- Other innovative ideas to improve transit in the region.

INSTITUTIONAL STRUCTURE AND GOVERNANCE

Board structure and the assignment of responsibilities among participating organizations plays a role in a board's ability to remain neutral with regard to the interests of individual agencies, and maintain a regional focus. New York's MTA and Philadelphia's SEPTA offer examples of effective governance consolidation. Both MTA and SEPTA combined previously existing transit agencies into one large organization, responsible for operations, planning,

and capital improvement. MTA and its subsidiaries share one cohesive board. MTA board members sit on committees representing each sub-agency, often sitting on multiple committees. Having multiple responsibilities enables board members to maintain a sense of neutrality and ability to see the larger regional picture.

Having multiple responsibilities enables board members to maintain a ***sense of neutrality*** and ability to see the ***larger regional picture.***

The MTA structure is somewhat similar to the RTA, with a governing board overlooking several sub agencies, except MTA has direct control over the sub-agencies in terms of governance and budget allocation. SEPTA has gone even further in consolidation of transit agencies. The four divisions, including the subways, buses, trolleys, and commuter rail, have acted as one unit for more than 40 years, with only one board and no subcommittees. While the accounting and operations framework still recognize differences among the four divisions, customers perceive this as an integrated network.

The west coast examples provide alternate structures that are more similar to the RTA, with separate organizations responsible for different aspects of the transit system. These agencies have clearly defined roles that are useful in assigning planning and service responsibilities. Sound Transit in Seattle, for example, was created to deploy a regional rail transit system with funds from a new dedicated regional sales tax. While each of the three counties in the Seattle region owns and operates its own transit agency, Sound Transit is helping to extend new lines across county borders and create a more cohesive transit network.

The Metropolitan Transportation Commission (MTC) is the San Francisco Bay Area's regional MPO and is legislated to coordinate the services of the 26 transit operators in the region. The MTC board, which has representation from each county (notably, not necessarily corresponding to specific transit agencies), has the responsibility and discretion to distribute state and federal funds to agencies in part by need. As with the MTA in New York it can approve or reject capital improvement plans based on MTC's long range plan.

The San Diego Association of Governments (SANDAG) is the MPO for the San Diego region. It also has a clear role apart from the two transit operators in the region. SANDAG is solely responsible for planning a regional system and approving capital plans within that framework while the two operating agencies, Metropolitan Transit System (MTS) and North County Transit District (NCTD), are solely responsible for providing transit service within that plan. In each of these cases, the larger regional organization with a significant planning function also has a direct regional impact on capital investment decisions.

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1. One model could be a consolidation effort to make RTA more like MTA or SEPTA, with one board of directors and increasingly blurred lines between agencies. While it might take a number of years to fuse the three Service Boards into a cohesive system, merely indicating an intention to move in this direction would be a strong first step. The MTA in New York and the MTC in San Francisco include toll authorities, so this consolidation might include the Illinois Tollway.

2. A second model would be to strengthen RTA's role in planning, capital improvement, and oversight for the three Service Boards. For this option to work, RTA would still need to reform its Board governance procedure in order to prevent individual Service Boards (through their appointing authorities) from blocking capital programs and funding decisions they did not like.
3. A third option would combine RTA and CMAP functions regarding planning, allocation of funds, and oversight. This could be done with CMAP, the MPO for the Chicago region, as the surviving organization. This parallels the San Francisco and San Diego experience where the MPO combines regional planning with the allocation of funds. Under this structure, any investment by the Service Boards would need to be consistent with the MPO's plan for the region. An enforcement mechanism would likely be needed to ensure that CMAP could exercise this power.

Two agencies with the most similarity to RTA that also have effective power of discretion over the allocation of funds are the *New York MTA* and *San Francisco's MTC.*

FUNDING ALLOCATIONS AND FIDUCIARY RESPONSIBILITY

In each of the case studies, the source of revenue plays a crucial role in determining how funding is distributed. For MTA and SEPTA, the bulk of funding comes from the state and federal government, reducing the need to distribute funds back to the counties from whence they came. This enables MTA and SEPTA to allocate funding within their systems based largely on regional investment needs rather than regional equity. While neither system avoids sub-regional "equity" issues completely, they are far less pronounced than at RTA.

Of the peer regions examined, the two agencies with the most similarity to RTA that also have effective power of discretion over the allocation of funds are the New York MTA and the MTC in the Bay Area. Sound Transit is tied to the sub-area equity requirement and SANDAG is responsible for only two agencies in its jurisdiction. SEPTA can distribute money among its four divisions based on the Board's discretion, but the divisions are much more cohesive than the subsidiary agencies at MTA or the 26 regional operators in the Bay Area.

The MTA Board consists of 17 voting members, including the Chairman. Four members are nominated by the New York State Governor, and one member by each of the county executives. After nomination, the State Senate must confirm all board members. The Chairman serves as the Chief Operating Officer of the MTA. Each subsidiary also has its own President. The MTA Board uses a committee structure that helps the Chairman in discharging responsibilities of each operating agency, but these committees are subservient to the larger MTA Board. The seven subsidiary agencies do not have their own, separate boards and have committees on the MTA board instead. The Chairman assigns each board member to multiple committees and each committee has a mix of representatives from New York City as well as the surrounding counties.

MTA retains direct control over capital and operations at each of the subsidiary agencies, and has direct control over setting fares and tolls for each agency. Annual operating budgets are created by each agency within MTA's constraints and must be approved by the MTA board. The five-year capital budgets follow a structure that has mostly been unchanged since 1982, allocating approximately 75 percent of capital funding to the urban transit network and 25 percent of

funding to the commuter rail network. The agencies choose projects within MTA's long-range plan and performance goals and then MTA reviews the selection for final approval.

While the board has discretion over how much money to distribute to the subsidiary agencies, the annual budgets are consistent. Figures 8 and 9 show the annual operating budget of each MTA agency in dollars (millions) and its percentage of the overall MTA budget.

Figure 8: Budget by MTA Agency 2005-2013, in millions

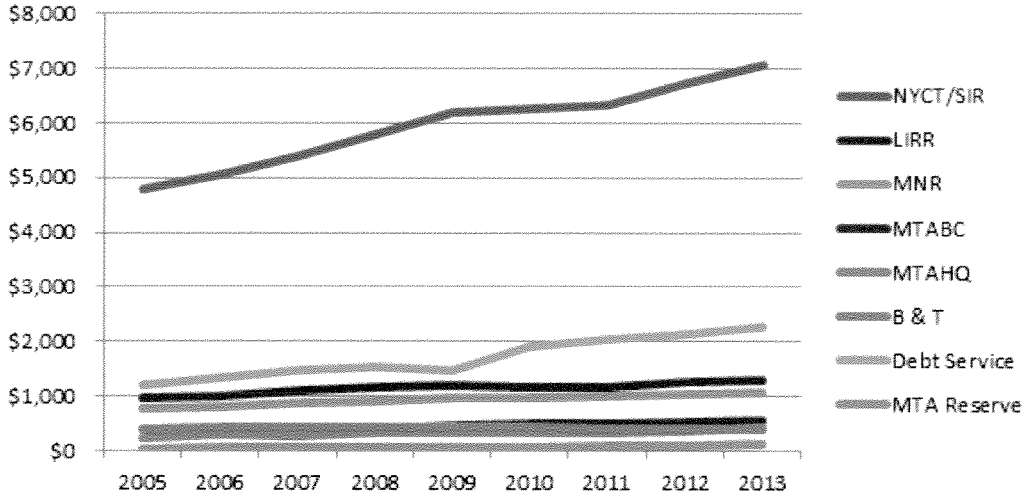
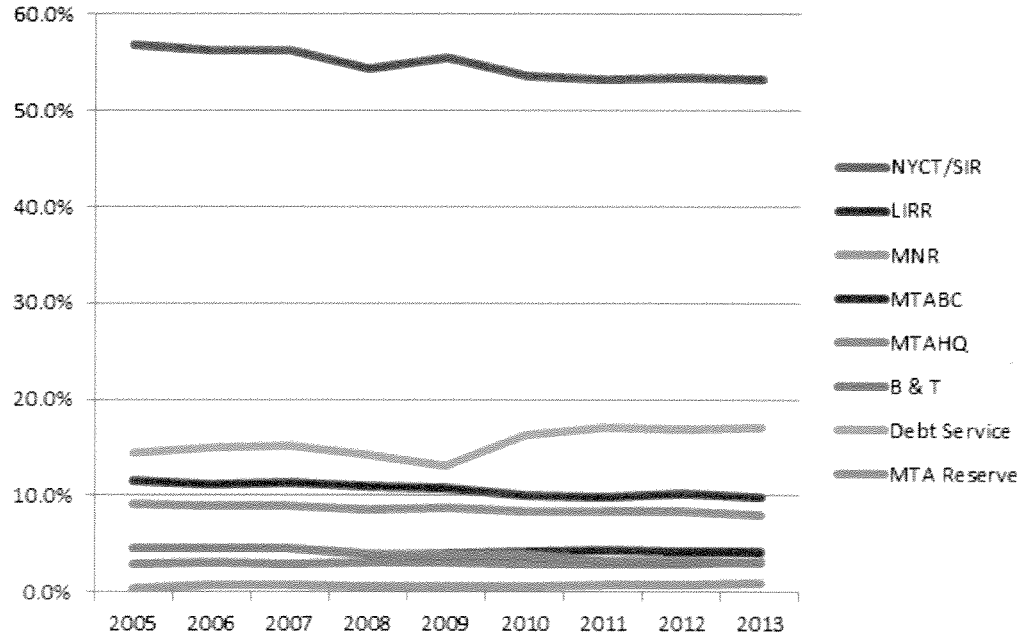


Figure 9: Percentage share of MTA budget by MTA Agency



As the two figures demonstrate, changes in the annual budgets are phased in gradually over multiple years. This is helped by a slowly increasing tax base that allows each agency to receive at least the amount of funding that it received during the previous year. Capital funding for the MTA is done on a 4 year cycle. Much like the operating budgets, the MTA board allocates funding to projects within each of its subsidiary agencies. Each agency received more capital funding in the 2010-2014 capital plan than in the 2005-2009 cycle, but the relative share for each agency changed to reflect the board's investment decisions.

Fiduciary responsibility manifests itself differently for the MPOs in California. San Francisco's MTC must appropriate funding to each local county tax district based on formula, but the board has discretion over which agency receives the funding within that district. This allows MTC to make funding decisions that recognize differing needs among agencies within jurisdictions and that reflects regional transportation strategies. For the fiscal year 2011-12, approximately $534 million of state and local transit capital and operating funding was distributed through the MTC. Including federal grants, the total funding allocation is nearly $1 billion on an annual basis. Each transit agency has its own dedicated local funding source, which they often use for bonding, and MTC often distributes funding to agencies that have the most need. For example, BART is well funded through its dedicated local sales tax and thus receives a smaller amount of funding from the MTC than other agencies such as AC Transit and Muni. This funding distribution creates tensions among agencies but MTC has become the neutral forum for such fighting. MTC has control over the final funding allocation and is able to keep conflicts over funding to a minimum. The large amount of operators in the Bay Area also helps to diffuse the funding fight.

On a percentage basis, funding allocations from MTC to the regional agencies are fairly consistent from year to year. The total amount of funding available has been increasing over the past decade, with a reduction coming in 2009-2010 due to reduced state and local sales tax revenues. Since 2003, the relative amount of operating funding allocated to the largest recipients, AC Transit, Muni, SamTrans, and VTA, has not varied more than a few percentage points. Capital funding is more varied in both terms of percentages and total dollar amounts. This is due to the relatively lumpy nature of capital investments. When a regional transit agency wants to make capital investments, especially for infrastructure, it must be approved by the MTC board and be consistent with MTC's regional plan.

In terms of funding distribution, SANDAG offers a less useful comparison because it is responsible for two agencies within a single county. These agencies, MTS and NCTD, have minimal service overlap when compared with a more complex region like Northeastern Illinois. SANDAG does distribute funding to the two agencies, but is bound mostly by formula and the single county structure does not give it the flexibility that MTC enjoys. However the transit agencies must operate within SANDAG's regional plan, which allows cooperation and regional coordination to be implemented effectively.

Sound Transit provides an example of what pure sub-area equity looks like. Sound Transit is legally committed to investing the sales tax revenue that each of the five defined sub-areas (three counties plus two parts of King County) contribute back in that sub-area. The board has created a methodology for determining which investments in capital and operations benefit which sub-areas. For example, a light rail extension to the airport in one sub-area is a large capital investment but the operations provide benefits to users mostly of the other sub-areas. Properly accounting for these benefits has been a challenge, but the Sound Transit board provides detailed statements outlining the benefits and costs and how they are distributed back to each sub-area based on their respective tax contribution. For the time being Sound Transit's primary aim is to foster capital expansion, a role that is not currently in direct competition with sub-area equity. There are concerns that as the focus shifts from expansion to operations and maintenance that sub-area equity may not continue to be a viable option.

A reliance on regional tax revenues for about 70 percent of public funding makes it difficult for the RTA to have greater discretion over funding to the Service Boards. SEPTA and MTA both take advantage of a large portion of funding coming from state sources, allowing allocation decisions to be made without emphasis on returning the benefits back to certain tax jurisdictions. While the State of Illinois already provides significant contributions to the RTA region, in the long run RTA could push for a shift to a more complete state funded model, which would help dispel the sense of inequity felt between the City of Chicago and the collar counties. Given the financial pressures currently faced by the state of Illinois, this is likely to be quite difficult an exercise for some time. Alternatively, RTA could further examine the methodology used in the Seattle region and create a transparent and understandable accounting system that assigns the benefits of the network to each of the six counties and compares those with the amount of tax revenue received. However, the Chicago metropolitan region is focused on maintaining state of good repair while Seattle is expanding their network. The different focus and needs in the RTA region makes a sub-area equity approach difficult to implement.

OTHER INNOVATIVE IDEAS FROM PEER REVIEW

Changes to RTA's governance, financial structure, and regional perspective could help to reinvigorate and better coordinate regional transportation in Northeastern Illinois. The case studies also revealed that some agencies are looking to new and innovative ways to increase financial resources, as well as ways to appropriate those resources to encourage desired development.

Other agencies have become more creative in how they distribute existing monies. MTC in San Francisco has employed a program to encourage investment related to its transit-oriented development plan. The region's program distributes formula-based federal money to counties based on population, but includes requirements that 70 percent of this funding be spent within MTC-designated 'Priority Development Areas', often near transit stations. This program has allowed MTC to ensure that federal funding dollars also assist in advancing its regional plans. Implementing a similar program in the RTA region could potentially be done without substantial change to the organization.

As a source of new revenue, both MTA and MTC have looked to toll authorities to help finance their projects. Through taking partial ownership of existing toll authorities, these agencies have been able to use surplus toll revenues to fund transit projects. These revenues often have more flexibility to use on the projects that need the most funding, however they are often reinvested into a specific corridor. Using toll revenues would require a more dramatic change to the institutional structure and laws governing RTA, which makes this difficult to implement, but other regions demonstrate successful use of toll revenues for transit services.

BASIC PRINCIPLES FOR ALLOCATION DECISIONS

Lessons learned from review of recent history, peer reviews, and stakeholder interviews include:

- The region is short of funds for capital and operating costs. Limited resources are one reason for such a strong emphasis on the allocation of existing funds, but there is a need to focus on additional sources of money.
- Additional revenues could make change in allocations easier to manage. This offers the opportunity to begin to shift how discretionary funds are allocated, but avoid cutting the base of funds that each Service Board receives.[5]
- Institutional change is an essential part of improved regional governance, planning, and coordination of public transit in the RTA region.

Institutional change is an *essential* part of improved regional governance.

Based on this review, we identified several principles that could be useful in helping to evaluate alternative allocation options.

Emphasize regional goals. Rather than focus on what is best for individual Service Boards, encourage actions that support a transit network that can meet customers' travel needs from start to finish regardless of the agency that provides each link. The next five principles provide different dimensions of a regional focus.

Provide a safe system – for customers and employees. This is an obvious goal, but one that should not be forgotten. There is a close link here with sound maintenance of equipment, track, facilities and rights of way. Sound maintenance helps make progress towards a state of good repair, in part by extending the effective life of equipment and track.

Support for a strong and growing regional economy. Access to jobs for individuals and labor for business provides a direct link with growth in regional economic productivity. Transit in Chicago is a vital part of this access. Firms with access to a larger pool of labor will be more likely to find individuals with the most relevant skills, thus helping to increase the quality of their product or service and the size of their market. Individuals with access to a larger base of jobs will be more likely to find a more appropriate job at a higher rate of pay. These changes result in improved overall economic productivity, a key long-term force in supporting higher wages for individuals and a higher return on

5 Additional funds is no guarantee that allocation rules will change. The 2008 legislation increased funds for the RTA region, but the allocation rules did not change.

investment for business. It is a key part of sound economic growth and provides a competitive advantage over other regions.

Ensure customer satisfaction. This should be common sense for public and private entities. This will include characteristics such as quality of service that reflect the daily experience of most travelers: buses and trains that are on time; vehicles and stations that are clean and safe; operations that are frequent enough to provide a viable service; and service to locations where people want to go.

Support livability. The concept of livability is a vaguer but perhaps useful term that describes the ability to support attractive lifestyles. Examples here include the ability of transit to help individuals find locations that allow them to manage their combined transportation and housing costs. Transit oriented development offers a practical example for a way that transit supports economic development as well as attractive individual life styles.

Cost effectiveness. This is important both due to the limited resources faced by all transit agencies and in response to the interest from all residents to make sure that their taxes are well spent. This approach also calls for greater use of performance measures. The ability to track the effectiveness of funding is important both for internal management and to communicate with the public in general. Given what is likely to be a perpetual shortage of funds relative to perceived needs, it is vital to show that service combines quality with a recognition of limited resources.

OPTIONS FOR RTA DISCRETIONARY FUNDING

BACKGROUND ON DISCRETIONARY PROGRAM

The RTA has three primary sources of operating funds: 15 percent of the 1983 RTA regional sales tax, the 25 percent State Public Transportation Fund (PTF I) match of the 1983 sales tax, and, since 2008, the Innovation, Coordination, and Enhancement Fund (ICE) of approximately $10 million. The 15 percent of the 1983 sales tax and PTF I funds cover debt service, regional expenses handled by the RTA such as ADA certification, customer service, regional insurance, RTA administrative expenses, etc. with the balance left to be allocated to the Service Boards at RTA's discretion.

The discretionary fund has been a major source of recent RTA Board disagreement. The largest portion of the RTA discretionary program is PTF I that was established in 1983[6]. Of the discretionary funds distributed to the Service Boards between 2001 and 2012, CTA received $1.88 billion (96.4 percent), Pace received $55 million (2.8 percent) during the same period, and Metra received $15.4 million in 2003 to assist with extraordinary costs due to a fire.

The 1983 Act shifted RTA's role from an operator to the manager of three newly created independent Service Boards. The 1983 Act also introduced the 15 percent set aside as well as the 25 percent PTF match to cover certain RTA expenses including the discretionary program. The legislation does not define discretionary nor provide instructions on how to allocate these funds. Even so, the RTA was given the authority to allocate the funds among the Service Boards. The 2008 revisions to the RTA Act continued the discretionary fund, but again without definition nor instructions.

The legislation *does not define* discretionary nor provide instructions on how to allocate funds.

There is no written legislative history for this provision nor is there legislative history on allocation suggestions for discretionary funds. In 2005, the Illinois House Committee on Mass Transit conducted an analysis of RTA funding. What emerged was a sense that the CTA operating budget could not be sustained with only its statutory sales tax allocation. IDOT Secretary Kirk Brown's statement at the 2004 hearing testified that the discretionary fund was expected to supplement the CTA budget[7]; although he was not part of drafting the 1983 Act. In contrast, some people who worked on the 1983 Act believe that while the original intent was to support CTA and Pace, over time the funds could be provided to any of the Service Boards based on their financial needs. There is no documentation for or against this perception.

The RTA has historically provided almost all of the discretionary funding to the CTA, based on the assumption that CTA funding needs are not fully covered by statutory formulas and that its operating shortfall requires discretionary funds to make up that difference. CTA received 97 percent of these funds in 2012 and 98 percent in 2013. Pace is also a recipient of discretionary funding for operating purposes receiving 3 percent in 2012 and 2 percent in 2013. Metra has not received discretionary funds since 2003.

6 Pace also receives the Suburban Community Mobility Fund and the South Suburban Job Access Fund from RTA's portion of the 1983 Sales Tax and Public Transportation Fund I.

7 Testimony of Kirk Brown, former Secretary of IL Department of Transportation, and Steve Schlickman, 10-25-04

Regardless of the name, the discretionary fund has not been discretionary in practice. CTA receives the vast majority of the money and has come to depend on these funds for their financial plans. While an argument can be made to include more of a flavor of true discretion in allocating these funds, any change should be phased in, allowing CTA time to adjust. There is also logic in integrating any change to the discretionary program with changes to the overall allocation of funds, including the capital program. These options will be discussed in the Final Report for this project. Economic growth will increase all sales tax and PTF receipts including discretionary funds.

CTA receives the *vast majority* of the discretionary money and has come to depend on these funds for their financial plans.

NEW SOURCES OF FUNDS

There is some logic to focus new allocation approaches on new sources of revenues. The RTA Region has at least six potential sources of new transit revenues – not all equally likely, of course.

- Economic growth will generate an increased level of sales tax receipts. Between 2013 and 2016, this could generate an additional $340 million in revenues (including matching funds from the state) for the three Service Boards. Of this growth, $80 million would be available through the discretionary program for relevant uses – help in covering operating expenses and efforts to replenish the RTA reserve fund. [8]
- Current federal rules limit the ability of many states to collect sales taxes on internet sales. There is growing interest in changing these rules – and states such as Maryland and Virginia have already passed transportation funding legislation built in part around an eventual change in these laws. The timing and magnitude for any change is difficult to forecast.
- Some observers believe that certain corporations have been able to avoid the higher sales taxes in the RTA region by appearing to purchase goods in other parts of the state. RTA is involved in lawsuits that attempt to collect these funds. It is too early to speculate regarding the likelihood of success in these lawsuits or the potential dollar value.
- In recent years, the state of Illinois has used toll credits from the Illinois Tollway rather than cash to provide matching funds for federal grants. The federal government allows state DOTs to receive credit for transportation investments made by these toll authorities. These credits can be used as a "soft" match for federal funds. While this practice helps state and local governments to continue to receive federal grants for roads and transit, it does not provide actual cash to the RTA and the Service Boards. The state of Illinois has substituted toll credits for state funds in RTA projects in order to help the state conserve its cash. One option would be for the state to return to its earlier practice and provide actual cash payments. This could generate an additional $50 million or more a year for transit. In addition, if RTA was still allowed to use the toll credits to match federal funds, the cash payments received from the state would be state funds and thus free from any federal regulations.

8 The increase in funds relative to 2013 grows each year. By 2016, the increase relative to 2013 would total $179 million, with $40 million for discretionary uses.

- RTA has the authority to impose additional taxes with receipts dedicated to transit. These taxes include certain parking charges and rental car fees.
- Finally, of course, the state legislature could increase taxes dedicated to transit. This year several states (Maryland and Virginia for example) have raised motor fuel taxes and related fees, with portions being used to fund transit.

FIVE OPTIONS FOR ALLOCATING FUNDS

This section describes five options or approaches for the allocation of transit funding for the RTA, along with major advantages and disadvantages. At this stage, the options represent a conceptual framework. The next step is to analyze these options and assess their respective impacts in detail. Options will be fully developed as part of the Final Report on Funding Allocation Scenarios, after capital and formula programs have been integrated into the impact assessment. Any change to current practice has the potential to increase funds for some Service Boards and reduce it for other – unless changes are linked to net new funds such as the internet sales tax. These options include

1. Current practice
2. Competitive grant program
3. Fixed allocation formulas
4. Performance-based program with bonus awards; and
5. An option built around sub-area equity but with some flexibility

A later section provides detail on how the RTA might implement a competitive program (option 2). Another section presents principles for developing formula-based allocations (option 3).

OPTION 1: CURRENT PRACTICE

Continuing the current practice would minimize short-term budget disruption for CTA. Continuing the current allocation of discretionary funds for the Service Boards based on the average allocation for the past five years would provide CTA with at least 97 percent of available funds with the balance allocated to Pace. Metra would not receive funds other than for an emergency situation.

Figure 10 - Option 1 Pros and Cons

PRO	CON
Policy with least amount of change	Does nothing to resolve recent budget stalemates or to adjust for changes in ridership growth

Five Funding Options

1. Continue Current Practice
2. Competitive Allocation
3. Fixed Allocation Formulas
4. Performance Based Allocation
5. Sub-Area Equity

OPTION 2: COMPETITIVE ALLOCATION

A competitive program would encourage creativity and allow the RTA to fund activities that support regional goals. Such an approach would allow partnerships between Service Boards and other agencies within the region. Funds would come from the growth in discretionary funds whether from sales tax receipts or possible new sources (internet sales tax, for example). The discretionary fund would be kept at 2013 levels so that CTA and Pace would not see a drop in their current allocation of discretionary funds. The available funds would be modest to begin with but grow annually, with future growth expected in line with the economy. Outside agencies would be asked to provide matching funds, so that total funds could grow further. Another option would call for transferring a portion of the base funds to this new program – say 10 percent in the first year. Different goals could be emphasized: performance; cost; growth; need; safety; technology. RTA would set the annual mix of goals, with possible input from other groups. Projects might include support for new technology, such as the deployment of the Ventra ticket system by CTA and Pace.

Figure 11 - Option 2 Pros and Cons

PRO	CON
Encourages spending linked with achieving regional goals	Will create uncertainty regarding level of funds for CTA and Pace
Supports accountability regarding ability to achieve promised objectives	Requires a more involved decision process: one option is to rely on an independent committee that makes recommendation to RTA
Encourages partnerships, either between Service Boards or with other groups	
Requirement for matching funds could increase funds	
Puts tangible meaning into RTA's strategic plan	

OPTION 3: FIXED ALLOCATION FORMULAS

There are problems with any specific formula. Each Service Board has a particular metric that they prefer. In terms of output measures, CTA likes ridership; Metra and Pace prefer passenger miles. Formulas could be based on different types of criteria such as performance measures or outputs. Outputs are often mentioned since they are relatively simple to measure. On the other hand, they do little to reward improvement. Performance measures have strong conceptual appeal, although given the significant differences among the Service Boards it may be best to focus on improvements within each board (increased fares; expanded service; reduced or controlled unit costs). Needs, such as costs to reach a state of good repair, would be attractive for capital grants.

Given the significant differences among the Service Boards it may be best to *focus on improvements within each board* such as increased fares; expanded service; reduced or controlled unit costs.

Figure 12 - Option 3 Pros and Cons

PRO	CON
Greater predictability	Harder to link with broader goals
Lack of annual budget battles	Likely to be active debate and disagreement over specific formulas

OPTION 4: PERFORMANCE-BASED ALLOCATION WITH POTENTIAL BONUS

Option 3 focuses on fixed formulas. One drawback with this approach is the lack of feedback for good performance. This option would focus on performance measures, rather than output measures. An important change from Option 3, however, would be a bonus pool for Service Boards that made substantial improvements in key performance areas: ridership growth; development of new markets; cost controls; farebox recovery etc. Some changes require difficult decisions and a tangible financial reward may encourage action. For example, fare increases generate opposition, yet they also help control the growth in operating subsidies. Similarly efforts to attract new riders may require up-front investments. The potential of additional funds if these efforts were successful would encourage management to try something new.

One obvious question here, of course, is the source for any "bonus" funds. These could come from growth in revenues, as described under Option 2 for the competitive program. Alternatively, a portion of funds could be set aside and not allocated directly, but kept in reserve for bonuses for Service Boards that made a significant improvement in performance. Setting specific targets and reward levels will require some debate.

Figure 13 - Option 4 Pros and Cons

PRO	CON
Somewhat greater predictability for base funds	Still uncertainty regarding funding levels
Tangible reward for improved performance	Likely to be active debate over specific bonus levels and criteria

OPTION 5: SUB-AREA EQUITY

In Seattle, sub-area equity is used to ensure that, over a period of time, defined geographic areas receive transit funding investment that is broadly consistent with the funding that each area generates. This approach attempts to ensure that the benefits of transit investment (new rail lines, stations, and interim express bus services) are experienced across the region as a whole. In the case of San Francisco Bay Area, funds are allocated to counties and MTC has discretion to assign funds to individual transit agencies based on regional objectives or on specific needs for individual authorities. If this model were emulated in the RTA region, it would give the RTA the ability to make decisions based on regional goals or to reflect specific problems or opportunities. For example, if suburb-to-suburb trips were deemed a priority, Pace might receive additional funds in the collar counties and suburban Cook County. At present, it appears that suburban Cook County might benefit the most from this program. Since all three Service Boards operate there, however, it is not clear how this option would affect the overall allocation of funds.

Figure 14 - Option 5 Pros and Cons

PRO	CON
Combines two important goals - regional objectives and geographic equity	No guarantee that the long-term source of funds matches with regional goals
Puts tangible meaning into the RTA's strategic plan	Some allocation uncertainty

Table 1 provides a summary of the five options with respect to five elements: 1) support for a regional focus; 2) potential to mitigate budget conflicts among the Service Boards and the jurisdictions within the RTA region; 3) budget predictability for the Service Boards; 4) flexibility in meeting changing demands for transit funds; and 5) ease of implementation – in particular, the degree to which change is needed in state legislation. The results are summarized in terms of low-medium-high – with high being positive and low being negative.

Table 1: Factors Varying by Option

	FACTORS				
Options:	Regional Focus	Potential to Mitigate Budget Conflict	Budget Predictability	Flexibility	Ease of Implementation w/ Respect to Legislature
1. Current Practice	low	low/medium	high	low	high
2. Competitive Allocation	high	low	low**	high	medium
3. Formula Based Allocation	low/medium	high*	high	low	medium
4. Performance Based Allocation	high	low	low**	high	medium
5. Sub-Area equity	medium***	low/medium	medium/high	medium	medium

* Once formula has been agreed upon.

** Refers to the early years; once Service Boards become familiar with submission requirements, predictability will increase.

*** Refers to how the discretionary funding would be allocated within the counties.

GENERAL GUIDELINES FOR COMPETITIVE GRANTS

Competitive grants are not a new concept. Almost every transportation agency is involved in some form of competitive application every year. These may range from high visibility national programs such as US DOT's TIGER grants (now in its fifth round) or FTA's New Starts program. Several of these programs cover operating grants, such as for federal Congestion Mitigation and Air Quality (CMAQ) funds or Job Access Reverse Commute (JARC).

Almost *every* transportation agency is involved in some form of *competitive application* every year.

A revised program would make funds available on a competitive basis to all Service Boards or to other entities with specific plans to improve transit service in the RTA region. Any entity beyond one of the Service Boards would need to provide additional funds – perhaps up to a 50 percent match. Service Boards could partner on proposals or submit them separately and they could submit multiple proposals.

Performance measures are an increasingly important part of transportation allocation. US DOT's TIGER program is based on performance measures, including benefit-cost analysis and five broad objectives that link with measurable criteria. These methods help prioritize and determine the level of funding the federal government chooses to invest. This allows the US DOT to prioritize national goals with respect to these funding allocations. Similarly, RTA could use such a program to prioritize regional goals over those of specific Service Boards.

An effective performance-based discretionary grant program typically has at least four characteristics:

- *Transparency.* A discretionary program must be transparent to be sustainable. Without transparency about decision-making, potential grantees may suspect they are being treated unfairly if they do not receive the grants they expect. Transparency means being clear about the criteria used to make grant decisions and the process under which the decisions are made. Performance-based discretionary grant programs often take a few iterations to refine the process and transparency helps give the grantor feedback to improve the program.
- *Specificity of Purpose.* The more a program can be targeted to a specific purpose – for example, reducing emissions or increasing ridership – the easier it will be to compare proposals. A specific purpose with tangible results not only demonstrates public accountability and fosters better decision-making, but also allows grantees to better understand how they can develop worthy proposals.
- *Objective Criteria for Evaluation.* Criteria for evaluation should be based on more than the priorities of the grant-making agency. They should parallel priorities outlined by elected officials, other public planning and policy entities and agreed to, at least on a conceptual basis, by potential grantees. Criteria should be tailored to the purpose and outcomes. Also, criteria should not be set in stone but should be refined as the process moves forward over time. Some of the criteria need to be specific to the purpose of the funding.
- *Demonstrable Results.* An essential ongoing and last step is to have measures that can be used to help evaluate the progress of the effort with respect to its purpose and possibly tweak the measures; including the ability to measure progress after grants have been made and projects have been completed. This can promote confidence in the program while also serving to refine both purposes and criteria. This is often the most neglected component of such programs.

Without ***transparency*** about decision-making, potential, grantees may suspect they are being treated unfairly if they do not receive the grants they expect.

RTA PROGRAM SPECIFICS

Being transparent and demonstrating results are two aspects that should go along with any government program and are relatively straightforward exercises. These criteria can support the allocation of capital as well as operating funds. But developing a specific purpose and objective criteria is more specific to RTA. The following are some suggested ideas for each:

PURPOSE

RTA grants should reward ideas that improve the customer experience, show substantial returns for investments, promote regional transportation improvements and can be completed within budget and within a specific time frame from the grant award.

RTA grants should ***reward ideas that improve the customer experience,*** show substantial returns for investments, and promote regional transportation improvements.

Innovation is essential because this is an opportunity to use the leverage that comes with offering additional funding to push thinking beyond conventional boundaries. It would be ideal for this money to focus on innovative ways to improve the customer experience.

High return is important because this is a very limited pot of money and it would be a missed opportunity if it were used on proposals that do not return sizeable benefits in relation to their costs. Projects that would increase the operational or capital costs of the RTA and Service Boards must be examined carefully. Projects that lower transit costs or add new revenues would be particularly attractive.

Regionalism is the hallmark role that RTA can play. This funding represents an opportunity to promote collaborative regional transportation initiatives that work across traditional boundaries to produce clear regional benefits, not benefits to one specific Service Board. The objective is to create a transit system/network and not simply transit service silos.

Social and Economic Benefits are the primary reason for public investment in public transportation. Attractive projects should identify how they:

- Contribute to sustainable and livable communities;
- Improve the Chicago region's economic competitiveness by giving people reliable access to employment centers, educational opportunities, affordable housing, etc.; and
- Measurably improve transportation safety for the region.

PROCESS

A critical element for less contentious discretionary funding is the organizational structure and process. The RTA would have a key role in defining the parameters, including:

- Strategic regional goal(s);
- Selection criteria;
- Performance measurements to determine if the goals have been achieved;
- Amount and duration of the funding;
- Expectation as to the level of funding match needed; and
- The organizational structure to analyze applications and recommend projects.

These competitive options call for a different organizational structure to review and recommend projects to the RTA Board. This structure must include professional analytics, and should be transparent, fair, and objective. Such a process explicitly cannot benefit decision makers who make the

recommendations. One option would be for the RTA Board to establish a Discretionary Funding Committee. While the chair might come from the RTA board, the committee members would be selected from the business community; community organizations; transit customers; and others with a clear interest in a successful regional transit system. This committee would receive the proposals, review them and make recommendations with justifications to the RTA Board. RTA staff would support the committee. The chairmanship (and most members) should rotate every two years.

These competitive options call for a *different organizational structure* to review and recommend projects to the RTA Board.

All committee recommendations and justifications should be made public prior to the RTA Board's decision and the RTA Board would account for why they accepted or rejected the committee's recommendations.

Appendix A contains a first cut at some suggested criteria:

- Innovation;
- Above average return on investment;
- Regional value;
- Performance measures; and
- Social impacts.

GUIDELINES FOR FORMULA-BASED ALLOCATIONS (OPTION 3)

An important part of the Final Report will be a series of funding allocation scenarios. These will describe optional ways to allocate capital and operating funds among the three Service Boards. Each scenario will describe the rationale for selecting a specific method, describe the allocation results, and provide the advantages and disadvantages of each method.

This section describes the approach that will be used in developing these scenarios including some of the expected advantages or disadvantages. These scenarios will cover both capital and operating funds and will include options for the current base level of funds as well as possible increases in funds, whether from general economic growth or from potential new sources.

Any change in how regional transit funds are allocated should help the region meet one or more regional goals. This may involve some trade-off since support for one goal may actually harm another. Of course many allocations may be difficult to implement due to a lack of direct measured effectiveness.

Output measures begin with simple metrics. The downside here is that these do not reflect the overall quality or cost effectiveness of transit service. Also, some observers argue that outputs provide incentives for unproductive actions by agencies – such as adding more vehicle hours of service than needed to meet demand in a cost effective way. Such events seem unlikely, however, since the marginal costs for most activities exceed the likely revenues that will be generated. Some possible metrics:

- *Ridership* – attractive for CTA;
- *Passenger miles*[9] – attractive for Metra;
- *Revenues* – should be linked to both passengers and passenger miles (other than for ADA services); and
- *Vehicle miles* - vehicle hours; seat miles. [10]

Needs refers to the investments called for to keep transit systems in good repair and to expand services. The term is vague, and could benefit from more analysis since needs are often estimated without considering available resources. There is no reason to believe that all needs are equally important.

- *State of good repair* – this is an important concept since it helps define capital requirements. It attempts to measure the cost to maintain a given level of service or to maintain/replace equipment and facilities on schedule. The Service Boards differ in some assumptions (useful life of equipment or buildings, for example) but RTA has made progress in developing a consistent set of assumptions.
- *Safety* – an important sub-category of state of good repair investments
- *New capacity* - This includes new service on existing lines as well as new lines or routes. The tough question is which ones are most attractive given available resources.
- *ADA-Paratransit* – this serves a very specific market, one that is growing rapidly in line with an aging population. A focus here could be a first step towards finding a separate dedicated source of funds for ADA and paratransit services.

Performance measures have received increased attention at the national level. This is one reason for the performance-based option (number 4) and the option (number 2) to emphasize competitive allocation of a portion of discretionary funds.

- *Cost* per passenger or passenger mile.
- *On-time performance* – a very important part of customer service. Measurement is less easy than it sounds, since transit properties often used different measures of how close to on time is good enough.
- *Subsidy level* – or improvements in the farebox ratio. It may be attractive to provide specific financial recognition to Service Boards that are able to raise fares or that can find new sources of revenues or ways to reduce costs.
- *Trends* in these measures may be the best focus, since each board has different operating characteristics, making an "apples to apples" comparison difficult.
- *Growth* in ridership or passenger miles.

9 Number of passengers times the average miles travelled.
10 Measures of the amount of potential transit service provided.

Sub-area equity. The principle here is to ensure that funds provide services to each region in proportion to the taxes that each region generates. These calculations are not always easy to carry out since some transit service crosses county boundaries. Thus, results tend to focus on dollar flows, rather than benefits received. Should this be viewed on an annual basis or over a longer term—say a decade or so? There is some logic to focus on geographic equity, but it also contradicts many regional goals. There is some evidence that suburban Cook County provides additional resources for both the City of Chicago and the collar counties. Is this imbalance enough to justify changing allocations—or increasing transit service to suburban Cook County?

Any scenario will likely combine these principles. The Final Report may provide examples of single-metric allocations, however, in order to highlight their implications. Certain "easy" measures may not provide the best long-term incentives. Sub-area equity may contradict regional goals since it could focus on benefits for only one part of the region.

It is difficult to consider any set of new allocation scenarios in isolation from the level and source of funds. For example, each of the Service Boards depends on a reasonably predictable level of funding. This argues for making limited changes to the current allocation of baseline discretionary funding. This could change over time, of course, as the Service Boards became comfortable with newer allocation formulas.

Any **scenario will likely combine these principles.**

It is difficult to consider any set of new apportionment scenarios in isolation from the level and source of funds.

APPENDIX A: DETAIL ON POSSIBLE COMPETITIVE GRANT CRITERIA

Evaluating grant proposals requires objectivity on whether each proposal fits the purpose of the grant program and how well it does so compared to other proposed ideas based on knowable and stated set of criteria.

INNOVATION

- Has the proposed idea or something like it been done before in the region or in the US? If so, what made it successful? If not, what has changed to make it successful in this region?
- Does the proposal represent a break from the traditional practices of the proposing agency? If so, how would it be integrated into the existing organization or communities?
- Does the proposal represent a positive improvement in the customer experience? Can this positive experience be duplicated?
- Does the proposal reduce the costs of operations and maintenance?
- Do RTA and/or the communities have the capabilities of deploying the innovation?

HIGH RETURN

- What are the economic and social returns of the proposal?
- What are the proposed costs and benefits? When will the benefits be achieved?
- What benefits have been included in the analysis and how are they calculated?
- How sophisticated is the included cost-benefit analysis?
- Will there be a need for extensive training of Service Board personnel to implement the activity?

REGIONALISM

- How does the project make the regional transportation system better and more integrated?
- Does the proposal include collaboration among Service Boards?
- Does the proposal improve customers' ability to use transit in making regional trips?
- Does the proposal include benefits that reach across traditional political and jurisdictional boundaries?
- Does the proposal ease transfers or improve connections for system customers between Service Board operations?

SOCIAL AND ECONOMIC BENEFITS

- Does the project enhance the livability for residents, businesses, potential new residents and/or employers in the region?
- Does the project provide safe and efficient mobility access for the transit dependent population to work, school, hospitals, and entertainment?
- Does the project enhance the region's ability to be economically competitive?
- Does the project lower travel time for riders?
- Does it help manage traffic congestion?
- Does the project improve coordination of linked trips?
- Will the project lower the cost of mobility to the customers?
- What are the social and economic benefits the project will achieve?

APPENDIX B: STAKEHOLDER INTERVIEWS

ORGANIZATION	INTERVIEWEES
SERVICE BOARDS	
Chicago Transit Authority (CTA)	Forrest Claypool, President Michael Gwinn, Office of the President Ron Denard, CFO Tom McKone, VP of Budget Management and Finance Rebekah Scheinfeld, SVP, Chief Planning Officer Don Gismondi, General Manager of Capital Grants Michael Connelly, VP Planning
Metra	Tom Farmer, CFO Lynnette Ciavarella, Senior Division Director Strategic Capital Planning Larry Bubel, Senior Director, Grant Management Accounting Sam Smith, Govt. Affairs James Mickus, Senior Director, Office of Budget Management Analysis and Contracts
Pace	Terry Brannon, Deputy Executive Director Internal Services Rosemarie Truppa, Department Manager, Capital Financing and Infrastructure Roman Romatoski, Dept. Manager, Budget Planning and Analysis
REGIONAL GOVERNMENT	
RTA Board	John Gates, Chairman Dwight Magalis, Lake County Bill Coulson, Suburban Cook Douglas Troiani, Suburban Cook John Frega, Suburban Cook J.D. Ross, Will County Tony Anderson, City of Chicago Nabi Fakroddin, Kane County
Chicago Metropolitan Agency for Planning (CMAP)	Matt Maloney, Deputy Chief of Staff Lindsay Hollander, Senior Policy Analyst Alex Beata, Assistant Policy Analyst
LOCAL GOVERNMENT	
Cook County	Herman Brewer, Bureau Chief, Economic Development John Yonan, Superintendent, Transportation and Highways Department John Beissel, Assistant Superintendent Robert Ginsburg, Administrative Director Jennifer Killen, Chief Engineer
DuPage County	Thomas Cuculich, Chief of Staff Daniel Thomas, Principal Planner Melvin Kim, Grants and Research Coordinator Chris Synder, Director of Transportation/County Engineer
Kane County	Carl Schoedel, County Engineer
Lake County	Aaron Lawlor, Chairman Barry Burton, County Administrator Paula Trigg, Director of Transportation/County Engineer

ORGANIZATION	INTERVIEWEES
McHenry County	Tina Hill, Chairwoman Peter Austin, County Administrator Jason Osborn, Transportation Planner Scott Hennings, Transportation Planner
Will County	Lawrence Walsh, Chairman Alicia Hanlon, Senior Transportation Planner
Village of Wilmette	Chris Canning, President
Batavia	Jeff Schielke, Mayor and Pace Board Member
Chicago DOT	Luann Hamilton, Deputy Commissioner Keith Privett, Coordinating Planner
STATE GOVERNMENT	
Illinois Department of Transportation (IDOT)	Carlos Campos, Bureau Chief, Capital Transit, Division of Public & Intermodal Transportation Joseph C. Iacullo, Section Chief, Northeastern IL Transit
FEDERAL GOVERNMENT	
Federal Transit Administration (FTA)	Marisol Simon, FTA Regional Administrator, FTA Region 5 Melody L. Hopson, FTA, General Engineer
NON-GOVERNMENTAL ORGANIZATIONS AND INDIVIDUALS	
Illinois Chamber of Commerce	Ben Brockenschmidt, Director, Federal Affairs
Metropolitan Planning Council	Chrissy Mancini Nichols, Director, Peter Skosey, Executive Vice President
Metropolis Strategies	George Ranney, President and CEO Frank Beal, Executive Director Jim LaBelle, VP, Transportation
Center for Neighborhood Technology	Scott Bernstein, President
University of Illinois, Urban Transportation Center	Steve Schlickman, Executive Director also former Executive Director of the RTA
Individual(s)	Bernard Ford, Former CTA Executive Director Carole Brown, Former Chair of CTA Board and also former RTA Board Member

APPENDIX C: BACKGROUND ON AUTHORS

ABOUT THE AUTHORS

Delcan Corporation is an independent 800-person international transportation consulting firm. Established in 1953, Delcan's largest practice area is mass transit. The firm's management consulting arm, based in Northern Virginia, focuses on policy, finance, and economics. Delcan's transit experience includes the allocation of public funds in a competitive environment, allocation modeling, and formulas. Delcan has a demonstrated track record of working with multiple players and with the public.

The Delcan team includes two subcontractors:

- *The Eno Center for Transportation*, a neutral, non-partisan DC-based think tank that promotes policy innovation in transportation. Founded in 1921, recent work includes an assessment of the impacts of significant cuts in federal funds for transit, including implications for how funds might be re-allocated.
- *TranSmart,* a Wisconsin-based Disadvantaged Business Enterprise specializing in transportation planning and technology. From its inception in 1996, TranSmart has focused on providing and delivering professional services and solutions for advancing and enhancing the nation's transportation infrastructure.

Delcan has long-established working relationships with both Eno and TranSmart, having worked together on similar projects, both as firms as well as on an individual basis.

101a

Regional Transportation Authority

Operating Budget, Two-Year Financial Plan And Five-Year Capital Program

2007

MOVING BEYOND CONGESTION

The six-county public transportation system serving northeastern Illinois

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Regional Transportation Authority

RTA Board of Directors

Jim Reilly, 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 A. Magalis
Appointing Authority:
Kane, Lake, McHenry
and Will Counties

Mary M. McDonald
Appointing Authority:
Suburban Board Members
of Cook County

Fred T. L. Norris
Appointing Authority:
Kane, Lake, McHenry
and Will Counties

Vacant
Appointing Authority:
City of Chicago

Patrick V. Riley, Jr.
Appointing Authority:
Suburban Board Members
of Cook County

Michael Rosenberg
Appointing Authority:
City of Chicago

Douglas M. Troiani
Appointing Authority:
Suburban Board Members
of Cook County

Rev. Addie L. Wyatt
Appointing Authority:
City of Chicago

Stephen E. Schlickman
Executive Director

Our Transit System at a Crossroads; 2007 is the Year of Decision

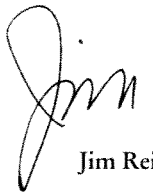
A Letter from the Chairman

Northeastern Illinois' regional transit system represents one of our most important public assets, valued at over $27 billion and generating an annual economic impact of more than $12 billion. Two million riders a day use the CTA, Metra or Pace to get to and from work. In addition to the economic benefits transit provides, it enhances our quality of life by reducing traffic as well as air pollution. Strengthening our transit system requires a major commitment on the part of the entire state and region. For that reason, the Regional Transportation Authority (RTA) launched a major campaign in 2006 to insure that this critical public asset continues to serve the region's needs.

Our challenge is two-fold: rising costs for transit and increasing traffic congestion. Today's transit costs are climbing dramatically while revenues to support transit are not keeping up. Inevitably, needed repairs are delayed, resulting in slow zones and service cuts. And today, Chicago-area traffic congestion is the second worst in the nation. The average commuter spends a full week each year behind the wheel wasting time and gas.

This budget helps meet these challenges in the short-term, but the long-term answer is to unite behind the RTA's strategic plan called *Moving Beyond Congestion.* Developed in partnership with CTA, Metra and Pace, *Moving Beyond Congestion* calls for upgrading the existing system and adding new transit services in all six counties of northeastern Illinois. Nearly 400 Partners for Transit representing business, labor, municipalities, planning and community groups as well as educational and cultural institutions have contributed to the plan. It proposes a financial investment of $57 billion over 30 years to pay for new service projects in Cook, DuPage, Kane, Lake, McHenry and Will counties and to ensure that existing services we rely on each day are improved.

As we prepare to present a formal proposal to the Illinois General Assembly during spring 2007, join us as we pursue a bipartisan region-wide consensus to take us where we all need to go... and to get there on time. Supporting *Moving Beyond Congestion* stands to benefit both transit users and drivers because the more people who use transit, the faster the traffic on the roads will flow. For more information, go to www.movingbeyondcongestion.org or call 312-913-3200.



Jim Reilly, Chairman

1 Strategy

Strategic Plan

Overview

After months of intensive work involving staff from all three service boards and the RTA, leading transportation consultants, and with input from hundreds of transit partners and thousands of individuals, elected officials and community leaders in the city and the suburbs, the RTA released its five-year strategic plan, *Moving Beyond Congestion* early in 2007.

The *Moving Beyond Congestion (MBC)* five-year strategic plan is our 30-year vision for maintaining, enhancing and expanding our public transit system which is valued at $27 billion dollars and provides two million rides each weekday and thousands more on weekends. Parts of the system are newer, serving growing communities as well as changing urban neighborhoods but other segments of the system are more than a century old.

In recent years demand has grown for expanded and improved service. Ridership is up and our performance is meeting or exceeding industry standards across a range of performance indicators however, we face enormous challenges. The system's annual revenues do not support annual operations and much of the rolling stock is beyond its useful life. The lack of state capital funding has caused needed repairs to be deferred, leading to more slow zones, slower travel times and rising frustration on the part of passengers.

The *MBC* plan offers a review of revenue options with a goal of generating an average of $400 million dollars in new operating funds over the next five years. The plan also calls for approximately $10 billion in capital funding over the next five years, which will help leverage billions more from the federal government. The funds will help to design and implement services and expansion projects that will ensure that our public transportation system can meet the future demands of one of the world's great metropolitan regions.

Many new businesses and communities are locating further from the central city as we grow. Six of the state's top 10 largest cities are located in the suburbs and they need improved transit services. Chicago is bidding to host the 2016 Olympics and our ability to compete for

that prize depends—in no small measure —on our willingness to invest in public transportation.

The quality of our air and the amount of traffic congestion on our roads are directly related to public transportation. Congestion costs this region nearly $5 billion dollars annually whereas public transit generates over $12 billion in annual economic benefits. We have a responsibility to future generations to make the hard choices today that will make their lives easier tomorrow. But when you consider how much is at stake—our economy, our quality of life, and our environment —there really is no choice. Public transportation is vital to our future.

Investments in our public infrastructure, such as transit, are the basis of our economy and we strongly feel the state must act now—in 2007—to ensure our region can prosper in the years to come.

Highlights

The *MBC* plan addresses several major issues across the region which includes congestion and mobility, changing travel markets, service coordination and integration, capital and operations funding, and the risks without additional funding.

Capital funding focuses on three themes for investment to maintain, enhance, and expand the system. As discussed earlier, parts of the system are more than 100 years old and require state of good repair upgrades to sustain reliable day-to-day service. Enhancements are needed to provide better community options and seamless service throughout the region. System expansions are needed but far exceed available resources at the federal, state and local level. The *MBC* plan proposes an evaluation process so that funds are committed to those projects with the greatest potential. This process will serve as a screening tool to make community proposals more competitive throughout the development process.

The Service Boards will face an operating budget shortfall before the end of 2007, leaving few options but to reduce service and raise

fares unless additional funding is secured. The 2007 budget and 2008-2009 financial plans, presented later in this document, are predicated on securing additional funding ("New Transit Funding") for mainline bus and rail operations and Additional Funding for *ADA* paratransit service. If these funds are not secured the aforementioned options are foremost considerations.

Additional *MBC* plans focus on three major themes. The transit system must be people friendly, serve markets, and supported by land use and transportation policies. Initiatives that support these themes include sub-regional planning, integrating development and land use with transit services, congestion pricing, demand management tools (hot lanes), seamless public transportation, modal integration, suburb-to-suburb services, and technology applications. Other initiatives include public-private partnerships, administration coordination, performance measures, improved budget processes, and environmental protection measures.

The plan also provides an overview of the investment required to fund the *MBC* program. It describes funding sources, presents options that could be used to enhance revenues, and discusses cost recovery and cash flow implications. Topic discussions include federal funding, state and local funding, an international perspective, innovative funding methods, and tax and fee options.

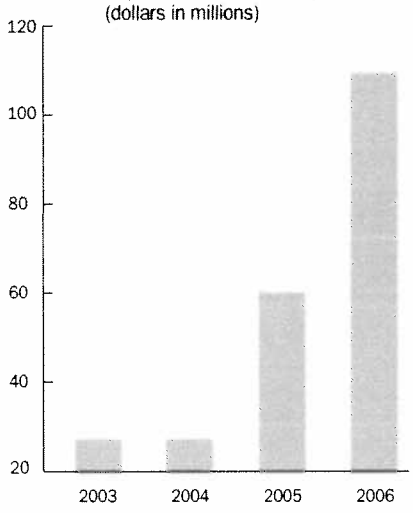
2007 is the year of decision for the northeastern Illinois transit system and moving forward from the *MBC* plan to implementation has two major elements. The first is a set of initial key action items and the second is to use the plan as a living document that is continually updated and refined to reflect on-going changes across the region. Action items include expanding funding and implementing the initiatives discussed earlier and the RTA (Agency) is in its initial stages of formulating strategic goals and measurable outcomes that support this plan.

For complete details of the *Moving Beyond Congestion* plan, please visit our website (www.MovingBeyondCongestion.org).

Budget Issues

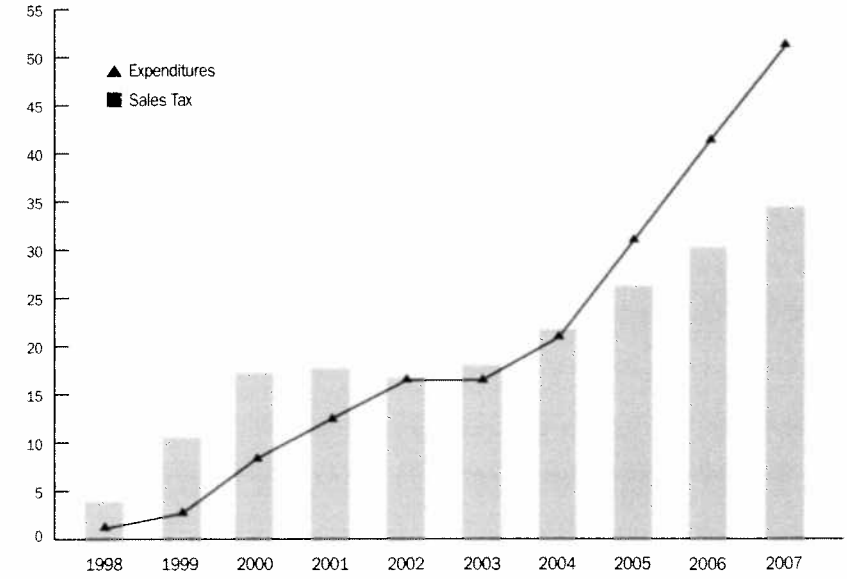
The primary concern facing the Service Boards (CTA, Metra, and Pace) is the lack of both operating and capital program funding. In recent years, to cover the growth in operating expenses, the Service Boards have transferred capital funds to operations as allowed by federal regulations. This amount has grown from almost $27 million in 2003 to more than $102 million in 2006 (Exhibit 1-1).

Exhibit 1-1: **Capital Funds Used for Operations** (dollars in millions)



The main reason the Service Boards have had to use capital funds for operating purposes is the disproportionate increase in operating costs compared to the growth in sales tax funding, the major revenue subsidy that funds Service Board deficits. The imbalances in costs are driven by increases in healthcare, fuel, electricity and security expenditures since 2001. From 1998 through 2001, sales tax growth consistently outpaced operating cost increases as the RTA and Service Boards held cost growth in check (Exhibit 1-2). Despite continued cost containment efforts, since 2002 expenditures in the aforementioned cost categories have increased significantly faster than inflation. However, the RTA and Service Boards continue to implement cost containment measures and have worked with the State Auditor General's Office on further improvements in a number of areas. The report on these matters is expected in the first quarter of 2007.

Exhibit 1-2: **1998–2007 Sales Tax and Service Board Expenditure Growth** (cumulative percent)



In 2006, the Service Boards had a combined operating budget shortfall of $156 million. The shortfall represents the total amount of Service Board operating costs ($1,775 million) not covered by RTA funding and Service Board revenue ($1,619 million). The RTA system covered the 2006 shortfall with $102 million in federal capital funds transferred to operations and a $54 million grant from the State for *ADA* paratransit services.

Exhibit 1-3: **Service Board Operations Funding Summary** (dollars in millions)

	2006	2007	Change
Total Service Board Operating Costs	**$ 1,775**	**$ 1,944**	**$ 169**
RTA Funding and Service Board Revenue			
Service Board Operating Revenue	838	906	68
RTA Sales Tax and PTF	781	812	31
Total Revenue for Operations	**$ 1,619**	**$ 1,718**	**$ 99**
Funding Shortfall	**$ 156**	**$ 226**	**$ 70**
Shortfall Funding			
Federal Capital Funds	102	—	(102)
Additional State Funding	54	—	(54)
New Transit Funding for Mainline Operations	—	144	144
Additional Funding for ADA paratransit	—	82	82
Total Shortfall Funding	**$ 156**	**$ 226**	**$ 70**

Exhibit 1-4: **Mainline Service Funding** (dollars in millions)

	2006	2007	Change
Total Service Board Operating Costs	**$ 1,699**	**$ 1,852**	**$ 153**
Service Board Operating Revenue	828	896	68
Sales Tax and PTF	781	812	31
Total Operating Revenue	**$ 1,609**	**$ 1,708**	**$ 99**
Funding Shortfall	**$ 90**	**$ 144**	**$ 54**
Shortfall Funding			
Federal Capital Funds	90	—	(90)
New Transit Funding	—	144	144
Total Shortfall Funding	**$ 90**	**$ 144**	**$ 54**

In 2007, the operating budget shortfall increases by $70 million ($226 million vs. $156 million) as cost growth continues to outpace the increase in Service Board revenues and RTA funding from sales tax and the public transportation fund (PTF). To cover this shortfall, the RTA is seeking new transit funding for mainline (bus and rail) service, as well as additional funding for *ADA* paratransit service (Exhibit 1-3). The operating budget was adopted before the region-wide *Moving Beyond Congestion* capital program was finished. Metra's 2007 capital program is based on receiving "additional legislative initiative" program funds of $60 million. If these funds are not secured Metra's capital program has a shortfall of $49 million.

Of the $226 million in new operating funding needed in 2007, $144 million supports mainline service (Exhibit 1-4). In 2006, mainline service cost $1,699 million to operate. The Service Boards balanced their operating budgets by transferring $90 million in federal capital funds to cover operating costs for these services.

In 2007, operating costs for mainline service are expected to increase $153 million, or 8.9 percent. This increase is driven by increases of $94 million in labor costs (including healthcare and other benefits), $44 million in fuel and electricity costs, and $7 million in security costs. Cost containment efforts will hold all other expenditures to an increase of $8 million. Increased Service Board revenues in 2007 cover $68 million of these increased costs, and the RTA projects that funds available to the Service Boards from sales tax and State matching public transportation funds will increase by $31 million.

The $82 million remaining balance of the $226 million in new operating funding needed in 2007 supports *ADA* paratransit service. This reflects $92 million in operating costs of which $10 million is covered by Service Board revenues. In 2006, *ADA* paratransit service required $66 million in funding ($76 million in operating costs less $10 million covered by Service Board revenue). The State provided a grant of $54 million, and the remaining $12 million was covered by additional federal capital funds (Exhibit 1-5).

In the 2007 budget, the funding needs for *ADA* paratransit service increase to $82 million—driven by increases in both passenger demand and the prices charged by the outside service providers. At the end of 2006, extensions to five-year contracts were under negotiation with several of these carriers. The 2007 budget looks for paratransit funding—from State or other sources—to increase from $54 million to $82 million for this federally mandated service. Service Board funding shortfalls total $156 million in 2006 and $226 million in 2007 (Exhibit 1-6).

Exhibit 1-5: **ADA Paratransit Funding** (dollars in millions)

	2006	2007	Change
Total Operating Costs	**$ 76**	**$ 92**	**$ 16**
Service Board Revenue	10	10	—
Funding Shortfall	**$ 66**	**$ 82**	**$ 16**
Shortfall Funding			
Additional State Funding	54	—	$ (54)
Federal Capital Funds	12	—	(12)
Additional Paratransit Funding	—	82	82
Total Shortfall Funding	**$ 66**	**$ 82**	**$ 16**

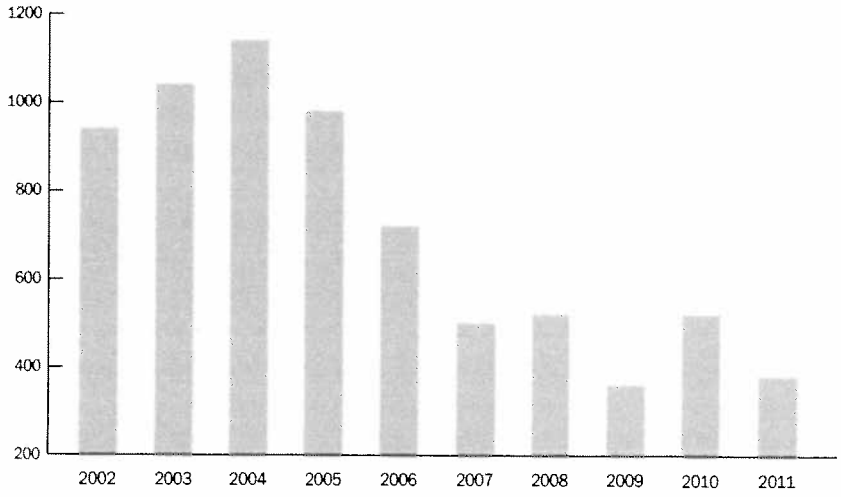
Exhibit 1-6: **Service Board Funding for 2006 and 2007** (in millions)

2006	CTA	Metra	Pace	ADA	Total
Operating Cost	$ 985	$ 536	$ 178	$ 76	$ 1,775
Operating Revenue	497	273	58	10	838
Deficit	**$ 488**	**$ 263**	**$ 120**	**$ 66**	**$ 937**
Public Funding	455	245	81	—	781
Funding Shortfall	**$ 33**	**$ 18**	**$ 39**	**$ 66**	**$ 156**

2007	CTA	Metra	Pace	ADA	Total
Operating Costs	$ 1,133	$ 554	$ 166	$ 91	$ 1,945
Operating Revenue	553	285	53	10	901
Deficit	**$ 580**	**$ 269**	**$ 113**	**$ 82**	**$ 1,044**
Public Funding	470	257	90	—	818
Funding Shortfall	**$ 110**	**$ 12**	**$ 23**	**$ 82**	**$ 226**

The 2006 figures are estimates with region-wide ADA paratransit services seprated from mainline CTA and Pace operations. Some totals may not sum due to rounding. Public Funding includes RTA Sales Tax, PTF and Pace CMAQ funds.

Exhibit 1-7: **2002-2011 Capital Program** (dollars in millions)



As previously noted, in recent years the Service Boards have used capital program funds for operating purposes. However, this transfer of funds can not continue because capital funding substantially decreases over the next five years (2007-2011) compared to the capital funding during the previous five years (2002-2006). Between 2002 and 2006 capital program funds averaged almost $944 million. However, this average plummets to $606 million between 2007 and 2011 (Exhibit 1-7). This sharp decline results primarily from the expiration of the *Illinois First* capital program in 2004 and the absence of a new State capital funding program. The RTA is not able to augment its capital program with additional borrowing because it has insufficient revenue to service any new bond offering debt. The operating amounts available to the Service Boards in 2007-2009 are based on securing additional funding for mainline and *ADA* paratransit service. If these funds are not obtained, the Service Boards must take actions to balance their budgets such as using capital funds for operations, changing service levels, and adjusting fares.

Detailed information regarding Service Board and RTA operations between 2005 and 2009 can be found in subsequent sections of this document, which is also posted on the RTA website (www.rtachicago.com).

Governance

Overview

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 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.

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.

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 expenditures. 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. Pace is also responsible for region-wide ADA paratransit service.

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

As previously discussed, 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. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 8-1).

Budget Calendar

By July 1 of each year, the Office of Management and Budget (OMB) is to submit to the RTA an estimate of revenue to be collected from taxes for the next fiscal year.

Based upon the estimate of tax receipts and revenue 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 and 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 *RTA Act* requires that the budgets submitted by each Service Board not project or assume receipt of revenue greater than that 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. The public hearing notice for the 2007 budget may be reviewed in the Appendices Section (Exhibit 8-2).

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt a budget that meets the statutory criteria. Unless the Board can pass (by nine votes) a budget and financial plan for a Service Board that 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 revenue 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 expenditures 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.

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 "it's 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 moneys 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 that 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.

Operations Funding

The RTA provides operating funds to each Service Board equivalent to its 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.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The ordinance affirms that 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 revenue falls 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 three-year planning period.

The RTA established this policy 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.

Cash Management

The RTA's policy complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, public trust, and Investments in Local and Disadvantaged Institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

Credit Risk

The RTA's policy for credit risk states no investment shall be made in short-term obligations of corporations unless such obligations are rated at the time of purchase within the highest classification established by at least two standard rating services, the investment matures no later than 180 days from the date of purchase and the issuer is domiciled in the United States.

General Obligation Bonds

The RTA's policy states that bonds should be payable from all revenue 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 (JSIF) 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. In addition, RTA Sales Tax must be 2.5 times greater than the debt service requirement. 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 *Act*, the CTA, Metra and Pace fare box receipts and funds on hand will not be used for payment of debt service.

Pension Funding

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

ORDINANCE NO. 2006-38

AN ORDINANCE AMENDING THE PACE 2006 MARKS, THE RTA 2006 BUDGET, AND PACE'S 2006 BUDGET AND PROGRAM

WHEREAS, Ordinance No. 2005-66, adopted on September 15, 2005, advised the Service Boards of the funding amounts estimated to be available and called on each to prepare and submit to the Regional Transportation Authority (the "RTA") proposed budgets for 2006 and financial plans for 2007-2008; and

WHEREAS, the Service Boards adopted and submitted to the RTA proposed budgets for 2006 and financial plans for 2007-2008; and

WHEREAS, Ordinance 2005-84, adopted by the Regional Transportation Authority Board on December 16, 2005, approved the 2006 budgets and 2007-2008 financial plans of the Service Boards and their respective recovery ratios for 2006, adopted the 2006 Budget and Program of the Authority, appropriated funds for the 2006 Budgets, and approved the Five-Year Capital Program for 2006-2010; and

WHEREAS, Ordinance 2006-22, adopted by the Regional Transportation Authority Board on April 6, 2006, amended the Capital Marks and Program for the CTA and Pace; and

WHEREAS, the July 2005 amendment to the RTA Act requires the transfer of operation of CTA's ADA paratransit services to Pace by no later than July 1, 2006; and

WHEREAS, Pace will incur additional capital program costs for start-up activities related to the transition to providing all of the ADA paratransit services in the RTA region; and

WHEREAS, Pace's 2006 budget presumed a level of fare revenue from ADA paratransit service based on the CTA paratransit fares increasing from $1.75 to $3.50 on January 1, 2006, which did not occur, thereby negatively impacting actual revenues received; and

WHEREAS, Section 4.11(c)(1) of the RTA Act provides that: "If the Board shall at any time have received a revised estimate, or revises any estimate the Board has made, pursuant to this Section of the receipts to be collected by the Authority which, in the judgment of the Board, requires a change in the estimates on which the budget of any Service Board is based, the Board shall advise the affected Service Board of such revised estimates, and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates. If the revised estimates require, in the judgment of the Board, that the system generated revenues recovery ratio of one or more Service Boards be revised in order to allow the Authority to meet its required ratio, the Board shall advise any such Service Board of its revised ratio and such Service Board shall within 30 days after receipt of such advice submit a revised budget incorporating such revised estimates or ratio"; and

WHEREAS, the RTA Board has determined that it is in the best interest of the RTA to take such 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:

1. The 2006 RTA Operating Marks for Pace adopted by the RTA Board on September 15, 2005 by Ordinance 2005-66, and the Pace 2006 Budget adopted by the RTA Board on December 16, 2005 by Ordinance 2005-84, are hereby amended as set forth in Schedules I-B, I-C, and I-F ("Service Board Deficit Funding", Recovery Ratio Calculations", and Regional Transportation Authority Cash Flow"), of this Ordinance.

2. The RTA hereby advises Pace that the amounts set forth in Schedule I-B ("Service Board Deficit Funding") are estimated to be available for Pace operating purposes for 2006, provided that the RTA determines that Pace's budget for 2006 satisfies the provisions of Section 4.11 of the Act.

3. The 2006 RTA Capital Marks for Pace adopted by the RTA Board on April 6, 2006, by Ordinance 2006-22, is hereby amended as set forth in Schedule I-D ("Service Board Capital Funding"), of this Ordinance.

4. The 2006 RTA budget adopted by the RTA Board on December 16, 2005 by Ordinance 2005-84, is hereby amended as set forth in Schedules I-A, I-C, and I-F, ("RTA Statement of Revenues and Expenditures", Recovery Ratio Calculations", and Regional Transportation Authority Cash Flow"), of this Ordinance.

5. Pace is hereby directed to develop and submit to the RTA, as part of the documents that the Act requires the Service Boards to submit to the RTA within 30 days from receipt by the Service Boards of this Ordinance, its proposed budget for 2006, which budget and plan shall not project or assume a receipt of funds from the RTA in 2006 in amounts greater than those set forth in Schedule I-B, of this ordinance.

6. Pace's amended budget for 2006 shall comply with the terms and provisions of Ordinance 2005-84, except that such amended budget shall be based on the amounts estimated to be available for 2006 as set forth in Schedule I-B, and the recovery ratio as set forth in Schedule I-C, of this Ordinance. Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA.

7. The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance, and to file the amended budget 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 appropriate certification that this budget meets the requirements of the Act.

8. The Executive Director is authorized and directed to inform Pace of the amounts and times established by this Ordinance promptly after adoption of this Ordinance. The Executive Director is further authorized and directed to take such action as the Executive Director deems necessary or appropriate to implement, administer and enforce this ordinance.

9. The Executive Director is authorized and directed to file the amended 2006 Annual Budget and a copy of this Ordinance with the Governor 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 Amending General and Agency Funds for 2006** (dollars in thousands)

Revenue	Ordinance 2005-84 2006 Budget	2006 Budget Amendment	Amended 2006 Budget
Sales Tax	$ 719,900	—	$ 719,900
Public Transportation Fund	179,975	—	179,975
State Financial Assistance	119,001	—	119,001
Reduced Fare	36,275	—	36,275
Additional State Funding	54,252	—	54,252
Other Revenue	14,869	—	14,869
Total Revenue	**$ 1,124,272**	—	**$ 1,124,272**
Operating Expenditures			
Operations Funding	$ 786,072	—	$ 786,072
RTA Discretionary Funds for Passes (1)	2,000	—	2,000
RTA Discretionary Funds for ADA Paratransit Service	—	1,592	1,592
Additional State Funding-RTA Discretionary	42,451	—	42,451
Reduced Fare and Sales Tax Interest	37,125	—	37,125
Agency Administration	6,697	—	6,697
Regional Services and Coordination Programs	18,090	—	18,090
Regional Technical Assistance Programs	5,986	—	5,986
Total Operating Expenditures	**$ 898,421**	**$ 1,592**	**$ 900,013**
Debt Service and Capital Expenditures			
Principal and Interest	$ 180,401	—	$ 180,401
Regional Technology and Agency Programs	7,270	—	7,270
Transfer Capital Capital/Additional State Funding–RTA Discretionary	11,801	—	11,801
Transfer Capital–CTA	20,353	—	20,353
Transfer Capital–Pace	—	1,154	1,154
Total Debt Service and Capital Expenditures	**$ 219,825**	**$ 1,154**	**$ 220,979**
Total Expenditures	**$ 1,118,246**	**$ 2,746**	**$ 1,120,992**
Fund Balance (undesignated/unreserved)			
Beginning Balance (2)	$ 14,914	—	$ 1,654
Remainder/(Deficit)	6,026	(2,746)	3,280
Ending Balance	**$ 20,940**	—	**$ 4,934**
% of Total Operating Expenditures	**2.3**	—	**0.5**
Recovery Ratio %	**50.7**	**(0.1)**	**50.6**

Note: (1) RTA funds to Pace for acceptance of CTA passes ("Additional Passes"). (2) The beginning fund balance for the amended 2006 budget reflects the RTA's 2005 year-end audited results.

Schedule 1-B: **Service Board Deficit Funding Amending Pace's Deficit Funding for 2006** (dollars in thousands)

	Ordinance 2005-84 2006 Budget	2006 Budget Amendment	Amended 2006 Budget
System-Generated Revenue	$ 67,925	$ (1,592)	$ 66,333
System Generated Expense	202,330	—	202,330
Total Deficit	**$ 134,405**	**$ (1,592)**	**$ 135,997**
Deficit Funding			
RTA Sales Tax	$ 78,552	—	$ 78,552
RTA Discretionary Funds	3,030	—	3,030
Additional State Funding-RTA Discretionary	15,326	—	15,326
RTA Discretionary Funds for Passes	2,000	—	2,000
Federal Funds	33,178	—	33,178
Service Board Funds (PBV)	2,319	—	2,319
RTA Discretionary Funds for ADA Paratransit Service	—	1,592	1,592
Total Deficit Funding	**$ 134,405**	**$ 1,592**	**$ 135,997**

Schedule 1-C: **Recovery Ratio Calculations Amending the Pace and Total System-Generated Revenue Recovery Ratio for 2006** (dollars in thousands)

	Ordinance 2005-84 2006 Budget	2006 Budget Amendment	Amended 2006 Budget
CTA	$ 542,629	—	$ 542,629
Metra	273,420	—	273,420
Pace	72,377	(1,592)	70,785
RTA	14,019	—	14,019
Other Revenue	8,062	—	8,062
Total System-Generated Recovery Ratio Revenues	**$ 910,507**	**$ (1,592)**	**$ 908,915**
System-Generated Recovery Ratio Expenses			
CTA	$ 1,023,350	—	$ 1,023,350
Metra	497,129	—	497,129
Pace	206,782	—	206,782
RTA	30,773	—	30,773
Other Expense	37,047	—	37,047
Total System-Generated Recovery Ratio Expenses	**$ 1,795,081**	—	**$ 1,795,081**
Recovery Ratios —%			
CTA	53.0	—	53.0
Metra	55.0	—	55.0
Pace	35.0	(0.8)	34.2
Total System-Generated Revenue Recovery Ratio %	**50.7**	**(0.1)**	**50.6**

Note: Pace's calculation does not include RTA funds for acceptance of CTA passes ("Additional Passes") or RTA operating funds for ADA paratransit service.

Schedule 1-D: **Service Board Capital Funding Amending Pace's 2006 Capital Program** (dollars in thousands)

Service Board Capital Funding	Ordinance 2006-22 2006 Program	2006 Program Amendment	Ammended 2006 Program
FTA Capital Grants	$ 47,901	—	$ 47,901
IDOT Grants	—	—	—
Service Board/Other Funds	2,512	—	2,512
Transfer Capital	—	1,154	1,154
New Initiative	8,950	—	8,950
Carryover and Deobligations	12,700	—	12,700
Total Service Board Capital Funding	72,063	1,154	73,217
Other Uses	(39,162)	—	(39,162)
Total Available	**$ 32,901**	**$ 1,154**	**$ 34,055**

Schedule 1-F: **RTA Cash Flow Amending the 2006 Monthly Projection General and Agency Fund** (dollars in thousands)

Cash Receipts	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales Tax	$ 57,092	59,764	70,114	51,310	53,512	57,670	60,416	60,645	62,991	61,017	61,342	59,383
PTF	14,442	14,273	14,941	17,529	12,828	13,378	14,418	15,104	15,161	15,748	15,254	15,335
Reduced Fare	—	—	9,190	—	—	9,190	—	—	9,190	—	—	9,190
State Financial Assistance	14,600	17,800	8,900	8,900	8,900	8,900	—	—	—	8,900	—	27,900
Additional State Funding	—	—	—	—	—	—	—	—	9,042	9,042	9,042	9,042
Interest/Other Income–Total	2,625	962	962	962	962	962	2,625	962	962	962	962	962
Total Cash Receipts	**$ 88,759**	**92,799**	**104,107**	**78,701**	**76,201**	**90,100**	**77,458**	**76,711**	**97,345**	**95,668**	**86,600**	**121,811**
Cash Disbursements												
• CTA												
85% Sales Tax	$ 22,774	23,462	27,278	20,547	21,278	22,912	23,852	23,709	24,825	24,151	24,095	23,767
RTA Discretionary	13,777	13,777	13,777	14,261	14,261	14,261	14,261	14,261	14,261	14,261	14,261	14,261
Reduced Fare Reimbursement	—	—	7,648	—	—	7,648	—	—	7,648	—	—	7,648
Additional State Funding–RTA Discretionary	—	—	—	—	—	—	—	—	—	2,554	2,554	2,554
Transfer Capital–Additional RTA Discretionary Funds	—	—	—	—	—	—	—	—	—	1,967	1,967	1,967
Capital Program	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696
Total Disbursements	**$ 38,247**	**38,935**	**50,399**	**36,504**	**37,234**	**46,516**	**39,809**	**39,666**	**48,429**	**44,629**	**44,573**	**51,892**
• Metra												
85% Sales Tax	$ 19,591	20,796	24,598	17,538	18,415	19,851	20,908	21,152	21,818	21,054	21,311	20,289
Reduced Fare Reimbursement	—	—	750	—	—	750	—	—	750	—	—	750
Capital Program	83	83	83	83	83	83	83	83	83	83	83	83
Total Disbursements	**$ 19,674**	**20,879**	**25,431**	**17,621**	**18,498**	**20,684**	**20,992**	**21,235**	**22,651**	**21,137**	**21,395**	**21,122**
• Pace												
85% Sales Tax	$ 6,164	6,542	7,721	5,531	5,793	6,257	6,593	6,686	6,899	6,659	6,733	6,421
RTA Discretionary	280	280	280	253	253	253	253	253	253	253	253	253
RTA Discretionary Funds for Passes	279	—	—	700	—	—	800	—	—	500	—	—
RTA Discretionary Funds for ADA Paratransit Service (1)	—	—	—	—	—	—	273	267	263	243	294	252
Reduced Fare Reimbursement	—	—	793	—	—	793	—	—	793	—	—	793
Additional State Funding–RTA Discretionary	—	—	—	—	—	—	—	—	—	4,521	4,521	4,521
Transfer Capital (1)	—	—	—	—	—	—	—	—	—	—	500	654
Capital Program	583	583	583	583	583	583	583	583	583	583	583	583
Total Disbursements (1)	**$ 7,306**	**7,405**	**9,377**	**7,066**	**6,629**	**7,885**	**8,502**	**7,789**	**8,790**	**12,759**	**12,884**	**13,477**
RTA Operations, Debt Service and Capital												
Sales Tax Interest	$ 71	71	71	71	71	71	71	71	71	71	71	71
Principal and Interest Payments	17,389	17,283	17,358	16,568	7,284	11,491	17,332	17,293	17,350	16,524	10,992	12,984
Agency Administration	558	558	558	558	558	558	558	558	558	558	558	558
Regional Services and Programs	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279
Total Disbursements	20,297	20,191	20,266	19,476	10,191	14,399	20,240	20,201	20,258	19,431	13,900	15,892
Total Cash Disbursements (1)	**$ 85,524**	**87,410**	**105,472**	**80,667**	**72,553**	**89,484**	**89,542**	**88,890**	**100,128**	**97,957**	**92,751**	**102,382**
Cash Balance (2)												
Beginning	37,012	40,247	45,636	44,270	42,304	45,952	46,567	34,483	22,304	19,521	17,233	11,081
Ending	**$ 40,247**	**45,636**	**44,270**	**42,304**	**45,952**	**46,567**	**34,483**	**22,304**	**19,521**	**17,233**	**11,081**	**30,511**

Notes: (1) Reflects the amended 2006 budget and capital program disbursements. (2) Restricted and unrestricted cash.

ORDINANCE NO. 2006-50

AN ORDINANCE ESTABLISHING ESTIMATES OF AMOUNTS AVAILABLE TO THE SERVICE BOARDS FOR 2007-2009 AND THE REQUIRED RECOVERY RATIOS FOR 2007

WHEREAS, Section 4.11(a) of the Regional Transportation Authority Act (the "Act"), requires that the Regional Transportation Authority (the "RTA"), on the basis of estimates of receipts from taxes imposed by the RTA and of estimates of amounts expected to be available from the State and other sources: (1) advise each Service Board of the amounts estimated to be available to it during the next fiscal year and the two following fiscal years and the times at which such amounts will be available; and (2) advise each Service Board of the system-generated revenues recovery ratio ("recovery ratio") it is required to achieve for the next fiscal year; and

WHEREAS, Section 4.11(b) of the Act directs each Service Board to submit its proposed budget for the next fiscal year and its proposed financial plan for the following two fiscal years in conformity with such actions by the RTA; and

WHEREAS, the amounts available to the Service Boards for 2007-2009 are predicated on the RTA receiving from the State of Illinois funding for Reduced Fare Reimbursement; and

WHEREAS, the amounts available to Pace for 2007 – 2009 are predicated on the RTA continuing to receive funding from the State of Illinois for ADA paratransit services and other costs and services and are also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit funding plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the RTA Act; and

WHEREAS, the amounts available to the Service Boards for operations in 2007 – 2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares; and

WHEREAS, the RTA recognizes that the Chicago Transit Authority (the "CTA") and the Suburban Rail Division ("Metra") have taken measures to protect their operations from terrorism and consequently have incurred significantly higher security costs, and moreover the RTA has determined that it is in the best interests of public transportation in the region to exclude certain amounts of security costs for purposes of calculating the CTA and Metra recovery ratios, thereby providing the CTA and Metra with a period of time to balance such higher security costs within their respective budgets; and

WHEREAS, the RTA desires to continue to facilitate the integration of fare media accepted for fare payment by the Suburban Bus Division ("Pace") and the CTA by funding a portion of Pace's costs in providing service to riders using the CTA 7-day pass, U-pass, and Visitor/Fun (1-day, 2-day, 3-day and 5-day) passes (collectively, the "Additional Passes"), in addition to any CTA fare media that are already accepted by Pace; and

WHEREAS, the RTA has considered current and projected economic conditions in its development of estimates of amounts expected to be available for expenditure for public transportation purposes in the metropolitan region in the fiscal years 2007, 2008 and 2009; and

WHEREAS, the RTA has taken into account the needs for, and the costs of, public transportation in the region.

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY THAT:

1. The RTA hereby advises the Service Boards that the amounts shown in Exhibit A, Schedule I, "Total Funds for Service Board Operations," of this Ordinance are estimated to be available for operating purposes for the CTA, Metra, Pace, and ADA paratransit services respectively, for 2007, 2008 and 2009, provided that the RTA determines that the Service Boards' respective budgets and financial plans for 2007, 2008 and 2009 satisfy the provisions of Section 4.11 of the Act.

2. The Service Boards are hereby directed to develop and submit to the RTA, as part of the documents that the Act requires the Service Boards to submit to the RTA by November 15, 2006, their proposed budgets for 2007 and proposed financial plans for 2008 and 2009, which budgets and plans shall not project or assume a receipt of revenues from the RTA for operations in 2007, 2008 and 2009 in

amounts greater than those set forth in Exhibit A, Schedule I, "Total Funds for Service Board Operations."

3. The required recovery ratios for 2007 for the CTA, Metra, Pace, and ADA paratransit services are set forth in Exhibit A, Schedule II, "2007 Recovery Ratios."

4. The times at which the receipts from taxes imposed by the RTA and other amounts expected to be available from the State and other sources for operating purposes for 2007 are estimated to be available to the Service Boards are set forth in Exhibit A, Schedule III, "2007 Estimated Cash Flow for RTA Sales Tax and RTA Discretionary Funds".

5. Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA.

6. The Executive Director is authorized and directed to inform each of the Service Boards of the amounts, times and ratios established by this Ordinance promptly after enactment of this Ordinance.

Schedule I: **Total Funds for Service Board Operations** (dollars in thousands)

	2007	2008	2009
CTA Operating Funds	$ 580,349	$ 655,400	$ 775,933
Metra Operating Funds	267,924	270,253	278,548
Pace Operating Funds	112,416	117,039	124,330
ADA Paratransit Operating Funds	81,810	91,627	99,893

The amounts available to the Service Boards for operations in 2007–2009 are predicated on securing additional funding, and to the extent that such additional funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares. Pace's amount includes separate RTA Discretionary Funds to Pace for a portion of Pace's cost in providing services to riders using CTA passes ("Additional Passes"). The *ADA* Paratransit Operating Funds figure includes additional RTA Discretionary Funds sourced from Additional State Funding for the costs of *ADA* Paratransit services and other costs or services, and is also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit funding plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of *The RTA Act*.

Schedule II: **2007 Recovery Ratios**

	CTA	Metra	Pace	ADA Paratransit
Recovery Ratio %	52.0	55.0	36.0	10.0

The CTA figure includes Chicago Police Department (CPD) "in-kind" revenue and expense. *The RTA Act* allows certain expenses to be excluded from the recovery ratio calculation including security, depreciation and facility leases. In addition, Ordinance 2005-06 authorized the exclusion of additional security costs from Service Board expenditures. These exclusions are reflected in the CTA and Metra recovery ratio calculation. The Pace figure includes under contract, RTA discretionary funds for "Additional Passes", and ADvAntage "in-kind" revenue and expense.

Schedule III: **2007 Estimated Cash Flow for RTA Sales Tax and RTA Discretionary Funds** (dollars in thousands)

	CTA	Metra	Pace
January	$ 37,534	$ 19,937	$ 6,558
February	38,264	21,047	6,905
March	42,471	25,354	8,259
April	36,017	18,919	6,200
May	37,099	19,440	7,355
June	38,162	20,803	6,646
July	38,134	20,958	6,709
August	38,749	21,390	7,853
September	54,154	22,757	20,695
October	53,093	21,447	20,281
November	53,841	22,810	21,706
December	53,129	21,070	20,167
Total	**$ 520,647**	**$ 255,931**	**$ 139,333**

ORDINANCE NO. 2006-78

APPROVING THE 2007 BUDGETS AND 2008 - 2009 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2007 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2007 BUDGETS, ADOPTING THE FIVE-YEAR PROGRAM, ALLOCATING CERTAIN REVENUES OF THE RTA TO THE RESPECTIVE SERVICE BOARDS, AMENDING THE ESTIMATES OF AMOUNTS AVAILABLE TO THE SERVICE BOARDS FOR 2007-2009, AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT TO THE BUDGET AND PROGRAM FOR FISCAL YEAR 2007

WHEREAS, Section 4.01 of the *Regional Transportation Authority Act* (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 2007; 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 2007; 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 by each Service Board during fiscal year 2007 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 2007 budget and proposed 2008–2009 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, the amounts available to the Service Boards for 2007-2009 are predicated on the RTA receiving from the State of Illinois funding for Reduced Fare Reimbursement; and

WHEREAS, the amounts available to Pace for 2007 – 2009 are predicated on the RTA continuing to receive funding from the State of Illinois or other sources for ADA paratransit services and other costs and services and are also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the RTA *Act*; and

WHEREAS, the amounts available to the Service Boards for operations in 2007 – 2009 are predicated on securing additional funding ("New Transit Funding"), and to the extent that such New Transit Funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares; and

WHEREAS, the RTA adopted estimates of the amounts available to the Service Boards for 2007-2009 ('funding marks") in Ordinance 2006-50; and

WHEREAS, to reflect updated estimates of funding available, the CTA's funding mark for 2007 has been increased by $108,000 and Metra's funding marks for 2007-2009 have been increased by the respective amounts of $1,000,000, $1,795,000, and $2,130,000; and

WHEREAS, pursuant to the RTA's policy regarding Service Board Financing Transactions ("Funding Policy") the RTA Board must approve the Service Boards' use of the proceeds from any Financing Transaction, as such term is defined in the Funding Policy, before such proceeds are used, and the primary use of such proceeds should be for capital programs; and further, such proceeds are excluded from the Service Boards' System-Generated Revenues Recovery Ratios; and

WHEREAS, by RTA policy (Ordinance 2004-54) 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 pur-

pose of the Service Boards' System-Generated Revenues Recovery Ratios; and

WHEREAS, the CTA's proposed 2007 budget uses certain federal capital funds carried-over from prior year capital programs for 2007 operating purposes; and

WHEREAS, the RTA recognizes that the CTA and Metra have taken measures to protect their operations from terrorism and consequently have incurred additional security costs, and moreover the RTA has determined that it is in the best interests of public transportation in the region to exclude certain amounts of security costs for purposes of calculating the CTA and Metra recovery ratios, thereby providing the CTA and Metra with a period of time to balance such higher security costs within their respective budgets; and

WHEREAS, the RTA desires to continue to facilitate the integration of fare media accepted for fare payment by Pace and the CTA by using additional RTA discretionary funds to fund a portion of Pace's costs in providing service to riders using the CTA 7-day pass, U-pass, and Visitor/Fun (1-day, 2-day, 3-day and 5-day) passes (collectively, the "Additional Passes"), in addition to any CTA fare media that are already accepted by Pace and for this purpose the RTA Executive Director may extend and amend as necessary an intergovernmental agreement, authorized by RTA Ordinance 2004-44 between the RTA, the CTA, and Pace regarding Pace acceptance of CTA fare media; and

WHEREAS, the RTA recognizes the importance of maintaining an adequate cash balance to ensure that ADA paratransit service, bus and rail service, and other operating services run well and that such services are responsive to the needs of the region, and consequently, the RTA has determined that it is in the best interests of public transportation in the region to authorize the issuance of working cash notes to fund such operating services as needed; 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:

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 proposed budgets for 2007, and financial plans for 2008 and 2009, 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 in Schedule I-C;

(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 that the RTA has established.

Unless the RTA Board makes a determination, by the affirmative vote of at least nine members of the Board no later than July 1, 2007, that the funds identified as New Transit Funding and Additional Funding for Paratransit in Schedules I-A and I-B of this Ordinance are available for 2007, the findings in this Section 1.2 are repealed for the remainder of 2007, such amounts are eliminated from Schedules I-A and I-B, and the Service Boards shall present to the RTA revised budgets for 2007 reflecting such revisions.

1.3 Pursuant to Section 4.11 of the *Act*, the budgets for 2007 and financial plans for 2008 and 2009, 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 Pursuant to Section 4.11 of the *Act*, no more than 30 days after each fiscal

quarter, each Service Board is directed to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two:
RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2007 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2007 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2007 Annual Budget and Program shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2007 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-F.

(c) The 2007 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 system-generated revenues from such fares and charges received in 2007 for mainline service to equal at least 50 percent of the aggregate cost of providing such public transportation in 2007, and at least 10 percent for ADA paratransit service in 2007, as required by the *Act*, and as summarized in Schedule I-C.

(d) The 2007 Annual Budget and Program is based on and employs assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2007, as defined in Section 4.01(c) of the *Act*, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2007 of $14,626,303 ("Agency Administration" expenses are summarized in Schedule I-A).

Unless the RTA Board makes a determination, by the affirmative vote of at least nine members of the Board no later than July 1, 2007, that the funds identified as New Transit Funding and Additional Funding for Paratransit in Schedules I-A and I-B of this Ordinance are available for 2007, the findings in this Section 2.1 are repealed for the remainder of 2007, such amounts are eliminated from Schedules I-A and I-B, and the Service Boards shall present to the RTA revised budgets for 2007 reflecting such revisions.

Section Three:
Five-Year Program

3.1 The Five-Year Program of the RTA for the fiscal years beginning January 1, 2007, and ending December 31, 2011, has been the subject of public hearings in each county in the metropolitan region 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 by the RTA. In accordance with Section 2.01(c) and Section 4.02(b) of the *Act*, no Service Board shall apply for or receive any capital grant or loan unless it is identified in the RTA Five-Year Program.

The Service Boards cannot obligate or expend before July 1, 2007 an amount greater than 50% of the federal formula funding for 2007 allocated to such Service Board for the projects identified in Schedule II, until the RTA Board makes a determination, by the affirmative vote of at least nine members of the Board, that the funds identified as New Transit Funding and Additional Funding for Paratransit in Schedules I-A and I-B of this Ordinance are available for 2007.

ARTICLE II
APPROPRIATION
OF FUNDS AND CERTAIN
OTHER ACTIONS

Section One:
Appropriation for each
Service Board

The following amounts for 2007 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 Operations 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 2007 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 below 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 "85% Sales Tax" on Schedule I-E.

	Collected Within Within Chicago	Collected 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

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 2007 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 Revenue" on Schedule I-B.

After receipt by the RTA of funds from the State of Illinois Reduced Fare Reimbursement Program, the Executive Director shall provide for the payment to each Service Board their proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A.

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 2007 Budget approved in Article I, the amounts specified as "RTA Discretionary Funds" 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.

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 – RTA Funds on Schedule I -D from other receipts and revenues of the RTA.

(c)Operating Funds for Passes: There is appropriated, for expenditure by Pace pursuant to the 2007 Budget approved in Article I, for accepting certain CTA passes, a maximum amount as specified in "RTA Discretionary Funds for Passes" on Schedule I-B from other receipts and revenues of the RTA.

The Executive Director is hereby directed to provide for payment of such funds pursuant to grant or intergovernmental agreements with each Service Board.

Section Two:
Appropriation to the Regional Transportation Authority

In 2007 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency") the amounts specified on Schedule I-A as Agency Administration, Regional Services and Coordination Programs, Regional Technical Assistance Programs, and Regional Technology and Agency Capital, pursuant to the 2007 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for 2007 Agency Administration, Regional Services and Coordination Programs, Regional Technical Assistance Programs, and Regional Technology and Agency Capital represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% from and among 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 2007 Annual Budget and Program of the RTA in accordance with the *Act* and the policies established herein.

Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation

(USDOT), Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), and any other funding agency (collectively the "funding agencies") 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 funding agencies may require in connection with such 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 funding agencies. 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 2007 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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 General and Agency Funds**
(dollars in thousands)

System-Generated Revenue	Budget 2007	Plan 2008	Plan 2009
Sales Tax	$ 745,937	$ 769,807	$ 794,440
Public Transportation Fund	186,484	192,452	198,610
State Financial Assistance	122,836	125,180	127,500
Reduced Fare Reimbursement	36,275	36,275	36,275
Other Revenue	14,722	14,400	14,350
New Transit Funding (1)	144,534	225,748	331,927
Additional Funding for ADA Paratransit	81,810	91,627	99,893
Total Revenue	**$ 1,332,598**	**$ 1,455,489**	**$ 1,602,995**
Operating Expenditures			
RTA Operations Funding to Service Boards	$ 811,915	$ 837,880	$ 864,648
RTA Discretionary Funds to Pace	4,000	4,000	4,000
New Transit Funding	144,534	202,103	308,282
Additional Funding for ADA Paratransit	81,810	91,627	99,893
Reduced Fare Reimbursement and Sales Tax Interest (2)	37,125	37,125	37,125
Agency Administration (3)	7,360	7,596	7,840
Regional Services and Coordination Programs	18,248	18,833	19,436
Regional Technical Assistance Programs (4)	6,170	6,367	6,570
Total Operating Expenditures	**$ 1,111,162**	**$ 1,205,531**	**$ 1,347,794**
Debt Service and Capital Expenditures			
Principal and Interest	$ 186,218	$ 195,157	$ 196,305
Regional Technology and Agency Capital (4)	7,499	7,735	7,980
Transfer Capital–RTA Funds	23,802	20,353	20,353
Total Debt Service and Capital Expenditures	**$ 217,519**	**$ 223,245**	**$ 224,638**
Total Expenditures	**$ 1,328,681**	**$ 1,428,776**	**$ 1,572,432**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 6,198	$ 10,115	$ 36,828
Change in Fund Balance	3,917	26,713	30,563
Ending Unreserved/Undesignated Fund Balance	**$ 10,115**	**$ 36,828**	**$ 67,391**
% of Total Operating Expenditures	**0.9**	**3.1**	**5.0**
Recovery Ratio %	**50.4**	—	—

(1) The figures for 2008 and 2009 include an annual amount of $23,645 to achieve a RTA fund balance of 5 percent by the end of the planning period. (2) Includes annual sales tax interest of $850 thousand. (3) The 2007 statutory CAP for agency administration is $14,626. (4) Appropriated funds that remain unspent at the end of 2007 continue to be available for this purpose without subsequent appropriation action.

Schedule 1-B: **Service Board Deficit Funding** (dollars in thousands)

CTA	2007 Budget	2008 Plan	2009 Plan
Total System-Generated Revenue	$ 552,694	$ 560,970	$ 569,980
Total Operating Expense	1,133,151	1,215,865	1,341,903
Total Deficit	580,457	654,895	771,923
Deficit Funding			
RTA Sales Tax	295,098	304,469	314,165
RTA Discretionary Funds	175,251	180,931	186,768
RTA Operations Funding	470,349	485,400	500,933
New Transit Funding (1)	110,108	169,495	270,990
Total CTA Deficit Funding	**$ 580,457**	**$ 654,895**	**$ 771,923**
Metra			
Total System-Generated Revenue	$ 285,062	$ 288,224	$ 297,856
Total Operating Expense	553,986	560,272	578,534
Total Deficit	268,924	272,048	280,678
Deficit Funding			
RTA Sales Tax	257,374	265,594	274,049
RTA Discretionary Funds	—	—	—
RTA Operations Funding	257,374	265,594	274,049
New Transit Funding (1)	11,550	6,454	6,629
Total Metra Deficit Funding	**$ 268,924**	**$ 272,048**	**$ 280,678**
Pace			
Total System-Generated Revenue	$ 53,433	$ 54,363	$ 55,369
Total Operating Expense	166,124	172,640	180,046
Total Deficit	112,691	118,277	124,677
Deficit Funding			
RTA Sales Tax	81,574	84,272	87,060
RTA Discretionary Funds	2,618	2,614	2,607
RTA Operations Funding	84,192	86,886	89,667
RTA Discretionary Funds for Passes	4,000	4,000	4,000
CMAQ Funds	1,623	1,237	347
New Transit Funding (1)	22,876	26,154	30,663
Total Pace Deficit Funding	**$ 112,691**	**$ 118,277**	**$ 124,677**
Service Board Total			
Total System-Generated Revenue	$ 891,189	$ 903,557	$ 923,205
Total Operating Expense	1,853,261	1,948,777	2,100,483
Total Service Board Deficit	962,072	1,045,220	1,177,278
Deficit Funding			
RTA Sales Tax	634,046	654,335	675,274
RTA Discretionary Funds	177,869	183,545	189,375
RTA Operations Funding	811,915	837,880	864,649
RTA Discretionary Funds for Passes	4,000	4,000	4,000
CMAQ	1,623	1,237	347
New Transit Funding (1)	144,534	202,103	308,282
Total Deficit Funding	**$ 962,072**	**$ 1,045,220**	**$ 1,177,278**
ADA Paratransit			
Total System-Generated Revenue	$ 9,653	$ 10,547	$ 14,504
Total Operating Expense	91,463	102,174	114,397
Total Deficit	81,810	91,627	99,893
Deficit Funding			
Additional Funding for ADA Paratransit (2)	81,810	91,627	99,893
Total Deficit Funding	**$ 81,810**	**$ 91,627**	**$ 99,893**
Grand Total (1) (2)	**$ 226,344**	**$ 293,730**	**$ 408,175**

(1) The amounts available to the Service Boards for operations in 2007-2009 are predicated on securing additional funding ("New Transit Funding"), and to the extent that such New Transit Funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares. (2) The amounts available to Pace for 2007-2009 are predicated on the RTA continuing to receive funding from the State of Illinois or other sources for ADA paratransit services and other costs and services and are also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the *RTA Act*.

Schedule I-C: **Recovery Ratio Calculations** (dollars in thousands)

System-Generated Recovery Ratio Revenues (1)	2007 Budget
CTA	$ 582,694
Metra	285,062
Pace	62,191
RTA	14,722
Other Revenue	262
Total System-Generated Recovery Ratio Revenues	$ **944,931**
System-Generated Recovery Ratio Expenses (2)	
CTA	$ 1,119,817
Metra	518,239
Pace	170,882
RTA	31,779
Other Expense	32,834
Total System-Generated Recovery Ratio Expenses	$ **1,873,551**
Recovery Ratios %	
CTA	52.0
Metra	55.0
Pace	36.4
Total System-Generated Revenue Recovery Ratio %	**50.4**
ADA Paratransit	
Revenue	$ 9,653
Expense	91,463
Recovery Ratio %	**10.6**

(1) CTA's figure includes $8 million of certain federal capital funds carried-over from prior year capital programs for 2007 operating purposes and Chicago Police Department (CPD) in-kind revenue and expenditures of $22 million. The Pace figure includes $4 million for Pace's costs of accepting CTA fare media and ADvAntage in-kind revenue and expenditures of $4.8 million. The RTA revenue is primarily earnings on investments. Other revenue reflects CTA leasing transactions of $4.3 million, which by policy is excluded from the revenue figures of the Service Boards less the $4.0 million for Pace's cost of accepting CTA fare media. (2) The *RTA Act* allows certain expenditures to be excluded from the recovery ratio calculation including security, depreciation, and facility leases. RTA Ordinance 2005-06 authorized further security exclusions for Service Board recovery ratios. The amount of these additional exclusions is $32.8 million. This amount is added as other expenditures to calculate the statutory system-generated revenue recovery ratio.

Schedule I-D: **Service Board and RTA Capital Funding** (dollars in thousands)

	2007 Capital Program Budget				
Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**RTA**	**Total**
FTA Capital Grants (1)	$ 289,344	$ 177,474	$ 34,468	—	$ 501,286
IDOT Grants	—	—	—	—	—
Other Service Board Funds	—	5,110	—	—	5,110
Transfer Capital–RTA Funds	20,353	—	3,449	—	23,802
Transfer Capital (2)	—	48,808	—	—	48,808
Carryover and De-obligations	1,554	25,000	—	—	26,554
Total Service Board Capital Funding	311,251	256,392	37,917	—	605,560
CTA Financing	125,000	—	—	—	125,000
CTA Debt Repayment	(30,336)	—	—	—	(30,336)
Total Program	**$ 405,915**	**$ 256,392**	**$ 37,917**	—	**$ 700,224**
Tollway Credits Requested (1)	**$ 31,200**	**$ 23,084**	**$ 6,494**	—	**$ 60,778**
RTA Regional Technology and Agency Programs	—	—	—	**$ 7,499**	**$ 7,499**

(1) Federal Funds require a local match of at least 20 percent. The State of Illinois has traditionally provided capital funding for matching purposes but at this time the State has not provided local matching funds. Tollway credits can be used as local match but they are not spendable funds and using them leaves critical projects underfunded.
(2) New Transit Funding for operations on Schedule I-A excludes capital program funding needs. Therefore, this amount is not included in the Transfer Capital–RTA Funds amount shown on Schedule I-A.

Schedule 1-E: **RTA Statutory Sales Tax Distribution** (dollars in thousands)

2007 Budget		**City of Chicago**	**Suburban Cook County**	**Collar Counties**	**Estimated Total**
Service Boards:	CTA	$ 194,545	$ 100,554	—	$ 295,098
	Metra	—	184,348	73,026	257,374
	Pace	—	50,277	31,297	81,574
Total Service Boards–85% Sales Tax		**$ 194,545**	**$ 335,179**	**$ 104,323**	**$ 634,046**
RTA–15% Sales Tax (1)		34,331	59,148	18,410	111,891
Grand Total		**$ 228,876**	**$ 394,327**	**$ 122,733**	**$ 745,937**
2008 Financial Plan					
Service Boards:	CTA	$ 201,032	$ 103,438	—	$ 304,469
	Metra	—	189,636	75,958	265,594
	Pace	—	51,719	32,554	84,272
Total Service Boards–85% Sales Tax		**$ 201,032**	**$ 344,792**	**$ 108,512**	**$ 654,336**
RTA–15% Sales Tax (1)		35,476	60,845	19,149	115,471
Grand Total		**$ 236,508**	**$ 405,637**	**$ 127,661**	**$ 769,807**
2009 Financial Plan					
Service Boards:	CTA	$ 207,802	$ 106,363	—	$ 314,165
	Metra	—	194,998	79,051	274,049
	Pace	—	53,181	33,879	87,060
Total Service Boards–85% Sales Tax		**$ 207,802**	**$ 354,543**	**$ 112,929**	**$ 675,274**
RTA–15% Sales Tax (1)		36,671	62,566	19,929	119,166
Grand Total		**$ 244,473**	**$ 417,109**	**$ 132,858**	**$ 794,440**

(1) The RTA's 15 percent of the sales tax is primarily allocated as discretionary funding for Service Board operations.

Schedule 1-F: **RTA 2007 Monthly Cash Flow Projection General and Agency Funds** (dollars in thousands)

Cash Receipts	January	February	March	April	May	June
Sales Tax	$ 58,242	$ 61,036	$ 72,336	$ 54,487	$ 56,555	$ 60,452
Public Transportation Fund	14,846	14,560	15,259	18,084	13,622	14,139
Reduced Fare Reimbursement	—	9,069	—	—	9,069	—
State Financial Assistance	9,600	9,600	9,600	9,600	9,600	9,600
Additional Funding for ADA Paratransit 2006	—	—	—	14,252	—	—
Working Cash Notes	6,666	6,666	6,666	6,666	6,666	6,670
New Transit Funding and Additional Funds for ADA Paratransit 2007	—	—	—	—	—	—
Interest/Other Income	1,188	1,181	1,188	1,203	1,113	1,506
Total Cash Receipts	**$ 90,541**	**$ 102,112**	**$ 105,049**	**$ 104,292**	**$ 96,624**	**$ 92,367**
CTA Cash Disbursements						
85% Sales Tax	$ 23,273	$ 24,003	$ 28,210	$ 21,413	$ 22,495	$ 24,011
RTA Discretionary Funds	14,261	14,261	14,261	14,604	14,604	14,604
Reduced Fare Reimbursement	—	7,562	—	—	7,562	—
Additional State Funding–RTA Discretionary 2006	10,000	—	—	14,252	—	—
Transfer Capital–RTA Funds	1,967	1,967	1,967	1,967	1,967	1,967
Capital Program	50	700	50	949	850	1,450
New Transit Funding	—	—	—	—	—	—
Total CTA Disbursements	**$ 49,551**	**$ 48,492**	**$ 44,488**	**$ 53,185**	**$ 47,477**	**$ 42,032**
Metra Cash Disbursements						
85% Sales Tax	$ 19,937	$ 21,047	$ 25,354	$ 18,919	$ 19,440	$ 20,803
Reduced Fare Reimbursement	—	721	—	—	721	—
New Transit Funding	—	—	—	—	—	—
Capital Program	25	—	85	—	25	75
Total Metra Disbursements	**$ 19,962**	**$ 21,767**	**$ 25,439**	**$ 18,919**	**$ 20,185**	**$ 20,878**
Pace Cash Disbursements						
85% Sales Tax	$ 6,305	$ 6,653	$ 8,006	$ 5,982	$ 6,137	$ 6,570
RTA Discretionary Funds	253	253	253	218	218	218
RTA Discretionary Funds for Passes	—	—	—	—	1,000	—
Reduced Fare Reimbursement	—	786	—	—	786	—
Working Cash Notes	6,666	6,666	6,666	6,666	6,666	6,670
New Transit Funding and Additional Funding for ADA Paratransit 2007	—	—	—	—	—	—
Capital Program	516	396	1,028	1,526	1,517	889
Total Pace Disbursements	**$ 13,740**	**$ 14,753**	**$ 15,953**	**$ 14,392**	**$ 16,325**	**$ 14,347**
RTA Operations, Debt Service and Capital						
Sales Tax Interest	$ 71	$ 71	$ 71	$ 71	$ 71	$ 71
Principal and Interest Payments	17,698	17,743	17,863	17,177	7,956	11,497
Agency Operations (1)	2,648	2,648	2,648	2,648	2,648	2,648
Regional Technology and Agency Capital	625	625	625	625	625	625
Total Disbursements	**$ 21,042**	**$ 21,087**	**$ 21,207**	**$ 20,521**	**$ 11,300**	**$ 14,841**
Total Cash Disbursements	**$ 104,295**	**$ 106,100**	**$ 107,087**	**$ 107,017**	**$ 95,287**	**$ 92,098**
Cash Balance (2)						
Beginning	$ 133,785	$ 120,031	$ 116,043	$ 114,005	$ 111,281	$ 112,617
Ending	**$ 120,031**	**$ 116,043**	**$ 114,005**	**$ 111,281**	**$ 112,617**	**$ 112,886**

(1) Agency Administration, Regional Services and Coordination Programs, and Regional Technical Assistance Programs. (2) Restricted and unrestricted cash.

July	August	September	October	November	December
$ 60,675	$ 62,077	$ 65,623	$ 62,347	$ 65,330	$ 61,811
15,113	15,169	15,519	16,406	15,587	16,332
—	9,069	—	—	9,069	—
—	—	—	20,200	20,200	
—	—	—	—	—	—
(6,666)	(6,666)	(6,666)	(6,666)	(6,666)	(6,670)
37,724	37,724	37,724	37,724	37,724	37,724
1,133	1,169	1,198	1,157	1,181	1,506
$ 107,979	**$ 118,542**	**$ 113,398**	**$ 110,967**	**$ 142,424**	**$ 130,903**
$ 23,983	$ 24,599	$ 25,800	$ 24,739	$ 25,487	$ 24,775
14,604	14,604	14,604	14,604	14,604	14,604
—	7,562	—	—	7,562	—
—	—	—	—	—	—
1,967	1,967	1,967	1,967	1,967	1,967
3,250	3,050	3,550	3,800	1,550	1,550
18,351	18,351	18,351	18,351	18,351	18,351
$ 62,155	**$ 70,133**	**$ 64,273**	**$ 63,461**	**$ 69,521**	**$ 61,247**
$ 20,958	$ 21,390	$ 22,757	$ 21,447	$ 22,810	$ 21,070
—	721	—	—	721	—
1,925	1,925	1,925	1,925	1,925	1,925
138	100	150	156	146	75
$ 23,021	**$ 24,136**	**$ 24,832**	**$ 23,528**	**$ 25,602**	**$ 23,070**
$ 6,633	$ 6,777	$ 7,222	$ 6,809	$ 7,233	$ 6,694
218	218	218	218	218	218
—	1,000	—	—	1,000	—
—	786	—	—	786	—
—	—	—	—	—	—
10,781	10,781	10,781	10,781	10,781	10,781
16	538	2,278	28	16	878
$ 17,648	**$ 20,100**	**$ 20,500**	**$ 17,836**	**$ 20,035**	**$ 18,572**
$ 71	$ 71	$ 71	$ 71	$ 71	$ 71
17,698	17,743	17,863	17,177	7,956	11,497
2,648	2,648	2,648	2,648	2,648	2,648
625	625	625	625	625	625
$ 20,980	**$ 21,710**	**$ 21,770**	**$ 20,995**	**$ 15,694**	**$ 16,493**
123,804	**136,079**	**131,374**	**125,821**	**130,851**	**119,383**
$ 112,886	$ 97,061	$ 79,524	$ 61,548	$ 46,695	$ 58,268
$ 97,061	**$ 79,524**	**$ 61,548**	**$ 46,695**	**$ 58,268**	**$ 69,788**

2 Budget in Brief

Executive Summary

The upcoming budget and two-year financial planning period will prove to be extremely difficult years to achieve balanced operating budgets for all bus, rail and *ADA* paratransit service in the region. In total, overall cost pressures, particularly relating to fuel, security, labor, healthcare and electricity, increase the system's operating expenditures from $1.9 billion in 2007 to $2.2 billion in 2009, and increase total Service Board (CTA, Metra, Pace) funding needs (operating deficit) from $1.0 billion in 2007 to $1.3 billion in 2009 (Exhibit 2-1). Included in these figures are the funding needs for *ADA* paratransit service. This rapidly growing service requires $82 million in 2007, $92 million in 2008, and $100 million in 2009.

From a funding standpoint, the projected growth in sales tax, the RTA's largest source of public funding, and Public Transportation Funds (PTF), which are appropriated by the State at an amount equal to 25 percent of net revenue realized from sales taxes, do not keep pace with the overall cost pressures. For example, in 2007 Sales Tax and PTF funds provide 78 percent of the overall funding requirement (Exhibit 2-2), but only 68 percent in 2009 (Exhibit 2-3).

To address this dire situation and make the case for public transportation, the RTA, CTA, Metra, and Pace have joined forces in *Moving Beyond Congestion*, a forward-looking view of what transit can do to improve mobility in America's transportation hub. We expect this effort to have the result of providing us with the resources we need not only to balance our operating budgets, but also to keep our valuable public transportation system in good repair and to address the growing mobility needs and changing demographics of the region. To achieve these goals during the 2007-2009 planning period, the RTA is seeking New Transit Funding for Service Board bus and rail operations and Additional State Funding for *ADA* paratransit service in the combined amounts of $226 million, $294 million and $408 million, respectively (Exhibit 2-4).

The Capital program also lacks the funds needed to achieve the desired level of investment necessary to maintain, enhance and expand our public transportation system. The needs far exceed current federal and state funding authorizations, and the RTA and the Service Boards are working jointly on a strategic plan (*Moving Beyond Congestion*) that identifies the needed level of capital program funds. This level of investment is in the closing stages of development but not part of the five-year capital program adopted by the RTA Board in December (see Capital section).

In 2007, total public funding and Service Board operating revenue (source of funds) of $2.2 billion is used to pay for regional transportation system expenditures of almost $2.2 billion. A remaining balance of $4 million is used to commence replenishment of the RTA fund balance (Exhibit 2-5). The interchanges between the source and use of funds for operations and capital (Exhibit 2-13) programs in 2007 are illustrated in Exhibit 2-6.

The remaining content in this section offers an overview of the region's public transportation system and the budget process, service characteristics in the six-county northeastern Illinois region served by the three Service Boards, and a summation of the 2007 operating budget and capital program.

System Overview

The Regional Transportation Authority (RTA or the Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in northeastern Illinois as set forth by *The RTA Act*. The *Act* designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region and issue debt. It is also responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

The RTA Board of Directors governs the Agency. Three independent Service

Exhibit 2-1: **2007–2009 Service Board Deficit Funding** (dollars in millions)*

	2007					2008	2009
Service Board	CTA	Metra	Pace Mainline	Pace ADA (1)	Total	Total	Total
Revenue	$ 553	$ 285	$ 53	$ 10	$ 901	$ 914	$ 938
Expenditure	1,133	554	166	91	1,945	2,051	2,215
Operating Deficit	**$ 580**	**$ 269**	**$ 113**	**$ 82**	**$ 1,044**	**$ 1,137**	**$ 1,277**
Funding							
Current Funding Sources (2)	470	258	90	—	818	843	869
New Transit Funding	110	11	23	—	144	202	308
ADA Paratransit Funding	—	—	—	82	82	92	100
Total New Funding	**$ 110**	**$ 11**	**$ 23**	**$ 82**	**$ 226**	**$ 294**	**408**
Total Funding Needs	**$ 580**	**$ 269**	**$ 113**	**$ 82**	**$ 1,044**	**$ 1,137**	**$ 1,277**

(*) Some figures may not sum due to rounding. (1) Regional *ADA* paratransit service. (2) Service Board Formula Sales Tax, RTA discretionary (sales tax and PTF funds), RTA discretionary funds for passes, and CMAQ funds.

Exhibit 2-2: **2007 Funding Sources for Service Board Deficit** — $1,044 million

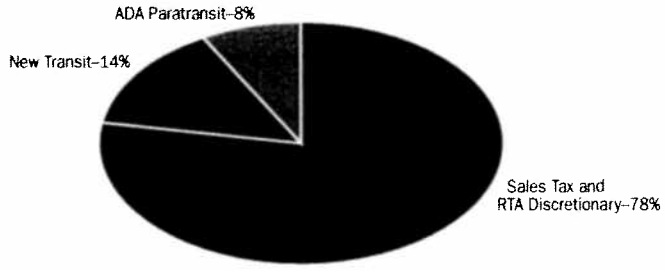


Exhibit 2-3: **2009 Funding Sources for Service Board Deficit** — $1,277 million

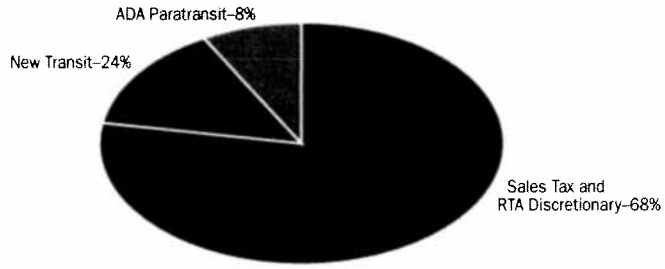


Exhibit 2-4: **Additional Funding Needs New Transit, ADA Paratransit**
(dollars in millions)

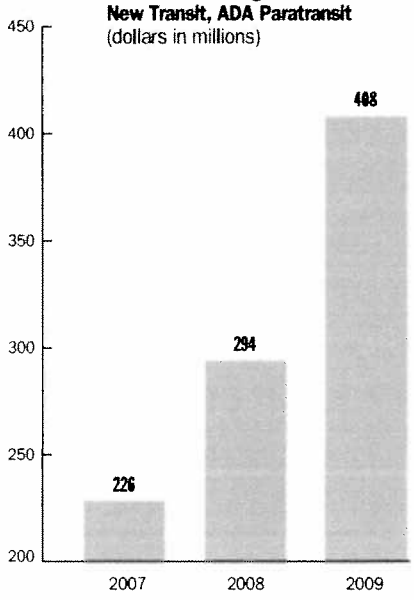


Exhibit 2-5: **2007 Source and Use of Funds**
(dollars in millions)

Source of Funds (1)	Total	Percent
RTA Sales Tax	$ 746	34
State Funds	346	16
ADA Funds	82	4
New Transit Funds	144	7
RTA Revenue	14	1
Pace ADA Paratransit	10	—
Service Board Bus/Rail	856	39
Total Sources	**$ 2,198**	**100**
Use of Funds	**Total**	**Percent**
Debt Service	$ 186	8
RTA Agency	32	1
Capital Programs	31	1
Pace ADA Paratransit	92	4
Service Board Bus/Rail	1,853	84
Total Regional System	**$ 2,194**	**100**
RTA Fund Balance	4	—
Total Uses	**$ 2,198**	**100**

(1) State funds include public transportation funds, state financial assistance and reduced fare reimbursements. Service Board bus/rail revenue includes Pace CMAQ funds but excludes reduced fare reimbursements which are provided by state funds.

Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace suburban bus, have operational responsibility (e.g., to set fares and provide service) for public transportation within the six-county region and are governed by their own boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service in the suburbs and between the suburbs and the City of Chicago. Effective July 1, 2006, Pace is responsible for all *ADA* paratransit service in the region (Exhibit 2-7).

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 prepares and publishes, for public hearing and comment, a comprehensive budget document that is to conform to the RTA marks. After considering public comment, the CTA, Metra and Pace boards of directors 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. This document reflects the 2007 budget, two-year financial plan, and five-year capital program adopted by the RTA Board on December 15, 2006 (Ordinance 2006-78). Exhibit 2-8 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Service Characteristics

There are more than 8 million residents in the six-county northeastern Illinois region, an area that covers 3,749 square miles. The RTA system deploys more than 5,000 bus and rail cars on more than 400 routes. Last year, the regional

public transportation system provided 575 million trips and carried passengers roughly 3.6 billion miles.

The system represents a valuable investment, delivering a very positive impact on the region. It supports job creation and income growth while reducing traffic congestion, fuel consumption and air pollution. Likewise, the system provides mobility to the disabled and access to jobs for those without other means to get to work.

Operating Budget

The discussions that follow in this section compare the 2007 budget with estimated results for 2006 (Exhibit 2-9). A consolidated statement of revenue and expenditures from 2005 through 2009 is presented in the RTA section (Exhibit 3-1).

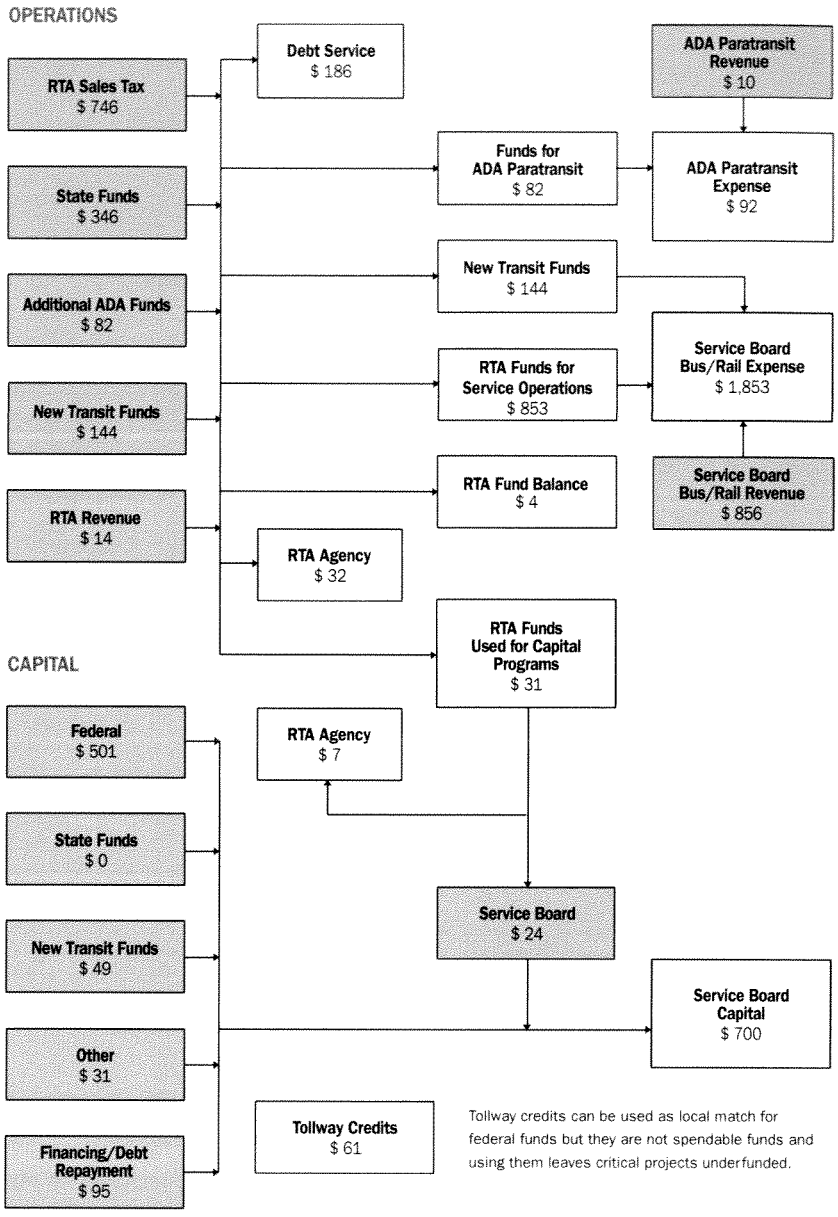
Total Revenue

As identified in Exhibit 2-9, total revenue is estimated to grow from $1,127.9 million in 2006 to $1,332.6 million in 2007. Of note are the unappropriated funding sources for *ADA* paratransit and New Transit Funding that are used to help fund the operating deficits of the Service Boards. For instance, in 2007, funding from these two sources totals $226.3 million or 17 percent of total revenue (Exhibit 2-10). Without these sources, which are discussed later in this section, the system will be smaller and service options curtailed.

Sales Tax

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

Exhibit 2-6: **Source and Use of Funds**—$ 2,198 million



The 2006 and 2007 sales tax estimates were determined after assessing state and regional economic data and national trends. Based on this information, the RTA's sales tax estimate for 2006 of $722.8 million is $2.9 million greater than the amount budgeted. Sales tax is estimated to grow from $722.8 million in 2006 to $745.9 million in 2007, an increase of $23.1 million or 3.2 percent.

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 in PTF. Estimated receipts in the 2007 budget are $186.5 million.

Exhibit 2-7: **RTA Organization Structure**

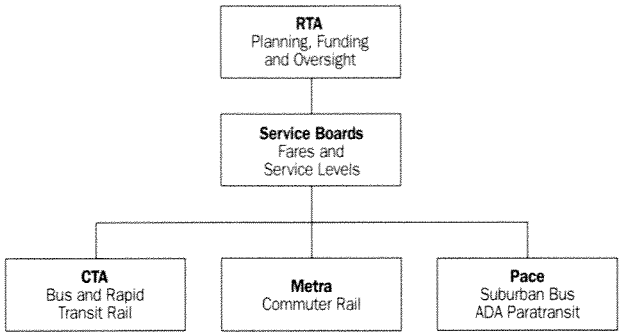
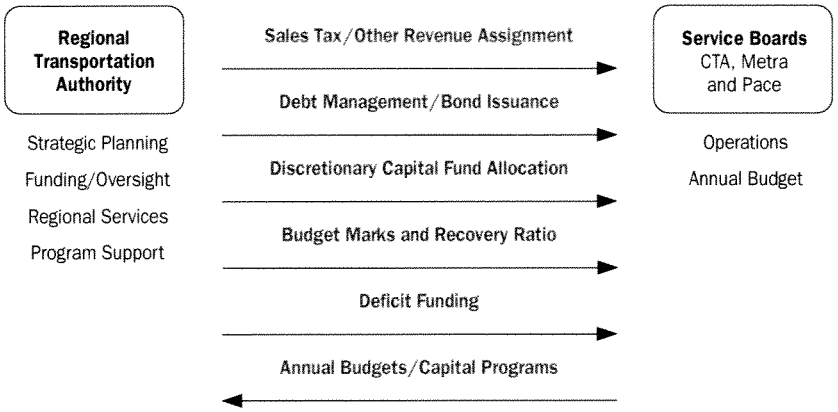


Exhibit 2-8: **Financial Relationship and Responsibilities of the RTA and Service Boards**



State Financial Assistance

This revenue source is state-authorized assistance to reimburse the debt service expenditures 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 payments. Budgeted receipts for 2007 are $122.8 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 to the Service Boards.

In calendar year 2004, the RTA received $40 million in funds from the state. However, in recent years the state has reduced its fiscal year (July to June) amount and applied an administration fee to the fund. As a result, available funds are projected to be $36.3 million in 2006 and remain constant at that level in 2007.

Other Revenue

This revenue category includes sales tax interest, investment income, financial transaction receipts, miscellaneous revenue, and grant funds from state and local agencies for regional coordination and technology initiatives. Total receipts in 2007 are budgeted at $14.7 million.

New Transit Funding

The Service Board budgets and financial plans were prepared with the expectation that New Transit Funding would be made available through upcoming State legislation. However, there is no guarantee that such funds will be forthcoming. In that event, focus must shift to a constrained system which provides fewer service options. Unappropriated funds totaling $144 million, balance the Service Boards proposed 2007 budgets.

Additional Funding for ADA Paratransit

In 2005 and 2006, the State of Illinois appropriated additional funds to the RTA for *ADA* paratransit service and other costs and services. The appropriation for each year was $54.3 million. However, growing service demands and increased operating costs have out-paced this level of funding. The 2007 budget was developed envisioning continuance of state appropriations that fully fund the service deficit. Unappropriated funds in the amount of $81.8 million balance the proposed 2007 budget for *ADA* paratransit service.

Operating Expenditures

Total RTA operating expenditures for 2007 are estimated at $1,111.2 million. This amount is 23.5 percent or $211.2 million greater than the 2006 estimate of $900.0 million. Exhibit 2-11 illustrates the expenditure distribution budgeted for 2007.

RTA Operations Funding

The RTA's primary expenditure is the funding of Service Board operating deficits. The deficit is the difference between a Service Board's total system-generated revenue and its total operating expenditures. The sources of funds are Service Board formula sales tax receipts and/or RTA formula sales tax and PTF funds

Exhibit 2-9: **RTA Statement of Revenue and Expenditures** (dollars in thousands)

Revenue	2006 Estimate	2007 Budget
Sales Tax	$ 722,808	$ 745,937
Public Transportation Fund (PTF)	180,702	186,484
State Financial Assistance (SFA)	119,001	122,836
Reduced Fare Reimbursement	36,275	36,275
Other Revenue	14,869	14,722
New Transit Funding	—	144,534
Additional Funding for ADA Paratransit	54,252	81,810
Total Revenue	**$ 1,127,907**	**$ 1,332,598**
Operating Expenditures		
RTA Operations Funding to Service Boards	$ 786,072	$ 811,915
RTA Discretionary Funds to Pace	3,592	4,000
New Transit Funding	—	144,534
Additional Funding for ADA Paratransit	42,451	81,810
Reduced Fare Reimbursement and Sales Tax Interest	37,125	37,125
Agency Administration	6,932	7,360
Regional Services and Coordination Programs	18,023	18,248
Regional Technical Assistance Programs	5,804	6,170
Total Operating Expenditures	**$ 899,999**	**$ 1,111,162**
Debt Service and Capital Expenditures		
Principal and Interest	182,102	186,218
Regional Technology and Agency Capital	7,270	7,499
Transfer Capital—Additional Funding for ADA Paratransit	11,801	—
Transfer Capital	22,191	23,802
Total Debt Service and Capital Expenditures	**$ 223,364**	**$ 217,519**
Total Expenditures	**$ 1,123,363**	**$ 1,328,681**
Fund Balance (undesignated/unreserved)		
Beginning Balance	$ 1,654	$ 6,198
Change in Fund Balance	4,544	3,917
Ending Balance	**$ 6,198**	**$ 10,115**
% of Total Operating Expenditures	0.7	0.9
Recovery Ratio	**52.7**	**50.4**

Please reference the notes on Exhibit 3-1 in the Region section for more information regarding revenue, operating expenditures, debt service and capital expenditures.

(RTA discretionary funds). Additional information regarding Service Board deficits and the sources of public funding is located in the RTA section.

Total operations funding in 2006 is $786.1 million. The combined budget for operating funds to the Service Boards in 2007 totals $811.9 million which is 3.3 percent or $25.8 million greater than 2006 funding. RTA funding for each Service Board in 2007 is shown below.

CTA

The CTA's operations funding level from the RTA in 2007 is budgeted at $470.3 million, or 3.2 percent higher than the 2006 budget amount of $455.8 million.

Metra

Metra's operating funding level from the RTA in 2007 is budgeted at $257.4 million, or 3.5 percent higher than the 2006 budget amount of $248.7 million. Metra funding does not include any RTA discretionary funds.

Pace

Pace's operations funding from the RTA in 2007 is budgeted at $84.2 million, or 3.2 percent higher than the 2006 budget amount of $81.6 million. This amount does not include funds for *ADA* paratransit service.

RTA Discretionary Funds to Pace

The RTA continues to facilitate the integration of CTA and Pace fare media by using additional RTA discretionary funds to fund a portion of Pace's cost for providing service to riders using certain CTA passes. The amount of funding appropriated in 2006 was $2 million. The 2007 budget funds Pace $4 million for this service.

In July 2006, Pace became responsible of all *ADA* paratransit operations in the region. To assist Pace with pre-start-up transition costs the RTA provided Pace with additional funding of $1.6 million.

New Transit Funding

As discussed earlier, additional funding resources are needed to balance the operating budgets, and to maintain, enhance and expand the system to meet changing service needs across the region. The Service Board 2007 budgets were prepared with the expectation that New Transit Funding would be made available during upcoming legislative sessions. New Transit Funding totaling $144 million is used to fund the operating deficits of the CTA, Metra and Pace in the amounts of $110 million, $11 million and $23 million, respectively.

Additional Funding for ADA Paratransit

As previously discussed, the State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for *ADA* paratransit service and other costs and services in 2005 and 2006. In 2005, the CTA received the full appropriation. In 2006, the CTA and Pace shared the appropriation because Pace became responsible for all *ADA* paratransit service in the region beginning July 1, 2006. Although not yet appropriated by the State, Pace's 2007 budget deficit of $81.8 million was funded with the expectation that the State will continue to fully fund this service.

Exhibit 2-10: **2007 RTA Revenue Sources** — $1,333 million

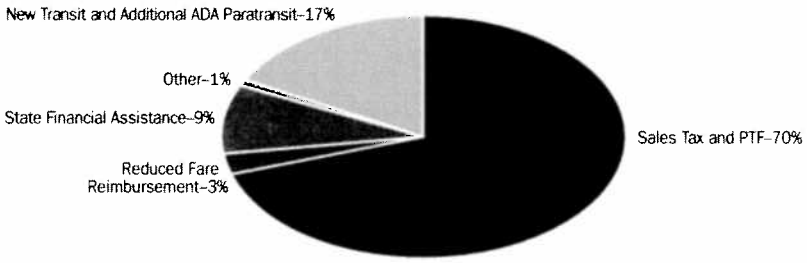
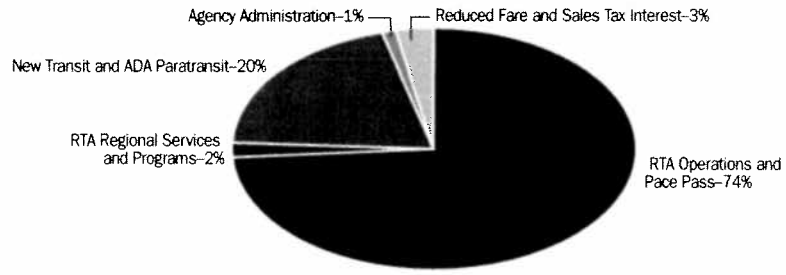


Exhibit 2-11: **2007 Operating Expenditures** — $1,111 million



Reduced Fare and Sales Tax Interest

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. The 2007 budget level of $36.3 million remains unchanged from the 2006 reimbursement.

Since there is a lag between when the State collects the RTA Sales Tax and when it distributes the funds to the RTA, the RTA receives sales tax interest and disburses 85 percent of these funds to the Service Boards according to the same formula used for sales tax distribution. The sales tax interest distributed by the RTA has been favorably affected by rising sales tax receipts. Payments in 2006 and 2007 are estimated at $0.9 million.

Agency Administration

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The 2006 and 2007 cap allowance is $13.9 million and $14.6 million respectively. The Agency's spending estimates for 2006 and 2007 in the respective amounts of $6.9 million and 7.4 million are significantly below the cap.

Information regarding Agency initiatives and spending for administration, as well as for regional services and coordination programs, regional technical assistance programs and regional technology and Agency capital programs, is summarized below and discussed in more detail in the RTA section.

Regional Services and Coordination Programs

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), *ADA* certification, Reduced Fare certification, and the Customer Service Center. The total budget for these programs in 2007 is $18.2 million, or $0.2 million more than 2006 spending.

Regional Technical Assistance Programs

The RTA supports the growing demand for technical assistance initiatives that encourage transit-oriented improvements in the region. Programs supported include the Regional Technical Assistance Program (RTAP) and regional corridor studies. The budget for 2007 is $6.2 million, an increase of $0.4 million compared to expenditures in 2006 of $5.8 million.

Through partnerships with other state and local agencies, the RTA receives external funds that defray part of the program costs. These programs are discussed in more detail in the RTA section.

Total Debt Service & Capital Expenditures

Total expenditures in 2007 of $217.5 million are projected to decline from the 2006 estimate of $223.4 million. This difference is discussed below.

Principal and Interest

Principal and interest expenditures increase by $4 million from $182.2 million in 2006 to $186.2 million in 2007. The RTA issued the remaining balance of bonds authorized by *Illinois FIRST* in 2006 increasing debt service costs.

Regional Technology and Agency Capital

The 2007 budget continues to fund region-wide capital-driven technology initiatives and Agency programs. Program expenditures include funds for Transit Signal Priority, RTAMS, MMIK, Transit Hub, ATSS expansion, Bus-Info programs, and information system enhancements for the Agency. The budget for 2007 is $7.5 million an increase of $0.2 million compared to expenditures in 2006 of $7.3 million.

Through partnerships with other state and local agencies, the RTA receives external funds that pay some portion of these program costs. The RTA section discusses these initiatives in more detail.

Transfer Capital—Additional Funding for ADA Paratransit

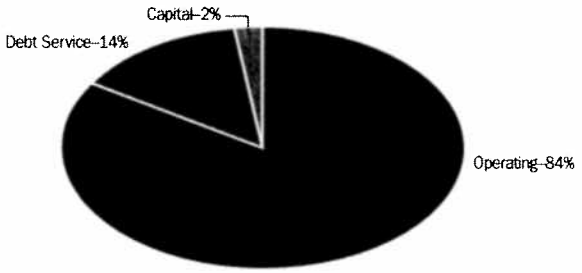
In 2006, the State of Illinois appropriated $54.3 million for *ADA* paratransit services and other costs and services. Of this amount, $42.5 million is used to fund operating expenditures and $11.8 million is appropriated for transfer capital. The $11.8 million is replaced by the transfer of an equal amount of Federal Section 5307 funds for operations. Funds are not appropriated in 2007.

Transfer Capital—RTA Funds

The amount of funds appropriated in 2006 and 2007 are $22.2 million and $23.8 million, respectively. Two funding sources cover this category of expenditure, statutory and RTA discretionary. If the statutory apportionment of sales tax to a Service Board exceeds its operating budget the funds are transferred to its capital program. Statutory transfers in 2007 are not appropriated because sales tax receipts are not expected to be sufficient to cover the operating deficits of the Service Boards. Year-end results may provide funds for Metra, and an amount of $0.7 million is included in the 2006 estimate.

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 funding to the CTA in 2006 for this program was $20.4 million and continues at that level for 2007. In 2006 and 2007, the RTA appropriated funds to assist Pace with the transition costs for *ADA* paratransit service in the respective amounts of $1.2 and $3.4 million.

Exhibit 2-12: **2007 Total RTA Expenditures** — $1,329 million



Total Expenditures

Total RTA expenditures (operating, debt service and capital) for 2007 are budgeted at $1,328.7 million. This amount is 18.3 percent greater than the 2006 estimate of $1,123.4 million. Operating expenditures are 84 percent of total expenditures, debt service is 14 percent, and capital is 2 percent (Exhibit 2-12).

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance. If the amount is below 5 percent, the financial plan must show full replenishment by the end of the current planning cycle.

The percentage is based on total operating expenditures for the year (as shown on Exhibit 2-9). 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 has proved its value as economic growth in recent years has limited the increase of sales tax receipts.

The ending fund balance for 2006 is estimated to be $6.2 million, which is 0.7 percent of the total operating costs. The 2007 budget shows a year-end fund balance of $10.1 million or 0.9 percent of total operating expenditures. The balance at the end of 2009 is $67.4 million or 5.0 percent of total operating costs as shown on Exhibit 3-1 in the RTA section.

Beginning Fund Balance

The beginning balance is the amount of the (General Fund) undesignated and unreserved fund balance after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2005 actual results for the 2006 beginning balance. This amount is $1.7 million.

Change in Fund Balance

Total RTA revenue less total RTA expenditures produce an annual change to the fund balance, when revenue exceeds expenditures, the remainder is added to the fund balance. If expenditures exceed revenue, the fund balance is reduced by the deficit amount. In 2006 and 2007, total revenue is expected to exceed total expenditures by $4.5 million and $3.9 million, respectively.

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 revenue from RTA operations cover at least 50 percent of the system operating cost. 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

Exhibit 2-13: **2007 Capital Program Budget** (dollars in millions)

Service Board (1)	
FTA (Federal) Capital Grants	501
State–IDOT Grants	—
New Transit Funds	49
Service Board/Other Funds	31
RTA Transfer Capital	24
Total Service Board Funding	**605**
CTA Financing and Debt Repayment	95
Total Service Board Capital Program	**700**
Tollway Credits Requested	61
RTA Regional Technology and Capital	7

(1) Service Board: Federal funds (FTA capital grants) require a local match of at least 20 percent. The State has traditionally provided capital funding for matching purposes but the State, at this time, has not provided local matching funds. Tollway credits can be used as local match but they are not spendable funds and using them leaves critical projects underfunded. New Transit Funding for Operations on Exhibit 2-1 excludes capital program funding needs. If additional capital (New Transit) funds are not secured, Metra may need to amend their capital program.

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 statutory calculations of 52.7 percent in 2006 and 50.4 percent in 2007 exceed the mandated 50 percent. A detailed breakdown of this calculation is provided in the RTA section (Exhibit 3-31).

The RTA Act does not require a recovery ratio calculation for the two-year planning period. The 2008 and 2009 financial plans do not include sufficient revenue to offset the level of operating cost increases to produce system-generated revenue recovery ratios of 50 percent. To achieve a 50 percent recovery ratio, a combination of further revenue and/or expenditure service standard enhancements, and/or additional recovery ratio operating expenditure exclusions, such as security and pension, are needed.

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 (Agency) administrative expenditures do not exceed an established statutory cap. *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 adopted budgets that comply with these stipulations.

Capital Program

The capital program marks set by the RTA Board in September include estimated figures that the Service Boards use in their program documents. When final federal appropriations numbers are determined, the RTA Board will consider these changes and any other local funding changes needed to bring the program in balance. The program will then be amended by RTA ordinance to align with the new marks. The five-year capital program of $2.8 billion is based on the funding sources available at this time and discussed in more detail in the Capital section of this document. Funds of $700 million are available for the 2007 capital program (Exhibit 2-13).

Capital Impact on Operations

Capital investments by the three Service Boards are intended to improve public transit service while reducing operating costs. Procurement of replacement vehicles for bus and rail fleets will improve service reliability, while reducing maintenance costs and fuel consumption. Similarly, investments in vehicle overhaul and preventive maintenance programs will reduce service failures and vehicle down time. Rail line expansion and infrastructure improvements will increase passenger capacity and travel speed, as well as improve safety. System-wide improvements, including upgrades in passenger and maintenance facilities, communications and computer equipment, and security systems, will improve employee productivity, operating efficiency and passenger safety.

CTA

Over the next five years, the CTA plans to spend over $141 million on low-floor, fully accessible air-conditioned buses to replace vehicles that entered service in 1991 and 1995. Some of these 40-foot buses will be replaced by heavy duty 30-foot buses that add flexibility for service in areas with narrow streets or extensive on-street parking. Purchase of replacement buses provides both a more reliable fleet and reduces expensive failure-based maintenance and fuel expenditures.

Also over the next five years, the CTA will invest $126 million in its bus vehicle overhaul program. Regular replacement of major mechanical components subject to extensive wear will reduce operating costs and improve service. Bus mid-life overhaul activities of $16.7 million in 2007 and $84.5 million between 2008 and 2011 will improve fleet reliability and reduce expensive breakdown-based repair expenditures. As more buses are overhauled, unscheduled maintenance will be significantly reduced.

The $319 million purchase of new rail cars will allow the CTA to replace vehicles that have been in service for more than 27 years and provide additional cars to meet the service requirements of projects such as the Brown Line capacity expansion. These replacement vehicles will help to lower the CTA's average car age of over 22 years and to reduce the proportion of vehicles that exceed the 25-year FTA standard life of a rapid transit car which now stands at approximately 29 percent at the CTA. The deteriorated condition of these older vehicles is evident from increased service failures and longer repair downtime which results in decreased availability for service.

Between 2007 and 2011, the CTA plans to spend $267 million to rebuild existing rail cars and improve rail car accessibility for customers. Systematic maintenance and upgrading of the fleet reduces operating costs and enhances reliability. The CTA has embarked on an aggressive program to schedule replacement of parts nearing the end of their useful life before they fail in service. Without quarter-life and mid-life overhauls, rail vehicle maintenance costs would be three times the current level averaged over the expected twenty-five year life of each car. Maintenance costs will stabilize as more rail cars are included in the preventive maintenance program.

Replacement and upgrading of signal and power distribution system must be accomplished in order to provide continued safe operation, decrease the possibility of power shutdowns and service disruptions, and eliminate slow zones. Repair of defective track and structure will help maintain safe and reliable service. Replacement of track components and ties will reduce the need to impose slow zones due to their deteriorating condition. Due to the age, usage, and structural condition of several rail stations, replacement or rehabilitation is required in order to maintain acceptable levels of service. Upon completion, these stations will be fully *ADA* compliant.

With a total budget of $530 million, the Brown Line capacity expansion is the CTA's largest capital construction project to date. Extending station platforms at 18 stations to accommodate eight-car trains will increase capacity by up to 33 percent. The Brown Line shares stations with both the Purple and Red lines.

Installation on 435 buses of automatic passenger counters that track where customers board and alight will assist the CTA in determining how best to improve service to meet customer needs.

Metra

The proposed $144 million Union Pacific Northwest (UP-NW) Line expansion project will upgrade the infrastructure, expand service, increase train speed, and lower maintenance costs on this 71-mile line. Extending service from McHenry to Johnsburg will provide access to employment centers and to residents of eastern McHenry and western Lake Counties. Rail yards in Woodstock and Johnsburg and infrastructure improvements along the route will increase reverse commuting options.

The $385 million Union Pacific West (UP-W) Line infrastructure improvements will increase the service capacity, speed, and reliability of the UP-W Line. A continuous three-track route between West Chicago and downtown Chicago, new rail crossovers, upgraded signal systems, and other track improvements will improve flexibility. The replacement and relocation of the A-2 crossing, the busiest rail crossing in northeastern Illinois, will ease bottlenecks and decrease travel times on the UP-W Line and enable Metra to expand daily service from 59 to as many as 80 trains and express service form 20 to as many as 30 trains per day. Restructuring the A-2 crossing will also ease congestion on Metra's BNSF Line.

The proposed $524 million, 33-mile South East Service (SES) Line connecting Will County, south suburban Cook County, and the Chicago Central Business District will stimulate economic development in communities along the south suburban corridor. By relieving automobile congestion, the SES Line will reduce annual construction and maintenance costs of nearby highways by $4 million. Construction of the SES Line is expected to generate 550 jobs, $262 million in wages, and $550 million in Illinois business sales over a ten-year period.

The 55-mile initial segment of the proposed $1.1 billion Suburban Transit Access Route (STAR) Line will link nearly 100 communities in the northwest, west, and southwest suburbs. Creating an inter-suburban transportation grid by connecting with existing rail routes, the STAR Line will attract new riders throughout the RTA transit network with improved access to more than half a million jobs in the Northwest Corridor.

Pace

The $18 million system-wide replacement radio system programmed over five years will reduce operating costs and improve communications coverage. Finding parts for the existing 13-year old system is increasingly difficult.

The $2.6 million continuation funding for the development and purchase of Transit Signal Priority (TSP) systems in major corridors will reduce operating costs and travel times for fixed route service.

Improvements to garages and facilities of $2.5 million include replacements of concrete, fire sprinklers, security systems, overhead doors, and other equipment. Safer and more secure facilities will improve productivity and reduced insurance and claims expenditure.

Purchases of garage tools, office equipment and furniture, and non-revenue vehicles totaling $1.5 million to replace outdated equipment will reduce maintenance and repair expenditures and other operating costs.

Continuation funding of $2.6 million for computer equipment and systems includes the HPe3000 Migration project and Phase I of the Interactive Voice Response (IVR) software. These information technology investments will provide both Pace personnel and passengers more current and accurate information on which to make decisions.

3 RTA Operating Plan

Region Operating Plan

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 plan, and a five-year capital program to meet specific statutory requirements.

This document fulfills the responsibility. Exhibit 3-1 provides a summary of the RTA's statement of revenue and expenditures for 2005-2009. Throughout this document, 2005 is actual data, 2006 is the estimate of year-end results, 2007 is the operating budget, and 2008-2009 is the two-year financial plan.

Revenue

Total revenue is projected to grow from $1.096 million in 2005 to $1.603 million in 2009 (Exhibit 3-1). This is an increase of $507 million over the four-year period, or a 10.0 percent compound annual growth rate.

The RTA Sales Tax is the primary source of revenue for the RTA. In 2005, RTA Sales Tax receipts of $700 million comprised 64 percent of the RTA's total revenue. Public Transportation Funds (PTF), State Financial Assistance (SFA), State Reduced Fare (RF), and other revenue provided the balance of RTA revenue, totaling $396 million, or 36 percent (Exhibit 3-2).

Sales Tax

The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, 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 DuPage, Kane, Lake, McHenry and Will counties. 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 distributes the remaining 85 percent to the Service Boards according to the formula specified in the *RTA Act* (Exhibit 3-3).

Exhibit 3-4 breaks out the 2005 sales tax distribution by Service Board. In 2005, the $700 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 $700 million in 2005 to $794 million in 2009, a compound growth rate of 3.2 percent (Exhibit 3-5).

The 2007 sales tax budget was developed after assessing the state and local economic trends. After reviewing this data, the RTA applied a growth rate of 3.2 percent to its 2006 estimate of $723 million producing revenue of $746 million for the 2007 budget.

From a geographic standpoint, the City of Chicago accounted for 30 percent of the sales tax collected in 2005, suburban Cook 55 percent, and the collar counties 15 percent (Exhibit 3-6).

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 revenue realized from 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 in PTF.

None of the PTF revenue is payable to the RTA until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the *RTA Act*. The amounts that 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 budget.

State Financial Assistance (SFA)

This revenue source is state-authorized assistance to reimburse the debt service expenses for the RTA's 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. The RTA received $111.4 million in 2005 and estimates $119.0 million in 2006, $122.8 million in 2007, $125.2 million in 2008, and $127.5 million in 2009.

Reduced Fare (RF)

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.

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

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

System-Generated Revenue (1)	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Sales Tax	$ 700,395	$ 722,808	$ 745,937	$ 769,807	$ 794,440
Public Transportation Fund	175,668	180,702	186,484	192,452	198,610
State Financial Assistance	111,419	119,001	122,836	125,180	127,500
Reduced Fare Reimbursement	37,127	36,275	36,275	36,275	36,275
Other Revenue	17,196	14,869	14,722	14,400	14,350
New Transit Funding	—	—	144,534	225,748	331,927
Additional Funding for ADA Paratransit	54,252	54,252	81,810	91,627	99,893
Total Revenue	**$ 1,096,057**	**$ 1,127,907**	**$ 1,332,598**	**$ 1,455,489**	**$ 1,602,995**
Operating Expenditures (2)					
RTA Operations Funding to Service Boards	$ 762,412	$ 786,072	$ 811,915	$ 837,880	$ 864,648
RTA Discretionary Funds to Pace	3,000	3,592	4,000	4,000	4,000
New Transit Funding	—	—	144,534	202,103	308,282
Additional State Funding–RTA Discretionary	54,252	42,451	81,810	91,627	99,893
Reduced Fare Reimbursement/Sales Tax Interest	37,900	37,125	37,125	37,125	37,125
Agency Administration	6,379	6,932	7,360	7,596	7,839
Regional Services and Coordination Programs	15,523	18,023	18,248	18,832	19,435
Regional Technical Assistance Programs	4,436	5,804	6,170	6,368	6,571
Total Operating Expenditures	**$ 883,902**	**$ 899,999**	**$ 1,111,162**	**$ 1,205,531**	**$ 1,347,794**
Debt Service and Capital Expenditures (3)					
Principal and Interest	$ 188,211	$ 182,102	$ 186,218	$ 195,157	$ 196,305
Regional Technology and Agency Capital	8,739	7,270	7,499	7,735	7,980
Transfer Capital	27,136	33,992	23,802	20,353	20,353
Total Debt Service and Capital Expenditures	**$ 224,086**	**$ 223,364**	**$ 217,519**	**$ 223,245**	**$ 224,638**
Total Expenditures	**$ 1,107,988**	**$ 1,123,363**	**$ 1,328,681**	**$ 1,428,776**	**$ 1,572,432**
Fund Balance (undesignated/unreserved) (4)					
Beginning Balance	$ 12,507	$ 1,654	$ 6,198	$ 10,115	$ 36,828
Change in Fund Balance	(10,853)	4,544	3,917	26,713	30,563
Ending Balance	**$ 1,654**	**$ 6,198**	**$ 10,115**	**$ 36,828**	**$ 67,391**
Total Operating Expenditures %	0.2	0.7	0.9	3.1	5.0
Recovery Ratio %	**52.6**	**52.7**	**50.4**	N/A	N/A

Notes: (1) The amounts available to the Service Boards for operations in 2007 are predicated on securing additional funding ("New Transit Funding"), and to the extent that such New Transit Funding is not obtained, the Service Boards will have to take actions to balance their operating budgets that may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels, and adjusting fares. In 2006, the State of Illinois appropriated $54.3 million for *ADA* paratransit services and other costs and services. Of this amount, $42.5 million is used to fund operating expenses and $11.8 million is appropriated for Transfer Capital and the $11.8 million is replaced by transfer of Federal 5307 funds. The amount available to Pace for 2007 is predicated on the RTA continuing to receive funding from the State of Illinois or other sources for *ADA* paratransit services and other costs and services and are also predicated on securing additional funds and achieving cost savings, from funding sources and cost efficiencies that may have been identified in the RTA-Pace Memorandum of Understanding entered into in June 2006, or that may be identified by the paratransit plan now being developed by the RTA in cooperation with Pace, CTA and the Illinois Department of Transportation pursuant to Section 2.30(f) of the *RTA Act*. (2) Sales tax interest is $0.9 million. Appropriated Regional Technical Assistance program funds that remain unspent at the end of the year continue to be available for this purpose without subsequent appropriation action. (3) Principal and interest includes reserves/expense reclassifications for debt service/interest. Appropriated Regional Technology and Agency Capital program funds that remain unspent at the end of the year continue to be available for this purpose without subsequent appropriation action. (4) The change in fund balance for 2005 includes program expenditure de-obligations and/or re-obligations incurred during the year.

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 fiscal year funding to $36 million. In 2003, funding was returned to $40 million, less a 2 percent (or $0.8 million) administrative fee. In 2004, the State again reduced its fiscal year reimbursement. The amount was $38 million less a 2 percent administrative fee. As a result, available funds were $37.1 million in 2005 and remain constant at $36.3 million from 2006 through 2009.

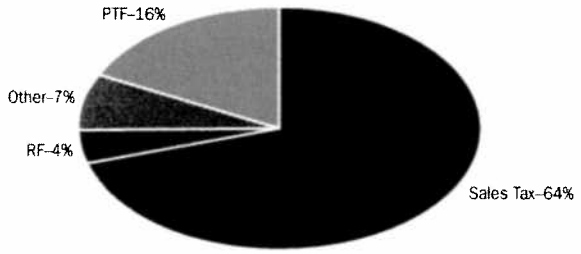
Other Revenue

The other revenue category consists of sales tax interest, investment income, and Agency revenue. Total receipts in 2007 are budgeted at $14.7 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 2007, sales tax interest is budgeted at $0.9 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 RTA financial transaction proceeds. This revenue source is budgeted at $8.4 million for 2007.

Agency revenue of $5.4 million for 2007 includes the fees charged to employers for RTA Transit Checks. These fees offset the costs of administering this program. Also included in Agency revenue is matching funds obtained under

Exhibit 3-2: **2005 RTA Sources of Revenue**— $1,096 million



federal, state and local programs for regional planning, development and new technology efforts.

New Transit Funding

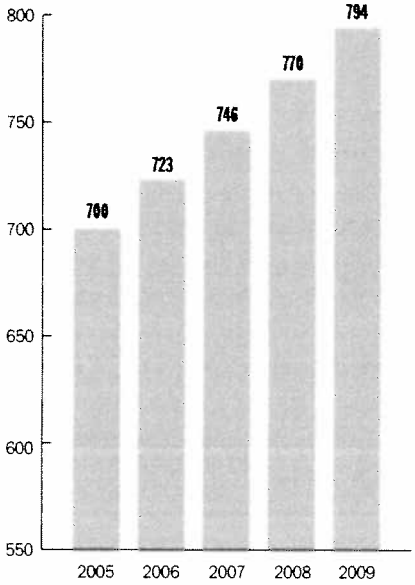
The Service Board budgets and financial plans were prepared with the expectation that New Transit Funding would be made available through upcoming State legislation. However, there is no guarantee that such funds will be forthcoming. In that event, focus must shift to a constrained system which provides fewer service options. Un-appropriated funds totaling $144.5 million balance the Service Boards proposed 2007 budgets.

To balance the two-year financial plan and achieve an unreserved/undesignated RTA fund balance that totals 5 percent of all operating expenditures by the end of the planning period requires New Transit funds of $225.7 million in 2008 and $331.9 million in 2009. The amount of funds that brings the RTA's fund balance to its required level by the end of 2009 totals $47.3 million which is equally divided in the 2008 and 2009 financial plan.

Additional State Funding for ADA Paratransit

In 2005 and 2006, the State of Illinois appropriated additional funds to the RTA for *ADA* paratransit service and other costs and services. The appropriation for each year was $54.3 million. However, growing service demands and increased operating costs have out-paced this level of funding. The 2007 budget and 2008-2009 financial plans were developed envisioning continuance of state appropriations that fully fund the service deficit. Un-appropriated funds in the amount of $81.8 million balance the proposed 2007 budget for *ADA* paratransit service. The amounts needed for 2008 and 2009 are $91.6 million and $99.9 million, respectively.

Exhibit 3-5: **RTA Sales Tax** (dollars in millions)



Operating Expenditures

Exhibit 3-1 provides a summary of the RTA's operating expenditures from 2005 through 2009. Total operating expenditures are projected to grow from $884 million in 2005 to $1.348 million in 2009. This is an increase of $464 million over the four-year period, or a 11.1 percent compound annual growth rate.

Exhibit 3-4: **2005 RTA Sales Tax Distribution by Service Board** — $700 million

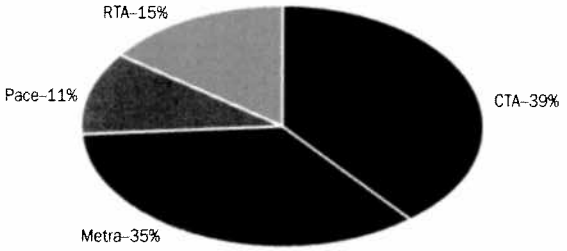
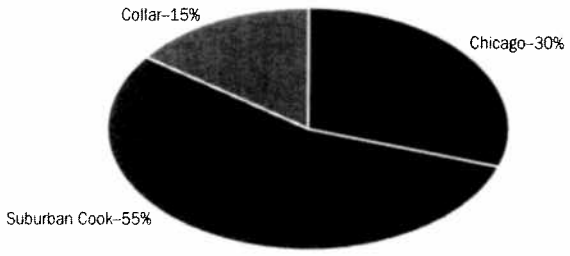


Exhibit 3-3: **RTA Sales Tax Collected** (in percent)

	CTA	Metra	Pace	Total
Chicago	100	0	0	100
Suburban Cook	30	55	15	100
Collar Counties	0	70	30	100

Exhibit 3-6: **2005 RTA Sales Tax Collection by Area** — $700 million

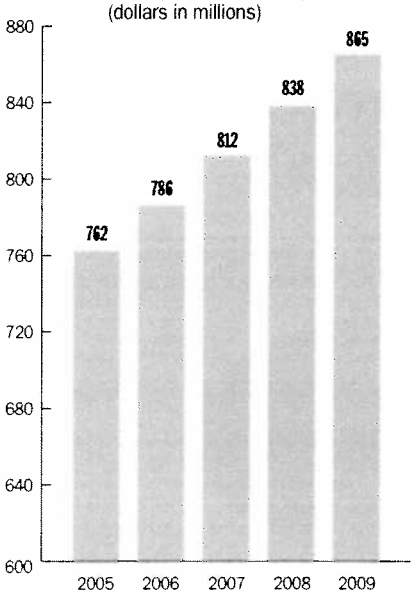


Operations Funding

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 revenue (fare box and other revenue) and system operating expenditures. Exhibit 3-7 presents the operations funding level for the three Service Boards. From 2005 to 2009, Service Board operations funding from the RTA is expected to increase from $762.4 million to $864.6 million. This $102.2 million increase represents a compound annual growth rate of 3.2 percent.

RTA operations funding to the Service Boards from 2007 through 2009 is as follows: The CTA's funding is $470.3 million, $485.4 million, and $500.9 million. Metra's amount during this period is set at $257.4 million, $265.6 million and $274.0 million. For Pace the amounts for the 2007 budget and 2008-2009 financial plan (which do not include *ADA* paratransit service funding) are $84.2 million, $86.9 million and $89.7 million. Total funding for the 2007 budget and 2008-2009 financial plan is provided in the Strategy section (Ordinance 2006-78, Schedule I-B).

Exhibit 3-7: **RTA Operations Funding**
(dollars in millions)



A detailed discussion of each Service Board's revenues and expenditures is provided in the CTA, Metra and Pace sections of this document.

RTA Discretionary Funds to Pace

The RTA continues to facilitate the integration of CTA and Pace fare media by using additional RTA discretionary funds to fund a portion of Pace's cost for providing service to riders using certain CTA passes. The amount of funding appropriated in 2005 and 2006 was $2 million. The 2007 budget and two-year financial plan funds Pace $4 million for this service.

In July 2006, Pace became responsible of all *ADA* paratransit operations in the region. To assist Pace with transition costs the RTA provided Pace with additional funding of $1.0 million in 2005 and $1.6 million in 2006.

New Transit Funding

As discussed earlier, additional funding resources are needed to balance the operating budgets and to maintain, enhance and expand the system to meet changing service needs across the region. The Service Board 2007 budgets and two-year financial plans were prepared with the expectation that New Transit Funding would be made available during upcoming legislative sessions. New Transit Funding in 2007 totaling $144.5 million is used to fund the operating deficits (excluding *ADA* paratransit service) of the Service Boards. This amount increases to $202.1 million in 2008 and to $308.3 million in 2009.

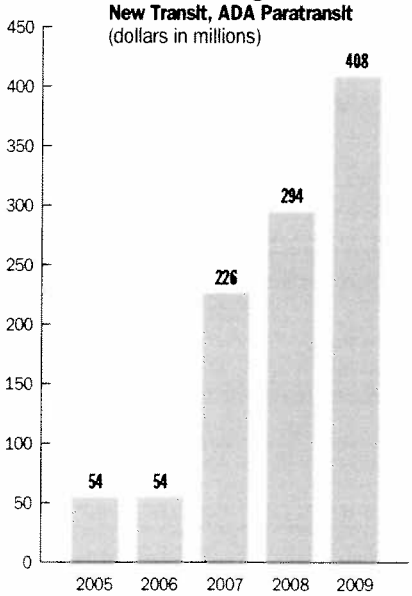
Additional State Funding–RTA Discretionary

As previously discussed, the State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for *ADA* paratransit service and other costs and services in 2005 and 2006. In 2005, the CTA received the full appropriation. In 2006, the CTA and Pace shared the appropriation because Pace became responsible for all *ADA* paratransit service in the region beginning July 1, 2006. Although not yet appropriated by the State, Pace's 2007 budget and two-year financial plan deficits were funded with the expectation that the State will fully fund this service. The amount of funds needed to balance the *ADA* paratransit service budget from 2007 through 2009 is $81.8 million, $91.6 million and $99.9 million, respectively. Exhibit 3-8 illustrates the combined amount of New Transit and *ADA* paratransit funds required to balance Service Board operations from 2005 through 2009. Combined funding from New Transit sources and for *ADA* paratransit service increases from $54 million in 2005 to $408 million in 2009 (Exhibit 3-8).

Reduced Fare and Sales Tax Interest

State reduced fare reimbursements are received as revenue by the RTA and flow directly to the Service Boards to help defray program costs. The reimbursement level of $36.3 million from 2006 through 2009 is not expected to fully cover the cost of this program. In 2005, the State's Reimbursement was $37.1 million.

Exhibit 3-8: **Additional Funding Needs—New Transit, ADA Paratransit**
(dollars in millions)



There is a lag between when the State collects the RTA Sales Tax and when the State transfers it to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of the interest to the Service Boards according to the same formula used for sales tax distribution. In 2006, the estimate for sales tax interest is $0.9 million and is projected to remain flat from 2007 through 2009. The amount in 2005 was $0.8 million.

Agency Expenditures

Spending for Agency administration, regional services and coordination programs, and regional technical assistance programs is summarized below and discussed further in the Agency portion of this section. Agency capital expenditures for regional technology programs and internal needs are summarized later in this section.

Agency Administration

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The 2006 cap allowance is $13.9 million. The Agency administration estimate in 2006 of $6.9 million is less than 50 percent of the cap. The cap allowance in 2007 is $14.6 million, and Agency spending of $7.4 million is significantly less than this amount, and this trend continues through the 2009 planning period.

Regional Services and Coordination Programs

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), *ADA* certification, Reduced Fare Certification, and the Customer Service Center. The budget for 2007 is $18.2 million. An increase of $0.2 million over the 2006 estimate. Expenses are projected to grow to $19.4 million in 2009.

Regional Technical Assistance Programs

The RTA supports the growing demand for technical assistance initiatives that encourage transit-oriented improvements in the region. Programs supported include the Regional Technical Assistance Program (RTAP) and regional corridor studies.

In partnership with other state and local agencies, the RTA receives external funds that defray part of the program costs. Estimated receipts of $1.6 million in 2006 cover program expenditures of $6.2 million with the remaining $4.4 million provided by the RTA. In 2007, the RTA budget shows expenditures of $6.4 million offset by $2.4 million in other revenue leaving a balance of $3.8 million funded by the RTA.

Debt Service and Capital Expenditures

Exhibit 3-1 provides a summary of the RTA's debt service and capital expenditures from 2005-2009. Total expenditures in this category are projected to grow from $224.1 million in 2005 to $224.6 million in 2009.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures from 2005 through 2009. Payments increase from $188.2 million in 2005 to $196.3 million in 2009. The RTA issued the remaining balance of bonds authorized by the *Illinois First* program in 2006, thereby increasing debt service costs. Projected State Financial Assistance (SFA) for the SCIP bond program helps defray about 62 percent of debt service cost. Additional bond information is provided at the end of this section.

Regional Technology and Agency Capital

The 2007 budget continues the RTA's commitment to region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies which help support these efforts. Program costs are projected at $5.1 million and are offset by state and local funds of $1.6 million. At the end of the year, any funds that have not been spent are reserved.

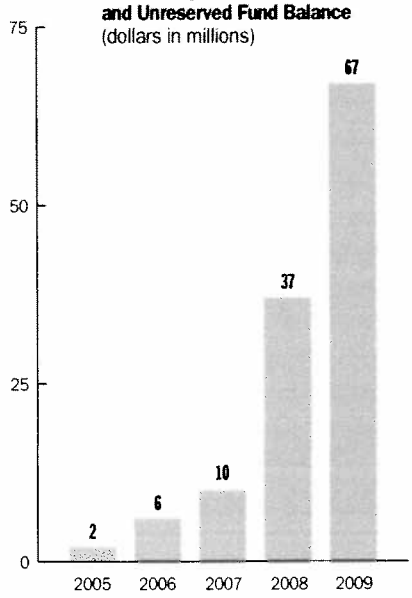
Included in this category are expenditures for the Agency's capital needs. The amount remains constant throughout the 2007-2009 planning period. These annual funds, which total $2.4 million per year, are used to enhance various information technology programs and leasehold improvements.

Transfer Capital

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The statutory apportionment of sales tax to a Service Board can exceed its operating marks. When this occurs, the Service Board transfers these statutory funds to its capital program.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. From 1995 through 1997, the program was funded at an annual level of $11 million. 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 and increased to $20.4 million in 2000 and remains at this level through the 2009 planning period. In 2005, total transfer capital was $27.1 million. In 2006, total transfer capital is $34.0 million. The CTA and Pace receive RTA discretionary funds of $32.2 and $1.2 million, respectively. Metra's statutory portion, based on current sales tax trends, could reach 0.7 million.

Exhibit 3-9: **RTA Ending Unobligated and Unreserved Fund Balance** (dollars in millions)



For 2007,the total transfer capital is $23.8 million allocated to CTA in the amount of $20.4 million and Pace $3.4 million. From 2008 through 2009, the amount of $20.4 million is RTA discretionary funds to the CTA.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. From 2005 through 2009, these expenses are projected to increase from $1.1 billion to $1.6 billion. This represents a compound growth rate of 9.2 percent.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent of total 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.

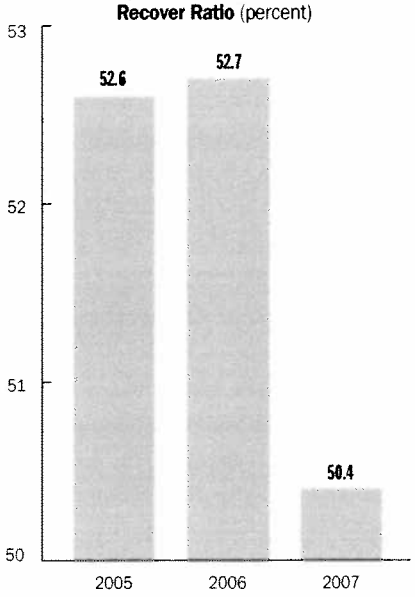
The RTA Board manages the expenditure of funds to arrive at a planned balance of unreserved and undesignated funds. The 2005 ending balance was $1.7 million. The estimated ending balance for 2006 is $6.2 million. The ending balances for the 2007 budget and two-year financial plan (2008 to 2009) are $10.1 million, $36.8 million, and $67.4 million, respectively (Exhibit 3-9). The unreserved and undesignated fund balance for the planning period meets the policy requirements by achieving a balance of 5.0 percent in 2009. Fund balance policy details are outlined at the Strategy section.

The ending balance is determined by increasing or decreasing the beginning fund balance by the annual difference between revenue and expenditures and the de-obligation and/or re-obligation of certain program funds.

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 2004 actual results of $12.5 million as the 2005 beginning balance.

Exhibit 3-10: **System-Generated Revenue Recover Ratio** (percent)



Change In Fund Balance

Total RTA revenue less total RTA expenditures produces a change to the fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. The 2006 projection indicates a surplus amount of $4.5 million. From 2007 through 2009, revenue is estimated to exceed expenditures and increase the unreserved fund balance to 5.0 percent of total operating expenses by the end of the 2009. Changes in revenue over expenditures, other financing use, and capital grant expenditures on a GAAP versus budgetary basis are reconciled at the end of each year. The 2005 year-end reconciliations resulted in a change to the fund balance of $10.9 million (Exhibit 3-29).

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 revenue from RTA operations cover at least 50 percent of the system operating cost. The RTA's system-generated revenue recovery ratio in 2005 was 52.6 percent. This statutory calculation computes to more than 2.6 percentage points above the mandated 50 percent. The ratio is estimated to be 52.7 percent in 2006 and 50.4 percent in 2007.

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/lease-back transactions, and the 1989 Metra fare increase

which has been restricted for capital investment. Beginning in 2005, this revenue source is included in Metra's recovery ratio calculation. A detailed breakout of this calculation is provided in Exhibit 3-31 at the end of this section.

2006 Budget Versus 2006 Estimate

Total RTA revenue of $1,127.9 million is projected to be $3.6 million more than the 2006 budget of $1,124.3 million. Sales tax and associated PTF revenues are expected to be $3.6 million more than plan due to the recovering economic environment (Exhibit 3-11).

Total operations expenditures of $900 million are projected to be on par with budget.

Capital Program

At the present time, the 2007-2011 capital program funding marks total $2.8 billion. When federal, state or local appropriation figures change, the Service Boards' capital programs may not match the program marks.

When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital section of this publication.

Exhibit 3-11: **RTA 2006 Statement of Revenues and Expenditures General and Agency Fund** (dollars in thousands)

Revenue	2006 Budget	2006 Estimate	Change
Sales Tax	$ 719,900	$ 722,808	$ 2,908
Public Transportation Fund	179,975	180,702	727
State Financial Assistance	119,001	119,001	—
Reduced Fare	36,275	36,275	—
Additional State Funding for ADA Paratransit	54,252	54,252	—
Other Revenue	14,869	14,869	—
Total Revenue	**$ 1,124,272**	**$ 1,127,907**	**$ 3,635**
Operating Expenditures			
Operations Funding	$ 786,072	$ 786,072	—
RTA Discretionary Funds to Pace	3,592	3,592	—
Additional State Funding–RTA Discretionary	42,451	42,451	—
Reduced Fare	36,275	36,275	—
Sales Tax Interest	850	850	—
Agency Administration	6,697	6,932	235
Regional Services and Coordination Program	18,090	18,023	(67)
Regional Technical Assistance and Coordination	5,986	5,804	(182)
Total Operating Expenditures	**$ 900,013**	**$ 899,999**	**$ (14)**
Debt Service and Capital Expenditures			
Principal and Interest	$ 180,401	$ 182,102	$ 1,701
Regional Technology & Agency Programs	7,270	7,270	—
Transfer Capital–Additional Funding for ADA Paratransit	11,801	11,801	—
Transfer Capital	21,507	22,191	684
Total Debt Service and Capital Expenditures	**$ 220,979**	**$ 223,364**	**$ 2,385**
Total Expenditures	**$ 1,120,992**	**$ 1,123,363**	**$ 2,371**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 1,654	$ 1,654	—
Change in Fund Balance	3,280	4,544	1,264
Ending Balance	**$ 4,934**	**$ 6,198**	**$ 1,264**
% of Total Operating Expenditures	**0.5**	**0.7**	**0.1**

Agency Operating Plan

Budget and Financial Plan by Category

The Agency budget and financial plan (Exhibit 3-12) encompasses four primary categories: Agency administration, regional services and coordination programs, regional technical assistance programs, and regional technology and Agency capital programs. Expenditures in 2005 totaling $35.1 million are expected to increase to $41.8 million by the end of the 2009 planning period, an annual growth rate of 4.5 percent. Combined Administrative and Capital program spending for the Agency increases 1.1 percent, while combined regional services and coordination programs and regional technical assistance programs spending increases 6.8 percent, as the Agency enhances efforts to coordinate and improve the region's public transit system.

The Agency's budget for 2007 is $39.3 million. Nineteen percent is for Agency administration, 46 percent is used for regional services and coordination programs, 16 percent covers regional technical assistance programs, and 19 percent is for regional technology and Agency programs (Exhibit 3-13).

Agency Administration

Agency administrative expenditures of $6.4 million in 2005 are expected to increase at an annual rate of 5.3 percent through 2009 producing costs of $7.8 million. Expenditures in 2007 of $7.4 million are 6.2 percent higher then the 2006 estimate.

Seventy-five percent of Agency administrative costs are for salaries and fringe benefits. Sixteen percent is used to cover office costs for rent, utilities, supplies, postage, equipment leases, telephone, and maintenance. Audit fees are 7 percent and the 2 percent balance covers other costs such as professional memberships and publications.

Fringe benefit expenditures, which are 46 percent of salaries, have been primarily affected by rising group life and medical insurance premiums and pension plan expenses in recent years. Seventy percent of fringe benefit expenditures are insurance and pension plan payments. The remaining 30 percent is primarily used to cover employer payroll taxes.

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The 2007 cap allowance is $14.6 million. Agency spending of $7.4 million is well below the cap.

Regional Services and Coordination Programs

Expenditures for regional services and coordination programs were $15.5 million in 2005 and are projected to close just under budget in 2006 at $18.0 million. During the 2007-2009 planning period, expenditures are expected to average $18.8 million. Cost estimates for the 2007 budget are $18.2 million, apportioned by category as follows: salaries and fringes 26 percent, office services 12 percent, regional services and coordination programs 62 percent.

The split of regional services and coordination programs expenditure is as follows: Regional management costs totaling 35 percent are divided between regional service and coordination programs. Eighteen percent of the funds are used for region-wide coordination programs that work to increase ridership and system awareness, and 47 percent is for defined regional service programs (e.g. Travel Information Center, *Americans with Disabilities Act*, Reduced Fare, Customer Service Center and Transit Check). These Regional Services programs are discussed later in the section.

Regional Technical Assistance Programs

Regional technical assistance programs serve the entire region. Major program initiatives include: Strategic Planning, the Regional Technical Assistance Program (RTAP) and the Regional Transit Coordination Plan (RTCP). Program details are outlined later on in the section.

Through joint efforts with other state and local agencies, the RTA is able to offset a portion of a program's funding requirement with revenue from these entities. Receipts are posted as revenue in the general fund and are included in the "other revenue" line item figure shown on Exhibit 3-1.

Program costs in 2005 were $4.4 million and are projected to be $6.2 million in 2007. Reimbursements from state and local agencies, which cover 39 percent of total program costs, lower RTA's funding contribution. The state and local contribution projected in 2007 is $2.4 million leaving a net annual use of RTA funds of $3.8 million. At year-end, any unspent funds are reserved to cover the needs of longer-term projects.

Exhibit 3-12: **Agency Expenditures by Category** (dollars in thousands)

	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Agency Administration	$ 6,379	$ 6,932	$ 7,360	$ 7,596	$ 7,839
Regional Services and Coordination Programs	15,523	18,023	18,248	18,832	19,435
Regional Technical Assistance Programs	4,436	5,804	6,170	6,368	6,571
Regional Technology and Agency Programs	8,739	7,270	7,499	7,735	7,980
Total Expenditures	**$ 35,077**	**$ 38,029**	**$ 39,278**	**$ 40,531**	**$ 41,826**

Regional Technology and Agency Programs

Included in this category are expenditures for the Agency's capital needs. These annual funds, which total $2.4 million in 2007, are primarily set aside for leasehold improvements and finance and administrative system enhancements.

Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies and therefore receive funding, which reduces the RTA contribution. Program costs are projected to be $5.1 million in 2007 and are offset by state and local funds of $1.6 million. At the end of the year, any funds that have not been spent are reserved to cover the needs of longer-term projects. Major program initiatives are discussed later in this section.

Budget and Financial Plan by Functional Group

Agency functional groupings include Managing Services, Finance and Administration, Regional Services and Strategic Plan and Regional Programs. The Strategic Plan and Regional Programs area is subdivided into regional management, non-capital technical assistance programs, and capitalized technology programs. Exhibit 3-14 identifies the organizations and programs associated with each functional group. Exhibit 3-15 provides annual cost comparison for each group, and Exhibit 3-16 identifies the distribution by group of the 2007 budget.

Exhibit 3-13: **Agency Expenditures by Category** — $39.3 million

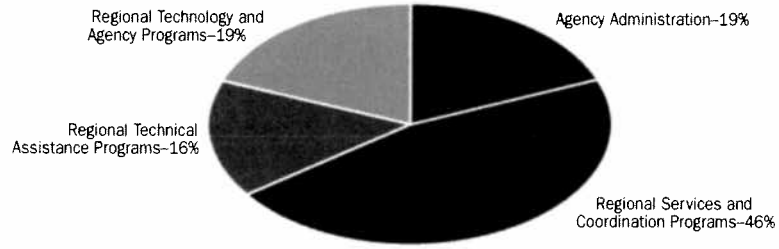


Exhibit 3-14: **2007 Agency Functional Groups**

Groups	Organizations and Programs
Managing Services	Board of Directors, Executive Director, Secretary to the Authority, Legal and Governmental Affairs, Research, Analysis and Policy Development, Communications.
Finance and Administration	Administrative Services: Human Resources, Information Technology and Procurement and Contracting; Finance: Financial Planning and Analysis, Controller, Audit and Review, Treasurer, Financial Development—Grants and Capital Program.
Regional Services	Regional Services Management, Travel Information Center, Americans with Disabilities Act, Reduced Fare, Customer Service Center, Transit Check.
Strategic Plan and Regional Programs	Corridor Studies, Regional Technical Assistant Program, Regional Transit Coordination Plan, Rail Safety Oversight, Project Management Oversight, Regional Transit Asset Management Systems, Intelligent Transportation System, Job Access Reverse Commute, Strategic Planning, Planning and Program Management.

Exhibit 3-15: **Agency Expenditure by Group** (dollars in thousands)

	Actual 2005	Estimate 2006	Budget 2007	Plan 2008	Plan 2009
Managing Services	$ 3,312	$ 4,614	$ 4,786	$ 4,939	$ 5,097
Finance and Administration	4,289	4,895	6,847	7,066	7,292
Regional Services	12,180	11,798	12,998	13,413	13,842
Strategic Plan and Regional Programs	15,296	16,723	14,648	14,814	14,985
Agency Total	**$ 35,077**	**$ 38,029**	**$ 39,278**	**$ 40,231**	**$ 41,215**

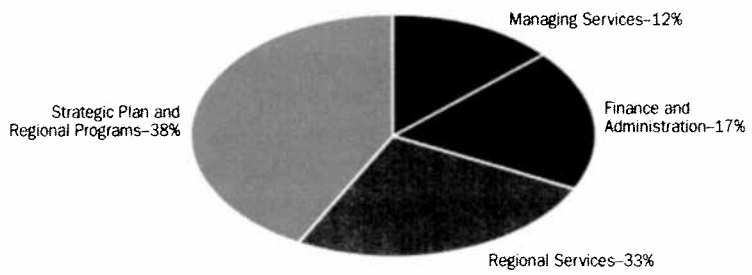
Managing Services

The Managing Services category includes the Agency's executive office, legal and governmental affairs, research, analysis, and policy development and communications functions. Managing Services expenditures are expected to average $4.9 million during the three-year 2007-2009 planning cycle. The change in cost compared to prior years primarily reflects this groups' emphasis on strategic planning, regional coordination and unified approaches for increased capital and operating funding at the federal, state and local levels.

Executive Office

The executive office includes the RTA Board of Directors, the RTA Executive Director and the Secretary to the Authority. The Executive Director executes the policy decisions of the Board and staffs the Agency to carry out its statutory mission. The Secretary of the Authority provides support functions to the Board by working with staff to ensure that the Board is supplied with the information and materials necessary to fulfill its statutory role. The Secretary also maintains the official records of the RTA Board and ensures compliance with the *Freedom of Information Act* and the *Open Meetings Act*.

Exhibit 3-16: **Agency Expenditures by Group**— $39.3 million



Legal and Governmental Affairs

The General Counsel ensures statutory and regulatory compliance, manages litigation, reviews all legal documents, manages the Joint Self-Insurance Fund (JSIF) and oversees the Agency's Equal Employment Opportunity and Disadvantaged Business Enterprise programs and compliance with applicable civil rights laws.

This division also oversees the Agency's governmental affairs functions. Governmental Affairs works with federal, state, and local governments, and with legislative consultants to address industry and regional concerns. Governmental Affairs also works on legislative issues with industry trade organizations such as the American Public Transit Association (APTA) and the Illinois Public Transit Association (IPTA).

In 2006, Governmental Affairs helped facilitate the Agency's participation in State activities as the Illinois Legislature continues to focus on public transportation issues, and the group worked to pursue the region's interests as *SAFETEA-LU* is implemented.

The RTA's legislative agenda for 2007 has two primary related components: *SAFETEA-LU* and FY 2007 and 2008 appropriations. RTA's primary issues in the *SAFETEA-LU* reauthorization debate include funding levels, criteria for New Start projects and the allocation of the Rail Modernization formula funds.

In 2007, the Legal and Governmental Affairs Department will continue to work with legislative offices on particular matters of concern to that office, work with the members of the Northeastern Illinois State delegation on transit issues, and work to secure State funding for capital investment and operations.

Research, Analysis and Policy Development

This new position will be responsible for ensuring that RTA staff has the finance, administrative and operations information needed to support the RTA in achieving a cost effective, cost efficient, and service effective seamless transit system.

Communications and External Affairs

The Communications Department manages the RTA's internal and external production of reports, speeches, presentations, videos, radio advertising, publications and promotional materials to publicize the Agency's programs and initiatives. The department also leads the Agency's public/media relations, external affairs and marketing initiatives.

In 2006, Communications worked primarily to create and distribute materials for the Agency's *Moving Beyond Congestion* Strategic Plan. The department also worked with the Service Boards to update the RTA System map. In addition, staff played the primary role in a regional effort to give commuters driving alternatives through the launch of the Drive Less. Live More public awareness campaign.

In 2007, staff will continue to promote the Moving Beyond Congestion Strategic Plan through various communications materials, press conferences and community outreach activities. Staff will also work to revamp the Agency's web site. Additionally, Communications will seek collaborative marketing opportunities with the Service Boards.

Finance and Administration

Finance and Administration includes the Agency's finance, human resources and administrative service functions. Expenditures are expected to average about $7.1 million from 2007 through 2009. The change from the 2006 projected expenditure is primarily attributable to general inflation of 3.2 percent, the Agency's financial information system upgrade of $1.1 million and leasehold improvements of $0.5 million that are part of the Agency's capital program.

Finance

The Finance Department executes the Agency's funding and oversight responsibilities outlined in the *RTA Act*. The Department works to maintain financial stability in the region and ensures the Agency, the CTA, Metra, and Pace execute their statutory requirements for fiscal responsibility.

The Finance Department's divisions are Financial Planning and Analysis, Controller, Audit and Review, Treasury, Financial Development, and Grants and Capital Program.

The Financial Planning and Analysis division is responsible for the development of the annual operating budget and 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. In 2006, the division earned the Government Finance Officers Association (GFOA) distinguished bud-

get presentation award (the highest recognition in government budgeting) for the tenth consecutive year.

The Controller division is responsible for all RTA accounting functions, including monthly financial statements, annual reports, audit coordination, and grant accounting. Reporting covers the RTA entity (including "single audit"), the statutorily required combined RTA, CTA, Metra, and Pace presentation, RTA pension plan, and joint self-insurance fund. The division received a certificate of excellence in financial reporting (the highest recognition in government accounting) from GFOA for its Comprehensive Annual Financial Report (CAFR), its twelfth consecutive award.

Audit and Review examines agency-wide activities and functions. Operations deemed to have higher risk receive annual or more frequent reviews. Functions with less risk are examined on a rotational basis. The division also performs grant-related audits at the service boards. The RTA consistently receives a clean ("unqualified") opinion from its external auditors with no audit exceptions. In addition, the division performed a complete review of RTA internal controls similar to that required in the private sector by the Sarbanes-Oxley legislation.

The Treasury division's responsibilities include cash management, short-term and long-term financing, investments, debt service, banking relations, accounts payable, payroll, and service board funding.

The Financial Development and Grants and Capital Program division is responsible for the management of capital program grants as well as related ongoing analysis and status reporting. The division also manages federal, state, and local funding activity related to the RTA's planning initiatives

The Finance Department has worked to enhance project management through improvements such as electronic exchange of capital project data, systematic monitoring of technology and coordination project spending and funding, and better management reporting.

For 2007, the Finance Department intends to continue the reporting excellence that has enabled it to achieve consistent recognition for the CAFR and budget documents. The department will also continue to pursue the prudent fiscal practices in the management of its bond program that have enabled it to achieve a AA bond rating, which is the highest of any transit agency in the nation.

Administrative Services

The Administrative Services category includes three divisions, Human Resources (HR), Information Technology (IT) and Procurement and Contracting (PC). Responsibilities include recruitment and retention, performance management, benefits and compensation, employee relations, organizational development, technology consulting, help desk support, information systems management, training, purchasing, office supplies and facilities maintenance.

In 2006, HR introduced new benefits and investment options to all RTA employees. IT enhanced information technology security and implemented an online purchasing requisition form.

In 2007, HR will continue to address ways to offer a competitive total compensation package, identify methods to improve the recruitment and selection of qualified, diverse candidates. IT will work with the Communications staff to develop a centralized database of transportation and elected officials. PC will assist in implementing a new DBE program, and work with a purchasing consultant to fully comply with all regulations and to streamline purchasing policies and procedures.

Regional Services

Regional Services includes the following RTA-operated services and programs: Regional Services Management, the RTA Travel Information Center, ADA/Special Services Certification and RTA Certification Helpline; the RTA Reduced Fare program; the RTA Customer Service Center; and the RTA/CTA Transit Benefit program.

Expenditures for this group during the three-year planning cycle are expected to average $13.4 million. Thirteen percent covers regional services management, 49 percent funds the Travel Information Center, 24 percent supports the ADA Paratransit services, 7 percent is used for the Reduced Fare program and Customer Service Center, and 7 percent covers the Transit Check program.

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 5:00 a.m. to 1:00 a.m., 365 days a year, accept close to 14,000 calls each day. The TIC phone number is 836-7000, and is accessible from every area code in the region.

The TIC's call volume of 4.8 million increased by 700 thousand in 2005 compared to 2004. Call volume is projected to be 5.1 million in 2006. The moderate increase in 2006 is attributable to the more popular RTA trip planner web site. The total visits on this site were 4.3 million in 2006.

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. In 2006, the call-capture rate averaged 92.0 percent (Exhibit 3-17).

Exhibit 3-17: **Travel Information Center**

	2002	2003	2004	2005	2006
Calls Accepted (in thousands)	2,931	3,484	4,109	4,800	5,100
Call Capture Rate (%)	96.6	95.6	94.0	93.4	92.2
Average Response Time (seconds)	26	25	31	33	41

Exhibit 3-18: **Transit Check Program**

	2002	2003	2004	2005	2006
Total Face Value (in thousands)	57,592	58,442	57,179	52,810	49,323
Quantity (in thousands)	1,102	1,050	1,013	874	750
New Companies	375	289	186	195	149

Americans with Disabilities Act (ADA) Paratransit Certification

The RTA is responsible for the certification of riders who use special services, also known as *ADA* paratransit. Since July 1, 2006, Pace is responsible for all *ADA* paratransit operations in the region.

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 by 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. Travel trainers train people with disabilities to use fixed route service instead of *ADA* paratransit.

The *ADA* paratransit certification program began operation in 1993 after the passage of the *Americans with Disabilities Act*. Originally a self-certification program, a revised program was implemented in 1999 and became fully operational in 2000. Applicants for *ADA* paratransit services now 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. 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 ensure that applicants being certified for *ADA* paratransit services are truly in need of paratransit.

The number of applications submitted for *ADA* paratransit service decreased by nearly 1,000 in 2006 with 10,100 applications received. At the end of 2006, 40,047 individuals were eligible for paratransit services. For more information about *ADA* paratransit certification, contact the RTA's Certification Helpline at 312-663-HELP (4357/voice) or 312-913-3122 (TTY for the hearing or speech impaired).

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 320,000 reduced fare permits issued in the six-county region.

A reduced fare smart card has been offered since 2000. About 3,000 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. This initiative has been well received by many reduced fare riders.

RTA Customer Service Center

The RTA Customer Service Center, located on the second floor 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 providing customers with 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, and miscellaneous brochures detailing various programs and seasonal services are available to the public. The center also sells CTA passes, transit cards, and Chicago Cards.

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. The program distributes RTA Transit Checks, which are vouchers that are used to purchase transit passes for CTA, Metra, Pace, South Shore Railroad or Vanpool services, as well as CTA fare cards.

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. By exempt-

ing 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. As of January 1, 2007, employers can deduct from employees' salaries up to $110 a month ($1,320 a year) to pay commuting costs.

In an effort to extend 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 employees both RTA Transit Checks and CTA fare cards. In 2005, the program began to offer CTA Chicago Cards for those wishing to purchase CTA monthly passes. The Chicago Card enables participants to take advantage of the ability to automatically add value to the same card each month. The Chicago Card Plus is the CTA's premier electronic farecard that is managed through an online account and is accepted on all CTA rail and bus routes and Pace buses. The Chicago Card Plus cards are mailed to the employees directly.

The program has grown dramatically since the legislative changes initiated in June 1998 under *TEA-21.* In 1998, year-end sales were at just under $9 million. In 2006, total sales were more than $49 million (Exhibit 3-18). 2,057 companies currently participate in the program. The number of new companies and the number of issued transit checks by the RTA decreased in 2006 due to the increased popularity of the Chicago Card Plus, which is offered and administrated only by the CTA.

For more information about the transit benefit program, call 1-800-531-2828 between 7:00 a.m. and 4:00 p.m. weekdays.

Strategic Planning and Regional Programs

This group includes strategic planning and regional program management, planning and program management, regional technical assistance programs, and regional technology.

The Strategic Plan and Regional Programs group oversees the responsibilities of various planning activities. Expenditures for this group during the three-year planning cycle are expected to average $14.8 million. Twenty-four percent covers regional management, 42 percent supports regional technical assistance programs, and 34 percent funds regional technology programs. Additional information for each group is provided in the following sections.

Strategic Planning

Strategic Planning oversees the development and implementation of a Comprehensive Strategic Regional Transportation Plan *(The Moving Beyond Congestion Plan)* for public transit in the region, in cooperation with the CTA, Metra, Pace, counties and municipalities in northeastern Illinois, as well as local and regional planning agencies with assistance from a consulting team. The goal of this effort is to assess the regional transit system's preservation needs and determine how new investments can best improve the region's overall transportation system. The plan will set forth goals objectives and strategies to guide the RTA as it carries out the roles and responsibilities granted to it under the *RTA Act.*

Planning

Planning works to ensure an integrated regional public transit system through planning and coordination initiatives with the region's providers. The planning department develops, coordinates, and oversees regional technical assistance programs and regional technology (capital) programs to achieve this goal.

Regional Technical Assistance Program

Regional technical assistance initiatives include market development efforts such as station area planning and transit-oriented development planning through the Regional Technical Assistance Program (RTAP) and studies to promote and enable better coordination between transit agencies. In addition, funds will be used to develop and manage regional strategies to relieve congestion through corridor studies like the Cook-DuPage Corridor and the Southeast Rail Corridor. The RTA's focus is to help communities evaluate and develop policies and funding mechanisms that will support transit in a specific corridor.

Through RTAP, the RTA provides technical and/or financial assistance to various levels of local government for planning projects that support transit services. RTAP emphasizes a balanced, coordinated, and integrated approach to regional transit planning.

Station Area Plans / Transit-Supportive Land Use

Station area plans and local transit improvement projects, supported through RTAP, allow communities to pursue an integrated approach to transit and land use planning. Station area plans are based on the tenets of transit-supportive development—mixed land uses, higher density residential developments, and pedestrian-friendly environments—and often include complementary improvements and enhancements to the community's transit facilities. Local transit improvement projects focus on transit-supportive land use relative to bus operations or the development of new local transit services, such as reverse-commute oriented shuttle bus services and community circulators.

The RTA's 2007 RTAP program includes the addition of these new station area plans and local transit planning proj-

ects: Addison Advantage Transit Project, Bellwood 25th Avenue Corridor Transit Improvement Plan, Chicago Heights Central Business District Transportation Center Assessment and Circulation Plan, Greater Roseland Red Line Extension Study, Evanston Northeast Transit Coordination Study, Huntley Station Area Plan, Kane County–Randall Road Plan to Improve Access to Bus Service, Lake County Inter/Intra County Paratransit Transportation Study, Lake Forest Comprehensive Transit System Plan, Marengo Station Area Plan, Mount Prospect Public Transportation Study, and the Plainfield STAR Line Transit-Oriented Development District Plan.

County Transit Plans

County transit plans explore demographics and transit service options and support long-range planning. To date, transit plans have been developed through RTAP for DuPage, Kane, Lake and McHenry Counties. As a follow-up to the DuPage Area Transit Plan, the DuPage Mayors and Managers Conference and the city of Naperville are developing service plans for an inaugural set of community circulators. In addition, service was started on a first of its kind Pace connector bus route linking Naperville, Wheaton and the College of DuPage.

Corridor Planning

Corridor studies provide an opportunity for local officials, citizens and regional planning organizations to objectively explore a wide range of possible transportation improvements in large sections of the region that are experiencing mobility problems. The overall goal is to find the most effective and desired solutions that can then be built. Corridor studies also provide a means to update the Regional Transportation Plan.

RTA corridor studies integrate specialized technical analysis with local and regional decision making through a phased study process. A typical RTA corridor study is structured through three successive phases:

- **Travel market analysis**—a research phase to learn about travel patterns, the transportation system and how well it is working. The results are distilled into manageable themes or significant mobility issues.
- **Options feasibility**—a creative phase to look at new multi-modal networks/combinations of potential highway and transit improvements to address mobility issues.
- **Systems alternatives analysis**—determine demand and impact on local and regional systems of different combinations of improvements and different modes/technologies.

In conjunction with the three major study phases, local study components establish land use/community development opportunities, local financing strategies and corridor planning standards for mobility improvements in the corridor. These study elements are typically funded through the RTAP and led directly by local municipal sponsors.

The RTA is currently undertaking the Cook-DuPage Corridor study in partnership with the Illinois Department of Transportation to examine potential major transportation system improvements to meet pressing mobility needs in the western suburbs of Chicago. The first phase of study—the travel market analysis—identified critical mobility needs of the corridor. A broad range of improvement options, including proposals from the Regional Transportation Plan, are being developed and evaluated – leading to the selection of a preferred alternative. Elsewhere in our region, the North Shore Corridor study is undertaking a travel market analysis to explore the potential need for intermediate stations on the CTA Skokie Swift, and extension of the line to serve existing and emerging travel markets.

The RTA will lead a major multi-modal corridor study to identify the most effective and desired transportation investments to improve mobility in the southwest quadrant of the region – focusing on the Metra Heritage Corridor.

As part of these efforts, the RTA is working with local communities to develop corridor planning standards so that local values and perspectives are included in the planning and design of transportation improvements. Corridor Planning Standards is something new to our region and is akin to context sensitivity in the planning rather than design phase of project development.

The 52 communities of the Cook-DuPage Corridor have been working closely together to establish their own collective vision, goals, values and preferences for the corridor transportation system and its integration with their towns. Their Corridor Planning Standards will help ensure potential transportation solutions enhance community vitality, local character and values, and will provide a valuable framework for transportation investment decisions. These standards will subsequently be customized by other towns for application throughout the region.

Regional Transit Coordination Plan

The RTA emphasizes coordination and interconnection of the regional transit system through the Regional Transit Coordination Program (RTCP). The RTCP is a multi-year program to enhance regional mobility, with a goal of seamless travel on public transportation. In cooperation with the CTA, Metra and Pace, and other local planning entities, the RTCP addresses the four principal elements of transit coordination—information coordination, physical coordination, service coordination and fare coordination.

Information Coordination

Information coordination improves signs, maps and schedules to allow transit riders to confidently use the entire system, including transferring between transit modes. Improvements under development in 2007 include new products such as way-finding signs and local area maps for interagency transfer locations and a system-wide rail-to-rail transfer map. Existing information products, such as route maps and schedules, will also be refined to better indicate transfer opportunities. The RTA has obtained a federal CMAQ grant to develop standards for and implement prototypes of new and refined information products related to interagency travel. These products will be demonstrated at five key interagency locations in 2008.

Physical Coordination

Physical coordination addresses the relative ease of transferring between modes operated by the CTA, Metra, and Pace. Existing transit connections at approximately 300 locations throughout the region already serve most travel markets to some extent. The RTA has assessed opportunities for physical improvements at priority transfer locations that either have high rates of transfer activity, or provide critical local or regional connections. Through RTAP, various municipalities are exploring specific coordination improvements with RTA assistance.

Service Coordination

Service coordination explores options to better connect regional travel markets with components of the existing transit system. Cost effective ways to improve regional mobility include the use of buses between activity centers and nearby rail stations to serve both reverse commuters and suburb-to-suburb travel. Such improvements are typically developed through RTAP projects involving a combination of local agencies and the region's transit operators.

Fare Coordination

Fare coordination makes it easier for transit customers to pay for travel on different parts of the RTA system with a single transaction or fare instrument. Potential benefits of improved fare coordination include passenger convenience and enhanced operations. The RTA continues to work with the CTA, Metra and Pace to explore approaches for a universal fare card. The exploration of improvements is considering the cost of implementing and managing fare coordination relative to the benefits received.

Job Access Reverse Commute and New Freedom Programs

The *Safe, Accountable, Flexible, Efficient Transportation Equity Act-A Legacy for Users (SAFETEA-LU)* legislation continues the JARC program and introduces the New Freedom program under a formula funding agreement. The goal of the JARC program is to improve access to transportation services to employment and employment related activities for welfare recipients and eligible low-income individuals. The New Freedom program aims to provide additional tools for persons with disabilities to overcome existing barriers in accessing the work force. New Freedom projects must be "new" and "beyond" those required by the *Americans with Disabilities Act of 1990 (ADA)* and must assist individuals with disabilities.

The RTA is the locally designated recipient of JARC and New Freedom formula funds in northeastern Illinois. In this capacity the RTA acts both as a grantee and a grantor of designated funds on behalf of sub-recipients which in 2007 include the CTA, Metra, Pace, and DuPage County. As the designated recipient of JARC and New Freedom funds, the RTA initiated a collaborative planning process with the Chicago Area Transportation Study, the Service Boards, and region-wide stakeholders to identify projects for the 2006 program that would be implemented in 2007.

Projects developed through this collaborative planning process support the goals of the JARC and New Freedom programs. The program of projects adopted by the RTA Board of Directors include two countywide centralized call centers for improved paratransit efficiencies, new reverse express bus service to major regional employment centers, a reverse early morning commuter train to meet suburban start times along the Union Pacific North Line, a program to support 24/7 work trips for individuals with disabilities in DuPage County, and the enhancement of service on two CTA routes that serve Westside neighborhoods of the City of Chicago. These projects total over $5.1 million in JARC and New Freedom funding requests.

Regional Technology/Capital Programs

Regional technology funds are investment in technologies that seek to improve transit service and operational efficiency, and to enhance the customer's transit experience. Improvements include RTAMobile.com, Parking Management Guidance Systems (PMGS), Transit Signal Priority (TSP), Multi-Modal Trip Planning System (MMTPS) and the Regional Transportation Asset Management System (RTAMS)

Exhibit 3-19: **Agency 2006 Budget Versus 2006 Estimate** (dollars in thousands)

Expenditures by Category	Budget	2006 Estimate	Variance
Agency Administration	$ 6,697	$ 6,932	$ (235)
Regional Services and Coordination Programs	18,091	18,023	68
Regional Technical Assistance Programs	5,986	5,804	182
Regional Technology and Agency Programs	7,270	7,270	—
Total Expenditures	**$ 38,044**	**$ 38,029**	**$ 15**

Exhibit 3-20: **Agency Budgeted Positions**

	2005	2006	2007	2008	2009
Administration	41.2	43.2	45.2	45.2	45.2
Regional Management	49.0	53.6	54.3	54.3	54.3
Total	**90.2**	**96.8**	**99.5**	**99.5**	**99.5**
Board	12.0	12.0	12.0	12.0	12.0

Regional Transit Intelligent Transportation Systems Plan

The RTA established the Regional Transit Intelligent Transportation Systems (ITS) Program as a foundation for the coordinated development of technology solutions to traditional transit problems. The program ensures compliance with the regional and national ITS architectures and standards as required by the U.S. Department of Transportation (USDOT). Proven and promising ITS technologies can improve mobility and decrease congestion by facilitating information-sharing between transit and highway agencies, as well as police, fire, and emergency services. Benefits include operational efficiencies, service improvements, improved incident management, and expanded trip-planning options. As part of the RTA's program, a number of technologies are being evaluated and implemented to achieve the functional vision of the Illinois Transit Hub.

Illinois Transit Hub

The Illinois Transit Hub (ITH) is an internal and external communication system that centrally collects and distributes regional transit information. The transit hub utilizes technologies from vehicle location, scheduling and incident management systems implemented by the transit operators. The ITH facilitates dissemination of information through a variety of media.

Regional Transportation Asset Management System

The Regional Transportation Asset Management System (RTAMS) was developed by the RTA to improve access to, and the coordination of, the tremendous amount of transportation data gathered by the RTA and its Service Boards. Through RTAMS, users can quickly retrieve and cross-reference a wide variety of information about the northeastern Illinois transportation system. In addition to Service Board data, RTAMS content has been significantly expanded through partnerships with other agencies such as the Illinois and Chicago Departments of Transportation, the Illinois State Toll Highway Authority (ISTHA), the Illinois Commerce Commission (ICC), the Chicago Metropolitan Agency for Planning (CMAP), the Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC).

Traveler Information

The RTA launched RTAMobile.com, which provides wireless access to transit travel information via web-enabled cell phones and PDAs. The site provides access to the RTA's web based trip planner with enhanced functionality that includes bus and rail schedules.

The RTA and project partners have developed a kiosk information system that combines destination information from the Chicago Convention and Tourism Bureau with trip planning and transit information. Kiosks are accessible to the public at various locations, including the Chicago Cultural Center, Navy Pier, Shedd Aquarium, Palmer House Hilton, Union Station, Metra Randolph Street Station, and Midway Airport. The RTA is expanding the program to include sites in the suburbs with cooperation from Pace.

A tool providing enhanced trip planning options that include integrated ITH content, traffic information on highways and tollways, and dynamic mapping capabilities is under development by the RTA in conjunction with the Federal Transit Administration.

Operational Efficiency

Parking Management Guidance Systems (PMGS) provide real-time information about parking availability for transit facilities. Through the use of vehicle detection technologies, parking information and route guidance will be displayed on electronic variable message signs located on major arterials and expressways. A PMGS field demonstration is underway for the Tinley Park/Hickory Creek corridor of the Metra Rock Island District line.

Service Improvements

Transit Signal Priority (TSP) is a tool that can improve transit operating efficiency while complementing the region's ongoing efforts to reduce traffic congestion. TSP strategies move in-service transit vehicles, either buses or streetcars, through traffic signal-controlled intersections with significantly less queuing and delay, and minimal impacts on pedestrian safety and general purpose traffic.

The RTA has established a Regional TSP Integration Plan that includes both transit and traffic elements for a multi-jurisdictional system. The operational impacts of TSP were evaluated on various transit routes and roadway segments using a simulation model. Through RTAP, the RTA is coordinating TSP field deployments for the CTA and Pace. The TSP network being deployed will facilitate the Bus Rapid Transit (BRT) network of the future.

2006 Budget Versus 2006 Estimate

The total Agency expenditures of $38.0 million are expected to be close to budget for the year (Exhibit 3-19). The unfavorable variance in Agency Administration is mostly due to higher than budgeted office space taxes and increased professional services for pension plan consulting and annual audit fees. Favorable variances in Regional Services and Coordination Programs and Regional Technical Assistance Programs are attributed to programs that did not materialize as early as expected.

Organizational Structure

Budgeted positions for the Agency are summarized in Exhibit 3-20. The current organizational chart is presented in Exhibit 3-21. Budgeted positions in 2007 are 99.5 compared to last year's figure of 96.8. The increase from 2006 to 2007 includes a new director's position (Director, Research Analysis and Policy Development), a new position in the controller division, and transferring a part-time position to full-time in the Strategic Planning and Regional Services department. The RTA Board committee structure is unchanged and detailed in Exhibit 3-22.

Exhibit 3-21: **Agency Organization Chart—Summary by Operating Division**

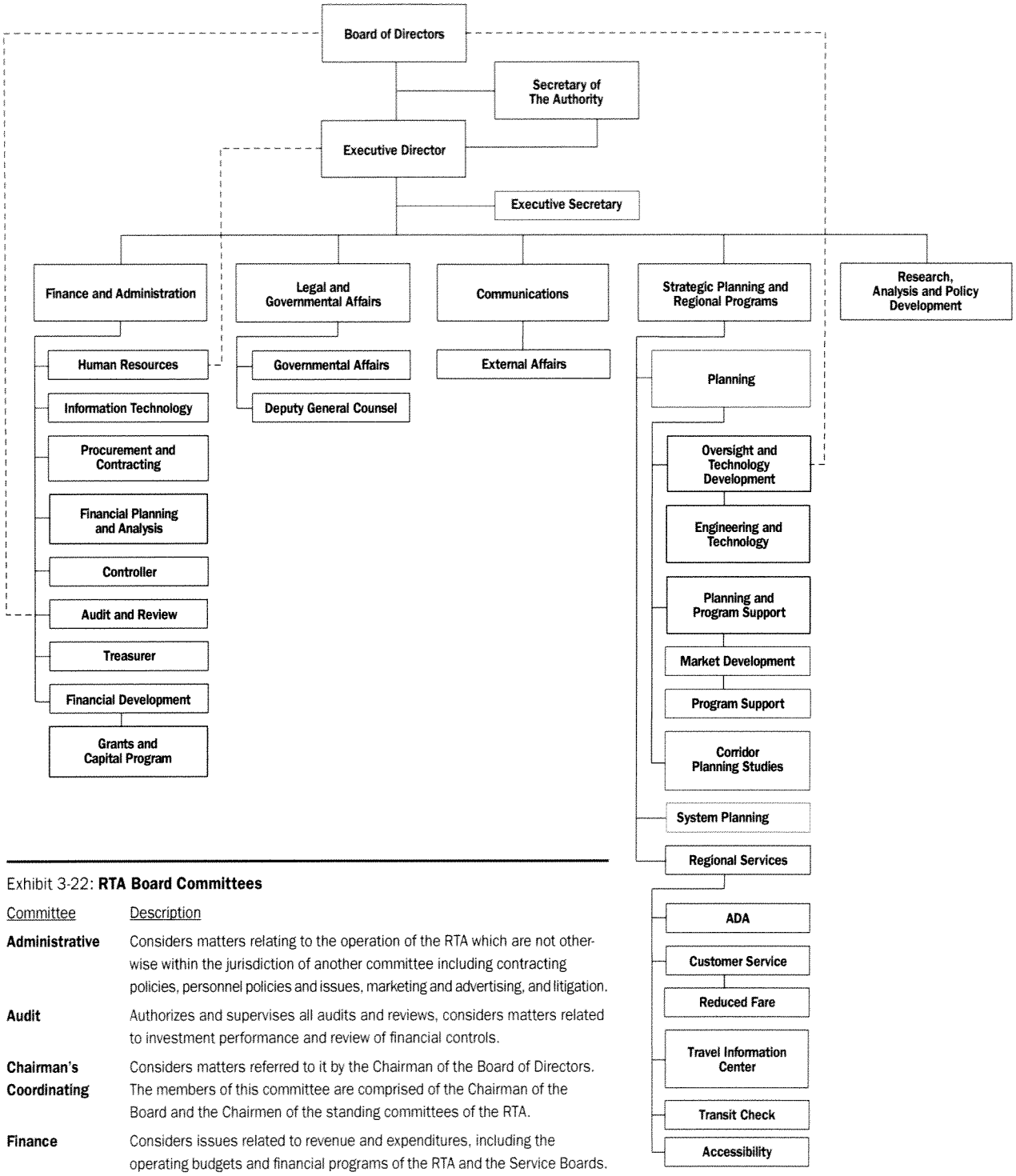


Exhibit 3-22: **RTA Board Committees**

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 revenue and expenditures, 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.

Reference

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 $2,156.2 million as of December 31, 2005, are divided into two types: $1,425.5 million in Strategic Capital Improvement Program (SCIP) bonds and $730.7 million in RTA bonds (Exhibit 3-23 and Exhibit 3-24).

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 financial statements.

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 financial statements.

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 financial statements.

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 financial statements. 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

Exhibit 3-23: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	January 1, 2005	New Issues	Retirements	December 31,2005
1990A	$ 60,795	—	—	$ 60,795
1991A	55,745	—	—	55,745
1992A* and 1992B	57,365	—	5,220	52,145
1994A* and 1994B	28,720	—	4,325	24,395
1994C* and 1994D	73,595	—	3,505	70,090
1996 Refunding	146,770	—	146,770	—
1997 Refunding	84,045	—	4,190	79,855
1999 Refunding*	291,310	—	670	290,640
2000A*	248,515	—	4,245	244,270
2001A*	95,600	—	1,610	93,990
2001B Refunding*	35,880	—	1,410	34,470
2002A*	155,435	—	2,430	153,005
2002B	182,380	—	9,125	173,255
2003A*	259,450	—	4,010	255,440
2003B	150,000	—	2,355	147,645
2003C Refunding	16,310	—	2,995	13,315
2004A*	260,000	—	1,010	258,990
2005B Refunding	—	148,110	—	148,110
Total	**$ 2,201,915**	**$ 148,110**	**$ 193,870**	**$ 2,156,155**

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

Exhibit 3-24: **RTA Debt Outstanding** (dollars in thousands)

	As of December 31, 2005	As of December 31, 2006
RTA Non-SCIP Debt Cap	$ 800,000	$ 800,000
Authorized But Unissued RTA Debt	69,335	94,865
Total Non-SCIP (RTA) Principal Outstanding	730,665	705,135
Total SCIP Principal Outstanding	1,425,490	1,646,260
Total Debt Outstanding	**$ 2,156,155**	**$ 2,351,395**

Series 1993A by issuing Series 2001B. As a result, the refunded bonds have been removed from the financial statements. 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 generating resources for all future debt service payments. The second issue was a $260 million SCIP bond offering on April 1. On the same day, 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 from the financial statements. 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.

On October 13, 2004, the RTA issued one bond offering (Series 2004A) for $260 million in SCIP bonds. The Series 2004A bonds are also secured by the Series 2004A debt service reserve account.

On May 2, 2005, the RTA issued $148,110,000 of general obligation bonds (2005B) to defease the remaining balance of the 1996 refunding. As a result, the 1996 refunding bonds have been removed from the financial statement.

Exhibit 3-25: **1996–2005 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Service Requirement
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
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840

Exhibit 3-26: **Recent Bond Projects with Project-to-Date Expenditures** (dollars in thousands)

2003 B	CTA	Purchase a Minimum of 426 Replacement Buses	$ 8,442
2003 B	CTA	Provide for Program Management	2,054
2003 B	CTA	Rehabilitate Dan Ryan Branch of Red Line	1,182
2003 B	CTA	Replace/Upgrade Power Distribution and Signal Systems	1,392
2003 B	Metra	Acquire Land for New Start Projects	2,621
2003 B	Metra	Replace HVAC System at Metra Headquarters	430
2003 B	Metra	Extend and Upgrade Southwest Service	204
2003 B	Metra	Expand and Upgrade North Central Service	154
2003 B	Pace	Purchase/Install Enterprise Resource Planning System	482
2003 B	Pace	Purchase Associated Capital Items	219
		Total	$ **17,180**
2004 A	CTA	Purchase a Minimum of 426 Replacement Buses	19,055
2004 A	CTA	Reconstruct Howard Station-Red Line	6,463
2004 A	CTA	Replace Flange Angles- North Main and Brown Lines	5,420
2004 A	CTA	Perform Bus Mid-Life and Life Extending Overhauls	3,122
2004 A	CTA	Perform Rail Car Overhaul and Life Extending Rehabilitation	3,030
2004 A	CTA	Replace/Upgrade Power Distribution and Signal Systems	2,733
2004 A	CTA	Rehabilitate Purple Line Viaducts and Retaining Walls	1,122
2004 A	Metra	Purchase a Minimum of 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars	32,921
2004 A	Metra	Purchase a Minimum of 300 New Accessible Bi-Level Commuter Cars	8,555
2004 A	Pace	Purchase 26 30 Foot Fixed Route Buses	1,148
2004 A	Pace	Improve Garages and Facilities	206
2004 A	Pace	Purchase Associated Capital Items	184
		Total	$ **83,959**
2006 A	CTA	Replace/Upgrade Power Distribution and Signal Systems	1,771
2006 A	CTA	Purchase a Minimum of 426 Replacement Buses	1,194
2006 A	CTA	Implement Maintenance Shop Management Information System	1,146
2006 A	CTA	Perform Bus Mid-Life and Life Extending Overhauls	1,074
2006 A	Metra	Purchase a Minimum of 26 Accessible Bi-Level Electric Multi-Unit Commuter Cars	1,536
2006 A	Metra	Replace 22 Bridges- UPR North Line	1,996
2006 A	Metra	Rehabilitate up to 20 Bi-Level Commuter Cars	944
		Total	$ **9,661**

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 3-25), 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

Exhibit 3-27: **RTA 2005 Combined Fund Statement of Revenue and Expenditures by Fund** (dollars in millions)

Revenue	General	Agency	Debt	Capital	JSIF	Pension	Combined
Sales Tax	$ 105.1	$ 595.3	—	—	—	—	$ 700.4
Public Transportation Funds	175.7	—	—	—	—	—	175.7
State Financial Assistance	111.4	—	—	—	—	—	111.4
Operating Assistance–CTA	54.3	—	—	—	—	—	54.3
Reduced Fare Reimbursements	—	37.1	—	—	—	—	37.1
Other Revenue	16.3	0.8	9.2	—	1.0	4.6	31.9
Pension Contribution	—	—	—	—	—	6.8	6.8
Total Revenue	**$ 462.8**	**$ 633.2**	**$ 9.2**	—	**$ 1.0**	**$ 11.4**	**$ 1,117.6**
Expenditures							
Operations Funding	$ 168.1	$ 595.3	—	—	—	—	$ 763.4
Sales Tax Interest to Service Boards	—	0.8	—	—	—	—	0.8
Reduced Fare Reimbursements	—	37.1	—	—	—	—	37.1
Agency Operations	27.6	—	—	—	4.6	5.7	37.9
Capital Grants	27.1	—	—	251.7	—	—	278.8
CTA Operating Assistance Grant	54.3	—	—	—	—	—	54.3
Debt Service Operating Transfer	162.2	—	(170.6)	—	—	—	(8.4)
Joint Self-Insurance	—	—	—	—	—	—	0.0
Principal and Interest Bondholder Payment	—	—	178.4	—	—	—	178.4
Debt Issuance Costs	—	—	—	8.5	—	—	8.5
Other	—	—	—	—	—	—	—
Total Expenditures	**$ 439.3**	**$ 633.2**	**$ 7.8**	**$ 260.2**	**$ 4.6**	**$ 5.7**	**$ 1,350.8**
Revenue Less Expenditures (1)	**$ 23.5**	—	**$ 1.4**	**(260.2)**	**$ (3.6)**	**$ 5.7**	**$ (233.2)**
Fund Balance Beginning of the Year	**$ 71.5**	—	**$ 64.6**	**$ 502.5**	**$ 39.6**	**$ 95.2**	**$ 773.4**
Fund Balance End of the Year (2)	**$ 95.0**	—	**$ 66.0**	**$ 242.3**	**$ 36.0**	**$ 100.9**	**$ 540.2**

(1) Reconciliation of budgetary basis to GAAP basis provided on Exhibit 3-29 (total adjustments). (2) Before reserves and designations. General fund reserves and designation totalled $93.4 in 2005, leaving an unreserved/undesignated fund balance of $1.6 million.

efficient manner. Exhibit 3-26 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, revenue and expenditures or expenditures, 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.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 3-27).

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 3-1 shows the balance in the General Fund from 2005 through 2009. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 3-28 highlights the 2007 budget for these funds.

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. The 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. These amounts have been issued.

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.

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 revenue is recorded in the fund and are equally offset by expenditures recording the pass through to the Service Boards.

Exhibit 3-28: **RTA Statement of Revenue and Expenditures 2007 Budget by Fund** (dollars in thousands)

Revenue	General Fund	Agency Fund	Total Budget
Sales Tax	$ 111,891	$ 634,046	$ 745,937
Public Transportation Fund (PTF)	186,484	—	186,484
State Financial Assistance (SFA)	122,836	—	122,836
Reduced Fare (RF)	—	36,275	36,275
Other Revenue	13,872	850	14,722
Subtotal	435,083	671,171	1,106,254
New Transit Funding	144,534	—	144,534
Additional State Funding	81,810	—	81,810
Subtotal	226,344	—	226,344
Total Revenue	**$ 661,427**	**$ 671,171**	**$ 1,332,598**
Operating Expenditures			
RTA Operations Funding to Service Boards	$ 177,869	$ 634,046	$ 811,915
RTA Discretionary Funds for Passes	4,000	—	4,000
Additional Funding for ADA Paratransit	81,810	—	81,810
New Transit Funding	144,534	—	144,534
Reduced Fare	—	36,275	36,275
Sales Tax Interest	—	850	850
Agency Administration	7,360	—	7,360
Regional Services and Coordination Programs	18,248	—	18,248
Regional Technical Assistance Programs	6,170	—	6,170
Total Operating Expenditures	**$ 439,991**	**$ 671,171**	**$ 1,111,162**
Debt Service and Capital Expenditures			
Principal and Interest	$ 186,218	—	$ 186,218
Regional Technology and Agency Programs	7,499	—	7,499
Transfer Capital–CTA	20,353	—	20,353
Transfer Capital–Pace	3,449	—	3,449
Total Debt Service and Capital Expenditures	**$ 217,519**	—	**$ 217,519**
Total Expenditures	**$ 657,510**	**$ 671,171**	**$ 1,328,681**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 6,198	—	$ 6,198
Change in Fund Balance	3,917	—	3,917
Ending Balance	**$ 10,115**	—	**$ 10,115**
% of Total Operating Expenditures	—	—	**0.9**

Exhibit 3-29: **2005 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of revenue over expenditures and other financing use-budgetary basis	$ 21,853
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(8,022)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	9,721
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	25
Total Adjustments	1,724
Deficiency of revenue over expenditures and other financing use-GAAP basis	23,577
Net Changes in Reserves	$ (**34,430**)
Net Change in Fund Balance	$ (**10,853**)

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.

Basis of Budgeting

The basis of budgeting refers to the conventions for the recognition of costs and revenue 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.

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 (Exhibit 3-29 and 3-30).

Exhibit 3-30: **RTA 2005 Statement of Revenue and Expenditures General and Agency Fund** (dollars in thousands)

Revenue	2005 Budget	2005 Actual	Change
Sales Tax	$ 697,600	$ 700,395	$ 2,795
Public Transportation Fund	174,400	175,668	1,268
State Financial Assistance	109,186	111,419	2,233
Reduced Fare	37,240	37,127	(113)
Additional State Funding for ADA Paratransit	54,252	54,252	—
Other Revenue	20,941	17,196	(3,745)
Total Revenue	**$ 1,093,619**	**$ 1,096,057**	**$ 2,438**
Operating Expenditures			
Operations Funding	$ 755,493	$ 762,412	$ 6,919
RTA Discretionary Funds for Passes	—	3,000	3,000
Additional State Funding–RTA Discretionary	54,252	54,252	—
Reduced Fare	37,523	37,127	(396)
Sales Tax Interest	—	773	773
Agency Operations	28,741	26,337	(2,404)
Total Operating Expenditures	**$ 876,009**	**$ 883,901**	**$ 7,892**
Debt Service and Capital Expenditures			
Principal and Interest	$ 177,656	$ 188,211	$ 10,555
Regional Technology and Agency Programs	8,739	8,739	—
Metra Transfer Capital	7,152	—	(7,152)
Pace Transfer Capital	6,783	6,783	—
CTA Transfer Capital	20,353	20,353	—
Total Debt Service and Capital Expenditures	**220,683**	**224,086**	**3,403**
Total Expenditures	**$ 1,096,692**	**$ 1,107,987**	**$ 11,295**
Fund Balance (undesignated/unreserved)			
Beginning Balance (1)	$ 12,507	$ 12,507	—
Change in Fund Balance	447	(10,853)	11,300
Ending Balance	**$ 12,954**	**$ 1,654**	**$ 11,300**
% of Total Operating Expenditures	**1.5**	**0.2**	**(1.3)**

(1) Actual 2004 year end results.

Exhibit 3-31: **Recovery Ratio** (dollars in thousands)

CTA	2005 Actual	2006 Estimate	2007 Budget
Operating Revenue	$ 525,804	$ 566,142	$ 560,694
In-Kind Revenue	21,000	22,000	22,000
Total Revenue	**$ 546,804**	**$ 588,142**	**$ 582,694**
Operating Expenditures	1,021,446	1,082,198	1,133,151
In-Kind Expenditures	21,000	22,000	22,000
Less Security Exclusion	(31,221)	(31,000)	(35,334)
Total Expenditures	**$ 1,011,225**	**$ 1,073,198**	**$ 1,119,817**
CTA Recovery Ratio %	**54.1**	**54.8**	**52.0**
Metra			
Operation Revenue	$ 251,702	$ 263,424	$ 274,492
Metra Capital Farebox Revenue	9,392	10,281	10,570
Total Revenue	**$ 261,094**	**$ 273,705**	**$ 285,062**
Operating Expenditures	503,638	529,957	553,986
Less Security Exemption	(13,292)	(14,470)	(17,500)
Less Depreciation Expenditure	(2,709)	(2,706)	(2,706)
Less Transportation Facility Leases	(14,051)	(15,135)	(15,541)
Total Expenditures	**$ 473,586**	**$ 497,646**	**$ 518,239**
Metra Recovery Ratio %	**55.1**	**55.0**	**55.0**
Pace			
Operating Revenue	$ 55,750	$ 56,993	$ 53,433
CCC for Paratransit Service Under Contract	4,750	9,940	—
RTA Discretionary Funds to Pace for Passes	—	—	4,000
In-Kind Revenue	4,693	4,758	4,758
Total Revenue	**$ 65,193**	**$ 71,691**	**$ 62,191**
Operating Expenditures	159,624	204,631	166,124
In-kind Expenditures	4,693	4,758	4,758
Total Expenditures	**$ 164,316**	**$ 209,389**	**$ 170,882**
Pace Recovery Ratio %	**39.7**	**34.2**	**36.4**
System-Generated Revenue Recovery Ratio			
Revenue (1)			
Total Service Board Revenue	$ 873,091	$ 933,538	$ 929,947
CTA Lease Transaction	4,262	4,262	4,262
Agency	16,587	14,869	13,538
Less Pace Pass Revenue	—	—	(4,000)
Total Revenue	**$ 893,939**	**$ 952,669**	**$ 943,747**
Expenditures (2)			
Total Service Board Expenditures	$ 1,649,127	$ 1,836,476	$ 1,808,938
Add back RTA Security Exemption	24,519	25,470	32,834
Agency	25,601	30,773	31,779
Total Expenditures	**$ 1,699,248**	**$ 1,836,476**	**$ 1,873,551**
Recovery Ratio %	**52.6**	**52.7**	**50.4**

(1) Revenue: By policy, the gains made by a Service Board from leasing transactions are restricted for capital investment and therefore excluded from Service Board recovery ratio calculations. However, the receipts are used for the system-generated revenue recovery ratio calculation. Agency reflects investment earnings and grant project credits. (2) Expenditures: The *RTA Act* allows certain expenditures to be excluded from the recovery ratio calculation including security (a base and reduced fare amount), depreciation and facility leases. In addition, 2005 budget Ordinance 2005-06 authorized the exclusion of additional security costs (Security Exemption) from Service Board expenditures. The RTA Security Exemption amount that exceeds *RTA Act* allowances is added back to system-generated expenditures to calculate the System-Generated Revenue Recovery Ratio.

4 CTA Operating Plan

Overview

The Chicago Transit Authority (CTA) was created by the Illinois General Assembly 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 154 bus routes and eight rapid transit routes. The CTA is governed by the seven-member Chicago Transit Board.

Service Characteristics

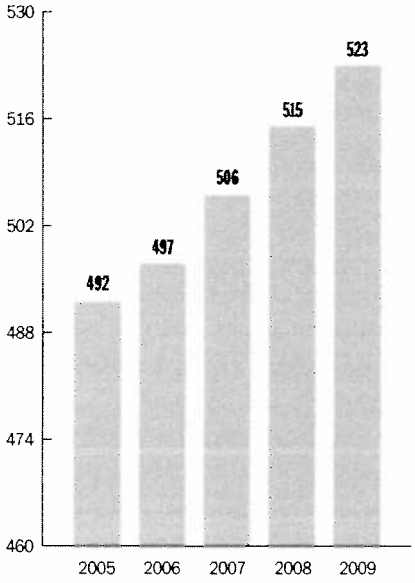
The CTA operates the second largest public transportation system in the U.S. Average weekday ridership on its bus and rail system is 1.6 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

Bus operations provide 2,106 buses traveling over 154 routes covering 2,529 miles, with approximately 11,846 bus stops. Rail service on eight routes has 1,190 train cars traveling over 288 miles of track. The CTA transferred all paratransit service to Pace in July 2006. During the first half of 2006, CTA provided more than 1.2 million rides at a cost of about $26 per ride.

Ridership

Ridership is estimated at 497.4 million trips by the end of 2006 (Exhibit 4-1). This is 5.0 million trips, or 1.0 percent higher than 2005. Both weekday and weekend ridership experienced increased growth primarily attributable to higher gas prices. Bus ridership is forecasted at 299.2 million trips in 2006, which is 4.0 million trips lower, or 1.3 percent lower than 2005. Rail ridership is projected at 197.0 million in 2006 and is higher than the prior year by 10.2 million, or 5.5 percent (Exhibit 4-2). Ridership increases are tied to growing employment, higher gas prices, and bus and rail service improvements designed to speed service and provide greater customer convenience.

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



Average weekday ridership on the CTA is 1.6 million, while Saturday and Sunday average ridership is 951,000 and 653, 000, respectively (Exhibit 4-3). The CTA expects its ridership levels to increase by a compound growth rate of 1.5 percent from 2005 through 2009. Total vehicle miles in 2006 and 2007 are expected to experience small growth over the previous year and then remain flat from 2007 through 2009 (Exhibit 4-4).

Service Quality

The CTA has continued to work at improving bus service and upgrading its bus and rail fleets. The ongoing effort includes purchasing 45 new 30-foot Optima buses that are shorter and narrower than the standard 40-foot buses in the CTA's fleet. Upgrading the bus fleet with these smaller buses allows service to better match ridership in neighborhoods where narrow streets and lower peak ridership call for smaller buses, and to realize cost efficiencies that come from operating smaller vehicles.

The entire bus fleet has been equipped with security cameras since 2003 and the CTA continues to purchase new buses equipped with these cameras. The cameras help to deter vandalism and graffiti, and assist law enforcement in investigating incidents and catch perpetrators. In addition, new rail cars will come equipped with seven security cameras per car.

In May 2006, the Chicago Transit Board approved a contract for the manufacture and purchase of 406 new rail cars, with options that could bring the total purchase to 706 cars. The rail cars will replace the 2200-series Budd cars that were purchased in 1969-70 and the 2400-series Boeing-Vertol cars purchased in 1976-78.

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

	2003	2004	2005	2006	2007
Bus	291.8	294.0	303.2	299.2	301.6
Rail	181.1	178.7	186.8	197.0	204.4
Paratransit/Taxi	1.9	2.2	2.4	1.2	—
Total Ridership	**474.8**	**474.9**	**492.4**	**497.4**	**506.0**

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

	2003	2004	2005	2006	2007
Weekday	1,437	1,426	1,482	1,584	1,603
Saturday	855	870	899	951	972
Sunday	570	582	621	653	652

Exhibit 4-4: **CTA Ridership and Miles** (riders and miles in thousands)

	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Ridership	492,404	497,436	505,944	514,545	523,292
Vehicle Miles	135,733	137,000	137,460	137,460	137,460
Passengers Per Mile	3.6	3.6	3.7	3.7	3.8

Upgraded features such as security cameras, aisle facing seating, and alternating current (AC) traction motor propulsion are included in the specifications.

New Services

In June, the Pink Line made its debut as the CTA's eighth rail line and the first new rail line since the Orange Line opened in October 1993. The new service provides a faster trip for customers from the West Side and near west suburbs to the central business district. The line serves 22 stations and makes all stops along 54th/Cermak branch to Polk station. At Polk, Pink Line trains cross over the Eisenhower Expressway and travel north along the recently renovated connector track above Paulina Street to the Green Line elevated structure along Lake Street. Trains then continue eastbound stopping at Ashland and Clinton stations before proceeding to the Loop where they travel clockwise on the inner track, making stops at all elevated stations before returning to 54th/Cermak on the same route westbound.

As part of service enhancement in the West side and near west suburbs, five new bus routes were created (three express routes and two local routes), four existing bus routes were extended, and routing and schedule improvements were made to four additional bus routes. These service enhancements provide additional transit options to all customers and the surrounding communities, and contribute to continued ridership growth in the region.

Capital Investments

The CTA spent $403 million on capital programs in 2005. The CTA is expected to spend more than $1.0 billion on capital projects in 2006 and 2007, combined (Exhibit 4-5).

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2003	2004	2005	2006	2007
CTA Total Capital Expenditures	$ 484,062	$ 457,699	$ 402,951	$ 579,300	$ 434,697
CTA Bus Vehicles	1,991	2,017	2,033	2,106	2,106
Average Age of Buses (in years)	9.5	8.9	9.4	8.2	9.4
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	20.0	21.0	22.0	23.0	24.0
Bus Routes Offering Lift Service	131	148	150	154	154
ADA Accessible Stations	66	72	72	76	82

The Brown Line Capacity Expansion project of $529.9 million began in 2004 and continued to progress throughout 2006. In August 2006, the fully renovated Kedzie and Rockwell stations were re-opened to customers for service. The station boasts a new glass station houses, new platforms, brighter lighting and accessible features including ramps, tactile edging and accessible gates. The station is also *ADA* accessible which brings the total number of accessible CTA rail stations to 74 out of 144, or 51 percent of the system.

The rehabilitation of the Dan Ryan branch of the Red Line for $283 million will be completed by the end of 2006. The completion will bring more reliable and efficient rapid transit service to the South Side of the city with the construction of two new substations, the installation of new contact rail, and upgrades to two other substations that will boost power to the branch. Improving power reliability and the delivery of that power are the most significant aspects of the project. Currently, the Red Line serves 45,000 customers each day.

Plans for a new downtown transit station also advanced in 2006. The Chicago Transit Board entered into agreements with The Mills Corporation and the City of Chicago to finance and develop a transit center at 108 North State Street, also known as Block 37, and new tunnel track connections between the Red and Blue Line subway routes. Under the development agreement, the CTA would provide direct rail service to Midway and O'Hare Airports with opportunities for service improvements to be phased in as funding becomes available.

Bus System

The CTA's aggressive campaign to upgrade its bus fleet includes a $95 million contract to purchase 265 New Flyer buses which includes 20 diesel electric hybrid buses that are powered by both diesel engines and electric motors. By including 20 hybrid buses, the CTA will be able to evaluate bus performance against Chicago's extreme weather conditions and determine if hybrid buses are suitable additions to the CTA's fleet.

In 2006, the first of 265 40-foot, low-floor, accessible, air conditioned New Flyer buses arrived. The new buses replace existing 5300-series Flxble buses in CTA's fleet which was purchased in 1991. Each New Flyer bus produces 60 percent fewer emissions than the bus it replaces. The new buses are equipped with security cameras, bike racks, air conditioning, automated announcements and wheelchair ramps. An additional feature includes strap hangers for standing customers, a rear door easy-touch feature for exiting, and a new comfortable seat design.

The CTA launched the Bus Tracker pilot in the summer of 2006. The pilot program tracks CTA buses in real time and provides estimated bus arrival times for customers. Global positioning satellite (GPS) technology is used to identify bus locations and provides that information via a dedicated web site www.ctabustracker.com and a bus shelter display.

Currently, the CTA is testing the pilot program on the #20 Madison bus route and one bus shelter located on the westbound on Madison at Jefferson. The pilot is scheduled to end in December 2006. The results of the pilot and the availability of funding will determine whether the Bus Tracker system will be expanded to additional routes.

Rail System

Work continues on the track and signal renewal project at Clark Junction, the busy location where the Brown, Red and Purple Line trains converge just north of Belmont on the city's North Side. On a typical weekday, nearly 1,000 trains pass through the corridor with approximately one train every 50 seconds during rush periods. The upgrade to the 100 year old junction will bring new signals and additional connections between tracks to allow trains use all four tracks and to improve options for operating trains around construction sites, disabled trains or equipment problems.

Construction began in October to replace an aged viaduct on Church Street in Evanston. Located one block north of the Purple Line Davis station, the existing viaduct at Church Street has deteriorated over time with exposure to the elements. Due to its condition, Purple Line trains must reduce speed when crossing the overpass. In addition to replacing the viaduct, the project includes the installation of new abutments, retaining walls, foundations, and new waterproofing and drainage systems.

Delivery of prototype rail cars is expected in 2008. Production of the base order of 206 is expected to begin in 2009 with delivery beginning in 2010. The CTA's most recent purchase of new rail cars was in the 1990s when 3200-series cars were purchased for the opening of the Orange Line, and to replace older cars on the Brown and Yellow Lines.

System-Wide Improvements

The CTA continued to invest in new technology to further improve service and safety. Through technology, the CTA was able to complete the installation of the infrastructure necessary to enhance communication capability in the Red and Blue Line subway system. This past summer, the first commercial wireless provider activated its service in the subway tunnels. Although the main purpose is to improve emergency communications capabilities in the subway, minimally increasing the investment lets riders use their wireless devices enhancing security and convenience. Today, only U.S. Cellular riders are able to use their wireless devices in the subway, however, CTA is working to add service providers to the system.

In 2006, the CTA completed a system-wide fiber optic expansion. The new system allows the CTA to connect security cameras to its Control Center and to the City's 9-1-1 Center. The link between the CTA's Control Center and the City's 9-1-1 Center included in the Office of Emergency Management Communication's larger Homeland Security grid that is designed to expand the use of surveillance cameras throughout Chicago. CTA announced last fall that all 11 stations on the 54th/Cermak branch had been networked and included in the link between the CTA's Control Center and the City's 9-1-1 Center. Today, 464 security cameras at 27 stations are a part of the network. By the end of this year, the CTA will have 1,200 cameras at 45 stations hooked up to the network, and the numbers will continue to increase as all 144 rail stations are connected to the system.

The CTA received recertification of its International Standardization Organization (ISO) 9001:2000 registration. The CTA is one of only two transit agencies in the U.S. to be so certified.

Partnerships

The CTA works to maintain partnerships with many groups. The CTA's efforts to strengthen its relationship with its riders have been illustrated in previous sections. The CTA also works to create partnerships with its workforce, its security agencies and vendors, the mobility impaired, the City of Chicago, and the Illinois General Assembly.

Vendors

The CTA Purchasing Department pursues an aggressive Disadvantaged Business Enterprise (DBE) program to encourage 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 the best prices for the good and services procured. These efforts have saved the CTA several million dollars over the past few years.

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 bus and rail systems. 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 trains for shelter.

Over the past decade, the City of Chicago has provided the CTA $828.5 million in capital improvements. This substantial investment in the CTA's infrastructure includes the Roosevelt Connector project, replacement of the elevated span at Wacker Drive and Wells Street,

the renovated Chicago Avenue station on the Red Line, the elevated Library–State/Van Buren station, and the rehabilitation of the underground transfer tunnel that provides a pedway connection between the Red and Blue Line platforms at Jackson.

In 2007, Chicago Department of Transportation (CDOT) will begin renovation work on the Grand station on the Red Line. The renovation includes mezzanine expansion, platforms with glazed ceramic tile, and vaulted ceiling panels, additional turnstiles, and installation of new exit-only rotogates.

Legislators

State and federal funding has been crucial to the CTA's ability to rebuild its system. Specifically, Chicago Mayor Richard M. Daley, U.S. House Speaker Dennis Hastert, Governor Rod R. Blagojevich, the Illinois Congressional delegation, and the Illinois General Assembly have supported efforts to maintain and improve the infrastructure of CTA bus and rail systems. While federal legislators have made a financial commitment to the future of public transit, state and local legislators must identify the matching funds required to secure the federal funds. In 1999, the State established *Illinois FIRST*, a $12 billion matching program to improve the State's infrastructure, which included $2.1 billion for transit. The CTA received more than $1 billion of *Illinois FIRST* funding over four years for capital improvements to its rail and bus systems.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2007 through 2009, conforms to the marks set by the RTA on September 15, 2006. The CTA's operating funding marks were set at $580.5 million for 2007, $654.9 million for 2008, and $771.9 million for 2009. Funds to balance the budget and two-year financial plan include securing additional funding ("New Transit Funding"). If this additional subsidy is not obtained, the CTA will have to take actions to balance its budget that may include, but are not limited to, transferring federal capital funds to operations and adjusting service levels and fares. The CTA's recovery ratio was set at 52.0 percent for 2007 by the RTA, which the CTA has met. The CTA's statement of revenue and expenditures, which includes the recovery ratio, is presented in Exhibit 4-6. The following section portrays the outlook for the 2007-2009 planning period.

System-Generated Revenue

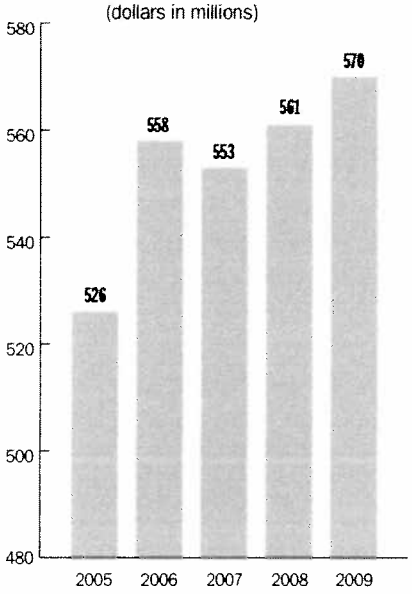
Total system-generated revenue is expected to increase from $526 million in 2005 to $570 million in 2009. This is an increase of $44 million over the four-year period, or an average annual increase of 2.0 percent (Exhibit 4-7). System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue. Passenger revenue comprises 85

Exhibit 4-6: **CTA 2007 Budget and 2008–2009 Financial Plan** (dollars in thousands)

System-Generated Revenue	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Passenger Revenue	$ 417,424	$ 463,808	$ 468,334	$ 475,524	$ 483,398
Reduced Fare Subsidy	31,961	32,000	32,000	32,000	32,000
Other Revenue	76,419	62,334	52,360	53,446	54,582
Total Revenue	**$ 525,804**	**$ 558,142**	**$ 552,694**	**$ 560,970**	**$ 569,980**
Operating Expenditures					
Labor	$ 714,336	$ 769,163	$ 850,322	$ 915,648	$ 1,037,780
Material	71,366	75,337	77,894	79,000	80,000
Fuel	45,788	55,003	61,233	72,000	72,000
Power	22,909	21,582	28,057	29,000	30,000
Insurance and Claims	31,500	53,000	25,000	28,000	28,000
Purchase of Security Services	31,221	31,000	35,334	36,217	37,123
Purchase of Paratransit Services	53,257	27,369	—	—	—
All Other (1)	51,069	49,744	55,301	56,000	57,000
Total Expenditures	**$ 1,021,446**	**$ 1,082,198**	**$ 1,133,151**	**$ 1,215,865**	**$ 1,341,903**
Operating Deficit	**$ 495,642**	**$ 524,056**	**$ 580,457**	**$ 654,895**	**$ 771,923**
Deficit Funding					
RTA Sales Tax	277,210	284,636	295,098	304,469	314,165
RTA Discretionary Funds	164,422	171,128	175,251	180,931	186,768
Additional State Funding–RTA Discretionary	54,252	27,126	—	—	—
Federal Funds	—	41,166	—	—	—
New Transit Funding	—	—	110,108	169,495	270,990
Total Deficit Funding	**$ 495,642**	**$ 524,056**	**$ 580,457**	**$ 654,895**	**$ 771,923**
Recovery Ratio % (2)	**54.1**	**54.8**	**52.0**	N/A	N/A

(1) The budget figure includes a budget adjustment of $108 thousand and lowers costs to achieve the RTA funding marks. (2) Items excluded from expenditures are for security. In-kind revenue and expenditures from the CPD of $22 million are included. Exhibit 3-31 in the RTA section provides the details for this calculation.

Exhibit 4-7: **CTA System-Generated Revenues** (dollars in millions)



percent of the CTA's total operating revenue. The reduced fare subsidy and other revenue account for the remaining 15 percent (Exhibit 4-8).

Passenger Revenue

Passenger revenue is expected to increase from $417 million in 2005 to $483 million by 2009, a $66 million increase or an annual growth rate of 3.7 percent (Exhibit 4-9).

Higher ridership and a fare increase accounts for the projected growth in fare revenue for 2006. It is estimated that an additional 5.0 million trips will be provided, which is a 1.0 percent increase over 2005 ridership. In January 2006, the CTA increased the base fare for cash riders (no transfer allowed) from $1.75 to $2.00 per ride. Fare revenue is estimated at $468.3 million in 2007, which is $4.5 million higher than the 2006 forecast. The CTA fare structure is shown in Exhibit 4-10.

Exhibit 4-8: **2007 CTA Revenue** — $553 million

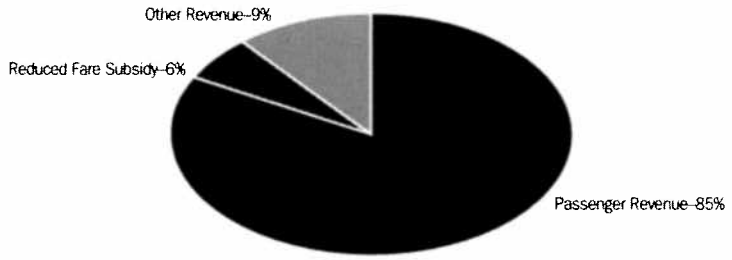


Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2005	2006	2007	2008	2009
Passenger Revenue	$ 417,424	$ 463,808	$ 468,334	$ 475,524	$ 483,398
System Ridership	492,404	497,436	505,944	514,545	523,292
Average Fare	0.85	0.93	0.93	0.92	0.92

Exhibit 4-10: **CTA Fare Structure**

	Full Fare	Reduced Fare (1)
Basic Cash Fare (Bus and Rail)	$ 2.00	$ 1.00
No transfers allowed		
Transit Card (Rail)	$ 2.00	$ 0.85
Chicago Card (Rail)	1.75	None
For every $20 purchase, $22 of value is added to the card		
Chicago Card (Bus)	1.75	None
Transit Card (Bus)	$ 1.75	$ 0.85
University Pass	$ 0.70	None
First Transfer with Fare Card	$ 0.25	$ 0.15
Allows two additional rides within two hours of issue.		
Transfers are valid for travel in reverse direction on the route of issue.		
Transit Card Packs		
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	$ 36.00	None
Sold by Metra; use with Metra monthly ticket.		
Express Surcharge	$ 0.25	$ 0.25
Downtown on bus routes 2, 6, 14 and 147.		
Rush Shuttle Fares	$ 1.00	None
To/From downtown Metra stations during rush hour.		
128 Soldier Field Express	$ 1.00	$ 0.50
154 Wrigley Field Express–per carload	$ 5.00	None

(1) 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.

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. Fare reimbursement is included as revenue and became available in July 1989. In the State's 2007 fiscal year budget, the appropriation for reduced fare for the RTA region is $36.3 million. These funds are distributed to the Service Boards according to the percentage of reduced fare revenue that each has generated. The CTA estimates its share at $32.0 million per year from 2007 through 2009.

Other Revenue

This category includes advertising, charters, concessions, contributions from local governments, investment income, the funding for paratransit services under contract, and other revenue (Exhibit 4-11). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3 million and the County contributes an additional $2 million. Revenue for this category was approximately $76 million in 2005 and is expected at $55 million in 2009. Reasons for this decrease include a loss in the grant revenue that occurred when CTA paratransit operations transferred to Pace in 2006.

Operating Expenditures

Total operating expenditures are forecasted to increase from $1,021 million in 2005 to $1,342 million in 2009. This $321 million increase represents a 7.1 percent compound annual growth rate (Exhibit 4-12).

For 2006, operating expenditures are estimated at $1,082.2 million. This is 5.9 percent higher than 2005 actual expenditures of $1,021.4 million. The increase is due mainly to higher labor and pension costs, fuel, and a provision for damages and litigation.

Budgeted 2007 expenditures of $1,133.2 million are 4.7 percent higher than 2006 projections. The financial projections for 2008 and 2009 show operating expenditures of $1,215.9 million and $1,341.9 million, respectively. The 2008 financial projection represents an increase of 7.3 percent over the 2007 operating budget. The 2009 financial projection represents an increase of 10.4 percent over the 2008 financial plan.

Expenditure Elements

The 2007 operating expenditure elements include labor, material, fuel, power, insurance and claims, security, paratransit services, and other costs. Labor expenditures, including fringe benefits, represent 76 percent of the CTA's total expenditures. 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 expenditures. Fuel and power represent 7 percent of the CTA's expenditures. Security, insurance and claims represent 5 percent of total spending. Other expenditures comprise the remaining 5 percent. The other expenditure category includes items such as lease, utility, and contractual services (Exhibit 4-13).

Exhibit 4-12: **CTA Total Operating Expenditures**
(dollars in millions)

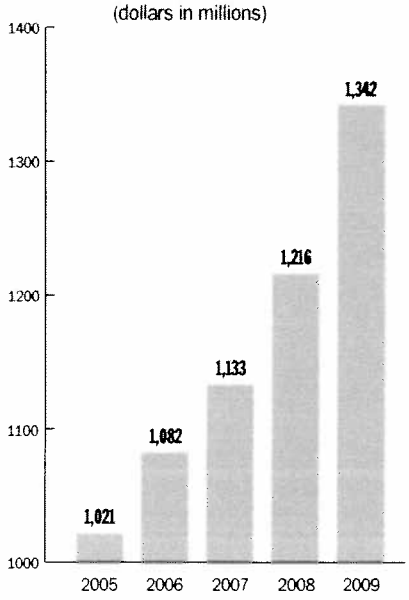


Exhibit 4-11: **All Other Revenue** (dollars in thousands)

All Other Revenue	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Advertising, Charter and Concessions	$ 23,963	$ 24,771	$ 24,990	$ 25,470	$ 25,970
Investment Income	5,432	11,018	12,120	12,726	13,362
Contribution from Local Government Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	42,024	21,545	10,250	10,250	10,250
Total All Other Revenue	**$ 76,419**	**$ 62,334**	**$ 52,360**	**$ 53,446**	**$ 54,582**

Labor Costs

Labor expenditures are expected to increase from $714 million in 2005 to $1,038 million in 2009. This is a $324 million increase, or a 9.8 percent compound annual growth rate (Exhibit 4-14). Labor expenditures for 2006 are estimated at $769.2 million, which is $54.9 million more, or 7.7 percent higher, than in the prior year. This increase is due to the rising costs of health care, workers compensation, and wages. Labor expenditures are forecasted to be $850.3 million in 2007, an in-

Exhibit 4-13: **2007 CTA Operating Expenditures** — $1,133 million

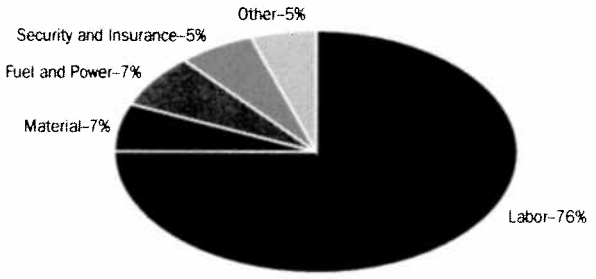


Exhibit 4-14: **CTA Labor Expenditure Growth** (in thousands)

	2005	2006	2007	2008	2009
Labor Expenditure	$ 714,336	$ 769,163	$ 850,332	$ 915,648	$ 1,037,780
% Change from Prior Year	5.0	7.7	10.6	7.7	13.3

crease of $81.1 million or 10.5 percent higher than 2006. This increase is due to higher wages and benefits such as health care, pension, and FICA. Healthcare costs continue to increase at a double-digit growth rate. In addition, the CTA pension plan is severely under funded. With a current funding ratio of 32.0 percent, actuarial projections show that the fund will deplete its assets by 2012 without additional funding and substantial changes to the plan. Changes to the plan require legislative intervention or union agreement. There are no changes in the number of budgeted positions for 2007 (Exhibit 4-15). Overall, labor expenditures of $915.6 million are projected to rise by 7.7 percent in 2008 and then increase to $1,037.8 million in 2009, a 13.3 percent change.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are forecasted at approximately $75.3 million in 2006, $77.9 million in 2007, $79.0 million in 2008, and $80.0 million in 2009. The increase in material expenditures is mainly due to increased prices for petroleum-based products such as tires. To help manage these costs, a Maintenance Management Information System (MMIS) will be implemented. The system will track the life cycle of vehicle parts, warranties and collect other vehicle information that will improve internal management.

Fuel

Assuming 24.2 million gallons at $2.27 per gallon, the CTA estimates fuel expenditures at $55.0 million for 2006 (Exhibit 4-16). The cost per gallon is higher than 2005 actual results.

The CTA forecasts the need for 24.5 million gallons of diesel fuel in the 2007 budget. Due to the uncertainty surrounding energy prices, the CTA estimates that the cost of fuel will be about $2.50 per gallon. The 2008 and 2009 financial projections hold diesel fuel costs at $2.94 per gallon each year.

Power

Electric power expenditures for the rail system are forecasted at $21.6 million in 2006. This change largely reflects service increases throughout the system. Expenditures for power increase by $6.5 million in 2007, higher by $0.9 million in 2008 and higher by $1.0 million in 2009. The $6.5 million or 30 percent increase in 2007 reflects the newly deregulated electricity market in Illinois.

Insurance and Claims

The Provision for Injuries and Damages represents the expenditure for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles.

As shown in Exhibit 4-17, the CTA expects fewer bus and rail accidents per 100,000 miles through 2007. The 2006 forecast is $53.0 million and is $21.5 million more than the prior year. The CTA utilized increased fare revenue to fully fund the reserve for injuries and damages as projected by the 2005 actuarial analysis. The 2007 funding is $25.0 million versus an estimate of $53.0 million for 2006. The higher funding level in 2006 allowed CTA to decrease the annual funding for 2007. In 2008 and 2009, the CTA projects these expenditures to be $28 million.

Purchase of Security Services

Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by the Chicago, Evanston and Oak Park Police departments, the Wells Fargo Guard Service and National K-9 Security.

Exhibit 4-15: **CTA Budgeted Positions**
(in thousands)

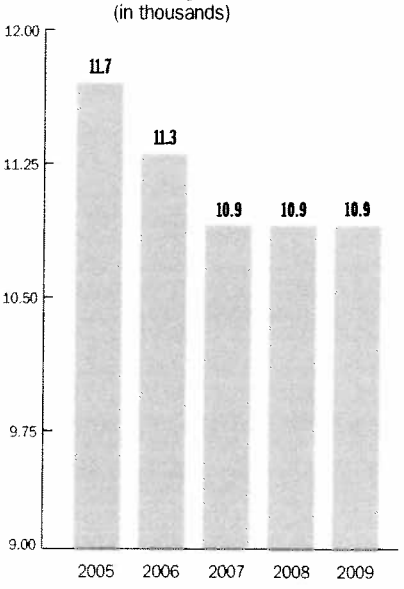


Exhibit 4-16: **CTA Fuel Cost Per Gallon** (cost and gallons in thousands)

	2005	2006	2007	2008	2009
Fuel Cost	$ 45,788	$ 55,003	$ 61,233	$ 72,000	$ 72,000
Gallons	24,517	24,200	24,500	24,500	24,500
Cost per Gallon	$ 1.868	$ 2.273	$ 2.499	$ 2.939	$ 2.939

Exhibit 4-17: **CTA Claims and Safety Statistics** (dollars in thousands)

	2005	2006	2007
Claims	$ 31,500	$ 53,000	$ 25,000
Bus Accidents per 100,000 Miles	6.29	6.20	6.00
Rail Accidents per 100,000 Miles	0.13	0.12	0.11

Expenditures are forecasted at $31.0 million in 2006, which is a slight decrease from prior year (Exhibit 4-18). The 2007 budget is $35.3 million and for 2008 and 2009, security expenditures are expected to increase $0.9 million. These increases are due to the heightened need for security since September 11, and the Madrid and London bombings.

Purchase of Paratransit Services

Until July 1, 2006, the CTA provided door-to-door paratransit service for passengers who are unable to use mainline transit services. This service was provided by three private carriers and various taxi companies. To use this service, a customer must be certified by the RTA. The CTA provided riders with disabilities two types of service: special services and the Taxi Access Program (TAP). Higher demand for the door-to-door service provided by three carriers and by taxicab companies in the CTA's paratransit program continued to increase this expenditure (Exhibit 4-19).

Exhibit 4-18: **CTA Purchase of Security Services** (dollars in millions)

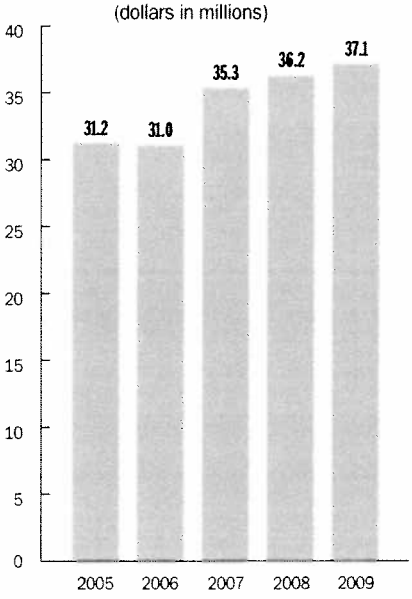


Exhibit 4-19: **CTA Paratransit Cost and Statistics**

	2005	2006
Total Cost of Paratransit Services (in thousands)		
Paratransit	$ 44,928	$ 23,585
Taxi	8,329	3,784
Average Cost per Trip	22.18	22.87
Number of Trips (in thousands)		
Paratransit	1,770	905
Taxi	631	291
Average Cost per Trip by Mode		
Paratransit	$ 25.38	$ 26.06
Taxi	13.20	13.00

Expenditures for paratransit service are projected at $27.4 million in 2006, which is $25.9 million lower than the prior year due to transfer of paratransit services to Pace on July 1, 2006. Therefore, no expenditures are budgeted from 2007 through 2009.

All Other Expenditures

All other expenditures include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2006, $49.7 million is forecasted, which is $1.3 million, or 2.6 percent less than the prior year (Exhibit 4-20).

The 2007 budget is $55.3 million, which is higher than the 2006 estimate by $5.6 million. The increase is primarily due to inflation and increases in contractual services. Expenditures are forecasted to increase from 2007 levels in 2008 and 2009 as a result of inflation, which is also true for 2008 and 2009.

Deficit

System-generated revenue (fares and other revenue) total more than half of the CTA's operating budget, with the remainder (operating deficit) covered by public funding. The operating deficits are derived from total system generated revenue minus total operating expenditures. The deficit for the budget and two-year financial plan is $580 million, $655 million and $772 million, respectively (Exhibit 4-6).

Funding

RTA Sales Tax and RTA discretionary funding represent the major sources of public funds to the CTA and are usually less than half of the CTA's operating budget. The RTA Sales Tax is a primary source of the CTA's operating funding. The RTA retains 15 percent of the sales tax revenue, and distributes the remaining 85 percent to the Service Boards. The CTA receives 100 percent of the RTA Sales Tax collected in Chicago and 30 percent of the sales tax collected in suburban Cook County. RTA discretionary funds for the CTA are expected to range between $164 million and $187 million from 2005 to 2009. Apportionments from the RTA's 15 percent share of the sales tax revenue and the State's public transportation fund (PTF) are the source of the RTA's discretionary funds.

Recovery Ratio

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2007, the CTA recovery ratio is 52.0 percent. The Region section provides the detailed recovery ratio calculation.

The following factors affect the recovery ratio for the 2006 estimate and 2007-2009 plans. First is the inclusion of $22 million of in-kind security services provided by the Chicago Police Department, which is included as both revenue and expenditure in the recovery ratio calculation. Second is the exclusion of additional security expenditures from the recovery ratio beginning in 2006. Finally, expenditures for paratransit are eliminated for 2007, 2008 and 2009 as all paratransit services were transferred to Pace effective July 1, 2006. The CTA's recovery ratio was 54.1 percent in 2005 and is expected to be 55.8 percent in 2006 (Exhibit 4-6).

2006 Budget Versus 2006 Estimate

The CTA expects a balanced budget in 2006.

Revenue

Revenue from fares is forecasted at $463.8 million and compares favorably to the budget by $37.3 million, or 8.7 percent (Exhibit 4-21). The higher fare revenue is due to increased ridership and the January 2006 base fare increase for cash paying customers. The average fare for 2006 is estimated at 93¢ or 5.6 percent higher than budget and is a result of the fare increase for customers paying cash.

The reduced fare subsidy is the State's reimbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. The reduced fare reimbursement is $1.4 million favorable to budget. Ridership for reduced fare customers continues to exceed prior years.

Other revenue is expected to be $6.8 million favorable to plan. The categories listed below reflect this line item.

Contributions from local governments of $5 million are on par with budget. *The RTA Act* requires the City of Chicago to contribute $3 million and Cook County to contribute $2 million annually to the operations of CTA. Revenue from advertising, charter, and concessions is at par with budget.

Investment income is estimated at $11.0 million, which is $6.0 million more or 122.8 percent higher than budget. The CTA benchmarks its investments against the rates for the 90-day Treasury bond. Since the start of the year, interest rates for 90-day Treasury bonds have increased from 3.89 percent to 4.96 percent.

All other revenue is projected at $21.5 million, which is $0.8 million or 3.7 percent higher than budget. This is due to higher rental and parking revenue.

Expenditures

Calendar year 2006 operating expenditures are estimated at $1,082.2 million and are projected to be unfavorable to budget by $45.5 million or 4.4 percent. Expenditures for labor, material, fuel, and injuries and damages are expected to be over budget for the year. This is primarily due to higher energy and commodity prices that impacts the CTA's fuel and material expenditures. In addition, the CTA contributed an additional $20.0 million to the injuries and damages fund to meet the actuarial projection. Power, security, paratransit services and other expenditures are forecasted to finish under budget due to cost containment strategies implemented to ensure that the CTA balanced its budget in 2006.

Labor expenditures are projected at $769.2 million, which is $20.2 million or 2.7 percent above budget. The increase is related to the arbitration award. Wage rate increases under this award, when applied to all union employees, exceed amounts provided in the budget for three year period. Benefits (excluding paid time off) provided to the CTA's employees equal approximately 27 percent of the CTA's labor costs.

Material expenditures are forecasted at $75.3 million, which is higher than budget by $8.2 million. The increase in material expenditures is due to higher energy prices on building materials, vehicle replacement parts and other materials the CTA uses in day-to-day system maintenance.

Fuel expenditures for revenue equipment are expected to be $55.0 million at the end of 2006. This is $7.0 million

Exhibit 4-20: **CTA All Other Expenditures** (dollars in thousands)

All Other Expenditures	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Utilities	$ 20,975	$ 20,891	$ 23,992	$ 24,691	$ 25,691
Advertising and Promotion	2,757	2,331	3,023	3,023	3,023
Contractual Services	37,257	36,597	38,765	38,765	38,765
Leases and Rentals	1,621	2,032	2,042	2,042	2,042
Travel, Training, Seminars and Dues	2,867	2,956	3,111	3,111	3,111
Warranty and Other Credits	(20,523)	(21,121)	(21,781)	(21,781)	(21,781)
General Expenses	6,115	6,058	6,149	6,149	6,149
Total All Other Expenditures	**$ 51,069**	**$ 49,744**	**$ 55,301**	**$ 56,000**	**$ 57,000**

Exhibit 4-21: **CTA 2006 Budget Versus 2006 Estimate** (dollars in thousands)

System-Generated Revenue	2006 Budget	2006 Estimate	Variance
Passenger Revenues	$ 426,522	$ 463,808	$ 37,286
Reduced Fare Subsidy	30,590	32,000	1,410
Other Revenue	55,517	62,334	6,817
Total Revenue	**$ 512,629**	**$ 558,142**	**$ 45,513**
Operating Expenditures			
Labor	$ 748,922	$ 769,163	$ (20,241)
Material	67,088	75,337	(8,249)
Fuel	48,000	55,003	(7,003)
Power	24,526	21,582	2,944
Insurance and Claims	33,000	53,000	(20,000)
Purchase of Security Services	35,335	31,000	4,335
Purchase of Paratransit Services	29,582	27,369	2,213
All Other	50,232	49,744	488
Total Operating Expenditures	**$ 1,036,685**	**$ 1,082,198**	**$ (45,513)**
Operating Deficit	**$ 524,056**	**$ 524,056**	—
Recovery Ratio %	**53.0**	**54.8**	**1.8** pts.

or 14.6 percent higher than budget. The 2006 budget assumed an average price of $2.00 per gallon for 24 million gallons. Fuel prices have been running above budget and are estimated to end the year at an average price of $2.27.

Electric power expenditures for the rail system are forecasted at $21.6 million or $2.9 million lower than budget. The decrease can be attributed to a warmer than average winter.

Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are forecasted at $53.0 million for 2006 which is $20.0 million more than budget. This is due to the CTA working to replenish its damage reserve fund. A 2005 actuarial report showed the fund to be under funded by approximately $20.0 million. Based on funding the reserve at the amount estimated by the actuaries during 2006, the CTA expects this expenditure to be lower in future years.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expenditures are estimated at $31.0 million, which is lower than budget. This lower spending level reflects the CTA's decision to utilize alternative security measures, such as increasing the number of CTA employees deployed to rail stations and the installation of additional surveillance cameras, to maintain a safe environment to riders. In addition to the services contracted by the CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide services to the CTA at an estimated cost of $22 million.

The purchase of paratransit services is estimated at $27.4 million and is $2.2 million less or 7.5 percent lower than budget. *ADA* paratransit trips are projected to finish the year at 1.2 million trips. This curbside service was provided by three carriers and taxicab companies. Effective July 1, 2006, all *ADA* paratransit services was transferred to Pace. Other services include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, overhead allocated to capital jobs, and other general expenditures. The current forecast equals $49.7 million, which is slightly under budget.

Statutory Compliance

The *RTA Act* requires that each Service Board meet the six criterions detailed in the Region section for their budgets to be approved. The CTA budget, as submitted, meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-22 and consists of the following divisions.

CTA Board

The CTA's governing arm is the Chicago Transit Board consisting of seven board members. The Mayor of Chicago appoints four board members who are subject to the approval of the City Council and the Governor. The Governor appoints three board members who are subject to the approval of the State Senate and the Mayor of Chicago.

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 and tort litigation, and workers compensation matters.

President

The President is the CTA's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board.

Treasurer

The Treasurer manages cash and handles investment.

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 office is also responsible for financial and general investigations.

Security and System Safety

Security and System Safety administers the Destination Safety program with aims to reduce employee and third party accidents and injuries.

Management and Performance

Communications and Marketing is responsible for marketing, media relations, identity development, and publications.

Employee Relations department is responsible in maintaining a high level of employee satisfaction and ensuring labor-management effectiveness. The department also administers labor contracts and grievances.

Finance is responsible for budgeting, general accounting, investment support, program development, and the management and control of property, grants, and funding.

The Government and Community Relations and Affirmative Action department monitors transit legislation that affects the CTA on both regional and national levels.

The Human Resources department includes recruiting, hiring, benefit services, medical services, and program compliance.

The Property and Real Estate Asset Management is responsible for the management of the CTA headquarters, the CTA's control center, and for the management of all properties leased by the CTA.

The Purchasing/Warehousing department includes inventory management.

The Technology Management department includes management information systems.

Transit Operations

Transit Operations, which represents the largest percentage of CTA employees, is responsible for bus and train operations, customer and paratransit services (prior to July 1, 2006), planning, security, control center, and training.

Bus and Rail Operations manages a fleet of 2,106 buses and 1,190 rail cars that cover 188,000 bus miles and 189,000 rail miles driven every day. They employ approximately 4,200 full-time equivalent bus operators and 1,300 rail operators that provide service to the customers.

The Control Center monitors passenger and facility security and maintains accident statistics and monitors environmental affairs. The Control Center operates 24 hours a day, 7 days a week.

The Planning department is responsible for developing routes and schedules that best synchronize the CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

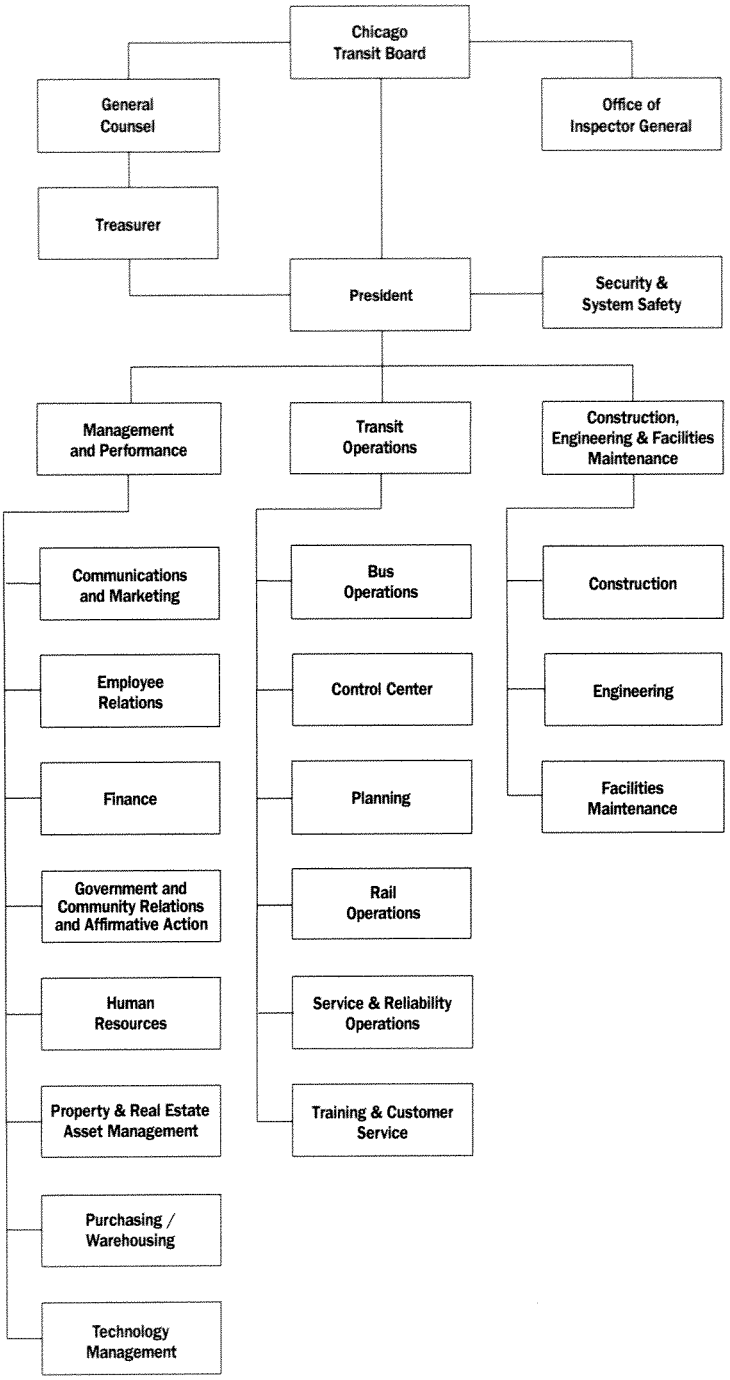
The Service and Reliability Operations provide preventive and corrective maintenance in accordance with the CTA's maintenance program.

The Training and Customer Service department provides employee training and customer information, researches ways to increase customer satisfaction, and forges business relationships.

Construction, Engineering and Facilities Maintenance

The Construction, Engineering and Facilities Maintenance department includes system maintenance support, power and way maintenance, rail station appearance, and facility maintenance.

Exhibit 4-22: **CTA Organization Chart**



5 Metra 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 of the 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.

Service Characteristics

The Metra rail system is comprised of 11 separate lines, which run north, west, and south of the Chicago central business district. The system extends 565 route-miles to the limits of the six-county area and serves 237 local rail stations in more than 100 communities. Metra provides safe, reliable commuter rail service with an average weekday ridership of 310,800. Peak period ridership represents 78 percent of the total average weekday trips.

Metra operates 60 percent of its trains on weekdays, 25 percent on Saturdays and 15 percent on Sundays and holidays. The trains' operating speeds are 8 percent higher during a weekday peak period than during off-peak hours.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, the two largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner providing service between Chicago and South Bend, Indiana.

Metra's hub is the downtown Chicago business district. Four downtown terminals feed service to all of Metra's 11 lines. Today, approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra.

Ridership

Metra's ridership, excluding South Shore service outside Illinois, for the year 2005 totaled 77.0 million passenger trips (Exhibit 5-1). In 2006, Metra's ridership continues to grow with projected passenger trips of 82.3 million, exceeding the record ridership in 2001 of 79.2 million. For the January to October period, ridership in 2006 increased 5.4 percent over the comparable period in 2005. The completion of three New Start projects: the Union Pacific West, the SouthWest Service and the North Central Service expansions resulted in higher overall ridership in 2006. Ridership on these three lines increased by a total of 12.1 percent through October 2006. Ridership and service projections 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 purpos-

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

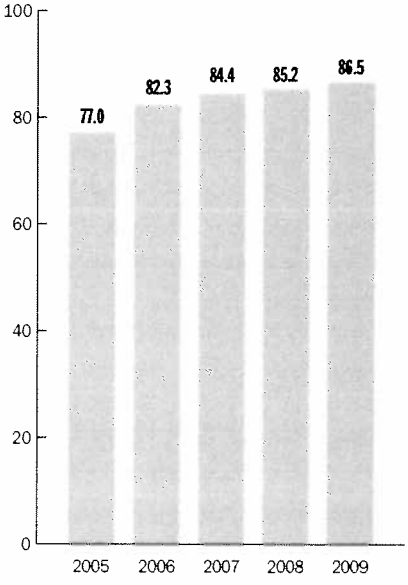


Exhibit 5-2: **Riders and Miles** (in thousands)

	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Total Riders	80,135	85,938	88,055	88,936	90,270
South Shore Elimination (1)	(3,151)	(3,605)	(3,668)	(3,705)	(3,760)
Total Metra Riders	**76,984**	**82,333**	**84,387**	**85,231**	**86,510**
Total Revenue Car Miles	33,319	35,824	35,920	36,047	36,003
South Shore Elimination (1)	(2,631)	(2,747)	(2,752)	(2,761)	(2,756)
Total Metra Revenue Car Miles	**30,688**	**33,077**	**33,168**	**33,286**	**33,247**
Total Passenger Miles	1,835,419	2,006,074	2,055,665	2,076,221	2,107,365
South Shore Elimination (1)	(96,751)	(110,960)	(112,902)	(114,031)	(115,742)
Total Metra Passenger Miles	**1,738,668**	**1,895,114**	**1,942,763**	**1,962,190**	**1,991,623**

(1) Ridership outside the Illinois service area is excluded from the South Shore operating statistics. 79 percent of South Shore ridership occurs outside the Illinois service area.

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

Service Period	July 2001–June 2002	July 2005–June 2006	Change	% Change
Peak Direction	242	243	1	0.4
Reverse Peak	13	16	3	19.4
Midday	30	34	4	13.2
Evening	16	18	2	9.1
Total Weekday	**302**	**311**	**9**	**3.0**
Saturday	55	67	12	22.6
Sunday	32	39	8	24.3

es, work trips still account for more than 90 percent of all trips. Exhibit 5-3 compares 2001 and 2006 average daily load counts by service period.

Trains operating in the reverse-peak direction, during midday, and weekend periods have realized the greatest percentage gains. These gains are attributable 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, marketing the service for travel to cultural and entertainment attractions, and Metra's *Bikes on Train* program. This program was implemented on June 1, 2005. In 2006, the program was expanded to allow three bikes in each diesel rail accessible car and two in each electric rail car.

Passenger loads on peak period, peak direction trains have realized a slight increase of 0.4 percent during the five-year period. For the January–October 2006 period, average monthly regional employment was up 2.0 percent from the same period of 2005. However, Metra's primary travel market is downtown Chicago and there are indications that downtown is not performing as well as the region as a whole. For example, downtown office occupancy rates averaged 83.4 percent for the third quarter of 2006, a decrease of one percentage point from 2005 and a decrease of 8.6 percent points from 2001.

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

Year	Delays	% On-Time
2001	6,287	96.8
2002	6,809	96.5
2003	5,627	97.1
2004	6,027	96.9
2005	7,260	96.3

Service Quality

To deliver on its objective, to provide service that is customer-driven, flexible and personalized, Metra knows that it must understand the needs and interests of its customers. Metra periodically conducts 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 to attract and retain 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 at the final destination compared to the schedule. Exhibit 5-4 presents system-wide annual on-time performance since 2001. Metra's on-time performance in 2005 was 96.3 percent.

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 efficiency. Metra measures capacity utilization train-by-train, which allows it 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 change decisions.

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 2.76 in 2000 to 2.51 in 2005. 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. The passenger per mile ratio in 2005 of 2.51 shows a decrease to 2.49 compared to the 2006 estimate. According to its 2007 budget, Metra estimates a ratio of 2.54, which is expected to increase to 2.60 by 2009 (Exhibit 5-5).

Another measurement, used to calculate whether costs are being contained and efficiency maintained, is 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, this measurement shows that Metra has efficiently held expenditures in-line with cost increases, when compared to the Consumer Price Index (CPI).

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

Service Expansion

January 2006 marked the largest expansion of rail service in Illinois in decades with Metra's completion of three New Start projects. Metra completed these projects one year ahead of schedule and $50 million under budget.

The extension of the Union Pacific West (UP-W) Line to Elburn, and the expansion and extension of the SouthWest Service (SWS) to Manhattan, as well as the expansion of the North Central Service (NCS) resulted in a combined ridership increase of 12.1 percent through October on these three lines.

Metra currently has $2.5 billion in unfunded capital projects, including $880 million in local matching funds for four New Start projects that are authorized under the most recent Federal Transportation Act: the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).* Transit in northeastern Illinois has had no major capital program since 2004, when money was available through the *Illinois FIRST* bond program. The state has yet to authorize a new bonding program to replace *Illinois FIRST.*

Metra Connects program includes the four projects authorized under *SAFETEA-LU:* the extension and capacity expansion of the UP-Northwest, the capacity expansion and upgrade of the UP-West, the creation of the SouthEast Service line, and the creation of the suburb-to-suburb STAR line. If funding is secured, Metra will expand even farther into the region, create better suburb-to-suburb connections and improve service efficiency through key infrastructure improvements.

Maintenance and Modernization

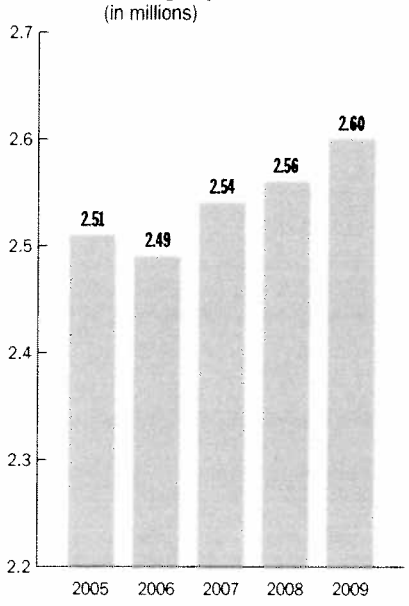
Since Metra was formed in 1984, Metra has replaced more than one million rail ties throughout the system, and replaced bolted rail with continuous welded rail, so that 93 percent of the Metra system has a smoother ride. Metra has also replaced 80 of the system's 132 interlockers and control points. Metra completed work on 69 percent of the system's crossings signals and spent more than $45 million upgrading highway/rail crossing signal interconnects.

Since 1984, Metra has expended more than $410.5 million on projects to renew and rebuild its yards, shops, and facilities. This figure does not include yard projects related to the three New Start projects.

Through two state bond programs passed in 1989 and 1999, Metra was able to purchase 56 new locomotives, rehabilitate 140 electric district passenger cars, and acquire 476 new bi-level cars and 26 new Highliner cars for the Metra Electric District. In addition, the funds enabled the rehabilitation of 27 locomotives and 75 other rail cars.

Since Metra began providing service in northeastern Illinois, Metra has rehabbed or rebuilt more than 85 percent of the system's stations and constructed 22 new stations. Parking throughout the system has been expanded by nearly 33,000 spaces for a total of more than 85,500 spaces.

Exhibit 5-5: **Passengers per Revenue Car Mile**
(in millions)



More than $70.8 million has been spent on station construction and improvement projects since 1983.

Safety and Security

Metra provides employee incentives to those regularly meeting goals. Key among these goals is workplace safety. A safe workplace correlates into a safe environment for Metra employees and Metra commuters.

Metra's investments in staff training programs and incentive plans have resulted in substantial dividends, including commuter satisfaction and industry recognition.

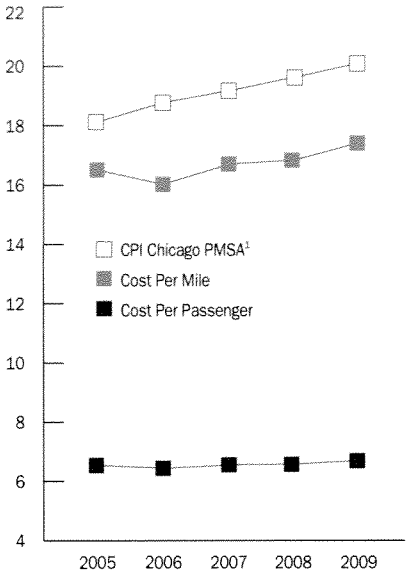
In addition to routine workplace safety training, Metra employees have also been trained to recognize and observe potential safety hazards in and around trains, stations and tracks. Metra is the only railroad organization in the nation to train all of its 4,000 employees in terrorism awareness and emergency procedures. As part of these investments, security cameras are being installed at several downtown train stations. Metra is also installing emergency signage involving LED technology in strategic locations throughout Metra's downtown terminals. The signs will alert commuters in advance to emergency situations and can display pre-programmed or free form messages to assist Metra in communicating with customers.

In addition, Metra installed a train tracking system using Global Positioning System (GPS) technology in 2001. GPS monitors the real time position and movement of all trains on Metra's routes.

GPS offers Metra's operations professionals a snapshot that details the performance of every train during an operational day. The real-time information supports and delivers a more effective response to any service disruptions or emergencies and leads to enhanced overall safety.

Metra also encourages and provides safety training and education opportunities within the community.

Exhibit 5-6: **Cost Efficiency** (in dollars)



(1) CPI (Consumer Price Index); PMSA (Primary Metropolitan Statistical Area).

Strategic Planning

Metra has joined with the RTA, the CTA and Pace suburban bus in the development of a strategic plan for public transit in the region. As part of this effort, the *Moving Beyond Congestion* project will team the region's transit providers with business, government, tourism and community groups to gather regional consensus on what resources the region requires over the next decade.

The strategic plan will examine the need for more public transit services to address the region's congestion problems; the lack of funding for capital projects; operating funding that has not kept pace with skyrocketing costs of fuel, electricity, security, and health care; and the diversion of capital funds to operating budgets by the region's transit operators.

Through a strategic plan, the RTA, Metra, CTA, and Pace hope to shape the region's future transit system by developing a set of practical steps that will allow each Service Board to achieve their goals. This includes pricing out each step and determining logical funding sources.

The ultimate goal of the Strategic Plan is to provide more quality travel choices and reduce the region's dependence on the automobile. At the same time, Metra plans to identify the actions and funding necessary to maintain the current system, while growing to meet future needs.

Budget and Financial Plan

Metra's 2007 operating budget was built with the expectation that New Transit Funding will be forthcoming. However, because there is no guarantee such funding will be available for operations next year, Metra identified specific capital projects that will be deferred if such funds are not provided. Although Metra does plan to defer capital projects if it does not receive this new source of funds, there are no plans for service cuts or fare increases in 2007.

Exhibit 5-7: **Metra 2007 Budget and 2008–2009 Financial Plan** (dollars in thousands)

System-Generated Revenue	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Passenger Revenue	$ 198,494	$ 219,300	$ 224,800	$ 227,048	$ 230,454
Reduced Fare Subsidy	2,812	3,000	3,050	3,100	3,150
Other Revenue	59,788	51,405	57,212	58,076	64,252
Total Revenue	**$ 261,094**	**$ 273,705**	**$ 285,062**	**$ 288,224**	**$ 297,856**
Operating Expenditures					
Transportation	$ 137,714	$ 140,637	$ 143,051	$ 147,321	$ 151,705
Maintenance	176,072	179,718	183,192	188,121	193,572
Administration	32,195	31,997	32,317	33,150	34,051
Pension	3,478	3,736	4,840	5,340	5,607
Diesel Fuel	40,815	55,200	59,581	51,814	54,403
Electricity	12,223	14,470	20,058	20,458	21,686
Security	13,292	13,970	17,000	17,000	17,000
Health Insurance	48,197	49,011	52,125	54,210	56,378
Risk Management and Claims	16,721	16,510	16,700	17,090	17,598
Regional Services and Downtown Stations	22,931	24,708	25,122	25,768	26,534
Total Expenditures	**$ 503,638**	**$ 529,957**	**$ 553,986**	**$ 560,272**	**$ 578,534**
Operating Deficit	**$ 242,544**	**$ 256,252**	**$ 268,924**	**$ 272,048**	**$ 280,678**
Deficit Funding					
RTA Sales Tax	241,727	249,410	257,374	265,594	274,049
PBV and Federal Funds (2)	817	6,842	—	—	—
New Transit Funding	—	—	11,550	6,454	6,629
Total Deficit Funding	242,544	256,252	268,924	272,048	280,678
Recovery Ratio % (1)	**55.1**	**55.0**	**55.0**	**55.0**	**55.0**

(1) Includes allowable expense deductions (funded depreciation, security and lease). In 2007, the amount is $35.7 million. (2) Metra used internal funds (PBV) from prior years in 2005. In 2006, Metra used Federal Capital Funds to fund the operating deficit.

Exhibit 5-8: **Metra System-Generated Revenue** (dollars in millions)

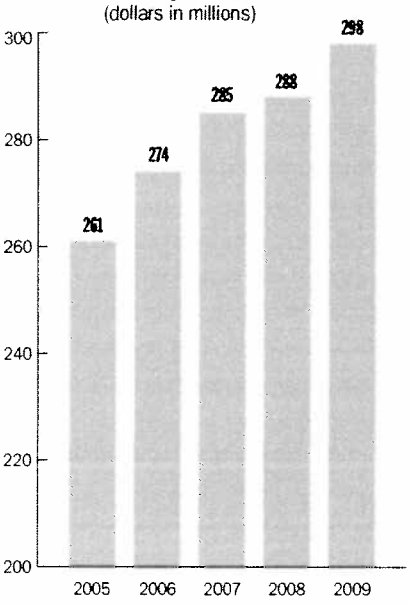


Exhibit 5-9: **2007 Metra Revenue** — $285.1 million

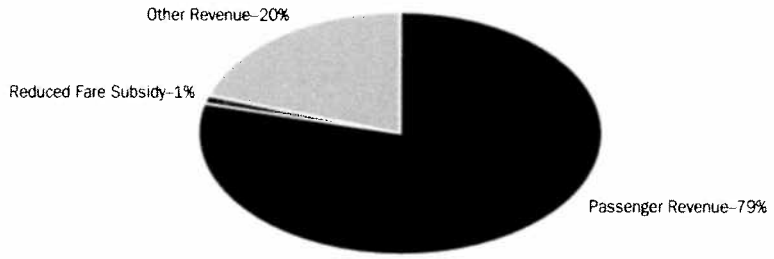


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	July 2004–June 2005	July 2005–June 2006	Change	% Change
Monthly	1,125.6	1,170.4	44.8	4.0
25-Ride	14.4	15.5	1.1	7.6
Ten-Ride	1,671.5	1,733.3	61.8	3.7
Regular One-Way	6,055.8	6,460.4	404.6	6.7
Conductor	4,011.1	4,360.2	349.1	8.7
Weekend	1,127.0	1,307.3	180.3	16.0
Link-Up	58.4	73.1	14.7	25.2
PlusBus	13.8	14.5	0.7	5.1

System-Generated Revenue

Total system-generated revenue is expected to increase from $261.1 million in 2005 to $297.9 million in 2009. This represents an increase of $36.8 million or a compound annual growth rate of 3.3 percent (Exhibits 5-7 and 5-8).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. Passenger revenue of $224.8 million comprises 79 percent of the total revenue budgeted for 2007 (Exhibit 5-9), which is 2.5 percent higher than the forecast for 2006 and 3.6 percent higher than the 2006 budget.

Passenger Revenue

Passenger revenue, or farebox revenue, is estimated to increase from $198.5 million in 2005 to $230.5 million by 2009. This increase of $32.0 million represents a 3.8 percent annual growth rate. Metra's passenger revenue increase is the result of continued strength in the local economy, the higher cost of gasoline, continued major road reconstruction projects, such as the Dan Ryan Expressway reconstruction project, and continued growth for the lines which had service expansions or extensions in 2006, such as North Central Service, Union Pacific West, and SouthWest Service Lines. Through October of 2006, ridership on the two lines most impacted by the Dan Ryan construction project increased 8.6 percent; the three New Start services increased 12.1 percent.

Changing rider and ticket trends, such as longer trip length and increased one-way conductor and weekend ticket sales (Exhibit 5-10), also contribute to the higher passenger revenue. The average trip length for the January–October period was 22.6 miles in 2006, which was 0.5 percent higher than for the same period in 2005.

Metra's fare structure is presented at the end of this section (Exhibit 5-14).

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 revenue 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 $3.1 million in 2007, is expected to stay constant during this planning cycle.

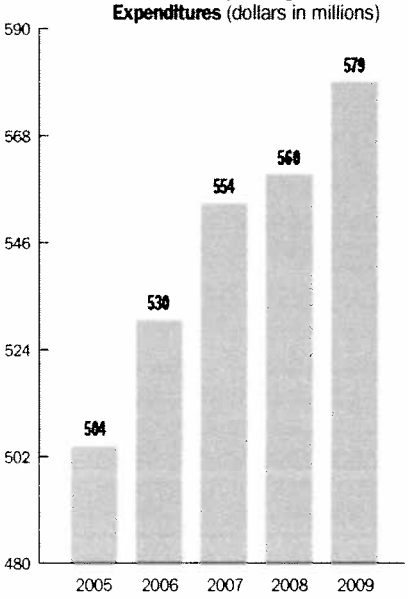
Other Revenue

The other revenue category represents 20 percent of Metra's total revenue for 2007. The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non fare-generated income. The total other revenue category is expected to grow from $59.8 million in 2005 to $64.3 million in 2009, which is a 1.8 percent annual growth rate

Operating Expenditures

Total operating expenditures are forecast to increase from $503.6 million in 2005 to $578.5 million in 2009. This $75.0 million increase represents a 3.5 percent compound annual growth rate (Exhibit 5-11).

Exhibit 5-11: **Metra Total Operating Expenditures** (dollars in millions)



Metra's 2007 operating expenditures of $554.0 million are projected to grow by 4.5 percent from the 2006 estimate.

In 2008 and 2009, total expenditures will increase by 1.1 percent and 3.3 percent respectively, compared to the previous year (Exhibit 5-7). Inflation is the major contributing factor.

Expenditure Elements

The components of operating expenditures are transportation, maintenance, administration and pension, diesel fuel and electricity, security, health insurance and all other, including claims and risk management, regional services and downtown stations. Metra's 2007 total expenditures breakdown is transportation 26 percent, maintenance 33 percent, administration and RTA pension 7 percent, fuel and electricity 14 percent, security 3 percent, health insurance 9 percent, and all other 8 percent. (Exhibit 5-12).

Transportation

This category includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations.

Transportation expenditures are expected to increase from $137.7 million in 2005 to $151.7 million in 2009. This increase of $14.0 million represents a 2.4 percent compound annual growth rate (Exhibit 5-7).

Maintenance

This category includes two types of activities: maintenance of way and maintenance of equipment. Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions.

Maintenance of equipment activities includes regular repairs, inspection and preventive maintenance on passenger train equipment to ensure that this equipment is safe and in good working order to meet train schedules and passenger demand for seating.

Maintenance expenditures are expected to increase from $176.1 million in 2005 to $193.6 million in 2009. This $17.5 million increase represents a compound annual growth rate of 2.4 percent (Exhibit 5-7).

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.

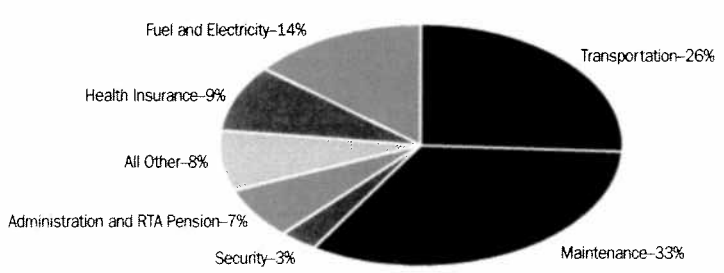
Administration and Pension

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Management of the Metra owned and operated rail services are also included in this category.

Administration expenditures are expected to increase from $32.2 million in 2005 to $34.1 million in 2009. The $1.9 million increase represents a compound annual growth of 1.4 percent.

Pension expenditures are projected to increase from $3.5 million in 2005 to $5.6 million in 2009. This $2.1 million increase represents a compound annual growth rate of 12.7 percent. The Metra contribution to the RTA pension of $4.8 million for 2007 is $1.1 million higher than for 2006 (Exhibit 5-7).

Exhibit 5-12: **2007 Metra Expenditures** — $554.0 million



Diesel Fuel and Electricity

Diesel fuel is one of the most volatile components of the operating expenditures. Diesel fuel averaged $1.69 per gallon in 2005 totaling to $40.8 million and was budgeted at $1.90 per gallon in 2006 to total $49.2 million. Metra is estimating an average price of $2.17 per gallon in 2006 for a total cost of $55.2 million, $6.0 million more than the 2006 budget. Metra is projecting an average price of $2.30 per gallon for 2007 for a total of $59.6 million or 21 percent over the 2006 budget. Metra is projecting diesel fuel prices to decline to $2.00 per gallon on average in 2008, then rise to $2.10 per gallon in 2009.

Diesel fuel costs are expected to increase from $40.8 million in 2005 to $54.4 million by 2009. This $13.6 million increase represents a compound annual growth rate of 7.4 percent.

In 2007, electric power will be deregulated, and Metra estimated motive power and electric utility costs to increase by $5.6 million or 39 percent over the 2006 estimate. Cost increases are expected to moderate in 2008 as costs of $20.5 million are 2 percent higher than the 2007 budget. Expenditures of $21.7 million in 2009 are up 6 percent compared to the previous year.

Electric power is projected to increase from $12.2 million in 2005 to $21.7 million in 2009. This $9.5 million increase represents a compound annual growth of 15.4 percent (Exhibit 5-7).

Security

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expenditure category includes police and contract security services as well as planning, coordination, and training with other agencies. For 2007, the budget is $17.0 million, which is 22 percent above the 2006 estimate of $14.0 million. Security expenditures are not expected to exceed 2007 levels in 2008 and 2009 (Exhibit 5-7).

Health Insurance

Metra's health insurance costs for 2006 were lower than budgeted due to lower cost plans and lower than anticipated premiums. Health insurance costs for 2007 of $52.1 million are assumed to increase significantly (6.4 percent) over 2006, with more moderate annual growth in 2008 and 2009 (Exhibit 5-7).

All Other

This expenditure category includes risk management and claims, regional services and downtown stations.

Expenditures for risk management and claims are expected to increase from $16.7 million in 2005 to $17.6 million by 2009. This $0.9 million increase represents a compound annual growth rate of 1.3 percent.

Metra is also responsible for setting fare and service levels, capital improvement planning and oversight, and service planning. Expenditures for these functions are included in the regional services and downtown stations category.

Expenditures in this category are expected to increase from $22.9 million in 2005 to $26.5 million by 2009. This $3.6 million increase represents a compound annual growth rate of 3.7 percent (Exhibit 5-7).

Deficit

The operating deficit is derived from total system-generated revenue minus total operating expenditures. Metra's 2007 budget deficit is $268.9 million (Exhibit 5-7). This deficit is offset by public funding to reach a balanced budget.

Funding

The RTA Sales Tax is the major source of public funds used to cover the budgeted operating deficit. By statute, the RTA retains 15 percent of the sales tax receipts and passes the remaining balance of 85 percent to the Service Boards. Of this remaining amount, Metra receives 55 percent of the RTA Sales Tax dollars collected in suburban Cook County, and 70 percent of the RTA Sales Tax collected in the collar counties. Metra's budgeted statutory sales tax receipts in 2007 are $257.4 million (Exhibit 5-7).

Exhibit 5-13: **Metra 2006 Budget Versus 2006 Estimate** (dollars in thousands)

System-Generated Revenue	2006 Budget	2006 Estimate	Variance
Passenger Revenue	$ 217,092	$ 219,300	$ 2,208
Reduced Fare Subsidy	2,998	3,000	2
Other Revenue	53,330	51,405	(1,925)
Total Revenue	**$ 273,420**	**$ 273,705**	**$ 285**
Operating Expenditures			
Transportation	$ 140,674	$ 140,637	$ 37
Maintenance	180,112	179,718	394
Administration	32,033	31,997	36
Risk Management and Claims	17,321	16,510	811
Regional Services and Downtown Stations	24,127	24,708	(581)
Diesel Fuel	49,222	55,200	(5,978)
Security	21,000	13,970	7,030
Health Insurance	54,053	49,011	5,042
Pension	3,736	3,736	—
Electricity	13,501	14,470	(969)
Total Expenditures	**$ 535,779**	**$ 529,957**	**$ 5,822**
Operating Deficit	**$ 262,359**	**$ 256,252**	**$ 6,107**
Recovery Ratio %	**55.0**	**55.0**	—

Recovery Ratio

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2007 Metra's recovery ratio is 55.0 percent. The RTA section provides a detailed recovery ratio calculation (Exhibit 3-31).

Statutory Compliance

The *RTA Act* requires that each Service Board meet six criteria, which are detailed in the Strategy section, for Board approval of its budget. The Metra budget meets each of these criteria.

2006 Budget Versus 2006 Estimate

Total revenue is expected to finish $0.3 million favorable to budget for 2006. Passenger revenue is projected to be favorable to budget by $2.2 million or 1.0 percent due to higher ridership. Other revenue is expected to be unfavorable to budget by $1.9 million due mostly to lower capital credits.

Expenditures are forecast to finish $5.8 million, or 1.1 percent favorable to budget for 2006. Expenditures such as transportation, maintenance, and administration were close to budget. However, fuel exceeded budget by $6 million or 12.1 percent, while security was $7 million or 33.5 percent under budget. Exhibit 5-13 details the variance between the 2006 budget and 2006 estimate.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones. These zones 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, 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 fare zone boundaries are crossed. The base fare is $1.95 for a one-way trip. The incremental charge is 40¢ or 45¢ for additional zones (Exhibit 5-14).

Organizational Structure

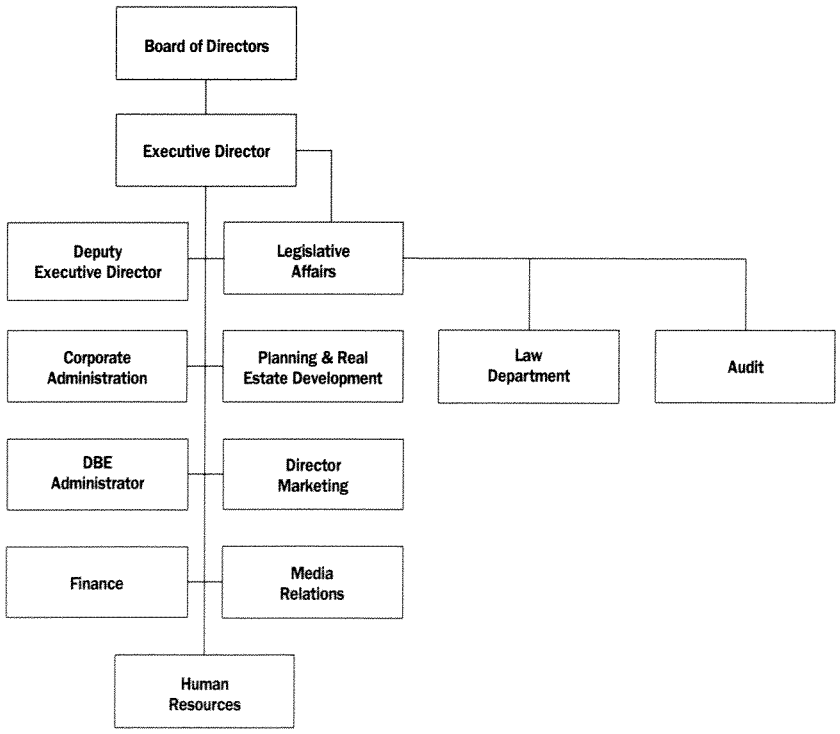
Metra's administrative organization chart is presented in Exhibit 5-15.

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. The base fare for a one-way ticket is $1.95.

Exhibit 5-15: **Metra's Organization Chart**



6 Pace Operating Plan

Suburban Service

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.

Beginning July 1, 2006, Pace assumed operating responsibility for all paratransit service in the RTA region. Pace's regional *ADA* paratransit service is discussed separately later in this section.

Service Characteristics

Pace's mission is to provide efficient well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility supplies line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. Achieving this mission will also require the continued restructuring of Pace's current fixed-route service.

Pace's suburban 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. Pace service includes approximately 160 regular routes, 55 feeder routes, 630 vanpool vehicles, 365 Pace-owned Dial-A-Ride paratransit vehicles, and various subscription, seasonal, and shuttle routes. The suburb-to-suburb travel market is the largest service area in the region and is primarily served by the automobile.

Employment and residential shifts outward from central business districts have resulted in longer commutes, greater single-occupant automobile use, increased traffic congestion, and declining air quality. Changing travel needs are the result of the growing suburban job market, welfare-to-work initiatives, and greater work-hour, workday, and work-location flexibility. However, increased support for smart growth, transit-oriented development, and environmental concerns have accompanied these trends. In light of these factors, Pace is working to better serve various suburban travel markets.

To attract more riders, Pace will need to gain consensus among a diverse group of stakeholders, communities, and organizations interested in transportation and smart growth; create viable community and regional partnerships; develop service plans for specific communities and groups of communities; and gain funding from local, regional, state and federal sources.

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

Pace already works with 210 communities to plan, design, and deliver services. *Vision 2020* identifies nearly 100 service areas for further study in partnership with communities. To better support a service area that spans walkable suburban neighborhoods, satellite cities, and rural communities, Pace will expand its current offerings (e.g., fixed-route, commuter rail feeder, employer shuttle, and route-deviation services) and further customize the mix of tailored, flexible community-based services (e.g., demand response, curb-to-curb van service, and subscription routes) based on detailed studies of travel markets and local interests and conditions. *Vision 2020* addresses three service levels—low, medium, and high—which reflect the spectrum of population and employment density found in Pace's service area. To achieve high service levels at low cost, Pace will apply Bus Rapid Transit (BRT) features, limited stops, simple routes, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority, and bus lanes on expressway/tollway and arterial line haul routes.

To develop an effective regional arterial and community-based transit system, Pace began route-restructuring initiatives in 2000. Consistent with *Vision 2020*, the goals of route restructuring include faster, more efficient, and more effective service, as well as an enhanced image of transit as an alternative to the automobile. Pace restructured routes in Elgin, along the Halsted Corridor, and in the vicinity of Orland Square Mall. In 2005, Pace completed its restructuring of eleven routes in North Shore communities to serve new trip generators, reduce transfers, and eliminate unproductive segments and route duplication.

Late in 2005, Pace implemented an initial round of service changes in the Aurora area as part of its restructuring efforts in the Fox Valley/Southwest DuPage region. Pace is investigating shuttle service options for employers located near Metra's North Central Service stations. Pace is redesigning service in southern and southwestern Cook County and all of Will County. In the next few years,

Pace plans restructuring initiatives in West Cook County/Elgin, North Lake County/McHenry County, and North/Northwest Cook County.

Pace is seeking to implement a regional Transit Signal Priority (TSP) program along major arterial routes. Implementation of the Harvey Transportation Center TSP initiative will improve the operation of the transit terminal and increase the reliability of Pace routes traveling along nearby 154th Street, US 6, and Halsted Street. Initially focusing on expanding Pace's existing express bus service, implementation of a suburban expressway/tollway service express bus network will connect major regional activity centers and park-n-ride lots. Pace's Bus Rapid Transit (BRT) Corridor Implementation will develop Pace's Arterial Rapid Transit Network for the Region (PARTNER) program. Integrated with Pace's express bus service, the PARTNER program will operate on major east-west and north-south arterials and utilize TSP and queue jump lanes to increase travel speed and route reliability.

Exhibit 6-1: **Pace Ridership** (in millions)

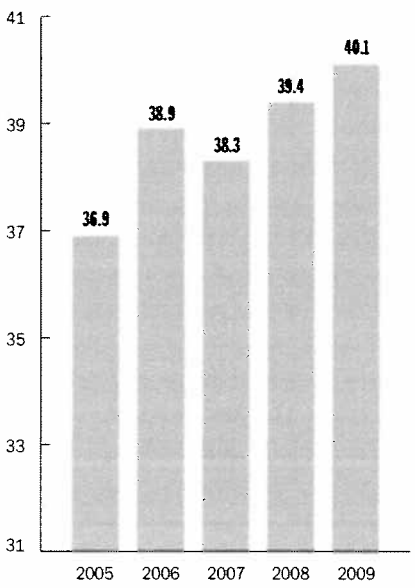
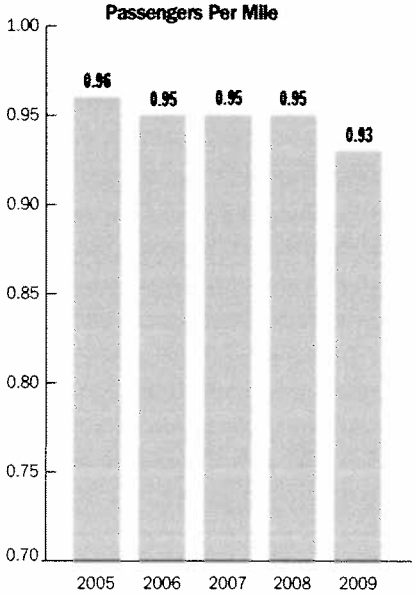


Exhibit 6-2: **Pace Suburban Service Passengers Per Mile**



Note: In 2005 and 2006, ridership includes ADA paratransit service.

Ridership

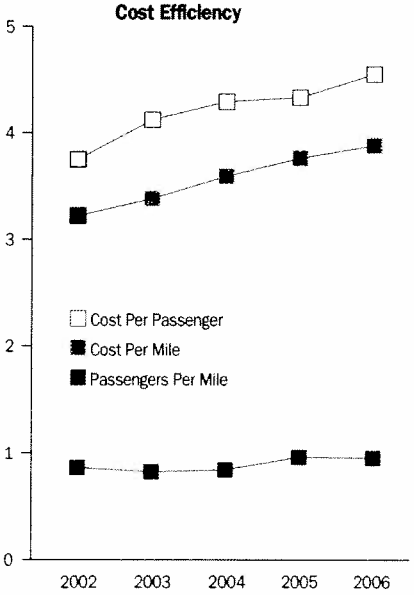
In 2005, Pace ridership of 36.9 million comprised suburban service ridership of 36.4 million and *ADA* paratransit ridership in Pace's suburban service area of 0.5 million. Pace expects 2006 ridership of 38.9 million, including suburban service ridership of 37.1 million, *ADA* paratransit ridership in Pace's suburban service area of 0.5 million, and *ADA* paratransit ridership in the CTA service area during the second half of 2006 of 1.2 million. Beginning in September 2004, the RTA provides additional funding to Pace to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes.

Pace expects suburban service ridership of 38.3 million in 2007. Pace projects suburban service ridership to increase to 39.4 million in 2008 and 40.1 million in 2009. These 1.1 million and 0.7 million increases in ridership correspond to 2.9 percent and 1.7 percent, respectively (Exhibit 6-1).

Marketing Strategies

Pace's 2007 marketing strategy implementation will continue to take the form of tactical local awareness campaigns. Initiatives will educate the public about the availability of Pace services and the value of public transportation to both riders and non-riders. After categorizing riders and potential riders based on their commuting, demographic, and psychographic characteristics, campaigns will promote the features and benefits of Pace services to these sub-groups on a local or county level.

Exhibit 6-3: **Pace Suburban Service Cost Efficiency**



Note: In 2005 and 2006, cost per mile and cost per passenger include *ADA* paratransit.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to relate the number of passengers to the number of miles serviced. Pace's passengers per mile ratio for suburban service is expected to remain near 0.95 through 2009 (Exhibit 6-2).

The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Cost per mile has increased from $3.22 in 2002 to $3.76 in 2005, and is projected to rise to $3.88 in 2006 with

Exhibit 6-4: **Pace Suburban Service 2007 Budget and 2008–2009 Financial Plan*** (dollars in thousands)

System-Generated Revenue	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Farebox Revenue (1)	$ 31,726	$ 31,988	$ 29,791	$ 30,941	31,765
Local Share/Other	13,738	14,179	14,783	14,830	15,153
Reduced Fare Subsidy	3,236	3,378	3,327	3,327	3,327
Advertising/Investment	5,050	5,448	5,532	5,265	5,124
Total Revenues (2)	**$ 53,750**	**$ 54,993**	**$ 53,433**	**$ 54,363**	**55,369**
Operating Expenditures					
Labor/Fringes	$ 72,996	$ 78,211	$ 80,989	$ 84,144	$ 86,228
Health Insurance	13,400	14,921	15,299	17,204	19,340
Parts/Supplies	4,390	4,717	4,950	5,115	5,276
Utilities	1,620	1,744	1,868	1,908	1,950
Fuel	11,738	14,246	15,026	15,417	16,025
Insurance	9,611	9,793	9,925	9,689	9,902
Other	7,911	9,475	9,659	10,398	10,877
Public/Private Contract	9,287	9,564	10,307	10,760	11,234
Dial-A-Ride	12,287	12,781	13,296	13,881	14,492
Vanpool	2,531	3,015	3,567	3,981	4,477
Ride DuPage	1,382	1,471	1,570	1,733	1,899
Restructuring Initiative	209	1,137	1,197	—	—
ADA Paratransit Service	12,261	43,556	—	—	—
Regional ADA Support Credit	—	—	(1,529)	(1,590)	(1,654)
Total Expenditures (2)	**$ 159,623**	**$ 204,631**	**$ 166,124**	**$ 172,640**	**$ 180,046**
Operating Deficit	**$ 105,873**	**$ 149,638**	**$ 112,691**	**$ 118,277**	**$ 124,677**
Deficit Funding					
RTA Sales Tax	$ 76,399	$ 78,979	$ 81,574	$ 84,272	$ 87,060
RTA Discretionary Funds	2,653	2,603	2,618	2,614	2,607
RTA Regional ADA Funding	1,000	—	—	—	—
RTA/State ADA Paratransit Funds (3)	—	16,918	—	—	—
Federal CMAQ and JARC Funds	262	677	1,623	1,237	347
Funding for Paratransit (4)	7,783	3,995	—	—	—
RTA Pass Reimbursement	2,000	2,000	4,000	4,000	4,000
Federal 5307 Funds (5)	16,491	35,170	—	—	—
New Transit Funding (6)	—	—	22,876	26,154	30,663
Total Deficit Funding	**$ 106,588**	**$ 140,342**	**$ 112,691**	**$ 118,277**	**$ 124,677**
Funding Surplus/(Deficit)	**715**	**(9,296)**	—	—	—
ADvAntage Program—In-Kind	**$ 4,693**	**$ 4,758**	**$ 4,758**	**$ 4,758**	**$ 4,758**
Recovery Ratio % (7)	**39.7**	**34.2**	**36.4**	—	—

(*) 2005 Actual includes both suburban service and suburban *ADA* paratransit service. 2006 Estimate includes suburban service and suburban *ADA* paratransit service during all of 2006 and *ADA* paratransit service in the CTA service area provided by Pace during the second half of 2006. (1) Suburban service includes vanpool, municipal vanpool, Ride DuPage, and other services. (2) Excludes ADvAntage Program—in-kind revenue and expenditure (of equal amount) that are included in Pace's recovery ratio calculation. The amount in 2005 was $4.7 million. The figure for 2006, 2007, 2008, and 2009 is $4.8 million. (3) Includes additional RTA operating funds for *ADA* paratransit of $1.6 million.(4) Since the capital-related costs of paratransit service under contract are characterized as operating expenditures under GAAP, this funding is recognized as operating revenue. In 2005 and 2006, this amount is divided between funding for Suburban Service (Dial-A-Ride) and funding for *ADA* paratransit. The amounts applied to the recovery ratio calculation were $4.8 million in 2005, $4.0 million for Suburban Service in 2006, and $5.9 million for Regional *ADA* paratransit service in 2006. (5) Federal Section 5307 funding (preventive maintenance and *ADA* complimentary) transferred from the capital program to operations. (6) If these funds do not materialize, actions to balance Pace's budget may include, but are not limited to, using capital funds for operations, adjusting service levels, and adjusting fares. (7) The recovery ratio in 2007 exceeds the 36 percent "Mark" set for Pace by the RTA Board on September 14, 2006.

the addition of CTA service area *ADA* paratransit during the second half of the year. Similarly, Pace's cost per passenger has increased from $3.75 in 2002 to $4.33 in 2005, and is projected to rise to $4.55 in 2006.

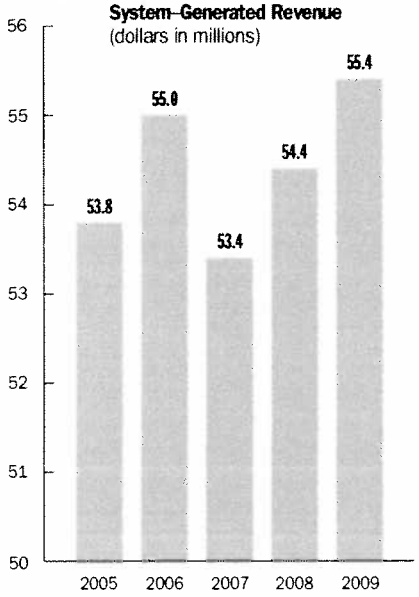
Capital Investment

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management.

Rolling Stock

In 2006, Pace intends to replace 38 fixed-route buses which have exceeded their useful life. The new vehicles will be 30-foot vehicles. Pace will also purchase two buses for local municipal service in the Village of Oak Park.

Exhibit 6-5: **Pace Suburban Service System-Generated Revenue**
(dollars in millions)



Notes: In 2005 and 2006, system-generated revenue includes *ADA* paratransit revenue. System-generated revenue excludes RTA pass reimbursement, funding for *ADA* Dial-A-Ride paratransit services, and ADvAntage program in-kind revenue.

Pace plans to purchase 35 paratransit replacement vehicles which have exceeded their useful life. These vehicles, a combination of buses and vans, will be operated to provide Dial-A-Ride services in Pace's suburban service area.

Pace plans to purchase 58 Vanpool vehicles for program expansion and to replace vehicles which have exceeded their useful life. Pace's 2007 goals for the Vanpool program include carrying 2.1 million passengers, which is a ridership increase of 13.3 percent over the 2006 estimate. The recovery performance of the vanpool programs in 2006 is expected to range from 80.2 percent for the ADvAntage program to 194.4 percent for the Corporate Shuttle Program. Pace plans to increase the number of vans in service from 660 at the end of 2006 to 790 by the end of 2007.

Electrical, Signal and Communications

The program contains funds to begin the replacement of the 13-year old fleet-wide radio system. The program also includes funds for the continued development and purchase of transit signal priority (TSP) systems in major corridors.

Support Facilities and Equipment

The program includes funds to replace non-revenue vehicles and purchase miscellaneous garage and office equipment. The program also contains funds to continue the HPe3000 Migration project and for the first phase of the Interactive Voice Response software that customers will be able to call for "next bus" arrival times.

Budget and Financial Plan

The Pace suburban service budget and financial plan presented in Exhibit 6-4 does not exceed the marks set by the RTA on September 14, 2006. RTA funds to Pace also include up to $4 million in each year (2007–2009) to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes. The RTA set Pace's 2007 recovery ratio mark for suburban service operations at 36.0 percent. Pace's budget reflecting a recovery ratio of 36.4 percent was adopted by the RTA Board on December 15, 2006. Beginning in 2007, Pace's revenue, expenditures, and funding are separated into suburban service and regional *ADA* paratransit service. Pace's budget and financial plan for suburban service is presented in Exhibit 6-4. Revenue, expenditures, and funding for regional *ADA* paratransit service beginning in 2007 are discussed later in this section.

System-Generated Revenue

In 2005, Pace's suburban service and suburban *ADA* paratransit service system-generated revenue totaled $53.8 million. Pace expects that in 2006 suburban service, suburban *ADA* paratransit service, and *ADA* paratransit service in the CTA service area during the second half of the year will result in system-generated revenue of $55.0 million. Pace projects suburban service system-generated revenue of $53.4 million in 2007, $54.4 million in 2008, and $55.4 million in 2009, corresponding to a compound annual growth rate of 1.8 percent from 2007 through 2009 (Exhibit 6-5). In 2007, farebox revenue is expected to account for 56 percent, local share/other 28 percent, advertising/investment revenue 10 percent, and reduced fare subsidy 6 percent of total suburban service revenue (Exhibit 6-6).

Farebox Revenue and Local Share

In 2005, Pace's suburban service and suburban *ADA* paratransit service passenger or farebox revenue totaled $31.7 million. Pace expects that in 2006 suburban service, suburban *ADA* paratransit service, and *ADA* paratransit service in the CTA service area during the second half of the year will result in farebox revenue of $32.0 million. Suburban service farebox revenue of $29.8 million is projected in 2007 (Exhibit 6-7). Suburban service passenger revenue is expected to

Exhibit 6-6: **2007 Pace Suburban Service Revenue** — $53.4 million

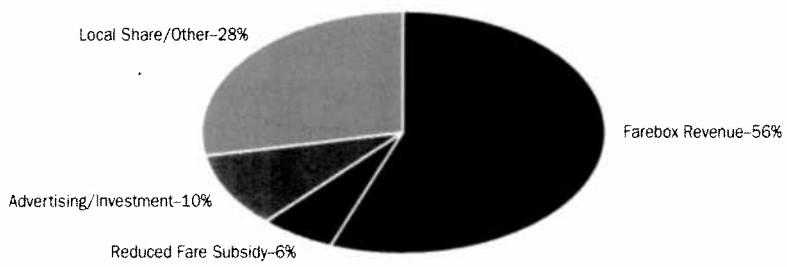
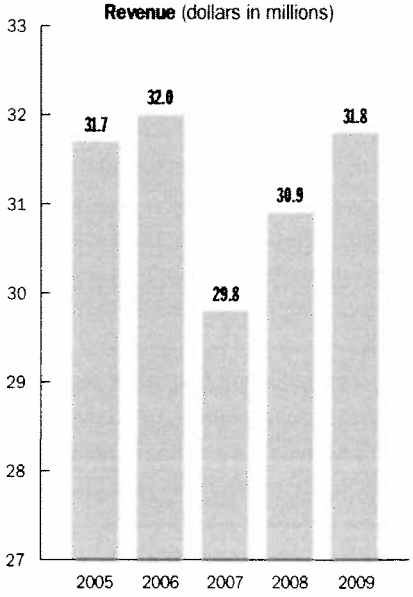


Exhibit 6-7: **Pace Suburban Service Farebox Revenue** (dollars in millions)



Note: In 2005 and 2006, farebox revenue includes ADA paratransit farebox revenue.

increase from $29.8 million in 2007 to $31.8 million by 2009, a $2.0 million increase that corresponds to a 3.3 percent compound annual growth rate. Passenger revenue includes farebox (cash, pass, and card revenue), Vanpool, and other services. Other services are Congestion Mitigation Air Quality (CMAQ) receipts, Job Access Reverse Commute (JARC) receipts, and shuttle service.

In 2005, Pace's suburban service and suburban *ADA* paratransit service local share contributions and other revenue totaled $13.7 million. Pace expects that in 2006 suburban service and suburban *ADA* paratransit service will result in local share contributions and other revenue of $14.2 million. Suburban service local share contributions and other revenue are expected to increase from $14.8 million in 2007 to $15.2 million in 2009, a $0.4 million increase that corresponds to a 1.2 percent compound annual growth rate.

Pace's suburban service fare structure is presented at the end of this section (Exhibit 6-10). Despite the CTA's decision to raise its cash fare for bus and rail and its transit pass fare for rail to $2.00 and to stop issuing transfers for cash fares or accepting cash fare transfers from Pace on January 1, 2006, Pace has not increased its base fare. At this time, Pace has no plans to raise its suburban service fares in 2007 other than a $3.00 increase in the monthly Vanpool fares which will range from $60 to $144.

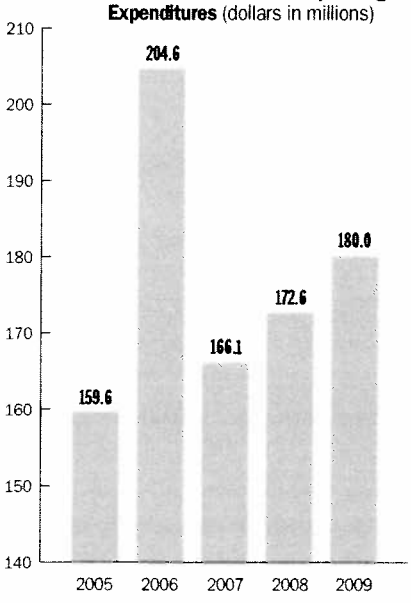
Reduced Fare Subsidy

The reduced fare subsidy is expected to decline from $3.4 million in 2006 to $3.3 million in 2007 and remain stable through 2009. In 1999, the subsidy essentially doubled due to the implementation of the *Illinois FIRST* program.

Advertising/Investment

Advertising and investment revenue is expected to increase from $5.0 million in 2005 to $5.5 million in 2007 and then decline to $5.1 million by 2009. In September 2003, the Pace Board of Directors approved a revenue-generating multi-year contract with Transit Television Network (TTN) of Orlando for the installation of on-board broadcasting monitors. The television screens broadcast informational programming on fixed-route buses. Fully funded by TTN, the project provides Pace with a minimum of $0.5 million during the five-year agreement. Investment revenue includes income from investments of cash balances.

Exhibit 6-8: **Pace Suburban Service Operating Expenditures** (dollars in millions)



Notes: In 2005 and 2006, operating expenditures include *ADA* paratransit. Beginning in 2007, operating expenditures are calculated with a regional *ADA* support credit. Operating expenditures exclude ADvAntage program in-kind expenditures.

Operating Expenditures

Total Pace operating expenditures of $159.6 million in 2005 comprised both suburban *ADA* paratransit service and suburban service. In 2006, Pace projects operating expenditures for suburban service, suburban *ADA* paratransit service, and CTA service area *ADA* paratransit service during the second half of the year to total $204.6 million. Pace projects suburban service operating expenditures of $166.1 million, $172.6 million, and $180.0 million in 2007, 2008, and 2009, respectively, corresponding to a compound annual growth rate of 4.1 percent (Exhibit 6-8). These expenditure totals include a regional *ADA* support credit of approximately $1.6 million annually that reflects many of the administrative and overhead cost to be incurred throughout Pace in support of *ADA* paratransit. Growth of labor, fringes and health care costs is the primary factor behind the increases in suburban service operating expenditures.

Expenditure Elements

Operating expenditure elements include labor and fringes, health insurance, parts and supplies, utilities, fuel, insurance and claims, other, public and private contracts, Dial-A-Ride, Vanpool, Ride DuPage, restructuring initiatives, and *ADA* paratransit (Exhibit 6-4).

Labor, Fringe and Health Insurance Costs

Labor, fringe, and health insurance expenditures, which accounted for 54.1 percent of total operating expenditures in 2005, are expected to account for 45.5 percent of total operating expenditures in 2006 and 58.0 percent of suburban service operating expenditures in 2007. Labor, fringe, and health insurance expenditures for suburban service are projected to increase from $96.3 million in 2007 to $105.6 million in 2009, a $9.3 million increase that corresponds to a 4.7 percent compound annual growth rate.

Parts and Supplies

Parts and supplies expenditures, which accounted for 2.8 percent of total operating expenditures in 2005, are expected to account for 2.3 percent of total operating expenditures in 2006 and 3.0 percent of suburban service operating expenditures in 2007. Parts and supplies expenditures for suburban service are projected to increase from $5.0 million in 2007 to $5.3 million in 2009, a $0.3 million increase that corresponds to a 3.2 percent compound annual growth rate.

Utilities

Utilities expenditures, which accounted for 1.0 percent of total operating expenditures in 2005, are expected to account for 0.9 percent of total operating expenditures in 2006 and 1.1 percent of suburban service operating expenditures in 2007. Utilities expenditures for suburban service are projected to increase from $1.9 million in 2007 to $2.0 million in 2009, a $0.1 million increase that corresponds to a 2.2 percent compound annual growth rate.

Fuel

Fuel expenditures, which accounted for 7.4 percent of total operating expenditures in 2005, are expected to account for 7.0 percent of total operating expenditures in 2006 and 9.0 percent of suburban service operating expenditures in 2007. Fuel expenditures for suburban service are projected to increase from $15.0 million in 2007 to $16.0 million in 2009, a $1.0 million increase that corresponds to a 3.3 percent compound annual growth rate.

Insurance and Claims

Insurance and claims expenditures, which accounted for 6.0 percent of total operating expenditures in 2005, are expected to account for 4.8 percent of total operating expenditures in 2006 and 6.0 percent of suburban service operating expenditures in 2009. Insurance and claims expenditures for suburban service are projected to remain near $9.9 million from 2007 to 2009.

Other

Other expenditures, which accounted for 5.0 percent of total operating expenditures in 2005, are expected to account for 4.6 percent of total operating expenditures in 2006 and 5.8 percent of suburban service operating expenditures in 2007. Other expenditures for suburban service are projected to increase from $9.7 million in 2007 to $10.9 million in 2009, a $1.2 million increase that corresponds to a 6.1 percent compound annual growth rate.

Public/Private Contract

Public/private contract expenditures, which accounted for 5.8 percent of total operating expenditures in 2005, are expected to account for 4.7 percent of total operating expenditures in 2006 and 6.2 percent of suburban service operating expenditures in 2007. Public/private contract expenditures for suburban service are projected to increase from $10.3 million in 2007 to $11.2 million in 2009, a $0.9 million increase that corresponds to a 4.4 percent compound annual growth rate.

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 2007, expenditures of $0.7 million are expected to be offset by revenue of $0.6 million including local subsidy. In Schaumburg, a shopper's trolley service operates in the Woodfield Mall area. In 2007, the cost of this shuttle is expected to be $0.5 million, all of which will continue to be funded by the Village of Schaumburg. During the academic year, the Northwestern University Shuttle provides service between the campus and several transit stops in Evanston. In 2007, approximately 90 percent of the $0.1 million expenditure is expected to be offset by revenue including local subsidy.

Pace provides fixed-route service in 31 communities by contracting directly with four private transit companies: Academy Coach Lines, Colonial Coach Lines, Laidlaw, and M. V. Transportation. In 2007, $9.0 million of private contract carrier expenditures are projected to be offset by revenue of $2.8 million. This $6.2 million funding requirement corresponds to a recovery ratio of 30.6 percent.

Dial-A-Ride

Dial-A-Ride (DAR) expenditures, which accounted for 7.7 percent of total operating expenditures in 2005, are expected to account for 6.2 percent of total operating expenditures in 2006 and 8.0 percent of suburban service operating expenditures in 2007. DAR expenditures for suburban service are projected to increase from $13.3 million in 2007 to $14.5 million in 2009, a $1.2 million increase that corresponds to a 4.4 percent compound annual growth rate.

Pace contracts with private operators to provide service for 31 DAR projects. The communities served cover a portion of the costs through 41 local share agree-

ments. Pace also has service agreements with local governments for the operation of 31 other DAR projects. Generally, the village or township, under contract with Pace, operates these services. Pace subsidizes these services based on a funding formula.

Vanpool

Vanpool expenditures, which accounted for 1.6 percent of total operating expenditures in 2005, are expected to account for 1.5 percent of total operating expenditures in 2006 and 2.1 percent of suburban service operating expenditures in 2007. Vanpool expenditures for suburban service are projected to increase from $3.6 million in 2007 to $4.5 million in 2009, a $0.9 million increase that corresponds to a 12.0 percent compound annual growth rate.

Pace's Vanpool program, which provides passenger vans to groups of 5 to 15 commuters, continues to grow. In 2007, Pace expects to have in service nearly 800 vans carrying 2.1 million riders, an increase of 130 vans (19.7 percent) and 242,000 riders (13.3 percent) from 2006.

The program is comprised of four elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle, the ADvAntage program, and the Municipal Vanpool program. The VIP service, the core element of the program, is projected to achieve ridership of 1,006,000 with 270 vans by the end of 2007. Pace estimates that by the end of 2007 the Corporate Shuttle program will have 28 vans transporting employees between suburban employers and nearby CTA, Metra and Pace facilities. By the end of 2007, the ADvAntage element of the Vanpool program is expected to have 337 vans transporting individuals with disabilities to work sites or rehabilitative workshops. Pace projects that the Municipal Vanpool program, which allows local municipalities to provide public transportation within their communities, will have 155 vans in service in 2007.

Ride DuPage

Launched in mid 2004, Ride DuPage consolidates all scheduling and dispatching and provides a single point of contact for (non-*ADA*) paratransit riders in this county. Ride DuPage expenditures, which accounted for 0.9 percent of total operating expenditures in 2005, are expected to account for 0.7 percent of total operating expenditures in 2006 and 0.9 percent of suburban service operating expenditures in 2007. During 2005, Ride DuPage expenditures were $1.4 million. Program expenditures are expected to reach $1.9 million by 2009, a $0.5 million increase that corresponds to a 8.3 percent compound annual growth rate.

Restructuring Initiative

Pace's restructuring initiative includes both on-going improvements to its fixed-route service and the integration of the CTA service area *ADA* paratransit service in 2006. In 2005, Pace incurred restructuring expenditures of $0.2 million. Pace expects to incur restructuring expenditures of $1.1 and $1.2 million in 2006 and 2007, respectively.

ADA Paratransit

In 2005, Pace incurred *ADA* paratransit expenditures of $12.3 million to provide curb-to-curb service to 0.5 million riders in Pace's suburban service area. In 2006, Pace expects to incur *ADA* paratransit expenditures of $43.6 million to provide service to 1.7 million riders in Pace's suburban service area during the entire year and in the CTA service area during the second half of the year. *ADA* paratransit expenditures for 2007 through 2009 are discussed separately later in this section.

Regional ADA Support Credit

In 2007, Pace will also begin deducting approximately $1.6 million of its administrative and overhead expenditures from its suburban service budget. Pace will charge this amount to its regional *ADA* paratransit budget.

Deficit

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2005, Pace ended the year with a net funding surplus of $0.7 million that increased its funding balance (cumulative positive budget variance) from $12.2 million to $12.9 million. In 2006, Pace projects a net funding deficit of $9.3 million. From 2007 to 2009, Pace projects deficit funding to match the operating deficit, and, therefore, no changes to the fund balance.

Funding

The RTA Sales Tax is the primary source of funding for Pace suburban service. The RTA retains 15 percent of the sales tax funds for discretionary funding and allocates the remainder to the service boards by statutory 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. In 2005, Pace's portion of RTA Sales Tax and discretionary funding totaled $79.1 million. This amount is expected to grow 3.2 percent per year to $89.7 million in 2009. In 2005, the RTA Board provided Pace with an additional $1.0 million to assist with the cost of start-up activities related to the transition to Pace of all of the *ADA* paratransit services in the RTA region. In both 2005 and 2006, the RTA funded Pace $2 million to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes. In 2007 through 2009, the RTA plans fund Pace up to $4 million in each of these years to accept these passes. The

Pace suburban service budget and financial plan presented in Exhibit 6-4 satisfy the funding marks set by the RTA on September 14, 2006.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. With the inclusion of the revenue for the funding of *ADA* and Dial-A-Ride paratransit service under contract of $7.8 million and $4.7 million of ADvAntage Program in-kind revenue and expenditure, Pace achieved a recovery ratio of 39.7 percent in 2005. With the inclusion of revenue for the funding of Dial-A-Ride paratransit service under contract of $4.0 million in 2006 and $4.8 million of ADvAntage program in-kind revenue and expenditure, Pace expects to achieve a recovery ratio for its suburban service of 34.2 percent in 2006. Exhibit 6-4 provides the detail used in this calculation. With the inclusion as revenue of $4.0 million of reimbursement from the RTA to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes and $4.8 million of ADvAntage program in-kind revenue and expenditure, Pace's 2007 budgeted suburban service recovery ratio of 36.4 percent exceeds the 36 percent recovery ratio mark set by the RTA.

Exhibit 6-9: **Pace 2006 Budget Versus 2006 Estimate*** (dollars in thousands)

	Amended 2006 Budget	2006 Estimate	Variance
System-Generated Revenue			
Farebox Revenue (1)	$ 35,923	$ 31,988	$ (3,935)
Local Share/Other	13,707	14,179	472
Advertising/Investment	5,182	5,448	266
Reduced Fare Subsidy	3,170	3,378	208
Total Revenue	**$ 57,982**	**$ 54,993**	**$ (2,989)**
Operating Expenditures			
Labor/Fringes	$ 76,349	$ 78,211	$ (1,862)
Health Insurance	15,810	14,921	889
Parts/Supplies	4,939	4,717	222
Utilities	1,713	1,744	(31)
Fuel	12,337	14,246	(1,909)
Insurance	9,001	9,793	(792)
Other	10,015	9,475	540
Public/Private Contract	9,852	9,564	288
Dial-A-Ride	12,770	12,781	(11)
Vanpool	2,977	3,015	(38)
Ride DuPage	1,478	1,471	7
Restructuring Initiative	1,220	1,137	83
ADA Paratransit Service	43,869	43,556	313
Total Expenditures	**$ 202,330**	**$ 204,631**	**$ (2,301)**
Operating Deficit	**$ 144,348**	**$ 149,638**	**$ (5,290)**
Deficit Funding			
RTA Sales Tax	$ 78,552	$ 78,979	$ 427
RTA Discretionary Funds	3,030	2,603	(427)
RTA/State ADA Paratransit Funds	16,918	16,918	—
Federal CMAQ and JARC Funds	1,741	677	(1,064)
Funding for Paratransit (2)	8,351	3,995	(4,356)
RTA Pass Reimbursement	2,000	2,000	—
Federal 5307 Funds	31,437	35,170	3,733
Total Deficit Funding	**$ 142,029**	**$ 140,342**	**$ (1,687)**
Funding Surplus/(Deficit)	**$ (2,319)**	**$ (9,296)**	**$ (6,977)**
ADvAntage Program—In-Kind (3)	**$ 4,562**	**$ 4,758**	**$ 196**
Recovery Ratio %	**35.2**	**34.2**	**(1.0)**

(*) 2006 Budget and 2006 Estimate includes suburban service and suburban *ADA* paratransit service during all of 2006 and *ADA* paratransit service in the CTA service area provided by Pace during the second half of 2006. (1) Passenger revenue includes Fixed Route, Van Pool, Municipal Van Pool, Dial-A-Ride, Ride DuPage, *ADA* paratransit, and Other Services. (2) Since the capital-related costs of paratransit service under contract are characterized as operating expenses under GAAP, this funding is recognized as operating revenue. In 2006, this amount is divided between funding for Suburban Service (Dial-A-Ride) and funding for *ADA* paratransit. In 2006, the amounts applied to the recovery ratio calculation were $4.0 million for suburban service and $5.9 million for *ADA* Paratransit Service. (3) The ADvAntage Program—in-kind revenue and expenditure (of equal amount) is included in the recovery ratio calculation.

2006 Budget Versus 2006 Estimate

Pace projects 2006 operating revenue for suburban service, suburban *ADA* paratransit service, and CTA service area *ADA* paratransit service during the second half of the year to be $3.0 million or 5.2 percent unfavorable to budget. Passenger revenue is expected to finish the year $3.9 million or 11.0 percent unfavorable, while Local share/other revenue is expected to finish the year $0.5 million or 3.4 percent favorable. Advertising/investment revenue is projected to finish the year $0.3 million or 5.1 percent favorable. The reduced fare subsidy is projected to finish the year $0.2 million favorable to budget.

Total expenditures are expected to finish the year $2.3 million unfavorable to budget. Expenditures for fuel, labor, and insurance are expected to be $1.9, $1.9, and $0.8 million unfavorable to budget, respectively. Expenditures for health insurance, other, *ADA* paratransit, parts/supplies, and restructuring initiative are expected to be $0.9, $0.5, $0.3, $0.2, and $0.1 million favorable to budget.

From a funding perspective, Pace expects an unfavorable variance of $7.0 million in 2006 (Exhibit 6-9).

Statutory Compliance

Pace's proposed 2007 budget, 2008-2009 plan, and 2007 recovery ratio submitted to the RTA complies with the operating marks set by the RTA Board. However, Pace's 2007 budget and 2008-2009 plan assume unidentified future new transit funding of $22.9, $26.2, and $30.7 million, respectively. If additional public subsidies are not obtained, other steps will need to be taken to balance the budget and financial plan, which may include, but are not limited to, utilizing federal formula capital funds to cover operating expenditures, adjusting service levels and adjusting fares.

Organizational Structure

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 6-11).

Exhibit 6-10: **Pace Suburban Service Fare Structure**

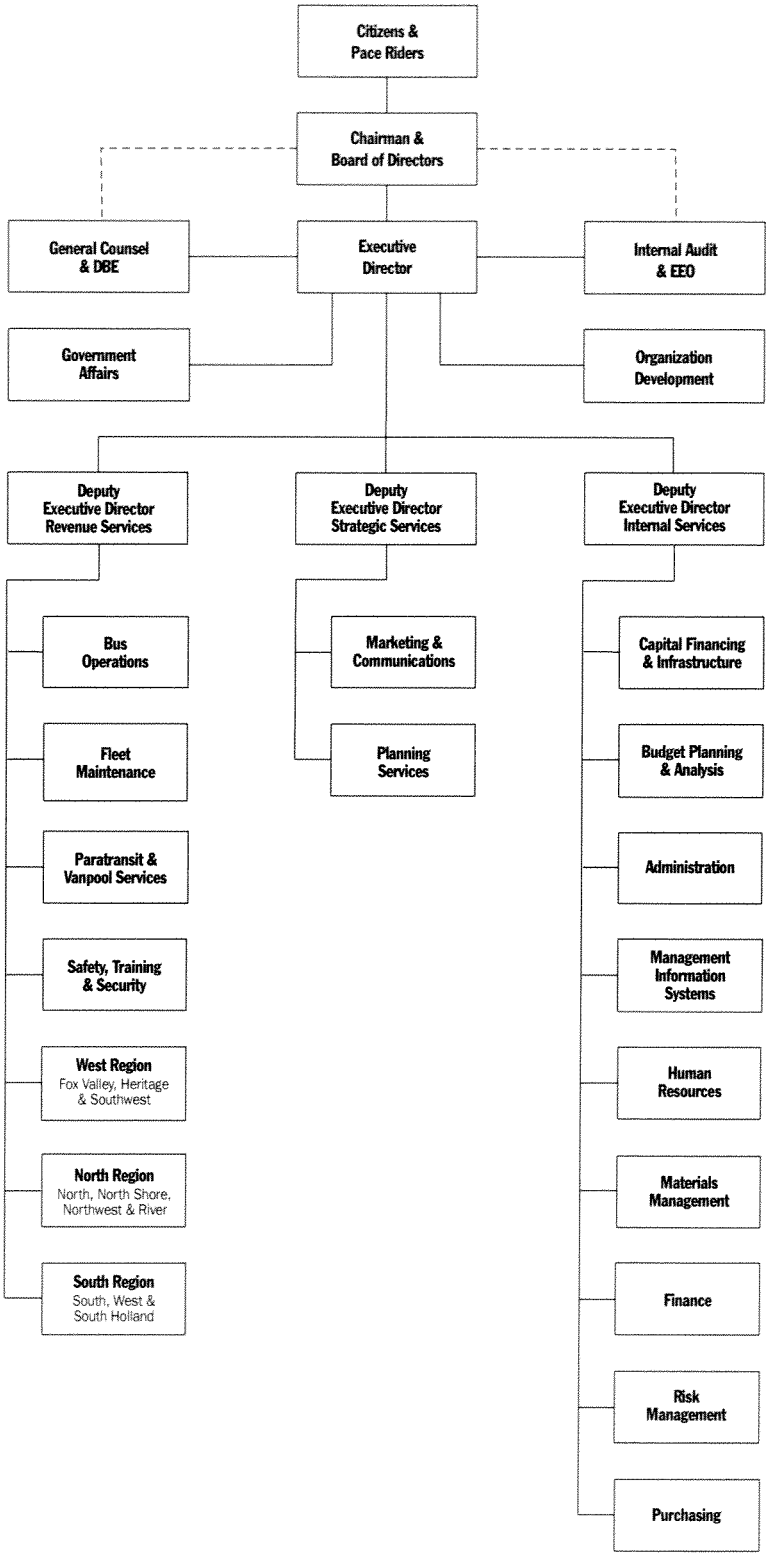
	Current Fares	
Regular Fares	**Full Fare**	**Reduced Fare**
Full Fare	$ 1.50	$ 0.75
Transfer to Pace/CTA*	0.25	0.10
Passes		
Pace/CTA (30-Day)	$ 75.00	$ 35.00
Commuter Club Card (CCC)—Pace only	50.00	25.00
Link-Up Ticket	36.00	—
Plus Bus	30.00	—
Regular 10-Ride Plus Ticket	15.00	7.50
Student (Haul Pass)		25.00
Student Summer Pass		40.00
Subscription Bus (monthly)	110.00	—
Local Fares		
Full Fare	$ 1.25	$ 0.60
Transfer to Pace/CTA*	0.50	0.25
Local 10-Ride Plus Ticket	12.50	6.00
—Local transfers are free of charge		
Express Fares		
Premium (Routes 210, 355 and 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 and 855)	30.00	15.00
Other		
Dial-A-Ride	$ 1.60	$ 0.80
Subscription Bus (1000 series)	3.00	—
Special Services (Non-ADA)	5.00	—
Shuttle Routes (No Reduced Fares)	$1.00	—
Shuttle Routes 535 and 921	$0.50	—
Shuttle Routes 205, 206, 207, and 712	$0.25	—

Vanpool

Monthly VIP and other van pool services fares range from $60 to $144 depending on the daily round trip van miles and the number of passengers. This range represents a $3 increase from 2006.

*Effective January 1, 2006, the CTA discontinued issuing or accepting cash transfers.

Exhibit 6-11: **Pace Organizational Structure**



ADA Paratransit

Overview

Effective July 1, 2006, Pace has provided all *ADA* paratransit service in the RTA region. Beginning in 2007, Pace's revenue and expenditures are separated into suburban service and regional *ADA* paratransit service.

Service Characteristics

The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for *ADA* paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA or Metra rail stations, as described in the *Americans with Disabilities Act (ADA).*

In the suburban area where Pace provides fixed route service, Pace contracts with private operators to provide *ADA* paratransit service. These operators use Pace-owned lift-equipped vehicles to provide curb-to-curb service to *ADA*-certified passengers within a portion of the suburban area of the RTA region.

In the CTA service area, Pace contracts with three private operators (Cook-DuPage Transportation (CDT), SCR Transportation and Art's Transportation) to provide *ADA* paratransit service. The operators use contractor-owned vehicles to provide service to *ADA*-certified passengers throughout the City of Chicago and the suburban communities served by CTA bus and rail operations. Pace also administers two subsidized taxi programs in the City of Chicago (the Taxi Access Program (TAP) and the Mobility Direct program) for *ADA*-certified passengers, although these programs are not required by the *ADA*.

The CTA and Pace fixed route services are described in section 4 and earlier in section 6, respectively.

Ridership

In 2005, Pace's *ADA* paratransit ridership in Pace's suburban service area totaled 0.5 million. Pace expects 2006 *ADA* paratransit ridership of 0.5 million in Pace's suburban service area and 1.2 million in the CTA service area during the second half of 2006, totaling 1.7 million. In 2007, Pace projects regional *ADA* paratransit ridership of 3.3 million. Consistent with the Regional *ADA* Paratransit Plan jointly prepared by the RTA, CTA, and Pace and submitted to the Federal Transportation Administration in January 2006, Pace projects *ADA* Paratransit ridership to grow 10 percent annually in the CTA service area and 6 percent annually in the Pace suburban service area from 2007 through 2009. Regional *ADA* paratransit ridership is projected to increase 0.3 million or 9.4 percent to 3.6 million in 2008, and 0.3 million or 9.4 percent to 3.9 million in 2009 (Exhibit 6-12).

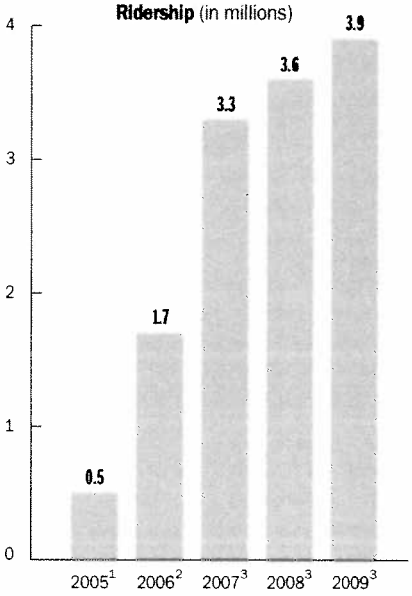
Cost Efficiency

The cost per passenger measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-13). Cost per passenger for Regional *ADA* paratransit service is projected to increase from $28.12 in 2007 to $29.40 in 2009. This $1.38 increase corresponds to a compound annual growth rate of 2.3 percent.

Budget and Financial Plan

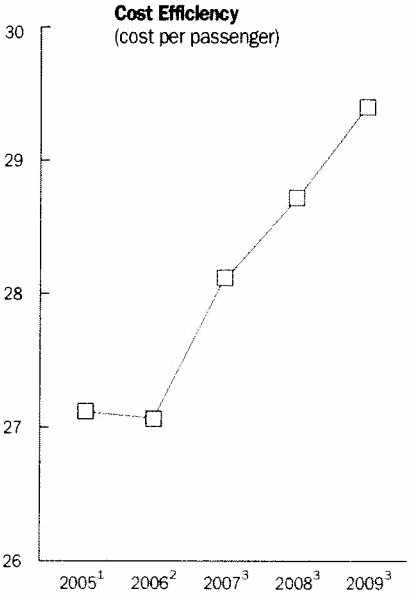
The Pace *ADA* paratransit service budget and financial plan presented in Exhibit 6-14 meets the funding marks and exceeds the recovery ratio mark set by the RTA on September 14, 2006. The marks set funding for *ADA* paratransit at $81.8 million for 2007, $91.6 million for 2008, and $99.9 million for 2009. In

Exhibit 6-12: **Pace ADA Paratransit Service Ridership** (in millions)



(1) 2005 Pace service area. (2) 2006 Pace service area plus CTA service area during second half of year. (3) 2007-2009 Pace and CTA service areas.

Exhibit 6-13: **Pace ADA Parantransit Cost Efficiency** (cost per passenger)



(1) 2005 Pace service area. (2) 2006 Pace service area plus CTA service area during second half of year. (3) 2007-2009 Pace and CTA service areas.

Exhibit 6-14: **Pace Regional ADA Paratransit Service 2007 Budget and 2008–2009 Financial Plan** (dollars in thousands)

System-Generated Revenue	2007 Budget	2008 Plan	2009 Plan
Farebox Revenue (1)	$ 8,995	$ 9,832	$ 13,727
Local Share/Reimbursement	658	715	777
Total Revenue	**$ 9,653**	**$ 10,547**	**$ 14,504**
Operating Expenditures			
Labor/Fringes (1)	$ 2,168	$ 2,255	$ 2,345
Health Insurance	341	384	432
Administrative Expenditures	1,003	1,024	1,046
Fuel	1,503	1,542	1,588
Insurance/Claims	625	638	651
RTA Certification	658	715	777
Suburban ADA Purchased Transportation	14,770	16,277	17,969
CTA Service Area ADA Purchased Transportation (1)	68,866	77,749	87,935
Regional ADA Support Allocation	1,529	1,590	1,654
Total Expenditures	**$ 91,463**	**$ 102,174**	**$ 114,397**
Operating Deficit	**$ 81,810**	**$ 91,627**	**$ 99,893**
Deficit Funding			
New Transit Funding	81,810	91,627	99,893
Total Deficit Funding	**$ 81,810**	**$ 91,627**	**$ 99,893**
Recovery Ratio % (2)	**10.6**	—	—

(1) As required by the 2005 amendment to the *RTA Act*, Pace assumed operating responsibility for *ADA* paratransit service throughout the RTA region on July 1, 2006. The 2006 Estimate includes revenue and expenditure estimates for the full year of service, including service provided by the CTA during the first half of the year. (2) The recovery ratio in 2007 exceeds the mark set for Pace by the RTA Board on September 14, 2006. The *RTA Act* requires a 10 percent recovery ratio for regional *ADA* paratransit service in 2007.

Exhibit 6-15: **Pace ADA Paratransit Service System-Generated Revenue** (in millions)

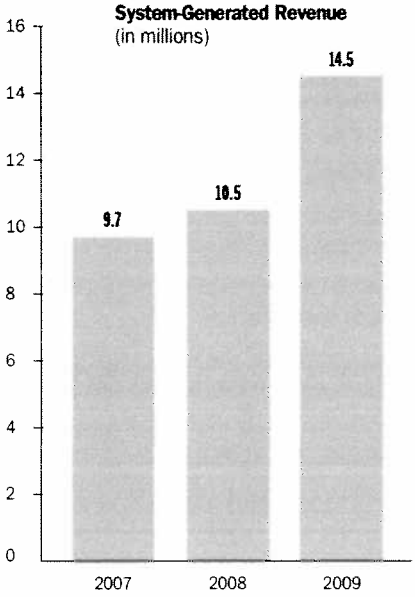
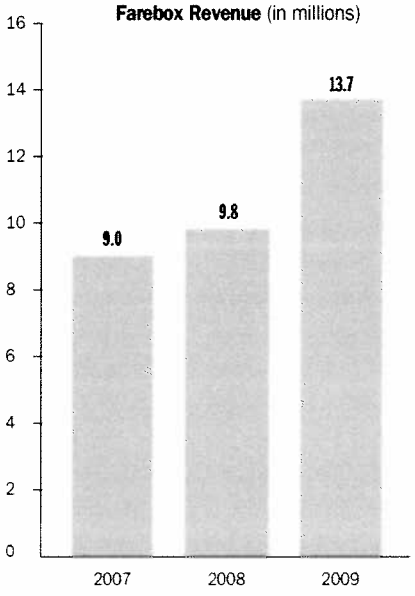


Exhibit 6-16: **Pace ADA Paratransit Service Farebox Revenue** (in millions)



compliance with the *RTA Act*, the RTA set the *ADA* paratransit recovery ratio for 2007 at 10.0 percent.

System-Generated Revenue

Pace projects total *ADA* paratransit system-generated revenue of $9.7 million in 2007 (Exhibit 6-15). Farebox revenue is expected to account for $9.0 million or 93 percent of total revenue and local share/reimbursement $0.7 million or 7 percent of total regional *ADA* paratransit service revenue (Exhibits 6-16 and 6-17). To meet the 10 percent recovery ratio required by the *RTA Act* for *ADA* paratransit service in 2007, the Pace Board voted to increase the *ADA* paratransit fare in the CTA service area and the fare for the Mobility Direct program from $1.75 to $2.25 and the fare for the Taxi Access Program (TAP) from $1.75 to $5.00 effective January 1, 2007 (Exhibit 6-19). Pace projects total *ADA* paratransit revenue of $10.5 million in 2008, an increase of 9.3 percent. The *RTA Act* also requires that regional *ADA* paratransit service meet a recovery ratio of 12 percent beginning in 2009. To meet this requirement, Pace projects total *ADA* paratransit revenue of $14.5 million in 2009, an increase of 37.5 percent over the prior year.

Operating Expenditures

Pace projects Regional *ADA* paratransit service operating expenditures of 91.5 million, $102.2 million and $114.4 million in 2007, 2008 and 2009, respectively, corresponding to a compound annual growth rate of 11.8 percent (Exhibit 6-18). Growth in purchased transportation costs is the primary factor behind these increases in operating expenditures.

Expenditure Elements

Operating expenditure elements include labor and fringes, health insurance, administrative expense, fuel, insurance and claims, RTA certification, suburban *ADA* purchased transportation, CTA service area *ADA* purchased transportation, and indirect overhead allocation (Exhibit 6-14).

Exhibit 6-17: **2007 Pace ADA Paratransit Revenue** — $9.7 million

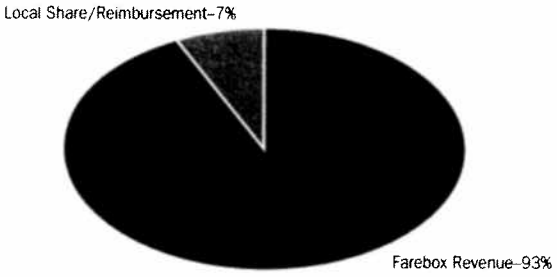
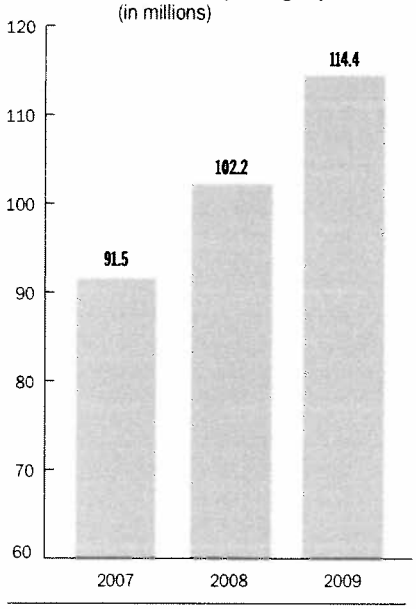


Exhibit 6-18: **Pace Total Operating Expenditures** (in millions)



Labor, Fringe and Health Insurance Costs

To administer *ADA* paratransit service in the CTA service area, Pace hired 31 additional administrative support staff to supplement the six staff members who were responsible for administering the suburban *ADA* paratransit service. Labor, fringe, and health insurance expenditures, are expected to account for 2.7 percent of regional ADA paratransit service operating expenditures in 2007. Labor, fringe, and health insurance expenditures are projected to increase from $2.5 million in 2007 to $2.8 million in 2009, a $0.3 million increase that corresponds to a 5.2 percent compound annual growth rate.

Administration

Administration expenditures are expected to account for 1.1 percent of regional *ADA* paratransit service operating expenditures in 2007. Pace leases its operations center for *ADA* paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. Administrative expenditures are projected to remain at $1.0 million from 2007 to 2009.

Fuel

Fuel expenditures are expected to account for 1.6 percent of regional *ADA* paratransit service operating expenditures in 2007. Fuel expenditures are projected to increase from $1.5 million in 2007 to $1.6 million in 2009, a $0.1 million increase that corresponds to a 2.8 percent compound annual growth rate.

Insurance and Claims

Insurance and claims expenditures are expected to account for 0.7 percent of regional *ADA* paratransit service operating expenditures in 2007. Insurance and claims expenditures are projected to remain near $0.6 million from 2007 to 2009.

Exhibit 6-19: **2007 Fare Structure**

CTA Service Area	Fare
ADA Paratransit	$ 2.25
Mobility Direct	2.25
Taxi Access Program	5.00
Pace Service Area	
Regular Route Analog	$ 3.00
Local Route Analog	2.50

RTA Certification

RTA certification expenditures are expected to account for 0.7 percent of regional *ADA* paratransit service operating expenditures in 2007. These expenditures comprise the cost of transporting applicants for *ADA* certification to and from assessment centers. RTA certification expenditures are projected to increase from $0.7 million in 2007 to $0.8 million in 2009, a $0.1 million increase that corresponds to a compound annual growth rate of 8.7 percent.

Suburban ADA Purchased Transportation

Suburban *ADA* purchased transportation expenditures are expected to account for 16.1 percent of regional *ADA* paratransit service operating expenditures in 2007. These expenditures are projected to increase from $14.8 million in 2007 to $18.0 million in 2009, a $3.2 million increase that corresponds to a 10.3 percent compound annual growth rate. Demand for suburban *ADA* paratransit service is projected to increase 6.0 percent in both 2008 and 2009.

CTA Service Area
ADA Purchased Transportation

CTA service area *ADA* purchased transportation expenditures are expected to account for 75.3 percent of regional *ADA* paratransit service operating expenditures in 2007. These expenditures are projected to increase from $68.9 million in 2007 to $88.0 million in 2009, a $19.1 million increase that corresponds to a 13.0 percent compound annual growth rate. Demand for CTA service area *ADA* paratransit service is projected to increase 10.0 percent in both 2008 and 2009.

Regional ADA Support Allocation

In 2007, Pace will also begin charging approximately $1.6 million of its administrative and overhead expenses to the regional *ADA* paratransit budget.

Deficit and Funding

The annual operating deficits are derived from total system-generated revenue minus total operating expenditures. From 2007 to 2009, Pace projects that public funding from the RTA and the Sate of Illinois will match the corresponding operating deficits. The Pace budget and financial plan for *ADA* paratransit service presented in Exhibit 6-14 meets the funding marks set by the RTA on September 14, 2006. The marks set the total funding levels at $81.8 million for 2007, $91.6 million for 2008, and $99.9 million for 2009.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The *RTA Act* requires that regional *ADA* paratransit service meet a recovery ratio of 10 percent in 2007 and 2008 and 12 percent beginning in 2009. In 2007, Pace's projected recovery ratio for regional *ADA* paratransit service is 10.6 percent. Exhibit 6-14 provides the detail used in this calculation.

Statutory Compliance

Pace's proposed 2007 budget, 2008-2009 plan, and 2007 recovery ratio for *ADA* paratransit service submitted to the RTA comply with the operating marks set by the RTA Board. However, Pace's 2007 budget and 2008-2009 plan for regional *ADA* paratransit service assume unidentified future new transit funding of $81.8, $91.6, and $99.9 million, respectively, the full amount of each year's deficit and funding mark. If additional public subsidies are not obtained, other steps will need to be taken to balance the budget and financial plan, which may include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, adjusting service levels and adjusting fares.

7 Capital Program

Regional Overview

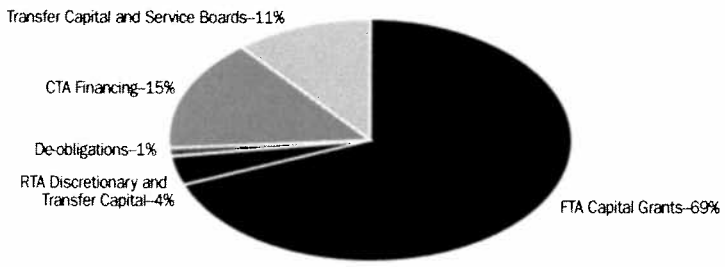
The *RTA Act* requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuing review so that the RTA may budget and expend funds available to the region with maximum efficiency. The RTA Board must adopt a five-year capital program every year. The RTA's five-year capital program 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 emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's $27 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. This translates into a need of approximately $1 billion per year just to maintain and preserve the existing system.

In 2005, Congress passed a reauthorization of federal funding for transportation projects. Although this legislation provided an increase over previous levels of funding, it will still leave a substantial shortfall.

The region still requires more than $500 million per year in additional funding to properly maintain our resources.

Exhibit 7-1: **2007–2011 Capital Program Marks**



With funding needs for capital improvements and rehabilitation greatly exceeding expected resources, the RTA and the Service Boards must actively pursue additional funding opportunities to preserve and enhance the economic viability of the RTA system. It is critical that the RTA allocate our available capital resources consistent with long-range plans and short-range needs.

2007–2011 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. For the 2007 budget, we face a large operating and capital shortfall, because there has not been any new state capital funding for transit since *Illinois FIRST,* and because operating funding has not kept pace with 21st century demand. The $27 billion asset of trains, buses, vans, stations and tracks belongs to the people of Northeastern Illinois. And together, we all need to decide whether we are going to invest in this asset or shrink it.

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, and the Service Boards. The total estimated new capital funds available for 2007 are projected at $704.0 million. After deducting $30.3 million to provide for the CTA's repayment of principal and interest and adding the CTA and Metra de-obligations of $26.5 million, $700.2 million is available for capital projects. At this time, the final federal appropriation figures for 2007 have not been determined. Once this amount is established, the capital program will be adjusted to reflect the available funding.

On September 14, 2006, the RTA adopted preliminary capital funding marks. Since then, the RTA received proposals to change the estimates for funds controlled by the Service Boards. The RTA budget adopted on December 14, 2006, incorporated various federal and local funding source changes proposed by the Service Boards and the RTA (Exhibits 7-1 and 7-2). Of the estimated $700.2 million of new and de-obligated funding sources for 2007, federal funding after reduction for the CTA repayment of principal and interest, accounts for $471 million or 67 percent, RTA funds account for $23.8 million or 3 percent, Service Board and

Exhibit 7-2: **RTA 2007–2011 Capital Program Marks** (dollars in millions)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 1,381	$ 771	$ 187	$ 2,339
RTA Discretionary and Transfer Capital	102	—	3	105
Transfer Capital and Service Boards	—	312	—	312
CTA Financing	425	—	—	425
Total New Service Board Capital Funding	**$ 1,908**	**$ 1,083**	**$ 190**	**$ 3,181**
De-obligations	1	25	—	26
CTA Principal and Interest	(385)	—	—	(385)
Total Service Board Available	**$ 1,524**	**$ 1,108**	**$ 190**	**$ 2,822**

Exhibit 7-3: **Capital Funding in 2007** (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 289,344	$ 177,473	$ 34,468	$ 501,285
IDOT Grants	—	—	—	—
Service Board/ Other Funds	—	53,919	—	53,919
RTA Transfer Capital	20,353	—	3,449	23,802
CTA Financing	125,000	—	—	125,000
Total New Service Board Capital Funding	**$ 434,697**	**$ 231,392**	**$ 37,917**	**$ 704,005**
De-obligations	1,554	25,000	—	26,554
CTA Principal and Interest	(30,336)	—	—	(30,336)
Total Service Board Available	**$ 405,915**	**$ 256,392**	**$ 37,917**	**$ 700,223**

other funds account for $53.9 million or 8 percent, de-obligations account for $26.5 million or 4 percent, and CTA financing funds account for $125 million or 18 percent (Exhibits 7-3 and 7-4).

Federal

The RTA receives federal funds authorized under federal sections 5307, 5340 and 5309 of the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU* provides funding for federal surface transportation programs, including transit through federal fiscal year 2009. For planning purposes, the RTA preliminary marks assume the continued availability of federal funds in 2010 and 2011. On June 14, 2006, the House passed its version of the FFY 2007 Transportation Appropriations bill; and, on July 20, 2006, the Senate Committee on Appropriations approved its version of the FFY 2007 Transportation, Treasury, and Housing and Urban Development, the Judiciary, and Related Agencies Appropriations bill. The Senate bill funds Federal Transit Administration (FTA) programs at an $8.875 billion level, a 4.4 percent increase over the final amount appropriated for FFY 2006. At present, Congress has not approved a FFY2007 Transportation Appropriation bill for the fiscal year starting October 1st. The Federal Transit Administration is currently operating under a continuing resolution. Once federal 2007 funds are appropriated and local funding decisions are finalized, the 2007-2011 capital program marks will be revised.

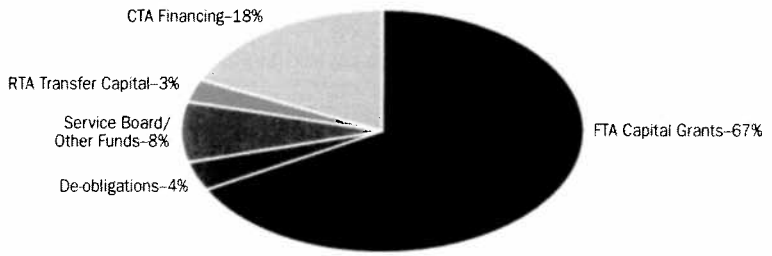
Certain federal funding programs are allocated to urbanized areas based on legislatively defined formulas. The RTA region receives federal Section 5307 Urbanized Area Formula funds and federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds in this fashion. *SAFETEA-LU* included a new program, the federal Section 5340 Growing and High Density States, also distributed by formula that will provide funds to northeastern Illinois.

Other federal funds are available to the region on a competitive basis. The RTA, with substantial input from the Service Boards, estimates annual funding levels based on internal analysis of national funding levels, past performance, project readiness and existing legislative or contractual commitments. The federal Section 5309 (m)(2)(A) New Start and Section 5309 (m)(2)(C) Bus and Bus Facility capital funding are often earmarked in federal legislation. The RTA 2007-2011 federal Section 5309 (m)(2)(A) New Starts funding marks includes monies to complete the two CTA projects currently underway as earmarked in *SAFETEA-LU*. The RTA marks includes federal 2007 Section 5309 New Start funding of $41.6 million for the CTA's Douglas and Ravenswood lines; and $105.9 million for the completion of the CTA's Ravenswood project in 2008 and 2009. Further, the CTA and Metra marks include $23.4 million and $49 million respectively in 2007 for future New Start capital projects consistent with their earmark requests for 2007 federal funds.

It is expected that the Federal New Starts monies for system expansion will be available in 2008-2011. However, without matching funds, the region will not be able to access these funds. Therefore, no additional New Start funding is programmed in 2008-2011.

In addition, flexible funds are another source of federal funding for the RTA 2007-2011 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 1991 (ISTEA)* and continued with *SAFETEA-LU*. Flexible funds include the Federal Highway Administration (FHWA) Surface Transportation Program (STP) and the Congestion Mitigation and Air Quality (CMAQ) improvement program. These funds are sought by the Service Boards through a regional competitive process.

Exhibit 7-4: **2007 Capital Funding**—$700,223 million



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. These funds can be used for a variety of transit improvements such as new Fixed Guideway projects; bus purchases; construction and rehabilitation of rail stations; maintenance facility construction and renovations; alternative-fuel bus purchases; bus transfer facilities; multi-modal transportation centers; and technologically advanced fare collection systems. FHWA funds are transferred to the FTA to one of the following three programs: Urbanized Area Formula program (federal Section 5307), Non-urbanized Area Formula program (federal Section 5311), and Elderly and Persons with Disabilities program (federal Section 5310).

Once transferred to the FTA for a transit project, the funds are administered as FTA funds subject to all the FTA requirements. These transferred funds may use the same non-federal matching share as if they were used for highway purposes and administered by FHWA.

In urbanized areas of more than 200,000 population, the Metropolitan Planning Organization (MPO) decides the transfer of flexible funds. In the RTA region, the MPO is the Chicago Area Transportation Study (CATS) Policy Committee. 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 federal Section 5307 combined with Section 5340 along with federal Section 5309 funds. Local funding sources provide the remaining 20 percent match. However, due to the lack of Strategic Capital Improvement Program (SCIP) funding and Illinois Department of Transportation (IDOT) Bonds, the Service Boards are left with no local funds available to provide a local match for federal funding in 2007. Therefore, the Service Boards, as a temporary solution, will exercise the toll revenue credit provision established in the *ISTEA,* incorporated in *Transportation Equity Act for the 21st Century (TEA-21)* and continued in *SAFETEA-LU.* The toll revenue credit provision permits states to use certain expenditures of toll revenue as a "credit" toward the required local match for certain highway and transit programs. These credits are not actually funds that can be used; rather they are a mechanism to count toll revenue already spent for tollway capital projects as local matching dollars for federal capital funds for transit.

In addition, other federal funds made available to the region by formula will be allocated among a variety of agencies including transit operators on a competitive basis. These programs include the federal Section 5316-Job Access and Reverse Commute (JARC) program and the federal Section 5317-New Freedom program (for services supplemental to *ADA* requirements). Since projects using funds for these programs will be selected in 2007 based on a competitive selection process coordinated by the RTA and CATS, no funding marks are proposed at this time. The RTA capital program marks will be amended to include JARC and New Freedom funding available to the Service Boards for capital projects only.

In summary, the 2007 RTA preliminary federal estimates reflecting the *SAFETEA-LU* legislation are $150.7 million for federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds, $211.9 million for federal Section 5307 Urbanized Area Formula funds combined with Section 5340 Growing and High Density States, $114 million for federal Section 5309 (m)(2)(A) New Start funds, $7 million for federal Section 5309 (m)(2)(C) Bus and Bus Facility funds, $15.3 million for federal Section 5339 Alternative Analysis funds, and $2.4 million for federal flexible and other funds. Furthermore, the CTA requested to reduce its federal funding by $30.3 million for the payment of debt principal and interest for 2007 and $354.7 million for this purpose in the out years.

The RTA

In 1999, the *RTA Act* was amended as part of the *Illinois FIRST* legislation. The legislation increased the RTA borrowing authority by $1.6 billion for capital infrastructure improvements. This amount included $1.3 billion in authorization for SCIP bonds. The State of Illinois reimburses the RTA for the principal and interest expenditures on these bonds. The remaining $300 million represented the RTA bonds for which the RTA does not receive state reimbursement. All of these funds (SCIP and RTA bonds) were programmed to the Service Boards since 2004. Also, since the RTA bond authorization represents a cap on outstanding bonds, additional bonds can be programmed when existing bonds are retired.

The RTA's five-year capital marks contain no additional SCIP or RTA bond funds since there is no legislation passed to extend the RTA's bond programs. Note that any additional bonding authority would require State legislation, as well as a funding source to pay the debt service on any additional bonds authorized to be issued.

In 1995, the RTA began funding a new Transfer Capital (TC) program that utilizes funds available for operations to be used for capital investments. The 2007-2011

capital program includes $101.8 million for the CTA from Transfer Capital funds.

The RTA discretionary funds are yet another source of capital funding. Discretionary funds 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 limited RTA receipts, the RTA deferred an allocation of any discretionary funds to the Service Boards for capital projects. For 2007, the RTA allocated $3.4 million in discretionary capital funds to Pace to purchase 46 replacement paratransit vehicles.

State

State funds historically are awarded to the Service Boards on a discretionary basis and are used primarily for federal match purposes to ensure sufficient local funds are made available for critical transit projects in the region. No additional state funds for capital projects were included in State Fiscal Year (SFY) 2007 appropriations. Therefore, no IDOT funding is included in the capital marks for 2007 and beyond.

Service Boards

In addition to the funding sources described above, the 2007 capital program submitted by Metra includes $48.8 million of Transfer Capital funds. Transfer Capital funds are monies that can be used for operations but have, through cost containment, been reallocated for use on capital improvement projects. Also, five-year funding for this category includes $5.1 million of local community and other funding, primarily Homeland Security monies, to be secured by Metra.

CTA Financing

The CTA is proposing to borrow funds of $125 million in 2007 and $300 million in the out-years. These funds will enable the acceleration of rail car and bus purchases, the construction of the Washington Intermodal Stations and the timely repair of track and structure by the CTA. The CTA will secure all funds and pay for all borrowings from their federal Section 5307 formula funds and federal Section 5309 Fixed Guideway Modernization funds.

Transfer to Operating

The capital marks were not reduced to reflect the Service Boards' use of Section 5307 Urbanized Area Formula and Section 5309 Fixed Guideway Modernization funds for their operating budgets. However, these funds may have to be reduced in the future if additional operations funding or deficit reductions are not obtained.

Use of Funds

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 of 2000 through the 2004 programs was $918.8 million, a 60 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 through 2006 (projected), the Service Boards awarded an annual average of $807 million in contracts. Project spending also increased substantially from an average of $420 million per year from 1995 through 1999 to $795 million from 2000 through 2006 (projected). Exhibits 7-5 and 7-6 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 primary emphasis of the 2007 capital program is to continue efforts to

Exhibit 7-5: **RTA Capital Program Obligations** (dollars in millions)

	CTA	Metra	Pace	Total
Average 1995–1999	$ 240	$ 154	$ 24	$ 418
2000	320	202	55	577
2001	322	500	61	883
2002	489	473	53	1,015
2003	599	365	25	989
2004	414	351	41	806
2005	494	216	37	747
2006 Estimate	375	200	20	595

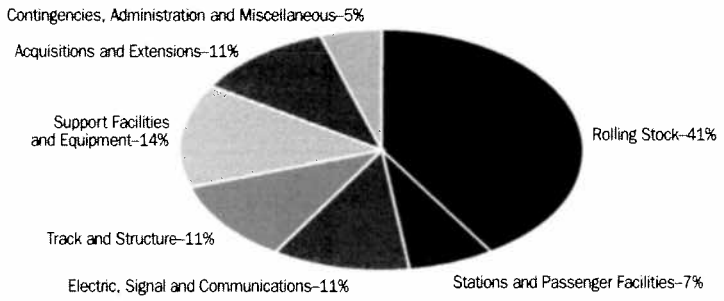
Exhibit 7-6: **RTA Capital Program Expenditures** (dollars in millions)

	CTA	Metra	Pace	Total
Average 1995–1999	$ 234	$ 166	$ 20	$ 420
2000	277	182	31	490
2001	351	316	55	722
2002	486	340	35	861
2003	477	468	81	1,026
2004	450	402	26	878
2005	351	354	33	738
2006 Estimate	400	375	15	790

Exhibit 7-7: **2007–2011 Capital Program Uses** (dollars in millions)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	$ 856	$ 208	$ 103	$ 1,167
Track and Structure	62	240	—	302
Electric, Signal and Communications	106	183	23	312
Support Facilities and Equipment	109	230	62	401
Stations and Passenger Facilities	134	65	1	200
Miscellaneous	—	60	—	60
Acquisitions and Extensions	257	49	—	306
Contingencies and Administration	—	73	1	74
Totals	**$ 1,524**	**$ 1,108**	**$ 190**	**$ 2,822**

Exhibit 7-8: **Regional Five-Year Assets by Category**—$2,822 million



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.

Investments in the capital program can also be broken down into various asset categories. Exhibits 7-7 and 7-8 show that $1.4 million, or 48 percent, of the program is spent on rolling stock and stations and passenger 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 2007-2011 capital programs for the CTA, Metra, and Pace are presented by major asset category in Exhibits 7-9 through 7-12. Some of the more significant projects included in the proposed 2007-2011 capital program include the following:

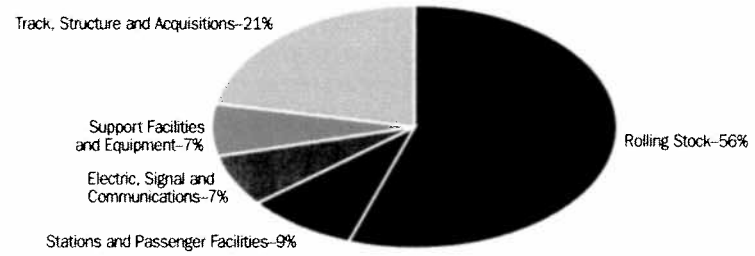
- $319.1 million toward the purchase of 406 CTA rail cars;
- $267.6 million for the rehabilitation and overhaul of the CTA rapid transit cars;
- $217.8 million for the expansion of the CTA's Ravenswood Brown Line;
- $141.1 million toward the purchase of 426 CTA buses;
- $127.9 million for the rehabilitation and overhaul of the CTA buses;
- $106.2 million for the replacement and upgrade of the CTA power distribution and signals;
- $37.5 million for the alternative analysis, preliminary engineering and construction for four proposed CTA New Start projects;
- $143.6 million for the construction of new Metra yards and shops;
- $97.0 million for the rehabilitation and improvement of Metra locomotives;
- $110.8 million for bridge rehabilitation and renewal;
- $55.5 million for the rehabilitation of Metra commuter rail cars;
- $78.8 million for the upgrade of signal systems and installation of Communication-Based Train control systems;
- $49.0. million for the New Start alternative analysis, engineering and construction;
- $61.6 million for the purchase of 176 Pace buses;
- $16.6 million for the purchase of 460 Pace vans and community vehicles;
- $14.7 million for the purchase of 183 Pace paratransit vehicles;
- $18.1 million for the purchase of a replacement fixed route radio system;
- $23.0 million for the purchase of a replacement farebox system;
- $15.4 million for the purchase of the replacement for the HPe3000 computer system;
- $14.6 million for the construction, expansion and improvements to Pace garages; and
- $4.4 million for the implementation of Transit Signal Priority projects.

CTA Overview

The proposed projects in the CTA's portion of the 2007-2011 capital program total $1.5 billion. The CTA's portion of the capital program continues the rehabilitation and replacement of capital assets. The percentage for the general categories of capital improvements of the total program are rolling stock at 56 percent; track and structure at 21 percent; electric, signal and communications at 7 percent; support facilities and equipment at 7 percent; and stations and passenger facilities at 9 percent. The general categories of capital improvements comprising the CTA's portion of the capital program are illustrated in Exhibit 7-9.

Highlights of the CTA's portion of the 2007-2011 capital program are as follows:

Exhibit 7-9: **CTA Five-Year Assets by Category**—$1,524 million



Rolling Stock

The CTA's portion of the 2007-2011 capital program includes $269.2 million in the bus rolling stock category. The CTA's bus fleet consists of 2,106 buses. The five-year program contains $141.1 million for replacement of over-age buses. These buses will have reached the industry standard retirement age of 12 years by the end of the five-year program. 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, low-floor and fully accessible to persons with disabilities. In 2007, on-going bus purchases totaling $29.9 million are planned.

In addition, $127.9 million is budgeted for capital-eligible bus maintenance activities and life extending overhauls over the five-year program with $23.1 million planned in 2007. The CTA will continue its aggressive Bus Preventive Maintenance Program to schedule the replacement of parts nearing the end of their useful life. This program will improve the comfort, quality and reliability of the CTA's bus service and will reduce operating expenditures by avoiding service disruptions and unscheduled maintenance of buses.

The rail rolling stock category includes $586.7 million in 2007-2011 to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of 1,190 train cars. The five-year program includes $319.1 million for the replacement of 2200 and 2400 Series rail cars and the purchase of additional cars to meet the service requirements associated with the Brown Line capacity expansion. The CTA is proposing $57.5 million for the purchase of new rail cars in 2007. Also, this capital program contains $267.6 million for the CTA systematic maintenance and upgrade of rapid transit rolling stock including the overhaul and mid-life rehabilitation for the 2200 and 2400 Series rail cars. This mid-life rehabilitation will enable the cars to reach original useful life estimates of 25 years.

Track and Structure/ Acquisitions and Extensions

The track and structure category includes $319.6 million in 2007-2011 to rehabilitate and expand existing rail lines with $144.1 million programmed in 2007. The CTA rail system contains 287.8 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; 111.1 miles are on elevated structure; 55.2 elevated miles are on fill; 2.9 are open cut miles; and 23.3 miles are subway.

The highlights of the CTA's five-year track and structure program include the following:

1) The final funding of $1.6 million in 2007 for the reconstruction of the Douglas Branch of the Blue Line from 54th and Cermak in Cicero through the incline connection to the Congress Branch completed in 2005;

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 $217.8 million over the next five years, with $64 million programmed in 2007;

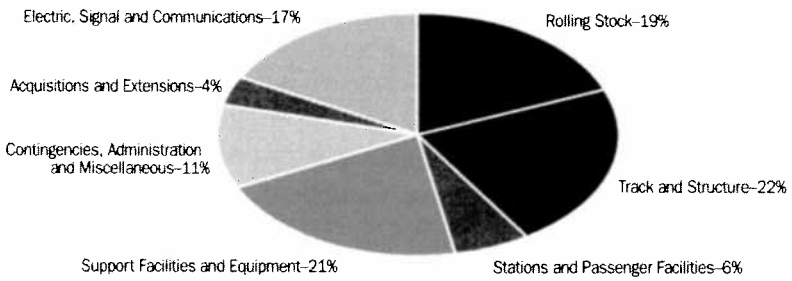
3) The repair of track and structure, at a cost of $62.7 million, with $41.1 million programmed in 2007; and

4) New Start projects to extend and expand the CTA rail system at a cost of $37.5 million in 2007 for engineering, construction and alternative analysis. This includes extending the Red Line from the 95th Street Station to 130th Street, extending the Orange Line from Midway Airport to the Ford City Mall, and extending the Yellow Line from the Dempster Station to Old Orchard Mall. It also includes funds for the expansions of the Circle Line that would link all of the CTA's rail lines in the City of Chicago to Metra rail lines and for the Ogden Avenue Transitway project from central Chicago to the North Riverside Park shopping center. The CTA has requested earmarks for these projects in the pending federal FY 2007 budget.

Electrical, Signal and Communications

The electrical, signal and communications category totals $106.2 million for the CTA's portion of the proposed five-year program, with $37.6 million programmed in 2007. The CTA's five-year plan includes the replacement and upgrade of the train control and track interlocking on the Loop Elevated Line with modern equipment providing increased reliability for customers at a cost of $15.4 million. It also includes the upgrade and replacement of the signal system for the entire Dearborn Subway, the Congress Branch and a portion of the O'Hare Branch on the Blue Line at a cost of $90.8 million.

Exhibit 7-10: **Metra Five-Year Assets by Category**—$1,108 million



Support Facilities and Equipment

The CTA's portion of the 2007-2011 capital program includes $108.8 million in the support facilities and equipment category with 2007 funding of $19.4 million.

The CTA's five-year program includes upgrades and improvements to various CTA facilities that need repair and require security enhancements, upgrades to bus turnarounds, rail stations and bus garages, and the rehabilitation of elevators and escalators. Various escalators and elevators throughout the system are beyond their service life, require continual maintenance work and need to be replaced. Other escalators and elevators are in poor condition and need to be rehabilitated.

Stations and Passenger Facilities

The stations and passenger facilities category totals $133.8 million for the CTA's portion of the proposed five-year program with $50.3 million programmed for 2007. The CTA operates 144 rapid transit stations serving eight routes. Sixty-five of these stations are wheelchair accessible via elevator or ramp. The CTA will use the funding in the capital program to reconstruct the Howard Station on the Red Line including the reconstruction of the bus terminal and parking lot. The station will be made fully compliant with the *ADA*. The CTA proposes to program funds in the five-year capital program to complete the design and begin construction of the Wilson Station on the Howard Branch of the Red Line and continue construction of the Washington Street Station/Block 37 project connecting the State Street and Dearborn subways in downtown Chicago.

Metra Overview

The Metra's portion of the proposed 2007-2011 capital program totals $1.1 billion. During this five-year period, Metra will continue the process of renewing its extensive commuter rail infrastructure, while preparing to expand its system. The percentage for the general categories of capital improvements of the total program are rolling stock at 19 percent; track and structure at 22 percent; electric, signal, and communications at 17 percent; support facilities and equipment at 21 percent; stations and passenger facilities at 6 percent; acquisitions, extensions and expansions at 4 percent; and miscellaneous at 11 percent (Exhibit 7-10).

Highlights of Metra's 2007-2011 capital program are as follows:

Rolling Stock

The five-year rolling stock program totals $207.9 million, with $61.5 million planned for 2007. Metra's fleet includes 144 locomotives, 821 non-electric cars and 191 self-propelled electric cars. The 2007-2011 capital program includes $97 million for the rehabilitation and improvement of locomotives, $62.3 million for the rehabilitation and improvement of commuter cars, and $39.6 million for the overhaul of rolling stock fleet components.

Track and Structure

The track and structure category totals $239.4 million over the five years of the program, with $33.3 million planned for 2007.

The Metra system operates on approximately 475 route miles with over 1,100 miles of track and 800 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 $110.8 million, are planned over the five-year program and include $46 million on the Milwaukee District-West Line, $24.5 million for the Metra Electric Line, $17.1 million for the Rock Island Line, $13.5 million for the Milwaukee District-North Line, $3.5 million for the BNSF Railway, $1 million for the Union Pacific West Line, and $1.5 million for the Union Pacific Northwest Line.

Electrical, Signal and Communications

A total of $183.4 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 2007 program provides $27.8 million for numerous projects throughout the system.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of $2 million in 2007 and $17 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.

Metra has also programmed $7 million in 2007 for the renewal of the Gresham interlocker on the Rock Island District. Metra's portion of the out-year capital program also includes $5 million for the completion of this renewal. The capital program contains $4.6 million in 2007 with $14 million in the out-years for the installation of fiber optic cable on the BNSF Railway, to increase the effectiveness and reliability of signal and control system communications at interlockers and crossings. In addition, Metra is proposing $28 million in the out-year program to install a communications-based train control system on the Metra Electric District and the Milwaukee District lines.

Support Facilities and Equipment

The support facilities and equipment category totals $229.7 million for the 2007-2011 planning period, with $32.8 million in the 2007 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 portion of 2007 capital program includes $1.5 million toward land acquisition for a new coach yard on the Metra Electric District and two new coach yards on the Union Pacific Northwest Line. One of these new yards on the Union Pacific Northwest Line will be in Woodstock and the other new yard will be in Johnsburg. Metra is proposing $14.9 million in 2007 with $113.2 million in the out-years for engineering, construction and right-of-way purchases for new coach yards and support facilities as well as various capacity upgrades planned for the Chicago Regional Environmental and Transportation Efficiency (CREATE) project. Metra also proposes $14 million in the five-year capital program to expand the Joliet Yard on the Rock Island District.

Over the life of the five-year program, Metra plans to spend $86.2 million on support facilities, yards, shops, and substations.

Stations and Passenger Facilities

There are 231 stations in the Metra system, including four major terminals in downtown Chicago. In Metra's portion of the five-year capital program, a total of $65.1 million is programmed for stations and parking. In 2007, $21.2 million is programmed for these projects.

The 2007 program contains several major station projects:

1) $3.4 million for the improvements to the concourse of Ogilvie Transportation Center serving the Union Pacific Lines in downtown Chicago;

2) $2.3 million for the rehabilitation of the Winnetka Station on the Union Pacific North Line;

3) $1.5 million for the replacement of the Bartlett Station on the Milwaukee District West Line;

4) $1 million for the construction of the 35th Street Intermodal Station on the Rock Island District;

5) $0.5 million for rehabilitation of the 99th Street Beverly Station on the Rock Island District; and

6) $0.5 million to the replace the Robbins Station facilities on the Rock Island District.

Furthermore, the 2007-2011 capital program includes $15.2 million to improve platforms and ramps at Metra stations for compliance with the *ADA*, $14.2 million for engineering for stations and parking, $8.3 million for commuter parking lots, and $5.4 million to construct commuter parking decks in Geneva and St. Charles.

Acquisitions, Extensions and Expansions

For the 2007 capital program, Metra is proposing to spend $49 million for engineering for four proposed new start projects. These projects include two new lines: the Suburban Transit Access Route (STAR) Line and Southeast Service. In addition, these new start projects also include upgrades to the Union Pacific West and Northwest lines. All of these projects are eligible for federal funding under the *SAFETEA-LU* legislation. Metra has requested earmarks for these projects in the pending federal FY 2007 budget.

Miscellaneous, Contingencies and Administration

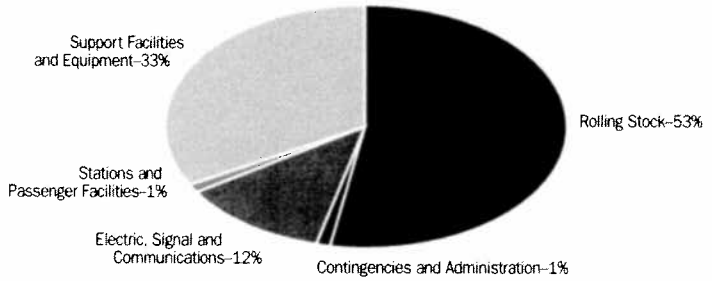
Metra's portion of 2007-2011 capital program includes $133.2 million for station studies, project management and oversight, security improvements, advertising, material additives, insurance, support engineering, unanticipated capital, administration and contingencies, with $30.7 million programmed in 2007.

Pace Overview

Pace's portion of the 2007-2011 capital program includes $190.1 million. This funding primarily provides for the replacement and expansion of rolling stock. The percentage for the general categories of capital improvements of the total program are rolling stock at 53 percent; electric, signal and communications at 12 percent; support facilities and equipment at 33 percent; and stations and passenger facilities at 1 percent; and contingencies and miscellaneous at 1 percent. These allocations are illustrated in Exhibit 7-11.

Highlights of Pace's 2007-2011 capital program are as follows:

Exhibit 7-11: **Pace Five-Year Assets by Category**—$190 million



Rolling Stock

In the five-year capital program, Pace plans to purchase up to 771 transit vehicles for replacement and expansion at a cost of $89.5 million. Pace's fleet consists of 680 fixed-route buses, 364 paratransit vehicles and 719 vanpool vehicles. Pace's 2007 fixed route bus purchase budget of $13.3 million includes the replacement of 38 fixed route buses purchased in 1992 and 1993. All the buses to be replaced have exceeded their useful life; and the new vehicles will be 30 feet in length.

In 2007, Pace also plans to spend $6.2 million to purchase up to 81 paratransit vehicles to replace vehicles that have exceeded their useful lives. These vehicles will be a combination of buses and vans.

In addition to other rolling stock purchases, Pace's portion of 2007 capital program includes $2.2 million for the purchase of two buses for Oak Park and 58 vans for Vanpool services throughout Pace's territory. The funds for the Vanpool programs are for the replacement of the vanpool vehicles which have exceeded their useful life and for the expansion of service. Pace's Vanpool program is composed of the Vanpool Incentive Program (VIP), the Corporate Shuttle Program and the ADvAntage Program in addition to the Municipal Vehicle Program.

This program includes a bus overhaul program including the replacement of bus components such as air conditioning condensers, alternators, regulators, drive shafts, transmission coolers, fan motors, steering shafts, and other items. Under the rolling stock category, Pace proposes $1 million for bus overhaul in 2007, with $4 million programmed in the out-years. In addition, the 2007 program includes the $1.5 million for the purchase and installation of associated capital items such as engines, transmissions and other parts for fixed route and paratransit vehicles. The 2008-2011 capital program includes $3.8 million for associated capital purchases.

Electrical, Signal and Communications

Pace's portion of the 2007 capital program includes $2.6 million to implement seven Transit Signal Priority (TSP) projects contained in the federal *Safe, Accountable, Flexible, and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU)* legislation. These projects contain funding for the development and purchase of the TSP system in major corridors. These TSP corridors are Cermak Road, Rand Road, Cicero Avenue, South Suburban, Grand Avenue, Lincoln Highway and Roosevelt Road. Additional funding is included in *SAFETEA-LU* for some of the TSP projects through 2009.

Also, Pace proposes $18.1 million in the five-year capital program for the purchase and installation of a new system-wide radio system to replace Pace's existing radio system with $2.5 million planned for 2007. The existing system is 13 years old and has exceeded its useful life, and parts are becoming difficult to find. The new radio system will not only save operating money, the technology will provide Pace with better communication coverage.

Support Facilities and Equipment

Pace proposes to program $61.8 million over five years for support facilities and equipment. Of the $8.6 million for support facilities and equipment projects planned in 2007, Pace's portion of the capital program includes $3.5 million for improvements to garages and facilities. The 2007 plan includes funds to make critical improvements to its facilities such as the replacement of concrete, fire sprinklers, security systems and overhead doors. The out-year plan includes $12.1 million for improvements and upgrades at various garages. The capital program also includes $15.4 million in 2007-2011 for the purchase and installation of a replacement computer system for the HPe3000 system. This program provides for the continuation of funding for the HPe3000 migration project, an integrated system of financial, purchasing and other business processes.

The 2007 program includes $0.5 million for the purchase of miscellaneous maintenance and office equipment and replacement of non-revenue vehicles with $1.6 million programmed through 2011. Also, $2.2 million is programmed in the out-years for office equipment and furniture.

Pace's out-year program provides $23.0 million for a system-wide farebox replacement project. The existing farebox system was installed in 1994. In addition, Pace's out-year program includes $2.9 million for the purchase of software and hardware and associated design and installation services for computers, printers, computer systems, network, communications, and presentation needs. Additionally, in 2007, Pace's capital pro-

gram proposes $250,000 for the purchase and installation of the Interactive Voice Response System (Phase I) software to permit Pace customers to get next bus arrival times and $400,000 to purchase 200 Mobile Data Terminals (MDT) for *ADA* paratransit vehicles.

Stations and Passenger Facilities

The five-year program includes $1.4 million for Pace stations and passenger facilities. This funding will provide for upgrades of numerous passenger facilities as well as the purchase of bus stop signs, shelters and other passenger amenities.

Administration

This category provides funding for project administration associated with capital projects. A total of $1.2 million is proposed for 2008 through 2010. Pace project administration covers the in-house staff salaries associated with undertaking and completing capital projects.

Exhibit 7-12: **Five-Year Capital Program**—Schedule II (in dollars)

CTA		2007	2008	2009	2010	2011	Total
Rolling Stock—Bus							
21.032	Provide for Bus Associated Capital Maintenance Items—System-wide	176,642	—	—	—	—	176,642
21.803	Perform Bus Overhaul and Maintenance Activities—System-wide	6,376,341	5,088,250	5,088,250	5,088,250	5,088,250	26,729,341
21.806	Perform Mid-Life Bus Overhaul—System-wide	16,700,000	36,800,000	30,900,000	16,800,000	—	101,200,000
31.054	Purchase a Minimum of 426 Replacement Buses (Partial $)—System-wide	29,899,470	39,620,451	—	49,253,009	22,287,895	141,060,825
	Subtotal Rolling Stock	**53,152,453**	**81,508,701**	**35,988,250**	**71,141,259**	**27,376,145**	**269,166,808**
	Total Bus	**53,152,453**	**81,508,701**	**35,988,250**	**71,141,259**	**27,376,145**	**269,166,808**
Rolling Stock—Rail							
22.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial $)—System-wide	37,922,091	42,695,000	59,100,000	57,545,815	40,538,789	237,801,695
22.906	Perform Rail Car Overhaul Activities—System-wide	5,959,670	5,959,670	5,959,670	5,959,670	5,959,670	29,798,350
132.056	Replace a Minimum of 406 Rail Cars (2200 and 2400 Series, Partial $)—System-wide	57,549,739	69,938,639	19,502,138	172,062,818	—	319,053,334
	Subtotal Rolling Stock	**101,431,500**	**118,593,309**	**84,561,808**	**235,568,303**	**46,498,459**	**586,653,379**
Track and Structure—Rail							
171.133	Repair Track and Structure Defects—System-wide	5,400,804	5,400,804	5,400,804	5,400,804	5,400,804	27,004,020
181.5	Repair Track and Structure—System-wide	35,704,327	—	—	—	—	35,704,327
	Subtotal Track and Structure	**41,105,131**	**5,400,804**	**5,400,804**	**5,400,804**	**5,400,804**	**62,708,347**
Electrical, Signal and Communications—Rail							
121.5	Replace/Upgrade Power Distribution and Signals—System-wide	37,558,486	68,633,246	—	—	—	106,191,732
	Subtotal Electrical, Signal and Communications	**37,558,486**	**68,633,246**	—	—	—	**106,191,732**
Stations and Passenger Facilities—Rail							
141.273	Reconstruct Rail Stations—System-wide	50,257,050	27,715,000	—	—	55,873,298	133,845,348
	Subtotal Stations and Passenger Facilities	**50,257,050**	**27,715,000**	—	—	**55,873,298**	**133,845,348**
Acquisitions and Extensions—Rail							
194.006	Perform Alternative Analysis for New Start Projects	14,100,000	—	—	—	—	14,100,000
194.007	Provide for New Starts Engineering and Construction—Circle, Red, Orange and Yellow Lines	23,380,000	—	—	—	—	23,380,000
194.115	Expand CAT Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial $)—Brown Line	63,954,712	63,954,712	89,903,320	—	—	217,812,744
194.117	Reconstruct Douglas Branch (Partial $)—Blue Line	1,573,675	—	—	—	—	1,573,675
	Subtotal Acquisitions and Extensions	**103,008,387**	**63,954,712**	**89,903,320**	—	—	**256,866,419**
	Total Rail	**333,360,554**	**284,297,071**	**179,865,932**	**240,969,107**	**107,772,561**	**1,146,265,225**
Support Facilities and Equipment—System							
073.50	Improve Facilities—System-wide	19,401,526	13,718,526	13,858,026	16,367,054	45,502,591	108,847,723
	Subtotal Support Facilities and Equipment	**19,401,526**	**13,718,526**	**13,858,026**	**16,367,054**	**45,502,591**	**108,847,723**
	Total System	**19,401,526**	**13,718,526**	**13,858,026**	**16,367,054**	**45,502,591**	**108,847,723**
	TOTAL CTA	**405,914,533**	**379,524,298**	**229,712,208**	**328,477,420**	**180,651,297**	**1,524,279,756**

METRA	2007	2008	2009	2010	2011	Total
Rolling Stock—Rail						
01.21 Rehabilitate and Improve Locomotives—MET	33,900,000	18,000,000	18,000,000	12,600,000	8,400,000	90,900,000
01.31 Improve Locomotives—MET	1,450,000	1,600,000	1,400,000	950,000	650,000	6,050,000
01.51 Rehabilitate and Improve Commuter Cars—MET	8,500,000	5,600,000	9,975,000	6,250,000	25,200,000	55,525,000
01.61 Improve Locomotives and Commuter Cars—MET	500,000	500,000	675,000	1,050,000	1,050,000	3,775,000
01.81 Rehabilitate and Improve MU Electric Cars—MED	—	750,000	750,000	750,000	750,000	3,000,000
01.91 Overhaul Rolling Stock Fleet Components—MET	8,100,000	7,650,000	7,800,000	7,950,000	8,100,000	39,600,000
01.95 Enhance Cars and Locomotives—MET	9,000,000	—	—	—	—	9,000,000
Subtotal Rolling Stock	**61,450,000**	**34,100,000**	**38,600,000**	**29,550,000**	**44,150,000**	**207,850,000**
Track and Structure—Rail						
02.11 Replace Ties and Ballast—BNS, MED, MWD, RID, SWS, UPR	3,450,000	3,500,000	11,600,000	14,400,000	13,000,000	45,950,000
02.21 Provide for Maintenance-of-Way Work—BNSF, UPR, MET	2,090,000	1,090,000	1,090,000	990,000	1,140,000	6,400,000
02.25 Replace and Upgrade Grade Crossings—MET	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000	9,000,000
02.31 Provide for Track Undercutting and Surfacing—MED, MWD, SWS, UPR	1,250,000	852,000	—	1,133,000	—	3,235,000
02.41 Replace Rail—BNSF, MED, MWD, NCS, RID, UPR	4,500,000	10,400,000	10,218,000	4,936,000	5,156,000	35,210,000
02.42 Provide for Rail Capacity Initiative— BNSF	1,250,000	—	—	—	—	1,250,000
02.51 Rehabilitate and Renew Bridges—BNSF, MED, MWD, RID, UPR, MET	12,500,000	15,850,000	23,050,000	23,450,000	35,950,000	110,800,000
02.55 Fill Bridges—BNSF	200,000	200,000	—	200,000	—	600,000
02.61 Rehabilitate Embankments and Retaining Walls—BNSF, MWD,RID, UPR, MET	3,780,000	1,750,000	1,900,000	6,100,000	6,050,000	19,580,000
02.71 Install Right-of-way Fencing—UPR, MET	300,000	300,000	300,000	300,000	200,000	1,400,000
02.81 Construct Belmont Road Grade Separation—BNSF	3,000,000	—	—	—	—	3,000,000
02.95 Rehabilitate Catenary Structures—MED	—	750,000	750,000	750,000	750,000	3,000,000
Subtotal Track and Structure	**33,320,000**	**36,692,000**	**50,908,000**	**54,259,000**	**64,246,000**	**239,425,000**
Electrical, Signal and Communications—Rail						
03.01 Upgrade Signal Systems—BNSF, MED, MWD, UPR, MET	10,200,000	23,600,000	18,000,000	18,700,000	8,300,000	78,800,000
03.11 Rehabilitate and Renew Grade Crossings—BNSF, MWD, MED, UPR, MET	600,000	2,800,000	2,400,000	2,700,000	1,800,000	10,300,000
03.21 Install and Upgrade Interlockers and Crossovers—CUS, MWD, RID, UPR	11,000,000	10,400,000	12,300,000	18,800,000	3,100,000	55,600,000
03.31 Provide for Signal Improvements—BNSF, UPR	230,000	150,000	380,000	150,000	150,000	1,060,000
03.41 Provide for Electrical Distribution—MED	600,000	750,000	750,000	4,750,000	2,550,000	9,400,000
03.48 Upgrade Electric Service—UPR	—	100,000	100,000	100,000	—	300,000
03.51 Replace Catenary Wire and AC-DC Transmission Lines—MED	850,000	1,850,000	1,850,000	2,350,000	—	6,900,000
03.61 Install Standby Power Systems—UPR, MET	—	—	1,000,000	—	—	1,000,000
03.71 Provide for Electrical Improvements—MED, MWD, MET	800,000	450,000	450,000	800,000	750,000	3,250,000
03.81 Replace and Upgrade Communications Equipment/Systems—MET	3,400,000	5,200,000	550,000	780,000	6,130,000	16,060,000
03.92 Miscellaneous Electric, Signal and Communications—UPR	150,000	150,000	150,000	150,000	150,000	750,000
Subtotal Electrical, Signal and Communications	**27,830,000**	**45,450,000**	**37,930,000**	**49,280,000**	**22,930,000**	**183,420,000**
Support Facilities and Equipment—Rail						
04.01 Construct New Yards and Shops— RID, MED, UPR	1,500,000	—	5,000,000	5,000,000	4,000,000	15,500,000
04.02 Provide for Facility Acquisition, Engineering and Construction—MET	14,853,000	25,834,000	27,175,000	29,516,000	30,702,000	128,080,000
04.11 Upgrade Yards and Shops—BNSF, MWD, NCS, RID, UPR	2,100,000	3,000,000	1,000,000	4,800,000	9,200,000	20,100,000
04.21 Upgrade Buildings—MED, RID, MET	1,500,000	2,500,000	2,500,000	2,500,000	2,000,000	11,000,000
04.22 Upgrade Headquarters Building—547 W. Jackson Boulevard	3,800,000	100,000	700,000	100,000	700,000	5,400,000
04.31 Improve Tanks and Fueling Facilities—MET	—	500,000	500,000	500,000	500,000	2,000,000
04.41 Install Field Support Equipment—MET	3,305,000	2,952,381	2,616,344	3,154,685	3,521,932	15,550,342
04.51 Install Office Support Equipment—MET	4,270,000	6,435,000	1,785,000	1,335,000	8,785,000	22,610,000
04.71 Renewal of Facilities—MET	1,500,000	2,500,000	2,500,000	2,000,000	1,000,000	9,500,000
Subtotal Support Facilities and Equipment	**32,828,000**	**43,821,381**	**43,776,344**	**48,905,685**	**60,408,932**	**229,740,342**

		2007	2008	2009	2010	2011	Total
Stations and Passenger Facilities—Rail							
05.02	Rehabilitate Stations for ADA Compliance—MET	1,750,000	3,350,000	3,350,000	3,350,000	3,350,000	15,150,000
05.11	Rehabilitate Stone Avenue Station—BNSF	—	500,000	—	—	—	500,000
05.12	Rehabilitate and Improve Stations—MED	500,000	600,000	600,000	600,000	600,000	2,900,000
05.14	Improve Bartlett Station—MWD-West Line	1,500,000	—	—	—	—	1,500,000
05.16	Construct Tinley Park 80th Avenue Station—RID	160,512	173,888	180,576	—	—	514,976
05.16	Rehabilitate 115th Street - Morgan Park Station—RID	—	—	—	1,400,000	1,600,000	3,000,000
05.16	Replace Robbins Station and Parking—RID	500,000	—	—	—	—	500,000
05.16	Restore 99th Street Beverly Station—RID	500,000	—	—	—	—	500,000
05.18	Improve OTC Concourse—UPR	3,420,000	—	—	—	—	3,420,000
05.18	Rehabilitate Winnetka Station—UP-North Line	2,300,000	2,300,000	—	—	—	4,600,000
05.21	Construct New Station at 35th Street—RID	1,003,200	1,086,800	1,128,600	—	—	3,218,600
05.51	Expand Joliet Station Parking—RID	400,000	—	—	—	—	400,000
05.51	Expand Mont Clare, Mars, Galewood and Hanson Park Station Parking—MWD-West Line	500,000	—	—	—	—	500,000
05.52	Construct Commuter Parking Decks—Geneva and St. Charles	1,705,440	1,847,560	1,918,620	—	—	5,471,620
05.53	Expand Aurora Station Parking—BNSF	554,400	—	—	—	—	554,400
05.53	Expand Joliet Station Parking—RID	576,840	624,910	648,945	—	—	1,850,695
05.54	Improve Downers Grove Station Parking—BNSF	565,000	440,000	—	—	—	1,005,000
05.56	Provide for Commute Parking System Improvement - MET	1,000,000	1,000,000	2,000,000	—	—	4,000,000
05.91	Provide for Property Acquisition and Appraisal Services—MET	1,300,000	—	—	—	—	1,300,000
05.95	Conduct Engineering for Stations and Parking—MET	3,000,000	2,800,000	2,800,000	2,800,000	2,800,000	14,200,000
	Subtotal Stations and Passenger Facilities	**21,235,392**	**14,723,158**	**12,626,741**	**8,150,000**	**8,350,000**	**65,085,291**
Miscellaneous—Rail							
06.01	Provide for Kennedy-King and Auburn Park Stations Station Study—RID	60,192	65,208	67,716	—	—	193,116
06.21	Improve Metra System Security—MET	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
06.42	Provide Advertising, Material Additives and Insurance—MET	1,600,000	2,100,000	2,100,000	2,100,000	2,100,000	10,000,000
06.43	Provide for Capital Project Oversight and Security—MET	500,000	500,000	500,000	500,000	500,000	2,500,000
06.43	Provide for Miscellaneous General Activities—MET	—	100,000	100,000	100,000	100,000	400,000
06.94	Provide for Support Engineering—MET	4,000,000	3,000,000	3,000,000	3,000,000	3,000,000	16,000,000
06.96	Provide for Unanticipated Capital—MET	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	6,000,000
	Subtotal Miscellaneous	**12,360,192**	**11,965,208**	**11,967,716**	**11,900,000**	**11,900,000**	**60,093,116**
Acquisitions and Extensions—Rail							
07.51	Provide for Engineering and Construction for SAFETEA-LU New Starts Projects—MET	49,000,000	—	—	—	—	49,000,000
	Subtotal Acquisitions and Extensions	**49,000,000**	—	—	—	—	**49,000,000**
Contingencies and Administration—Rail							
08.90	Provide for Project Management—MET	12,750,000	13,110,000	13,481,000	13,863,000	14,256,000	67,460,000
08.99	Provide for Contingencies—MET	5,618,850	—	—	—	—	5,618,850
	Subtotal Contingencies and Administration	**18,368,850**	**13,110,000**	**13,481,000**	**13,863,000**	**14,256,000**	**73,078,850**
	Total Rail	**256,392,434**	**199,861,747**	**209,289,801**	**215,907,685**	**226,240,932**	**1,107,692,599**
	TOTAL METRA	**256,392,434**	**199,861,747**	**209,289,801**	**215,907,685**	**226,240,932**	**1,107,692,599**

PACE		2007	2008	2009	2010	2011	Total
Rolling Stock—Bus							
4201	Purchase a Minimum of 176 Fixed Route Accessible Buses—System-wide	13,300,000	8,750,000	7,700,000	18,200,000	13,650,000	61,600,000
4202	Purchase a Minimum of 183 Paratransit Vehicles—System-wide	6,248,810	3,600,000	1,615,000	1,700,000	1,530,000	14,693,810
4204	Purchase a Minimum of 452 Vanpool Vans (256 Replacement and 196 Expansion)—System-wide	2,000,000	3,500,000	3,500,000	3,500,000	3,500,000	16,000,000
4205	Purchase a Minimum of 6 Community Vehicles—Oak Park	200,640	217,360	225,720	—	—	643,720
4206	Provide for Associated Capital Items—System-wide	1,500,000	1,000,000	1,000,000	1,000,000	750,000	5,250,000
4207	Provide for Bus Overhaul—System-wide	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
	Subtotal Rolling Stock	**24,249,450**	**18,067,360**	**15,040,720**	**25,400,000**	**20,430,000**	**103,187,530**
Electrical, Signal and Communications—Bus							
4126	Implement Transit Signal Priority Project—Cermak Road	250,000	300,000	500,000	—	—	1,050,000
4127	Implement Transit Signal Priority Project—Rand Road	160,512	173,888	180,576	—	—	514,976
4128	Implement Transit Signal Priority Project—Cicero Avenue	200,640	217,360	225,720	—	—	643,720
4129	Implement Transit Signal Priority Projects—South Suburbs	900,320	108,680	112,860	—	—	1,121,860
4209	Purchase Replacement Radio System—System-wide	2,500,000	6,300,000	9,300,000	—	—	18,100,000
4230	Implement Transit Signal Priority Project—Grand Avenue	320,000	—	—	—	—	320,000
4231	Implement Transit Signal Priority Project—Lincoln Highway	480,000	—	—	—	—	480,000
4231	Implement Transit Signal Priority Project—Roosevelt Road	300,000	—	—	—	—	300,000
	Subtotal Electrical, Signal and Communications	**5,111,472**	**7,099,928**	**10,319,156**	—	—	**22,530,556**
Support Facilities and Equipment—Bus							
3614	Purchase and Installation of Replacement for HPe3000 Computer System-Phase II (Partial $)—System-wide	3,900,000	3,000,000	1,900,000	1,000,000	5,600,000	15,400,000
4210	Purchase Replacement Farebox System — System-wide	—	4,000,000	8,000,000	6,000,000	5,000,000	23,000,000
4211	Purchase Maintenance/ Support Equipment and Vehicles—System-wide	500,000	300,000	300,000	500,000	500,000	2,100,000
4212	Purchase and Installation of Interactive Voice Response System (Partial $)—System-wide	250,000	—	—	—	—	250,000
4213	Purchase Computer Hardware and Software Systems—System-wide	—	300,000	500,000	850,000	1,220,000	2,870,000
4215	Purchase Office Equipment/Furniture—System-wide	—	100,000	100,000	1,000,000	1,000,000	2,200,000
4216	Improve Garages/ Facilities—System-wide	3,505,611	2,500,000	1,130,000	3,300,000	5,200,000	15,635,611
4217	Purchase up to 200 Mobile Data Terminals for Chicago ADA Paratransit Vehicles	400,000	—	—	—	—	400,000
	Subtotal Support Facilities and Equipment	**8,555,611**	**10,200,000**	**11,930,000**	**12,650,000**	**18,520,000**	**61,855,611**
Stations and Passenger Facilities—Bus							
4219	Construct Passenger and Transfer Facilities—System-wide	—	—	—	—	1,000,000	1,000,000
4220	Install Shelters/ Signs/ Passenger Amenities—System-wide	—	100,000	100,000	100,000	100,000	400,000
	Subtotal Stations and Passenger Facilities	—	**100,000**	**100,000**	**100,000**	**1,100,000**	**1,400,000**
Contingencies and Administration—Bus							
4225	Provide for Project Administration	—	222,795	281,199	305,456	365,750	1,175,200
	Subtotal Contingencies and Administration	—	**222,795**	**281,199**	**305,456**	**365,750**	**1,175,200**
	Total Bus	**37,916,533**	**35,690,083**	**37,671,075**	**38,455,456**	**40,415,750**	**190,148,897**
	TOTAL PACE	**37,916,533**	**35,690,083**	**37,671,075**	**38,455,456**	**40,415,750**	**190,148,897**
	GRAND TOTAL	**700,223,500**	**615,076,128**	**476,673,084**	**582,840,561**	**447,307,979**	**2,822,121,252**

8 Appendices

Exhibit 8-1: **2007 Budget Call Calendar** (dates listed are for 2006)

June 22
Finance Committee meeting; 2007 budget call release.

August 1
Deadline for Service Board capital program and critical issue submittals to the RTA.

August 1 – September 1
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.

August 15
Service Boards submit macro budget and two-year financial plan to the RTA.

August 16 – September 1
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 2007 budget and the 2008–2009 financial plan of each Service Board, (2) set the 2007 budget recovery ratio for each Service Board, and (3) set the preliminary 2007-2011 five-year capital program marks.

September 14
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 2007 through 2009, the 2007 recovery ratio and the preliminary five-year capital program marks for each Service Board.

September 15 – October 13
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.

October 2 – December 8
FTA releases Federal Fiscal Year 2007 Apportionments in the Federal Register.

October 2 – December 8
RTA and NIRPC renegotiate Letters of Understanding regarding the FTA Sections 5309 and 5307 allocations between NE Illinois and NW Indiana; and RTA and SEWRPC renegotiate Letter of Understanding regarding the FTA Section 5307 allocation between NE Illinois and SE Wisconsin.

October 16 – November 10
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.

November 2
RTA Board Committees and the RTA Board review the RTA Agency budget.

November 6 – December 8
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.

November 10 – 22
RTA staff consolidates the proposed budgets, financial plans, and revised capital programs of the Service Boards and Agency into the RTA's proposed 2007 annual budget and five-year capital program document.

November 15
Service Boards submit proposed budgets, two-year financial plans, and revised five-year capital programs to the RTA.

November 17
CATS Work Program Committee meets to recommend the FTA allocations between NE Illinois, NW Indiana, and SE Wisconsin.

December 1
The RTA's proposed 2007 budget, 2008-2009 financial plan, and five-year capital program document is available for public inspection.

December 12
RTA holds public hearings on the proposed consolidated 2007 budget, 2008-2009 financial plan, and 2007-2011 capital program.

December 4 – December 14
RTA Planning Committee, Finance Committee and RTA Board meet to review and adopt an ordinance for the 2007 budget, the 2008-2009 financial plan, and the revised five-year capital program.

Exhibit 8-2: **RTA Community Meetings/Budget Hearings Schedule**

The RTA is seeking public input regarding the Moving Beyond Congestion strategic planning process, and regarding the proposed operating and capital program and budget for public transportation in the region. Meetings are open to the general public. No RSVP necessary. All locations are *ADA* accessible. For questions, call the RTA at 312-913-3200.

CHICAGO

South
Thursday, December 7th
6:00 pm - 7:30 pm
Sheldon Heights Church of Christ
Corner of 113th and Halsted Street
Chicago

Central
Monday, December 11th
9:00 am - 10:30 am
Michael A. Bilandic Building
160 N. LaSalle Street, Room C500
Chicago

North
Tuesday, December 12th
6:00 pm - 7:30 pm
Loyola University–Lakeshore Campus
Quinlain Life Sciences Building
1st Floor, Room 142
Corner of Kenmore and Sheridan
Chicago

West
Thursday, December 14th
6:00 pm - 7:30 pm
Garfield Park Conservatory
300 N. Central Park Avenue
Chicago

SUBURBAN COOK COUNTY

North
Thursday, December 7th
6:00 pm - 7:30 pm
Pace Headquarters, Board Room
550 W. Algonquin Road
Arlington Heights

South
Thursday, December 14th
6:00 pm - 7:30 pm
South Suburban Mayors
and Managers Meeting Room C
1904 W. 174th Street
East Hazel Crest

Southwest
Monday, December 11th
6:00 pm - 7:30 pm
Village of Chicago Ridge
10455 S. Ridgeland Avenue
Chicago Ridge

West
Wednesday, December 6th
6:00 pm - 7:30 pm
Westchester Village Hall
Board Room
10300 Roosevelt Road
Westchester

DuPAGE COUNTY

Tuesday, December 5th
6:00 pm - 7:30 pm
DuPage County Building Auditorium
421 N. County Farm Road
Wheaton

KANE COUNTY

Monday, December 11th
6:00 pm - 7:30 pm
Kane County Building
Building A, Auditorium
719 Batavia Avenue (Route 31)
Geneva

LAKE COUNTY

Tuesday, December 5th
6:00 pm - 7:30 pm
University Center of Lake County
1200 University Center Drive
Grayslake

McHENRY COUNTY

Wednesday, December 6th
6:00 pm - 7:30 pm
Woodstock Village Hall, Board Room
121 W. Calhoun Street
Woodstock

WILL COUNTY

Monday, December 4th
6:00 pm - 7:30 pm
Joliet Historical Museum
204 N. Ottawa Street
Joliet

Public Hearing 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 between December 4 and 14, 2006 in thirteen locations throughout the six-county region. The location of these hearings is detailed in Exhibit 8-2. Court reporters recorded testimony and transcripts of this testimony are on file at the RTA.

At these meetings, the public was briefed on the proposed RTA 2007 Budget and the *Moving Beyond Congestion* strategic plan. In partnership with the Service Boards, the strategic planning process will address the region's long-term public transportation needs and implement innovative approaches to funding, planning, service coordination and system growth. A true community dialogue and discussion was conducted and all who wanted to make public statements were accommodated. Nearly 400 people attended these meetings. Members of the general public, State and local elected officials, representatives of municipalities, transit advocacy groups, community organizations and religious leaders from across the region participated in the meetings. In addition, written comments and suggestions were collected. This unprecedented level of public input produced a broad range of opinions and suggestions.

Testimony about the 2007 budget addressed concerns about the roles and responsibilities of the RTA and the Service Boards; the need for more frequent and reliable public transit service; the process of identifying, evaluating, and funding capital project proposals; service and fare integration among the Service Boards; and better integration of transit planning and land development in the RTA region.

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 transit vehicles, operations and facilities 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 Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and other services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. Of the four types of fiduciary funds (Agency funds, pension and other employee benefit funds, investment trust funds, and private-purpose funds) the RTA uses only the first two.

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 Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

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 in 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.

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.

Capital—Funds which finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

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.

Chicago Area Transportation Study (CATS)—the Metropolitan Planning Organization (MPO) for northeastern Illinois responsible, in cooperation with the State, for planning and developing a safe, efficient and affordable transportation system for the northeastern Illinois region. The CATS committee structure ensures that citizens, interest groups, elected officials, and public and private agencies are included in the transportation planning process.

Chicago Metropolitan Agency for Planning (CMAP)—combined the previously separate transportation and land-use planning agencies (Chicago Area Transportation Study [CATS] and the Northeastern Illinois Planning Commission [NIPC]) for northeastern Illinois into a single entity designed to protect natural resources and minimize traffic congestion as the region plans for the 21st century and beyond.

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.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "passenger" revenue.

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 *RTA 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 Expenditures)—Pay or expenditures 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 and 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 prove 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-time work schedule for 1 year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund.

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)—This account group 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.

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.

General Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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 group of legislation passed by the Illinois General Assembly to fund capital improvements for the state's infrastructure, roads, schools and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board. For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

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.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (Intermodel 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.

Joint Self Insurance Fund (JSIF)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The service boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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 Expenditure—Expenditures 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 revenue and other financial resource increments (e.g., bond issue proceeds) is 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.

Moving Beyond Congestion (MBC)—Jointly with the Chicago Transit Authority, Metra and Pace, the Regional Transportation Authority is leading a strategic planning effort to maintain, enhance and expand the northeastern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

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 revenue and expenditures for a given period of time to maintain daily operations.

Off-Peak—Non-rush hour time periods.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including 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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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 expenditure 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 RTA. Generally refers to funding for operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the *ADA* paratransit Service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures as allowed by the *RTA Act.* 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.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

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.

Strategic Capital Improvement Program (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 SCIP. 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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50 at a reduced price to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998. this legislation 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.

Supplemental Data

National Economic Projections

During the third quarter of 2006, the Gross Domestic Product (GDP) grew at an annual rate of 2.2 percent, following 5.6 percent and 2.6 percent annual growth rates during the first and second quarters of 2006, respectively. The GDP is the value of the output of goods and services produced by labor and property located in the U.S. Exhibit 8-3 highlights the annual real GDP growth from 2002 through 2007. The GDP climbed consistently from 1.6 percent in 2002 to 3.9 percent in 2004, before declining to 3.2 percent in 2005. GDP growth is expected to increase to 3.5 percent in 2006, but then fall to 3.0 percent in 2007.

In 2006, the national unemployment rate declined from 4.6 percent in September to a five year low of 4.4 percent in October before rising to 4.5 percent in November. Exhibit 8-4 shows the U.S. annual unemployment rate from 2002 through 2007. The unemployment rate grew from 5.8 percent in 2002 to 6.0 percent in 2003, before declining to 5.5 percent and 5.1 percent in 2004 and 2005, respectively. The national unemployment rate is expected to continue to decline to an annual average of 4.7 percent in 2006 before increasing slightly to 4.8 percent in 2007.

Exhibit 8-5 shows the annual trend in the growth of the U.S. Consumer Price Index (CPI) from 2002 through 2007. CPI annual growth of 1.6 percent in 2002 tied 1998 for the smallest CPI increase in more than 35 years. Improving overall economic activity resulted in a consistent CPI annual growth from 1.6 percent 2002 to 3.4 percent in 2005. CPI growth is expected to peak at 3.5 percent in 2006 before declining to 2.5 percent in 2007.

RTA Region

The following sections summarize 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

As shown in Exhibit 8-6, the population of the RTA region grew by 3.4 percent (from 8.1 million to 8.4 million) between 2000 and 2005. Population growth in the RTA region grew at a slightly slower pace than the overall population of the U.S., which increased by 5.3 percent during this period.

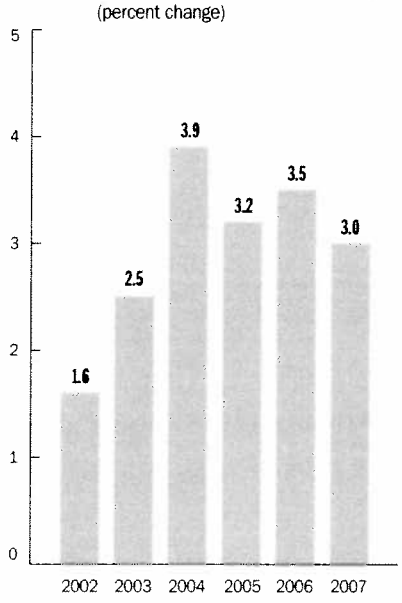
Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties from 2000 to 2005. The highest growth rate occurred in Will County, where the population increased at annual rate of 5.1 percent. The populations of Kane and McHenry counties grew at annual rates of 3.6 percent and 3.2 percent, respectively, while the populations of Lake and DuPage counties increased at annual rates of 1.8 percent and 0.5 percent, respectively. Cook County experienced a population decline at an annual rate of 0.3 percent. During this period, the population of the entire RTA region grew at an annual rate of 0.7 percent.

In 2005, Cook County accounted for 63 percent of the 8.4 million people living in the RTA region. DuPage County's population comprised 11 percent of the region, followed by Lake County and Will County (8 percent each), Kane County (6 percent), and McHenry County (4 percent). The population distribution for 2005 is illustrated in Exhibit 8-8.

Employment

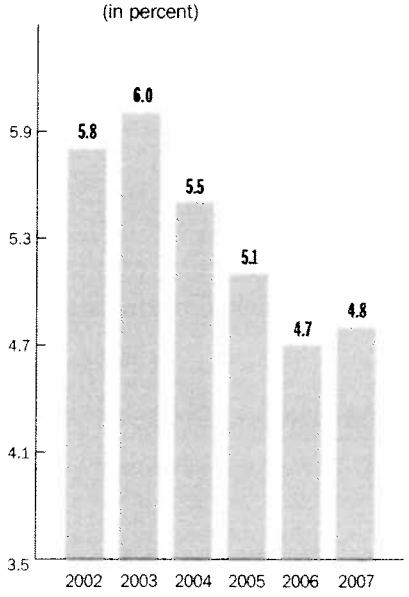
Exhibit 8-9 provides a comparison between the national unemployment rate, the unemployment rate in the State of Illinois, and the unemployment rates in each of the counties of the RTA region between 2002 and 2006. During this period, the unemployment rate in each county of

Exhibit 8-3: **U.S. Real Gross Domestic Product**[1]
(percent change)



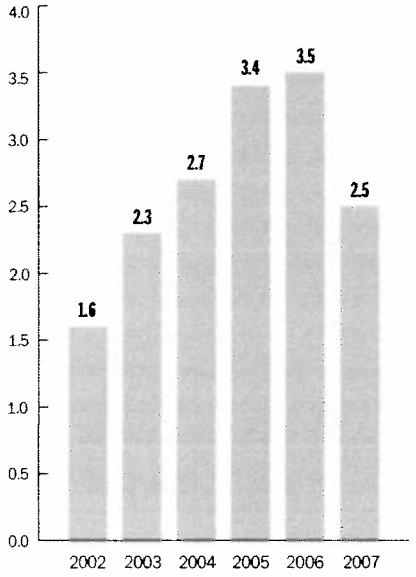
(1) U.S. Dept. of Commerce, Congressional Budget Office

Exhibit 8-4: **U.S. Unemployment Rate**[1]
(in percent)



(1) U.S. Dept. of Commerce, Congressional Budget Office

Exhibit 8-5: **U.S. Consumer Price Index**[1] (percent change)



(1) U.S. Dept. of Commerce, Congressional Budget Office

the RTA region except Cook was typically lower than that of the State of Illinois. Through 2005, the unemployment rate in Illinois was consistently higher than the national rate. In October 2006, the statewide unemployment rate was lower than the national unemployment rate.

From 2002 to 2003, the unemployment rate worsened on a national, regional, and local level. Between 2002 and 2005 the gap between Illinois and U.S. unemployment rates remained nearly steady at seven tenths of a percentage point. Among the six counties in the RTA region, DuPage and McHenry counties' October 2006 unemployment rates of 2.7 percent and 2.8 percent, respectively were the lowest in the region, while Cook County's rate of 3.9 percent was the highest in the region. Cook County's October 2005 unemployment rate of 3.9 percent was 0.3percentage points higher than that of the state of Illinois but 0.2 percentage points lower than the national figure.

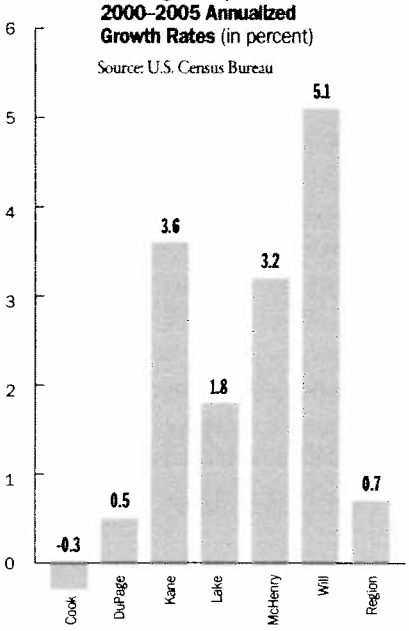
Suburban jurisdictions have led the region in employment growth since 1980. In 2000, employment in the five collar counties accounted for one-third of the RTA region's total. Cook County, which in 1980 accounted for 79 percent of the region's employment, accounted for only two-thirds of employment in 2000. Regional employment has increased from 3.7 million in 1980 to 4.3 million in 1990 and to 5.0 million in 2000 (Exhibit 8-10).

The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-11. Between 1980 and 2000, the greatest growth has occurred in the service sector. The manufacturing sector experienced the highest 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 8-12.

Exhibit 8-7: **RTA Region Population 2000–2005 Annualized Growth Rates** (in percent)

Source: U.S. Census Bureau



Sales Tax Trends

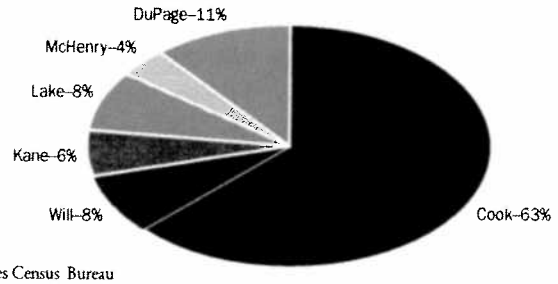
The RTA Sales Tax is the equivalent of one percent on sales in Cook County and one quarter percent on retail sales in the collar counties. Sales tax collections grew at a healthy pace from $532 million in 1996 to $650 million in 2000. However, between 2000 and 2003, sales tax collections fluctuated between $648 and $655 million. In 2004, sales tax collections increased $21 million to $676 million. In 2005, sales tax collections increased 25 million, the largest annual increase since 2000. Over the ten-year period, growth in sales tax collections has been greatest in the collar counties followed by Suburban Cook County and the City of Chicago. More recently, however, growth in sales tax collections in the City of Chicago has exceeded that of Suburban Cook County. Collections in Suburban Cook County continue to account for more than half of total collections, while collections in the City of Chicago account for slightly less than one third of the total. (Exhibit 8-13).

Exhibit 8-6: **Population Trend by County** (in thousands)

	1990	2000	2005	2000–2005 % Change
Cook	5,104	5,377	5,304	(1.4)
DuPage	786	904	929	2.8
Kane	320	404	482	19.3
Lake	520	644	703	9.2
McHenry	185	260	304	16.9
Will	359	502	643	28.1
Total	**7,274**	**8,091**	**8,365**	**3.4**

Source: United States Census Bureau.

Exhibit 8-8: **2005 RTA Region Population Distribution by County**



Source: United States Census Bureau

Exhibit 8-9: **Unemployment Rates 2002–2006** (in percent)

	2002	2003	2004	2005	October 2006*
United States	5.8	6.0	5.5	5.1	4.1
State of Illinois	6.5	6.7	6.2	5.7	3.6
Cook County	7.4	7.4	6.6	6.5	3.9
DuPage County	5.5	5.5	4.9	4.7	2.7
Kane County	6.5	6.7	5.9	5.7	3.1
Lake County	5.5	5.7	5.5	4.5	3.3
McHenry County	5.7	6.0	5.2	5.1	2.8
Will County	6.1	6.2	5.9	5.5	3.0

Source: Northern Illinois Planning Commission (NIPC), Illinois Department of Employment Security.
(*) Not seasonally adjusted

Exhibit 8-10: **Employment Trends by County** (in thousands)

	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 8-11: **Employment Distribution by Industry** (in thousands)

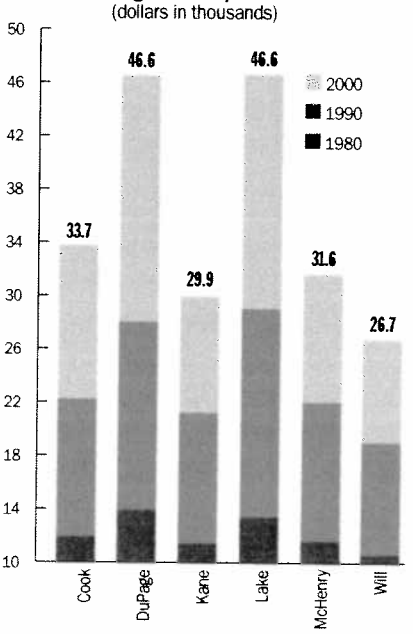
	1980	% of Total	1990	% of Total	2000	% of Total
Services	862	23.3	1,273	29.4	1,694	34.4
Retail	573	15.5	666	15.4	715	14.5
Manufacturing	812	21.9	667	15.4	639	13.0
Government	477	12.9	501	11.6	529	10.7
Finance, Insurance and Real Estate	334	9.0	437	10.1	492	10.0
Wholesale	268	7.2	297	6.9	290	5.9
Transportation 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.

Ridership Trends

Total RTA ridership fell from 535 million in 1996 to 529 million in 1997 resulting from significant declines in CTA ridership. Total RTA ridership increased annually from 1997 to 2001 despite a decline in Pace ridership during this period. Reflecting the overall downturn in the economy, total RTA ridership declined in both 2002 and 2003. Metra and Pace lost riders in 2002, while the CTA lost riders in 2003. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, the CTA, Metra, and Pace achieved significant ridership gains as the economy rebounded and gas prices climbed. (Exhibit 8-14).

Exhibit 8-12: **Region Per Capita Income**
(dollars in thousands)



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

Exhibit 8-13: **Sales Tax Collections 1996–2005** (dollars in thousands)

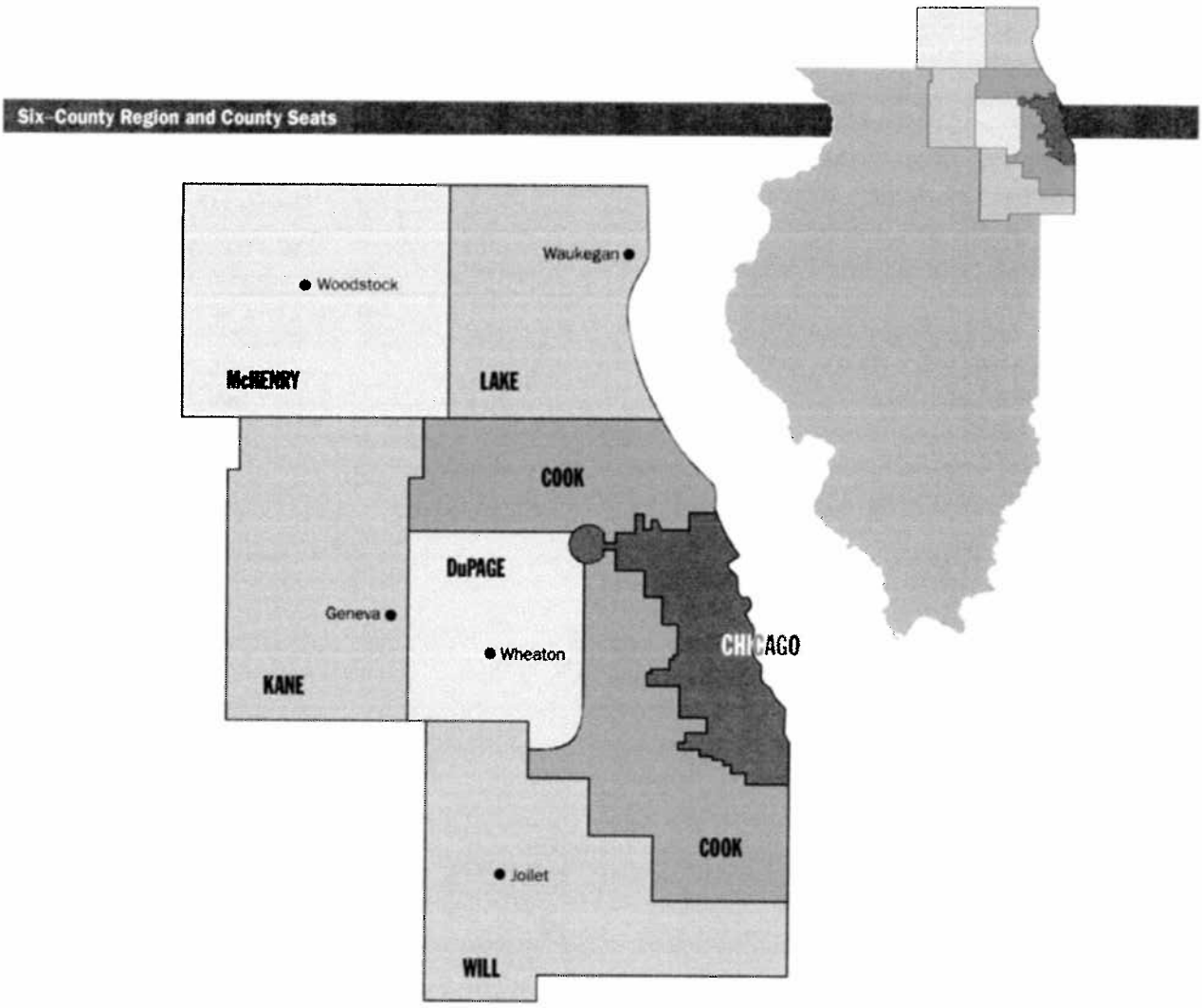
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Chicago	$ 165,051	$ 163,366	$ 176,816	$ 187,966	$ 199,056	$ 197,370	$ 195,417	$ 198,383	$ 205,355	$ 214,134
Suburban Cook	292,319	313,113	314,886	333,513	354,307	357,522	353,999	356,386	363,792	373,317
Total Cook	**$ 457,370**	**$ 476,479**	**$ 491,702**	**$ 521,479**	**$ 553,363**	**$ 554,892**	**$ 549,416**	**$ 554,770**	**$ 569,147**	**$ 587,451**
DuPage	$ 34,370	$ 36,482	$ 39,278	$ 41,764	$ 42,741	$ 42,498	$ 40,961	$ 40,916	$ 42,785	$ 44,495
Kane	9,044	9,301	10,011	10,761	11,589	11,796	12,256	12,828	13,954	15,328
Lake	17,929	18,980	20,413	22,238	23,985	25,017	24,913	24,969	26,150	27,348
McHenry	5,096	5,329	5,760	6,528	6,942	7,122	7,373	7,599	8,160	8,635
Will	8,495	8,925	9,540	10,744	11,664	12,197	12,766	13,906	15,432	17,138
Total Collar	**$ 74,934**	**$ 79,017**	**$ 85,002**	**$ 92,035**	**$ 96,921**	**$ 98,630**	**$ 98,269**	**$ 100,218**	**$ 106,482**	**$ 112,944**
Total	**$ 532,304**	**$ 555,496**	**$ 576,704**	**$ 613,514**	**$ 650,284**	**$ 653,522**	**$ 647,685**	**$ 654,988**	**$ 675,629**	**$ 700,395**

Exhibit 8-14: **Passenger Ridership 1996–2005** (in millions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CTA Bus	303.3	289.2	291.7	300.2	303.3	303.1	304.8	293.7	296.2	305.6
CTA Rail*	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3	148.8	155.0
Total CTA	**427.3**	**419.2**	**424.1**	**441.9**	**450.5**	**454.8**	**457.2**	**444.0**	**445.0**	**460.6**
Metra	70.6	72.3	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0
Pace	37.5	37.9	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9
Total RTA	**535.4**	**529.4**	**537.9**	**558.7**	**567.9**	**571.0**	**568.8**	**552.5**	**553.5**	**574.5**

*CTA rail ridership excludes cross-platform transfers.

Six-County Region and County Seats



The GFOA Distinguished Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) present a Distinguished Budget Presentation Award to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2006. 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 communications device.

This 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.

1016

Operating Budget, Two-Year Financial Plan And Five-Year Capital Program

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

MOVING BEYOND CONGESTION

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1 Introduction

Regional Transportation Authority

Regional Transportation Authority

RTA Board of Directors

Jim Reilly, Chairman
Appointing Authority:
RTA Board of Directors

Carole L. Brown
Appointing Authority:
Chicago Transit Authority

James Buchanan
Appointing Authority:
City of Chicago

William R. Coulson
Appointing Authority:
Suburban Board Members
of Cook County

Patrick J. Durante
Appointing Authority:
DuPage County

Armando Gomez, Sr.
Appointing Authority:
City of Chicago

Dwight A. Magalis
Appointing Authority:
Kane, Lake, McHenry
and Will Counties

Fred T. L. Norris
Appointing Authority:
Kane, Lake, McHenry
and Will Counties

Patrick V. Riley, Jr.
Appointing Authority:
Suburban Board Members
of Cook County

Michael Rosenberg
Appointing Authority:
City of Chicago

Judy Baar Topinka
Appointing Authority:
Suburban Board Members
of Cook County

Douglas M. Troiani
Appointing Authority:
Suburban Board Members
of Cook County

Rev. Addie L. Wyatt
Appointing Authority:
City of Chicago

Stephen E. Schlickman
Executive Director

Letter from the Executive Director

The mass transit system has faced significant challenges over the past year. Insufficient operating and capital funding have forced the Regional Transportation Authority and its partners at the Chicago Transit Authority, Metra and Pace to make tough decisions in order to maintain vital transportation services for millions of riders throughout northeastern Illinois. Despite these challenges, the system was able to fulfill its critical responsibility throughout 2007 to the people, businesses and institutions of the nation's third largest metropolitan region.

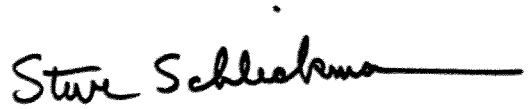
Great challenges remain for 2008. Without a comprehensive, long-term operating and capital funding plan approved by the Illinois General Assembly, the transit agencies will be forced to address budget shortfalls by cutting services, raising fares and laying off employees. Reducing service and increasing costs for riders are not actions any agency wants to pursue. But we are required by law to implement a balanced budget. Without additional resources, we have no choice but to reduce the size of the system. This could not happen at a worse time, as demand for transit is increasing and traffic congestion is worsening throughout the region.

The enclosed 2008 budget contains the financial outlook for the RTA, CTA, Metra and Pace. Unlike previous years, the transit agencies' 2008 budgets do not include significant transfers of capital funds to operations. Shifting dollars from construction, maintenance and capital budgets has allowed day-to-day operations to continue, but it has undermined our ability to repair, replace and upgrade vital components of the transit network.

We must reinvest in the buses, trains, tracks, bridges and other infrastructure in order to maintain a viable, efficient and safe system as called for in our *Moving Beyond Congestion* strategic plan. Over 700 organizations and over 20,000 individuals have signed up in support as we work to create a world class, convenient, affordable, reliable and safe transit system that is the keystone of the regions' growing business opportunities, thriving job market, clean air and livable communities.

As we move forward and are faced with the possibility of shrinking the transit system due to the lack of funding, we will look to our strategic plan for direction as we maximize the funding we do have, and how we can best serve the transit needs for the people of northeastern Illinois.

We will continue to work with state and local elected officials, the business community, civic and labor groups, the education community, our Partners for Transit and, most importantly, our riders, to achieve a comprehensive funding and reform for mass transit. We thank you for your continued support and look forward to working together in 2008 to improve our transit system, our region and our quality of life.



Stephen E. Schlickman
Executive Director, Regional Transportation Authority

Guide

The outline below is presented as a guide to the organization of the RTA 2008 Budget, Two-Year Financial Plan, and Five-Year Capital Plan. The book is divided into eight sections.

1. Introduction provides the guide, list of the members of the RTA Board of Directors, a letter from the RTA Executive Director explaining the key points of the 2008 budget, Budget Issues, a Legislative Update, RTA Vision Statement and Strategic Plan, Governance, Budget Process, Financial Policies, Budget Ordinance 2007-63, and the 2007 GFOA Distinguished Budget Presentation Award.

2. Budget in Brief provides a snapshot of the RTA's role and summarizes the key elements of the 2008 budget.

3. RTA section is divided into four major categories: Region Operating Plan (RTA, CTA, Metra, and Pace consolidated budget and financial plan); Agency Operating Plan (budget and financial plan); Goals and Performance Measures (Estimates vs. Plan); and Reference (RTA bonds and fund types).

4. CTA information includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

5. Metra section includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

6. Pace information is divided into two operations – Suburban Bus Service and ADA Paratransit Service. Information about both operations includes service characteristics, operating plan, budget and financial plan details, and organizational structure.

7. Capital provides an overview and details of the capital program of each of the Service Boards (CTA, Metra, and Pace) and issues concerning bringing the system into the state of good repair.

8. Appendices include the Budget Call Calendar, Budget Hearing Schedule, Glossary, and Supplemental Ridership and Sales tax data.

Budget Issues

- The primary concern facing the RTA and the Service Boards (CTA, Metra, and Pace) is the lack of both operating and capital program funding. In recent years, to cover the growth in operating expenses, the Service Boards have transferred capital funds to operations as allowed by federal regulations. This amount has grown from almost $27 million in 2003 to more than $102 million in 2006. A transfer of nearly $90 million is expected in 2007. The Agency's predominant goal in 2007 was to obtain additional funding for operations.

- The main reason the Service Boards have had to use capital funds for operating purposes is the disproportionate increase in operating costs, driven by healthcare, fuel, power, security, and ADA paratransit expenditures, compared to the growth in sales tax funding, the major source of funding for Service Board deficits. The transfer of capital funds to operations has significantly reduced investments in rolling stock, track and structure, and passenger facilities. The RTA is not able to augment its capital program with additional borrowing because it has insufficient revenue to service any new bond offering debt.

- The CTA's 2008 budget reflects a $158 million funding shortfall. Without additional public funding the CTA will need to increase fares and reduce service to balance its budget. The CTA's 2008 budget reflects a new fare structure, the elimination of 43 bus routes, the closing of three bus garages, and the elimination of nearly 1,800 positions.

- Metra's 2008 budget includes a 10% fare increase in 2008, 2009, and 2010, which will have an adverse effect on ridership. Shifting capital funds to operations at Metra delays infrastructure projects, equipment overhauls, and new rolling stock purchases, making it more difficult for Metra to maintain existing service levels.

- Pace's 2008 suburban service budget reflects the elimination of 58 regular bus routes, 56 feeder/shuttle bus routes, weekend service on 53 bus routes, evening weekday service, and other services, together comprising 30% of Pace fixed route ridership base. These service reductions are accompanied a 33% base fare increase and the loss of 224 positions.

- Pace's 2008 ADA paratransit budget depends on reducing service to the minimum required by the ADA Act and a region-wide increase in ADA paratransit fares to $4.00, the maximum permitted by the ADA Act.

State Representative Julie Hamos, Chair of the House Committee on Mass Transit, and RTA Chairman Jim Reilly speak at a rally for additional funding for public transit

Legislative Update

In reading this document it is important to note that the information provided reflects the Region's funding and service conditions when the RTA Board adopted Ordinance 2007-63 on December 14, 2007, which approved the 2008 budgets and 2009-2010 plans of the Service Boards, the Agency, and Regions as a whole.

During the weeks that followed the adoption of the 2008-2010 budget and financial plans the General Assembly continued to work on legislation that addressed the regions funding shortfall. In January, new legislation was adopted preventing implementation of service cuts, fare increases and layoffs identified in this document. A brief summary of the legislation and proceedings the RTA must take in the first and second quarter of 2008 are presented below.

New law provides increased operating funds. System-wide fare increases and service cuts avoided.

On January 18, 2008 Illinois lawmaker approved and the Governor signed into law, through an amendatory veto process House Bill 656 (Public Law 95-0708) that provides $530 million in new annual operating funds to the regions public transportation system. The new law also includes reforms recommended by the Illinois Auditor General to enhance coordination and efficiency and makes landmark reforms to the CTA pension and retiree health care plans. The Governor's amendatory veto provides free rides to seniors 65 and older living in the RTA's service area. Other provisions of the bill include:

- A one-quarter percent increase in sales tax across the region.
- An additional one-quarter percent increase in sales tax in the collar counties (DuPage, Kane, Lake, McHenry, and Will) controlled by each county board and used for public safety and transportation projects (roads and public transit).
- Authorizes the City of Chicago to increase the real estate transfer tax that provides additional funding for the CTA.
- Expands the RTA Board from 13 to 16 members
- Expands Metra's Board from 7 to 11 members.

As noted above, the law prevents system-wide fare increases and service cuts and the RTA will now initiate an amendatory budget process which includes:

- RTA Board adoption of amended operating funding marks for each Service Board.
- Service Board preparation and adoption of revised operating budgets.
- RTA review of each Service Board's revised budget.
- RTA Board adoption of each Service Board's amended budget.

Vision Statement & Strategic Plan

In 2007, the Regional Transportation Authority released its five-year strategic plan, *Moving Beyond Congestion* that presented the RTA's 30-year vision for maintaining, enhancing, and expanding public transit system in northeastern Illinois. With assets valued at $31 billion dollars, the system provides two million rides each weekday and hundreds of thousands more on weekends.

Vision

The RTA, CTA, Metra, and Pace vision for the region is a world-class public transportation system that is convenient, affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities.

Goals

I. Provide Transportation Option
II. Ensure Financial Viability
III. Enhance Livability and Economic Vitality
IV. Demonstrate Value

Governance

Overview

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 maintain separate management, exercise control over all operations including the passenger fare structure

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 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.

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.

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 expenditures. 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. Pace is also responsible for region-wide ADA paratransit service.

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

As previously discussed, 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. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 8-1).

Budget Calendar

By July 1 of each year, the Office of Management and Budget (OMB)is to submit to the RTA an estimate of revenue to be collected from taxes for the next fiscal year.

Based upon the estimate of tax receipts and revenue 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 and 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 RTA Act requires that the budgets submitted by each Service Board not project or assume receipt

of revenue greater than that 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. The public hearing notice for the 2008 budget may be reviewed in the Appendices Section (Exhibit 8-2).

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt a budget that meets the statutory criteria. Unless the Board can pass (by nine votes) a budget and financial plan for a Service Board that 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 revenue 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 expenditures 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.

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 "it's 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 moneys 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 that 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.

Operations Funding

The RTA provides operating funds to each Service Board equivalent to its 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.

Fund balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The ordinance affirms that 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 revenue falls 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 three-year planning period.

The RTA established this policy 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.

Financial Policies

Capital Expenditure Policies

The RTA Five-Year Capital Program is adopted by the RTA after affirmative vote of at least 12 RTA Directors, after consultation with the Service Boards, and after holding a minimum of 3 public hearings in Cook County and one public hearing in each of the other counties in the metropolitan region. Preparation of the RTA's capital budget is guided by the

following policies found in the RTA Act.

- A five-year program for capital improvements is updated annually.
- Each capital improvement to be undertaken or on behalf of a Service Board should meet the criteria set in the Strategic Plan, and is not inconsistent with any sub-regional or corridor plan adopted by the RTA.
- In reviewing proposals for improvements to be included in a Five Year Capital Program, the RTA may give priority to improvements that are intended to bring public transportation facilities into a state of good repair.
- The Five Year Capital Program shall also identify capital improvements to be undertaken by a Service Board, a transportation agency, or a unit of local government and funded by the Authority from amounts in the Innovation, Coordination, and Enhancement Fund, provided that no improvement that is included in the Five Year Capital Program as of the effective date of this amendatory Act of the 95th General Assembly may receive funding from the Innovation, Coordination, and Enhancement Fund.

Fixed Assets Policies

The RTA's sets a fixed asset capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation.

Description	Useful life
Furniture and Equipment	5 years
Computer Equipment	5 years
Leasehold improvements	Life of the lease

General Obligation Bond Policies

The RTA's policy states that bonds should be payable from all revenue 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 (JSIF) 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. In addition, RTA Sales Tax must be 2.5 times greater than the debt service requirement. 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 Act, the CTA, Metra and Pace fare box receipts and funds on hand will not be used for payment of debt service.

Investment Policies

The RTA's policy complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, public trust, and Investments in Local and Disadvantaged Institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

The RTA policy establishes the following objectives:

- **Safety of Principal** – Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.
- **Liquidity** – Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA
- **Rate of Return** – A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.
- **Public Trust** – The RTA and its officers should avoid any investment transaction or practice

which in appearance may impair public confidence in its stewardship of public funds.

- **Investments in Local and Disadvantaged Institutions** – Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

Operating Budget Policies

The RTA Operating budget and two-year financial plan follows the guidelines below:

- Adoption requires an affirmative vote of at least 12 RTA Directors and hold at least one public hearing in the metropolitan region, and meet with the county board or its designee of each of the several counties in the metropolitan region.
- The Service Boards (CTA, Metra, and PACE) prepare and publish, for public hearing and comment, a comprehensive budget document that is to conform to the RTA "marks". RTA 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.
- All funds are required to balance. The total budgeted revenues must equal the sum of budgeted expenditures for each fund. Revenue sources include sales tax, state funds (e.g. PTF, SFA, and reduced Fare) and other revenue.
- The adopted budget should 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 the year. If the amount is below 5 percent, the financial plan must show full replenishment by the end of the current planning cycle.
- The combined revenue from RTA operations should cover at least 50 percent of the system operating costs.

Pension Funding Policies

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

ORDINANCE NO. 2007-63

APPROVING THE 2008 BUDGETS AND 2009 - 2010 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2008 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2008 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 2008

WHEREAS, Section 4.01 of the Regional Transportation Authority Act (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 2008; 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 2008; 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 by each Service Board during fiscal year 2008 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 2008 budget and proposed 2009-2010 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, the amounts available to the Service Boards for 2008-2010 are predicated on the RTA receiving from the State of Illinois funding for Reduced Fare Reimbursement; and

WHEREAS, the amounts available to Pace for 2008 - 2010 are predicated on the RTA receiving funding from the State of Illinois for ADA paratransit services; and are also predicated on achieving additional cost savings and efficiencies; and

WHEREAS, the budget for ADA paratransit service adopted by Pace does not presume the receipt of public subsidies in excess of the amounts identified by the RTA, but it does identify operating costs that exceed the revenues available for such services by $12.2 million; and

WHEREAS, the amounts available to the Service Boards for operations in 2008 - 2010 are not predicated on securing additional funding from the State, and to the extent that such additional funding has not been obtained, the Service Boards have developed actions to operate within available funds and have balanced their operating budgets with actions that include, but are not limited to, utilizing federal formula capital funds to cover operating expenses, employee layoffs, adjusting service levels, and adjusting fares; and

WHEREAS, the RTA adopted estimates of the amounts available to the Service Boards for 2008-2010 ("funding marks") in Ordinance 2007-48, and subsequently amended the estimates of amounts available to Pace for 2008 in Ordinance 2007-51; and

WHEREAS, pursuant to the RTA's policy regarding Service Board Financing Transactions ("Funding Policy") the RTA Board must approve the Service Boards' use of the proceeds from any Financing Transaction, as such term is defined in the Funding Policy, before such proceeds are used, and the primary use of such proceeds should be for capital programs; and further, such proceeds are excluded from the Service Boards' System-Generated Revenues Recovery Ratios; and

WHEREAS, Pace's 2008 proposed ADA paratransit service budget does not comply with the operating funding marks set by the RTA Board in Ordinance 2007-51 adopted on October 4, 2007 because it established operating costs higher than available funding; and

WHEREAS, the RTA recognizes that the CTA and Metra have taken measures to protect their operations from terrorism and consequently have incurred additional security costs, and moreover the RTA has determined that it is in the best interests of public transportation in the region to exclude certain amounts of security costs for purposes of calculating the CTA and Metra recovery ratios, thereby providing the CTA and Metra with a period of time to balance such higher security costs within their respective budgets; and

WHEREAS, the Five-Year Capital Program included with this Ordinance is based on capital program submittals from the Service Boards, and after the RTA Board makes any amendments to the estimates of capital funding available based on subsequent Federal or State action, the Service Boards will be required to adjust their capital programs to reflect such revised estimates; and

WHEREAS, on December 14, 2007, the RTA Board deferred action on an ordinance amending the 2008-2012 capital program marks, but the Five-Year Capital Program included as Schedule II to this Ordinance was predicated on those amendments being made to such capital program marks, including but not limited to adding federal New Start funding in 2008, recognizing the CTA's plan for debt issuance of $150 million in 2010 and $175 million in 2011, and Pace's transfer of federal capital funds to cover operating costs, and therefore Schedule II does not conform to the capital program marks last adopted by the RTA Board, so the RTA Board's approval of such Five-Year Capital Program is contingent on subsequent action being taken by the RTA Board to revise such capital program marks and/or the Service Boards taking action to adjust their capital programs to conform with the capital program marks adopted by the RTA Board; 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:

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 proposed budgets for 2008, and financial plans for 2009 and 2010, 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's Suburban Bus Service (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 or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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 that the RTA has established.

1.3 With respect to the proposed budget and financial plan submitted by Pace for ADA paratransit service, the RTA finds as follows:

(a) The budget and plan submitted by Pace established operating costs materially higher than available funding, and therefore does not meet the criteria established in Section 4.11 of the RTA Act.

1.4 With respect to the revised budget and financial plan for ADA paratransit service (as summarized in Schedule I-B), the RTA finds as follows:

(a) 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) 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) 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 or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) Such budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) Such budget and plan has been prepared in accordance with sound financial practices; and

(f) Provided that Pace acts in conformity with the provisions of this Ordinance, such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established.

1.5 Pursuant to Section 4.11 of the Act, the budgets for 2008 and financial plans for 2009 and 2010, 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.

1.6 Pursuant to Section 4.11 of the Act, no more than 30 days after each fiscal quarter, each Service Board is directed to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two:

RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2008 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2008 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2008 Annual Budget and Program shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2008 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-F.

(c) The 2008 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 system-generated revenues from such fares and charges received in 2008 apart from ADA paratransit to equal at least 50 percent of the aggregate cost of providing such public transportation in 2008, and at least 10 percent for ADA paratransit service in 2008, as required by the Act, and as summarized in Schedule I-C.

(d) The 2008 Annual Budget and Program is based on and employs assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2008, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2008 of $15,357,618.

Section Three:

Five-Year Program

3.1 The Five-Year Program of the RTA for the fiscal years beginning January 1, 2008, and ending December 31, 2012, has been the subject of public hearings in each county in the metropolitan region 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 by the RTA. In accordance with Section 2.01(c) and Section 4.02(b) of the Act, no Service Board shall apply for or receive any capital grant or loan unless it is identified 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 2008 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 Operations Funding to Service Boards represents the legal level of budgetary control.

1.1 Statutory RTA Taxes

There is appropriated, for expenditure by each Service Board pursuant to the 2008 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 below 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 "85% Sales Tax" on Schedule I-E.

	Collected within Chicago	Collected within Suburban Cook County	Collected in DuPage, Kane, Lake, McHenry and Will Counties
CTA	100%	30%	-
Metra	-	55%	70%
Pace	-	15%	30%
Total	**100%**	**100%**	**100%**

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 2008 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 Revenue" on Schedule I-B.

After receipt by the RTA of funds from the State of Illinois Reduced Fare Reimbursement Program, the Executive Director shall provide for the payment to each Service Board its proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A.

1.3 Discretionary Funds of the RTA -- Public Transportation Fund, 15% Sales Tax, Other RTA Revenues, Additional Funding for ADA Paratransit

(a) Operating Programs: There is appropriated, for expenditure by each Service Board pursuant to the 2008 Budget approved in Article I, the amounts specified as "RTA Discretionary Funds" and the amounts specified as "Additional State Funding" 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 "Total RTA Operations Funding" on Schedule I-B.

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, as 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 – RTA Funds on Schedule I -D from other receipts and revenues of the RTA.

The Executive Director is hereby directed to provide for payment of such funds pursuant to grant or intergovernmental agreements with each Service Board.

Section Two:

Appropriation to the Regional Transportation Authority

In 2008 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency") the amounts specified on Schedule I-A as Agency Administration and Regional Initiatives, and Regional Technology and Agency Capital, pursuant to the 2008 Budget approved in Article I, from other receipts and revenues of the RTA.

The total appropriations as shown in Schedule I-A for 2008 Agency Administration and Regional Initiatives, and Regional Technology and Agency Capital represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% from and among 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 2008 Annual Budget and Program of the RTA in accordance with the Act and the policies established herein.

Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation (USDOT), Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), and any other funding agency (collectively the "funding agencies") 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 funding agencies may require in connection with such 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 funding agencies. 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 2008 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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 I-A: **RTA Statement of Revenues and Expenditures - General and Agency Funds** (dollars in thousands)

	2008 Budget	2009 Plan	2010 Plan
System-Generated Revenue			
Sales Tax	$ 766,077	$ 786,761	$ 808,004
Public Transportation Fund	191,519	196,690	202,001
State Financial Assistance	116,477	116,692	116,983
Reduced Fare Reimbursement	36,800	36,275	36,275
Other Revenue	17,500	17,500	17,700
Additional Funding for ADA Paratransit	54,252	54,252	54,252
Total Revenue	**$ 1,182,625**	**$ 1,208,170**	**$ 1,235,215**
Operating Expenditures			
RTA Operations Funding to Service Boards	$ 820,521	$ 832,384	$ 845,753
RTA Discretionary Funds for ADA Paratransit	11,670	31,576	40,105
Additional State Funding - RTA Discretionary	54,252	54,252	54,252
Reduced Fare Reimbursement/Sales Tax Interest (1)	37,700	37,175	37,175
Agency Administration and Regional Initiatives (2)	29,952	30,222	30,554
Total Operating Expenditures	**$ 954,095**	**$ 985,609**	**$ 1,007,839**
Debt Service & Capital Expenditures			
Principal and Interest	$ 184,318	$ 186,328	$ 190,711
Regional Technology and Agency Capital (2)	1,900	1,917	1,938
Transfer Capital	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**$ 206,571**	**$ 208,598**	**$ 213,002**
Total Expenditures	**$ 1,160,666**	**$ 1,194,207**	**$ 1,220,841**
Fund Balance (undesignated/unreserved)			
Beginning Balance	227	22,186	36,149
Change in Fund Balance	21,959	13,963	14,374
Ending Unreserved/Undesignated Fund Balance (3)	**$ 22,186**	**$ 36,149**	**$ 50,523**
Total Operating Expenditures %	2.3%	3.7%	5.0%
Recovery Ratio % (4)	**51.0%**	**N/A**	**N/A**
ADA paratransit Recovery Ratio % (5)	**10.0%**	**12.0%**	**12.0%**

(1) Includes sales tax interest of $900 thousand (2008-2010). (2) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action. (3) The 2010 fund balance is 5% of total operating expenditures meeting the fund balance policy adopted by the RTA Board in 1998. (4) The 2008 total system-generated revenue recovery ratio of 51% exceeds the statutory requirement of 50%. The calculation does not include ADA paratransit service. (5) The ADA paratransit recovery ratio is the level set by the RTA Act.

Schedule I-B: **Service Board Deficit Funding - 2008 Budget and 2009-2010 Financial Plan** (dollars in thousands)

	2008 Budget	2009 Plan	2010 Plan
CTA			
Total System-Generated Revenue	$ 562,008	$ 518,209	$ 512,333
Total Operating Expenses	1,033,836	992,697	990,742
Total Deficit	471,828	474,488	478,409
RTA Sales Tax	303,341	311,812	320,521
RTA Discretionary Funds	168,487	162,677	157,888
Total Funding	**$ 471,828**	**$ 474,489**	**$ 478,409**
Metra			
Total System-Generated Revenue	$ 309,250	$ 320,770	$ 336,560
Total Operating Expenses	573,347	611,766	644,633
Total Deficit	264,097	290,996	308,073
RTA Sales Tax	264,097	270,996	278,073
Total RTA Operations Funding	264,097	270,996	278,073
Service/Operating Modifications (1)	-	20,000	30,000
Total Funding	**$ 264,097**	**$ 290,996**	**$ 308,073**
Pace Suburban Bus Service			
Total System-Generated Revenue	$ 55,949	$ 57,336	$ 59,579
Total Operating Expenses	145,209	152,833	161,169
Total Deficit	89,260	95,497	101,590
RTA Sales Tax	83,728	85,939	88,209
RTA Discretionary Funds	868	960	1,062
Total RTA Operations Funding	84,596	86,899	89,271
Federal CMAQ, JARC & New Freedom	2,146	1,326	553
Federal Capital for Operations	2,518	7,272	11,766
Total Funding	**$ 89,260**	**$ 95,497**	**$ 101,590**
Summary			
Total System-Generated Revenue	$ 927,207	$ 896,315	$ 908,472
Total Operating Expenses	1,752,392	1,757,296	1,796,544
Total Deficit	825,185	860,981	888,072
RTA Sales Tax	651,166	668,747	686,803
RTA Discretionary Funds	169,355	163,637	158,950
Total RTA Operations Funding	820,521	832,384	845,753
Total Other Funding (2)	4,664	28,598	42,319
Total Funding	**$ 825,185**	**$ 860,982**	**$ 888,072**
Pace ADA Paratransit			
Total System-Generated Revenue (3)	$ 9,834	$ 12,266	$ 12,980
Total Operating Expenses (3)	78,235	101,408	111,579
Total Deficit	68,401	89,142	98,599
RTA Discretionalry Funds (Additional State Funding)	54,252	54,252	54,252
RTA Discretionary Funds	11,670	31,576	40,105
Total RTA Operations Funding	65,922	85,828	94,357
Metra Capital Funds (4)	2,479	3,314	4,242
Total Funding	**$ 68,401**	**$ 89,142**	**$ 98,599**

(1) Includes undetermined service and/or other operating modifications to achieve balanced financial plans in 2009 and 2010. (2) Includes Metra's undetermined modifications and Pace's federal funds. (3) 2008 Budget figures reflect a reduction in revenue and expenses in the amounts of $1.8 million and $14.0 million, respectively, below the budget submitted by Pace. (4) Federal Funds transferred from Metra's capital program to Pace for ADA paratransit operations.

Schedule I-C: **Recovery Ratio %**

	2008 Budget
CTA	52.0%
Metra	55.0%
Pace Suburban Service	36.0%
Total System-Generated Revenue Recovery Ratio %	**51.0%**
Pace ADA Paratransit	10.0%

The RTA Act allows certain expenditures to be excluded form the recovery ratio calculation including security, depreciation, and facility leases. RTA Ordinance 2005-06 authorized further security exclusion for Service Board recovery ratios. The amount of these additional exclusion are added back to regional expenditures to calculate the statutory system-generated revenue recovery ratio.

Schedule I-D: **Service Board and RTA Capital Funding** (dollars in thousands)

	2008 Capital Program Budget				
Service Board Capital Funding	CTA	Metra	Pace	RTA	Total
FTA Capital Grants	$ 272,500	$ 141,298	$ 39,217	-	$ 453,016
IDOT Grants	40,000	36,000	4,000	-	80,000
Transfer Capital - RTA Funds	20,353	-	-	-	20,353
Total Service Board Capital Funding	332,853	177,298	43,217	-	553,369
CTA Financing	300,000	-	-	-	300,000
CTA Debt Repayment	(83,296)	-	-	-	(83,296)
Regional ADA Paratransit	-	(2,479)		-	(2,479)
Preventive Maintenance	-	-	-	-	-
Total Program	**$ 549,557**	**$ 174,819**	**$ 43,217**	**-**	**$ 767,594**
RTA Regional Technology and Agency Programs	-	-	-	$ 1,900	$ 1,900

Schedule I-E: **RTA Statutory Sales Tax Distribution** (dollars in thousands)

	City of Chicago	Suburban Cook County	Collar Counties	Estimated Total
2008 Budget				
CTA	$ 200,243	$ 103,097	-	$ 303,341
Metra	-	189,012	75,085	264,097
Pace	-	51,549	32,179	83,728
Total Service Boards–85% Sales Tax	**200,243**	**343,658**	**107,264**	**651,166**
RTA–15% Sales Tax (1)	35,337	60,646	18,929	114,912
Grand Total	**$ 235,580**	**$ 404,304**	**$ 126,193**	**$ 766,077**
2009 Financial Plan				
CTA	$ 206,106	$ 105,706	-	$ 311,812
Metra	-	193,794	77,202	270,996
Pace	-	52,853	33,086	85,939
Total Service Boards–85% Sales Tax	**206,106**	**352,353**	**110,288**	**668,747**
RTA–15% Sales Tax (1)	36,372	62,180	19,463	118,014
Grand Total	**$ 242,478**	**$ 414,533**	**$ 129,751**	**$ 786,761**
2010 Financial Plan				
CTA	$ 212,141	$ 108,380	-	$ 320,521
Metra	-	198,697	79,376	278,073
Pace	-	54,190	34,018	88,209
Total Service Boards–85% Sales Tax	**212,141**	**361,267**	**113,395**	**686,803**
RTA–15% Sales Tax (1)	37,437	63,753	20,011	121,201
Grand Total	**$ 249,578**	**$ 425,020**	**$ 133,406**	**$ 808,004**

(1) The RTA's 15 percent of the sales tax is primarily used as discretionary funding for Service Board operations.

Schedule I-F: **RTA 2008 Monthly Cash Flow Projection General and Agency Funds** (dollars in thousands)

	J anuary	February	March	April	May	June
Cash Receipts						
Sales Tax	$59,120	$60,256	$76,094	$59,738	$55,798	$57,177
Public Transportation Fund	14,780	15,064	19,024	14,935	13,950	14,294
Reduced Fare Reimbursement	-	-	-	-	-	-
State Financial Assistance	9,814	9,814	9,814	9,800	9,800	9,800
Additional Funding for ADA Paratransit	-	-	-	-	-	-
Working Cash Notes	(194)	(165)	(177)	(171)	(171)	(177)
Interest/Other Income	5,563	61	59	52	101	88
Total Cash Receipts	**$89,083**	**$85,030**	**$104,813**	**$84,354**	**$79,478**	**$81,183**
Cash Disbursements						
CTA						
85% Sales Tax	$23,861	$23,891	$29,731	$23,604	$22,006	$22,394
RTA Discretionary Funds	14,604	14,604	14,604	14,041	14,041	14,041
Reduced Fare Reimbursement.	-	-	-	-	-	-
Capital Program	2,000	2,000	2,000	2,000	2,000	2,000
Total CTA Disbursements	**$40,465**	**$40,496**	**$46,336**	**$39,645**	**$38,047**	**$38,434**
Metra						
85% Sales Tax	$20,015	$20,739	$26,541	$20,651	$19,310	$19,909
Reduced Fare Reimbursement.	-	-	-	-	-	-
Capital Program	100	100	100	100	100	100
Total Metra Disbursements	**$20,115**	**$20,839**	**$26,641**	**$20,751**	**$19,410**	**$20,009**
Pace						
85% Sales Tax	$6,375	$6,587	$8,407	$6,522	$6,112	$6,299
RTA Discretionary Funds	218	218	218	72	72	72
True-Up	(218)	(218)	(218)	(59)	-	-
Reduced Fare Reimbursement.	-	-	-	-	-	-
RTA Discretionary Funds for ADA Paratransit	5,494	5,494	5,494	5,494	5,494	5,494
Capital Program	350	350	350	350	350	350
Total Pace Disbursements	**$12,219**	**$12,431**	**$14,251**	**$12,379**	**$12,028**	**$12,215**
RTA Operations, Debt Service & Capital						
Sales Tax Interest	$75	$75	$75	$75	$75	$75
Principal and Interest Payments	18,491	18,717	18,721	17,984	8,737	11,588
Agency Operations (1)	2,500	2,500	2,500	2,500	2,500	2,500
Regional Technology and Agency Capital	160	160	160	160	160	160
Total RTA Disbursements	**$21,226**	**$21,452**	**$21,456**	**$20,719**	**$11,472**	**$14,323**
Total Cash Disbursements	**$94,025**	**$95,218**	**$108,684**	**$93,494**	**$80,957**	**$84,980**
Cash Balance (2)						
Beginning	$146,760	$141,817	$131,630	$127,759	$118,619	$117,140
Ending	**$141,817**	**$131,630**	**$127,759**	**$118,619**	**$117,140**	**$113,342**

(1) Agency Administration, Regional Services and Coordination Programs, and Regional Technical Assistance Programs. (2) Restricted and unrestricted cash

July	August	September	October	November	December
$67,406	$65,651	$64,745	$65,338	$64,298	$65,120
16,852	16,413	16,186	16,334	16,075	16,280
-	-	-	-	9,700	-
-	-	-	-	-	51,000
-	-	-	9,042	9,042	9,042
(177)	(165)	(40,187)	-	-	-
5,675	68	72	86	75	494
$89,755	**$81,967**	**$40,816**	**$90,800**	**$99,190**	**$141,936**
$26,661	$25,709	$25,690	$25,831	$25,426	$26,291
14,041	14,041	14,041	14,041	14,041	14,041
-	-	-	-	8,100	-
2,000	2,000	2,000	2,000	2,000	2,000
$42,702	**$41,750**	**$41,731**	**$41,872**	**$49,567**	**$42,332**
$23,258	$22,845	$22,268	$22,544	$22,186	$22,062
-	-	-	-	800	-
100	100	100	100	100	100
$23,358	**$22,945**	**$22,368**	**$22,644**	**$23,086**	**$22,162**
$7,376	$7,250	$7,075	$7,162	$7,042	$6,999
72	72	72	72	72	72
-	-	-	-	-	-
-	-	-	-	800	-
5,494	5,494	5,494	5,494	5,494	5,494
350	350	350	350	350	350
$13,292	**$13,166**	**$12,990**	**$13,078**	**$13,758**	**$12,914**
$75	$75	$75	$75	$75	$75
18,700	18,940	18,998	18,227	13,153	13,597
2,500	2,500	2,500	2,500	2,500	2,500
160	160	160	160	160	160
$21,435	**$21,675**	**$21,733**	**$20,962**	**$15,888**	**$16,332**
$100,787	**$99,536**	**$98,822**	**$98,556**	**$102,298**	**$93,740**
$113,342	$102,311	$84,742	$26,735	$18,980	$15,872
$102,311	**$84,742**	**$26,735**	**$18,980**	**$15,872**	**$64,068**

The GFOA Distinguished Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) present a Distinguished Budget Presentation Award to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2007.

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 communications device.

This 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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

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Regional Transportation Authority

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For the Fiscal Year Beginning

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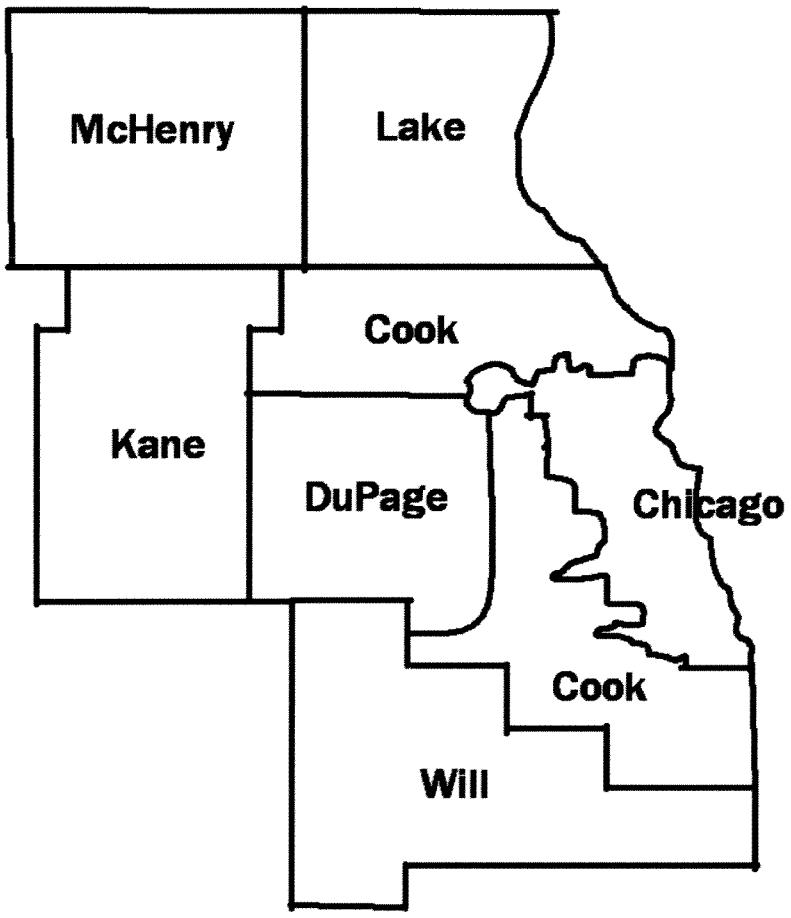
The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.

Executive Director

Date July 9, 2007

2 Budget in Brief



Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in the six-county northeastern Illinois region as set forth by the RTA Act. The Act designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace bus, have operational responsibility for public transportation within the six-county region and are governed by their own boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service in the suburbs and between the suburbs and the City of Chicago, and Pace provides ADA Paratransit service for the entire region (Exhibit 2-1).

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.

Exhibit 2-1: **RTA Organization Structure**

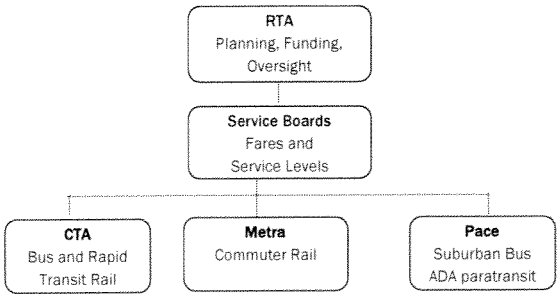
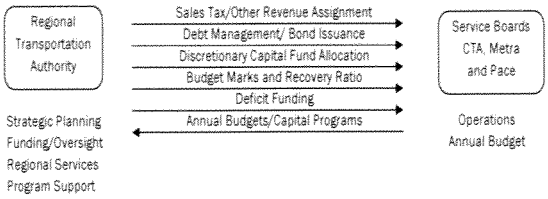


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**



The marks guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that is to conform 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 2-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Service Characteristics

There are more than 8 million residents in the six-county northeastern Illinois region, an area that covers 3,749 square miles. The RTA system deploys over 5,000 bus and rail cars on more than 400 routes to service its customers. In 2006, the regional public transportation system provided 614 million trips.

The system has a replacement value of more than $31 billion (i.e., the asset value of the system's existing infrastructures). With an average asset life of approximately 20 years, the RTA system needs over

Exhibit 2-3: **RTA Statement of Revenues and Expenditures - General and Agency Funds** (dollars in millions)

	2007 Estimate	2008 Budget
System-Generated Revenue		
Sales Tax	$ 746	$ 766
Public Transportation Fund (PTF)	186	192
State Financial Assistance (SFA)	123	116
Reduced Fare Reimbursement (RF)	36	37
Other Revenue	15	18
State Funding for ADA Paratransit	54	54
Total Revenue	**$ 1,160**	**$ 1,183**
Operating Expenditures		
RTA Operations Funding to Service Boards	$ 814	$ 821
RTA Discretionary Funds for ADA Paratransit	22	12
State Funding for ADA Paratransit	54	54
Reduced Fare Reimbursement/Sales Tax Interest	37	38
Agency Administration, Regional Services & Regional Programs	28	30
Total Operating Expenditures	**$ 955**	**$ 954**
Debt Service & Capital Expenditures		
Principal and Interest	$ 186	$ 184
Regional Technology and Agency Capital	4	2
Transfer Capital	24	20
Total Debt Service and Capital Expenditures	**$ 214**	**$ 207**
Total Expenditures	**$ 1,169**	**$ 1,161**
Fund Balance (undesignated/unreserved)		
Beginning Balance	$ 9	-
Change in Fund Balance	(8)	22
Ending Unreserved/Undesignated Fund Balance	**-**	**$ 22**
Total Operating Expenditures %	-	2.3
System-Generated Revenue Recovery Ratio %	**51.6**	**51.0**
ADA Paratransit Recovery Ratio	**8.8**	**10.0**

$1 billion in capital funds each year just to keep the existing infrastructure in good repair.

Operating Budget

A statement of revenues and expenditures for the 2007 estimate and the 2008 budget is presented in Exhibit 2-3. The statement of RTA revenues and expenditures from 2006 through 2010 is shown in the Region section (Exhibit 3-1).

Total Revenues

In 2008, total RTA revenues are projected at $1,183 million. This represents an increase of $23 million or 2.0 percent over the 2007 estimate of $1,160 million. $766 million, or 64 percent, of these revenues will be generated from RTA Sales Tax, and Public Transportation Fund (PTF) receipts of $192 million are 16% of the total. State financial assistance (SFA) of $116 million provides 10 percent of revenues. State reduced fare reimbursement (RF) programs equal 3 percent of total revenues, or $37 million, additional State funding for ADA paratransit (ADA) is $54, or 5 percent, and other RTA revenues account for the remaining balance of $18 million, or 2 percent. Exhibit 2-4 illustrates this distribution.

Sales Tax

RTA Sales Tax is the primary source of revenue for the RTA. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region of northeastern Illinois and collected 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 2007 sales tax estimate and the 2008 budget year sales tax projections were established after assessing state and regional economic data and national forecasts. Based on this information, the RTA estimated sales tax receipts for 2007 and 2008 to be $746 million and $766 million respectively. This year-on-year change corresponds to an increase of $20 million or 2.7 percent in 2008.

Public Transportation Funds

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 2008 are $192 million.

State Financial Assistance

This revenue source is state-authorized assistance to reimburse 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 2008 are $116 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. Receipts for 2008 are budgeted at $37 million, an amount slightly higher than 2007 funding level.

Exhibit 2-4: **2008 RTA Revenue** - $1,183 million

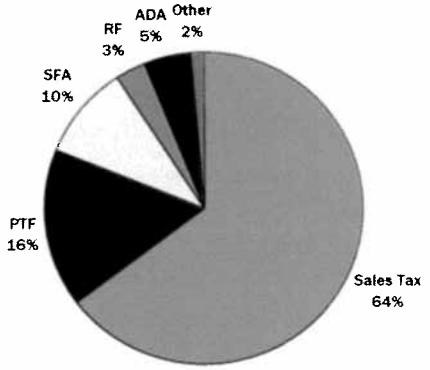
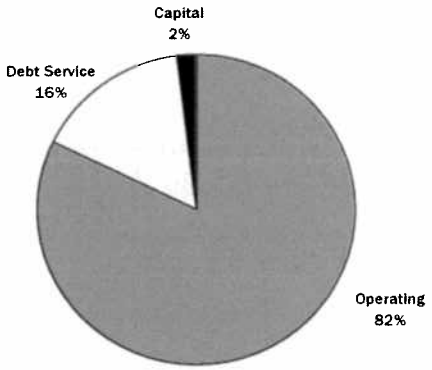


Exhibit 2-5: **2008 RTA Expenditures** - $1,161 million



Other Revenue

This RTA revenue category includes sales tax interest, investment income, fare check program revenue, and grant funds from state and local agencies for regional coordination and technology initiatives. Total receipts in 2008 are budgeted at $18 million.

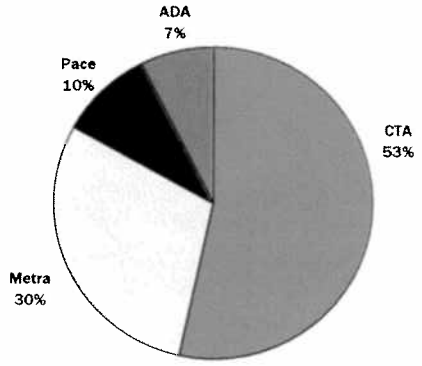
ADA Paratransit Funds

In 2005, the State of Illinois appropriated additional funds to the RTA for ADA paratransit service and other costs and services; the appropriation was $54 million. This level of funding continued in 2006 and 2007 and is expected to remain at this level in 2008.

Total Expenditures

Total RTA expenditures (operating, debt service and capital) for 2008 are budgeted at $1,161 million. This amount is $8 million less than the 2007

Exhibit 2-6: **RTA Funding of Service Operations** - $887 million



estimate of $1,169 million. Exhibit 2-5 illustrates the expense distribution budgeted for 2008.

Operations Funding

The RTA's primary expenditure is the funding of Service Board operating deficits.

The RTA Board establishes "marks" for each Service Board to use in its proposed budget and program. The marks are set in September for the next fiscal (calendar year) period. Operating marks include a recovery ratio for the next budget year and operating funds for the budget and following two-year financial planning period. Operating funds are disbursed as budgeted unless amended by the RTA Board (Exhibit 2-6).

In 2008, the CTA will receive 53 percent of RTA funds for service operations, Metra picks up 30 percent, and Pace receives 17 percent (10% for suburban bus service and 7% for regional ADA paratransit service). The amount of funds distributed to each Service Board is outlined below.

CTA

The CTA's operations funding level from the RTA in 2008 is budgeted at $472 million or 1.6 percent higher than the 2007 budgeted amount of $464 million.

Metra

Metra's operating funding level from the RTA in 2008 is budgeted at $264 million or 2.6 percent higher than the 2007 funding amount of $257 million.

Pace Suburban Service

Pace's operations funding from the RTA in 2008 is budgeted at $85 million. To balance their 2008 deficit of $89 million Pace will transfer close to $3 million in federal capital funds (Section 5307 funds that can be used for operations as provided for by federal regulations) to operations and they will receive $2 million for federal Job Access Reverse Commute (JARC) and Congestion Mitigation Air Quality (CMAQ) initiatives.

Pace ADA paratransit service

RTA funding for ADA paratransit service in 2008 is budgeted at $66 million. Funding sources include discretionary RTA funds of $12 million (RTA sales tax formula funds, and PTF), and State funds of $54 million. The remaining balance is provided by Metra capital funds of $2 million transferred to Pace (Federal Section 5307 funds that can be used for operations).

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. The 2008 budgeted reimbursement level of $37 million remains at par with the 2007 funding amount.

Sales Tax Interest

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. Payments in 2008 are budgeted at $1 million, level with the estimate for 2007.

Exhibit 2-7: **2008 Source and Use of Funds** (dollars in millions)

Source of Funds (1)	Total
RTA Sales Tax	$ 766
State Funds	399
RTA Revenue	18
Total Service Board	907
Total Sources	**$ 2,090**

(1) State funds include PTF, SFA, RF and ADA. Service Board revenue/ funds includes Capital for Operations, Pace CMAQ/JARC funds but excludes RF which are provided by the State.

Use of Funds	Total
Service Board	$ 1,832
Debt Service	184
Capital Programs	22
RTA Agency	30
RTA Fund Balance	22
Total Uses	**$ 2,090**

Exhibit 2-8: **Source of Funds** - $2,090 million

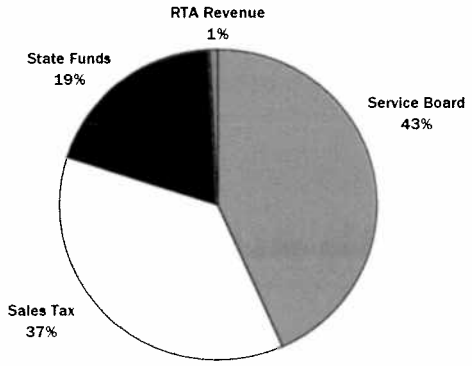
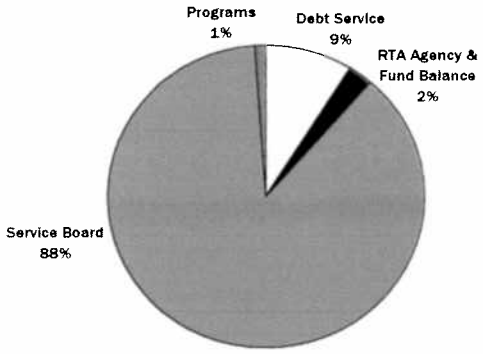


Exhibit 2-9: **2008 Use of Funds** - $2,090 million



Agency and Regional Initiatives

Agency administration represents on-going RTA functions to execute its funding and financial oversight responsibilities. Budgeted 2008 administrative expenses totaling $8 million are significantly below the 2008 statutory cap of $15 million permitted by the RTA Act.

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), ADA certification, Reduced Fare, and the Customer Information Center. In addition, the RTA supports continued demands for technical assistance initiatives and coordination programs that encourage transit oriented improvements in the region. Programs supported include the Regional Technical Assistance Program (RTAP), regional corridor studies, and the American Public Transportation Association (APTA).

Through partnership efforts with other state and local agencies, the RTA receives external funds that defray part of the program costs. Estimated receipts of more than $1 million in 2008 will cover 35 percent of the program costs leaving a balance of just over $2 million to be funded by the RTA.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to decline from $214 million in 2007 to $207 million in 2008 a decrease of 3.3 percent. This change reflects the overall reduction in RTA funds available for capital initiatives.

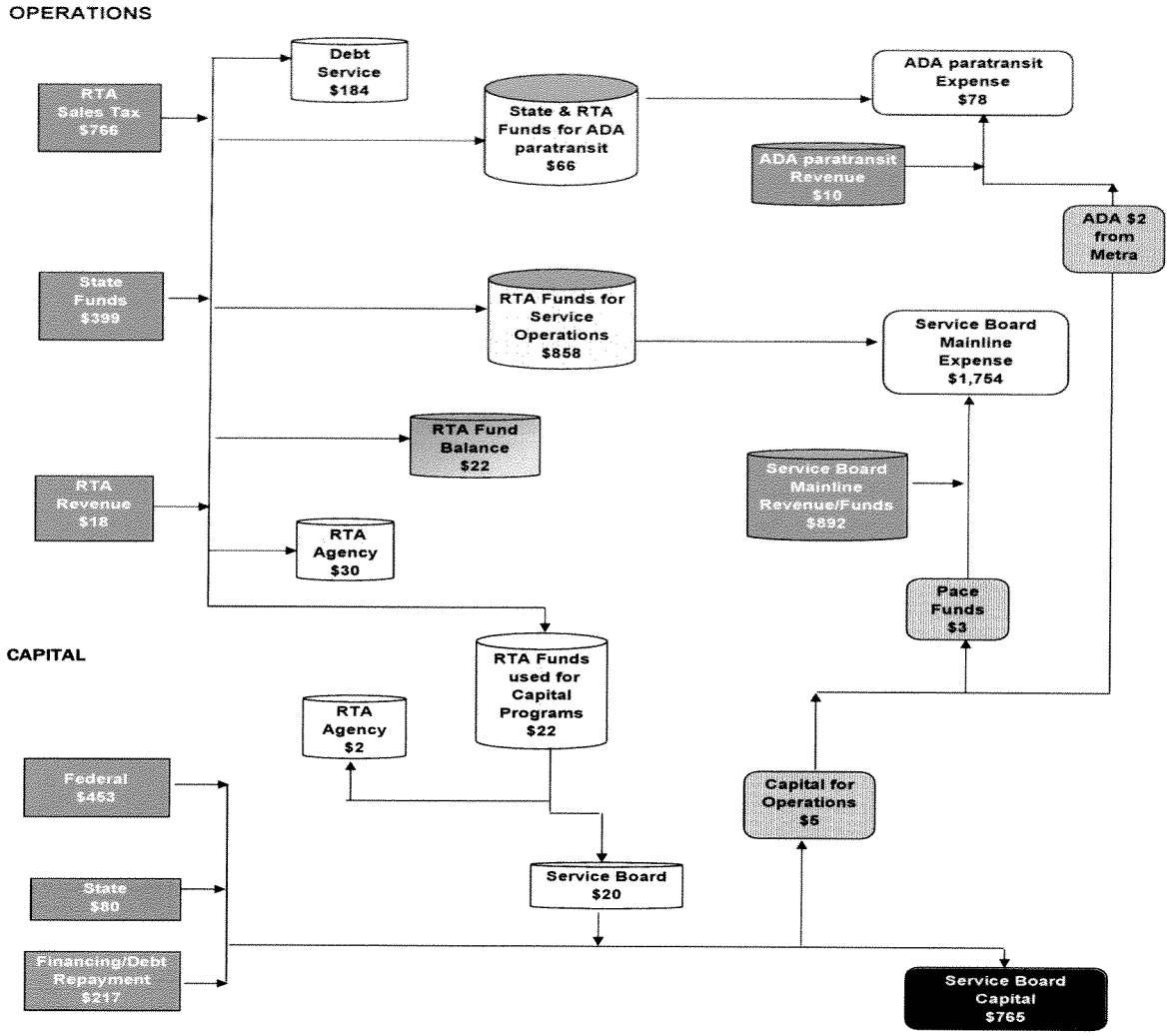
Principal and Interest

Principal and interest (debt service) expenditures decrease from $186 million in 2007 to $184 million in 2008. Payments cover the issuance of bonds, authorized by the state, which help fund Service Board capital projects. State SCIP funding (SFA) covers roughly 62% of the RTA's debt service costs with the remaining balance paid from RTA funds.

Regional Technology and Agency Programs

The 2008 budget continues the RTA's commitment to fund region-wide capital driven technology initiatives and Agency programs. However; initiatives

Exhibit 2-10: **2008 Source and Use of Regional Transportation Funds** - $2,090 million (dollars in millions)



were scaled down with diminished funding. The RTA also receives reimbursement (revenue) from federal programs and local initiatives that help offset part of these expenditures. In 2008, receipts of more than $1 million will cover 91 percent of the program costs.

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. Annual funding for this program during the next three-year financial planning period continues at over $20 million.

In 2007, the RTA also provided funds to Pace to purchase additional ADA paratransit vehicles.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance. If the amount is below 5 percent the financial plan must show full replenishment by the end of the current planning cycle.

The percentage is based on total operating expenditures for the year (as shown on Exhibit 2-3). 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 has proved its value as a sluggish economy over the past several years' limited growth of sales tax receipts.

The ending fund balance for 2007 is estimated to be less than $1 million compared to total operating costs of close to $1 billion. The 2008 budget shows a year-end fund balance of $22 million or 2.3 percent of total operating expenditures. To bring the reserve back to the 5 percent policy level by the end of the financial planning period (2010) means the RTA must hold funding to growth levels on par with sales tax increases for the planning period.

Beginning Balance

The beginning fund balance is the amount of funds in the undesignated and unreserved (General Fund) fund balance after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2006 actual results for the 2007 beginning balance.

Total RTA revenues less total RTA expenses produce an annual change to the fund balance.

Change in Fund Balance

Total RTA revenues less total RTA expenses produce an annual change to the fund balance. When revenue exceeds expense, the remainder or surplus is added to the fund balance. If expenses exceed revenues, the fund balance is reduced by the deficit amount. Projections indicate that revenues will exceed expenditures in 2008 by $22 million.

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 (apart from ADA paratransit service) of the system operating cost. The RTA's system-generated revenue recovery ratio for 2008 is 51 percent. The Service Boards presented budgets that exceed this percentage (Exhibit 3-1 and 3-32).

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. The Act further requires a recovery ratio for ADA paratransit service of 10 percent, the 2008 budget for this service meets this stipulation.

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 is over $15 million, and the Agency's administrative expenses of slightly more than $8 million are well below the statutory 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 that comply with these stipulations.

Source and Use of Funds

Each section of the 2008 Program and Budget Book presents the source of funds (public funding and/or operating revenues) and the use (expenditure) of funds for the respective operation. The subsequent paragraphs and exhibits summarize the source and use of these funds for the 2008 budget.

In 2008, total revenue estimates of $2,090 million include: $766 million in receipts from RTA sales tax; State funding totaling $399 million from PTF,

financial assistance, reduced fare reimbursement, and for ADA paratransit; $18 million from Other RTA revenues; $10 million in ADA operating revenue; CTA, Metra and Pace mainline operating receipts of $892 million; and the use of federal capital funds for operations totaling $5 million.

The use of $2,090 million in funds includes $1,832 for service operations (ADA paratransit $78 million, and mainline CTA, Metra and Pace Suburban Bus service $1,754 million; $184 million for debt service; $22 million for capital programs; $30 million for agency administration and regional initiatives; and $22 million to replenish the RTA fund balance. (Exhibits 2-7 through 2-10).

Capital Program

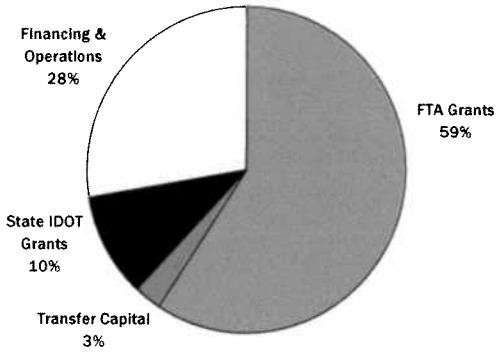
The capital program "marks" set by the RTA Board in September (Capital section) include estimated figures that the Service Boards use in the budget and program documents that they present for public hearing. When final federal appropriations numbers are determined and local funds revised, the RTA Board will consider ordinances that incorporate all changes and bring the marks and program in balance. The 2008 budget shown in Exhibit 2-11 and 2-12 reflects the amount adopted by the RTA Board in December 2007.

Exhibit 2-11: **2007 Capital Program Budget** (dollars in millions)

Service Board (1)	
FTA (Federal) Capital Grants	$ 453
State -IDOT Grants	80
RTA Transfer Capital	20
Financing	217
Federal Funds for Operations	(5)
Total Service Board Capital Program	**$ 765**

(1) Federal funds (FTA Capital Grants) require a local match of at least 20%. The State has traditionally provided capital funding for matching purposes but the State, at this time, has not provided local matching funds (IDOT Grants). Tollway credits can be used as local match but they are not spendable funds and using them leaves critical projects under-funded.

Exhibit 2-12: **2008 Capital Program** - $765 million



For additional details and trends regarding system characteristics, sales tax, ridership, Service Boards operating expense, and farebox revenue see Appendices Exhibit 8-13 through 8-21.

3 RTA

Region Operating Plan

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 plan, and a five-year capital program that meets specific statutory requirements.

This document fulfills the responsibility. Exhibit 3-1 provides a summary of the RTA's statement of revenue and expenditures for 2006-2010. Throughout this document, 2006 is actual data, 2007 is the estimate of year-end results, 2008 is the operating budget, and 2009-2010 is the two-year financial plan.

Revenue

Total revenue is projected to grow from $1.155 billion in 2006 to $1.235 billion in 2010 (Exhibit 3-1). This is an increase of $80.3 million over the four-year period, or a 1.7 percent compound annual growth rate.

The RTA Sales Tax is the primary source of revenue for the RTA. In 2006, RTA Sales Tax receipts of $746.8 million comprised 65 percent of the RTA's total revenue. Public Transportation Funds (PTF), State Financial Assistance (SFA), State Reduced Fare (RF), and other revenue provided the balance of RTA revenue, totaling $408.1 million, or 35 percent (Exhibit 3-2).

The RTA retains 15 percent of the total sales tax and distributes the remaining 85 percent to the Service Boards

Sales Tax

The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, 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 DuPage, Kane, Lake, McHenry and Will counties. 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 distributes the remaining 85 percent to the Service Boards according to the formula specified in the RTA Act (Exhibit 3-3).

Exhibit 3-4 breaks out the 2006 sales tax distribution by Service Board. In 2006, the $746.8 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 $746.8 million in 2006 to $808.0 million in 2010, a compound growth rate of 2.0 percent (Exhibit 3-5).

The 2008 sales tax budget was developed after assessing the state and local economic trends. After reviewing this data, the RTA applied a growth rate of 3.2 percent to its 2006 estimate of $722.8 million producing revenue of $745.9 million for the 2007 budget.

From a geographic standpoint, the City of Chicago accounted for 30 percent of the sales tax collected in 2005, suburban Cook 55 percent, and the collar counties 15 percent (Exhibit 3-6).

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 revenue realized from 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 in PTF.

None of the PTF revenue is payable to the RTA

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

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
System-Generated Revenue					
Sales Tax	$ 746,829	$ 745,937	$ 766,077	$ 786,761	$ 808,004
Public Transportation Fund	186,136	186,484	191,519	196,690	202,001
State Financial Assistance	112,743	122,836	116,477	116,692	116,983
Reduced Fare Reimbursement	37,327	36,275	36,800	36,275	36,275
Other Revenue	17,616	14,722	17,500	17,500	17,700
Funding for ADA Paratransit	54,252	54,252	54,252	54,252	54,252
Total Revenue	**$ 1,154,903**	**$ 1,160,506**	**$ 1,182,625**	**$ 1,208,170**	**$ 1,235,215**
Operating Expenditures					
RTA Operations Funding to Service Boards	$ 797,239	$ 813,915	$ 820,521	$ 832,384	$ 845,753
RTA Discretionary Funds for ADA Paratransit	-	21,758	11,670	31,576	40,105
State Funding	54,252	54,252	54,252	54,252	54,252
Reduced Fare Reimbursement/Sales Tax Interest (1)	39,124	37,125	37,700	37,175	37,175
Agency Administration and Regional Initiatives (2)	32,542	27,769	29,952	30,222	30,554
Total Operating Expenditures	**$ 923,157**	**$ 954,819**	**$ 954,095**	**$ 985,609**	**$ 1,007,839**
Debt Service & Capital Expenditures					
Principal and Interest	$ 189,455	$ 186,218	$ 184,318	$ 186,328	$ 190,711
Regional Technology and Agency Capital (2)	7,270	3,975	1,900	1,917	1,938
Transfer Capital	28,165	23,802	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**$ 224,890**	**$ 213,995**	**$ 206,571**	**$ 208,598**	**$ 213,002**
Total Expenditures	**$ 1,148,047**	**$ 1,168,814**	**$ 1,160,666**	**$ 1,194,207**	**$ 1,220,841**
Fund Balance (undesignated/unreserved)					
Beginning Balance	$ 1,654	$ 8,510	$ 202	$ 22,162	$ 36,125
Change in Fund Balance	6,856	(8,308)	21,959	13,963	14,374
Ending Unreserved/Undesignated Fund Balance (3)	**$ 8,510**	**$ 202**	**$ 22,162**	**$ 36,125**	**$ 50,499**
Total Operating Expenditures %	0.9	-	2.3	3.7	5.0
System-Generated Revenue Recovery Ratio % (4)	**52.0**	**51.6**	**51.0**	**N/A**	**N/A**
ADA paratransit Recovery Ratio % (5)	**N/A**	**8.8**	**10.0**	**N/A**	**N/A**

Notes: (1) Includes sales tax interest of $900 thousand (2008-2010). (2) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action. (3) The 2010 fund balance is 5% of total operating expenditures meeting the fund balance policy adopted by the RTA Board in 1998. (4) The 2008 total system-generated revenue recovery ratio of 51% exceeds the statutory requirement of 50%. The calculation does not include ADA paratransit service. (5) The ADA paratransit recovery ratio is the level set by the RTA Act.

until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the RTA Act. The amounts that 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 budget.

State Financial Assistance (SFA)

This revenue source is state-authorized assistance to reimburse the debt service expenses for the RTA's 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. The RTA received $112.7 million in 2006 and estimates $122.8 million in 2007, $116.5 million in 2008, $116.7 million in 2009, and $117.0 million in 2010.

Reduced Fare (RF)

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.

Exhibit 3-2: **2006 RTA Sources of Revenue** - $1,155 million

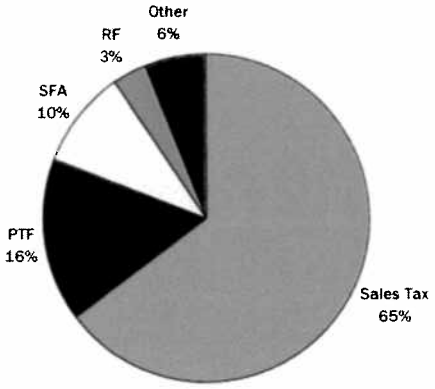


Exhibit 3-3: **RTA Sales Tax Collected** (in percent)

	CTA	Metra	Pace	Total
Chicago	100	-	-	100
Suburban Cook	30	55	15	100
Collar Counties	-	70	30	100

Exhibit 3-4: **2006 RTA Sales Tax Distribution by Service Board**- $747 million

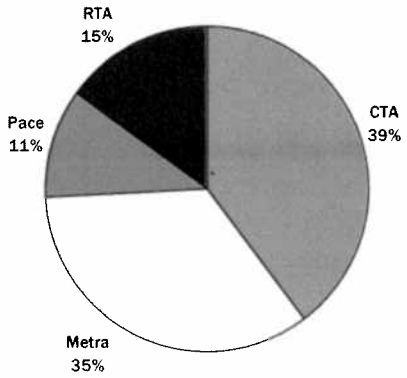


Exhibit 3-5: **RTA Sales Tax** (dollars in millions)

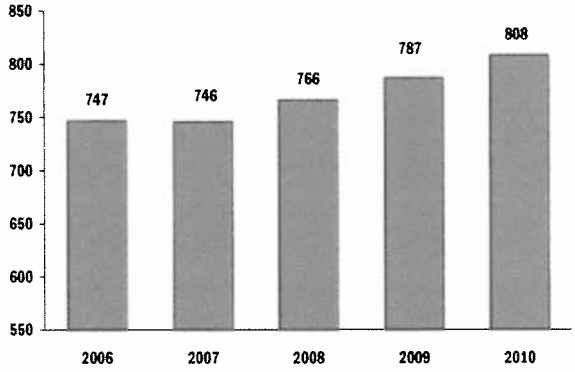
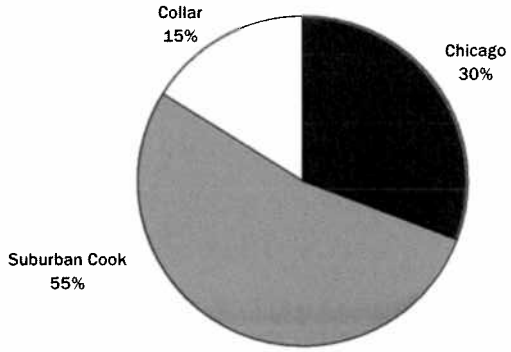


Exhibit 3-6: **2006 RTA Sales Tax Collection by Area** - $747 million



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 revenue 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 fiscal year funding to $36 million. In 2003, funding was returned to $40 million, less a 2 percent (or $0.8 million) administrative fee. In 2004, the State again reduced its fiscal year reimbursement. The amount was $38 million less a 2 percent administrative fee. As a result, available funds were $37.3 million in 2006 and are expected to average $36.4 million from 2007 through 2010.

Other Revenue

The other revenue category consists of sales tax interest, investment income, and Agency revenue. Total receipts in 2008 are budgeted at $17.5 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 2008, sales tax interest is budgeted at $1.1 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 RTA financial transaction proceeds. This revenue source is budgeted at $10.8 million for 2008.

Agency revenue of $5.6 million for 2008 includes the fees charged to employers for RTA Transit Checks. These fees offset the costs of administering this program. Also included in Agency revenue are matching funds obtained under federal, state and local programs for regional planning, development and new technology efforts.

Additional State Funding for ADA Paratransit

In 2005, 2006 and 2007, the State of Illinois appropriated additional funds to the RTA for ADA paratransit service and other costs and services. The appropriation for each year was $54.3 million. The 2008 budget and 2009-2010 financial plans were developed envisioning continuance of state appropriations of $54.3 million.

Operating Expenditures

Exhibit 3-1 provides a summary of the RTA's operating expenditures from 2006 through 2010. Total operating expenditures are projected to grow from $923.2 million in 2006 to $1.008 billion in 2010. This is an increase of $84.7 million over the four-year period, or a 2.2 percent compound 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 revenue (fare box and other revenue) and system operating expenditures. Exhibit 3-7 presents the operations funding level for the three Service Boards. From 2006-2010, Service Board operations funding from the RTA is expected to increase from $797.2 million to $845.8 million. This $48.5 million increase represents a compound annual growth rate of 1.5 percent.

Exhibit 3-7: **RTA Operations Funding** (dollars in millions)

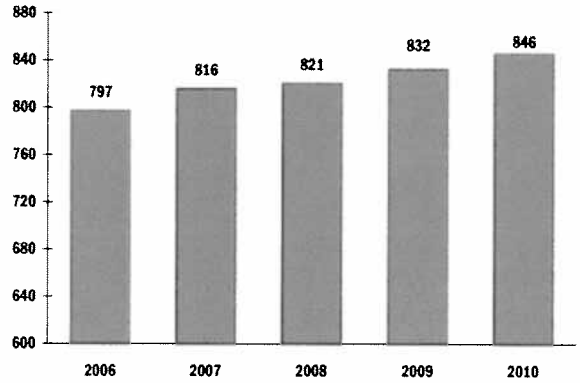
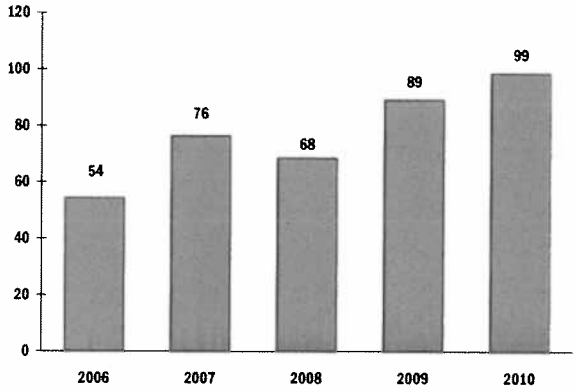


Exhibit 3-8: **Additional Funding Needs - ADA Paratransit** (dollars in millions)



RTA operations funding to the Service Boards from 2008 through 2010 is as follows.

- The CTA's funding is $471.8 million, $474.5 million, and $478.4 million.
- Metra's amount during this period is set at $264.1 million, $271.0 million and $278.1 million.
- For Pace the amounts for the 2008 budget and 2009-2010 financial plan (which do not include ADA paratransit service funding) are $84.6 million, $86.9 million and $89.3 million.

Total funding for the 2008 budget and 2009-2010 financial plan is provided in the Strategy section (Ordinance 2007-63, Schedule I-B).

A detailed discussion of each Service Board's revenues and expenditures is provided in the CTA, Metra and Pace sections of this document.

Additional State Funding – RTA Discretionary

As previously discussed, the State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for ADA paratransit service and other costs and services in 2005, 2006, and 2007.

- In 2005, the CTA received the full appropriation.
- In 2006, the CTA and Pace shared the appropriation because Pace acquired responsibility for all ADA paratransit service in the RTA region effective July 1, 2006.
- In 2007, Pace received the full appropriation from the State. Because of growing service demands and increased operating costs, Pace also received $19.8 million of RTA Discretionary Funds for ADA Paratransit in 2007.
- Although not yet appropriated by the State, Pace's ADA Paratransit 2008 budget and two-year financial plan deficit funding reflect State funding of $54.3 million annually. As this amount is not sufficient to fully fund ADA paratransit services, the RTA expects to provide Discretionary Funds for ADA Paratransit in the amount of $11.7 million, $31.6 million, and $40.1 million in 2008 through 2010, respectively. To support ADA paratransit operations, federal funds from Metra's capital program will also be transferred to Pace in the amounts of $2.5 million $3.3 million, and $4.2 million in 2008, 2009, and 2010, respectively.

Exhibit 3-8 illustrates the combined amount of State funding, RTA discretionary funding, and federal funds required to support ADA paratransit operations from 2006 through 2010. Combined funding from these sources increases from $54 million in 2006 to $99 million in 2010 (Exhibit 3-8).

Reduced Fare and Sales Tax Interest

State reduced fare reimbursements are received as revenue by the RTA and flow directly to the Service Boards to help defray program costs. In 2006, the State's Reimbursement was $37.3 million. In 2007 and 2008, the reimbursement was $36.3 million and $36.8 million. The reimbursement level of $36.3 million from 2009 and 2010 is not expected to fully cover the cost of this program.

There is a lag between when the State collects the RTA Sales Tax and when the State transfers it to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of the interest to the Service Boards according to the same formula used for sales tax distribution. In 2007, the estimate for sales tax interest is $1.0 million and is projected to remain flat from 2008 through 2010. The amount in 2006 was $0.9 million.

Agency Expenditures

Spending for Agency administration, regional services and regional programs is summarized below and discussed further in the Agency portion of this section. Agency capital expenditures for regional technology programs and internal needs are summarized later in this section.

Agency Administration and Regional Initiatives

Expenditures for Agency Administration and Regional Program are projected to decrease from $32.5 million in 2006 to $30.6 million in 2010. Details about the primary components of these expenditures can be found in the Agency Operating Plan which appears later in this section.

Debt Service and Capital Expenditures

Exhibit 3-1 provides a summary of the RTA's debt service and capital expenditures from 2006-2010. Total expenditures in this category are projected to decrease from $224.9 million in 2006 to $213.0 million in 2010. The RTA has not issued new bonds since 2006. Because operating expenditures have increased faster than operating revenues and public funding, operating expenditures have taken priority over capital investments.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures from 2006 through 2010. Payments are expected to increase from $189.5 million in 2006 to $190.7 million in 2010. In 2008, projected State Financial Assistance (SFA) for the SCIP bond program is expected to defray about 63 percent of the total Principal and Interest expenditures. Additional bond information is provided at the end of this section.

Regional Technology and Agency Capital

The 2008 budget continues to fund region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies, reducing RTA funding. Program costs are projected at $1.5 million and are offset by state and local funds of $1.3 million. At the end of the year, any funds that have not been spent are reserved.

Included in this category are expenditures for the Agency's capital needs. The amount remains constant throughout the 2008-2010 planning period. These annual funds, which total $0.4 million, are used to enhance various information technology programs and preserve the office environment.

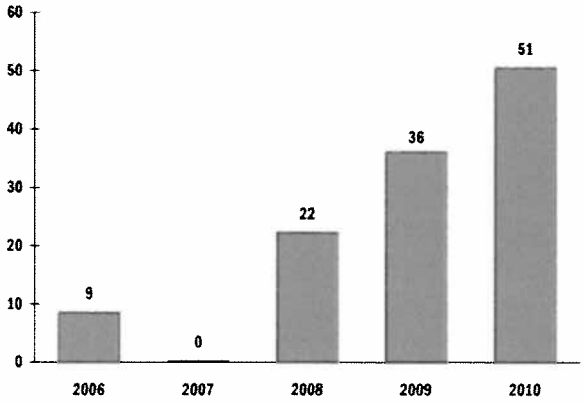
Transfer Capital

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The statutory apportionment of sales tax to a Service Board can exceed its operating marks. When this occurs, the Service Board transfers these statutory funds to its capital program.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. From 1995 through 1997, the program was funded at an annual level of $11.0 million. 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 and increased to $20.4 million and remains at this level through the 2010 planning period. In 2006, total transfer capital was $21.5 million. The CTA and Pace receive RTA discretionary funds of $20.4 and $1.2 million, respectively. Metra's statutory portion, based on current sales tax trends, could reach $6.7 million. Furthermore, in 2007, the total transfer capital is $23.8 million allocated to CTA in the amount of $20.4 million and Pace $3.4 million.

For 2008, the total transfer capital is $20.4 million allocated to CTA and remains flat from 2009 through 2010.

Exhibit 3-9: **RTA Ending Unobligated and Unreserved Fund Balance** (dollars in millions)



Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. From 2006 through 2010, these expenses are projected to increase from $1.148 billion to $1.221 billion. This represents a compound growth rate of 1.5 percent.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent of total 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 expenditure of

funds to arrive at a planned balance of unreserved and undesignated funds. The 2006 ending balance was $8.5 million. The estimated ending balance for 2007 is $0.2 million. The ending balances for the 2008 budget and two-year financial plan (2009 to 2010) are $22.2 million, $36.2 million, and $50.5 million, respectively (Exhibit 3-9). The unreserved and undesignated fund balance for the planning period meets the policy requirements by achieving a balance of 5.0 percent in 2010. Fund balance policy details are outlined at the Strategy section.

The ending balance is determined by increasing or decreasing the beginning fund balance by the annual difference between revenue and expenditures and the de-obligation and/or re-obligation of certain program funds.

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 2005 actual results of $1.7 million as the 2006 beginning balance.

Change In Fund Balance

Total RTA revenue less total RTA expenditures produces a change to the fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. The 2007 projection indicates a deficit amount of $8.3 million. From 2008 through 2010, revenue is estimated to exceed expenditures and increase the unreserved fund balance to 5.0 percent of total operating expenses by the end of the 2010. Changes in revenue over expenditures, other financing use, and capital grant expenditures on a GAAP versus budgetary basis are reconciled at the end of each year. The 2006 year-end reconciliations resulted in a change to the fund balance of $6.9 million (Exhibit 3-1).

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 revenue from RTA operations cover at least 50 percent of the system operating cost. The RTA's system-generated revenue recovery ratio in 2006 was 52.0 percent. This statutory calculation computes to 2.0 percentage points above the mandated 50 percent. The ratio is estimated to be 51.6 percent in 2007 and 51.0 percent in 2008.

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/lease-back transactions, and the 1989 Metra fare increase—which has been restricted for capital investment. Beginning in 2005, this revenue source is included in Metra's recovery ratio calculation. A detailed breakout of this calculation is provided in Exhibit 3-32 later in this section.

Exhibit 3-10: **System Generated Revenue Recovery Ratio** (percent)

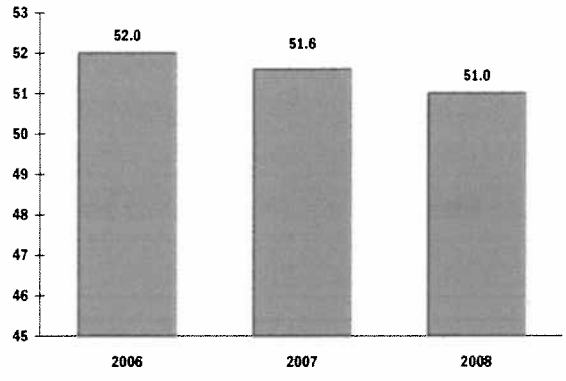


Exhibit 3-11: **RTA 2007 Statement of Revenues and Expenditures - General and Agency Fund** (dollars in thousands)

	2007 Budget (1)	2007 Estimate (1)	Change
Revenue			
Sales Tax	$ 745,937	$ 745,937	-
Public Transportation Fund	186,484	186,484	-
State Financial Assistance	122,836	122,836	-
Reduced Fare	36,275	36,275	-
Other Revenue	14,722	14,722	-
New Transit Funding	144,534	-	(144,534)
Funding for ADA Paratransit	81,810	54,252	(27,558)
Total Revenue	**$ 1,332,598**	**$ 1,160,506**	**$ (172,092)**
Operating Expenditures			
Operations Funding	$ 815,915	$ 813,915	$ (2,000)
RTA Discretionary for PACE ADA Paratransit	27,558	21,758	(5,800)
Additional State Funding - RTA Discretionary	54,252	54,252	-
Reduced Fare Reimbursement/Sales Tax Interest	37,125	37,125	-
New Transit Funding	144,534	-	(144,534)
Agency Administration	7,360	7,063	(297)
Regional Services and Coordination Program	18,248	16,542	(1,706)
Regional Technical Assistance and Coordination	6,170	4,164	(2,006)
Total Operating Expenditures	**$ 1,111,162**	**$ 954,819**	**$ (156,343)**
Debt Service & Capital Expenditures			
Principal and Interest	$ 186,218	$ 186,218	-
Regional Technology & Agency Programs	7,499	3,975	(3,524)
Transfer Capital	23,802	23,802	-
Total Debt Service and Capital Expenditures	**$ 217,519**	**$ 213,995**	**$ (3,524)**
Total Expenditures	**$ 1,328,681**	**$ 1,168,814**	**$ (159,867)**
Fund Balance (undesignated/unreserved)			
Beginning Balance (2)	$ 6,198	$ 8,510	$ 2,312
Remainder/(Deficit)	3,917	(8,308)	(12,225)
Designations/Reserves	-	-	-
Ending Balance	**$ 10,115**	**$ 202**	**$ (9,913)**
% of Total Operating Expenditures	0.9%	-	(0.9%)

1) Budget (Ordinance #2006-78) was last revised on October 4, 2007 (Ordinance #2007-50 & #2007-58) and therefore reflects the year end estimates. (2) The original beginning fund balance is based on estimates and the amended beginning fund balance is based on audited financial results.

2007 Budget versus 2007 Estimate

Total RTA revenue of $1,161 million is projected to be $172 million less than the 2007 budget of $1,333 million. The 2007 original budget was predicated on receiving $82 million in state funds for ADA paratransit service and $145 million was predicated on securing additional public funding for the region's public transportation system, but these funding did not materialized (Exhibit 3-11).

Total operating expenditures of $955 million is favorable by $156 million because anticipated additional funding was not received and therefore not disbursed to the Service Boards.

Capital Program

At the present time, the 2008-2012 capital program funding marks total $2.575 billion. When federal, state or local appropriation figures change, the Service Boards' capital programs may not match the program marks.

When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital Section of this publication.

Agency Operating Plan

Budget and Financial Plan

Beginning in 2006 and moving forward throughout all of 2007 agency-wide activities were fundamentally concentrated on increasing and expanding funding for the regional transit system. As 2007 unfolded it was clear that legislative adoption of new funding sources might not evolve in time to avoid region-wide service reductions. To minimize the impact of such events the RTA tightened its belt and took actions to defer budgeted expenditures and administration activities by $7.5 million (19 percent), and redirected the funds to service operations. Deferred and reduced expenditures included the following:

Agency tightens belt to minimize service cuts.

- A hiring freeze and suspension of all non-urgent travel
- Delayed system-wide technology upgrades
- Deferred relocation of the Travel Information Center
- Postponed planning projects totaling $3.6 million, including the universal farecard
- Reduced transit marketing and public education outreach

These types of belt tightening measures carried forward in the development of the 2008 budget. Of the total expenses ($31.9 million) budgeted in 2008 (Exhibit 3-12), human resource costs (compensation, benefits, other personnel) represent 37 percent, professional services and management fees 24 percent, office services 10 percent, with the balance of 25 percent comprising regional programs and technology and agency capital programs (Exhibits 3-13). A general description of the type of expense charged to each category is illustrated in Exhibit 3-14. A summary of each expense category follows.

Compensation

Estimated 2007 expenditures of $6.7 million are $0.2 million higher than 2006 actual results of $6.5 million. The variance is primarily attributable to salary administration changes. The 2008 budget calls for staffing to carry out increased research, analysis, and policy strategy in the development of more comprehensive short and long-term business planning practices for regional service operations.

Benefits

From 2008 to 2010, benefits are expected to average about $3.7 million. The increase over prior periods reflects continued cost escalations for pension and healthcare, and the change in human resource needs to improve business planning and oversight for region-wide mass transportation services.

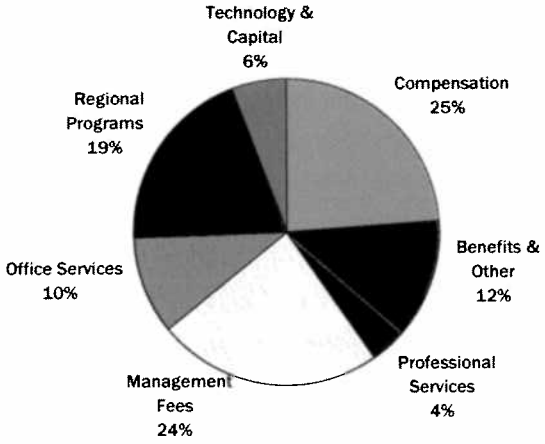
Other Personnel

These expenses represent less than one percent of the agency's overall budget and average roughly $0.3 million each year. Business meetings and travel, human resource development, and professional

Exhibit 3-12: **Agency Expenditures by Category** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Compensation	$ 6,514	$ 6,667	$ 7,579	$ 7,647	$ 7,731
Benefits	2,774	3,052	3,650	3,683	3,723
Other Personnel	195	205	329	332	336
Professional Services	1,137	1,065	1,262	1,273	1,287
Management Fees	7,232	7,600	7,653	7,722	7,807
Office Services	3,334	3,169	3,275	3,305	3,341
Regional Programs	11,356	6,760	6,204	6,260	6,329
Technology & Capital	7,270	3,226	1,900	1,917	1,938
Total Expenditures	**$ 39,812**	**$ 31,744**	**$ 31,852**	**$ 32,139**	**$ 32,492**

Exhibit 3-13: **2008 Agency Expenses by Category** - $31.9 million



organization memberships are the primary components of this expenditure category.

Professional Services

From 2008 to 2010, professional services (consulting and legal fees) are expected to remain constant at $1.3 million.

Management Fees

From 2008 to 2010, management fees are expected to average $7.7 million annually. The agency contracts with outside management companies to provide ADA certification, to run the Fare Check program, to issue reduced fare cards and to operate the Travel Information Center. Call Center activity has increased 64 percent in the past five years as interest in public transportation continues to grow.

Office Services

Office services are expected to remain constant during the 2008-2010 planning period at $3.3 million, essentially on par with prior year results. Major expenditures include office leases, utilities, telephone service, and office supplies.

Regional Programs

Initiatives benefiting the region include the following:

- ADA certification and appeals
- Market communication initiatives, e.g., maps, public outreach programs, and media and legislative relations
- Regional planning programs, e.g., strategic planning, corridor and sub-regional planning studies, service planning tools, job access, and regional coordination initiatives
- Technology and capital program initiatives, e.g., signal priority, and bus and travel information projects

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 2008 cap allowance is $15.4 million. Agency spending of $8.3 million is significantly below the statutory maximum.

Exhibit 3-14: **2008 Agency Expense Descriptions**

Expense	General Description
Compensation	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 Card Production, Fare Check Program, ADA and the Travel Information Center
Office services	Printing, Photography, Equipment Maintenance, Office Supplies, Office Rental, Utilities, Telephone, and Publications
Regional programs	ADA Applicant Appeals and Paratransit Trips, RTA Map, TIC Advertising, Marketing, Outreach Program, and Legislative Consulting. Regional Technical Assistance Program and Regional Corridor and Coordination Initiatives
Technology & Agency Capital	Transit Signal Priority, Bus Information, Wireless Communications and Agency Capital (Office Furniture, Equipment, and Information Systems)

2007 Budget versus 2007 Estimate

In 2007, Agency expenditures were budgeted at $31.7 million and are expected to balance with that level of appropriation at year end (Exhibit 3-15).

Exhibit 3-15: **Agency 2007 Budget versus 2007 Estimate**
(dollars in thousands)

Expense Categories	2007 Budget	2007 Estimate	Variance
Compensation	$ 6,670	$ 6,667	$ (3)
Benefits	3,056	3,052	(4)
Other Personnel	207	205	(2)
Professional Services	1,065	1,065	-
Management Fees	7,594	7,600	6
Office Services	3,170	3,169	(1)
Regional Programs	6,009	6,760	751
Technology & Agency Capital	3,975	3,226	(749)
Total Expenditures	**$ 31,746**	**$ 31,744**	**$ (2)**

Organization

The Agency's budgeted full-time equivalents in 2008 total 112, excluding the 12 paid RTA Board members. With Service Boards budgeted positions of 13,866, total 2008 regional headcount reached nearly 14,000 (Exhibit 3-16). The agency organization chart is presented in Exhibit 3-17, and organizational changes are identified in the discussion of organizational units that follows.

Exhibit 3-16: **Budgeted Positions**

RTA	2006	2007	2008
Agency	97	100	112
RTA Board	12	12	12
Total RTA	**109**	**112**	**124**
Service Boards			
CTA	10,873	10,258	8,631
Metra	3,618	3,978	4,010
Pace	1,422	1,449	1,225
Total Service Boards	**15,913**	**15,685**	**13,866**
Grand Total	**16,022**	**15,797**	**13,990**

Organizational Structure

The agency's organizational structure and staff support the RTA's mission, goals and objectives to plan, fund and oversee region-wide public transit. Organizational expenditures are presented on Exhibits 3-18 and 3-19. As mentioned earlier the Agency's predominant goal in 2007 was to obtain additional operations funding. The events which led to goal achievement are discussed later in this section.

Executive Office

This structure includes the RTA Board of Directors and organizations that support the RTA Chairman and Board of Directors, and administer day-to-day agency activities.

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 public transit system. The RTA Board and its committees set policy, consider matters relating to RTA operations and compliance with the ADA Act, 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 (Exhibit 3-20).

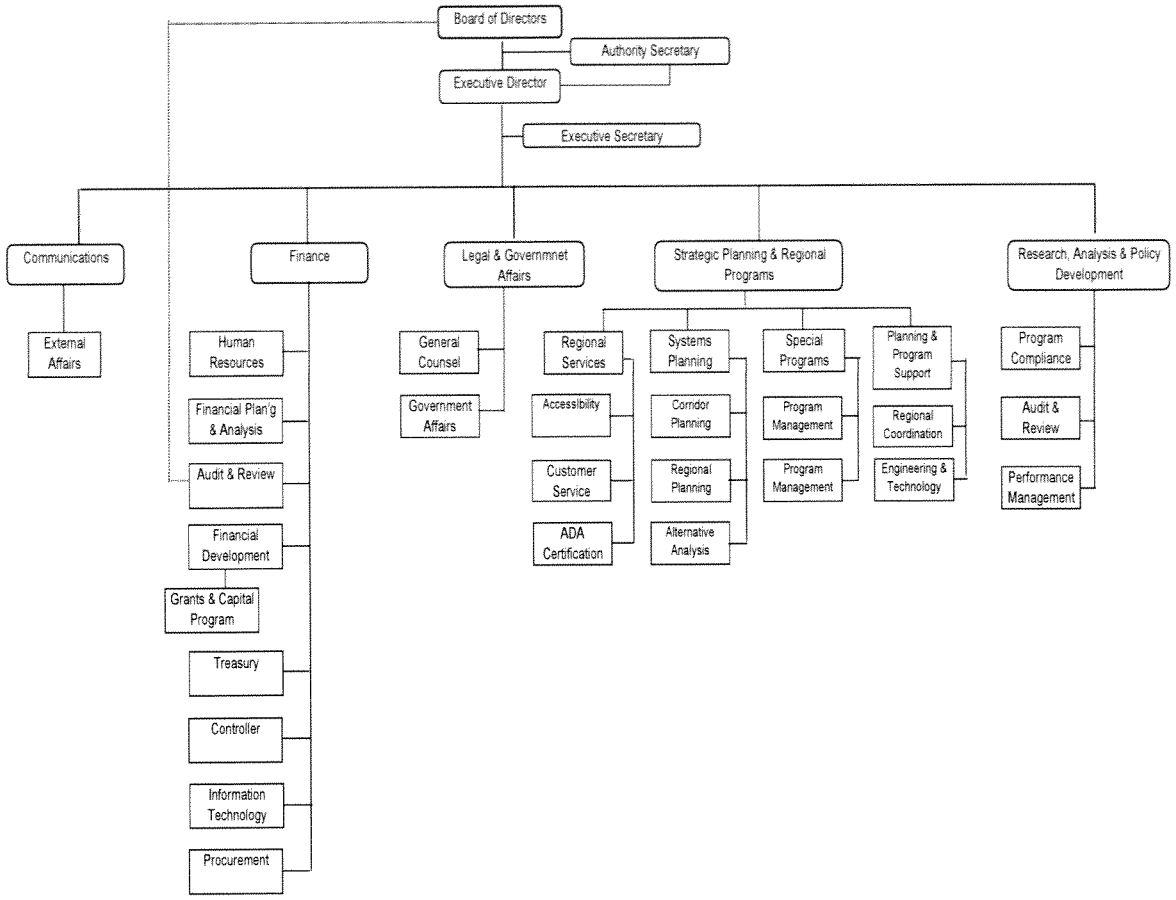
The Executive Director executes the policy decisions of the RTA Board and staffs the agency to administer its statutory mission and implement Board policy. The Executive Director informs and assists the RTA Chairman and the Board in the development of policy, and is the principal contact with executive staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities.

The Secretary to the Authority provides Board support functions by assisting with the information, documentation, and logistical needs of the RTA Board. The Secretary works with staff to supply Board members with the information and documentation needed to fulfill their statutory role and to obtain quorums for meetings of the Board and its six standing committees.

Communications

Communications assists management in the formulation and execution of communications initiatives. The department manages the RTA's internal

Exhibit 3-17: **RTA Organization Chart**



and external production of reports, speeches, videos presentations, radio advertising, and publications that explain and promote agency initiatives and goals. The department also leads media relation efforts, marketing initiatives, and efforts to coordinate marketing opportunities with the Service Boards.

Public outreach is administered by External Affairs. This area develops and implements the agency's public outreach programs and services that promote the use of public transit in the region.

Legal and Government Affairs

The legal area ensures statutory and regulatory compliance, manages litigation, reviews all legal documents, manages the Joint Self-Insurance Fund (JSIF) and oversees the Agency's Equal Employment Opportunity and Disadvantaged Business Enterprise (DBE) programs and compliance with applicable civil rights laws.

This year's 11th Annual Transportation Symposium & Business Exchange was a success with over 500 people attending. The symposium, jointly sponsored by the RTA, the Chicago Transit Authority (CTA), Metra, Pace, and the Illinois Department of Transportation (IDOT), was held on November 28 at the Chicago Hilton & Towers. Twenty exhibitors and over 150 staff representing the RTA, the Service Boards, and IDOT were also on hand for this year's event.

The symposium's workshop entitled "Get Bids, Get Contracts and Get Paid" included a question and answer session with agency representatives.

2007 Transportation Symposium

RTA representatives provided information on the Authority's Disadvantaged Business Enterprise (DBE) Program and the potential business opportunities with the RTA.

Each year the symposium provides a valuable forum for attendees to network and meet with procurement and operations staff representatives from the sponsor agencies.

The department also oversees the Agency's governmental affairs functions. This area works with federal, state, and local governments, and with legislative consultants to address industry and regional concerns. Government Affairs also works on legislative issues with industry trade organizations such as the American Public Transit Association (APTA) and the Illinois Public Transit Association (IPTA).

RTA Receives Financial Reporting Award and Budget Award from the Government Finance Officers Association

Finance and Administration

The Finance office 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.

The finance divisions include:

- Controller
- Financial Planning and Analysis
- Audit and Review
- Financial Development/Grants and Capital Program
- Treasury

Administrative offices include:

- Human Resources
- Procurement
- Information Technology

These areas are responsible for compensation and benefits, purchasing, and information systems management.

Controller

The Controller area is responsible for all of the RTA's accounting functions including monthly financial statements, annual reports, audit coordination, and grant accounting.

The RTA was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association. It is the Agency's 13th consecutive award for its annual report. The award is the highest form of recognition in government accounting and financial reporting.

Financial Planning and Analysis

Financial Planning and Analysis is responsible for the development of the annual operating budget and 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.

In 2007, the RTA received the Distinguished Budget Presentation Award from the Government Finance Officers Association. The award, the agency's eleventh consecutive, represents a significant achievement and reflects the Authority's commitment to the highest principles of governmental budgeting.

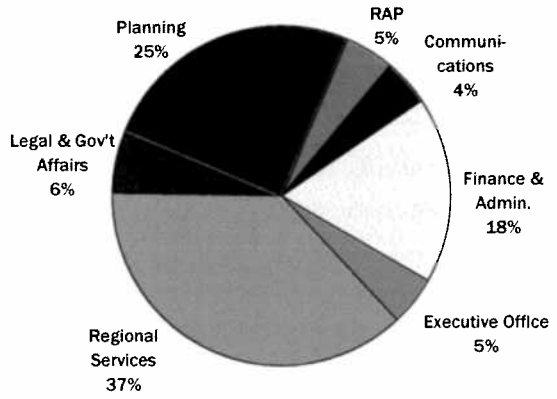
Audit and Review

Audit and Review examines agency activities and functions. Operations deemed to have higher risk

Exhibit 3-18: **Agency Organizational Expenses** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Executive Office	$ 1,507	$ 1,270	$ 1,507	$ 1,459	$ 1,482
Communications	1,565	1,351	1,398	1,505	1,523
Legal & Government Affairs	1,584	1,956	1,985	1,940	1,957
Finance & Administration	5,804	5,243	5,648	5,510	5,570
Regional Services	11,711	12,241	11,879	12,875	13,015
Strategic Planning & Programs	8,895	9,559	7,932	7,385	7,465
Research, Analysis & Policy Development	-	124	1,503	1,465	1,480
Agency Total	**$ 31,066**	**$ 31,744**	**$ 31,852**	**$ 32,139**	**$ 32,492**

Exhibit 3-19: **2008 Agency Expenses by Organization**
$31.9 million



receive annual or more frequent reviews. Functions with less risk are examined on a rotational basis.

Financial Development/Grants and Capital Program

Financial Development/Grants and Capital Program is responsible for the management of capital program grants as well as related on-going analysis and status reporting. These areas also manage federal, state, and local funding activity related to RTA planning initiatives.

Treasury

Treasury responsibilities include cash management, short-term and long-term financing, investments, debt service, banking relations, accounts payable, payroll, and Service Board funding.

Human Resource

Human Resource provides a variety of consulting and administrative services to the agency such as recruitment and selection, benefit and compensation administration, employee relations counseling, and organizational performance and development.

Procurement

Procurement handles the agency's purchasing activities and office support services. A major responsibility of this area is to ensure compliance

Exhibit 3-20: **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.

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.

Information Technology

Information Technology provides internal technology services including help desk support and training to agency personnel. The organization administers software applications and implementations, hardware and network environments, and telephone and web-site systems.

Strategic Planning and Regional Programs

The department consists of four principal organizational areas:

- Systems Planning,
- Special Programs, and
- Planning and Program Support

provide regional planning and coordination services.

- Regional Services

is responsible for the following RTA-operated services and programs:

- RTA Travel Information Center,
- ADA/Special Services Certification and the RTA Certification Helpline,
- RTA Reduced Fare program,
- RTA Customer Service Center, and
- Fare Check Program.

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, available year-round from 5 a.m. to 1 a.m., field an average of 15,600 calls each day. The TIC phone number (836-7000) is accessible from every area code in the region. Call volume has increased dramatically in recent years. Most of this increase relates to customers calling from their cell phones checking on service availability (Exhibit 3-21). Performance is measured and reported daily. The most important metric is the call capture rate (calls answered/calls received) which measures the effectiveness of the service.

ADA/Special Services Certification

The RTA is responsible for the certification of riders who use curb-to-curb transportation services, also known as ADA paratransit. Beginning July 1, 2006, Pace operates all ADA paratransit operations in the region. The ADA Certification program conducts interviews and performs assessments of applicants requesting 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 by 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 services, and accessibility information, also supports these programs. The accessibility specialist chairs the Agency's Advisory Committee on Accessible Transportation and Mobility and represents the Agency on advisory committees established by the CTA, Metra, and Pace. For more information about special services and certification, contact the RTA's Certification Helpline at 312- 663-HELP (4357, voice) or 312-913-3122 (TTY for the hearing impaired).

Exhibit 3-21: **Travel Information Center**

	2003	2004	2005	2006	2007
Calls Accepted (in thousands)	3,484	4,109	4,800	5,100	5,700
Call Capture Rate (%)	95.6	94.0	93.4	92.2	93.6
Average Response Time (seconds)	25	31	33	41	24

New Customer Service Center at 165 N. Jefferson Street (at Lake Street)

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. Service effectiveness is measured by the turnaround time for producing and distributing reduced fare 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 since 2000. 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's Customer Service Center

On August 3, 2007 the RTA's Customer Service Center moved to its new location at 165 N. Jefferson Street (at Lake Street) in the CTA headquarters building. The new office will continue to process reduced fare applications and requests for replacement permits. It will also have a Metra fare sales machine and three RTA trip planning kiosks. Later in the year, Pace plans to sell Taxi Access Program (TAP) vouchers at the same location.

The new location will mark the first time customers will be able to interact with the RTA and CTA customer service under one roof.

RTA Fare Check Program

The RTA Fare Check Program markets and administers an employee benefit that reduces transit costs for employees and encourages public transit ridership. The program distributes RTA transit checks which are vouchers that can be used to purchase CTA, Metra, Pace, South Shore Railroad passes and Pace Vanpool services.

RTA renames transit voucher from Transit Check to Fare Check

In October the RTA changed the name of its tax-free transit voucher program from Transit Check to Fare Check. The name change is part of an RTA-led effort to boost awareness of the RTA/CTA Transit Benefit Program among Chicago-area employers and commuters. The program helps reduce commuting costs, roadway congestion, and air pollution, and results in a more reliable, on-time work force. The total annual value of RTA transit checks issued has declined with the growth of the CTA program, but the annual value of RTA transit checks still exceeds $49.4 million (Exhibit 3-22).

Frequent users of Amtrak trains to and from Chicago can now save money by buying tickets using RTA Commuter Checks. Amtrak began accepting the

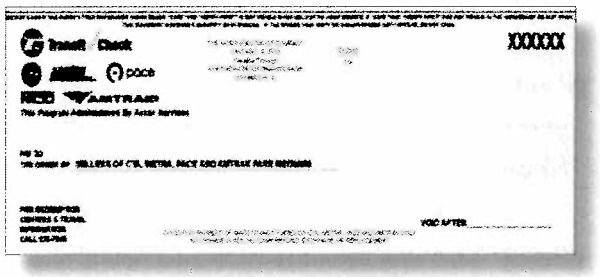


Exhibit 3-22: **Fare Check Program**

	2003	2004	2005	2006	2007
Total Face Value (in thousands)	58,442	57,179	52,810	49,323	49,481
Quantity (in thousands)	1,050	1,013	874	750	757
New Companies	289	186	195	149	193

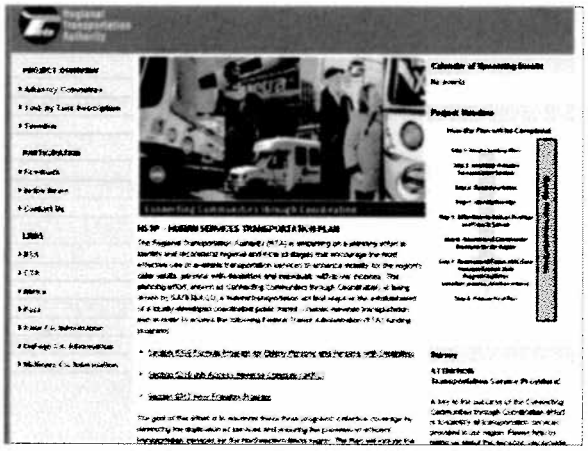
checks in January 2007 for the purchase of multi-ride tickets that are perfect for long-distant commuters. They are also valid for other routes with many available connections through Chicago Union Station. For more information about the transit benefit program, call 1-800-531-2828.

System Planning

System Planning is responsible for overall strategic plan enhancements, corridor planning studies, sub-regional planning and alternatives analysis. Corridor studies provide an opportunity for local officials, citizens, and regional planning organizations to objectively explore a wide range of possible transportation improvement alternatives and select the best solutions. The RTA's corridor planning approach includes a comprehensive multi-modal travel market analysis to understand travel patterns and clarify mobility issues.

In the first quarter the RTA launched a comprehensive, seven-county planning initiative geared toward strengthening the coordination of existing public transit and human services transportation. The initiative, known as *Connecting Communities Through Coordination*, aims for better coordination of existing transportation services by inventorying existing service, assessing mobility needs, and identifying potential gaps in service. The effort will also recommend strategies to ensure that transportation services are delivered effectively and efficiently to the area's disabled, elderly and low income residents. Better coordination of these transportation services will enable the RTA and regional stakeholders to maximize the use of every resource and every dollar. The planning effort is expected to last several months and will cover Cook, DuPage, Kane, Kendall, Lake, McHenry and Will Counties.

The planning initiative is being led by a Project Advisory Committee comprising representatives from the planning area, as well as individuals who represent people with disabilities, older adults, and those with low incomes.



Connecting Communities Through Coordination

Special Programs

Special Programs was created in 2007 to better address some of the recommendations of the Auditor General as well as to better administer the federal Job Access Reverse Commute (JARC) and New Freedom programs. The division oversees the Human Services Transportation Plan, monitors the region's paratransit services, and will expand and enhance the Regional Transportation Assistance Program (RTAP).

Planning and Program Support

Planning and Program Support is responsible for regional transit coordination plans and technology-driven engineering programs in the region. The RTA emphasizes coordination and interconnection of the regional transit system through the Regional Transit Coordination Plan (RTCP). The RTCP is a multi-year program to enhance regional mobility by facilitating seamless travel on public transportation. In cooperation with the CTA, Metra and Pace, and other local planning entities, the RTCP addresses the four principal elements of transit coordination—information coordination, physical coordination, service coordination and fare coordination.

Engineering and Technology

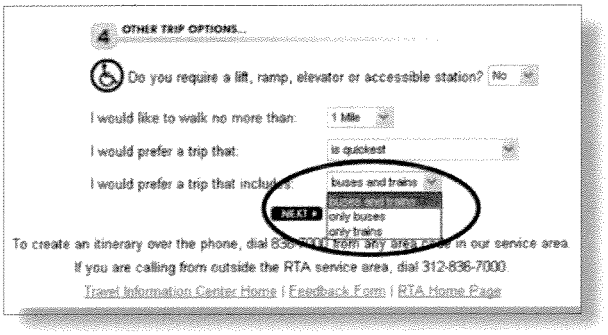
The Engineering and Technology area is responsible for conducting research and development studies of emerging transit technologies. It manages

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. Efforts include Active Transit Station Signs, Transit Signal Priority, Multi-Modal Information Kiosks, and the Regional Transportation Asset Management System.

A new feature on RTA's web-based Trip Planner is helping commuters find an alternate route with the reduction of service caused by the CTA's Brown Line Capacity Expansion Project.

The RTA's Trip Planner, available at *www.rtachicago.com*, can now plan a person's transit itinerary using only buses or only trains as an option. With 40 bus routes as options and more service on Metra's Union Pacific North line, as well as increased service on several other CTA routes, riders who normally would use the Red, Brown or Purple lines now have an easier way of finding an alternate route with the new trip planning feature.

The RTA's web-based Trip Planner is also available for web-enabled PDAs or cellular phones at *www.RTAMobile.com*.



Research, Analysis, and Policy Development (RAP)

RAP organization was created in 2007 to better meet the RTA's strategic objectives and address the recommendations of the Auditor General. Departmental divisions include Program Compliance, Performance Management, and Audit and Review. The department will ensure RTA staff has adequate finance, administration, operations information, as well as the resources to lead the development of policies for a more effective and efficient regional mass transit system.

The department is also responsible for the CTA Rail Safety Oversight and capital Project Management Oversight (PMO) for each Service Board. 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 Guideway Systems.

Funding Goal Highlights

As mentioned earlier, agency initiatives in 2007 focused on obtaining additional funding for region-wide public transportation. A chronology of headline events heavily supported by agency efforts and sponsorship seeking additional public funding for the region, is summarized in the paragraphs that follow.

- **In 2006**, the RTA embraced plans to completely rework its strategic plan and opened discussions with State legislators to support additional funding sources for the region's public transportation system. Later in the year the State Office of the Auditor General (OAG) was commissioned by the Illinois House of Representatives to conduct financial, compliance, and performance audits of the four public transit agencies (RTA, CTA, Metra, and Pace) in northeastern Illinois to ensure existing funds were being used effectively and efficiently.

- **In November 2006**, the RTA released the Moving Beyond Congestion (MBC) plan, a 30-year vision to "maintain, enhance and expand transit" to meet growing urban and suburban demand for transit. Implementing the plan would also help ease traffic congestion, the second-worst in the country, estimated to cost almost $5 billion annually in time lost and fuel wasted.
  At the beginning of its planning process, the RTA made it clear that it considered the Auditor

General's examination of transit operations in the region to be a valuable contribution to the MBC effort.

- **In December 2006**, the RTA Board adopted the 2007 budget that included a $226 million operating deficit. In the upcoming legislative session, the RTA planned to lobby Springfield for a transit solution to fund the deficit and provide a dedicated source of funds for the future.

Strategic Plan Approved

- **In February 2007**, the RTA Board approved a five-year strategic plan (MBC) calling for $10 billion in new capital funds and an additional $400 million in annual operating funds. With the support of nearly 500 Partners for Transit, the plan was submitted to the legislature for consideration.

OAG Report Affirms Transit is Under Funded

- **In March 2007**, the OAG released its report which found that the transit agencies in northeastern Illinois "are facing a serious financial shortfall." The report suggested "a dedicated, predictable funding source" for transit investments as outlined in the RTA's MBC plan. The Auditor General commented, "While we identified some opportunities to improve efficiency and effectiveness through increased coordination, decreased redundancy, and improved operations, these savings are relatively minor – in the tens of millions of dollars – compared to the current funding deficit and unmet future needs – which are in the hundreds of millions of dollars." The report also suggested expanding RTA's role in overseeing planning and budgeting. The report is available at: *http://www.auditior.illinois.gov.*

- **In April 2007**, the RTA moved forward with OAG recommendations. While there was no "smoking gun" in evaluating management performance, the OAG put forth recommendations which the RTA intends to address and that will further guide the Agency's work as illustrated later in this section. Some of the key recommendations made by the OAG report and RTA responsive actions are outlined below.
  - Develop a long-term comprehensive strategic plan: MBC puts the RTA well ahead of the recommendation.
  - Coordinate service routes: The RTA will work with the Service Boards to establish standards and measures for new services.
  - Develop a seamless fare system: A policy group has been established to develop an implementation plan.
  - Implement performance measurements: The RTA is developing key indicators that link performance for all agencies.
  - Create a long-range financial plan: The RTA's 2008 Budget Call set forth guidelines to begin the development of 10-year financial plans.

Service Boards Develop Budget Shortfalls

With a $226 million budget shortfall for 2007 still looming, the RTA asked the Service Boards to begin making preparations to close their deficits if new funds was not secured. Without additional funding from the General Assembly, the Service Boards would need to implement drastic changes that might include service changes, workforce reductions, fare increases and other steps to meet their budgets.

- **In May 2007**, an overwhelming majority of the Illinois House Mass Transit Committee approved a transit operation funding proposal and a package of reforms to improve coordination and efficiency of the transit system. This strong bipartisan support for RTA reforms and funding reflected the shared belief in the importance the

regions public transportation system.
The proposal would have
  - Provided $452 million for service operations;
  - Provided an additional $120 million for the collar counties to use for locally controlled road or transit projects;
  - Raised funds by increasing the RTA sales tax in the six counties; and
  - Imposed a new RTA real estate transfer tax in the City of Chicago.

- **In June 2007**, new funding for the region's public transportation system was still pending legislative adoption. In the meantime, the CTA and its labor unions reached an unprecedented agreement to address pension and healthcare reform, an essential element for legislative support of new transit funding. The reforms, contingent on action from the state legislature, included
  - Increasing contribution rates for employees and the CTA;
  - Increasing the retirement age for full benefits;
  - Authorizing pension obligation bonds, shoring up pension and healthcare programs;
  - Creating a self-sustaining Retiree Healthcare Trust;
  - Adding an additional independent vote to the Retirement Plan and Retiree Healthcare Trust; and
  - Adding fiscal oversight by the OAG regarding bond issuance and required contributions.

- **By July and August 2007** the CTA and Pace were facing service cuts, fare increases and layoffs that would take effect on September 16.

- **In September 2007**, the Governor, wanting more time to work with the General Assembly on a capital funding plan and a long-term plan to fund transit operations, stepped in with a last minute partial advance of next year's funds which postponed the service cuts and fare increases scheduled for September 16. Unfortunately, this level of funding was only enough to operate the system at its current level until November 4.

- **In October 2007**, the Service Boards were completing their 2008 budgets which called for even more drastic service cuts, fare increases, and employee layoffs in order to balance their budgets.

- **In November 2007**, the service cuts, fare increases and layoffs s were again postponed when the Governor in late October stepped in once more and advanced additional funds from 2008. This action prevented operational changes until January 20 at which time all three Service Boards would start to impose fare increases, service cuts and employee layoffs.

- **In December 2007**, the RTA Board approved the 2008 budgets presented in this document which included a drastic series of service cuts, fare increases and layoffs to close a projected $405 million budget shortfall.

- **On January 18, 2008** Illinois lawmakers and the Governor signed public law 95-0708 that annually provides an additional amount of $530 million in new operating funds.

2008 Agency Strategic and Short-Term Goals

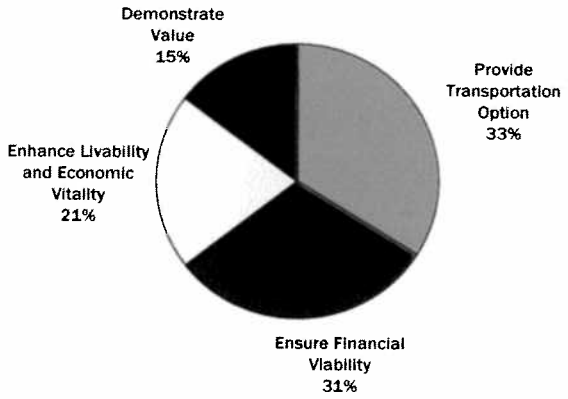
The 2008 Agency budget was developed by utilizing a zero-based budgeting approach. Each department submitted budget requests to reflect key initiatives and action plans that linked to the *Moving Beyond Congestion (MBC)* Strategic Plan.

The following chart identifies budget spending by MBC goal.

2008 Agency Budget Expenditures by MBC Goal
(dollars in thousands)

Provide Transportation Option	$ 10,805
Ensure Financial Viability	9,764
Enhance Livability and Economic Vitality	6,598
Demonstrate Value	4,685
Total RTA Strategic Goals	**$ 31,852**

2008 Agency Budget Expenditures by MBC Goal - $31.9 million



The matrix below provides a cross reference of Departments' primary short-term goals linked to the MBC long-term strategic goals.

Strategic Goals	Short-Term Goals	Departments
I. Provide Transportation Option Provide public transportation choices that link to jobs and deliver cost-effective, dependable and on-time commutes.	• Update the Strategic Plan to incorporate the mandates of the RTA reform legislation • Revise and adopt Planning and Coordination Requirements, Policy, and Process	Strategic Planning & Regional Services
II. Ensure Financial Viability Ensure the sustained financial viability of public transportation as intrinsic to the region's multimodal transportation system.	• Improve the regional operating budget program to reflect the RTA reform legislation mandates and OAG recommendations. • Improve the capital program to reflect RTA reform legislation mandates and OAG recommendations • Measure, analyze, and critique performance of all transit agencies. • Seek enactment of a state transit operating and capital funding & reform • Protect and increase the region's transit funding share in the federal reauthorization of the surface transportation programs. • Support the implementation of the RTA reform legislation mandates	Finance and Administration Research, Analysis, and Policy Development (RAP) Legal & Governmental Affairs
III. Enhance Livability and Economic Vitality Provide a public transportation system that protects the environment and supports the livability and economic vitality of the region.	• Establish the Innovation, Coordination and Enhancement (ICE) fund policy and criteria. • Strongly manage ADA paratransit oversight to control cost growth.	Strategic Planning & Regional Services
IV. Demonstrate Value Create and sustain public understanding of the benefits of public transportation to individual health and well-being, regional economic vitality and sustainability, and as a catalyst for new opportunities for users and non-users alike.	• Develop framework for more effective oversight of the Service Boards. • Create an integrated marketing program. • Develop and manage an on-going public participation on the Partners for Transit Program. • Manage departments' implementation of new RTA Act mandates • Oversee departments' achievement of their 2008 Program Goals • Ensure effective Board involvement in the program.	Research, Analysis, and Policy Development (RAP) Communications Executive Director

Goals and Peformance Measures

Introductions

In 2007, Regional Transportation Authority released its five-year strategic plan, *Moving Beyond Congestion* that presented a 30-year vision for maintaining, enhancing and expanding our public system which valued at $31 billion dollars and provides two million rides each weekday and thousands more on weekends. It also addressed several major issues across the region which includes congestion and mobility, changing travel markets, service coordination and integration, capital and operations funding, and the risks without additional funding. Formal process for goals and performance measures will be presented to the RTA board for adoption in 2008. Some plan components and informal processes are summarized below.

Vision

The RTA, Metra, CTA and Pace vision for the region is a world-class public transportation system that is convenient, affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities.

Goals

I. **Provide Transportation Option**
- Provide public transportation choices that link to jobs and deliver cost-effective, dependable and on-time commutes.

II. **Ensure Financial Viability**
- Ensure the sustained financial viability of public transportation as intrinsic to the region's multimodal transportation system.

III. **Enhance Livability and Economic Vitality**
- Provide a public transportation system that protects the environment and supports the livability and economic vitality of the region.

IV. **Demonstrate Value**
- Create and sustain public understanding of the benefits of public transportation to individual health and well-being, regional economic vitality and sustainability, and as a catalyst for new opportunities for users and non-users alike.

Objectives and Specific Performance Measures

Regional performance measures will be presented to the Board of Directors for adoption on February 2008 board meeting. However, developing Service Board specific, sub-regional measures is still a working process. In the interim, some of the temporary measures (informal) placed by the Service Boards are as follows:

I. **Provide Transportation Options**

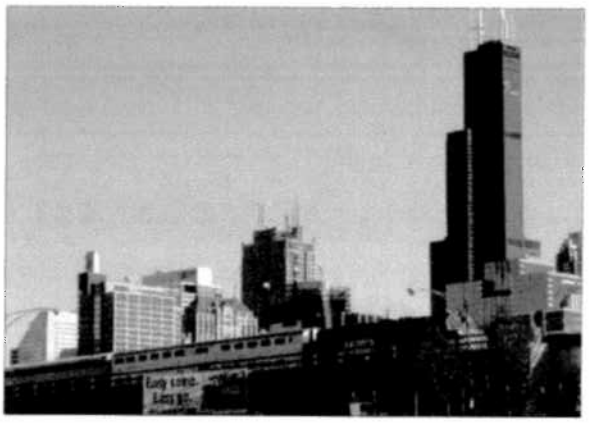
Objectives:

1. Improve on-time performance
2. Provide seamless public transportation
3. Increase ridership

Performance Measures

1. Improve on-time performance (96.6% - 5 year average - Metra)

Year	% On-Time	Goal (%)
2002	96.50%	<0.1
2003	97.10%	>0.5
2004	96.90%	>0.3
2005	96.30%	<0.3
2006	96.30%	<0.3



2. **Provide seamless public transportation** (January - November)

Options	2005	2006	2007	'06 vs. '07
Link-up Pass (issued by Metra--use on peak period for CTA & most Pace services)	55,154	80,222	87,472	7,250
PlusBus Pass (issued by Metra – unlimited use on most Pace Routes	13,064	13,962	13,213	(749)
Pass (e.g. 7-day pass, UPass, 1,2,3,5 day pass issued by CTA—unlimited use on CTA & Pace)	95,339	152,716	168,944	16,228

3. **Increase ridership** (in thousands)

Service Boards	2006 Actual	2007 Estimate	2007 Plan	Goal (%)
CTA	494,803	493,639	492,039	>0.3
Metra	80,844	84,206	84,387	<0.2
Pace	38,000	38,900	41,600	<6.6

II. Ensure Financial Viability

Objectives:

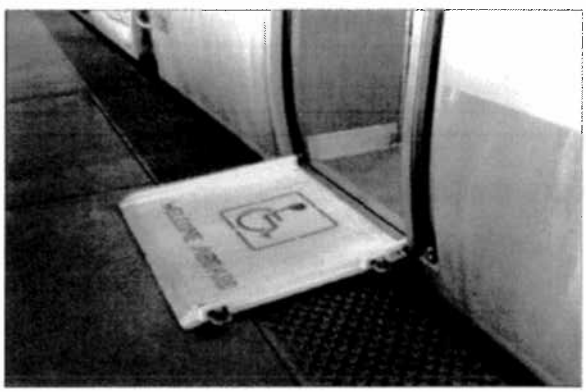
1. Demonstrate measurable achievement in the provision of clean, attractive, affordable, safe, reliable and convenient public transportation services.
2. Continually enhance efficiencies through effective management, innovation, and technology.

Performance Measures

Options	2006 Actual	2007 Estimate	2007 Plan	Goal (%)
CTA Bus accidents per 100,000 miles	6.11	5.81	6.00	<3.3
CTA Rail accidents per 100,000 miles	0.13	0.12	0.11	>8.0
System Recovery ratio	52.09%	51.6%	50.00%	>3.2

Options	2006 Actual	2007 Estimate	2007 Plan	Goal (%)
Travel Information Center Call Capture Rate (%) (see Exhibit 3-17 for details)	92.2	93.6	94	<0.4
Automated CTA Bus announcement	2,033	2,175	2,175	0

III. Enhance Livability and Economic Vitality



Objectives:

1. Provide a public transportation system that protects the environment and supports the livability and economic vitality of the region.
2. Provide mobility to aging populations and people with disabilities.

Options	2006 Actual	2007 Estimate	2007 Plan	Est. vs. Plan (%)
ADA Ridership (in thousands)	2,799	2,658	3,253	<22
CTA Bus Lifts	2,033	2,175	2,175	0
Pace Fixed Route Accessible stations	232	240	240	0
RTA Reduced Fare Permit (used by senior & ADA for fixed route)	320,000	320,000	320,000	0
RTA ADA Certification (used by seniors & ADA paratransit)	10,428	13,130	10,000	>31

IV. Demonstrate Value

Objectives:

1. Increase public outreach
2. Develop public-private partnerships

Options	2006 Actual	2007 Estimate	2007 Plan
Public Hearings	35	37	35

2007 Public Hearing with RTA Executive Director, Stephen E. Schlickman

In the future, specific performance measures will follow the matrix below:

Measure	MBC Goals
Service Supplied **(the amount of service scheduled and/or actually operated)**	
Vehicle revenue hours (hours that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per capita (population for the Chicago UZA &/or six county service area—US Census) • Peak to base ratio (The amount of service provided in the peak time period as compared to the base)	I. Provide Transportation Options
Vehicle revenue miles (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per capita (population for the Chicago UZA &/or six county service area—US Census) • Per service area/square miles (square miles within geographic boundary for the Chicago UZA &/or 6 county service area — US Census) • Peak to base ratio (The amount of service provided in the peak time period as compared to the base)	I. Provide Transportation Options
Transit Capacity (total person space miles: seating capacity (plus standees based on loading standards) multiplied by vehicle revenue miles. • Per capita (population for the Chicago UZA &/or six county service area—US Census)	I. Provide Transportation Options

Measure	MBC Goals
Service Consumed **(the amount of service actually used by passengers)**	
Passenger trips (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination). • Per capita (population for the Chicago UZA &/or six county service area—US Census) • Per vehicle revenue hour (hours that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time).	IV. Demonstrate Value
Passenger miles (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips). • Per capita (population for the Chicago UZA &/or six county service area (US Census)	I. Provide Transportation Options
Integrated fare utilization (Number of trips taken with fare media that is accepted by multiple service boards). • Passenger trips (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination).	I. Provide Transportation Options
Transit capacity utilization (Percent of transit capacity that is actually used: Passenger miles divided by transit capacity) • Per capita (population for the Chicago UZA &/or six county service area (US Census)	IV. Demonstrate Value
Senior passenger trips (Unlinked passenger trips taken by senior citizens using "free" fare cards certified by RTA) • Passenger trips (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination).	IV. Demonstrate Value
Service Efficiency **(Achieving the desired result (service delivery) with the minimum use of resources)**	
Operating cost (The expenses associated with the operation of the transit agency) • Per vehicle revenue hour (Hours that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per vehicle revenue mile (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per unit of transit capacity (Total person space miles: seating capacity (plus standees based on loading standards) multiplied by vehicle revenue miles)	II. Ensure Financial Viability

Measure	MBC Goals
Service Effectiveness **(The extent to which passengers are using public transit service in relation to the amount of service available)**	
Passenger trips (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination) • Per vehicle revenue hour (Hours that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per vehicle revenue mile (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time)	IV. Demonstrate Value
Passenger miles (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips)	I. Provide Transportation Options
Cost Effectiveness **(Economically worthwhile in terms of what is achieved for the amount of money spent)**	
Operating Cost (The expense associated with the operation of the transit agency) • Per passenger mile (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips) • Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination).	II. Ensure Financial Viability
Service Delivery - Customer Service **(The provision of service to customers before, during and after a purchase that is designed to enhance the customer experience and level of satisfaction)**	
On time Performance (Percentage of the times a transit vehilcle departs a location within a certain number of minutes after and/or before the scheduled time and/or interval maintenance for frequent service).	II. Ensure Financial Viability
Customer satisfaction index score (A market research tool, administered through a survey, that identifies criteria and establishes a rating system for the measurement of customer satisfaction).	II. Ensure Financial Viability
Service Delivery - Safety **(Protection from the risk of harm or injury)**	
Major Security Incidents (Occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism, and assault) • Per vehicle revenue hour (Hours that vehicles travel while in revenue, including layover/recovery time, but excluding deadhead time) • Per vehicle revenue mile (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination).	II. Ensure Financial Viability

Measure	MBC Goals
Major Safety Incidents (Any event involving the operation of a transit system if, as a result, one or more of the following occurs: an individual dies either at the time of the event or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of $25,000. • Per vehicle revenue hour (Hours that vehicles travel while in revenue, including layover/recovery time, but excluding deadhead time) • Per vehicle revenue mile (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination).	II. Ensure Financial Viability
Service Level Solvency – **Operations (The operating budget)**	
Short-term financial viability (The ability to fund operations over a three year period so as not adversely impact service delivery) • Operating reserves (the amount of unallocated unreserved fund balance)	II. Ensure Financial Viability
Fare Revenue (All income received directly from passengers, either paid in cash or through pre-paid tickets, passes, etc. and the reduced fares paid by passengers in a user-side subsidy arrangement) • Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles that are counted each time they board a vehicle used to travel from their origin to their destination) • Per passenger mile (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips)	II. Ensure Financial Viability
Subsidy (Government financial assistance) • Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles that are counted each time they board a vehicle used to travel from their origin to their destination) • Per passenger mile (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips)	II. Ensure Financial Viability
All other earned revenue (All income received other than fare revenue and subsidies) • Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles that are counted each time they board a vehicle used to travel from their origin to their destination) • Per passenger mile (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips)	II. Ensure Financial Viability
Recovery ratio • Percentage of the actual operating cost of service delivery that is covered by passenger fare revenue (NTD) • Total system-generated revenue recovery ration as required by the RTA Act.	II. Ensure Financial Viability

Reference

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 $2,351.4 million as of December 31, 2006, are divided into two types: $1,646.3 million in Strategic Capital Improvement Program (SCIP) bonds and $705.1 million in RTA bonds (Exhibit 3-23 and Exhibit 3-24).

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 financial statements.

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 financial statements.

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,

Exhibit 3-23: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	January 1, 2006	New Issues	Retirements	December 31, 2006
1990A	$ 60,795	-	-	$ 60,795
1991A	55,745	-	-	55,745
1992A* and 1992B	52,145	-	5,710	46,435
1994A* and 1994B	24,395	-	-	24,395
1994C* and 1994D	70,090	-	3,790	66,300
1997 Refunding	79,855	-	4,400	75,455
1999 Refunding*	290,640	-	5,135	285,505
2000A*	244,270	-	4,480	239,790
2001A*	93,990	-	1,695	92,295
2001B Refunding*	34,470	-	1,485	32,985
2002A*	153,005	-	2,555	150,450
2002B	173,255	-	9,400	163,855
2003A*	255,440	-	4,130	251,310
2003B	147,645	-	2,435	145,210
2003C Refunding	13,315		3,115	10,200
2004A	258,990	-	3,985	255,005
2005B Refunding	148,110	-	2,795	145,315
2006A*	-	250,350	-	250,350
Total	**$ 2,156,155**	**$ 250,350**	**$ 55,110**	**$ 2,351,395**

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

Exhibit 3-24: **RTA Debt Outstanding** (dollars in thousands)

	As of December 31, 2006	As of December 31, 2007
RTA Non-SCIP Debt Cap	$ 800,000	$ 800,000
Authorized But Unissued RTA Debt	94,865	121,595
Total Non-SCIP (RTA) Principal Outstanding	705,135	678,405
Total SCIP Principal Outstanding	1,646,260	1,613,855
Total Debt Outstanding	**$ 2,351,395**	**$ 2,292,260**

Exhibit 3-25: **1997-2006 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Serv. Req.
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
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840
2006	746,829	178,086	445,215

Exhibit 3-26: **RTA Debt Service Requirements** (dollars in thousands)

Year	Principal	Interest	Total
1997	$ 13,898	$ 64,461	$ 78,359
1998	16,124	61,759	77,883
1999	16,988	60,878	77,866
2000	22,949	58,727	81,676
2001	19,805	75,382	95,187
2002	27,262	86,264	113,526
2003	37,940	102,667	140,607
2004	40,430	119,272	159,702
2005	49,570	129,966	179,536
2006	55,110	122,976	178,086

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 financial statements.

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 financial statements. 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.

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 generating resources for all future debt service payments. The second issue was a $260 million SCIP bond offering on April 1. On the same day, RTA currently 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 from the financial statements. 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.

On October 13, 2004, the RTA issued one bond offering (Series 2004A) for $260 million in SCIP

Exhibit 3-27: **Recent Bond Projects with Project-to-Date Expenditures** (dollars in thousands)

2003 B	CTA	Replace Ties on North Main Line/Red & Brown Lines	$ 862
2003 B	CTA	Implement Systemwide Communication Upgrades	134
2003 B	CTA	Replace/Upgrade Power Distribution and Signals	231
2003 B	CTA	Renew Structure	406
2003 B	Metra	Replace 20 Bridges-18th to 55th Streets-Rock Island District	117
2003 B	Pace	Improve Garage Facilities	128
2003 B	Pace	Construct Headquarters Facility	138
		Total	**$ 2,016**
2004 A	CTA	Purchase 117 Replacement Buses	$ 15,395
2004 A	CTA	Replace/Upgrade Power Distribution and Signals-Elevated Loop	2,977
2004 A	CTA	Reconstruct Howard Station-Red Line	1,129
2004 A	CTA	Improve Facilities	2,743
2004 A	CTA	Replace Ties-State Street Subway	2,119
2004 A	CTA	Perform Rail Car Overhauls and Mid-Life Rehabilitations	1,424
2004 A	Metra	Replace 22 Bridges-Union Pacific Northline	2,273
2004 A	Metra	Upgrade Crossings (Road and Track)	1,239
2004 A	Metra	Replace Ties and Ballast	12,403
2004 A	Metra	Rehabilitate Gresham Area Retaining Walls-Rock Island District	1,002
2004 A	Pace	Purchase/Install Enterprise Resource Planning System	1,211
2004 A	Pace	Purchase Fixed Route Buses	1,950
		Total	**$ 45,865**
2006 A	CTA	Purchase 117 Replacement Buses	$ 16,123
2006 A	CTA	Replace/Upgrade Power Distribution and Signals-Elevated Loop	7,068
2006 A	CTA	Perform Rail Car Overhauls and Mid-Life Rehabilitations	463
2006 A	Metra	Install Passenger Information Display Systems	556
2006 A	Metra	Upgrade Crossings (Road and Track)	319
2006 A	Metra	Replace Ties and Ballast	494
2006 A	Pace	Purchase/Install Enterprise Resource Planning System	425
2006 A	Pace	Purchase Fixed Route Buses	2,043
		Total	**$ 27,491**

bonds. The Series 2004A Bonds are also secured by the Series 2004A debt service reserve account.

On May 2,2005, the RTA issued $148,110,000 of general obligation bonds (2005B) to defease the remaining balance of the 1996 refunding. As a result, the 1996 refunding bonds have been removed from the financial statement.

On September 13, 2006, the RTA issued a general obligation bond for $250,350,000 (2006A) to be used to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 3-25 and 3-26), 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 3-27 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,

Exhibit 3-28: **RTA 2006 Combined Fund Statement of Revenues & Expenditures by Fund** (dollars in millions)

	General	Agency	Debt	Capital	JSIF	Pension	Combined
Revenue							
Sales Tax	$ 112.0	$ 634.8	-	-	-	-	$ 746.8
Public Transportation Funds	186.1	-	-	-	-	-	186.1
State Financial Assistance	112.7	-	-	-	-	-	112.7
Operating Assistance-CTA/PACE (ADA)	54.3	-	-	-	-	-	54.3
Reduced Fare Reimbursements	-	37.3	-	-	-	-	37.3
Other Revenue	30.8	1.8	9.2	-	1.4	12.8	56.0
Pension Contribution	-	-	-	-	-	8.8	8.8
Total Revenue	**$ 495.9**	**$ 673.9**	**$ 9.2**	**-**	**$ 1.4**	**$ 21.6**	**$ 1,202.0**
Expenditures							
Operations Funding	$ 162.4	$ 634.8	-	-	-	-	$ 797.2
Sales Tax Interest to Service Boards	-	1.8	-	-	-	-	1.8
Reduced Fare Reimbursements	-	37.3	-	-	-	-	37.3
Agency Operations	31.0	-	-	-	5.6	6.1	42.7
Capital Grants	26.7	-	-	138.7	-	-	165.4
CTA/PACE Operating Assistance Grant	54.3	-	-	-	-	-	54.3
Debt Service Operating Transfer	172.7	-	(175.6)	-	-	-	(2.9)
Joint Self-Insurance	-	-	-	-	-	-	0.0
P&I Bondholder Payment	-	-	178.1	-	-	-	178.1
Debt Issuance Costs	2.2	-	-	(256.7)	-	-	(254.5)
Other	-	-	-	-	-	-	-
Total Expenditures	**$ 449.3**	**$ 673.9**	**$ 2.5**	**$ (118.0)**	**$ 5.6**	**$ 6.1**	**$ 1,019.4**
Revenues less Expenses (1)	**46.6**	**-**	**6.7**	**118.0**	**(4.2)**	**15.5**	**182.6**
Fund Balance beginning of the year	**95.0**	**-**	**66.0**	**242.3**	**36.0**	**100.9**	**540.2**
Fund Balance end of the year (2)	**$ 141.6**	**-**	**$ 72.7**	**$ 360.3**	**$ 31.8**	**$ 116.4**	**$ 722.8**

(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 $133.1 in 2006 leaving an unreserved/undesignated fund balance of $8.5 million.

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.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 3-28).

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 3-1 shows the balance in the General Fund from 2006 through 2010. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 3-29 highlights the 2008 budget for these funds.

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.

Exhibit 3-29: **RTA Statement of Revenues and Expenditures 2008 Budget by Fund** (dollars in thousands)

	General Fund	Agency Fund	Total Budget
Revenue			
Sales Tax	$ 114,912	$ 651,165	$ 766,077
Public Transportation Fund (PTF)	191,519	-	191,519
State Financial Assistance (SFA)	116,477	-	116,477
Reduced Fare (RF)	-	36,800	36,800
Other Revenue	16,600	900	17,500
Additional Funding for ADA Paratransit	54,252	-	54,252
Total Revenue	**$ 493,760**	**$ 688,865**	**$ 1,182,625**
Operating Expenditures			
RTA Operations Funding to Service Boards	$ 169,356	$ 651,165	$ 820,521
RTA Discretionary Funds for ADA Paratransit	11,670	-	11,670
Additional State Funding - RTA Discretionary	54,252	-	54,252
Reduced Fare Reimbursement/Sales Tax Interest	-	37,700	37,700
Agency Administration, Regional Services & Regional Programs	29,952	-	29,952
Total Operating Expenditures	**$ 265,230**	**$ 688,865**	**$ 954,095**
Debt Service & Capital Expenditures			
Principal and Interest	$ 184,318	-	$ 184,318
Regional Technology and Agency Programs	1,900	-	1,900
Transfer Capital	20,353	-	20,353
Total Debt Service and Capital Expenditures	**$ 206,571**	**-**	**$ 206,571**
Total Expenditures	**$ 471,801**	**$ 688,865**	**$ 1,160,666**
Fund Balance (undesignated/unreserved)			
Beginning Balance	$ 227	-	$ 227
Change in Fund Balance	21,959	-	21,959
Ending Balance	**$ 22,186**	**-**	**$ 22,186**
% of Total Operating Expenditures	-	-	2.3%

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. These amounts have been issued.

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.

Exhibit 3-30: **2006 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of revenues over expenditures and other financing use-budgetary basis	$ 52,566
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(5,733)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	(644)
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	365
Budgetary basis to GAAP basis adjustment	**$ (6,012)**
Net Change in Fund Balance - GAAP basis	**46,554**
Net Changes in Reserves	**(39,699)**
Net Change in Unreserved, Undesignated Fund Balance	**$ 6,855**

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.

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.

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. The modified accrual basis is a type of accounting whereby revenue and other financial resource increments (e.g., bond issue proceeds) is recognized when they become both "measurable" and "available" for finance expenditures of the current period (for more details, see Glossary page 157). 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.

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 (Exhibit 3-30 and 3-31).

Exhibit 3-31: **RTA 2006 Statement of Revenues and Expenditures - General and Agency Fund** (dollars in thousands)

	2006 Budget	2006 Actual	Change
Revenue			
Sales Tax	$ 719,900	$ 746,829	$ 26,929
Public Transportation Fund	179,975	186,136	6,161
State Financial Assistance	119,001	112,743	(6,258)
Reduced Fare Reimbursement	36,275	37,327	1,052
Additional State Funding for ADA Paratransit	54,252	54,252	-
Other Revenue	14,869	17,616	2,747
Total Revenue	**$ 1,124,272**	**$ 1,154,903**	**$ 30,631**
Operating Expenditures			
Operations Funding	$ 788,072	$ 797,239	$ 9,167
Additional State Funding - RTA Discretionary	42,451	54,252	11,801
Reduced Fare Reimbursement/Sales Tax Interest	37,125	39,124	1,999
Agency Administration, Regional Services & Regional Programs	30,773	32,542	1,769
Total Operating Expenditures	**$ 898,421**	**$ 923,157**	**$ 24,736**
Debt Service & Capital Expenditures			
Principal and Interest	$ 180,401	$ 196,113	$ 15,712
Regional Technology & Agency Capital	7,270	7,270	-
Transfer Capital	32,154	21,507	(10,647)
Total Debt Service and Capital Expenditures	**$ 219,825**	**$ 224,890**	**$ 5,065**
Total Expenditures	**$ 1,118,246**	**$ 1,148,047**	**$ 29,801**
Fund Balance (undesignated/unreserved)			
Beginning Balance (1)	$ 14,914	$ 1,654	$ (13,260)
Change in Fund Balance	6,026	6,856	-830
Ending Balance	**$ 20,940**	**$ 8,510**	**$ 12,430**
% of Total Operating Expenditures	2.3%	0.9%	(1.4%)

Exhibit 3-32: **Recovery Ratio** (1) (dollars in thousands)

CTA	2006 Actual	2007 Estimate	2008 Budget
Operating Revenue	$ 560,406	$ 546,799	$ 562,008
In-Kind Revenue	22,000	22,000	22,000
Total Revenue	**$ 582,406**	**$ 568,799**	**$ 584,008**
Operating Expenses	$ 1,076,439	$ 1,079,052	$ 1,033,836
In-Kind Expenses	22,000	22,000	22,000
Less Security Exclusion	(30,833)	(31,000)	(33,600)
Total Expenses	**$ 1,067,606**	**$ 1,070,052**	**$ 1,022,236**
CTA Recovery Ratio	**54.6%**	**53.2%**	**57.1%**
Metra			
Total Revenue	**$ 275,274**	**$ 287,520**	**$ 309,250**
Operating Expenses	$ 524,916	$ 553,340	$ 573,350
Less Security Exemption	(14,022)	(17,000)	(18,500)
Less Depreciation Expense	(2,749)	(2,748)	(2,748)
Less Transportation Facility Leases	(15,139)	(16,242)	(16,552)
Total Expenses	**$ 493,006**	**$ 517,350**	**$ 535,550**
Metra Recovery Ratio	**55.8%**	**55.6%**	**57.7%**
Pace			
Operating Revenue	$ 55,034	$ 52,435	$ 55,949
CCC for Paratransit Service under contract	7,464	-	-
RTA Discretionary Funds to Pace for Passes	2,000	4,000	-
In-kind Revenue	5,509	4,496	-
Total Revenue	**$ 70,007**	**$ 60,931**	**$ 55,949**
Operating Expenses	$ 199,219	$ 164,757	$ 145,210
In-kind Expenses	5,509	4,496	-
Total Expenses	**$ 204,728**	**$ 169,253**	**$ 145,210**
Pace Recovery Ratio	**34.2%**	**36.0%**	**38.5%**
System-Generated Revenue Recovery Ratio			
Revenue			
Total Service Board Revenue	$ 927,687	$ 917,250	$ 949,207
CTA Lease Transaction	4,262	4,262	4,262
Agency	15,821	17,500	17,500
Less Pace Pass Revenue	(2,000)	(4,000)	-
Total Revenue	**$ 945,770**	**$ 935,012**	**$ 970,969**
Expense			
Total Service Board Expenses	$ 1,765,340	$ 1,756,655	$ 1,702,996
Add RTA Security Provision	25,215	28,200	32,059
Agency	28,824	27,770	29,952
Total Expenses	**$ 1,819,379**	**$ 1,812,625**	**$ 1,765,007**
Recovery Ratio	**52.0%**	**51.6%**	**55.0%**

(1) Metra's 2008 calculation is based on their "Option A" budget. Pace's proposed 2008-2010 budget and plan does not include "in-kind" revenue and expense for the ADvAntage program. The RTA Act allows certain expenditures to be excluded form the recovery ratio calculation including security, depreciation, and facility leases. RTA Ordinance 2005-06 authorized further security exclusion for Service Board recovery ratios. The amount of these additional exclusion are added back to region expenditures to calculate the statutory system-generated revenue recovery ratio. The Service Board calculations in 2008 exceed the marks set by the RTA for each operation, therefore the system-generated revenue recovery ratio on this schedule exceeds the budgetary requirement shown on Exhibit 3-1.

4 CTA 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 154 bus routes and eight rapid transit routes (service prior to 2007 and 2008 budget balancing actions). A seven-member Chicago Transit Board governs the CTA.

Service Characteristics

The CTA operates the second largest public transportation system in the United States. Average weekday ridership on its bus and rail system is 1.6 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

Bus operations provide 2,175 buses traveling over 154 routes covering 2,529 miles, with approximately 11,846 bus stops. Rail service on eight routes has 1,190 train cars traveling over 242 miles of track. The CTA transferred all ADA paratransit service to Pace in July 2006. During the first half of 2006, CTA provided more than 1.2 million ADA paratransit rides at a cost of about $26 per ride.

Ridership

Ridership is estimated at 493.6 million trips by the end of 2007 (Exhibit 4-1). This is essentially at par with 2006 ridership (excluding ADA Paratransit). Bus ridership is forecasted at 304.1 million trips in 2007, which is 5.7 million trips or 1.9 percent higher than in 2006. Rail ridership is projected at 189.5 million in 2007 and is lower than the prior year by 5.7 million or 2.9 percent (Exhibit 4-2). The 2007 ridership remains flat with 2006 ridership.

Average weekday ridership on the CTA is 1.6 million, while Saturday and Sunday average ridership is at 956,000 and 671, 000, respectively (Exhibit 4-3). The CTA expects its ridership levels to decrease by a compound growth rate of 3.0 percent from 2006 through 2010. Total vehicle miles in 2007 and 2008 are expected to experience a significant decrease due to the reduction of service over the previous year and then remain flat from 2008 through 2010 (Exhibit 4-4).

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

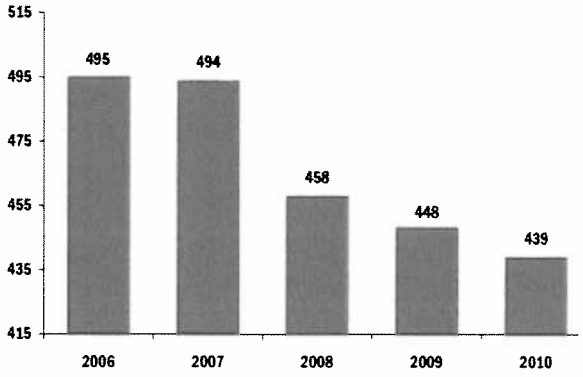


Exhibit 4-2: **CTA Annual Ridership by Mode** (in millions)

	2004	2005	2006	2007	2008
Bus	294.0	303.2	298 .4	304 .1	261.8
Rail	178.7	186.8	195.2	189.5	196 .0
Paratransit/Taxi	2 .2	2 .4	1 .2	-	-
Total Ridership	**474.9**	**492.4**	**494.8**	**493.6**	**457.8**

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

	2004	2005	2006	2007	2008
Weekday	1,426	1,482	1,596	1,588	1,586
Saturday	870	899	966	956	933
Sunday	582	621	662	671	659

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

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Ridership	494,803	493,639	457,802	447,956	438,840
Vehicle Miles	138,648	138,820	115,981	115,981	115,981
Passengers Per Mile	3.6	3.6	3.9	3.9	3.8

Service Quality

The CTA has continued to work on improving the core components of its business that impact its customers directly. Some of its efforts include the implementation of performance management initiatives that ensure the delivery of safe, clean, on-time, courteous and efficient service; the restructuring and consolidating of customer service and customer communications providing timely and accurate information to the riders; and concrete repairs made to improve the safety of bus turnarounds and rail stations .

Challenges of Insufficient State Funding

The 2008 budget reflects a $158.0 million funding shortfall. Without additional public funding, and in order to comply with the state's requirement to maintain a balanced budget, the CTA will be forced to reduce service, increase fares and significantly downsize its operations. As a result, the 2008 budget reflects the elimination of 43 bus routes, the closing of three bus garages, fare increases and 1,799 eliminated positions. The service cuts represent a 53 percent reduction of bus routes from current levels, which translates to 735 fewer buses required for service. Fare increases range from 11 to 63 percent over the current fare structure depending on the type of fare media used, however, fares will remain the same for students, seniors and individuals with disabilities who are reduced fare customers.

The 2008 budget reflects $158.0 million funding shortfall without additional public funding.

The reduction of service, closing of bus garages, fare increases and lay-offs will be implemented on November 4, 2007 and are proposed to be increased again on January 6, 2008 to meet the CTA's statutory requirement for a balanced budget.

Capital Investments

The CTA spent $640 million on capital programs in 2006. The CTA is expected to spend $1.4 billion on capital projects in 2007 and 2008 (Exhibit 4-5).

The Brown Line Capacity Expansion project of $529.9 million began in 2004 and continued to progress throughout 2007. In August 2006, the fully renovated Kedzie and Rockwell stations were re-opened to customers for service. The station boasts a new glass station houses, new platforms, brighter lighting and accessible features including ramps, tactile edging and accessible gates. The station is also ADA accessible which brings the total number of accessible CTA rail stations to 74 out of 144, or 51% of the system. In addition, at the Fullerton and Belmont stations, the most complex station rehabilitations on the Brown Line, northbound trains are operating on newly constructed rail bed and passengers board from new platforms even as structural work is proceeding to create new track and platforms for the southbound station areas.

Bus System

Under the CTA's proposed 2008 operating budget the bus system will be significantly reduced. Nevertheless, the oldest buses need to be replaced, ranging in age from 12 to 17 years, through September 2007, 508 air-conditioned and fully accessible

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2004	2005	2006	2007	2008
CTA Total Capital Expenditures	**$457,699**	**$402,951**	**$640,447**	**$662,111**	**$689,373**
CTA Bus Vehicles	2,017	2,033	2,089	1,797	1,304
Average Age of Buses (in years)	8.9	9.4	9.4	6.6	3.7
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	21.0	22.0	23.0	24.0	25.0
Bus Routes Offering Lift Service	148	150	154	154	154
ADA Accessible Stations	72	72	76	82	82

New Flyer buses were received. The entire bus fleet is ADA accessible and air-conditioned.

In addition, 20 diesel/electric hybrid buses were also received and placed into service. This will be the first side by side demonstration of two distinct hybrid technologies which will yield vital operating data for the US transit industry. Ten of the vehicles have a parallel hybrid propulsion system and ten have a series propulsion package.

Rail System

Work continues on the signal upgrade and replacement for the Blue Line. This project, which began in 2006, will replace the entire signal system in the Dearborn Subway, on the Congress (Forest Park) Branch and a portion of the O'Hare Branch. This will result a smoother train operation, reduced travel times and greater reliability.

Delivery of prototype rail cars is expected in 2008. Production of the base order of 206 is expected to begin in 2009 with delivery beginning in 2010. CTA's most recent purchase of new rail cars was in the 1990s when 3200-series buses were purchased for the opening of the Orange Line, and to replace older cars on the Brown and Yellow Lines.

System-Wide Improvements

The CTA continued to invest in new technology to further improve service and safety. Through technology, CTA was able to complete the installation of the infrastructure necessary to enhance communication capability on the Red and Blue Line subway system. This past summer, the first commercial wireless provider activated its service in the subway tunnels. Although the main purpose is to improve emergency communications capabilities in the subway, the improvement also lets riders use their wireless devices enhancing security and convenience. Today, only U.S. Cellular subscribers are able to use their wireless devices in the subway, however, CTA is working to add additional service providers to the system.

In 2006, the CTA completed a systemwide fiber optic expansion. The new system allows CTA to connect security cameras to its Control Center and to the City's 9-1-1 Center. The link between CTA's Control Center and the City's 9-1-1 Center is part of the Office of Emergency Management Communication's larger Homeland Security grid that is designed to expand the use of surveillance cameras throughout Chicago. The CTA announced last fall that all 11 stations on the 54th/Cermak branch had been networked, This effort is part of the link between the CTA's Control Center and the City's 9-1-1 Center. Today, 464 security cameras at 27 stations are a part of the network. By the end of this year the CTA will have 1,200 cameras at 45 stations hooked up to the network, and these numbers will continue to increase as all 144 rail stations are corrected to the system.

Partnerships

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

Vendors

The CTA Purchasing Department pursues an aggressive Disadvantaged Business Enterprise Program (DBE) to encourage 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 the best prices for the good and services procured. These efforts have saved the CTA several million dollars over the past few years.

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 bus and rail systems. 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 trains for shelter.

Over the past decade, the City of Chicago has provided the CTA $828.5 million for capital improvements. This substantial investment in the CTA's infrastructure includes the Roosevelt Connector project, replacement of the elevated span at Wacker Drive and Wells Street, the renovated Chicago Avenue station on the Red Line, the elevated Library–State/Van Buren station, and the rehabilitation of the underground transfer tunnel that provides a pedway connection between the Red and Blue Line platforms at Jackson.

In 2007, the Chicago Department of Transportation (CDOT) will begin renovation work on the Grand Station on the Red Line. The renovation includes mezzanine expansion, platform with glazed ceramic tile, and vaulted ceiling panels, additional turnstiles, and installation of new exit-only rotogates.

Legislators

State and federal funding has been crucial to the CTA's ability to rebuild its system. Specifically, Chicago Mayor Richard M. Daley, U.S. House Speaker Dennis Hastert, Governor Rod R. Blagojevich, the

Illinois Congressional delegation, and the Illinois General Assembly have supported efforts to maintain and improve the infrastructure of CTA bus and rail systems. While federal legislators have made a financial commitment to the future of public transit, state and local legislators must identify the matching funds required to secure the federal funds. In 1999, the State established Illinois FIRST, a $12 billion matching program to improve the State's infrastructure, which included $2.1 billion for transit. The CTA received more than $1 billion of Illinois FIRST funding over four years for capital improvements to its rail and bus systems.

Budget and Financial Plan

The budget and financial plan submitted by the CTA for the current planning period, 2008 through 2010, conforms to the marks set by the RTA on September 14, 2007. The CTA's operating funding marks were set at $471.8 million for 2008, $474.5 million for 2009, and $478.4 million for 2010. Funds to balance the budget and two-year financial plan do not include any additional funding the Region is seeking through new legislation. The CTA's recovery ratio was set at 52.0 percent for 2008 by the RTA, which the CTA has exceeded. The CTA's statement of revenue and expenditures, which includes the recovery ratio, is presented in Exhibit 4-6. The following portrays the outlook for the 2008-2010 planning period.

Exhibit 4-6: **CTA 2008 Budget and 2009-2010 Financial Plan** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
System-Generated Revenue					
Passenger Revenue	$ 462,218	$ 457,738	$ 470,376	$ 422,627	$ 414,041
Reduced Fare Subsidy	29,604	34,000	32,271	32,271	32,271
Other Revenue	60,585	50,061	59,361	63,311	66,021
Total Revenues	**$ 552,407**	**$ 541,799**	**$ 562,008**	**$ 518,209**	**$ 512,333**
Operating Expenditures					
Labor	$ 760,751	$ 788,947	$ 747,651	$ 749,619	$ 747,367
Material	83,150	81,411	72,311	60,919	60,053
Fuel	57,470	68,614	48,467	31,847	31,101
Power	22,268	29,074	29,797	30,831	31,879
Insurance & Claims	45,266	25,000	28,000	28,000	28,000
Purchase of Security Services	30,831	31,000	33,600	34,944	36,342
Purchase of Paratransit Services	28,415	-	-	-	-
All Other	48,288	55,006	74,010	56,537	56,000
Total Operating Expenditures	**$ 1,076,439**	**$ 1,079,052**	**$ 1,033,836**	**$ 992,697**	**$ 990,742**
Operating Deficit	**$ 524,032**	**$ 537,253**	**$ 471,828**	**$ 474,488**	**$ 478,409**
Deficit Funding					
RTA Sales Tax	$ 284,636	$ 295,098	$ 303,341	$ 311,812	$ 320,521
RTA Discretionary Funds	171,128	175,251	168,487	162,676	157,888
Additional operations need	-	10,004			
Additional State Funding RTA Discretionary	27,126	-	-	-	-
Federal Funds Capital Preventive Maintenance	41,166	56,900	-	-	-
New Transit Funding	-	-	-	-	-
Total Deficit Funding	**$ 524,056**	**$ 537,253**	**$ 471,828**	**$ 474,488**	**$ 478,409**
Recovery Ratio % (1)	54.6%	53.2%	57.1%	N/A	N/A

(1) Items excluded from expenditures are for security. Grant revenue and in-kind revenue and expenditures from the CPD of $22,000 are included in the recovery ratio.

System-Generated Revenue

Total system-generated revenue is expected to decrease from $552 million in 2006 to $512 million in 2010. This is a decrease of $40 million over the four-year period, or an average annual decrease of 1.8 percent (Exhibit 4-7). System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue. Passenger revenue comprises 83 percent of the CTA's total operating revenue. The reduced fare subsidy and other revenue account for the remaining 17 percent (Exhibit 4-8).

Passenger Revenue

Passenger revenue is expected to decrease from $462 million in 2006 to $414 million by 2010, a $48 million decrease or an annual decline rate of 2.5 percent (Exhibit 4-9) due to reduced service provided in the region and planned fare increases that will result in loss of ridership.

Higher average fare due to fare increases implemented on November 4, 2007 and January 6, 2008 accounts for the projected growth in fare revenue for 2007. Fare revenue is estimated at $470.4 million in 2008, which is $12.7 million higher than the 2007 estimate. The CTA fare structure is shown in Exhibit 4-10.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 that provided funds to reimburse the CTA for

Exhibit 4-7: **CTA System-Generated Revenue** (dollars in millions)

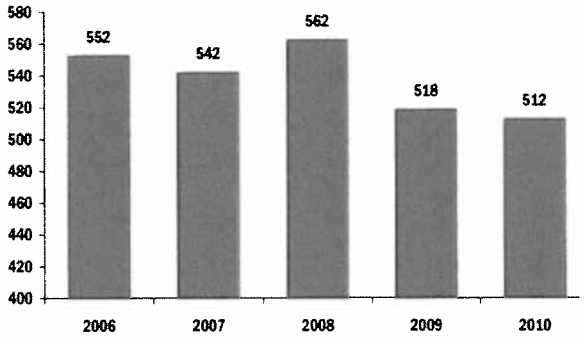


Exhibit 4-8: **2008 CTA Revenue** - $562 million

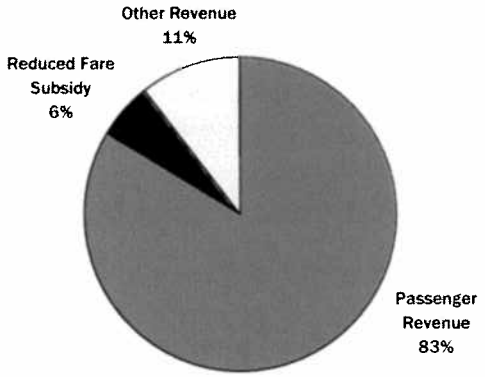


Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2006	2007	2008	2009	2010
Passenger Revenue	$ 462,218	$ 457,738	$ 470,376	$ 422,627	$ 414,041
System Ridership	494,803	493,639	457,802	447,956	438,840
Average Fare	$ 0.93	$ 0.93	$1.03	$ 0.94	$ 0.94

Exhibit 4-10: **CTA Fare Structure**

	Full Fare	Reduced Fare (1)
Basic Cash Fare (Bus & Rail) - No transfers allowed	$ 2.00	$ 1.00
Transit Card (Rail)	$ 2.00	$ 0.85
Chicagó Card (Rail) - For every $20 purchase, $22 of value is added to the card.	1.75	None
Chicago Card (Bus)	1.75	None
Transit Card (Bus)	1.75	$0.85
University Pass	$ 0.70	None
First Transfer with Fare Card - Allow two additional rides within two hours of issue. Transfers are not valid for travel in reverse direction on the route of issue.	$ 0.25	$ 0.15
Transit Card Packs		
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 - Sold by Metra; use with Metra monthly ticket	$ 36.00	None
Express Surcharge - Downtown on bus routes 2, 6, 14, and 147.	$ 0.25	$ 0.25
Rush Shuttle Fares - To/from downtown Metra stations during rush hour.	$ 1.00	None
128 Soldier Field Express	$ 1.00	$ 0.50
154 Wrigley Field Express - per carload	$ 5.00	None

Note: (1) 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 disabilitites with RTA reduced fare riding permit.

Exhibit 4-11: **CTA All Other Revenue** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Advertising, Charter & Concessions	$ 24,402	$ 23,142	$ 27,381	$ 29,426	$ 30,954
Investment Income	11,608	10,008	11,736	11,750	12,100
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	19,575	11,911	15,244	17,135	17,967
Total All Other Revenue	**$ 60,585**	**$ 50,061**	**$ 59,361**	**$ 63,311**	**$ 66,021**

the cost of providing reduced fares for the elderly, students, and the disabled. Fare reimbursement is included as revenue and became available in July 1989. In the State's 2008 fiscal year budget, the appropriation for reduced fare for the RTA region is $36.3 million. These funds are distributed to the Service Boards according to the percentage of reduced fare revenue that each has generated. The CTA estimates its share at $32.3 million per year from 2008 through 2010.

Other Revenue

This category includes advertising, charters, concessions, contributions from local governments, investment income, the funding for paratransit services under contract, and other revenue (Exhibit 4-11). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3 million and the County contributes an additional $2 million. Revenue for this category was approximately $61 million in 2006 and is expected at $66 million in 2010. Reasons for this increase include additional revenue from advertisements placed on buses and trains and in stations, as well as income from concessions and charters.

Operating Expenditures

Total operating expenditures are forecasted to decrease from $1,076 million in 2006 to $991 million in 2010. This $85 million decrease represents a 2.01 percent compound annual rate of decline from 2006 through 2010 (Exhibit 4-12).

For 2007, operating expenditures are estimated at $1,079.1 million. This is 0.2 percent higher than 2006 actual expenditures of $1,076.4 million. The increase is due mainly to higher labor and pension costs, fuel, security and all other costs.

Budgeted 2008 expenditures of $1,033.8 million are 4.2 percent lower than 2007 projections. The financial projections for 2009 and 2010 show operating expenditures of $992.7 million and $990.7 million, respectively. The 2009 financial projection represents a decrease of 4.0 percent from the 2008 operating budget. The 2010 financial projection represents a decrease of 0.2 percent over the 2009 financial plan.

Expenditure Elements

The 2008 operating expenditure elements include labor, material, fuel, power, insurance and claims, security, paratransit services, and other costs. Labor expenditures, including fringe benefits, represent 72 percent of the CTA's total expenditures. 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 expenditures.

Exhibit 4-12: **CTA Total Operating Expenditures** (dollars in millions)

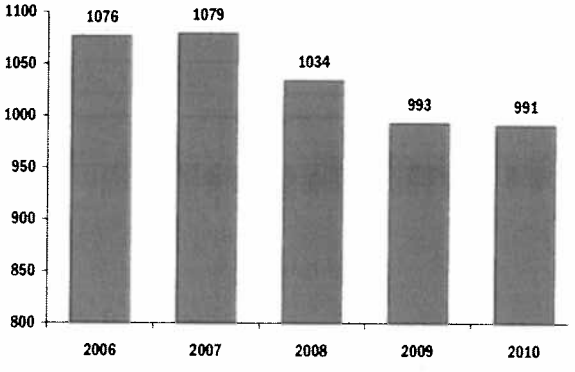
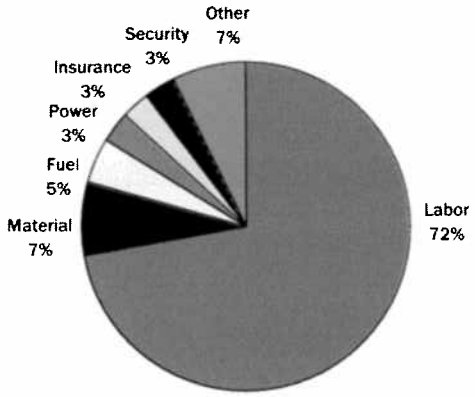


Exhibit 4-13: **CTA Operating Expenditures** - $1,034 million



Fuel and power represent 8 percent of the CTA's expenditures. Security, insurance and claims represent 6 percent of total spending. Other expenditures comprise the remaining 7 percent. The other expenditure category includes items such as leases, utilities, and contractual services (Exhibit 4-13).

Labor Costs

Labor expenditures are expected to decrease from $760.8 million in 2006 to $747.7 million in 2010. This is a $13.1 million decrease, or a decline of 0.4 percent annually (Exhibit 4-14). Labor expenditures for 2007 are estimated at $788.9 million, which is $28.1 million more, or 3.7 percent higher, than prior year. This increase is due to the rising costs of healthcare, workers compensation, and wages. Labor expenditures are forecasted to be $747.7 million in 2008, a decrease of $41.2 million or 5.5 percent lower than 2007. This decrease is due to layoffs scheduled for November 4, 2007 and January 6, 2008. In addition, the CTA pension plan is severely under funded. With a current funding ratio of 32.0 percent, actuarial projections show that the fund will deplete its assets by 2012 without additional funding and substantial changes to the plan. Changes to the plan require legislative intervention or union agreement. The numbers of budgeted positions for 2008 is lower than 2007(Exhibit 4-15). Overall, labor expenditures of $749.6 million are projected to rise by 0.3 percent in 2009 and then decrease to $747.4 million in 2010, a 0.3 percent change.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are forecasted at approximately $81.4 million in 2007, $72.3 million in 2008, $60.9 million in 2009, and $60.1 million in 2010. The decrease in material expenditures is mainly due to the reduction of the bus fleet resulting from reduced service planned in 2007 and 2008.

Fuel

Assuming 25.5 million gallons at $2.69 per gallon, the CTA estimates fuel expenditures at $68.6 million for 2007 (Exhibit 4-16). The cost per gallon is higher than 2006 actual results.

The CTA forecasts the need for 18.6 million gallons of diesel fuel in the 2008 budget.

Exhibit 4-15: **CTA Budgeted Positions** (in thousands)

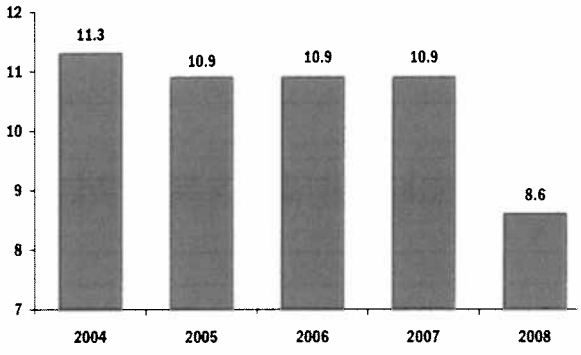


Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2006	2007	2008	2009	2010
Labor Expense	$ 760,751	$ 788,947	$ 747,651	$ 749,619	$ 747,367
% Change from Prior Year	6.5%	3.7%	-5.2%	0.3%	-0.3%

Exhibit 4-16: **CTA Fuel Cost per Gallon** (cost and gallons in thousands)

	2006	2007	2008	2009	2010
Fuel Cost	$ 57,470	$ 68,614	$ 48,467	$ 31,847	$ 31,101
Gallons	24,722	25,500	18,600	11,400	10,400
Cost Per Gallon	$ 2.32	$ 2.69	$ 2.61	$ 2.79	$ 2.99

Due to the uncertainty surrounding energy prices, the CTA estimates that the cost of fuel will be about $2.60 per gallon. The 2009 and 2010 financial projections hold diesel fuel costs at $2.79 per gallon and $2.99 per gallon respectively.

Power

Electric power expenditures for the rail system are forecasted at $29.1 million in 2007. This increase is due to unusually cold weather experienced during winter. Expenditures for power increase by $0.7 million in 2008, higher by $1.0 million in 2009 and higher by $1.1 million in 2010. The $2.1 million or 7% increase in 2008 reflects the newly deregulated electricity market in Illinois.

Insurance and Claims

The Provision for Injuries and Damages represents the expenditure for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles.

As shown in Exhibit 4-17, the CTA expects slightly higher bus and rail accidents per 100,000 miles through 2008. The 2007 forecast is $25.0 million and is $20.3 million lower than the prior year. The CTA utilized increased fare revenues to fully fund the reserve for injuries and damages as projected by the 2005 actuarial analysis. The 2008 funding is $28.0 million versus an estimate of $25.0 million for 2007. In 2009 and 2010, the CTA projects these expenditures to be $28 million.

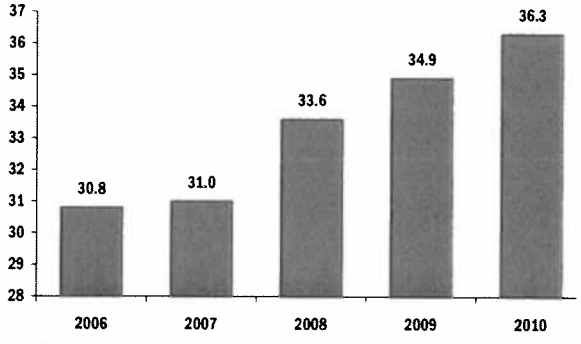
Exhibit 4-17: **CTA Claims and Safety Statistics** (dollars in thousands)

	2006	2007	2008
Claims	$ 45,266	$ 25,000	$ 28,000
Bus Accidents per 100,000 Miles	6.11	5.81	5.52
Rail Accidents per 100,000 Miles	0.13	0.12	0.11

Purchase of Security Services

Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by the Chicago, Evanston and Oak Park Police departments, the Wells Fargo Guard Service and National K-9 Security.

Exhibit 4-18: **CTA Purchase of Security Service** (in millions)



Expenditures are forecasted at $31.0 million in 2007, which is a slight increase from prior year (Exhibit 4-18). The 2008 budget is $33.6 million and for 2009 and 2010, security expenditures are expected to increase $1.3 million. These increases are due to the heightened need for security since September 11, 2001 and the Madrid, and London bombings.

Purchase of Paratransit Services

Since Paratransit services were transferred to Pace effective July 1, 2006, no expenditures are budgeted for this item.

Exhibit 4-19: **CTA All Other Expenses** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Utilities	$ 20,975	$ 20,891	$ 23,992	$ 24,691	$ 25,691
Advertising and Promotion	2,757	2,331	3,023	3,023	3,023
Contractual Services	37,257	36,597	38,765	38,765	38,765
Leases and Rentals	1,621	2,032	2,042	2,042	2,042
Travel, Training, Seminars, and Dues	2,867	2,956	3,111	3,111	3,111
Warranty and Other Credits	(20,523)	(21,121)	(21,781)	(21,781)	(21,781)
General Expenses	6,115	6,058	6,149	6,149	6,149
Total All Other Expenses	**$ 51,069**	**$ 49,744**	**$ 55,301**	**$ 56,000**	**$ 57,000**

All Other Expenditures

All other expenditures include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2007, $55.0 million is forecasted, which is $6.7 million or 13.9 percent more than the prior year (Exhibit 4-19).

The 2008 budget is $74.0 million, which is higher than the 2007 estimate by $19.0 million. The increase is primarily due to inflation and increases in contractual services. Expenditures are forecasted to decrease from 2008 levels in 2009 and 2010 due to the inclusion of one-time expenditures that help improve the appearance and cleanliness of vehicles and stations.

Deficit

System-generated revenue (fares and other revenue) total more than half of the CTA's operating budget, with the remainder (operating deficit) covered by public funding. The operating deficits are derived from total system generated revenue minus total operating expenditures. The deficit for the budget and two-year financial plan is $472 million, $474 million and $478 million, respectively (Exhibit 4-6).

Funding

RTA Sales Tax and RTA discretionary funding represent the major sources of public funds to the CTA and are usually less than half of the CTA's operating budget. The RTA Sales Tax is a primary source of the CTA's operating funding. The RTA retains 15 percent of the sales tax revenue, and distributes the remaining 85 percent to the Service Boards. The CTA receives 100 percent of the RTA Sales Tax collected in Chicago and 30 percent of the sales tax collected in suburban Cook County. RTA discretionary funds for the CTA are expected to range between $171 million and $158 million from 2006 to 2010. Apportionments from the RTA's 15 percent share of the sales tax revenue and the State's public transportation fund (PTF) are the source of the RTA's discretionary funds. The Region Section provides the details for this funding calculation.

Recovery Ratio

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2008, the CTA's recovery ratio estimate is 57.1 percent and exceeds the mark of 52% set by the RTA. The Region Section provides the detailed recovery ratio calculation.

Exhibit 4-20: **CTA 2007 Budget versus 2007 Estimate** (dollars in thousands)

	2007 Amended Budget	2007 Estimate	Variance
System-Generated Revenue			
Passenger Revenues	$ 472,191	$ 457,738	$ (14,453)
Reduced Fare Subsidy	32,000	34,000	2,000
Other Revenue	52,410	50,061	(2,349)
Total Revenues	**$ 556,601**	**$ 541,799**	**$ (14,802)**
Operating Expenditures			
Labor	$ 805,095	$ 788,947	$ 16,148
Material	75,844	81,411	(5,567)
Fuel	59,770	68,614	(8,844)
Power	28,057	29,074	(1,017)
Insurance & Claims	25,000	25,000	-
Purchase of Security Services	35,334	31,000	4,334
Purchase of Paratransit Services	-	-	-
All Other	54,751	55,006	(255)
Total Operating Expenditures	**$ 1,083,851**	**$ 1,079,052**	**$ 4,799**
Operating Deficit	**$ 527,250**	**$ 537,253**	**$ (10,003)**
Recovery Ratio %	**54.8%**	**53.2%**	**(1.6) pts.**

The following factors affect the recovery ratio for the 2007 estimate and 2008-2010 plans. First is the inclusion of $22 million of in-kind security services provided by the Chicago Police Department, which is included as both revenue and expenditure in the recovery ratio calculation. Second is the exclusion of additional security expenditures from the recovery ratio. Finally, expenditures for paratransit are eliminated for 2008, 2009 and 2010 as all paratransit services were transferred to Pace effective July 1, 2006. The CTA's recovery ratio was 54.6 percent in 2006 and is expected to be at 53.2 percent in 2007 (Exhibit 4-6).

2007 Budget versus 2007 Estimate

The CTA expects a balanced budget in 2007 based on an amended budget.

Revenue

Revenue from fares is forecasted at $457.7 which is lower than budget by $14.4 million, or 3.1 percent (Exhibit 4-20). The lower fare revenue is due to increased pass usage on the system. Pass users pay a lower rate per trip.

- The reduced fare subsidy is the State's reimbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. The reduced fare reimbursement is $2.0 million favorable to budget, due to more reduced fare trips and the State of Illinois' advance of its 2008 fiscal year appropriation.
- Other revenue is expected to be $2.3 million unfavorable to plan. The categories listed below reflect this line item.
- Contributions from local governments of $5 million are on par with budget. The RTA Act requires the City of Chicago to contribute $3 million and Cook County to contribute $2 million annually to the operations of CTA. Revenue from advertising, charter, and concessions is at par with budget.
- Investment income is estimated at $10.0 million, which is $2.1 million or 17.4 percent lower than budget. The CTA benchmarks its investments against the rates for the 90-day Treasury bond.
- All other revenue is projected at $11.9 million, which is $1.6 million or 15.5 percent higher than budget. This is due to higher rental and parking revenue.

Expenditures

Calendar year 2007 operating expenditures are estimated at $1,079.1 million and are projected to be favorable to budget by $4.8 million or 4.4 percent. Expenditures for material, fuel, power and all other costs are expected to be over budget for the year. This is primarily due to higher energy and commodity prices that impacts CTA's fuel and material expenses. On the other hand, labor and security are forecasted to finish under budget due to cost containment strategies implemented to ensure that the CTA balanced its budget in 2007.

- Labor expenditures are projected at $788.9 million, which is $16.1 million or 2.0 percent under budget. The decrease is to administrative cuts and efficiencies, an exempt employee pay freeze, a selective hiring freeze and labor arbitration savings. Benefits (excluding paid time off) provided to CTA employees equals approximately 27 percent of CTA's labor costs.
- Material expenditures are forecasted at $81.4 million, which is higher than budget by $5.6 million. The increase in material expenditures is due to higher energy prices on building materials, vehicle replacement parts and other materials CTA uses in day-to-day system maintenance.
- Fuel expenditures for revenue equipment are expected to be $68.6 million at the end of 2007. This is $8.8 million or 14.8 percent higher than budget. The 2007 budget assumed an average price of $2.50 per gallon for 24.5 million gallons. Fuel prices have been running above budget and are estimated to end the year at an average price of $2.69.
- Electric power expenditures for the rail system are forecasted at $29.1 million or $1.0 million higher than budget. The increase can be attributed to unusually cold weather during winter.
- Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are forecasted at $25.0 million for 2007 which is par to budget.

- Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expenditures are estimated at $31.0 million, which is lower than budget. This lower spending level reflects the CTA's decision to utilize alternative security measures, such as increasing the number of CTA employees deployed to rail stations and the installation of additional surveillance cameras, to maintain a safe environment to riders. In addition to the services contracted by CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide services to CTA at an estimated cost of $22 million.

Statutory Compliance

The RTA Act requires that each Service Board meet the six criterions detailed in the Region Section for their budgets to be approved. The CTA budget, as submitted, meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-21 and consists of the following divisions.

CTA Board

The CTA's governing arm is the Chicago Transit Board, consisting of seven board members.

The Mayor of Chicago appoints four board members who are subject to the approval of the City Council and the Governor. The Governor appoints three board members who are subject to the approval of the State Senate and the Mayor of Chicago.

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 and tort litigation, and workers compensation matters.

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 office is also responsible for financial and general investigations.

Treasurer

The Treasurer manages cash and handles investment.

Office of the President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board.

Planning

The Planning department is responsible for developing routes and schedules that best synchronize CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

CTA Brown Line Francisco Station

Security and System Safety

Security and System Safety administers the Destination Safety program with aims to reduce employee and third party accidents and injuries.

Facilities Maintenance, Construction & Engineering

Facilities Maintenance includes system maintenance support, power and way maintenance, rail station appearance, and facility maintenance. Construction is responsible for ensuring that major capital construction projects are on time, budget, and in conformance with the standards. Engineering is responsible for creation and maintenance of construction documents for CTA facilities, reviewing and answering design requests.

Performance Management

Performance management includes developing strategic goal for each business unit that focuses on five goals namely, safety, on-time, cleanliness, efficiency, and courtesy.

Transit Operations

Transit Operations, which represents the largest percentage of CTA employees, is responsible for bus and train operations, customer and paratransit services (prior to July 1, 2006), planning, security, control center, and training.

Bus and Rail Operations manages a fleet of 2,106 buses and 1,190 rail cars that cover 188,000 bus miles and 189,000 rail miles driven every day.

They employ approximately 4,200 full-time equivalent bus operators and 1,300 rail operators that provide service to the customers.

The Control Center monitors passenger and facility security and maintains accident statistics and monitors environmental affairs. The Control Center operates 24 hours per day, 7 days a week.

Operations Support

Communications and Marketing is responsible for marketing, media relations, identity development, and publications.

Finance is responsible for budgeting, general accounting, investment support, program development, and the management and control of property, grants, and funding.

The Government and Community Relations and Affirmative Action department monitors transit legislation that affects the CTA on both regional and national levels.

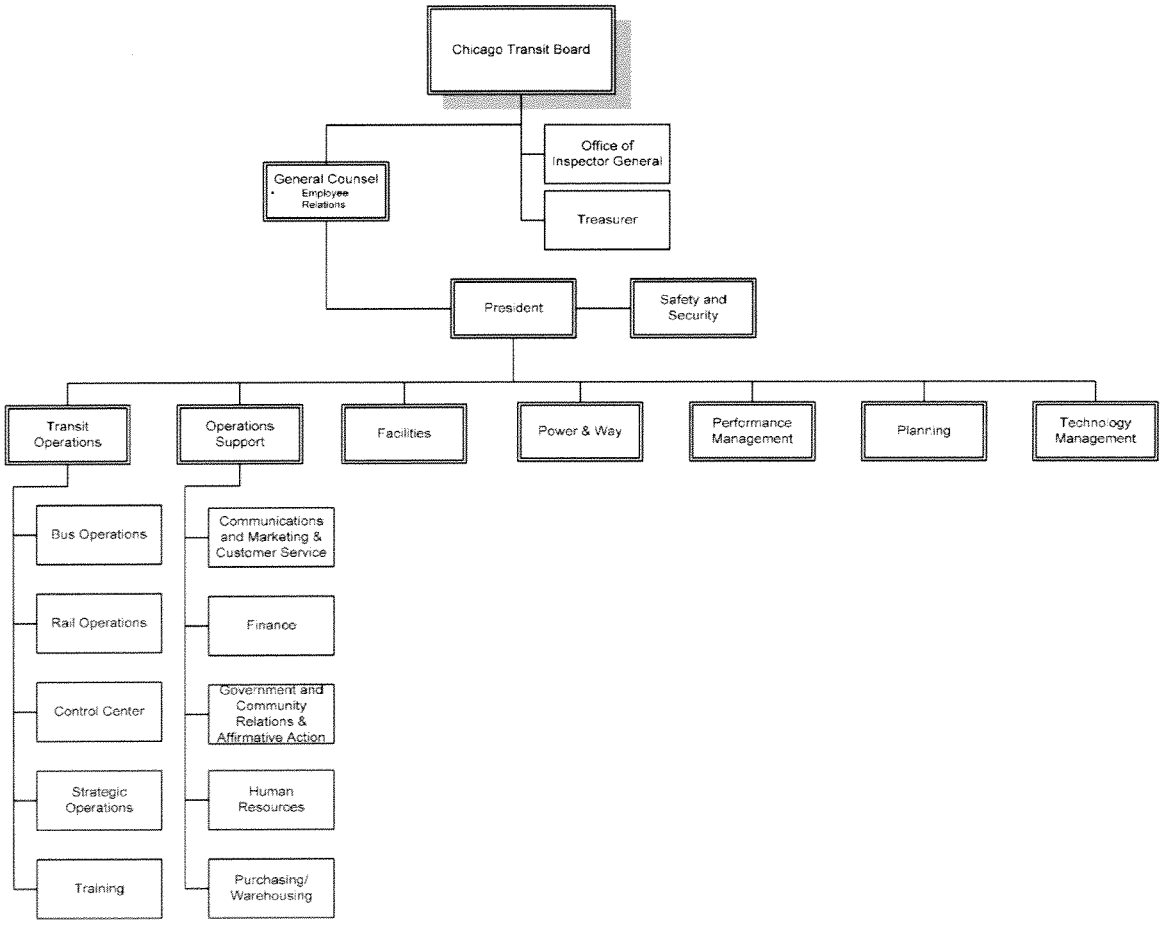
The Human Resources department includes recruiting, hiring, benefit services, medical services, and program compliance.

The Purchasing/Warehousing department includes inventory management.

The Technology Management department includes management information systems.

The Property & Real Estate Asset Management is responsible for the management of the CTA Headquarter, the CTA control center, and for the management of all properties leased by the CTA.

Exhibit 4-21: **CTA Organization Chart**



5 Metra 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 of the 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.

Metra operates 60 percent of its trains on weekdays, 25 percent on Saturdays and 15 percent on Sundays and holidays.

Service Characteristics

The Metra rail system is comprised of 11 separate lines, which run north, west, and south of the Chicago central business district. The system extends 565 route-miles to the limits of the six-county area and serves 239 local rail stations in more than 100 communities. The network itself is made up of more than 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 16 rail storage yards, and six major maintenance facilities. Geographically, the Metra system is the largest in the United States; and its operational interface with extensive freight network makes it arguably the nation's most complex.
A system of such magnitude requires continual maintenance and renewal in order to preserve operational performance, safety, and service efficiency.

Metra provides safe, reliable commuter rail service with an average weekday ridership of 319,100. Peak period ridership represents 77 percent of the total average weekday trips.

Metra operates 60 percent of its trains on weekdays, 25 percent on Saturdays and 15 percent on Sundays and holidays. The trains' operating speeds are 10 percent higher during a weekday peak period than during off-peak hours.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, the two largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana.

Metra's hub is the downtown Chicago business district. Four downtown terminals feed service to all of Metra's 11 lines. Today, approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra.

Ridership

Metra's ridership, excluding South Shore service outside Illinois, for the year 2006 totaled 80.8 million passenger trips. This was a 5.0 percent increase from 2005 ridership of 77.0 million (Exhibit 5-1).

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

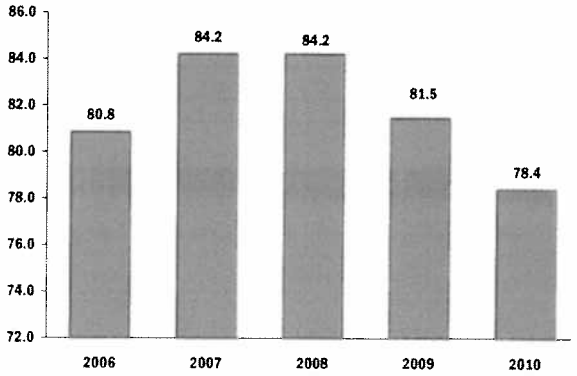


Exhibit 5-2: **Riders and Miles** (in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Total Riders	84,331	87,861	87,861	84,996	81,813
South Shore Elimination (1)	(3,487)	(3,655)	(3,655)	(3,535)	(3,403)
Total Metra Riders	**80,844**	**84,206**	**84,206**	**81,461**	**78,410**
Total Revenue Car Miles	35,984	36,697	37,013	36,968	36,968
South Shore Elimination (1)	(2,855)	(2,864)	(2,873)	(2,867)	(2,867)
Total Metra Revenue Car Miles	**33,129**	**33,833**	**34,140**	**34,101**	**34,101**
Total Passenger Miles	1,943,675	2,045,569	2,073,432	2,005,817	1,930,699
South Shore Elimination (1)	(109,000)	(113,460)	(112,811)	(109,133)	(105,046)
Total Metra Passenger Miles	**1,834,675**	**1,932,109**	**1,960,621**	**1,896,684**	**1,825,653**

(1) Ridership outside the Illinois service area is excluded from the South Shore operating statistics. 79 percent of South Shore Line ridership occurs outside the Illinois service area.

In 2007, Metra's ridership continues to grow with projected passenger trips of 84.2 million, exceeding record ridership in 2001 of 79.2 million. For the January to November period, ridership in 2007 of 77.7 million increased 4.7 percent over the comparable period in 2006. This year-to-date ridership result is the highest ever in Metra's history. November was the sixth consecutive month that Metra recorded over 7 million passenger trips. Ridership and service projections 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 2002 and 2007 average daily load counts by service period.

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

	July 2002-June 2003	July 2006-June 2007	Change	% Change
Service Period				
Peak Direction	237	246	8	3.5
Reverse Peak	14	18	4	30.4
Midday	30	36	6	20.0
Evening	16	20	4	27.7
Total Weekday	**296**	**319**	**23**	**7.7**
Saturday	52	72	20	38.5
Sunday	30	45	16	52.0

Trains operating in the reverse-peak direction, during evening, and weekend periods have realized the greatest percentage gains. These gains are attributable 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, marketing the service for travel to cultural and entertainment attractions, and Metra's Bikes on Train program.

Metra's Bike on Train program was implemented on June 1, 2005. In 2006, the program was expanded to allow three bikes in each diesel rail accessible car and two in each electric rail car.

Passenger loads on peak period, peak direction trains have realized an increase of 3.5 percent during the five-year period. For the January–November 2007 period, average monthly regional employment was up

1.8 percent from the same period of 2006. Downtown office occupancy rates averaged 88.3 percent for the third quarter of 2007, which is the highest level since the third quarter of 2002. The third quarter of 2007 marked the sixth consecutive quarter of occupancy rate increases in Downtown Chicago. The suburbs posted an 85.1% office occupancy rate, which is the highest level since the fourth quarter of 2001. As office occupancy increases, especially in Downtown Chicago, Metra ridership tends to increase as more people are commuting to work in Metra's primary market.

Service Quality

To deliver on its objective and to provide service that is customer-driven, flexible and personalized, Metra knows that it must understand the needs and interests of its customers. Metra periodically conducts 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 to attract and retain 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 at the final destination compared to the schedule. Exhibit 5-4 presents system-wide annual on-time performance since 2002. Metra's on-time performance in 2006 was 96.3 percent.

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

Year	Delays	% On-Time
2002	6,809	96.5
2003	5,627	97.1
2004	6,027	96.9
2005	7,260	96.3
2006	7,400	96.3

Exhibit 5-5: **Passengers Per Revenue Car Mile** (in millions)

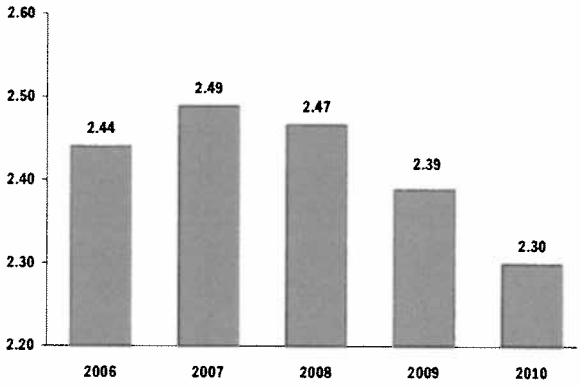
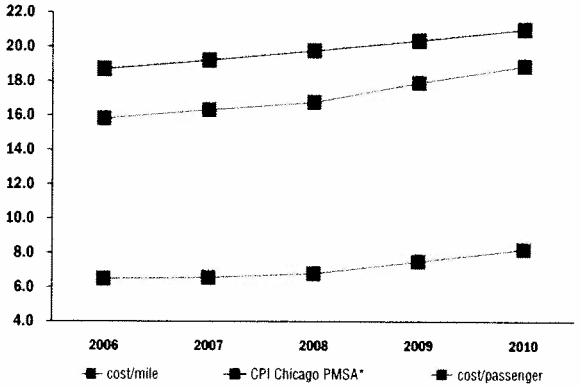


Exhibit 5-6: **Metra Cost Efficiency**



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

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 efficiency. Metra measures capacity utilization train-by-train, which allows it to track average daily passenger loadings by service period (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 change decisions.

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 2.73 in 2001 to 2.44 in 2006. 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. The passenger per mile ratio in 2006 of 2.44 shows an increase to an estimated 2.49 in 2007 estimate due to greater ridership as a result of service expansions. However, according to its adopted 2008 budget, Metra estimates a ratio of 2.47, which is expected to decrease to 2.30 by 2010 due to decreasing ridership as a result of the projected 10% fare increases in 2008, 2009, and 2010 (Exhibit 5-5).

Another measurement used to calculate whether costs are being contained and efficiency maintained is 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 expenditures in-line with cost increases, when compared to the Consumer Price Index (CPI).

The cost per passenger ratio measures cost effectiveness and is designed to examine how well vehicles are deployed to serve riders. As Exhibit 5-6 illustrates, Metra's cost per passenger ratio has outperformed the Consumer Price Index.

Maintenance and Modernization

Since Metra was formed in 1984, Metra has overseen a comprehensive program to improve and grow the regional commuter rail network in support

of the twin objectives of core system maintenance and strategic service expansion. Metra has expended more than $5 billion to overhaul and modernize the system and to create a cyclical program of preventive maintenance and renewal. Such investment has led to the emergence of one of the nation's premier commuter rail operations, with Metra enjoying a near unparalleled record of sustained ridership growth and operational excellence.

In 2008, however, the Metra system will be at a critical juncture. Despite an effective, business-like stewardship of Metra resources, sales tax receipt and farebox revenues have not kept pace with overall expense growth especially given the extraordinary increases in the cost of fuel, electrical power, security, and insurance. Metra has experienced continuing shortfalls in funding for its operations since 2005. To date, Metra has bridged these shortages through a variety of cost containment strategies and by shifting certain capital resources to operations. Over the past three years, Metra has diverted $134.7 million in capital funding to cover operating expenses. However, every dollar that is shifted from capital to operating makes it just that much more difficult to maintain existing service levels due to delays in completing required infrastructure projects, equipment overhauls, and new rolling stock purchases.

Safety and Security

Metra provides employee incentives to those regularly meeting goals. Key among these goals is workplace safety. A safe workplace correlates with a

safe environment for Metra employees and Metra commuters.

Metra's investments in staff training programs and incentive plans have resulted in substantial dividends, including commuter satisfaction and industry recognition.

In addition to routine workplace safety training, Metra employees have also been trained to recognize and observe potential safety hazards in and around trains, stations and tracks. Metra is the only railroad organization in the nation to train all of its 4,000 employees in terrorism awareness and emergency procedures. As part of these investments, security cameras are being installed at several downtown train stations. Metra is also installing emergency signage involving LED technology in strategic locations throughout Metra's downtown terminals. The signs will alert commuters in advance to emergency situations and can display pre-programmed or free form messages to assist Metra in communicating with customers.

In addition, Metra installed a train tracking system using Global Positioning System (GPS) technology in 2001. GPS monitors the real time position and movement of all trains on Metra's routes.

GPS offers Metra's operations professionals a snapshot that details the performance of every train during an operational day. The real-time information supports and delivers a more effective response to any service disruptions or emergencies and leads to enhanced overall safety.

Metra also encourages and provides safety training and education opportunities within the community.

Exhibit 5-7: **Metra 2008 Budget and 2009-2010 Financial Plan** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
System-Generated Revenue					
Passenger Revenue	$ 217,611	$ 226,868	$ 251,420	$ 267,380	$283,170
Reduced Fare Subsidy	3,778	3,492	3,540	3,100	3,100
Other Revenue	53,885	57,160	54,290	50,290	50,290
Total Revenues	**$ 275,274**	**$ 287,520**	**$ 309,250**	**$ 320,770**	**$ 336,560**
Operating Expenditures					
Transportation and Maintenance	$ 322,051	$ 331,610	$ 341,817	$ 363,186	$ 379,583
Administration	30,866	30,700	27,650	27,650	27,650
Risk Mgmt. & Claims	21,160	19,570	19,930	20,730	21,760
Regional Services and Downtown Stations	23,397	24,140	26,380	30,220	31,560
Diesel Fuel	47,390	56,580	63,560	69,920	76,910
Security	14,022	17,000	18,000	19,000	20,000
Health Insurance	49,239	53,940	55,980	60,460	65,290
Pension	3,736	4,840	4,840	4,840	4,940
Electricity	13,056	14,960	15,190	15,760	16,940
Total Expenditures	**$ 524,917**	**$ 553,340**	**$ 573,347**	**$ 611,766**	**$ 644,633**
Operating Deficit	**$ 249,643**	**$ 265,820**	**$ 264,097**	**$ 290,996**	**$ 308,073**
Deficit Funding					
RTA Sales Tax	$ 256,301	$ 257,374	$ 264,097	$ 270,996	$ 278,073
Federal Capital Funds used for Operations	57,912	60,358	-	-	-
Total Deficit Funding	**$ 314,213**	**$ 317,732**	**$ 264,097**	**$ 270,996**	**$ 278,073**
Funding Less Deficit (1)	$ 64,570	$ 51,912	-	$ (20,000)	$ (30,000)
Recovery Ratio % (2)	55.8%	55.6%	57.7%	N/A	N/A

(1) When the amount of funding exceeds the operating deficit (2006-2007), the funds are transferred to the capital program. When the amount of funds available for operations is less than the funds required for operations (2009-2010), service reductions or other operating modifications must be made to achieve a balanced budget and financial plan. (2) Includes allowable expense deductions (funded depreciation, security and lease). In 2008 the amount is $37.8 million.

Budget and Financial Plan

Over the past year, Metra, along with the RTA, CTA, and Pace, has been engaged in an ongoing process to demonstrate the need for new sources of state funding. As of the time this budget was prepared, no financing plan had been acted upon by the General Assembly. Metra, therefore, had to make some very serious and difficult decisions beginning in 2008 to bring its budget into line with available resources. Since a continued shift of capital funds to operations is neither an effective nor prudent long term approach, fare increases and other actions will be required.

In 2008, Metra projected a shortfall of $40.3 million in sales tax revenues used for operations. In order to prevent this shortfall, Metra proposes the following actions:

- 10% fare increase starting on February 1, 2008.
- Elimination of the popular weekend fare program. Instead, Metra will offer a $7 all-day ticket for travel on either weekend day.
- Reduction of janitorial services and coach cleaning.
- Reduction of 100 jobs through attrition.
- A wage freeze for non-contract positions.
- Additional 10% fare increase in 2009 and 2010.
- Service reductions.

Exhibit 5-8: **Metra System-Generated Revenue** (dollars in millions)

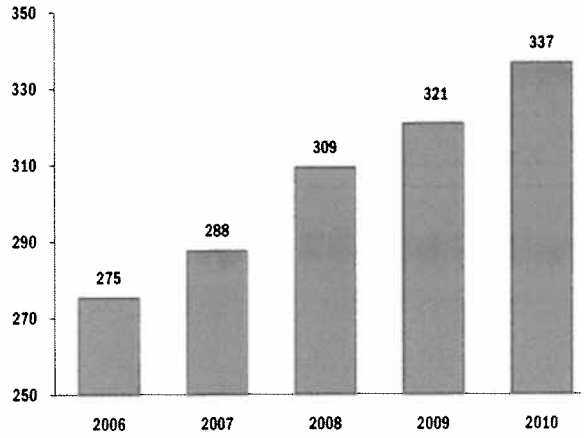


Exhibit 5-9: **2008 Metra Revenue** - $309.3 million

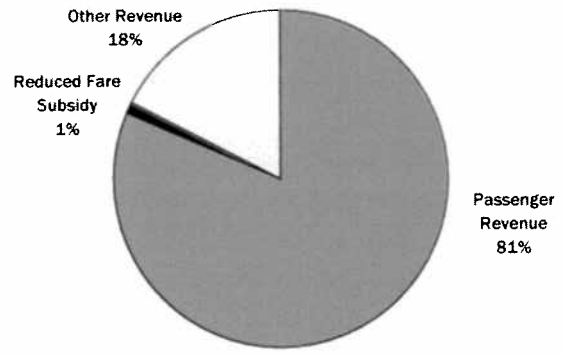


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	July 2005-June 2006	July 2006-June 2007	Change	% Change
Monthly	1,170.4	1,208.9	38.5	3.3
25-Ride	15.5	16.3	0.8	5.2
Ten-Ride	1,733.3	1,823.7	90.4	5.2
Regular One-Way	6,460.4	6,681.1	220.7	3.4
Conductor	4,360.2	4,735.3	375.1	8.6
Weekend	1,307.3	1,566.9	259.6	19.9
Link-Up	73.1	92.8	19.7	26.9
PlusBus	14.5	15.3	0.8	5.5

System-Generated Revenue

Total system-generated revenue is expected to increase from $275.3 million in 2006 to $336.6 million in 2010. This represents an increase of $61.3 million or a compound annual growth rate of 5.2 percent (Exhibits 5-7 and 5-8).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. Passenger revenue of $251.4 million comprise 81 percent of the total revenue budgeted for 2008 (Exhibit 5-9).

Passenger Revenue

Passenger revenue or farebox revenue is estimated to increase from $217.6 million in 2006 to $283.2 million by 2010. This increase of $65.6 million represents a 6.8 percent annual growth rate. Metra's passenger revenue increase is mainly the result of 10% fare increases in 2008, 2009, and 2010. The 10% fare increase will generate $20.6 million in

2008. By increasing Saturday and Sunday fares to $7.0 provides additional revenue of $3.0 million, and the effect of having a separate Sunday fare of $7.0 increases revenue by $1.0 million in 2008.

The continued strength of the local economy, the higher cost of gasoline, major road reconstruction projects, and service expansions or extensions on the North Central Service, Union Pacific West, and SouthWest Service Lines in 2006 also contributed to higher ridership and therefore higher passenger revenue.

Changing rider and ticket trends, such as longer trip length and increased one-way, conductor, and weekend ticket sales (Exhibit 5-10) also contributes to the higher passenger revenue.

Metra's fare structure is presented at the end of this section (Exhibit 5-14).

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 revenue 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 $3.5 million in 2008, is projected to be $3.1 million during this planning cycle.

Other Revenue

The other revenue category represents 18 percent of Metra's total revenue for 2008. The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non fare-generated income. The total other revenue category is expected to decrease from $53.9 million in 2006 to $50.3 million in 2010, due mostly to lower capital credits.

Exhibit 5-11: **Metra Operating Expenditures** (dollars in millions)

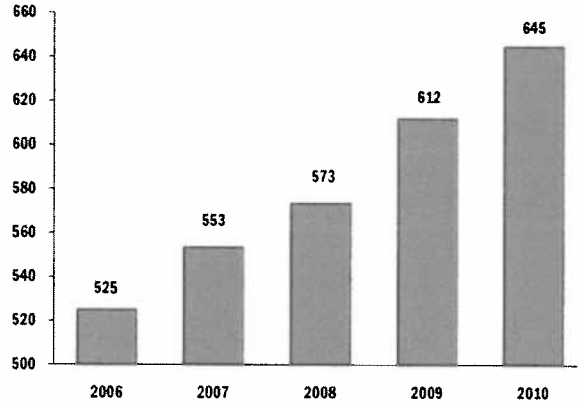
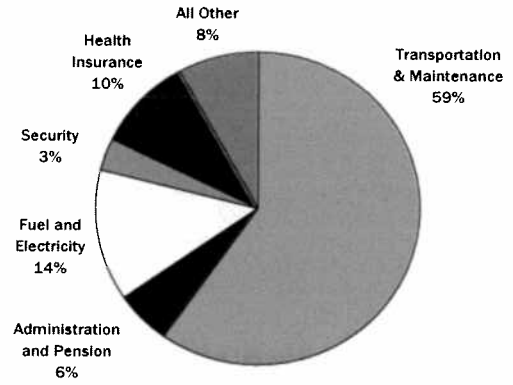


Exhibit 5-12: **Metra Operating Expenditures** - $573.3 million



Operating Expenditures

Total operating expenditures are forecast to increase from $524.9 million in 2006 to $644.6 million in 2010. This $119.7 million increase represents a 5.3 percent compound annual growth rate (Exhibit 5-11).

Metra's 2008 operating expenditures of $573.3 million are projected to grow by 3.6 percent from the 2007 estimate.

In 2009 and 2010, total expenditures will increase by 6.7 percent and 5.4 percent respectively, compared to the previous year (Exhibit 5-7). Higher maintenance expense due to the lack of capital funding is the major contributing factor.

Expenditure Elements

The components of operating expenditures are transportation and maintenance, administration and pension, diesel fuel and electricity, security,

health insurance and all other, including claims and risk management, regional services and downtown stations. Metra's 2008 total expenditures breakdown is transportation and maintenance 59 percent, administration and pension 6 percent, fuel and electricity 14 percent, security 3 percent, health insurance 10 percent, and all other 8 percent. (Exhibit 5-12).

Transportation and Maintenance

Transportation includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations.

Maintenance includes two types of activities: maintenance of way and maintenance of equipment. Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions.

Maintenance of equipment activities includes regular repairs, inspection and preventive maintenance on passenger train equipment to ensure that this equipment is safe and in good working order to meet train schedules and passenger demand for seating.

Transportation and maintenance expenditures are expected to increase from $322.1 million in 2006 to $379.6 million in 2010. This $57.5 million increase represents a compound annual growth rate of 4.2 percent (Exhibit 5-7).

Administration and Pension

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Management of the Metra owned and operated rail services are also included in this category.

Administration and pension expenditures are projected to decrease from $34.6 million in 2006 to $32.6 million in 2010. This $2.0 million decrease is mainly attributable to the projected staff reduction without new funding (Exhibit 5-7).

Diesel Fuel and Electricity

Diesel fuel is one of the most volatile components of the operating expenditures. Diesel fuel averaged $1.93 per gallon in 2006 totaling to $47.4 million and was budgeted at $2.30 per gallon in 2007 to total $59.6 million. Metra is estimating an average price of $2.11 per gallon in 2007 for a total cost of $56.6 million, $3.0 million less than the 2007 budget. Metra is projecting an average price of $2.30 per gallon for 2008, the same as in the 2007 budget, for a total of $63.6 million.

Rates for Metra electric motive power and power at Metra's large yards are under contract until May 2009 and therefore show little growth in the 2008 budget.

Fuel and electric power is projected to increase from $60.4 million in 2006 to $93.9 million in 2010. This $33.4 million increase represents a compound annual growth of 11.6 percent (Exhibit 5-7).

Security

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expense category includes police and contract security services as well as planning, coordination, and training with other agencies. For 2008, the budget is $18.0 million, which is 6 percent above the 2007 estimate of $17.0 million. Security expenses are expected to increase by $1.0 million per year in 2009 and 2010 (Exhibit 5-7).

Health Insurance

Health insurance costs for 2008 of $56.0 million are expected to increase 3.8% from $53.9 million in 2007, with an 8% annual growth rate in 2009 and 2010 (Exhibit 5-7).

All Other

Expenditures for risk management and claims are expected to increase from $21.2 million in 2006 to $21.8 million by 2010. This $0.6 million increase represents a compound annual growth rate of 0.7 percent.

Metra is also responsible for setting fare and service levels, capital improvement planning and oversight, and service planning. Expenditures for these functions are included in the regional services and downtown stations category.

Expenditures in this category are expected to increase from $23.4 million in 2006 to $31.6 million by 2010. This $8.2 million increase represents a compound annual growth rate of 7.8 percent (Exhibit 5-7).

Deficit

The operating deficit is derived from total system-generated revenue minus total operating expenditures. Metra's 2008 budget deficit is $264.1 million (Exhibit 5-7). This deficit is offset by public funding to reach a balanced budget.

Funding

The RTA Sales Tax is the major source of public funds used to cover the budgeted operating deficit. By statute, the RTA retains 15 percent of the sales tax receipts and passes the remaining balance of 85 percent to the Service Boards. Of this remaining amount, Metra receives 55 percent of the RTA Sales Tax dollars collected in suburban Cook County, and 70 percent of the RTA Sales Tax collected in the collar counties. Metra's budgeted statutory sales tax receipts in 2008 are $264.1 million.

Recovery Ratio

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2008 Metra's recovery ratio is 57.7 percent exceeding the mark of 55% set by the RTA. The RTA Region section provides a detailed recovery ratio calculation.

2007 Budget versus 2007 Estimate

Total revenue is expected to finish $2.5 million favorable to budget for 2007. Passenger revenue is projected to be favorable to budget by $2.1 million or 0.9 percent due to higher ridership. Other revenue is expected to closely match budget of $57.2 million

Expenditures are forecast to finish $0.6 million, or 0.1 percent favorable to budget for 2007. Expenditures such as administration, regional services

Exhibit 5-13: **Metra 2007 Budget versus 2007 Estimate** (dollars in thousands)

	2007 Budget	2007 Estimate	Variance
System-Generated Revenue			
Passenger Revenue	$ 224,800	$ 226,868	$ 2,068
Reduced Fare Subsidy	3,050	3,492	442
Other Revenue	57,210	57,160	(50)
Total Revenue	**$ 285,060**	**$ 287,520**	**$ 2,460**
Operating Expenditures			
Transportation and Maintenance	$ 326,240	$ 331,610	$ (5,370)
Administration	30,700	30,700	-
Risk Mgmt. & Claims	19,300	19,570	(270)
Regional Services and Downtown Stations	24,140	24,140	-
Diesel Fuel	59,580	56,580	3,000
Security	17,000	17,000	-
Health Insurance	52,120	53,940	(1,820)
Pension	4,840	4,840	-
Electricity	20,060	14,960	5,100
Total Expenditures	**$ 553,980**	**$ 553,340**	**$ 640**
Operating Deficit	**$ 268,920**	**$ 265,820**	**$ 3,100**
Recovery Ratio %	**55.0%**	**55.6%**	**0.6%**

and downtown stations, security, and pension are expected to finish the year on budget. However, health insurance, transportation and maintenance, and risk management & claims are projected to exceed budget by 3.5%, 1.6%, and 1.4% respectively. Health insurance continues to increase rapidly, while the transportation category includes an additional $4 million in the 2007 estimate because the freight railroads concluded their labor contracts as well as the inclusion of two major union contract extensions. Fuel is estimated to be under budget by $3.0 million or 5%, while electricity will be more than $5 million or 25% favorable to budget due to a locked electrical rate contract for a two-year period. Exhibit 5-13 details the variance between the 2007 budget and 2007 estimate.

Statutory Compliance

The RTA Act requires that each Service Board meet six criteria, which are detailed in the RTA Region section, for RTA Board approval of its budget. The Metra budget meets each of these criteria.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones. These zones 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 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 fare zone boundaries are crossed. The base fare is $2.15 for a one-way trip beginning February 1, 2008. The incremental charge is 40¢ or 45¢ for each additional zone (Exhibit 5-14).

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

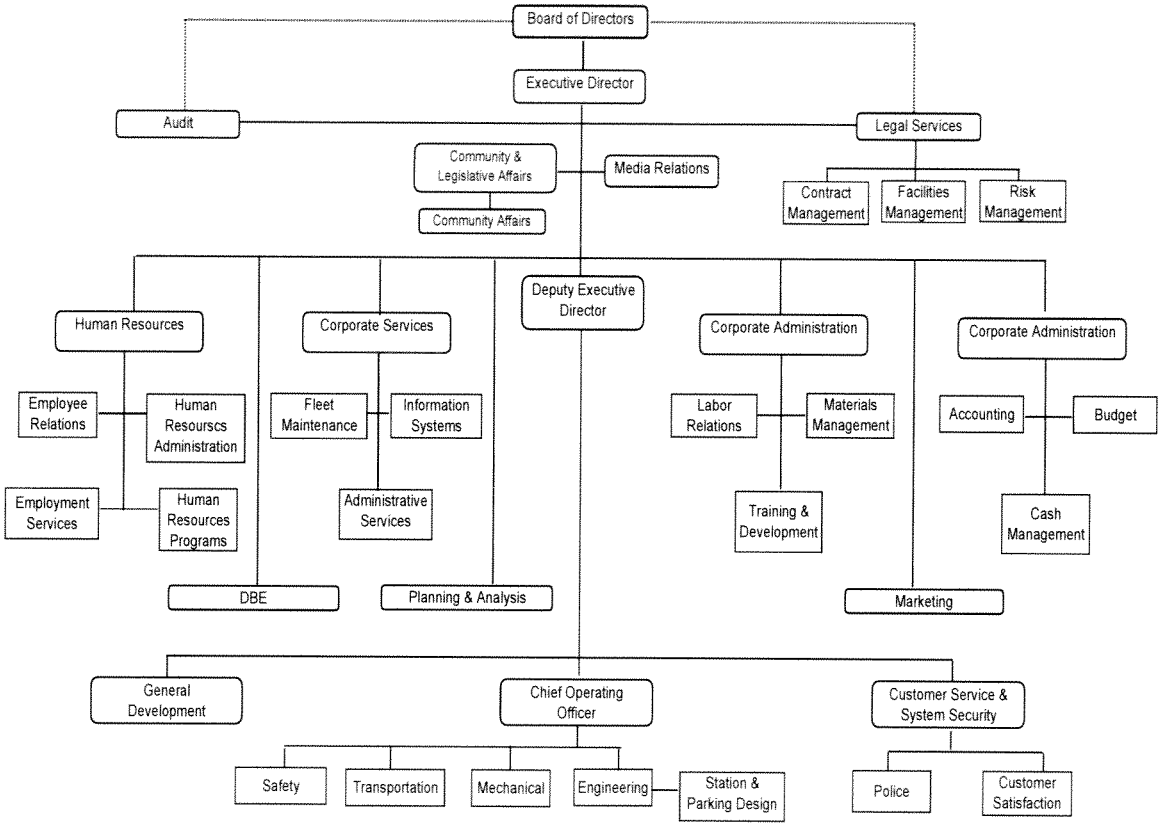
Ticket Type	Period of Validity	Number of Rides	Pricing Basis
Monthly*	Calendar Month	Unlimited	27 times one-way fare
10-Ride*	One Year	Ten	8.5 times one-way fare
One-Way*	One Year	One	Base fare plus increments
Weekend	Saturday/ Sunday	Unlimited	Flat rate $7/day

*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. The base fare for a one-way trip is $2.15 beginning February 1, 2008.

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-15.

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



6 Pace Operating Plan

Suburban Service

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. Beginning July 1, 2006, Pace assumed operating responsibility for all paratransit service in the RTA region. Pace's regional ADA paratransit service is discussed separately later in this section.

Service Characteristics

Pace's mission is to provide efficient well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility supplies line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. Achieving this mission will also require the continued restructuring of Pace's current fixed-route service.

Pace suburban service includes 143 regular routes, 65 feeder routes, 23 shuttle routes, and 767 vanpool vehicles.

Pace's suburban service area measures 3,446 square miles. The suburban area is divided among the six counties and incorporates 284 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Pace service includes approximately 143 regular routes, 65 feeder routes, 23 shuttle routes, 767 vanpool vehicles, 191 Pace-owned Dial-A-Ride vehicles, and 358 Pace-owned ADA paratransit vehicles. The suburb-to-suburb travel market is the largest service area in the region and is primarily served by the automobile.

Employment and residential shifts outward from central business districts have resulted in longer commutes, greater single-occupant automobile use, increased traffic congestion, and declining air quality. Changing travel needs are the result of the growing suburban job market, welfare-to-work initiatives, and greater work-hour, workday, and work-location flexibility. However, increased support for smart growth, transit-oriented development, and environmental concerns have accompanied these trends. In light of these factors, Pace is working to better serve various suburban travel markets.

To attract more riders, Pace will need to gain consensus among a diverse group of stakeholders, communities, and organizations interested in transportation and smart growth; create viable community and regional partnerships; develop service plans for specific communities and groups of communities; and gain funding from local, regional, state and federal sources.

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

Pace already works with 210 communities to plan, design, and deliver services. Vision 2020 identifies nearly 100 service areas for further study in partnership with communities. To better support a service area that spans walkable suburban neighborhoods, satellite cities, and rural communities, Pace will expand its current offerings (e.g., fixed-route, commuter rail feeder, employer shuttle, and route-deviation services) and further customize the mix of tailored, flexible community-based services (e.g., demand response, curb-to-curb van service, and subscription routes) based on detailed studies of travel markets and local interests and conditions. Vision

2020 addresses three service levels—low, medium, and high—which reflect the spectrum of population and employment density found in Pace's service area. To achieve high service levels at low cost, Pace will apply Bus Rapid Transit (BRT) features, limited stops, simple routes, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority, and bus lanes on expressway/tollway and arterial line haul routes.

To develop an effective regional arterial and community-based transit system, Pace began route-restructuring initiatives in 2000. Consistent with Vision 2020, the goals of route restructuring include faster, more efficient, and more effective service, as well as an enhanced image of transit as an alternative to the automobile. Pace restructured routes in Elgin, along the Halsted Corridor, and in the vicinity of Orland Square Mall. In 2005, Pace completed its restructuring of eleven routes in North Shore communities to serve new trip generators, reduce transfers, and eliminate unproductive segments and route duplication.

Late in 2005, Pace implemented an initial round of service changes in the Aurora area as part of its restructuring efforts in the Fox Valley/Southwest DuPage region. After Metra increased service on its North Central Line, Pace added three new Shuttle Bug routes for employees of several nearby companies. Pace has completed most of the planning for the redesign of service in southern and southwestern Cook County and all of Will County. In the next few years, Pace plans restructuring initiatives in the Waukegan and Elgin areas and in western Cook County.

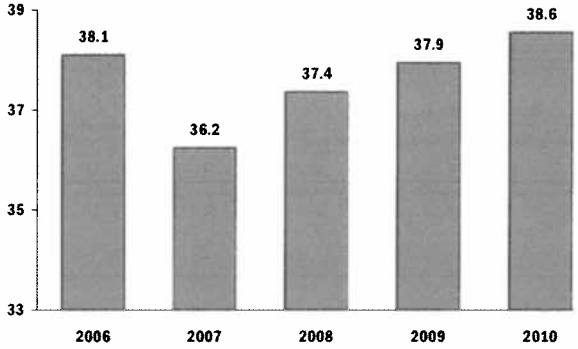
Pace is seeking to implement a regional Transit Signal Priority (TSP) program along major arterial routes. Implementation of the Harvey Transportation Center TSP initiative will improve the operation of the transit terminal and increase the reliability of Pace routes traveling along nearby 154th Street, 159th Street, and Halstead Street. Initially focusing on expanding Pace's existing express bus service and new express bus service between southern Cook County and the Rosemont/O'Hare area, implementation of a suburban expressway/tollway service express bus network will connect major regional activity centers and park-n-ride lots. Pace's Bus Rapid Transit (BRT) Corridor Implementation will develop Pace's Arterial Rapid Transit Network for the Region (PARTNER) Program. Integrated with Pace's express bus service, the PARTNER Program will operate on major east-west and north-south arterials and utilize TSP and queue jump lanes to increase travel speed and route reliability.

Ridership

In 2006, Pace ridership of 38.1 million included suburban service ridership of 36.5 million. Pace estimates 2007 suburban service ridership of 36.2 million.

Pace expects suburban service ridership of 37.4 million in 2008. Pace projects suburban service ridership to increase 1.6 percent annually to 37.9 million in 2009 and 38.6 million in 2010 (Exhibit 6-1).

Exhibit 6-1: **Pace Suburban Service Ridership** (in millions) (1)



(1) In 2006, ridership includes ADA paratransit service. Ridership in 2008 through 2009 assumes no service cuts or fare increases.

Marketing Strategies

Pace's 2007 marketing strategy implementation will continue to take the form of tactical local awareness campaigns. Initiatives will educate the public about the availability of Pace services and the value of public transportation to both riders and non-riders. After categorizing riders and potential riders based

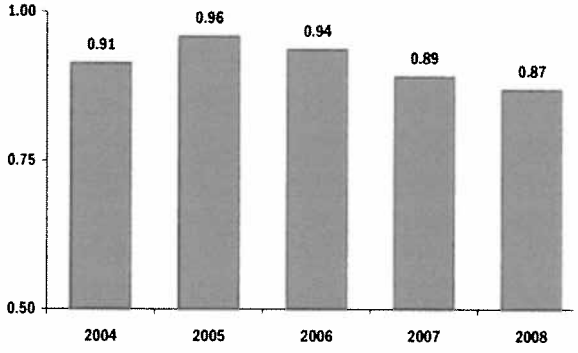
on their commuting, demographic, and psychographic characteristics, campaigns will promote the features and benefits of Pace services to these sub-groups on a local or county level.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to relate the number of passengers to the number of miles serviced. Pace's passengers per mile ratio for suburban service is expected to continue to decline to 0.87 in 2008 (Exhibit 6-2). Part of this decline results from route restructuring that reduces transfers.

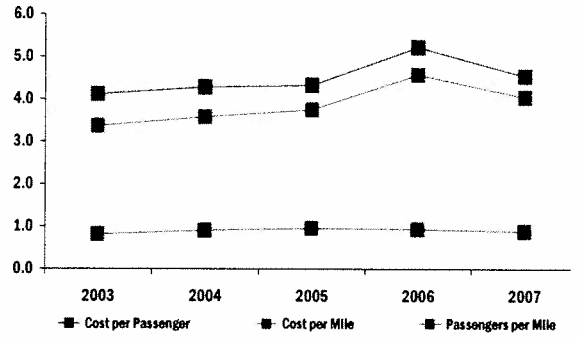
The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Cost per mile has increased from $3.38 in 2003 to $4.58 in 2006 with the addition of CTA service area ADA paratransit service during the second half of 2006. Pace estimates suburban service cost per mile of $4.05 in 2007.

Exhibit 6-2: **Pace Suburban Service Passengers Per Mile** (in millions) (1)



(1) In 2008, passengers per mile assumes no service cuts or fare increases.

Exhibit 6-3: **Pace Suburban Service Cost Efficiency** (1)



(1) In 2003 through 2006, cost per passenger and cost per mile include ADA paratransit.

Capital Investment

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management.

Rolling Stock

In 2008, Pace intends to replace 33 fixed-route buses which have exceeded their useful life. The new vehicles will be 30-foot vehicles. Pace will also purchase two buses for local municipal service in the Village of Oak Park.

Pace plans to replace 80 paratransit replacement vehicles which have exceeded their useful life. The new vehicles, a combination of buses and vans, will be operated to provide dial-a-ride services in Pace's suburban service area.

Pace expects to expand its community vehicle lease program by 48 vehicles. Local communities lease these vehicles to provide locally-based transit services.

Pace plans to purchase 75 vanpool vehicles for program expansion and to replace vehicles which have exceeded their useful life. Pace's 2008 goals for the vanpool program include carrying 2.2 million passengers, which is a ridership increase of 17.8 percent over the 2007 estimate. The recovery performance of the vanpool programs in 2007 is expected to range from 84.9 percent for the ADvAntage program to 181.8 percent for the Corporate Shuttle Program. Pace plans to increase the number of vans in service from 725 at the end of 2007 to 855 by the end of 2008.

Electrical, Signal & Communications

The capital program contains funds to replace the 13-year old fleet-wide radio system. The program also includes continued funding of transit signal priority (TSP) systems in major corridors.

Support Facilities & Equipment

The capital program includes continued funding of the HPe3000 computer system replacement project, miscellaneous computer hardware and software, and a new bus safety system. The program also contains funds to make critical improvements to garages and facilities and to purchase garage and office equipment.

Budget and Financial Plan

The Pace suburban service budget and financial plan presented in Exhibit 6-4 meets the funding marks set by the RTA Board on September 14, 2007. The RTA Board set Pace's 2008 recovery ratio mark for suburban service operations at 36.0 percent and adopted this mark on December 14, 2007. Pace's 2008 budget reflects a recovery ratio of 38.5 percent.

From 2004 to 2007, the RTA provided additional funding to Pace to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes. Unlike prior years, RTA funds to Pace in 2008 through 2010 do not include additional funding to accept these passes.

As of the time this budget was prepared, Pace's planned budget balancing actions will eliminate 58 regular bus routes, 56 feeder/shuttle routes, weekend service on 53 bus routes, evening weekday service, routes presently funded by federal CMAQ and JARC funds, and special event service, together comprising 30% of Pace fixed route ridership base. The service reductions will be accompanied by the loss of 224 positions including administrative employees and fare increases which will increase Pace's base fare to $2.

Beginning in 2007, Pace's revenue, expenditures, and funding are separated into suburban service and regional ADA paratransit service. Pace's budget and financial plan for suburban service is presented in Exhibit 6-4. Revenue, expenditures, and funding for regional ADA paratransit service beginning in 2007 are discussed later in this section.

System-Generated Revenue

In 2006, Pace's system-generated revenue from suburban service, suburban ADA paratransit service, and ADA paratransit service in the CTA service area during the second half of the year totaled $55.0 million. Pace expects that in 2007 suburban service will result in system-generated revenue of $52.4 million. After adjusting for proposed fare increases and service cuts, Pace projects suburban service system-generated revenue of $55.9 million in 2008, $57.3 million in 2009, and $59.6 million in 2010, corresponding to a compound annual growth rate of 3.2 percent from 2008 through 2010 (Exhibit 6-5). In 2008, passenger revenue is expected to account for 54 percent, local share/other 29 percent, advertising/investment revenue 11 percent, and reduced fare subsidy 6 percent of total suburban service revenue (Exhibit 6-6).

Passenger Revenue and Local Share

In 2006, Pace's passenger or farebox revenue from suburban service, suburban ADA paratransit service, and ADA paratransit service in the CTA service area during the second half of the year totaled $31.4 million. Pace expects that in 2007 suburban service will result in farebox revenue of $28.4 million. Before adjusting for proposed fare increases and service cuts, Pace projects suburban service farebox revenue of $30.2 million in 2008 will grow to $31.7 million in 2010, a $1.5 million increase corresponding to a compound annual growth rate of 2.5%

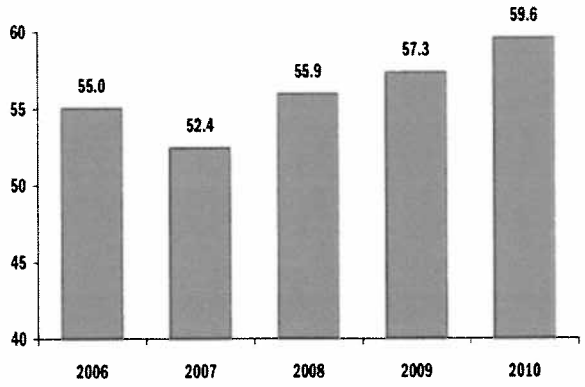
Exhibit 6-4: **Pace Suburban Service 2008 Budget and 2009-2010 Financial Plan*** (dollars in thousands)

	2006 Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
System-Generated Revenue					
Farebox Revenue (1)	$ 31,427	$ 28,408	$ 30,179	$ 30,930	$ 31,709
Local Share/Other	14,646	14,799	16,254	16,714	17,971
Reduced Fare Subsidy	3,027	3,153	3,207	3,207	3,207
Advertising/Investment	5,936	6,075	6,269	6,444	6,651
Sub-Total Revenue	55,036	52,435	55,909	57,295	59,538
Fare Increases	-	-	5,757	5,815	5,873
Service Reductions	-	-	(5,717)	(5,774)	(5,832)
Total Revenues (2)	**$ 55,036**	**$ 52,435**	**$ 55,949**	**$ 57,336**	**$ 59,579**
Operating Expenditures					
Labor/Fringes	$ 77,905	$ 81,315	$ 84,718	$ 87,366	$ 90,066
Health Insurance	13,345	14,077	15,034	16,733	18,624
Parts/Supplies	4,702	5,470	5,839	5,968	6,099
Utilities	1,796	2,154	2,323	2,494	2,645
Fuel	13,337	13,391	15,695	17,575	19,612
Insurance	10,489	9,891	10,715	10,951	11,192
Other	10,822	10,496	10,654	10,697	10,949
Public/Private Contract	9,605	10,387	12,034	12,614	13,165
Dial-A-Ride	14,399	15,589	17,309	18,264	19,280
Vanpool	2,761	3,379	3,911	4,634	5,506
ADA Paratransit Purchased Transportation	40,023	-	-	-	-
ADA Indirect Overhead Credit	-	(1,392)	(2,655)	(2,761)	(2,871)
Sub-Total Expenses	199,184	164,757	175,577	184,535	194,267
Service/Expense Reductions	-	-	(30,367)	(31,703)	(33,098)
Total Expenditures	**$ 199,184**	**$ 164,757**	**$ 145,210**	**$ 152,832**	**$ 161,169**
Operating Deficit	**$ 144,148**	**$ 112,322**	**$ 89,260**	**$ 95,497**	**$ 101,590**
Deficit Funding					
RTA Sales Tax	$ 81,012	$ 81,573	$ 83,728	$ 85,939	$ 88,209
RTA Discretionary Funds	570	2,619	868	960	1,062
RTA Regional ADA Funding	16,918	-	-	-	-
Federal CMAQ, JARC, and New Freedom Funds	753	1,830	2,146	1,326	553
RTA Pass Reimbursement (3)	2,000	4,000	-	-	-
Federal 5307 Funds (4)	38,803	22,876	2,518	7,272	11,766
Total Deficit Funding	**$ 140,056**	**$ 112,898**	**$ 89,260**	**$ 95,497**	**$ 101,590**
Funding Surplus/Deficit	**$ (4,091)**	**$ 576**	-	-	-
ADvAntage Program - In-Kind	**$ 5,509**	**$ 4,496**	-	-	-
Recovery Ratio % (5)	**34.2%**	**36.0%**	**38.5%**	**N/A**	**N/A**

*2006 Actual includes suburban ADA paratransit service during all of 2006 and ADA paratransit service in the CTA service area provided by Pace during the second half of 2006.

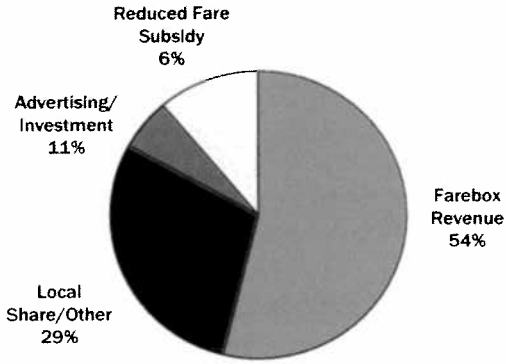
(1) Includes fixed route, vanpool, municipal vanpool, Ride DuPage, and other services. (2) Excludes ADvAntage Program–in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation. (3) Pass reimbursement is considered revenue for Pace's recovery ratio calculation. (4) Federal Section 5307 funding (preventive maintenance and ADA complimentary) transferred from the capital program to operations. Since the capital-related costs of paratransit service under contract are characterized as operating expenditures under GAAP, this funding is recognized as operating revenue. In 2006, this amount is divided between funding for suburban service (Dial-A-Ride) and funding for ADA paratransit. In 2006, the amounts applied to the recovery ratio calculation were $3.8 million for suburban service and $3.7 million for ADA paratransit for a total of $7.5 million. (5) The recovery ratio in 2008 exceeds the 36% mark set for Pace by the RTA Board on September 14, 2007.

Exhibit 6-5: **Pace Suburban Service System-Generated Revenue**
(dollars in millions) (1) (2)



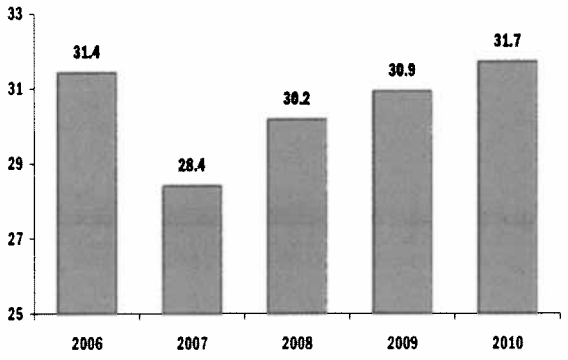
(1) In 2006, revenue includes ADA paratransit service. In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases. (2) Revenue excludes RTA pass reimbursement, funding for paratransit for ADA paratransit or Dial-A-Ride services, and ADvAntage Program–in-kind revenues.

Exhibit 6-6: **2008 Pace Suburban Service Revenue**
$55.9 million (1)



(1) Reflects fare increases and service reductions.

Exhibit 6-7: **Pace Suburban Service Farebox Revenue**
(dollars in millions) (1)



(1) In 2006, farebox revenue includes ADA paratransit service. In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases.

(Exhibit 6-7). Passenger revenue includes fixed route farebox deposits (using cash, pass, and cards) and payments for vanpool, dial-a-ride, van pool, and other services. Other services are Congestion Mitigation Air Quality (CMAQ) receipts, Job Access Reverse Commute (JARC) receipts, and shuttle service.

In 2006, Pace's local share contributions and other revenue totaled $14.6 million. Pace expects that in 2007 suburban service will result in local share contributions and other revenue of $14.8 million. Suburban service local share contributions and other revenue are expected to grow from $16.3 million in 2008 to $18.0 million in 2010, a $1.7 million increase that corresponds to a 5.1 percent compound annual growth rate.

Pace's suburban service fare structure is presented at the end of this section (Exhibit 6-10). Pace intends to raise fares as follows:

- base fare from $1.50 to $2.00,
- monthly pass from $75.00 to $84.00, and
- van pool fares by 10%.

Pace also planned to raise the price of its other full-fare and reduced fare single-ride fares, transfers, ten-ride tickets, and passes.

Reduced Fare Subsidy

The reduced fare subsidy is expected to increase from $3.0 million in 2006 to $3.2 million in 2008 and remain stable through 2010. In 1999, the subsidy essentially doubled with the implementation of the Illinois FIRST program.

Advertising/Investment

Advertising and investment revenue is expected to increase from $5.9 million in 2006 to $6.7 million in 2010. In September 2003, the Pace Board of Directors approved a revenue-generating multi-year contract with Transit Television Network (TTN) of

Orlando for the installation of on-board broadcasting monitors. The television screens broadcast informational programming on fixed-route buses. Fully funded by TTN, the project provides Pace with a minimum of $0.5 million during the five-year agreement. Investment revenue includes income from investments of cash balances.

Operating Expenditures

Total Pace operating expenditures of $199.2 million in 2006 comprised suburban service, suburban ADA paratransit service, and ADA paratransit service in the CTA service area during the second half of the year. In 2007, Pace expects operating expenditures for suburban service of $164.8 million. After adjusting for proposed service and expense reductions, Pace projects suburban service operating expenditures of $145.2 million in 2007 to grow to $161.2 million in 2009, an increase of $16.0 million corresponding to a compound annual growth rate of 5.4 percent (Exhibit 6-8). These expenditure totals include a regional ADA support credit of approximately $2.8 million annually that reflects many of the administrative and overhead costs to be incurred throughout Pace in support of ADA paratransit. Growth of labor/fringes and health care costs is the primary factor behind the increases in suburban service operating expenditures.

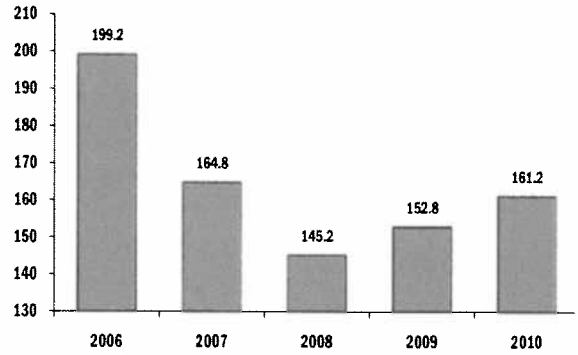
Expenditure Elements

Operating expenditure elements include labor/fringes, health insurance, parts/supplies, utilities, fuel, insurance and claims, other, public/private contracts, Dial-A-Ride, vanpool, and ADA paratransit (Exhibit 6-4). Figures for individual expenditure elements during 2008 through 2010 do not incorporate proposed service and expense reductions which are deducted from total expenditures.

Labor/Fringes and Health Insurance Costs

Labor/fringe and health insurance expenditures are expected to account for 57.9 percent and 56.8 percent of total suburban service operating expenditures in 2007 and 2008, respectively. Combined labor/fringes and health insurance expenditures for suburban service are projected to grow from $99.8 million in 2008 to $108.7million in 2010, an $8.9 million increase that corresponds to a 4.4 percent compound annual growth rate.

Exhibit 6-8: **Pace Suburban Service Operating Expenditures** (dollars in millions) (1) (2)



(1) In 2006, expenditures include ADA paratransit. Expenditures reflect a regional ADA support credit beginning in 2007 and a service/ expense reduction credit beginning in 2008. (2) Expenditures exclude ADvAntage Program–in-kind expenses.

Parts/Supplies

Parts/supplies expenditures are expected to account for 3.3 percent of total suburban service operating expenditures in both 2007and 2008. These expenditures are projected to grow from $5.8 million in 2008 to $6.1 million in 2010, a $0.3 million increase that corresponds to a 2.2 percent compound annual growth rate.

Utilities

Utilities expenditures are expected to account for 1.3 percent of total suburban service operating expenditures in 2007 and 2008. These expenditures are projected to grow from $2.3 million in 2008 to $2.6 million in 2010, a $0.3 million increase that corresponds to a 6.7 percent compound annual growth rate.

Fuel

Fuel expenditures are expected to account for 8.1 percent and 8.9 percent of total suburban service operating expenditures in 2007 and 2008, respectively. These expenditures are projected to grow from $15.7 million in 2008 to $19.6 million in 2010, a $3.9 million increase that corresponds to an 11.8 percent compound annual growth rate.

Insurance and Claims

Insurance and claims expenditures are expected to account for 6.0 percent and 6.1 percent of total suburban service operating expenditures in 2007 and 2008, respectively. These expenditures are projected to grow from $10.7 million in 2008 to $11.2 million in 2010, a $0.5 million increase that corresponds to a 2.2 percent compound annual growth rate.

Other

Other expenditures are expected to account for 6.4 percent and 6.1 percent of total suburban service operating expenditures in 2007 and 2008, respectively. These expenditures are projected to grow from $10.7 million in 2008 to $10.9 million in 2010, corresponding to a 1.4 percent compound annual growth rate.

Public/Private Contract

Public/private contract expenditures are expected to account for 6.3 percent and 6.9 percent of total operating suburban service operating expenditures in 2007 and 2008, respectively. These expenditures are projected to increase from $12.0 million in 2008 to $13.2 million in 2010, corresponding to a 4.6 percent compound annual growth rate.

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 2008, expenditures of $0.7 million are expected to be offset by revenue of $0.6 million including local

subsidy. In Schaumburg, a shopper's trolley service operates in the Woodfield Mall area. In 2008, the cost of this shuttle is expected to be $0.5 million, all of which will continue to be funded by the Village of Schaumburg.

Pace provides fixed-route service in 31 communities by contracting directly with four private transit companies: Academy Coach Lines, Colonial Coach Lines, Laidlaw, and M. V. Transportation. The fixed route portion of CMAQ/JARC services is also included in the private contract carrier budget. In 2008, private contract carrier expenditures of $10.7 million are projected to be offset by revenue of $3.0 million. This $7.7 million funding requirement corresponds to a recovery ratio of 28.0 percent.

Dial-A-Ride

Including Ride DuPage and Ride in Kane, Dial-A-Ride (DAR) expenditures are expected to account for 9.5 percent and 9.9 percent of total suburban service operating expenditures in 2007 and 2008, respectively. These expenditures are projected to increase from $17.3 million in 2008 to $19.3 million in 2010, a $2.0 million increase that corresponds to a 5.5 percent compound annual growth rate.

Pace contracts with private operators to provide service for 32 Dial-A-Ride projects. The communities served cover a portion of the costs through 42 local share agreements. Pace also has service agreements with local governments for the operation of 30 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.

Launched in mid 2004, Ride DuPage consolidates all scheduling and dispatching and provides a single point of contact for (non-ADA) paratransit riders in DuPage County. The new Ride in Kane program provides similar services in this county.

Annual Dial-A-Ride ridership is expected to remain at 1.1 million from 2006 to 2008. Dial-A-Ride is expected to maintain a recovery of 68% in 2007 and 2008.

Vanpool

Pace's vanpool program, which provides passenger vans to groups of 5 to 15 commuters, continues to grow. In 2008, Pace expects to have more than 850 vans carrying 2.2 million riders, an increase of 130 vans (17.9 percent) and 330,000 riders (17.8 percent) from 2007.

The vanpool program is comprised of four elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle, the ADvAntage program, and the Municipal Vanpool program. The VIP service, the core element of the program, is projected to achieve ridership of 994,000 with 310 vans by the end of 2008. Pace estimates that by the end of 2008 the Corporate Shuttle program will have 25 vans transporting employees between suburban employers and nearby CTA, Metra and Pace facilities. By the end of 2008, the ADvAntage element of the vanpool program is expected to have 360 vans transporting individuals with disabilities to work sites or rehabilitative workshops. Pace projects that the Municipal Vanpool program, which allows local municipalities to provide public transportation within their communities, will have 160 vans in service in 2008.

Vanpool expenditures are expected to account for 2.1 percent and 2.2 percent of total suburban service operating expenditures in 2007 and 2008. Vanpool expenditures for suburban service are projected to increase from $3.9 million in 2008 to $5.5 million in 2010, a $1.6 million increase that corresponds to an 18.7 percent compound annual growth rate.

ADA Paratransit

In 2006, Pace incurred $40.0 million for purchased transportation to provide ADA paratransit service to 1.6 million riders in Pace's suburban service area during the entire year and in the CTA service area during the second half of the year.

In 2007, Pace began deducting ADA paratransit administrative and overhead expenses (ADA Indirect Overhead Credit) from its suburban service budget and charging this amount to its regional ADA paratransit budget. In 2007, Pace expects to transfer $1.4 million. Pace projects an annual ADA Indirect Overhead Credit of approximately $2.7 million in 2008 through 2010. ADA paratransit expenditures for 2007 through 2010 are discussed separately later in this section.

Service / Expense Reductions

To meet the funding marks set by the RTA Board on September 14, 2007, Pace prepared to implement service and expense reductions that would reduce expenses by $30.4 to $33.1 million annually in 2008 through 2010.

Deficit

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2006, Pace ended the year with a net funding deficit of $4.1 million. In 2007, Pace projects a net funding surplus of $0.6 million for its suburban service operations. From 2008 to 2010 Pace projects deficit funding to match the operating deficit.

Funding

The RTA sales tax is the primary source of funding for Pace suburban service. The RTA retains 15 percent of the sales tax funds for discretionary funding and allocates the remainder to the service boards by statutory 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. In 2006 and 2007, Pace's portion of RTA sales tax and discretionary funding totaled $81.6 million and $84.2 million, respectively. This amount is expected to grow 2.7 percent annually from $84.6 million in 2008 to $89.3 million in 2010.

In 2006 and 2007, the RTA funded Pace $2 million and $4 million, respectively, to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes. The RTA does not plan to fund Pace to accept these passes in 2008 through 2010. Pace expects to continue to receive federal CMAQ, JARC, and New Freedom operating funds. In 2006, Pace applied $38.8 million of federal 5307 funds to its operating budget. This amount is expected to decline to $22.9 million in 2007 and $2.5 million in 2008 before growing to $7.3 million and $11.8 million in 2009 and 2010, respectively.

The Pace suburban service budget and financial plan presented in Exhibit 6-4 satisfy the funding marks set by the RTA on September 14, 2007.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. With the inclusion of the revenue for the funding of ADA and Dial-A-Ride paratransit service under contract of $7.5 million, $2.0 million of reimbursement from the RTA to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes, and $5.5 million of ADvAntage Program in-kind revenue and expenditure, Pace achieved a recovery ratio of 34.2 percent in 2006. With the inclusion of $4.0 million of reimbursement from the RTA to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes and $4.5 million of ADvAntage program in-kind revenue and expenditure, Pace expects to achieve a recovery ratio for suburban service of 36.0 percent in 2007. With the implementation of fare increases and service and expense reductions, Pace projects a recovery ratio for suburban service of 38.5 percent in 2008 which exceeds the 36 percent recovery ratio mark set by the RTA Board on September 14, 2007. Exhibit 6-4 provides the detail used in these calculations.

Exhibit 6-9: **Pace 2007 Budget vs. 2007 Estimate** (dollars in thousands)

	2007 Amended Budget	2007 Estimate	Variance
System-Generated Revenue			
Farebox Revenue (1)	$ 29,825	$ 28,408	$ (1,417)
Local Share/Other	14,783	14,799	16
Reduced Fare Subsidy	3,327	3,153	(174)
Advertising/Investment	5,532	6,075	543
Total Revenues	**$ 53,467**	**$ 52,435**	**$ (1,032)**
Operating Expenditures			
Labor/Fringes	$ 80,989	$ 81,315	$ (326)
Health Insurance	15,299	14,077	1,222
Parts/Supplies	4,950	5,470	(520)
Utilities	1,868	2,154	(286)
Fuel	15,026	13,391	1,635
Insurance	9,925	9,891	34
Other	10,856	10,496	360
Public/Private Contract	10,307	10,387	(80)
Dial-A-Ride	15,088	15,589	(501)
Vanpool	3,567	3,379	188
ADA Paratransit Service	(1,529)	(1,392)	(137)
Total Expenditures	**$ 166,346**	**$ 164,757**	**$ 1,589**
Operating Deficit	**$ 112,879**	**$ 112,322**	**$ 557**
Deficit Funding			
RTA Sales Tax	$ 81,573	$ 81,573	-
RTA Discretionary Funds	2,619	2,619	-
Federal CMAQ & JARC Funds	1,717	1,830	113
RTA Pass Reimbursement	4,000	4,000	-
Federal 5307 Funds	22,876	22,876	-
Total Deficit Funding	**$ 112,785**	**$ 112,898**	**$ 113**
Funding Surplus/Deficit (Revenue less Expense)	$ (94)	$ 576	$ 670
ADvAntage Program - In-Kind (2)	$ 4,758	$ 4,496	$ (262)
Recovery Ratio %	**36.4%**	**36.0%**	**(0.4%)**

(1) Passenger revenue includes Fixed Route, Van Pool, Dial-A-Ride, Ride DuPage, Ride in Kane, and Other Services. (2) The ADvAntage Program - in-kind revenue and expense (of equal amount) is included in the recovery ratio calculation.

2007 Budget versus 2007 Estimate

Pace projects 2007 operating revenue for suburban service to be $1.0 million or 1.9 percent unfavorable to budget. Passenger revenue is expected to finish the year $1.4 million or 4.8 percent unfavorable, while local share/other revenue is expected to finish the year at budget. The reduced fare subsidy is projected to finish the year $0.2 million or 5.2 percent unfavorable to budget. Advertising/investment revenue is projected to finish the year $0.5 million or 9.8 percent favorable.

Total expenditures are expected to finish the year $1.6 million or 1.0% favorable to budget. Expenditures for fuel, health insurance, and other are expected to be $1.6, $1.2, and $0.4 million favorable to budget, respectively. Expenditures for parts/supplies and Dial-A-Ride are each expected to be $0.5 million unfavorable to budget, while expenditures for labor/fringes and utilities are each expected to be $0.3 million unfavorable.

From a funding perspective, Pace expects a favorable variance of $0.1 million in 2007 because of higher than budgeted federal CMAQ & JARC funding (Exhibit 6-9).

Exhibit 6-10: **Pace Suburban Service Fare Structure**

	Current Fares		New Fares	
	Full Fare	Reduced Fare	Full Fare	Reduced Fare
Regular Fares				
Full Fare	$ 1.50	$ 0.75	$ 2.00	$ 1.00
Transfer to Pace/CTA*	0.25	0.10	0.25	0.10
Passes				
Pace/CTA (30-Day)	$ 75.00	$ 35.00	$ 84.00	$ 35.00
Commuter Club Card (CCC)(Pace Only)	50.00	25.00	55.00	25.00
Link-Up Ticket	36.00	N/A	N/A	N/A
Plus Bus	30.00	N/A	N/A	N/A
Regular 10 Ride Plus Ticket	15.00	7.50	20.00	10.00
Student (Haul Pass)	N/A	25.00	N/A	30.00
Student Summer Pass	N/A	40.00	N/A	45.00
Subscription Bus (Monthly)	110.00	N/A	110.00	N/A
Local Fares				
Full Fare	$ 1.25	$ 0.60	$ 2.00	$ 1.00
Transfer to Pace/CTA*	0.50	0.25	0.25	0.10
Local 10 Ride Plus Ticket	12.50	6.00	Discontinued	
Local transfers are free of charge.				
Express Fares				
Premium (Routes 355 & 855)	$ 3.00	$ 1.50	$ 3.50	$ 1.75
Special Express Fare (891 and 892)	2.00	1.00	2.50	1.25
Premium 10 Ride Plus Ticket (355 and 855)	30.00	15.00	35.00	17.50
Other				
Dial-a-Ride	$ 1.60	$ 0.80	$ 2.00	$ 0.80
Subscription Bus (1000 series)	3.00	N/A	N/A	N/A
Shuttle Routes (No Reduced Fares)	1.00	N/A	1.50	N/A
Shuttle Routes 535 and 921	0.50	N/A	0.75	N/A
Shuttle Routes 205, 206, and 207	0.25	N/A	0.50	N/A
Shuttle Transfer to Pace	1.75	N/A	2.25	N/A
Vanpool				
New monthly VIP and other van pool services fares range from $66 to $158 depending on the daily round trip van miles and the number of passengers. This range represents a 10% increase from 2007.				

*Effective January 1, 2006, the CTA discontinued issuing or accepting cash transfers.

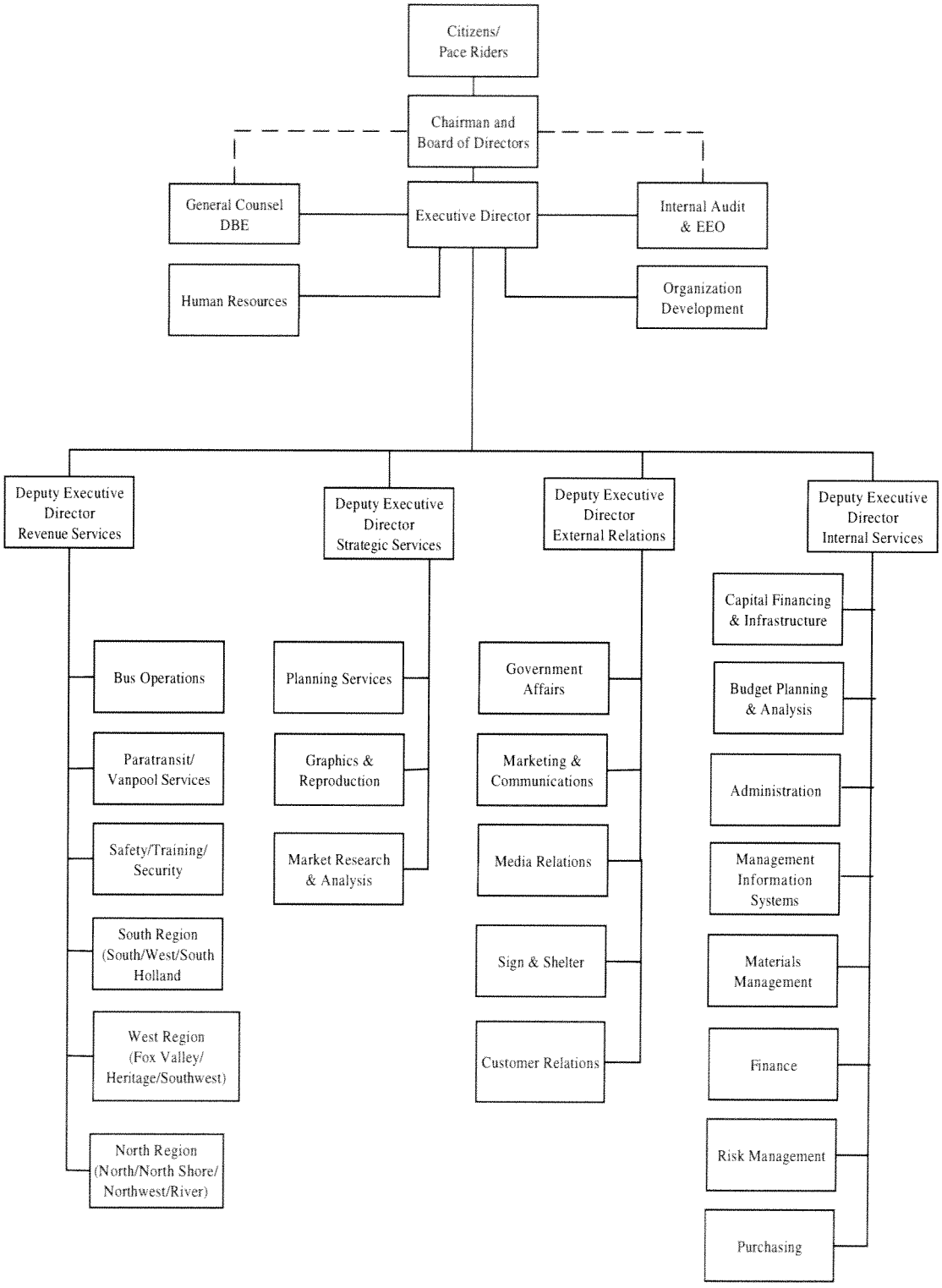
Statutory Compliance

Pace's proposed 2008 budget, 2009-2010 plan, and 2008 recovery ratio submitted to the RTA complies with the operating marks set by the RTA Board on September 14, 2007. Fare increases and service/expense reductions were required to meet these marks.

Organizational Structure

Pace is organized into four main areas: Revenue Services, Strategic Services, External Relations, and Internal Services (Exhibit 6-11). Pace's organizational structure comprises four primary elements: administration, central support, Pace-owned divisions, and regional ADA paratransit services. Within each element, employees are classified into four areas: operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the National Transit Database reporting requirements, which apply to all public transit operators.

Exhibit 6-11: **Pace Organization Chart**



ADA Paratransit

Overview

Effective July 1, 2006, Pace has provided all ADA paratransit service in the RTA region. Beginning in 2007, Pace's revenue and expenditures are separated into suburban service and regional ADA paratransit service.

Service Characteristics

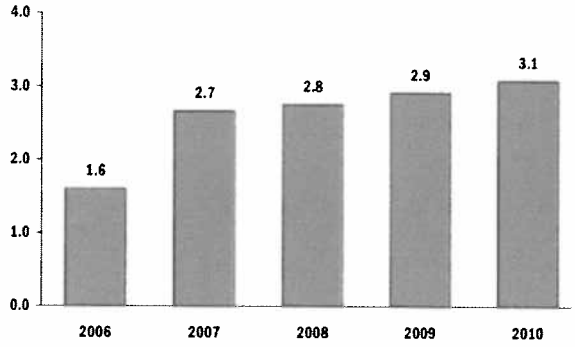
The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA or Metra rail stations, as described in the Americans with Disabilities Act (ADA).

In the suburban area where Pace provides fixed route service, Pace contracts with private operators to provide ADA paratransit service. These operators use Pace-owned lift-equipped vehicles to provide curb-to-curb service to ADA-certified passengers within a portion of the suburban area of the RTA region.

In the CTA service area, Pace contracts with three private operators (Cook-DuPage Transportation (CDT), SCR Transportation and Art's Transportation) to provide ADA paratransit service. The operators use contractor-owned vehicles to provide service to ADA-certified passengers throughout the City of Chicago and the suburban communities served by CTA bus and rail operations. Pace also administers two subsidized taxi programs in the City of Chicago (the Taxi Access Program (TAP) and the Mobility Direct program) for ADA-certified passengers, although these programs are not required by the Americans with Disabilities Act.

The CTA and Pace fixed route services are described earlier in this document.

Exhibit 6-12: **Pace ADA Paratransit Service Ridership** (in millions) (1)



(1) In 2006, ridership includes Pace service area plus CTA service area during second half of year. In 2007 through 2010, ridership includes Pace and CTA service areas. In 2008 through 2010, ridership does not reflect fare increases and service reductions.

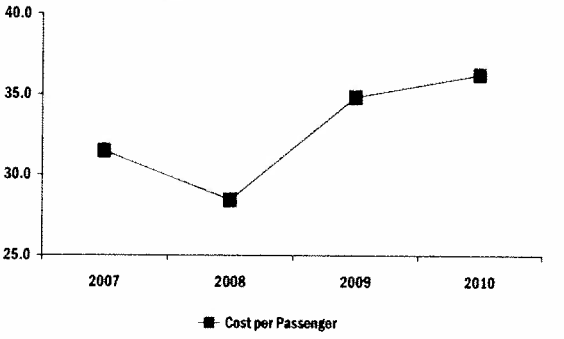
Ridership

In 2006, Pace's ADA paratransit ridership in Pace's suburban service area and in the CTA service area during the second half of 2006 totaled 1.6 million. In 2007, Pace expects regional ADA paratransit ridership of 2.7 million. Pace projects regional ADA paratransit ridership will grow 5.8% annually from 2.8 million in 2008 to 3.1 million in 2010, based on the assumption that during these years ADA paratransit ridership will grow 6% and 5% annually in the CTA service area and suburban service area, respectively (Exhibit 6-12).

Cost Efficiency

The cost per passenger measurement recognizes that expenditures tend to vary with the amount

Exhibit 6-13: **Pace ADA Paratransit Cost Efficiency** (cost per passenger) (1)



(1) In 2008 through 2010, ridership does not reflect fare increases and service reductions.

Exhibit 6-14: **Pace Regional ADA Paratransit Service 2008 Budget and 2009-2010 Financial Plan** (dollars in thousands)

	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
System-Generated Revenue				
Farebox revenue	$ 6,526	$ 7,485	$ 7,919	$ 8,379
Local Share/Reimbursement	819	849	897	948
Sub-Total Revenue	7,345	8,334	8,816	9,327
Fare Increases	-	3,260	3,450	3,653
Service Reductions (1)	-	(1,760)	-	-
Total Revenues	**$ 7,345**	**$ 9,834**	**$ 12,266**	**$ 12,980**
Operating Expenditures				
Labor/Fringes	$ 2,050	$ 2,237	$ 2,326	$ 2,419
Health Insurance	232	244	272	302
Administrative Expense	1,269	1,556	1,689	1,727
Fuel	1,451	1,697	1,900	2,122
Insurance/Claims	460	504	515	526
RTA Certification	819	848	897	948
Suburban ADA Purchased Transportation	13,726	15,881	17,406	19,076
CTA Service Area ADA Purchased Transportation	62,320	68,339	75,719	84,048
Indirect Overhead Allocation	1,392	2,655	2,761	2,871
Sub-Total Expenditures	83,719	93,961	103,485	114,038
Service Reductions	-	(1,740)	(2,076)	(2,459)
Service Reductions (1)	-	(13,986)	-	-
Total Expenditures	**$ 83,719**	**$ 78,235**	**$ 101,409**	**$ 111,579**
Operating Deficit	**$ 76,374**	**$ 68,401**	**$ 89,142**	**$ 98,599**
Deficit Funding				
State ADA Paratransit Funding	$ 54,252	$ 54,252	$ 54,252	$ 54,252
RTA ADA Discretionary	19,758	11,670	31,576	40,105
Additional Operations Funding Needed	2,364	-	-	-
Metra Transfer Capital	-	2,479	3,314	4,242
Total Deficit Funding	**$ 76,374**	**$ 68,401**	**$ 89,142**	**$ 98,599**
Funding Surplus/Deficit	-	-	-	-
Recovery Ratio % (2)	**8.8%**	**12.6%**	**12.1%**	**11.6%**

(1) Additional revenue and expenditure reductions required to meet 2008 funding mark set for Pace by the RTA Board on September 14, 2007 and match the recovery contained in the Pace 2008 budget book. (2) The recovery ratio in 2008 exceeds the mark set for Pace by the RTA Board on September 14, 2007. The RTA Act requires a 10% recovery ratio for regional ADA paratransit service in 2008.

of service provided (Exhibit 6-13). Cost per passenger for Regional ADA paratransit service is projected to increase from $28.45 in 2008 to $36.24 in 2010. This $7.79 increase corresponds to a compound annual growth rate of 12.9%. Pace projects that during this period contractor costs will grow 10.9% and 9.6% annually in the CTA service area and suburban service area, respectively.

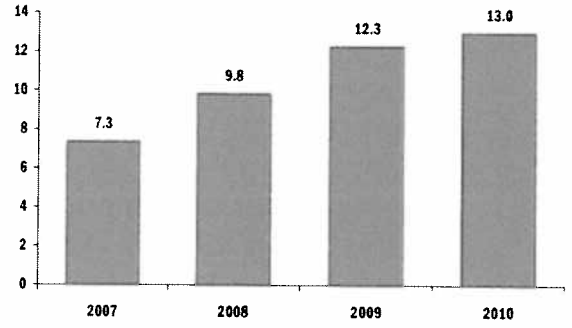
Budget and Financial Plan

The Pace ADA paratransit service budget and financial plan presented in Exhibit 6-14 meets the three-year funding marks and exceeds the 2008 recovery ratio mark set by the RTA on September 14, 2007. The marks set funding for ADA paratransit at $68.4 million for 2008, $89.1 million for 2009, and $98.6 million for 2010. In compliance with the RTA Act, the RTA set the ADA paratransit recovery ratio for 2008 at 10.0 percent.

System-Generated Revenue

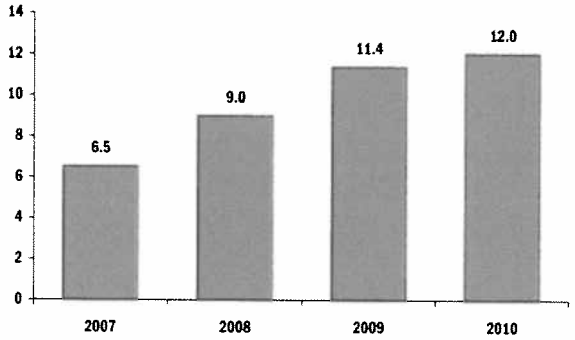
In 2006, the Pace Board voted to increase the ADA paratransit fare in the CTA service area from $1.75 to $2.25 and the fare for the Taxi Access Program (TAP) from $1.75 to $5.00 effective

Exhibit 6-15: **Pace ADA Paratransit Service System-Generated Revenue** (dollars in millions) (1)



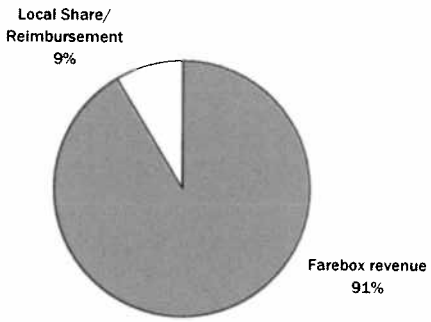
(1) In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases.

Exhibit 6-16: **Pace ADA Paratransit Farebox Revenue** (dollars in millions) (1)



(1) In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases.

Exhibit 6-17: **Pace ADA Paratransit Revenue** - $9.8 million (1)



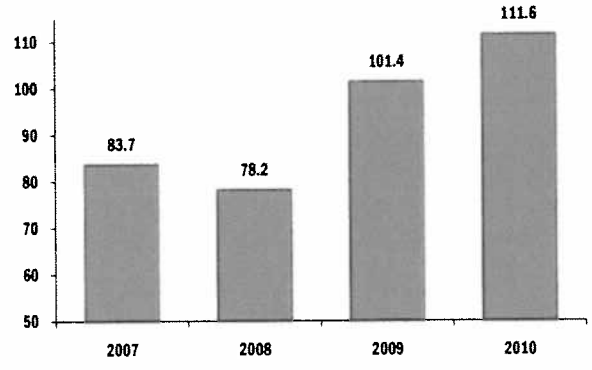
(1) In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases.

January 1, 2007. In 2007, Pace expects total regional ADA paratransit revenue to reach $7.3 million with passenger revenue accounting for $6.5 million of this amount and local share contributions and reimbursements from the RTA for transporting paratransit applicants to assessment sites accounting for the rest (Exhibit 6-15 and Exhibit 6-16). Without further fare increases and service reductions, Pace projects total ADA paratransit system-generated revenue of $8.3 million in 2008 with farebox revenue accounting for $7.5 million of this amount and local share contributions and RTA reimbursement accounting for the remainder. In 2007, however, the Pace Board voted to reduce ADA paratransit service to the minimum required by the ADA and to increase the ADA paratransit fares throughout the region to $4.00 (the maximum permitted by the ADA) and the TAP fare to $6.50 effective January 1, 2008 (Exhibit 6-20). Pace projects that these fare increases and service reductions will result in additional farebox revenue of $3.3 million in 2008, $3.5 million in 2009, and $3.7 million in 2010. To meet the 2008 funding mark set for Pace by the RTA Board on September 14, 2007, and match the recovery ratio projected by Pace for 2008, Pace's projected additional farebox revenue was reduced by $1.8 million. These adjustments result in total ADA paratransit system-generated revenue of $9.8 million in 2008 with farebox revenue of $9.0 million (91%) and local share contributions and RTA reimbursement of $0.8 million (9%) (Exhibit 6-17). The RTA Act also requires that regional ADA paratransit service meet a recovery ratio of 12% beginning in 2009. To meet this requirement, Pace projects total ADA paratransit revenue of $12.3 million in 2009. However, Pace's projected total ADA paratransit revenue of $13.0 million in 2010 is insufficient to meet the 12% requirement. Based on these projections, Pace will have to take additional actions to meet the requirement. These actions may include, but are not limited to, adjusting service, reducing costs, and adjusting fares.

Operating Expenditures

Pace expects Regional ADA paratransit service operating expenditures to total $83.7 million in 2007. Without service reductions, Pace projects total

Exhibit 6-18: **Pace Total Operating Expenditures**
(dollars in millions) (1)



(1) In 2008 through 2010, expenditures reflect service reductions.

ADA paratransit service operating expenditures of $94.0 million. Pace projects that by reducing service to the minimum required by the ADA will reduce expenditures by $1.7 million in 2008, $2.1 million in 2009, and $2.5 million in 2010. By reflecting fare increases and service reductions, Pace's projected total operating expenditures are reduced by an additional $14.0 million to $78.2 million meeting the 2008 funding mark set for Pace by the RTA Board on September 14, 2007. Pace projects reducing service to the minimum required by the ADA will result in total ADA paratransit service operating expenditures of $101.4 million and $111.6 million in 2009 and 2010, respectively (Exhibit 6-18). Growth in purchased transportation costs is the primary factor behind these increases in operating expenditures.

Expenditure Elements

Operating expenditure elements include labor and fringes, health insurance, administrative expense, fuel, insurance and claims, RTA certification, suburban ADA purchased transportation, CTA service area ADA purchased transportation, and an indirect overhead allocation (Exhibit 6-14). Figures for individual expenditure elements during 2008 through 2010 do not incorporate proposed service and expense reductions which are deducted from total expenditures.

Labor/Fringe and Health Insurance Costs

To administer ADA paratransit service in the CTA service area, Pace hired 31 additional administrative support staff to supplement the six staff members who were responsible for administering the suburban ADA paratransit service. Labor/fringe and health insurance expenditures are expected to account for 2.7 percent of regional ADA paratransit service operating expenditures in 2007. Labor/fringe and health insurance expenditures are projected to grow from $2.5 million in 2008 to $2.7 million in 2010, a $0.2 million increase that corresponds to a 4.7 percent compound annual growth rate.

Administration

Administration expenditures are expected to account for 1.5 percent of regional ADA paratransit service operating expenditures in 2007. Pace leases its operations center for ADA paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. Administrative expenditures are projected to grow from $1.6 million in 2008 to $1.7 million in 2010, at a 5.4 percent compound annual growth rate.

Fuel

Pace purchases fuel for the private operators who provide ADA paratransit service using Pace-owned vehicles in Pace's suburban service area. Fuel expenditures are expected to account for 1.7 percent of regional ADA paratransit service operating expenditures in 2007. Fuel expenditures are projected to

grow from $1.7 million in 2008 to $2.1 million in 2010, a $0.4 million increase that corresponds to an 11.8 percent compound annual growth rate.

Insurance and Claims

Insurance and claims expenditures are expected to account for 0.5 percent of regional ADA paratransit service operating expenditures in 2007. Insurance and claims expenditures are projected to remain near $0.5 million from 2008 to 2010.

RTA Certification

RTA certification expenditures comprise the cost of transporting applicants for ADA certification to and from assessment centers. These expenditures are expected to account for 1.0 percent of regional ADA paratransit service operating expenditures in 2007. RTA certification expenditures are projected to grow from $0.8 million in 2008 to $0.9 million in 2010, a $0.1 million increase that corresponds to a compound annual growth rate of 5.7 percent.

Suburban service area and CTA service area purchased transportation expenses account for 16.4% and 74.4%, respectively, of total regional ADA paratransit expenditures.

Suburban ADA purchased transportation

Suburban ADA purchased transportation expenditures are expected to account for 16.4 percent of regional ADA paratransit service operating expenditures in 2007. These expenditures are projected to increase from $15.9 million in 2008 to $19.1 million in 2010, a $3.2 million increase that corresponds to a 9.6 percent compound annual growth rate. Pace assumes that demand for suburban ADA paratransit service will increase 5.0% annually.

CTA service area ADA purchased transportation

CTA service area ADA purchased transportation expenditures are expected to account for 74.4 percent of regional ADA paratransit service operating expenditures in 2007. These expenditures are projected to increase from $68.3 million in 2008 to $84.0 million in 2010, a $15.7 million increase that corresponds to a 10.9 percent compound annual growth rate. Pace assumes that demand for CTA service area ADA paratransit service will increase 5.0% in both 2008 and 2009.

Regional ADA support allocation

In 2007, Pace expects to charge approximately $1.4 million of administrative and overhead expenses to the regional ADA paratransit budget. Pace projects that this amount will increase from $2.7 million in 2008 to $2.9 million in 2010.

Deficit and Funding

The annual operating deficits are derived from total system-generated revenue minus total operating expenditures. State ADA paratransit funding is expected to remain at $54.3 million from 2007 through 2010. Despite $19.8 million of RTA discretionary funding, Pace expects that regional ADA paratransit service will end 2007 with a need for additional funding in the amount of $2.4 million to balance the budget. RTA discretionary funding will increase from $11.7 million in 2008 to 40.1 million in 2010. From 2008 to 2010, public funding from the Sate of Illinois, the RTA, and Metra transfer capital match the annual operating deficits. Contingent on fare increases and service reductions, the budget and financial plan for ADA paratransit service presented in Exhibit 6-14 meets the funding marks set by the

Exhibit 6-19: **Pace Regional ADA Paratransit Service 2007 Budget versus 2007 Estimate** (dollars in thousands)

	Amended 2007 Budget	2007 Estimate	Variance
System-Generated Revenue			
Farebox Revenue	$ 8,995	$ 6,526	$ (2,469)
Local Share/Reimbursement	658	819	161
Total Revenue	**$ 9,653**	**$ 7,345**	**$ (2,308)**
Operating Expenditures			
Labor/Fringes	$ 2,168	$ 2,050	$ 118
Health Insurance	341	232	109
Administrative Expense	1,003	1,269	(266)
Fuel	1,503	1,451	52
Insurance/Claims	625	460	165
RTA Certification	658	819	(161)
Suburban ADA Purchased Transportation	14,770	13,726	1,044
CTA Service Area ADA Purchased Transportation	68,866	62,320	6,546
Regional ADA Support Allocation	1,529	1,392	137
RTA Adjustment to Regional ADA Expenses	(7,800)	-	(7,800)
Total Expenditures	**$ 83,663**	**$ 83,719**	**$ (56)**
Operating Deficit	**$ 74,010**	**$ 76,374**	**$ (2,364)**
Deficit Funding			
State ADA Paratransit Funding	$ 54,252	$ 54,252	-
RTA ADA Discretionary	19,758	19,758	-
Additional Operations Funding Needed	-	2,364	2,364
Total Deficit Funding	**$ 74,010**	**$ 76,374**	**$ 2,364**
Funding Surplus/Deficit	**-**	**-**	**-**
Recovery Ratio	**11.5%**	**8.8%**	**-2.8%**

RTA on September 14, 2007. These marks set the total funding levels at $68.4 million for 2008, $89.1 million for 2009, and $98.6 million for 2010.

Recovery Ratio

The recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The RTA Act requires that regional ADA paratransit service meet a recovery ratio of 10% in 2007 and 2008 and 12% beginning in 2009. In 2008, 2009, and 2010, Pace's projected recovery ratios for regional ADA paratransit service are 12.6%, 12.1%, and 11.6%, respectively. Further revenue enhancements or expense reductions will be required to meet the 12% requirement in 2010. Exhibit 6-14 provides the detail used in this calculation.

2007 Budget versus 2007 Estimate

Pace projects 2007 operating revenue for ADA paratransit service to be $2.3 million or 23.9 percent unfavorable to budget. Passenger revenue is expected to finish the year $2.5 million or 27.4 percent unfavorable because of lower than expected ridership, while local share contributions and RTA reimbursement are expected to finish the year $0.2 million or 24.5 percent favorable to budget.

Total expenditures are expected to finish the year near budget. Expenditures for suburban service area and CTA service area purchased transportation are expected to be favorable to budget by $1.0 million (7.1 percent) and 6.5 million (9.5 percent), respectively. During the year, the RTA amended Pace's 2007 ADA paratransit budget by reducing total expected expenditures by $7.8 million.

Exhibit 6-20: **Fare Structure**

	2007 Fares	New Fares
CTA Service Area		
ADA Paratransit	$ 2.25	$ 4.00
Taxi Access Program and Mobility Direct	$ 5.00	$ 6.50
Pace Service Area		
Regular Route analog	$ 3.00	$ 4.00
Local Route analog	$ 2.50	$ 4.00

From a funding perspective, Pace expects an unfavorable variance of $2.4 million in 2007 because of lower than expected revenue (Exhibit 6-19).

Statutory Compliance

Pace's proposed 2008 budget did not meet the funding mark set by the RTA Board on September 14, 2007. To meet that mark, Pace's revenue and expense projections were reduced by $1.8 million and $14.0 million, respectively, maintaining the 12.6% recovery ratio contained in Pace's submission. Pace's projected recovery ratio in 2008 and annual funding requirements in the 2009-2010 plan for regional ADA paratransit service submitted to the RTA comply with the operating marks set by the RTA Board on September 14, 2007.

7 Capital Program

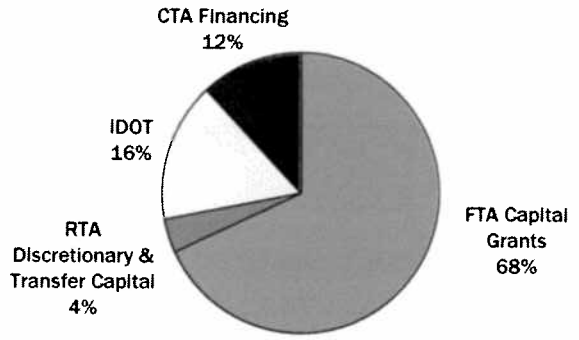
Regional Overview

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 emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's $31.3 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. This translates into a need of approximately $1 billion per year just to maintain and preserve the existing system. In 2005, Congress passed a reauthorization of federal funding for transportation projects. Although this legislation provided an increase over previous levels of funding, it will still leave a substantial shortfall.

With funding needs for capital improvements and rehabilitation greatly exceeding expected resources, the RTA and the Service Boards must actively pursue additional funding opportunities to preserve and enhance the economic viability of the RTA system.

Exhibit 7-1: **2008-2012 Capital Program Marks**



It is critical that the RTA allocate our available capital resources consistent with long-range plans and short-range needs.

2008–2012 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. For the 2008 budget, we face a large operating and capital shortfall, because there has not been any new state capital funding for transit since Illinois FIRST, and because operating funding has not kept pace with 21st century demand. The $31.3 billion asset of trains and buses and vans and stations and tracks belongs to the people of Northeastern Illinois. We are at a crossroad where we need to decide whether we are going to invest in this asset or shrink it.

Exhibit 7-2: **RTA 2008-2012 Capital Program Marks** (dollars in millions)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 1,347	$ 778	$ 196	$ 2,321
RTA Discretionary & Transfer Capital	102	-	-	102
IDOT	232	136	32	400
CTA Financing	300	-	-	300
Total New Service Board Capital Funding	**$ 1,981**	**$ 914**	**$ 228**	**$ 3,123**
De-obligations	10	-	-	10
CTA Principal and Interest	(538)	-	-	(538)
Regional ADA Paratransit	-	(20)	-	(20)
Total Service Board Available	**$ 1,453**	**$ 894**	**$ 228**	**$ 2,575**

Exhibit 7-3: **Capital Funding in 2008** (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	$ 272,500	$ 141,298	$ 39,497	$ 453,295
IDOT Grants	46,400	27,200	6,400	80,000
RTA Disrectionary & Transfer Capital	20,353	-	-	20,353
CTA Financing	300,000	-	-	300,000
Total Service Board Capital Funding	**$ 639,253**	**$ 168,498**	**$ 45,897**	**$ 853,648**
De-obligations	10,000	-	-	10,000
Regional ADA Paratransit	-	(2,479)	-	(2,479)
CTA Principal and Interest	(83,296)	-	-	(83,296)
Total Service Board Available	**$ 565,957**	**$ 166,019**	**$ 45,897**	* **$ 777,873**

(*) As noted on page 34, variances between the capital marks and program may occur.

Source of Funds

The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards. The total estimated new capital funds available for 2008 are projected at $853.6 million. After deducting $83.3 million to provide for the CTA's repayment of principal and interest on borrowed funds, $2.5 million for Regional ADA Paratransit expenses and adding $10 million of de-obligated CTA funds, $777.9 million is available for capital projects. At this time, the final federal appropriation figures for 2008 have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding.

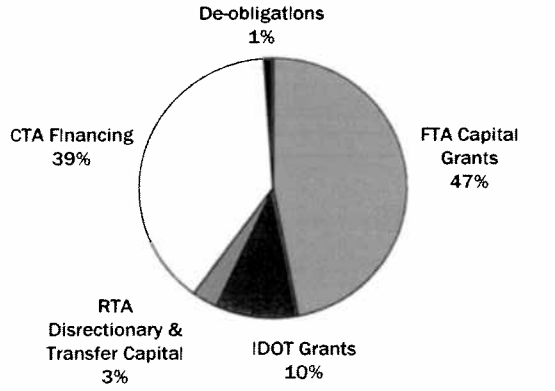
On September 14, 2007, the RTA adopted preliminary capital funding marks. Since then, the RTA received proposals for funds controlled by the Service Boards. When the RTA adopts its budget on December 14, 2007, these marks will be revised to update various federal and local funding sources based on the latest information from the Service Boards and the RTA. (Exhibits 7-1 and 7-2). Of the estimated $777.9 million of new and de-obligated funding sources for 2008, federal funding accounts for $367.5 million or 47 percent, IDOT funds account for $80 million or 10 percent, RTA funds account for $20.3 million or 3 percent, CTA financing funds account for $300 million or 39 percent, and de-obligated funds account for $10 million or 1 percent (Exhibits 7-3 and 7-4).

Federal

The RTA receives federal funds authorized under federal sections 5307, 5340 and 5309 of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU provides funding for federal surface transportation programs, including transit through federal fiscal year 2009. For planning purposes, the RTA preliminary marks assume the continued availability of federal funds in 2010 through 2012. At the time of this writing, Congress has not completed action on any of the federal agency funding bills.

While a formal conference has not been convened to resolve the differences in the House and Senate versions of the FFY 2008 DOT-HUD appropriation bills, the committee staffs have been meeting informally to sort through the bills. In general, aside

Exhibit 7-4: **2008 Capital Funding** - $777.9 million



from the earmarks, there are few major differences in the two bills. Both versions are very close to SAFETEA-LU levels.

Certain federal funding programs are allocated to urbanized areas based on legislatively defined formulas. The RTA region receives federal Section 5307 Urbanized Area Formula funds and federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds in this fashion. SAFETEA-LU included a new program, federal Section 5340 Growing and High Density States, also distributed by formula that will provide funds to Northeastern Illinois.

Other federal funds are available to the region on a competitive basis. The RTA, with substantial input from the Service Boards, estimates annual funding levels based on staff analysis of national funding levels, past performance, project readiness and existing legislative or contractual commitments. The federal Section 5309 (m)(2)(A) New Start and Section 5309 (m)(2)(C) Bus and Bus Facility capital funding are often earmarked in federal legislation. The RTA 2008-2012 federal Section 5309 (m)(2)(A) New Starts funding marks includes monies to complete one CTA project currently underway as earmarked in SAFETEA-LU. The RTA marks includes federal 2008 Section 5309 New Start funding of $40 million for CTA's Ravenswood lines; and $29.4 million for the completion of the CTA's Ravenswood project in 2009. In addition, Pace was awarded $280,000 in Section 5339 funds for an Alternative Analysis study for their Cermak Road Arterial Rapid Transit project.

Flexible funds are another source of federal funding for the RTA 2008-2012 capital program.

It is expected that the Federal New Starts monies for system expansion will be available in 2008-2011. However, without matching funds, the region will not be able to access these funds. Therefore, no new New Start funding is being programmed in 2009-2012.

In addition, flexible funds are another source of federal funding for the RTA 2008-2012 capital program. Flexible funds may be used either for transit or highway purposes. This provision was first included in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and is continued with SAFETEA-LU. Flexible funds include Federal Highway Administration (FHWA) Surface Transportation Program (STP) funds and Congestion Mitigation and Air Quality (CMAQ) improvement program. The federal flexible funds, such as CMAQ and STP funds, are sought by the Service Boards through a regional competitive process.

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 Guideway projects; bus purchases; construction and rehabilitation of rail stations; maintenance facility construction and renovations; alternative-fuel bus purchases; bus transfer facilities; multi-modal transportation centers; and technologically advanced fare collection systems.

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 Service Boards' proposed capital programs include projects that could be funded by these flexible programs.

In addition, other federal funds will be made available to the region by formula but will be allocated among a variety of agencies including transit operators on a competitive basis. These programs include the federal Section 5316 Job Access and Reverse Commute (JARC) program and federal Section 5317 New Freedom program (for services supplemental to ADA requirements). Since projects using funds for these programs will be selected in 2008 based on a

competitive selection process coordinated by the RTA and the CATS, no funding marks have been proposed at this time. The RTA Capital Program marks will be amended to include JARC and New Freedom funding to the Service Boards for capital projects only.

In summary, the 2008 RTA preliminary federal estimates reflecting the SAFETEA-LU legislation are $159.8 million for federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds, $229.9 million for federal Section 5307 Urbanized Area Formula funds combined with Section 5340 Growing and High Density States, $40 million for federal Section 5309 (m)(2)(A) New Start funds, $4.8 million for federal Section 5309 (m)(2)(C) Bus and Bus Facility funds, $0.3 million for federal Section 5339 Alternative Analysis funds, $7 million for federal flexible including CMAQ and other funds, and $11.5 million in Department of Homeland Security funds for systemwide security projects for the CTA and Metra. Furthermore, the CTA requested to reduce their federal funding by $83.3 million for the payment of debt principal and interest for 2008 and $454.3 million for this purpose in the out years. In addition, the Marks have been reduced by $2.5 million in 2008 and $17.5 in the out-years for Regional ADA Paratransit expenses.

RTA

In 1999, the RTA Act was amended as part of Illinois FIRST legislation. The legislation increased the RTA borrowing authority by $1.6 billion for capital infrastructure improvements. This amount included $1.3 billion in authorization for Strategic Capital Improvement Program (SCIP) bonds. The State of Illinois reimburses the RTA for the principal and interest expense on these bonds. The remaining $300 million represented RTA bonds for which the RTA does not receive State reimbursement. All of these funds (SCIP and RTA bonds) have been programmed to the Service Boards since 2004. Also, since the RTA bond authorization represents a cap on outstanding bonds, additional bonds can be programmed when existing bonds are retired.

The RTA's Five-Year Capital Marks contain no additional SCIP or RTA Bond funds since there has been no legislation passed to extend the RTA's bond programs. Note that any additional bonding authority would require State legislation, as well as a funding source to pay debt service on any additional bonds that were authorized to be issued.

In 1995, the RTA began funding a new Transfer Capital (TC) program that utilizes funds available for operations to be used for capital investments. The 2008-2012 Capital Program includes $101.8 million for the CTA from Transfer Capital funds.

The 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 limited RTA Sales Tax receipts, the RTA deferred an allocation of any discretionary funds to the Service Boards for capital projects.

Exhibit 7-5: **RTA Capital Program Obligations** (dollars in millions)

	CTA	Metra	Pace	Total
Ave. 1995-1999	$ 240	$ 154	$ 24	$ 418
2000	320	202	55	577
2001	322	500	61	883
2002	489	473	53	1,015
2003	599	365	25	989
2004	414	351	41	806
2005	494	216	37	747
2006	536	202	24	762
2007 Estimate	450	110	36	596

Exhibit 7-6: **RTA Capital Program Expenditures** (dollars in millions)

	CTA	Metra	Pace	Total
Ave. 1995-1999	$ 234	$ 166	$ 20	$ 420
2000	277	182	31	490
2001	351	316	55	722
2002	486	340	35	861
2003	477	468	81	1,026
2004	450	402	26	878
2005	351	354	33	738
2006	570	257	27	854
2007 Estimate	500	175	28	703

Exhibit 7-7: **2008-2012 Capital Program Uses** (dollars in millions)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	$ 579	$ 261	$ 131	$ 971
Track & Structure	529	303	-	832
Electric, Signal, & Communications	152	158	22	332
Support Facilities & Equipment	56	93	68	217
Stations & Passenger Facilities	38	32	5	75
Miscellaneous	8	28	-	36
Acquisitions & Extensions	91	-	-	91
Contingencies & Administration	-	19	2	21
Totals	**$ 1,453**	**$ 894**	**$ 228**	**$ 2,575**

State

State funds historically are awarded to the Service Boards by IDOT on a discretionary basis and are used primarily for federal match purposes to ensure that sufficient local funds are made available for critical transit projects in the region. The State of Illinois has historically provided capital support of public transportation in Northeastern Illinois. However, no State capital program has been adopted since 1999. Therefore, the marks assume only that the State will provide sufficient funds to match available federal formula funds. Without an adequate State capital program the transit system will have insufficient funds to maintain, let alone enhance and expand the transit system.

Service Boards

Funding for this category includes Service Boards' own funds, local community and other non-traditional funding from state and federal agencies based on information supplied by the Service Boards. Historically the Service Boards have occasionally transferred monies from current revenues or fund balances to the Capital Programs. Until additional operations funding is available, it will be difficult for such transfers to be made. Therefore, no Service Board transfers from operations are allocated at this time.

CTA Financing

The CTA is proposing to borrow funds of $300 million in 2008. These funds will enable the acceleration of rail car and bus purchases, construction of the Howard and Washington Intermodal stations, upgrade of the Blue Line and Loop Elevated signals and the timely repair of track and structure by the CTA. The CTA will secure all funds and pay for all borrowings from their federal Section 5307 formula funds and federal Section 5309 Fixed Guideway Modernization funds.

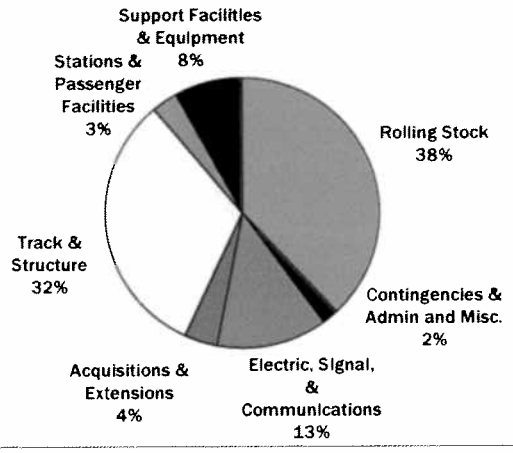
Transfer to Operating

The Capital Marks have not been reduced to reflect the Service Boards' use of Section 5307 Urbanized Area Formula and Section 5309 Fixed Guideway Modernization funds for their operating budgets. These funds have been used in past years when operations funding or deficit reductions were not sufficient to balance operating budgets.

Use of Funds

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 2004 program was $918.8 million, a 60 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 2007 (projected), the Service Boards have awarded an annual average of $797 million in contracts. Project spending has also increased substantially, from an average of $420 million per year from 1995 thru

Exhibit 7-8: **Regional Five-Year Assets by Category** - $2,575 million



1999 to $784 million from 2000 thru 2007 (projected). Exhibits 7-5 and 7-6 illustrate these trends. These results show that the Service Boards are putting the monies available to good use, providing benefits to public transportation riders. However the 2008-2012 capital program only averages $514.9 million per year.

The primary emphasis of the 2008 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.

Investments in the capital program can also be broken down by various asset categories. Exhibits 7-7 and 7-8 show that $971 million or 38 percent of the program is spent on rolling stock and $75 million or 3 percent for station and passenger 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 2008-2012 capital programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibits 7-9 –7-12. Some of the more significant projects included in the proposed 2008-2012 capital program are:

- $212.9 million for the purchase of 406 CTA rail cars;
- $208.2 million for the rehabilitation of right-of-way to reduce slow zones;
- $152.7 million for the rehabilitation and overhaul of CTA rail cars;
- $140.3 million for the continuation of the purchase of CTA buses;
- $91.2 million for the expansion of the CTA Ravenswood Brown Line;
- $88.2 million for the replacement and upgrade of the CTA power distribution and signals;
- $73.2 million for the rehabilitation and overhaul of CTA buses;
- $139.2 million for Metra bridge rehabilitation and renewal;
- $128 million to initiate the purchase of bi-level cars for the Metra Electric District;
- $66 million for the rehabilitation of Metra commuter rail cars;
- $53.8 million for the construction and renewal of Metra yards, shops and facilities;
- $53.2 million for the upgrade of Metra signal systems;

CTA tracks and signals

- $34 million for the rehabilitation and improvement of Metra locomotives;
- $66.6 million for the purchase of Pace fixed route buses;
- $24 million for the purchase of 300 Pace paratransit vehicles;
- $23.4 million for the purchase of Pace vans and community vehicles;
- $21.5 million for improvements to Pace garages and facilities;
- $20 million for the purchase of a replacement of Pace's fixed route radio system;
- $20 million for the purchase of a replacement Pace farebox system;
- $14.4 million for the purchase of the replacement for the HPe3000 computer system;
- $3 million for the construction of passenger and transfer facilities; and
- $1.8 million for the implementation of Transit Signal Priority projects.

CTA Overview

The proposed projects in the CTA's portion of the 2008-2012 capital program total $1.5 billion. The CTA's portion of the capital program continues the rehabilitation and replacement of their capital assets. The percentage for the general categories of capital improvements of the total program are: rolling stock at 40 percent, track and structure (including acquisitions and extensions) at 42 percent, electric, signal and communications at 10 percent, support facilities and equipment at 4 percent, and stations and passenger facilities and miscellaneous at 4 percent. The general categories of capital improvements comprising the CTA's portion of the capital program are illustrated in Exhibit 7-9.

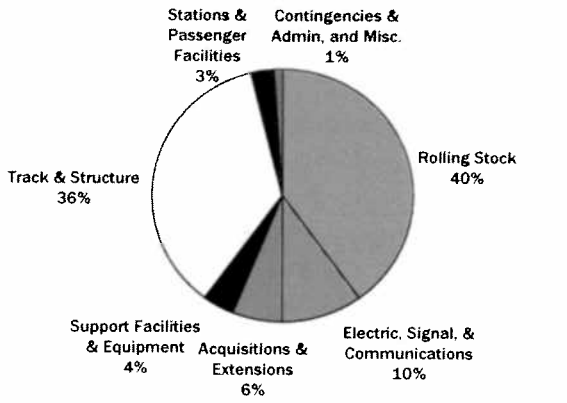
Highlights of the CTA's portion of the 2008-2012 capital program are as follows:

Rolling Stock

The CTA's portion of the 2008-2012 capital program includes $213.6 million in the bus rolling stock category. The CTA's bus fleet consists of approximately 2,175 vehicles. The CTA's portion of the 2008-2012 capital program contains $140.3 million for replacement of overage buses. These buses will have reached the industry standard retirement age of 12 years by the end of the five-year program. 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, low-floor and fully accessible to persons with disabilities. In 2008, on-going bus purchases totaling $105.3 million are planned to complete the purchase of 1,050 buses in the current bus contract. The CTA's out-year program includes $35 million to begin the replacement of the remaining buses purchased in 1995. All of these buses have or will have exceeded their useful life by the time they are replaced.

In addition, $73.2 million is budgeted for capital-eligible bus maintenance activities and life extending overhauls over the five-year program with $14.1 million planned in 2008. The CTA will continue its aggressive Bus Preventive Maintenance Program to schedule the replacement of parts nearing the end of their useful life. This program will improve the comfort, quality and reliability of the CTA's bus service and will reduce operating expenses by avoiding service disruptions and unscheduled maintenance of buses.

Exhibit 7-9: **CTA Five-Year Assets by Category** - $1,453 million



CTA hybrid bus

The rail rolling stock category includes $365.6 million in 2008-2012 to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of approximately 1,190 CTA cars. The five-year program includes $212.9 million for the replacement of aging 2200 and 2400 Series rail cars and the purchase of additional cars to meet the service requirements associated with the Brown Line capacity expansion. Also, the 2008-2012 capital program contains $152.7 million for the CTA systematic maintenance and upgrade of rapid transit rolling stock including the overhaul and mid-life rehabilitation for the 2200 and 2400 Series rail cars. The 2200 Series cars have been in service for more than 36 years and the 2400 Series cars have been in service for more than 28 years; both have already exceeded their expected service life. The average car in the CTA rail fleet is over 24 years of age in 2008 and approximately 30% of the fleet exceeds the 25-year FTA standard life of a rail car. The CTA is proposing $18.4 million for the purchase of new rail cars in 2008.

Track and Structure/ Acquisitions & Extensions

The track and structure category including acquisitions and extensions includes $620 million in 2008-2012 to rehabilitate and expand existing rail lines with $270 million programmed in 2008. The CTA rail system contains over 287.8 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; 111.1 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 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 $91.2 million over the next two years, with $50 million programmed in 2008; and

2) The repair of track and structure, at a cost of $529 million, with $220 million programmed in 2008. The five-year program includes $208.2 million for rehabilitation of right-of-way, ties track and structure to reduce slow zones.

Electrical, Signal, and Communications

The electrical, signal, and communications category totals $152 million for the CTA's portion of the proposed five-year program, with $94.7 million programmed in 2008. The CTA's five-year plan includes the replacement and upgrade of the train control and track interlocking on the Loop Elevated Line with modern equipment providing increased reliability for customers at a cost of $13.7 million. It also includes the upgrade and replacement of the signal system for the entire Dearborn Subway, the Congress Branch and a portion of the O'Hare Branch on the Blue Line a cost $74.5 million. The capital program includes $24.2 million for the Bus Tracker

CTA track construction

Red Line Howard Station reconstruction

system with $12.6 million programmed for 2008. In addition, the CTA's five-year program includes $39.5 million for systemwide security enhancements with $13.5 million programmed for 2008.

Support Facilities and Equipment

The CTA's portion of the 2008-2012 capital program includes $55.8 million in the support facilities and equipment category with 2008 funding of $10.1 million.

The CTA's five-year program includes upgrades and improvements to various CTA facilities that need repair and require security enhancements, upgrades to bus turnarounds, rail stations and bus garages, and the rehabilitation of elevators and escalators. Various escalators and elevators throughout the system are beyond their service life, require continual maintenance work and need to be replaced. Other escalators and elevators are in poor condition and need to be rehabilitated.

Stations and Passenger Facilities

The stations and passenger facilities category totals $38 million in 2008 of the CTA's the proposed five-year program. The CTA operates 144 rapid transit stations serving eight routes. Seventy-seven of these stations are wheelchair accessible via elevator or ramp. The CTA will use the funding in the capital program to reconstruct the Howard Station on the Red Line including the reconstruction of the bus terminal and parking lot. The station will be made fully compliant with the Americans with Disabilities Act. The CTA proposes to program $33.4 million to complete the construction of the Howard Station on the Red Line and $4.7 million to continue construction of the Washington Street Station/Block 37 project connecting the State Street and Dearborn subways in downtown Chicago.

Metra Overview

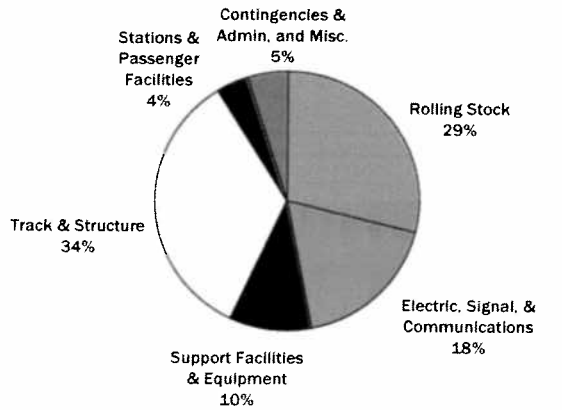
Metra's portion of the proposed 2008-2012 capital program totals $894 million. During this five-year period, Metra will continue the process of renewing its extensive commuter rail infrastructure. The percentage for the general categories of capital improvements of the total program are: rolling stock at 29 percent; track and structure at 34 percent; electric, signal, and communications at 18 percent; support facilities and equipment at 10 percent; stations and passenger facilities at 4 percent; and contingencies, administration and miscellaneous at 5 percent (Exhibit 7-10).

Highlights of Metra's 2008-2012 Capital Program are as follows:

Rolling Stock

The five-year rolling stock program totals $261 million, with $24.4 million planned for 2008. Metra's fleet includes 144 locomotives, 818 non-electric cars

Exhibit 7-10: **Metra Five-Year Assets by Category** - $894 million



Schiller Park station at Metra's North Central Service line

and 173 self-propelled electric cars. The 2008-2012 capital program includes $34 million for the rehabilitation and improvements of locomotives, $66 million for the rehabilitation and improvements of commuter cars, and $17.6 million for the overhaul of rolling stock fleet components. Metra's out-year capital program includes $128 million to initiate the purchase of bi-level cars for the Electric District.

Track and Structure

The track and structure category totals $303 million over the five years of the program, with $63.5 million planned for 2008.

The Metra system operates on approximately 475 route miles with over 1,100 miles of track and 800 bridges. Metra is continuing a program of systemwide 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 $139.2 million, are planned over the five-year program including $17.7 million for 2008. Metra is also proposing $98.7 million for track infrastructure improvements in the five-year capital program with $27 million programmed for 2008.

Electrical, Signal and Communications

A total of $158 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 2008 program provides $24.7 million for numerous projects throughout the system.

Metra's capital program includes $53.2 million to upgrade signal systems with $10.4 million programmed for 2008. The capital program also includes $40 million to upgrade interlockers and $27.5 for electrical and communications improvements.

Support Facilities and Equipment

The support facilities and equipment category totals $93 million for the 2008-2012 planning period, with $22.5 million in the 2008 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 portion of 2008 capital program includes $8.5 million to renew yards, shops and facilities with $45.3 million planned for the out-years. Metra is also proposing $3.9 million in 2008 with $17.5 million in the out-years to purchase right-of-way maintenance equipment and $11 million in the five-year capital program to improve work crew facilities.

Grand Cicero station at Metra's Milwaukee District West line

Stations and Passenger Facilities

There are 232 stations in the Metra system, including four major terminals in downtown Chicago. In Metra's portion of the five-year capital program, a total of $32 million is programmed for stations and parking. In 2008, $12.7 million is programmed for these projects.

The 2008-2012 capital program includes $21.3 million to upgrade stations and improve platforms and ramps for compliance with the Americans with Disability Act (ADA); $2.2 million for the new 35th Street Station on the Rock Island District and $2 million to improve the Des Plaines Station on the Union Pacific Northwest Line. In addition, the 2008 capital program includes $1 million for parking fee collection equipment.

Miscellaneous, Contingencies and Administration

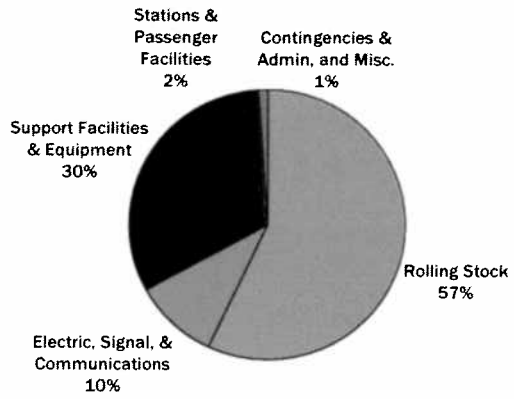
Metra's portion of 2008-2011 capital program includes $47 million for station studies, project management and oversight, security improvements, advertising, material additives, insurance, support engineering, unanticipated capital, administration and contingencies, with $18.2 million programmed in 2008.

Pace Overview

Pace's portion of the proposed 2008-2012 capital program totals $228 million. A majority of the funding is provided for the replacement and expansion of rolling stock. The percentage for the general categories of capital improvements of the total program are: rolling stock 57 percent; electric, signal and communications 10 percent; support facilities and equipment 30 percent; stations and passenger facilities 2 percent and contingencies and administration at 1 percent. These allocations are illustrated in Exhibit 7-11.

Highlights of Pace's 2008-2012 Capital Program are as follows:

Exhibit 7-11: **Pace Five-Year Assets by Category** - $228 million



Rolling Stock

In the five-year capital program, Pace plans to purchase up to 992 transit vehicles for replacement and expansion at a cost of $114 million. Pace's fleet consists of 705 fixed-route buses, 358 paratransit vehicles and 767 vanpool vehicles. Pace's 2008 fixed route bus purchase budget of $12.2 million includes the replacement of 33 fixed route buses purchased in 1992 and 1993. All the buses to be replaced have exceeded their useful life; and the new vehicles will be 30 feet in length.

In 2008, Pace also plans to spend $6.4 million to purchase up to 80 paratransit vehicles to replace vehicles that have exceeded their useful lives. These vehicles will be a combination of buses and vans.

In addition to other rolling stock purchases, Pace's portion of 2008 capital program includes $4.4 million for the purchase of 50 community vehicles and $2.9 million for the purchase of 75

El Dorado National 30-foot bus

Pace Vanpool Incentive Program

vans for services throughout Pace's territory. Pace's community vehicle program leases small vehicles to local communities which provide locally based transit services. The funds for the vanpool programs are for the replacement of the vanpool vehicles which have exceeded their useful life and for the expansion of service. Pace's vanpool program is composed of the Vanpool Incentive Program (VIP), the Corporate Shuttle Program and the ADvAntage Program in addition to the Municipal Vanpool Program.

This program includes a bus overhaul program including 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 bus overhaul in 2008, with $8 million programmed in the out-years.

The purchase of associated capital items, estimated at a cost of $3.1 million, is also planned in 2008. The 2009-2012 capital program includes $4 million for associated capital purchases. Associated capital items include engines, transmissions, axle assemblies and other parts for fixed route and paratransit vehicles.

Electrical, Signal and Communications

Pace's portion of the 2008 capital program includes $0.8 million to implement four Transit Signal Priority (TSP) projects earmarked in the federal Accountable, Flexible, and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) legislation. The Transit Signal Priority projects included in the program contains continuation of funding for the development and purchase of the TSP system in major corridors. These TSP corridors are: Cermak Road, Rand Road, Cicero Avenue, and South Suburban.

Also, Pace proposes $20 million in the five-year capital program for the purchase and installation of a new systemwide radio system to replace Pace's existing radio system with $0.6 million planned for 2008. The existing system is 13 years old and has exceeded its useful life, and parts are becoming difficult to find. The new radio system will not only save operating money, the technology will provide Pace with better communication coverage.

Support Facilities and Equipment

Pace proposes to program $68 million over five years for support facilities and equipment. Of the $12.9 million for support facilities and equipment projects planned in 2008, Pace's portion of the capital program includes $4.4 million for improvements to garages and facilities. 2008 includes funds to make critical improvements to our facilities such as the replacement of concrete, fire sprinklers, security systems and overhead doors. The out-year plan includes $17 million for improvements and upgrades at various garages. The capital program also includes $14.4 million in 2008-2012 for the purchase and installation of the Enterprise Resource Planning System. This program provides for the

Ramped minivan

continuation of funding for the HPe3000 migration project, an integrated system of financial, purchasing and other business processes.

The 2008 program includes $0.9 million for the purchase of miscellaneous maintenance and office equipment and replacement of non-revenue vehicles with a total of $3.5 million programmed through 2012.

In addition, Pace's capital program includes $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 with $1.9 million programmed in 2008. Further, Pace's five year capital program proposes $1.9 million for the purchase of office equipment with $250,000 programmed in 2008. Pace's capital program includes $1.2 million in 2008 for the purchase of a safety data/video recording system for fixed route buses. Pace's out year program plans $20 million to purchase a replacement farebox system.

Stations & Passenger Facilities

Five-year program includes $5 million for Pace stations and passenger facilities. This funding will provide for upgrades of numerous passenger facilities as well as the purchase of bus stop signs, shelters and other passenger amenities.

Acquisition and Extensions

The 2008 capital program contains funding of $280,000 for an Alternative Analysis study for the Cermak Road Arterial Rapid Transit (ART) project.

Project Administration

A total of $2 million is proposed for project administration for 2008 through 2012. Pace project administration covers the in-house staff salaries associated with undertaking and completing capital projects.

Exhibit 7-12: **Five-Year Capital Program** (in dollars)

CTA		Classification	2008	2009-2012	Total
Rolling Stock – Bus					
021.803	Perform Bus Overhaul and Maintenance Activities – Systemwide	Maintain	5,088,250	20,353,000	25,441,250
021.806	Perform Mid-Life Bus Overhaul – Systemwide	Maintain	9,000,000	38,800,000	47,800,000
031.054	Purchase a Minimum of 1,050 Replacement Buses (Partial $) – Systemwide	Maintain	105,311,162	-	105,311,162
031.054	Purchase a Minimum of 724 Replacement Buses (Partial $) – Systemwide	Maintain	-	35,022,010	35,022,010
	Subtotal Rolling Stock		**119,399,412**	**94,175,010**	**213,574,422**
Electrical, Signal, & Communications – Bus					
150.028	Implement Bus Tracker Project – Systemwide	Enhance	12,550,000	11,283,438	24,213,438
	Subtotal Electrical, Signal, & Communications		**12,550,000**	**11,283,438**	**24,213,438**
	Total Bus		**131,949,412**	**105,838,448**	**237,787,860**
Rolling Stock - Rail					
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial $) – Systemwide	Maintain	9,324,976	113,538,930	122,863,906
022.906	Perform Rail Car Overhaul Activities – Systemwide	Maintain	5,959,670	23,838,680	29,798,350
132.056	Replace a Minimum of 406 Rail Cars (2200 and 2400 Series, Partial $) – Systemwide	Maintain	18,387,368	194,511,061	212,898,429
	Subtotal Rolling Stock		**33,672,014**	**331,888,671**	**365,560,685**
Track & Structure – Rail					
171.133	Repair Track and Structure Defects – Systemwide	Maintain	5,400,804	21,603,216	27,004,020
181.500	Repair Track and Structure – O'Hare Branch-Blue Line	Maintain	150,000,000	-	150,000,000
181.500	Repair Track and Structure – Systemwide	Maintain	64,613,022	287,345,030	351,958,052
	Subtotal Track & Structure		**220,013,826**	**308,948,246**	**528,962,072**
Electrical, Signal, & Communications – Rail					
121.500	Replace/Upgrade Power Distribution and Signals – Systemwide	Maintain	68,633,245	19,603,211	88,236,456
150.028	Implement Security & Communication Projects – Systemwide	Maintain	7,000,000	-	7,000,000
	Subtotal Electrical, Signal, & Communications		**75,633,245**	**19,603,211**	**95,236,456**
Stations & Passenger Facilities – Rail					
141.273	Reconstruct Rail Stations – Systemwide	Enhance	4,673,483	-	4,673,483
141.273	Reconstruct Rail Stations – Systemwide	Maintain	33,436,970	-	33,436,970
	Subtotal Stations & Passenger Facilities		**38,110,453**	**-**	**38,110,453**
Acquisitions & Extensions Total – Rail					
194.115	Expand CTA Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial $) – Brown Line	Expand	50,000,000	41,238,533	91,238,533
	Subtotal Acquisitions & Extensions		**50,000,000**	**41,238,533**	**91,238,533**
	Total Rail		**417,429,538**	**701,405,660**	**1,118,835,198**
Electrical, Signal, & Communications – Systemwide					
150.028	Implement Security & Communication Projects – Systemwide	Enhance	-	26,000,000	26,000,000
150.028	Implement Security & Communication Projects – Systemwide	Maintain	6,500,000	-	6,500,000
	Subtotal Electrical, Signal, & Communications		**6,500,000**	**37,663,438**	**32,500,000**
Support Facilities & Equipment – Systemwide					
073.500	Improve Facilities – Systemwide	Maintain	10,078,113	45,759,467	55,837,580
	Subtotal Support Facilities & Equipment		**10,078,113**	**45,759,467**	**55,837,580**
Miscellaneous – Systemwide					
404.500	Implement CMAQ Projects	Maintain	-	8,000,000	8,000,000
	Subtotal Miscellaneous		**-**	**8,000,000**	**8,000,000**
	Total System		**16,578,113**	**79,759,467**	**96,337,580**
	TOTAL CTA		**565,957,063**	**887,003,575**	**1,452,960,638**

Exhibit 7-12: **Five-Year Capital Program** (in dollars)

METRA		Classification	2008	2009-2012	Total
Rolling Stock -- Rail					
01.2	Rehabilitate Locomotives -- MET	Maintain	-	33,851,000	33,851,000
01.5	Rehabilitate Commuter Bi-level Rail Cars -- MET	Maintain	14,550,000	51,425,000	65,975,000
01.6	Provide for Fleet Component Overhaul and Improvement -- MET	Maintain	6,200,000	11,400,000	17,600,000
01.7	Purchase Bi-Level Multiple Unit Electric Cars -- MED	Maintain	-	128,000,000	128,000,000
01.8	Overhaul Traction Motors -- MET	Maintain	1,650,000	6,200,000	7,850,000
01.9	Install Voice-to-Train Information System -- MET	Maintain	-	2,300,000	2,300,000
01.9	Purchase Rolling Stock Maintenance Tracking System -- MET	Maintain	2,000,000	3,000,000	5,000,000
	Subtotal Rolling Stock		**24,400,000**	**236,176,000**	**260,576,000**
Track & Structure -- Rail					
02.1	Provide for Track Infrastructure Improvements -- MET	Maintain	27,000,000	71,740,000	98,740,000
02.2	Upgrade Crossings (Road and Track) -- MET	Maintain	3,000,000	12,000,000	15,000,000
02.5	Rehabilitate Bridges -- MET	Maintain	17,650,000	121,500,000	139,150,000
02.6	Rehabilitate Retaining Walls -- MET	Maintain	3,400,000	16,200,000	19,600,000
02.8	Construct Belmont Road Grade Separation -- BNSF	Enhance	6,700,000	-	6,700,000
02.9	Provide for Structural Improvements -- MET	Maintain	5,750,000	18,272,000	24,022,000
	Subtotal Track & Structure		**63,500,000**	**239,712,000**	**303,212,000**
Electrical, Signal, & Communications -- Rail					
03.0	Upgrade Signal System -- MET	Maintain	10,350,000	42,800,000	53,150,000
03.1	Upgrade and Improve Grade Crossings -- MET	Maintain	-	11,300,000	11,300,000
03.2	Upgrade Interlockers -- MET	Maintain	9,700,000	30,250,000	39,950,000
03.4	Replace Switch Heaters and Backup Generators -- MET	Maintain	-	1,600,000	1,600,000
03.5	Replace Cantenary Wire and Transmission Lines -- MED	Maintain	-	5,500,000	5,500,000
03.7	Provide for Electrical Improvements -- MET	Maintain	-	4,700,000	4,700,000
03.7	Provide for Signal and Electrical Improvements -- MET	Maintain	2,700,000	3,200,000	5,900,000
03.8	Provide for Communication Equipment -- MET	Maintain	-	8,010,000	8,010,000
03.8	Provide for Electrical and Communications Improvements -- MET	Maintain	1,950,000	25,550,000	27,500,000
	Subtotal Electrical, Signal, & Communications		**24,700,000**	**132,910,000**	**157,610,000**
Support Facilities & Equipment -- Rail					
04.1	Renew Yards, Shops and Facilities -- MET	Maintain	8,500,000	45,300,000	53,800,000
04.3	Improve Crew Facilities -- MET	Maintain	5,500,000	5,500,000	11,000,000
04.3	Renew Facilities -- MET	Maintain	4,600,000	2,700,000	7,300,000
04.8	Purchase Right-of-Way Maintenance Equipment -- MET	Maintain	3,850,000	17,514,000	21,364,000
	Subtotal Support Facilities & Equipment		**22,450,000**	**71,014,000**	**93,464,000**
Stations & Passenger Facilities -- Rail					
05.0	Improve Des Plaines Station -- UPR-Northwest Line	Maintain	2,000,000	-	2,000,000
05.0	Provide for Station Upgrades and ADA Accessibility Improv.	Maintain	6,000,000	15,270,000	21,270,000
05.1	Construct Tinley Park 80th Avenue Station -- RID	Maintain	173,888	180,576	354,464
05.2	Construct 35th Street Intermodal Station -- RID	Enhance	1,086,800	1,128,600	2,215,400
05.5	Construct St. Charles Intermodal Parking Structure -- MET	Enhance	978,120	1,015,740	1,993,860
05.5	Expand Joliet Station Parking -- RID	Maintain	624,910	648,945	1,273,855
05.5	Improve Geneva Station Parking -- UP-West Line	Maintain	869,440	902,880	1,772,320
05.5	Purchase Parking Fee Collection Equipment -- MET	Maintain	1,000,000	-	1,000,000
	Subtotal Stations & Passenger Facilities		**12,733,158**	**19,146,741**	**31,879,899**
Miscellaneous -- Rail					
06.0	Conduct Feasibility Study for Kennedy-King and Auburn Park Stations -- RID	Enhance	65,208	67,716	132,924
06.2	Improve Metra System Security -- MET	Maintain	5,000,000	20,000,000	25,000,000
06.9	Implement CMAQ Projects - MET	Maintain	-	2,520,000	2,520,000
	Subtotal Miscellaneous		**5,065,208**	**22,587,716**	**27,652,924**
Contingencies & Administration -- Rail					
08.9	Provide for Project Management -- MET	Maintain	7,800,000	3,300,000	11,100,000
08.9	Provide for Project Support -- MET	Maintain	5,371,000	2,917,000	8,288,000
	Subtotal Contingencies & Administration		**13,171,000**	**6,217,000**	**19,388,000**
	Total Rail		**166,019,366**	**727,763,457**	**893,782,823**
	TOTAL METRA		**166,019,366**	**727,763,457**	**893,782,823**

Exhibit 7-12: **Five-Year Capital Program** (in dollars)

PACE		Classification	2008	2009-2012	Total
Rolling Stock -- Bus					
4205	Purchase a Minimum of 8 Community Vehicles Oak Park	Enhance	217,360	225,720	443,080
4301	Purchase a Minimum of 173 Fixed Route Accessible Buses -- Systemwide	Maintain	12,160,000	54,400,000	66,560,000
4302	Purchase a Minimum of 300 Paratransit Vehicles Systemwide	Maintain	6,400,000	17,600,000	24,000,000
4303	Purchase a Minimum of 100 Community Vehicles Systemwide	Enhance	4,150,000	4,000,000	8,150,000
4304	Purchase a Minimum of 415 Vanpool Vans (234 Replacement & 181 Expansion) -- Systemwide	Maintain/ Enhance	2,850,000	12,000,000	14,850,000
4306	Provide for Associated Capital Items -- Systemwide	Maintain	3,100,000	4,000,000	7,100,000
4307	Provide for Bus Overhaul -- Systemwide	Maintain	2,000,000	8,000,000	10,000,000
	Subtotal Rolling Stock		**30,877,360**	**100,225,720**	**131,103,080**
Electrical, Signal, & Communications -- Bus					
4126	Implement Transit Signal Priority Project Cermak Road	Enhance	300,000	500,000	800,000
4127	Implement Transit Signal Priority Project Rand Road	Enhance	173,888	180,576	354,464
4128	Implement Transit Signal Priority Project Cicero Avenue	Enhance	217,360	225,720	443,080
4129	Implement Transit Signal Priority Projects South Suburbs	Enhance	108,680	112,860	221,540
4309	Purchase Replacement Radio System Systemwide	Maintain	600,000	19,400,000	20,000,000
	Subtotal Electrical, Signal, & Communications		**1,399,928**	**20,419,156**	**21,819,084**
Support Facilities & Equipment -- Bus					
3614	Purchase and Installation of Replacement for HPe3000 Computer System -- Systemwide	Maintain	4,200,000	10,200,000	14,400,000
4211	Purchase Maintenance/ Support Equipment and Vehicles -- Systemwide	Maintain	900,000	2,600,000	3,500,000
4310	Purchase Bus Safety System -- Systemwide	Enhance	1,200,000	-	1,200,000
4312	Purchase Computer Hardware and Software Systems -- Systemwide	Maintain	1,900,000	3,100,000	5,000,000
4313	Purchase Office Equipment -- Systemwide	Maintain	250,000	1,650,000	1,900,000
4314	Improve Garages/ Facilities -- Systemwide	Maintain	4,440,000	17,010,000	21,450,000
4315	Purchase Replacement Farebox System Systemwide	Maintain	-	20,000,000	20,000,000
	Subtotal Support Facilities & Equipment		**12,890,000**	**54,560,000**	**67,450,000**
Stations & Passenger Facilities -- Bus					
4319	Construct Passenger and Transfer Facilities Systemwide	Maintain/ Enhance	-	3,000,000	3,000,000
4320	Install Shelters/ Signs/ Passenger Amenities Systemwide	Enhance	-	1,800,000	1,800,000
	Subtotal Stations & Passenger Facilities		**-**	**4,800,000**	**4,800,000**
Miscellaneous -- Bus					
4324	Perform Alternative Analysis for Arterial Bus Rapid Transit (ABRT) -- Cermak Road	Enhance	280,000	-	280,000
	Subtotal Miscellaneous		**280,000**	**-**	**280,000**
Contingencies & Administration -- Bus					
4325	Provide for Project Administration	Maintain	450,000	1,990,000	2,440,000
	Subtotal Contingencies & Administration		**450,000**	**1,990,000**	**2,440,000**
	Total Bus		**45,897,288**	**181,994,876**	**227,892,164**
	TOTAL PACE		**45,897,288**	**181,994,876**	**227,892,164**
	GRAND TOTAL		**777,873,717**	**1,796,761,908**	**2,574,635,625**

Capital Impact on Operations

Capital investments by the three Service Boards are intended to improve public transit service while reducing operating costs. Procurement of replacement vehicles for bus and rail fleets will improve service reliability, while reducing maintenance costs and fuel consumption. Similarly, investments in vehicle overhaul and preventive maintenance programs will reduce service failures and vehicle down time. Rail line expansion and infrastructure improvements will increase passenger capacity and travel speed, as well as improve safety. System-wide improvements, including upgrades in passenger and maintenance facilities, communications and computer equipment, and security systems, will improve employee productivity, operating efficiency and passenger safety (Exhibit 7-13 through 7-15).

The mass transit system has faced significant challenges over the past year. Insufficient operating and capital funding have forced the RTA and its partners at the CTA, Metra, and Pace to make tough decisions in order to maintain vital transportation services for millions of riders throughout northeastern Illinois. Despite these challenges the system was able to fulfill its critical responsibility throughout 2007 to the people, businesses and institutions of the nation's third largest metropolitan region.

CTA

The proposed 2008 Capital Program for CTA totals $566.0 million which is divided among the following: Rolling Stock for $153.1 million; Track & Structure for $220.0 million; Electrical/Signal/Communications for $94.7 million; Support Facilities & Equipment for $10.1 million; Stations & Passenger Facilities for $38.1 million; and Acquisitions & Extensions for $50.0 million.

Exhibit 7-13: **CTA Capital Impact on Operations** (includes some of the major programs only)

Type	Current Service	Nov 4, 2007 *	Jan 6, 2008 *	New Service	Impact on Operations
Rolling Stock					
Replacement of 1,050 buses ($105.3 million)					• Prevent disruption of operation (oldest buses age 12 to 17 years) • Reduce maintenance costs by $6.9 million • Increase fleet reliability • Reduce travel delay
Elimination of bus routes	154	39	43	72	• Reduce operating expense by $92.6 million • Reduce additional maintenance costs as a result of retiring older fleet on existing bus routes
Replacement of 406 rail cars ($18.4 million)					• Increase fleet reliability (30% of the fleet exceeds the 25-year FTA standard life of a rapid transit car) • Reduce maintenance costs
Track & Structure					
Repairs ($220.0 million)					• Maintain safe, reliable travel • Eliminate the impose slow zones • Faster travel time
Employee layoff	10,907	477	1,799	8,631	• Reduce operating expense by $10.4 million as a result of reduced bus service
Deferring bus and rail car overhauls (due to transfer of capital funds to operating to maintain a balance budget)					• Increase maintenance costs by $0.7 million • Severe disruption of service

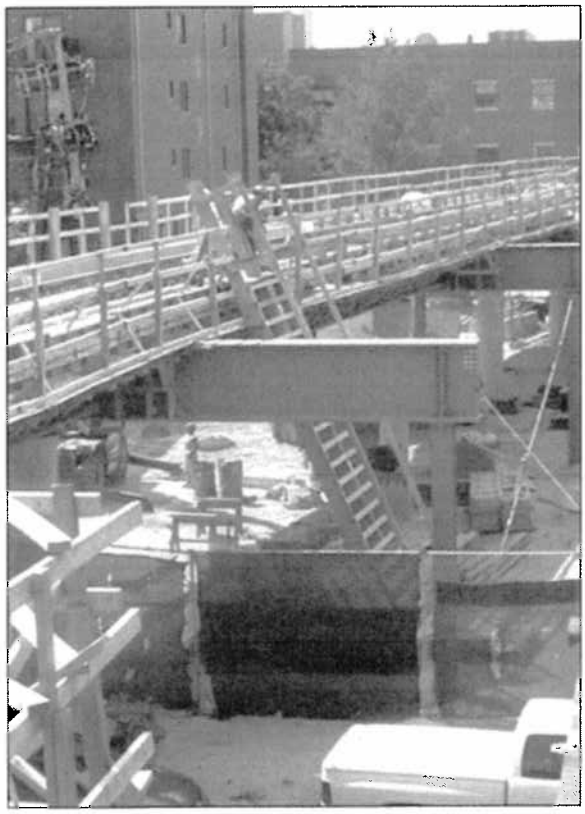
(*) See details on service reductions in the CTA section.

Exhibit 7-14: **Metra Capital Impact on Operations** (includes some of the major programs only)

Type	Impact on Operations
Rolling stock	
Rehabilitation of Commuter Bi-level rail cars ($14.5 million)	• Maintain on-time performance • Reduce maintenance cost • Enhance safety • Increase customer satisfaction
Track & Structure	
Rehabilitation of bridges ($17.7 million)	• Preserve uninterrupted service - higher on-time performance • Improve vertical clearances, • Improve traffic flow and pedestrian safety
Electrical, Signal & Communications	
Signal system upgrade ($10.4 million)	• Improve travel times resulting in higher on-time performance • Enhance safety
Stations & Passenger Facilities	
Station upgrades and ADA accessibility improvement ($6 million)	• Increase ridership • Increase other revenue by providing more commercial and retail space

	1985 *	2006	% Change	Comments
Systemwide				
Cost per Passenger Trip	$7.45	$7.28	-2%	For more than 20 years Metra's capital reinvestments resulted in reductions in operating expense. *"The more we capitalize, the less we subsidize."*
Cost per Passenger Mile	$0.36	$0.32	-11%	
Subsidy per Passenger Mile	$0.16	$0.15	-6%	

(*) Adjusted for inflation.



Belmont station track 4 construction at the CTA Brown line

Metra

The proposed 2008 Capital Program for Metra totals $166.0 million which is divided among the following: Rolling Stock for $24.4 million; Track & Structure for $63.5 million; Electrical/Signal/Communications for $24.7 million; Support Facilities & Equipment for $22.5 million; Stations & Passenger Facilities for $12.7 million; and Miscellaneous for $18.2 million.

Ballast, track, and signal upgrade at Metra's Milwaukee West line

Exhibit 7-15: **Pace Capital Impact on Operations** (includes some of the major programs only)

Type	Impact on Operations
Rolling stock	
Purchase of 173 fixed route accessible buses ($12.2 million)	• Reduce maintenance cost • Improve travel time • Enhance safety
Replacement of engines, transmissions and other major components ($5.1 million)	• Reduce operating expense by $1.5 million • Lower maintenance cost • Improve travel time
Purchase 300 paratransit vehicle ($6.4 million)	• Increase ridership • Reduce maintenance cost • Improve travel time • Enhance safety
Electrical, Signal & Communications	
Replacement of radio system phase 1 ($0.6 million)	• Provide clear, reliable communication; better communication coverage and reduces static
Transit Signal Priority Projects (TSP) ($0.7 million) (TSP is an operational strategy to facilitate the movement of in-service transit vehicles through traffic signal controlled intersections)	• Reduce 7-20% transit travel time • More reliable schedules • Reduce the number of buses needed to operate the service resulting in a lower operating expense • Increased passenger satisfaction
Support Facilities & Equipment	
Replacement of Computer EquipmentSystem ($2.2 million)	• Increase overall operating expense by $1.1 million as a result of increased labor and staff time associated with the implementation of Phase II (ERP system)
Miscellaneous Alternative Analysis ($0.3 million)	• Increase ridership as a result of providing alternative bus routes for faster transit travel (Study for Cermak Raod Arterial Bus Rapid Transit (ART) - potentail vendor see pictures below)

Pace

The proposed 2008 Capital Program for Pace totals $45.9 million which is divided among the following: Rolling Stock for $30.9 million; Electrical/ Signal/Communications for $1.4 million; Support Facilities & Equipment for $12.9 million and Miscellaneous for $0.7 million.

NABI bus - Pace Rapid Transit project

NABI bus from inside - Pace Rapid Transit project

8 Appendices

Exhibit 8-1: **2008 Budget Call Calendar** (dates listed are in 2007)

June 28	RTA Finance Committee meeting; 2008 budget call release.
Aug. 1 - 17	Service Board five-year capital program, ten-year capital plan and critical issue submittals due to the RTA. Service Boards submit budget call documents (budget and two-year financial plan information) to the RTA immediately following each Service Board's August Board meeting.
Aug. 17 - 31	RTA staff analysis of each Service Board's budget and two-year financial plan information. RTA and Service Board staffs discuss business issues. RTA staff prepares the budget, the two-year financial plan, the preliminary five-year capital program, and preliminary ten-year capital plan 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 2008 budget and the 2009-2010 financial plan of each Service Board, (2) set the 2008 budget recovery ratio for each Service Board, and (3) set the preliminary 2008-2012 five-year capital program marks.
Sep. 14	RTA Finance Committee meeting to review and discuss the preliminary five-year capital program marks, review each Service Board's budget and two-year financial plan, and discuss an ordinance setting the operating funding marks and recovery ratio. RTA Board meeting to discuss and consider adoption of an ordinance which sets the operating funding marks from 2008 through 2010, the 2008 recovery ratio and the preliminary five-year (2008-2012) capital program marks for each Service Board.
Sep. 14 - Oct. 15	Service Boards develop detailed budgets, two-year financial plans, a seven-year long-term financial view, performance measures, preliminary five-year capital programs, and a preliminary ten-year capital plan. Staff of the RTA and Service Boards meet to review issues.
Oct. 1 - Dec. 7	FTA releases Federal Fiscal Year 2008 Apportionments in the Federal Register.
Oct. 2 - Dec. 7	RTA and NIRPC renegotiate Letters of Understanding regarding the FTA Sections 5309 and 5307 allocations between NE Illinois and NW Indiana; and RTA and SEWRPC renegotiate Letter of Understanding regarding the FTA Section 5307 allocation between NE Illinois and SE Wisconsin.
Oct. 15 - Nov. 9	Service Boards release their budgets, two-year financial plans, seven-year long-term financial view, performance measures, and preliminary five-year capital program and ten-year capital plan documents to the public, and present highlights to the County Boards.
Nov. 1	RTA Board Committees and the RTA Board review the RTA Agency budget.
Nov. 6 - Dec. 7	RTA Board Members and staff present highlight summaries of the regions proposed budget, two-year financial plan, seven-year long-term financial view, performance measures, and preliminary five-year capital program and ten-year capital plan to County Committees and their Boards.
Nov. 9 - 21	RTA staff consolidates the proposed budgets, financial plans, performance measures, and revised capital programs of the Service Boards and Agency into proposed 2008 annual budget, two-year financial plan, seven-year long-term financial view, performance measurements, and five and ten-year capital program and plan documents.
Nov. 15	Service Boards submit proposed budgets, two-year financial plans, seven-year long-term financial view, performance measures, and revised five and ten year capital programs and plans to the RTA.
Nov. 16	CMAP Transportation Committee meets to recommend to the CATS Policy Committee the FTA allocations between NE Illinois, NW Indiana, and SE Wisconsin.
Nov. 26	The RTA's proposed 2008 budget, 2009-2010 financial plan, 2011-2017 long-term financial view, performance measures, and five and ten-year (2008-2017) capital program and plan documents are available for public inspection.
Dec. 6 - 13	RTA holds public hearings (dates to be determined) on the proposed consolidated 2008 budget, 2009-2010 financial plan, 2011-2017 long-term financial view, performance measures, and 2008-2017 capital program and capital plan.
Dec. 14	RTA Finance Committee meeting to review and discuss the 2008 budget, the 2009-2010 financial plan and the revised 2008-2012 capital program. RTA Board meeting to review and consider adoption of an ordinance for the 2008 budget, the 2009-2010 financial plan, and the revised five-year (2008-2012) capital program. The Finance Committee and RTA Board meet to review and consider concurrence with the 2011-2017 long-term financial view and the 2008-2017 ten-year capital plan.

Exhibit 8-2: **RTA Community Meetings/Budget Hearings Schedule**

The RTA is seeking public input regarding the Moving Beyond Congestion strategic planning process and the 2008 proposed operating and capital program budget for public transportation in the region. Meetings are open to the general public. No RSVP necessary. All locations are ADA accessible. For questions, call the RTA at 312-913-3200.

CHICAGO

Central - Thursday, December 6th
9:00 am - 10:30 am
RTA Headquarters, Board Room
175 W. Jackson Boulevard, Suite 1550 Chicago

South - Thursday, December 6th
6:00 pm - 7:30 pm
Sheldon Heights Church of Christ
Corner of 113th Street and Halsted Street Chicago

North- Monday, December 10th
6:00 pm - 7:30 pm
Loyola University Lakeshore Campus, Auditorium
Kenmore Avenue and Sheridan Road Chicago

Southwest - Wednesday, December 12th
6:00 pm - 7:30 pm
Toman Public Library
2708 S. Pulaski Road Chicago

West* - Thursday, December 13th
6:00 pm - 7:30 pm
South Loop School
1212 S. Plymouth Court
(at State Street & Roosevelt Road) Chicago

**Relocated from National Teachers Academy, 55 W. Cermak Road, Chicago*

SUBURBAN COOK COUNTY

North - Monday, December 10th
6:00 pm - 7:30 pm
Pace Headquarters, Board Room
550 W. Algonquin Road Arlington Heights

South - Wednesday, December 12th
6:00 pm - 7:30 pm
South Suburban Mayors and Managers Association
Meeting Room C
1904 W. 174th Street East Hazel Crest

DUPAGE COUNTY

Thursday, December 6th
6:00 pm - 7:30 pm
DuPage County Building Auditorium
421 N. County Farm Road Wheaton

KANE COUNTY

Tuesday, December 11th
6:00 pm - 7:30 pm
Kane County Government Center
Building A, Auditorium
719 Batavia Avenue (Route 31) Geneva

LAKE COUNTY

Wednesday, December 12th
6:00 pm - 7:30 pm
University Center of Lake County
1200 University Center Drive Grayslake

MCHENRY COUNTY

Thursday, December 6th
6:00 pm - 7:30 pm
Administration Building, Conference Room A
667 Ware Road Woodstock

WILL COUNTY

Tuesday, December 11th
6:00pm-7:30pm
Joliet Historical Museum
204 N. Ottawa Street Joliet

Public Hearing 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 twelve public hearings during the first two weeks of December 2007 with one in each Collar County and seven occurring around Cook County. The meetings were publicized in press releases issued to the media, legal notices in newspapers across the region, e-mails and calls to Moving Beyond Congestion Partners for Transit, the RTA's InTransit newsletter, a special communication to elected officials, as well as through the Service Boards, at reduced fare presentations, and on MovingBeyondCongestion and RTA websites. The hearing schedule is detailed in Exhibit 8-2.

At these meetings, the RTA briefed the public on the proposed RTA 2008 Budget, provided an update on the Moving Beyond Congestion strategic plan, and responded to comments and questions. Presenters included Executive Director Steve Schlickman and RTA senior management who were joined by RTA board members at several hearings. The approximately 50 attendees included members of the general public, representatives of municipalities and Partners for Transit organizations, and State and local elected officials.

The majority of comments on record were supportive of the RTA strategic plan and State legislation that calls for additional transit funding. Strong opposition to fare increases, service cuts and layoffs was also expressed. Court reporters were present to take testimony, and transcripts of this testimony are on file at the RTA.

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 transit vehicles, operations and facilities to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit.

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 Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. (Of the four types of fiduciary funds [Agency funds, pension (and other employee benefit] funds, investment trust funds, and private-purpose funds), the RTA uses only the first two.)

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 Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

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 estimated to be available for the next three years. 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.

Capital—Funds that finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car Mile or Vehicle Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

CMAP (The Chicago Metropolitan Agency for Planning)—Formed in 2005, CMAP integrates planning for land use and transportation in northeastern Illinois. The new organization combined the region's two previously separate transportation and land-use planning organizations – Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) – into a single agency.

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.

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.

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.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "system-generated" revenue.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes that serve Metra stations.

Financial Plan—In addition to an annual budget, the RTA 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 Expenditures)—Pay or expenditures 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 that helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and 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 prove 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-time work schedule for one year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund. 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.

Funding Formula—A specific formula used to determine a subsidy level.

General Long Term Debt Account Group (GLTDAG)—This account group 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.

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.

General Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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 group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board. For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

Innovation, Coordination and Enhancement (ICE) Fund—A new fund created to award grants to Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements.

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.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (Intermodel 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.

Joint Self Insurance Fund (JSIF)—The RTA

provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The service boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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 Expenditure—Expenditures for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

Metra—The Commuter Rail Division of the RTA responsible for all rail public transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

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 revenue and other financial resource increments (e.g., bond issue proceeds) is 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.

Moving Beyond Congestion—Jointly with the Chicago Transit Authority, Metra and Pace, the Regional Transportation Authority is leading a strategic planning effort to maintain, enhance and expand the northwestern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

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.

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 revenue and expenditures 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. On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including 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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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 expenditure 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 RTA. Generally refers to funding for operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the ADA paratransit Service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures as allowed by the RTA Act. 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 attain an annual recovery ratio of at least 50 percent for mainline service. For ADA paratransit service, the Act requires a 10% recovery ratio in 2008 and 12% thereafter.

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. Fifteen 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.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

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 the only Service Board that has generated by statute sales tax for capital in more than a decade.

SCIP (Strategic Capital Improvement Program) 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). 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.

State Financial Assistance (SFA)—This is a state authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds, subject to the appropriation of funds by the State.

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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program (TAP)—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50 at a reduced price to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998, this legislation 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.

TOD (Transit-Oriented Development or Transit-Oriented Design)— Mixed use development of residential, office and retail uses within walking distance of a transit station or bus route.

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.

Supplemental Data

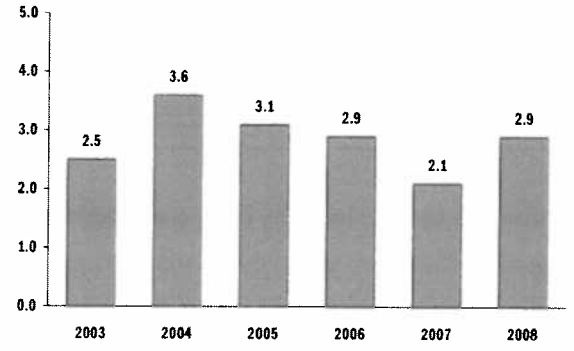
National Economic Projections

During the fourth quarter of 2007, the Gross Domestic Product (GDP) grew at an annual rate of 0.6 percent, following 3.8 percent and 4.9 percent annual growth rates during the second and third quarters of 2007, respectively. The GDP is the value of the output of goods and services produced by labor and property located in the United States. Exhibit 8-3 highlights the annual real GDP growth from 2003 through 2008. The GDP climbed from 2.5 percent in 2003 to 3.6 percent in 2004, before declining to 2.9 percent in 2006 and 2.2 percent in 2007. GDP growth is expected to decline to 1.7 percent in 2008.

In 2007, the national unemployment rose from 4.7 percent in November to 5.0 percent in December. Exhibit 8-4 shows the U.S. annual unemployment rate from 2003 through 2008. The unemployment rate declined consistently from 6.0 percent in 2003 to 4.6% in 2006 and remained at 4.6% in 2007. The national unemployment rate is expected to rise to an annual average of 5.1 percent in 2008, matching the rate in 2005.

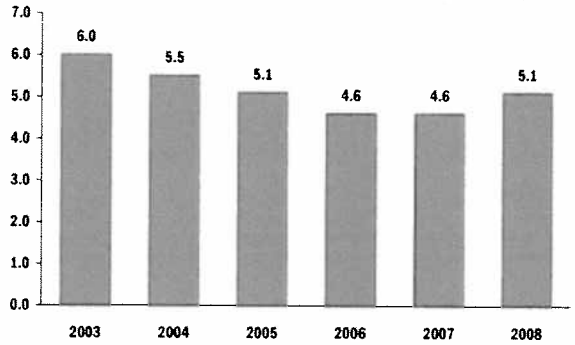
Exhibit 8-5 shows the annual trend in the growth of the U.S. Consumer Price Index (CPI) from 2003 through 2008. Improving overall economic activity resulted in increases in CPI annual growth from 2.3 percent in 2003 to 3.4 percent in 2005, followed by declines to 2.8 percent in 2007. CPI annual growth is expected to decline to 2.3 percent in 2008.

Exhibit 8-3: **2003-2008 U.S. Real Gross Domestic Product** (percent change)



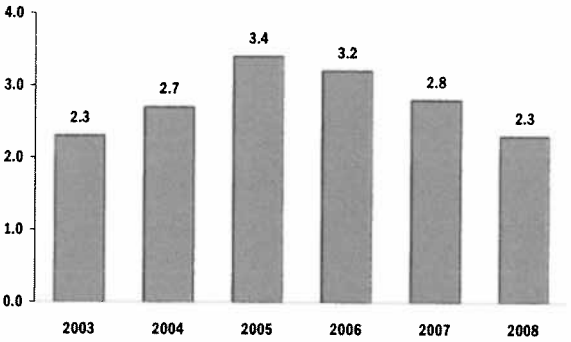
Source: US Department of Commerce, Congressional Budget Office

Exhibit 8-4: **2003-2008 U.S. Unemployment Rate** (in percent)



Source: US Department of Labor, Congressional Budget Office

Exhibit 8-5: **U.S. Consumer Price Index Percent Change**



Source: US Department of Labor, Congressional Budget Office

RTA Region

The following sections summarize 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

As shown in Exhibit 8-6, the population of the RTA region grew by 3.9 percent (from 8.1 million to 8.4 million) between 2000 and 2006. Population growth in the RTA region grew at slower pace than the overall population of the United States, which increased by 6.4 percent during this period.

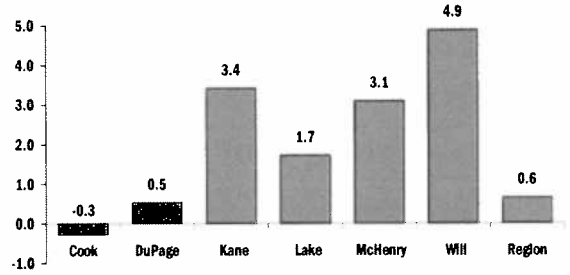
Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties between 2000 to 2006. The highest growth rate occurred in Will

Exhibit 8-6: **Population Trend by County** (in thousands)

	1990	2000	2006	% Change
Cook	5,104	5,377	5,289	-1.6%
DuPage	786	904	933	3.2%
Kane	320	404	494	22.3%
Lake	520	644	713	10.7%
McHenry	185	260	312	20.0%
Will	359	502	668	33.1%
Total	7,274	8,091	8,409	3.9%

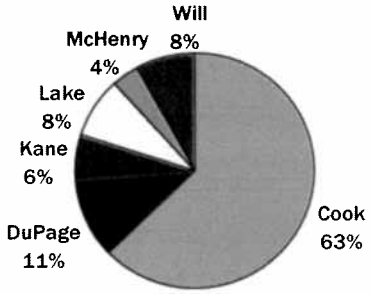
Source: United States Census Bureau

Exhibit 8-7: **RTA Region Population Annualized Growth Rates 2000-2006** (in percent)



Source: United States Census Bureau

Exhibit 8-8: **RTA Region Population Distribution by County - 2006**



Source: United States Census Bureau

County, where the population increased at annual rate of 4.9 percent. The population of Kane and McHenry counties grew at annual rates of 3.4 percent and 3.1 percent, respectively, while the population of Lake and DuPage counties increased at annual rates of 1.7 percent and 0.5 percent, respectively. Cook County experienced a population decline at an annual rate of 0.3 percent. During this 6-year period, the population of the entire RTA region grew at an annual rate of 0.6 percent.

In 2006, Cook County accounted for 63 percent of the 8.4 million people living in the RTA region. DuPage County's population comprised 11 percent of the region, followed by Lake County and Will County (8 percent each), Kane County (6 percent), and McHenry County (4 percent). The population distribution for 2006 is illustrated in Exhibit 8-8.

Employment

Exhibit 8-9 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 from 2003 to 2007. Between 2003 and 2006, the national unemployment rate fell approximately 0.5 percentage points each year. From 2003 to 2005, the unemployment rate in Illinois averaged seven tenths of a percentage point greater than the national unemployment rate. In 2006, however, the State unemployment rate dropped 1.2 percentage points to 4.5 percent, while the national rate again fell only 0.5 percentage points to 4.6 percent. In December 2007, the State-wide unemployment rate of 5.5 percent was one half percent higher than the national unemployment rate of 5%.

Between 2003 and 2007, the unemployment rate in each county of the RTA region except Cook did not typically exceed that of the State of Illinois. Among the six counties in the RTA region, DuPage counties' December 2007 unemployment rate of

Exhibit 8-9: **Unemployment Rates 2002-2006** (in percent)

	2003	2004	2005	2006	Sept. 2007*
United States	6.0	5.5	5.1	4.6	4.5
Illinois	6.7	6.2	5.7	4.5	4.8
County					
Cook	7.4	6.7	6.4	4.7	5.1
DuPage	5.5	5.0	4.7	3.4	3.7
Kane	6.7	6.1	5.8	4.3	4.2
Lake	5.8	5.4	4.7	4.2	4.4
McHenry	5.9	5.2	5.1	3.7	4.0
Will	6.6	6.2	5.8	4.3	4.5

(*) not seasonally adjusted

Exhibit 8-10: **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 8-11: **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

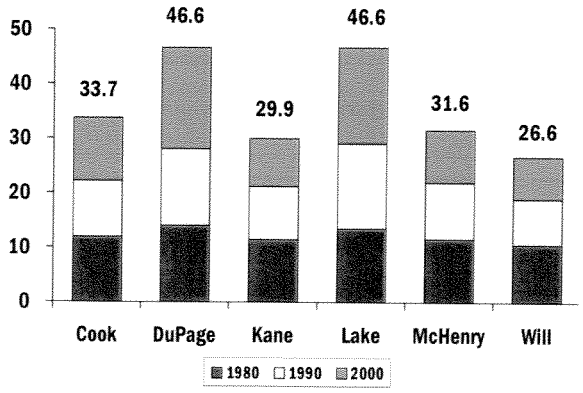
3.7 percent was the lowest in the region, while Cook County's rate of 5.1 percent was the highest in the region.

Suburban jurisdictions have led the region in employment growth since 1980. In 2000, employment in the five collar counties accounted for one-third of the RTA region's total. Cook County, which in 1980 accounted for 79 percent of the region's employment, accounted for only two-thirds of employment in 2000. Regional employment has increased from 3.7 million in 1980 to 4.3 million in 1990 and to 5.0 million in 2000 (Exhibit 8-10).

The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-11. Between 1980 and 2000, the greatest growth has occurred in the service sector. The manufacturing sector experienced the highest 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 8-12.

Exhibit 8-12: **Region Per Capita Income** (dollars in thousands)

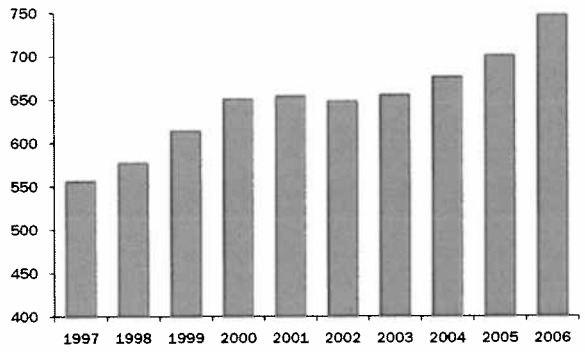


Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exhibit 8-13: **Sales Tax Collections by County** (dollars in millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Chicago	$ 163	$ 177	$ 188	$ 199	$ 197	$ 195	$ 198	$ 205	$ 214	$ 231
Suburban Cook	313	315	334	354	358	354	356	364	373	396
Total Cook	**$ 476**	**$ 492**	**$ 521**	**$ 553**	**$ 555**	**$ 549**	**$ 555**	**$ 569**	**$ 587**	**$ 627**
DuPage	36	39	42	43	42	41	41	43	44	47
Kane	9	10	11	12	12	12	13	14	15	16
Lake	19	20	22	24	25	25	25	26	27	29
McHenry	5	6	7	7	7	7	8	8	9	9
Will	9	10	11	12	12	13	14	15	17	19
Total Collar	**$ 79**	**$ 85**	**$ 92**	**$ 97**	**$ 99**	**$ 98**	**$ 100**	**$ 106**	**$ 113**	**$ 120**
Total RTA Regional	**$ 555**	**$ 577**	**$ 614**	**$ 650**	**$ 654**	**$ 648**	**$ 655**	**$ 676**	**$ 700**	**$ 747**
% change	4.4%	3.8%	6.4%	6.0%	0.5%	(0.9%)	1.1%	3.2%	3.7%	6.6%

Exhibit 8-14: **Sales Tax Collections 1997-2006** (dollars in millions)



Sales Tax Trends

The RTA Sales Tax is the equivalent of one percent on sales in Cook County and one quarter percent on retail sales in the collar counties. Sales tax collections grew at a healthy pace from $555 million in 1997 to $650 million in 2000. However, between 2000 and 2003, sales tax collections fluctuated between $648 and $655 million. In 2004 and 2005, sales tax collections increased $21 million and $24 million to $676 million and $700 million, respectively. In 2006, sales tax collections increased $47 million, the largest annual increase since the RTA imposed a sales tax. Over the ten-year period, growth in sales tax collections has been greatest in the collar counties followed by Suburban Cook County and the City of Chicago. More recently, however, growth in sales tax collections in the City of Chicago has exceeded that of Suburban Cook County. Collections in Suburban Cook County continue to account for more than half of total collections, while collections in the City of Chicago account for slightly less than one third of the total. (Exhibit 8-13 and 8-14).

Ridership Trends

Total RTA ridership increased annually from 1997 to 2001 despite a decline in Pace ridership during this period. Reflecting the overall downturn in the economy, total RTA ridership declined in both 2002 and 2003. Metra and Pace lost riders in 2002, while all three Service Boards lost riders in 2003. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, all three Service Boards achieved significant ridership gains as the economy rebounded and gas prices climbed. Ridership continued to grow in 2006, particularly on Metra. (Exhibit 8-15 and 8-16).

Exhibit 8-15: **RTA Ridership** (in millions)

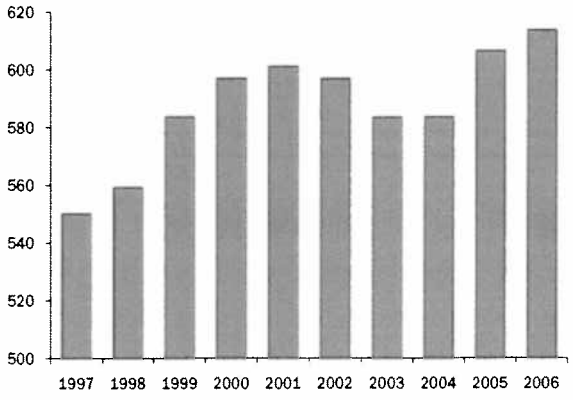


Exhibit 8-16: **Service Board Ridership** (millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CTA Bus	288.9	291.7	300.2	303.3	303.1	304.8	293.7	296.2	305.6	299.6
CTA Rail*	151.0	153.6	166.5	176.2	181.7	180.4	181.1	178.7	186.8	195.2
Total CTA	**439.9**	**445.3**	**466.7**	**479.5**	**484.8**	**485.2**	**474.8**	**474.9**	**492.4**	**494.8**
Metra	72.3	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8
Pace	37.9	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0
Total RTA	**550.1**	**559.1**	**583.5**	**596.9**	**601.0**	**596.8**	**583.3**	**583.4**	**606.3**	**613.6**

(*) CTA rail ridership includes cross-platform transfers.

Exhibit 8-17: **Service Board Operating Expenditures** (dollars in millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CTA	$ 781	$ 808	$ 805	$ 851	$ 884	$ 920	$ 897	$ 938	$ 1,021	$ 1,076
Metra	394	379	397	416	431	445	455	466	504	525
Pace	109	111	114	122	127	131	139	147	160	199
Total	**$ 1,283**	**$ 1,297**	**$ 1,316**	**$ 1,389**	**$ 1,442**	**$ 1,496**	**$ 1,491**	**$ 1,552**	**$ 1,685**	**$ 1,801**
% change	4.1%	1.1%	1.4%	5.6%	3.8%	3.7%	-0.3%	4.1%	8.6%	6.9%

Exhibit 8-19: **Service Board Farebox Revenue** (dollars in millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CTA	$ 360	$ 364	$ 366	$ 369	$ 374	$ 384	$ 368	$ 403	$ 417	$ 462
Metra	175	181	186	192	192	190	191	192	198	218
Pace	35	36	35	37	41	34	32	32	32	31
Total	**$ 570**	**$ 580**	**$ 587**	**$ 598**	**$ 607**	**$ 608**	**$ 591**	**$ 627**	**$ 648**	**$ 711**
% change	2.0%	1.7%	1.3%	1.8%	1.4%	0.2%	-2.7%	6.0%	3.3%	9.8%

Exhibit 8-18: **Service Board Operating Expenditures** (dollars in millions)

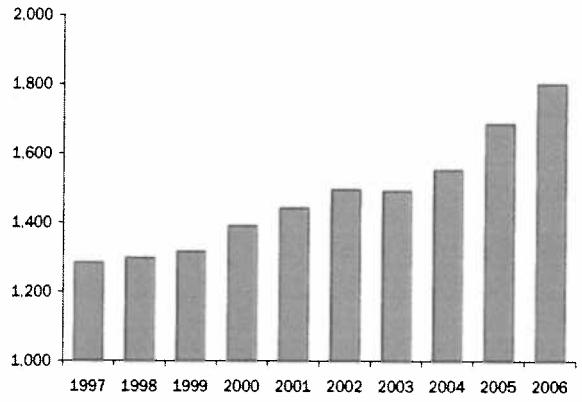


Exhibit 8-20: **Service Board Farebox Revenue** (dollars in millions)

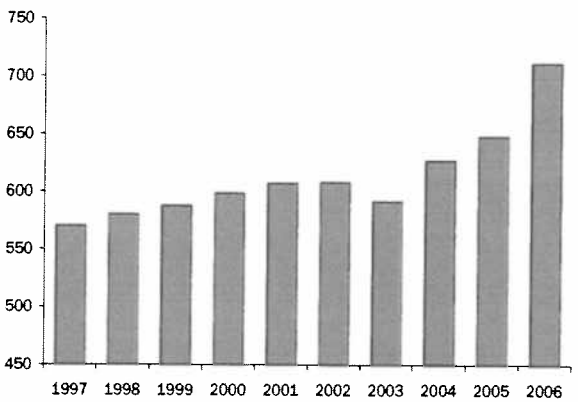
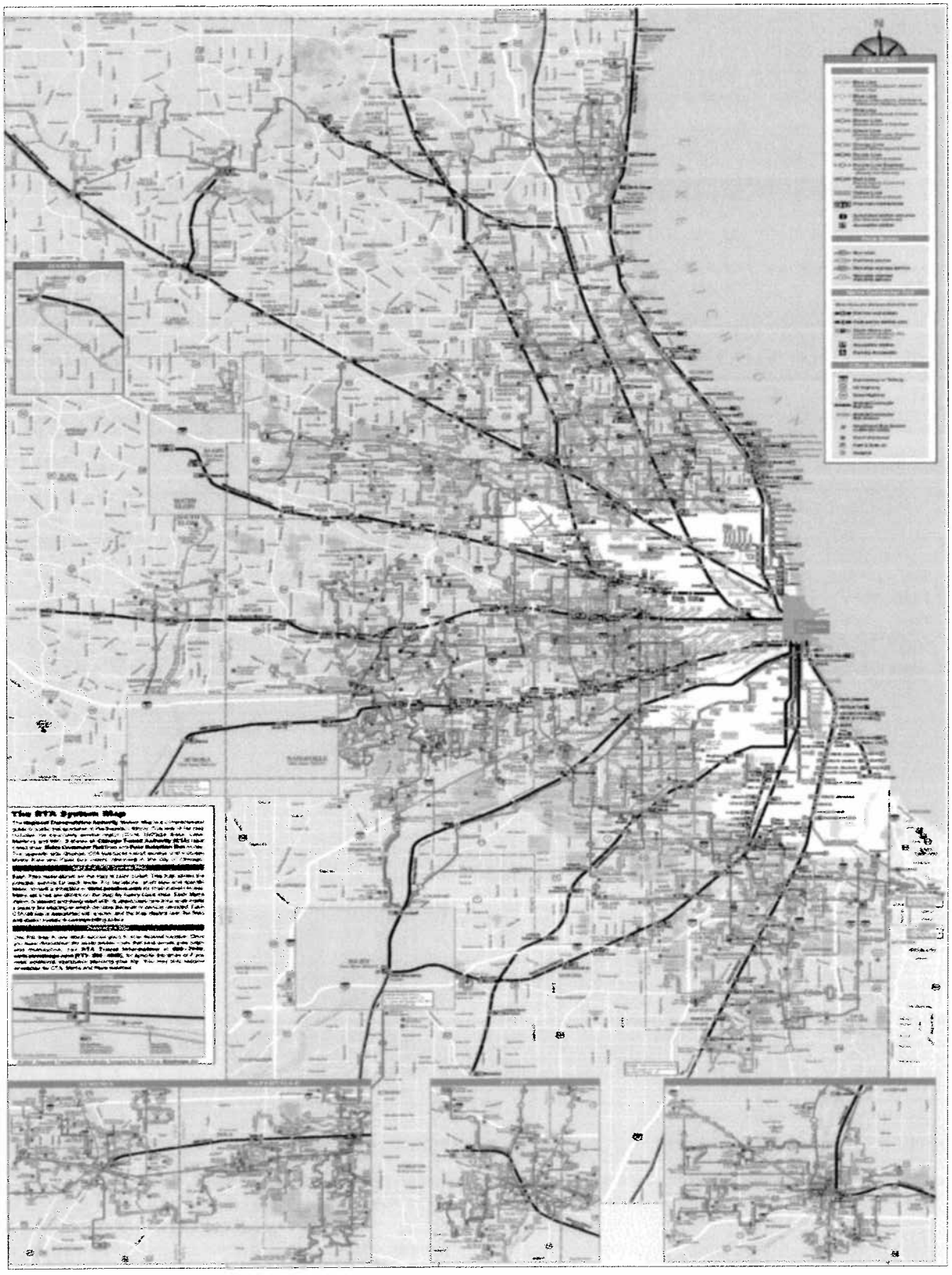


Exhibit 8-21: **System Characteristics** (2006)

Asset Value		Regional Statistics		Vehicles & Routes	
CTA	$20.1 billion	Regional Population	8.4 million	Buses	2,724
Metra	$10.7 billion	Service Area	3,749 sq. miles	Cars & Locomotives	2,395
Pace	$ 0.5 billion	Passenger Miles	3.8 billion	Vanpools Operated	648
Total Asset Value	$31.3 billion	Vehicle Miles	230 million	Rail Routes	19
		Stations Served	395	Bus Routes	386

RTA System Map



Regional Transportation Authority

RTA Main Office
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
165 N. Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

Community Outreach
(312) 913-3144

RTA ADA Certification Helpline
Voice (312) 663- 4357
TTY (312) 913-3122

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any area code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Program
(800) 531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
(312) 681-4610
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

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MovingBeyondCongestion.org

101c

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

2009

Operating Budget, Two-Year Financial Plan and Five-Year Capital Program

MOVINGBEYOND CONGESTION

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1 Introduction

Regional Transportation Authority

Regional Transportation Authority

RTA Board of Directors

Jim Reilly, Chairman
Appointing Authority:
RTA Board of Directors

Phil Fuentes
Appointing Authority:
Mayor, City of Chicago

Michael Scott
Appointing Authority:
Mayor, City of Chicago

James Buchanan
Appointing Authority:
Mayor, City of Chicago

Al Jourdan
Appointing Authority:
Chairman, McHenry County

Horace E. Smith, M.D.
Appointing Authority:
Mayor, City of Chicago

Jan Carlson
Appointing Authority:
Chairman, Kane County

Dwight A. Magalis
Appointing Authority:
Chairman, Lake County

Judy Baar Topinka
Appointing Authority:
Suburban Cook County

William R. Coulson
Appointing Authority:
Suburban Cook County

Patrick V. Riley, Jr.
Appointing Authority:
Suburban Cook County

Douglas M. Troiani
Appointing Authority:
Suburban Cook County

L. Tyrone Crider, Sr.
Appointing Authority:
President,
Cook County Board

Michael Rosenberg
Appointing Authority:
Mayor, City of Chicago

Stephen E. Schlickman
Executive Director

Patrick J. Durante
Appointing Authority:
Chairman, DuPage
County

JD Ross
Appointing Authority:
Executive, Will County

Letter from the Executive Director

Enclosed is a copy of the 2009 Budget and Two-Year (2010-2011) Financial Plan from the Regional Transportation Authority (RTA), which includes the budgets for the Chicago Transit Authority (CTA), Metra and Pace. In January 2008, the General Assembly and the Governor enacted landmark reform and operating funding legislation that allowed the cancellation of massive service cuts, fare increases and layoffs. This 2009 budget reflects the first full year of the implementation of that legislation. It is a compilation of individual budgets of the CTA, Metra, Pace and the RTA (Agency), that still requires approval by the RTA Board in December. It is our collective intent to improve transparency and increase accountability in our budgets, and improve public understanding of the costs and benefits of transit to the region.

In response to unstable gas prices and severe traffic congestion choking our region, transit ridership is at historic highs. Despite this, the financial challenges facing the transit agencies in 2009 are significant due to a slowed economy, reduced tax revenues, high fuel prices and deteriorating capital infrastructure.

While advocating for the funding and reform bill, we always knew that small, periodic fare increases would be necessary. Since 1983, the RTA Act has required that 50% of our funding come from fares and other system generated revenue. Mass transit still remains a tremendous bargain compared with driving. Metra implemented a fare increase earlier this year and the CTA and Pace have to implement increases in 2009.

The regional transit system still faces a serious shortfall in capital funding. The State has not approved a capital infrastructure funding plan since 1999, and we have not received any state capital dollars since 2004. Aged trains and buses, deteriorating tracks and stations, and equipment that has exceeded its useful lifespan all result in higher operating costs. There is a dire need to make capital investments to maintain, enhance, and expand the transit system. With high gas prices, a struggling economy, record-high ridership, and a desire to better protect our environment, the need to invest in transit has never been greater than it is today. The RTA joins with others across Illinois to urge the General Assembly to pass a comprehensive capital plan that addresses not only transit infrastructure, but roads, bridges, schools and other critical needs.

Thank you once again for your continued support of transit and your partnership in implementing important management and fiscal reforms designed to enhance the coordination and efficiency of the regional transit system. For more information, visit www.MovingBeyondCongestion.org, and consider joining as a Partner for Transit so we can continue to provide you with updates.

Sincerely,

Stephen E. Schlickman

Executive Director, Regional Transportation Authority

Guide

The RTA 2009 Budget, Two-Year Financial Plan, and Five-Year Capital Plan consists of the Regional Transportation Authority (RTA/Agency), Chicago Transit Authority (CTA), Metra commuter rail, and Pace Suburban Bus Service and ADA Paratransit Service budget plan and data.

The outline below is presented as a guide to the organization of the RTA 2009 Budget, Two-Year (2010-2011) Financial Plan, and Five-Year (2009-2013) Capital Plan. The book is divided into the following eight sections.

1. **Introduction** provides a list of RTA Board of Directors, a letter from the RTA Executive Director explaining the key points of the 2009 budget, a guide to the overall structure of this document, a brief legislative update, key budget issues, RTA's vision and goals, the Strategic Plan outline, Governance including the 2009 budget ordinance (2008-83), and the 2008 GFOA Distinguished Budget Presentation Award.

2. **Budget in Brief** provides a snapshot of the RTA's role and summarizes the key elements of the 2009 budget.

3. **RTA** section is divided into four major categories: Region Operating Plan (RTA, CTA, Metra, and Pace consolidated budget and financial plan); Agency Operating Plan (budget and financial plan); Goals and Performance Measures (Estimates vs. Plan); and Reference (RTA bonds and fund types).

4. **CTA** information includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

5. **Metra** section includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

6. **Pace** information is divided into two operations – Suburban Bus Service and ADA Paratransit Service. Information about both operations includes service characteristics, operating plan, budget and financial plan details, and organizational structure.

7. **Capital** provides an overview and details about the capital program of each of the Service Boards (CTA, Metra, and Pace) and issues concerning bringing the system into the state of good repair.

8. **Appendices** include the Budget Call Calendar, Budget Hearing Schedule, Glossary, and Supplemental Ridership and Sales tax data.

Legislative Update

On January 18, 2008, Illinois lawmakers approved and the Governor signed into law, through an amendatory veto process House Bill 656 (Public Law 95-0708), an estimated $530 million (based on economic conditions at that time) in new annual operating funds to the region's public transportation system. The new law also includes reforms recommended by the Illinois Auditor General to enhance coordination and efficiency and reforms the CTA pension and retiree health care plans. The Governor's amendatory veto provides free rides to seniors 65 and older living in the RTA's service area, which began, March 17, 2008. Other provisions of the bill include:

New law provides increased operating funds. System-wide fare increases and service cuts avoided.

- A one-quarter percent increase in sales tax across the region
- An additional one-quarter percent increase in sales tax in the collar counties (DuPage, Kane, Lake, McHenry, and Will) controlled by each county board and used for public safety and transportation projects (roads and public transit)
- Authorizes the City of Chicago to increase the real estate transfer tax which provides additional funding for the CTA
- Expands the RTA Board from 13 to 16 members
- Expands Metra's Board from 7 to 11 members

While the new law addressed transit's operating needs across the region, the General Assembly is still considering a state capital funding plan that would address the system's infrastructure needs across the region. For a summary of the mass transit reform legislation, log on to www.rtachicago.com.

Budget Issues

In reading this document, it is important to note that the information provided reflects the Region's funding and service conditions when the RTA Board adopted Ordinance 2008-83 on December 18, 2008, which approved the 2009 budgets and 2010-2011 financial plans of the Service Boards, the Agency, and Region as a whole. It is also important to note that the funding marks (public funds to cover operating deficits) for each Service Board were set on September 15, 2008, prior to the severe decline in the economy. In the planning cycles the region is faced with two overriding issues: capital funding, which has been a growing concern over the past four years, and the more recent impact of the economy.

Capital Funding

While obtaining operating funding and reform, the legislative passage of P.A. 95-0708 was a critical step in remaking our transit. We cannot fully achieve our goal of having a world-class transit system unless there is an adequate capital investment to maintain, enhance and expand the system.

In has been nine years (1999) since the state of Illinois last addressed capital funding. Illinois FIRST provided urgently needed funds for roads, bridges, transit and other public infrastructure. The money allowed our state to address maintenance backlogs and build critical expansions to our road and transit system. However, Illinois FIRST funds expired in 2004, and for more than four years, no state infrastructure funding has been dedicated to transit.

Our transit system is the second largest in the nation. Collectively, the Service Boards infrastructure includes more than 3,800 buses and vans, 2,300 train cars, 1,490 miles of train track, 915 bridges and over 300 rail stations with an asset value of $35 billion. Just to maintain current levels of service and infrastructure, we should be investing over $1 billion each year and that does not include any funding for system expansions. Since funding has not been available, major overhauls have been delayed and replacement of aging vehicles has been put off. This has resulted in: slow zones creating less reliable service, less fuel efficient vehicles in the face of

volatile fuel prices, and delayed replacement of aging vehicles that have significantly increased operating costs (fuel, labor, and materials). A more in-depth account of our rolling stock identifies the percentage of each fleet type that is beyond its useful life.

Fleet Type	Useful Life	Current Age
Bus	12 years	50% more than 12 years
Heavy Rail Cars	25 years	40% more than 25 years
Commuter Rail Cars	35 years	24% more than 35 years

Economic Decline

As discussed earlier, funding for the Service Boards was established in September 2009, which at that time reflected a moderate downturn in anticipated public funding from Sales Tax and the Public Transportation Fund (PTF). However, since that time, the economy has continued its downward spiral with the floor still undetermined.

Looking ahead in 2007 for 2009, when legislative reform was emerging and the economy progressively on the rise, public funding subsidies from sales tax, public transportation funds, and the City of Chicago's real estate transfer tax were projected to add more than $530 million for bus, rail and ADA Paratransit services. Current estimates show figures that are down over 26% for revenues provided by new legislation and down nearly 14% for sales tax and PTF in place before legislative reform enacted by P.A. 95-0708, an overall decline of more than 18% or $276 million.

These results, coupled with an unfunded mandate to provide free rides on mainline service to seniors and disabled riders, and the impact of rising operating costs due to the lack of capital funds, point to an overall decline in 2009 in excess of $360 million.

Service Boards

The CTA's 2009 budget reflects a fare increase and decreases in administrative and support positions. Without these measures CTA will not be able to balance its budget. The CTA's 2009 budget reflects a new fare structure and 396 eliminated positions.

Metra's 2009 budget includes a need for new State capital program without which, Metra will continue to fall behind in its efforts to purchase new or rehab old rail cars and locomotives, replace aging bridges, and renew rail and track.

Pace's suburban service budget was accompanied by a general fare increase of 25 cents effective January 1, 2009. The first fixed route fare increase since 2001. Since then rising costs, inflation and other factors have undermined the contribution to the budget from farebox receipts.

Vision Statement & Strategic Plan

In 2007, the Regional Transportation Authority released its five-year strategic plan, Moving Beyond Congestion which presented the RTA's 30-year vision for maintaining, enhancing, and expanding public transit system in northeastern Illinois. With assets valued at $35 billion, the system provides two million rides each weekday and hundreds of thousands more on weekends.

Vision

The RTA, CTA, Metra, and Pace vision for the region is a world-class public transportation system that is convenient, affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities.

Goals

I. Provide Transportation Option
II. Ensure Financial Viability
III. Enhance Livability and Economic Vitality
IV. Demonstrate Value

Governance

Overview

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 maintain separate management, exercise control over all operations including the passenger fare structure

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 does not control the selection or 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.

The corporate authority and governing body of the RTA is the 16-member RTA Board of Directors. Fifteen directors are appointed from within the six-county region: five directors by the Mayor of the City of Chicago, one director by the president of the Cook County Board; four directors by the suburban members of the Cook County Board; and one director each from DuPage, Kane, Lake, McHenry and Will appointed by the Chairman or Executive of the Board; its 16th member is elected by at least 12 of the 15 appointed members.

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.

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 expenditures. 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. Pace is also responsible for region-wide ADA paratransit service.

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 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

As previously discussed, 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. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 8-1).

Budget Calendar

By July 1 of each year, the Office of Management and Budget (OMB) is to submit to the RTA an estimate of revenue to be collected from taxes for the next fiscal year.

Based upon this information and its own economic assessments, the RTA estimates tax receipts and revenue from other sources, and "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 and 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 RTA Act requires that the budgets submitted by each Service Board not project or assume receipt of revenue greater than that 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. At least 20 days prior notice is required for the public hearing. The public hearing notice for the 2009 budget may be reviewed in the Appendices Section (Exhibit 8-2).

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt a budget (by 12 votes) that meets the statutory criteria. If the RTA does not find that a Service Board budget meets the criteria set forth under the RTA 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 seven statutory criteria for Board approval of the budget and financial plan of each Service Board. These seven criteria are:

Balanced Budget

Such budget and plan shall show a balance between (a) anticipated revenue 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 expenditures 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.

Strategic Plan

Such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

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.

Oversight

After adoption of the operating budget, the RTA Board has continuing oversight powers concerning the budget and 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 "it's 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 seven statutory budget criteria necessary to pass an annual budget. If not, the RTA does

not release any moneys 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 that 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.

Operations Funding

The RTA provides operating funds to each Service Board equivalent to its 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.

Fund balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The ordinance affirms that 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 five percent of the RTA's total operating expenditures for that year. If actual sales tax receipts or other RTA revenue falls 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 three-year planning period.

The RTA established this policy 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.

Financial Policies

Capital Expenditure

The RTA Five-Year Capital Program is adopted by the RTA after an affirmative vote of at least 12 RTA Directors, after consultation with the Service Boards, and after holding a minimum of three public hearings in Cook County and one public hearing in each of the other counties in the metropolitan region. Preparation of the RTA's capital budget is guided by the following policies found in the RTA Act.

A five-year program for capital improvements is updated annually.

Each capital improvement to be undertaken or on behalf of a Service Board should meet the criteria set in the Strategic Plan, and is not inconsistent with any subregional or corridor plan adopted by the RTA.

In reviewing proposals for improvements to be included in a Five Year Capital Program, the RTA may give priority to improvements that are intended to bring public transportation facilities into a state of good repair.

The Five Year Capital Program shall also identify capital improvements to be undertaken by a Service Board, a transportation agency, or a unit of local gov-

ernment and funded by the Authority from amounts in the Innovation, Coordination, and Enhancement Fund, provided that no improvement that is included in the Five Year Capital Program, as of the effective date of this amendatory Act of the 95th General Assembly, may receive funding from the Innovation, Coordination, and Enhancement Fund.

Fixed Assets

The RTA sets a fixed asset capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation.

Description	Useful life
Furniture and Equipment	5 years
Computer Equipment	5 years
Leasehold improvements	Life of the lease

General Obligation Bonds

The RTA's policy states that bonds should be payable from all revenue 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 (JSIF) 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. In addition, RTA Sales Tax must be 2.5 times greater than the debt service requirement. 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 Act, the CTA, Metra and Pace fare box receipts and funds on hand will not be used for payment of debt service.

Investment

The RTA's policy complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, public trust, and investments in local and disadvantaged institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

The RTA policy establishes the following objectives:

- Safety of Principal – Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.
- Liquidity – Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA
- Rate of Return – A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.
- Public Trust – The RTA and its officers should avoid any investment transaction or practice which in appearance may impair public confidence in its stewardship of public funds.
- Investments in Local and Disadvantaged Institutions – Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

Operating Budget

The RTA operating budget and two-year financial plan follows the guidelines below:

- Adoption requires an affirmative vote of at least 12 RTA Directors and hold at least one public hearing in the metropolitan region, and meet with the county board or its designee of each of the several counties in the metropolitan region.
- The Service Boards (CTA, Metra, and PACE)

prepare and publish, for public hearing and comment, a comprehensive budget document that is to conform to the RTA "marks". RTA 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.

- All funds are required to balance. The total budgeted revenues must equal the sum of budgeted expenditures for each fund. Revenue sources include sales tax, state funds (e.g. PTF, SFA, and reduced Fare) and other revenue.
- The adopted budget should reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than five percent of the RTA's total operating expenditures for the year. If the amount is below five percent, the financial plan must show full replenishment by the end of the current planning cycle.
- The combined revenue from RTA operations should cover at least 50% of the system operating costs.

Pension Funding

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year-to-year.

ORDINANCE NO. 2008-83

APPROVING THE 2009 BUDGETS AND 2010 - 2011 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2009 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2009 BUDGETS, ADOPTING THE FIVE-YEAR CAPITAL 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 2009

WHEREAS, Section 4.01 of the Regional Transportation Authority Act (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 2009; 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, pursuant to Section 2.01b the Authority shall each year adopt a Five-Year Capital Program that shall include each capital improvement to be undertaken by or on behalf of a Service Board provided that the Authority finds that the improvement meets any criteria for capital improvements contained in the Strategic Plan, is not inconsistent with any sub-regional or corridor plan adopted by the Authority, and can be funded within amounts available with respect to the capital and operating costs of such improvement; and

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards; and

WHEREAS, pursuant to Sections 4.01(a) and 4.11(d) of the Act the budget and financial plans shall contain estimated expenses for contributions to be made with respect to pension and other employee benefits, and the Service Boards are required to present to the Authority sufficient detail that fairly presents the condition of any pension plan or trust for health care benefits with respect to retirees established by the Service Board and describes the plans of the Service Boards to meet the requirements of Sections 4.02a and 4.02b; and

WHEREAS, pursuant to Sections 4.02a and 4.02b of the Act, the Authority shall continually review the payment of the required employer contributions to affected pension plans and beginning January 1, 2009, if at any time the Authority determines that the Service Boards payment of any portion of the required contributions to an affected pension plan is more than one month overdue, it shall as soon as possible pay the amount of those overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of moneys otherwise payable to that Service Board under Section 4.03.3, and the Authority shall thereafter have no liability to the Service Board for amounts paid to the trustee of the affected pension plan, and if the Authority's payment of such contributions is similarly overdue it shall pay such overdue amount out of its administrative expenses; and

WHEREAS, pursuant to Section 4.11 of the Act, the RTA has taken certain actions by ordinance identifying the amounts estimated to be available for expenditure by each Service Board during fiscal year 2009 and the two following fiscal years; and

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has presented its proposed fiscal year 2009 budget and proposed 2010-2011 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 Capital 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, the amounts available to the Service Boards for 2009-2011 are predicated on the RTA continuing to receive from the State of Illinois funding as reimbursement for revenue losses from providing free or reduced fare rides; and

WHEREAS, pursuant to the RTA's policy regarding Service Board Financing Transactions ("Funding Policy") the RTA Board must approve the Service Boards' use of the proceeds from any Financing Transaction, as such term is defined in the Funding Policy, before such proceeds are used, and the primary use of such proceeds should be for capital programs; and further, such proceeds are excluded from the Service Boards' System-Generated Revenues Recovery Ratios; and

WHEREAS, the Five-Year Capital Program included with this Ordinance is based on capital program submittals from the Service Boards, and after the RTA Board makes any amendments to the estimates of capital funding available based on subsequent Federal or State action, the Service Boards will be required to adjust their capital programs to reflect such revised estimates; and

WHEREAS, the RTA will reimburse the purchase of excess liability and terrorism insurance by the RTA system's Loss Financing Plan to provide system protection against catastrophic loss; and

WHEREAS, the CTA will continue to receive $20.353 million of discretionary funds from the RTA available for operations but appropriated in this ordinance for the Capital Program; and

WHEREAS, Metra's capital farebox programs are considered as operating revenue for funding their operating deficit and in calculating the recovery ratio; and

WHEREAS, the financial plan submitted by the CTA presumes the receipt of public subsidies in excess of the amounts identified by RTA Ordinance 2008-58 for 2010 and 2011, and also presumes the receipt of public subsidies in excess of the amount of public subsidies provided by this Ordinance, and therefore does not meet the criteria set forth in Section 4.11 of the RTA Act; and

WHEREAS, the financial plan in this ordinance for the CTA reduces the presumed public subsidy to the amounts identified as available by the RTA, and the CTA must take deficit reduction actions to adjust their 2010 and 2011 financial plans to comply with the terms of this ordinances; and

WHEREAS, the financial plan submitted by Pace for Suburban Service presumes the receipt of public subsidies in excess of the amounts identified by RTA Ordinance 2008-58 for 2010 and 2011 and therefore does not meet the criteria set forth in Section 4.11 of the RTA Act; and

WHEREAS, the financial plan in this ordinance for Pace Suburban Service reduces the presumed public subsidy to the amounts identified as available by the RTA, and Pace must take deficit reduction actions to adjust their 2010 and 2011 financial plans to comply with the terms of this ordinances; and

WHEREAS, the budget and financial plan submitted by Pace for ADA Paratransit Service presumes the receipt of public subsidies in excess of the amounts identified by RTA Ordinance 2008-58, including the availability of ADA paratransit reserves, for 2011 and therefore does not meet the criteria set forth in Section 4.11 of the RTA Act; and

WHEREAS, the financial plan in this ordinance for Pace ADA paratransit service reduces the presumed public subsidy to the amounts identified as available by the RTA, and Pace must take deficit reduction actions to adjust their 2010 and 2011 financial plans to comply with the terms of this ordinances; and

WHEREAS, pursuant to Section 4.03.3 of the Act, the RTA has established public funding levels in 2009 through 2011 for ADA Paratransit, Suburban Community Mobility and Innovation, Coordination, and Enhancement (ICE) that change proportionately with the percentage change in RTA tax receipts; and

WHEREAS, the amount of public funding

estimated to be available to the Service Boards for the 2009 budget and 2010-2011 financial plan is contingent on compliance with Section 4.02a and 4.02b of the Act; and

WHEREAS, in 2008 the RTA issued working cash notes and loaned $16 million to the CTA to increase its public funding amount for operations to offset the shortfall in real estate transfer taxes and $40 million to Pace for ADA Paratransit service to make up for the interruption in public funding resulting from the transition from additional state assistance to new sales tax receipts enacted by P.A. 95-0708; and

WHEREAS, pursuant to Section 4.09 of the Act, such notes must be repaid within 24 months and constitute a reduction in funds that would otherwise have been allocated to CTA or Pace, respectively, by the RTA; and

WHEREAS, pursuant to Section 2.01c of the Act any grantee that receives funds from the Innovation, Coordination, and Enhancement Fund for the operation of eligible programs must implement such programs within one year of receipt of such funds and within two years following commencement of any program utilizing such funds, determine whether it is desirable to continue the program, and upon such a determination, either incorporate such program into its annual operating budget and capital program or discontinue such program; and

WHEREAS, unfavorable economic conditions have created the need to waive, for purposes of the adoption of the 2009 Budget and 2010-2011 Financial Plan, the provision of the RTA Funding Policy adopted by Ordinance No. 98-15 that requires that the RTA Annual Budget and Two-Year Financial Plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period ("the 5% fund balance policy"), but such policy will be in effect for the development and adoption of the 2010 Budget and 2011-2012 Financial Plan unless further action is taken by the RTA Board to extend such waiver; and

WHEREAS, unfavorable economic conditions have required the RTA to allocate, rather than reserve, financial resources in an effort to preserve operating stability for the 2009 budget and 2010-2011 financial planning period; and

WHEREAS, the waiver of the 5% fund balance policy removes the ability of the RTA to fund the operating budgets of the Service Boards at the levels established in the operating marks, pursuant to the provisions of the RTA Funding Policy adopted by Ordinance No. 91-9 (the "funding to budget policy"), and therefore the funding to budget policy must be waived for purposes of the adoption of the 2009 Budget and 2010-2011 Financial Plan, but such policy will be in effect for the development and adoption of the 2010 Budget and 2011-2012 Financial Plan unless further action is taken by the RTA Board to extend such waiver; 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:

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 proposed budgets for 2009, and financial plans for 2010 and 2011, of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division ("Metra"), the Suburban Bus Division ("Pace") (each a "Service Board").

1.2 With respect to the proposed budget and financial plans of Metra (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 Metra sufficient to allow Metra to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.3 With respect to the proposed budget and financial plan submitted by the CTA, the RTA finds as follows:

(a) The budget and financial plans submitted by the CTA presumed a receipt of public subsidies in 2010 and 2011 higher than the public funding identified as available by the RTA, and therefore does not meet the criteria established in Section 4.11 of the Act.

(b) The CTA must take deficit reduction actions to bring their financial plans into conformity with Schedule I-B.

With respect to the proposed 2009 budget for the CTA and the financial plans for 2010 and 2011 as summarized on 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 CTA sufficient to allow CTA to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.4 With respect to the proposed budget and financial plan submitted by Pace for suburban service, the RTA finds as follows:

(a) The budget and financial plans submitted by Pace presumed a receipt of public subsidies in 2010 and 2011 higher than the public funding identified as available by the RTA, and therefore does not meet the criteria established in Section 4.11 of the Act.

(b) Pace must take deficit reduction actions

to bring their financial plans into conformity with Schedule I-B.

With respect to the proposed 2009 budget for Pace and the financial plans for 2010 and 2011 as summarized on 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.5 With respect to the proposed budget and financial plan submitted by Pace for ADA paratransit service, the RTA finds as follows:

(a) The budget and financial plans submitted by Pace presumed a receipt of public subsidies in 2010 and 2011 higher than the public funding identified as available by the RTA, and therefore does not meet the criteria established in Section 4.11 of the Act.

(b) Pace must take deficit reduction actions to bring their financial plans into conformity with Schedule I-B.

With respect to the proposed 2009 budget for Pace and the financial plans for 2010 and 2011 as summarized on 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.6 Pursuant to Section 4.11 of the Act, the budgets for 2009 and financial plans for 2010 and 2011, for the Service Boards, 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.

1.7 Pursuant to Section 4.11 of the Act, no more than 30 days after each fiscal quarter, each Service Board is directed to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two:

RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2009 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2009 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2009 Annual Budget and Program shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2009 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-F.

(c) The 2009 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 system-generated revenues from such fares and charges received in 2009 apart from ADA paratransit services to equal at least 50 percent of the aggregate cost of providing such public transportation in 2009, and at least 10 percent for ADA paratransit service in 2009, as required by the Act, and as summarized in Schedule I-C.

(d) The 2009 Annual Budget and Program is based on and employs assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2009, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2009 of $16,125,371.

(g) The 2009 annual budget and program is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

Section Three:

Five-Year Capital Program

3.1 The Five-Year Capital Program of the RTA for the fiscal years beginning January 1, 2009, and ending December 31, 2013, has been the subject of public hearings in each county in the metropolitan region as required by Section 2.01b of the Act. The RTA has considered public comments on the proposed Five-Year Capital Program. The RTA hereby adopts the Five-Year Capital Program attached as Schedule II, subject to continuing review by the RTA. In accordance with Section 2.01b and Section 4.02(b) of the Act, no Service Board shall apply for or receive any capital grant or loan unless it is identified in the RTA Five-Year Program and is consistent with the RTA Strategic Plan.

Section Four

RTA 5% Fund Balance and Funding to Budget Policy

4.1 The provisions of the RTA Funding Policy adopted by Ordinance No. 98-15 that require that the RTA Annual Budget and Two-Year Financial Plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period ("the 5% fund balance policy"), are hereby waived for purposes

	Collected Within Chicago	Collected 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%**

of the adoption of the 2009 Budget and 2010-2011 Financial Plan, but such policy will be in effect for the development and adoption of the 2010 Budget and 2011-2012 Financial Plan unless further action is taken by the RTA Board to extend such waiver.

4.2 The provisions of the RTA Funding Policy adopted by Ordinance No. 91-9 that establish that the RTA funds the operating budgets of the Service Boards at the levels established in the operating marks (the "funding to budget policy"), are hereby waived for purposes of the adoption of the 2009 Budget and 2010-2011 Financial Plan, but such policy will be in effect for the development and adoption of the 2010 Budget and 2011-2012 Financial Plan unless further action is taken by the RTA Board to extend such waiver.

ARTICLE II - APPROPRIATION OF FUNDS AND CERTAIN OTHER ACTIONS

Section One:

Appropriation for each Service Board

The following amounts for 2009 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 for each Service Board and on Schedule I-A for RTA Total for CTA Operations, RTA Total for Metra Operations, RTA Total for Pace Suburban Service. RTA Suburban Community Mobility Funding for Pace, RTA South Suburban Job Access Funding for Pace, and RTA Total for ADA Paratransit Service represents the legal level of budgetary control.

1.1 Statutory RTA Taxes

There is appropriated, for expenditure by each Service Board pursuant to the 2009 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 shown above and specified in Section 4.03.3 (a) of the Act, and from the Regional Transportation Authority Occupation and Use Tax Replacement Fund and the State and Local Sales Tax Reform Fund pursuant to Section 4.03.3(b) of the Act. The estimated amount of the appropriation is specified as Part I Allocation – "85% Sales Tax" on Schedule I-E.

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 Statutory RTA Sales Taxes and Public Transportation Funds

(a) There is appropriated for expenditure by Pace for ADA paratransit Services receipts from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts pursuant to Section 4.09 of the Act. The amount of the appropriation is specified as Part II Allocation; RTA Total for ADA Paratransit Funding on Schedule I-E;

(b) There is appropriated for expenditure by the Service Boards pursuant to the Budget approved in Article I, RTA receipts from taxes imposed pursuant to Section 4.03 of the Act, and public transportation fund receipts pursuant to Section 4.09 of the Act. The amount of the appropriation is specified

as Remaining Balance to Service Boards in Part II Allocation on Schedule I-E, and allocated to each Service Board according to the percentages specified under Remaining Balance to Service Boards in Part II on Schedule I-E; and

(c) There is appropriated for expenditure by Pace's Suburban Bus Service funds for Suburban Community Mobility pursuant to the Budget approved in Article I, RTA receipts from taxes imposed pursuant to Section 4.03 of the Act, and public transportation fund receipts pursuant to Section 4.09 of the Act. The amount of the appropriation is specified as RTA Suburban Community Mobility Funding to Pace in Part II Allocation on Schedule I-E.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, and Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director of the RTA shall provide for the payment to each Service Board the specified share of such proceeds pursuant to Section 4.03.3 of the Act.

1.3 Free and Reduced Fare Reimbursement

(a) There is appropriated, for expenditure by each Service Board pursuant to the 2009 Budget approved in Article I, amounts received from the State of Illinois for reimbursement of revenues lost from providing free or reduced fare rides.

After receipt by the RTA of such funds from the State of Illinois, the Executive Director shall provide for the payment to each Service Board its proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A.

1.4 Discretionary Funds of the RTA – Public Transportation Fund, 15% Sales Tax,

Other RTA Revenues

(a) There is appropriated, for expenditure by each Service Board pursuant to the 2009 Budget approved in Article I, the amounts specified as "RTA Discretionary Funds to CTA", and "RTA Discretionary Funds to Pace" on Schedule I-B from other receipts and revenues of the RTA; and

(b) There is appropriated, for expenditure by Pace pursuant to the amount specified as RTA South Suburban Community Job Access Funds 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 Pace equal the amount specified as "RTA South Suburban Community Job Access Funds" on Schedule I-B.

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.

(c) Capital Programs: There is appropriated, for expenditure by the Service Boards for projects, as specified on Schedule II, and pursuant to the first year of the Five-Year Capital Program approved in Article I, the amounts specified as Transfer Capital – RTA Funds on Schedule I-D from other receipts and revenues of the RTA.

(d) ICE Programs for Operating Projects: There is appropriated, for expenditure by the Service Boards and Other Grantees for projects, the amounts specified as RTA 2008 ICE Funds for 2009 Projects on Schedule I-D from RTA Statutory Sales Taxes and Public Transportation Funds. The appropriation and associated operating costs of the projects are excluded from the Service Boards' recovery ratio calculation.

The Executive Director is hereby directed to provide for payment of such funds pursuant to grant or intergovernmental agreements with each Service Board.

Section Two:

Appropriation to the Regional Transportation Authority

In 2009 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency")

the amounts specified on Schedule I-A as Agency Administration, RTA Regional Services and Programs, and Regional Technology and Agency Capital, pursuant to the 2009 Budget approved in Article I, from other receipts and revenues of the RTA.

In 2009 there is appropriated, for regional expenditure the amounts specified on Schedule I-A as RTA Funding for Innovation, Coordination, and Enhancement, pursuant to the 2009 Budget approved in Article I, from RTA Statutory Sales Taxes and Public Transportation Funds of the RTA the amount of the appropriation is specified as RTA Innovation, Coordination, and Enhancement (ICE) Funding in Part II Allocation on Schedule I-E.

In 2009 there is appropriated for reserve, funds for ADA paratransit service, the amount as specified on Schedule I-A as RTA Funds Reserved for ADA Paratransit, pursuant to the 2009 Budget provisions in Article I, from RTA Statutory Sales Taxes and Public Transportation Funds of the RTA, the estimated amount of the appropriation is specified as RTA Funds Reserved for ADA Paratransit on Schedule I-B.

In 2009 there is appropriated for transfer from the RTA's Fund Balance to the Joint Self Insurance Fund (JSIF), funds to reimburse the insurance premium and associated fees for liability and terrorism insurance for the RTA System's Loss Financing Plan the amount specified on Schedule I-A as RTA JSIF Funding.

The total appropriations as shown in Schedule I-A for 2009 Agency Administration, RTA Regional Services and Programs, and Regional Technology and Agency Capital, represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% from and among 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 2009 Annual Budget and Program of the RTA in accordance with the Act and the policies established herein.

The Executive Director shall organize the staff of the Authority, shall allocate their functions and duties, and shall fix compensation and conditions of employment. The Executive Director shall develop, and modify as may be necessary, Agency policies regarding travel, business and relocation expenses.

Nothing in this Ordinance estimating amounts available to the Service Boards is intended to or shall have the effect of waiving any discretion the RTA may have under law to appropriate amounts available to the Service Boards, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation (USDOT), Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), and any other funding agency (collectively the "funding agencies") for any monies available for funding of the RTA Annual Budget and Five-Year Capital Program. The Executive Director is authorized to furnish such additional information, assurances, certifications and amendments as the funding agencies may require in connection with such 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 funding agencies. 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 2008 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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 - General and Agency Funds** (dollars in thousands)

	2009	2010	2011
System-Generated Revenue	Budget	Plan	Plan
RTA Sales Tax (Part I)	758,400	768,639	789,392
RTA Public Transportation Fund (Part I)	189,600	192,160	197,348
RTA Sales Tax (Part II)	281,746	285,549	293,259
RTA PTF (Part II subtotal)	126,651	128,361	131,827
RTA RETT PTF for CTA (Part II)	21,000	21,275	21,850
State Financial Assistance	116,500	116,500	116,500
State Free Rides & Reduced Fare Reimbursement (1)	36,600	36,600	36,600
Other Revenue	18,500	18,500	18,500
Total Revenue	**1,548,997**	**1,567,584**	**1,605,276**
Operating Expenditures			
RTA Total for CTA operations (2)	634,716	623,013	642,770
RTA RETT PTF for CTA (Part II)	21,000	21,275	21,850
RTA Total for Metra Operations	315,860	327,200	338,810
RTA Total for Pace Suburban Service	121,807	120,251	123,498
RTA Suburban Community Mobility Funding for Pace	19,800	20,067	20,609
RTA South Suburban Job Access Funding for Pace	7,500	7,500	7,500
RTA Total for ADA Paratransit Service	98,595	108,076	110,078
RTA Funding for Innovation, Coordination, and Enhancement	3,812	3,912	4,019
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	38,300	38,300	38,300
Agency Administration	8,784	9,100	9,500
RTA Regional Services and Programs (3)	23,375	24,200	25,100
Total Operating Expenditures	**1,293,548**	**1,302,894**	**1,342,033**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	183,300	183,300	183,300
Regional Technology and Agency Capital (3)	4,566	4,600	4,500
RTA Funding for Innovation, Coordination, and Enhancement	6,088	6,121	6,285
Transfer Capital - Metra Funds	53,174	46,816	45,304
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**267,481**	**261,190**	**259,742**
Total Expenditures	**1,561,029**	**1,564,084**	**1,601,775**
Fund Balance (undesignated/unreserved)			
Beginning Balance	22,642	6,707	6,706
Change in Fund Balance	(12,032)	3,500	3,501
RTA Funds Reserved for ADA Paratransit	(403)	-	-
RTA JSIF Funding	(3,500)	(3,500)	(3,500)
Ending Unreserved/Undesignated Fund Balance	6,707	6,706	6,707
% of Total Operating Expenditures	0.5%	0.5%	0.5%
Total System-Generated Revenue Recovery Ratio %	54.7%	-	-
ADA Paratransit Recovery Ratio %	10.0%	-	-

(1) The State appropriated $37.3 million; the figure shown reflects a State administrate fee of $.7 million yielding net RTA receipts of $36.6 million. (2) Operations funding to the CTA in 2010 and 2011 has been increased over the RTA funding marks by the respective amounts of $27.7 million and $31.7 million. However, the CTA deficit for the 2010-2011 Financial Plan still exceeds available funding by $20.4 million in 2010 and by $36.1 million in 2011. (3) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action.

Schedule 1-B: **Deficit Funding for Service Board Operations** (dollars in thousands)

	Budget 2009	Plan 2010	Plan 2011
CTA			
Total System-Generated Revenue	601,113	638,947	688,680
Total Operating Expenses	1,324,413	1,388,738	1,476,770
Total Deficit Reduction Actions (1)	-	(20,403)	(36,070)
Total Deficit	723,300	729,388	752,020
RTA Sales Tax (Old - Part I)	302,401	306,483	314,757
RTA Sales Tax and PTF (New - Part II) (2)	134,256	136,068	139,742
RTA Discretionary Funds to CTA	198,059	180,462	188,270
RTA Total for CTA Operations	634,716	623,013	642,770
RETT - City of Chicago (COC); (New Part II) (3)	84,000	85,100	87,400
RETT PTF (New Part II) (4)	21,000	21,275	21,850
Total Funding	**739,716**	**729,388**	**752,020**
Less RETT & RETT PTF (3)	(16,416)	-	-
Net Funding	**723,300**	**729,388**	**752,020**
Metra			
Total System-Generated Revenue	315,800	331,400	343,300
Total Operating Expenses	631,660	658,600	682,110
Total Deficit	315,860	327,200	338,810
RTA Sales Tax (Old - Part I)	259,951	263,460	270,573
RTA Sales Tax and PTF (New - Part II)	109,083	110,556	113,541
Total RTA Funds	369,034	374,016	384,114
Less Service Board Retained Funds (5)	(53,174)	(46,816)	(45,304)
RTA Total for Metra Operations	**315,860**	**327,200**	**338,810**
Pace Suburban Service			
Total System-Generated Revenue	54,248	56,037	58,937
Total Operating Expenses	204,597	213,513	223,715
Use of Service Board Funds (5)	-	(1,153)	-
Total Deficit Reduction Actions (1)	-	(6,848)	(12,640)
Total Deficit	150,349	149,475	152,138
RTA Sales Tax (Old - Part I)	82,288	83,399	85,651
RTA Sales Tax and PTF (New - Part II)	36,361	36,852	37,847
RTA Discretionary Funds to Pace	3,158	-	-
RTA Total for Pace Suburban Service Operations	121,807	120,251	123,498
RTA Suburban Community Mobility	19,800	20,067	20,609
RTA South Suburban Community Job Access Funds	7,500	7,500	7,500
Total RTA Funds	149,107	147,818	151,607
CMAQ/JARC Funds	2,395	1,657	531
Total Funding	**151,502**	**149,475**	**152,138**
Less Service Board Retained Funds (5)	(1,153)	-	-
Total Funds for Operations	**150,349**	**149,475**	**152,138**
Pace ADA Paratransit Service			
Total System-Generated Revenue	8,558	9,042	9,554
Total Operating Expenses	107,153	117,118	127,176
Total Deficit Reduction Actions (1)	-	(7,339)	(14,579)
Total Deficit	98,595	100,737	103,043
Total RTA Sales Tax and PTF (PA 95-0708)	98,998	100,334	103,043
Use of RTA Reserves for ADA Paratransit	-	403	-
Total Funding	**98,998**	**100,737**	**103,043**
RTA Funds Reserved for ADA Paratransit (6)	(403)	-	-
RTA Total for ADA Paratransit Service (6)	98,595	100,737	103,043

(1) The 2010 and 2011 financial plans submitted by the CTA, Pace Suburban Service, and Pace ADA Paratransit Service presumed the receipt of public funds in excess of the funding marks set by the RTA Board as required by the RTA Act. The financial plans adopted by this ordinance reduced public subsidies to the levels set by the marks for Pace Suburban Service and Pace ADA Paratransit Service. Pace must adjust their financial plans to reduce their deficits. The RTA increased CTA's discretionary funds in 2010 and 2011 by the respective amounts of $27.7 million and $31.1 million. However, the CTA deficit for the 2010-2011 financial plan still exceeds available funding by $20.4 million and $36.1 million. To achieve the statutory requirements the CTA must adjust their financial plans to reduce their deficits. (2) Excludes the 25% PTF on RETT. (3) The RETT figures represent RTA's "marks"; the CTA balanced its 2009 budget by using a lower RETT amount. The net impact of this change reduced CTA's funding by $16.4 million. In 2010 and 2011 the CTA estimated RETT to be $75 million and $90 million respectively. (4) The PTF on RETT equals 25% of the COC RETT figures. (5) Funds that exceed the operating deficit of a Service Board (except for ADA Paratransit service) are retained by the Service Board and reserved for their capital program unless approved for operating use by the RTA Board. (6) Public funding that exceeds the operating deficit for ADA Paratransit service, by statute, is held in reserve by the RTA to cover future operating needs.

Schedule I-C: **Recovery Ratio %**

	2009 Budget
CTA	
Recovery Ratio %	52.0%
Metra	
Recovery Ratio %	55.0%
Pace Suburban Service	
Recovery Ratio %	36.0%
Total System-Generated Revenue Recovery Ratio %	**54.7%**
Pace ADA Paratransit	
Recovery Ratio %	10.0%

The RTA Act allows certain expenditures to be excluded from the recovery ratio calculation including security, depreciation, CTA's pension obligation bonds, and facility leases. Metra's calculation includes capital farebox revenue. The total system-generated revenue recovery ratio includes a statutory expense credit of $160 million.

Schedule I-D: **Service Board and RTA Capital Funding and ICE Funds for Operating Projects** (dollars in thousands)
2009 Capital Program Budget

				Other		
Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**RTA**	**Grantees**	**Total**
FTA Capital Grants	279,774	151,585	39,704	-	-	471,063
IDOT Grants	-	-	-	-	-	-
Transfer Capital - RTA Funds (1)	20,353	51,114	-	-	-	71,467
Service Board Funds	8,394	-	1,387	-	-	9,781
Local Communities/Other Funds	688	660	-	-	-	1,348
Carryover RTA 2008 ICE funds	3,177	-	-	-	-	3,177
Total Service Board Capital Funding	**312,386**	**203,359**	**41,091**	**-**	**-**	**556,836**
CTA Debt Repayment	(74,702)	-	-	-	-	(74,702)
Net Service Board Capital Funding	237,684	203,359	41,091	-	-	482,134
Other Grantees Capital Funding						
Carryover RTA 2008 ICE funds	-	-	-	-	2,898	2,898
Local Communities/Other Funds	-	-	-	-	732	732
Total Other Grantees Capital Funding	-	-	-	-	3,630	3,630
Total RTA Capital Program	**237,684**	**203,359**	**41,091**	**-**	**3,630**	**485,764**
RTA Regional Technology and Agency Programs	-	-	-	4,566	-	4,566

				Other		
ICE Funds for Operating Projects	**CTA**	**Metra**	**Pace**	**RTA**	**Grantees**	**Total**
RTA 2008 ICE Funds for 2009 Projects	-	340	1,500	-	1,965	3,805
RTA 2008 ICE Funds reserved for future Projects (2)	-	-	-	-	-	120
Total RTA 2008 ICE funding for Capital and Operating Projects						**10,000**

1) The CTA funds are allocated from RTA discretionary funds available for region-wide operating expenditures. Metra funds are statutory funds allocated to Metra (i.e. Service Board Funds) available for operations but may be transferred to their capital program. (2) Funds not programmed will be reserved and carried over for use in future

Schedule I-E: **RTA Statutory Sales Tax, Public Transportation Funds, and RETT Source and Distribution of Funds**
(dollars in thousands)

Source of Funds	2009 Budget	2010 Plan	2011 Plan
Part I			
Sales Tax (85% Sales Tax)			
City of Chicago (COC)	235,862	239,047	245,501
Suburban Cook County	399,677	405,073	416,010
Collar Counties	122,861	124,519	127,881
Total Part I - Sales Tax (1)	**758,400**	**768,639**	**789,392**
Part II - Sales Tax, PTF & RETT			
City of Chicago (COC)	58,966	59,762	61,375
Suburban Cook	99,919	101,268	104,002
Collar Counties	122,861	124,519	127,882
Total Part II - Sales Tax	281,746	285,549	293,259
Part II - COC Real Estate Transfer Tax (RETT)	84,000	85,100	87,400
Total Part II - Sales Tax & RETT	**365,746**	**370,649**	**380,659**
Part II - Public Transportation Funds (PTF)			
25% of Part II Sales Tax	70,436	71,387	73,315
5% Part I & Part II Taxes	56,215	56,974	58,512
Subtotal Part II PTF	126,651	128,361	131,827
25% of RETT - to CTA	21,000	21,275	21,850
Total Part II - Sales Tax, PTF & RETT	**513,397**	**520,285**	**534,336**
Total Source of Funds	**1,271,797**	**1,288,924**	**1,323,728**
Distribution of Funds			
Part I Allocation (85% Sales Tax)			
RTA - 15% of Part I	113,759	115,297	118,411
CTA	302,401	306,483	314,757
Metra	259,951	263,460	270,573
Pace	82,288	83,399	85,651
Total Part I	**758,400**	**768,639**	**789,392**
Part II Allocation			
RTA Total for ADA Paratransit Service	98,998	100,334	103,043
RTA Suburban Community Mobility Funding to Pace	19,800	20,067	20,609
RTA Innovation, Coordination & Enhancement (ICE)	9,900	10,033	10,304
25% of RETT - to CTA	21,000	21,275	21,850
RETT to CTA	84,000	85,100	87,400
Subtotal	233,698	236,809	243,206
Remaining Balance to Service Boards			
CTA - 48%	134,256	136,068	139,742
Metra - 39%	109,083	110,556	113,541
Pace - 13%	36,361	36,852	37,847
Total Part II	**513,397**	**520,285**	**534,336**
Total Distribution of Funds	**1,271,797**	**1,288,924**	**1,323,728**

Part I Service Board Allocation Formula (1)	City of Chicago	Suburban Cook	Collar Counties
CTA	100%	30%	-
Metra	-	55%	70%
Pace	-	15%	30%
Total	**100%**	**100%**	**100%**

(1) The RTA Act directs 85% of these sales tax revenues to the Service Boards based on the allocation formula shown on this schedule.

Schedule I-F: **RTA Monthly Cash Flow Projection of 2009 Operations, General and Agency Funds (1)** (dollars in thousands)

	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
Cash Receipts						
Sales Tax (Part I)	-	-	-	$63,200	$63,200	$63,200
Public Transportation Fund (Part I) (2)	15,800	15,800	15,800	15,800	15,800	15,800
Sales Tax (Part II)	-	-	-	23,479	23,479	23,479
PTF (Part II) on Sales Tax and 5% PTF (Part II) on RETT (2)	10,554	10,554	10,554	10,554	10,554	10,554
25% PTF on RETT (Part II) (2)	1,750	1,750	1,750	1,750	1,750	1,750
State Financial Assistance (2)	-	-	-	9,708	9,708	9,708
State Free Rides and Reduced Fare Reimbursement	-	-	-	-	9,150	-
Other Revenue	1,542	1,542	1,542	1,542	1,542	1,542
Total Cash Receipts	**$29,646**	**$29,646**	**$29,646**	**$126,033**	**$135,183**	**$126,033**
Cash Disbursements						
CTA						
Sales Tax (Part I)	-	-	-	$25,200	$25,200	$25,200
Sales Tax and PTF (Part II)	330	330	330	11,600	11,600	11,600
25% PTF on RETT (Part II)	1,750	1,750	1,750	1,750	1,750	1,750
Discretionary Funds	-	-	-	16,505	16,505	16,505
State Free Rides and Reduced Fare Reimbursement	-		-	-	7,639	-
Transfer Capital - Discretionary RTA Funds to CTA	1,696	1,696	1,696	1,696	1,696	1,696
RTA Total CTA Disbursements	$3,776	$3,776	$3,776	$56,751	$64,390	$56,751
Metra						
Sales Tax (Part I)				$21,663	$21,663	$21,663
Sales Tax and PTF (Part II)	268	268	268	9,425	9,425	9,425
State Free Rides and Reduced Fare Reimbursement					891	
RTA Total for Metra Disbursements	$268	$268	$268	$31,088	$31,978	$31,088
Pace Suburban Service						
Sales Tax (Part I)	-	-	-	$6,857	$6,857	$6,857
Sales Tax and PTF (Part II)	89	89	89	3,142	3,142	3,142
Discretionary Funds	-	-	-	263	263	263
Suburban Community Mobility Funding for Pace	1,650	1,650	1,650	1,650	1,650	1,650
South Suburban Job Access Funding for Pace	625	625	625	625	625	625
State Free Rides and Reduced Fare Reimbursement	-	-	-	-	620	-
Total Pace Suburban Service Disbursements	$2,364	$2,364	$2,364	$12,537	$13,157	$12,537
Pace ADA Paratransit Service 2009	$8,216	$8,216	$8,216	$8,216	$8,216	$8,216
RTA Operations, Debt Service and Capital						
Sales Tax Interest			$142	$142	$142	$142
Principal and Interest for Service Board Capital Programs	15,275	15,275	15,275	15,275	15,275	15,275
Agency Operations (3)	3,060	3,060	3,060	3,060	3,060	3,060
2008 Funding for Innovation, Coordination, and Enhancement	-	-	-	833	833	833
Total RTA Disbursements	$18,335	$18,335	$18,477	$19,310	$19,310	$19,310
Joint Self Insurance Fund	-	-	-	-	-	-
Total Cash Disbursements	**$32,961**	**$32,961**	**$33,103**	**$127,903**	**$137,053**	**$127,903**
Cash Balance (4)						
Beginning	$80,000	$76,685	$73,370	$69,914	$68,044	$66,175
Ending	**$76,685**	**$73,370**	**$69,914**	**$68,044**	**$66,175**	**$64,305**

(1) Cash disbursements are subject to actual cash availability. (2) Assumes prompt payment from the State Public Transportation Fund (Part I and Part II) and a three month delay in State Financial Assistance payments. (3) Agency Administration, Regional Services and Programs, Regional Technology and Agency Capital. (4) Restricted and unrestricted cash.

Schedule I-F: **RTA Monthly Cash Flow Projection of 2009 Operations, General and Agency Funds (1)** (dollars in thousands) - *continued*

July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	2009 Operations
$63,200	$63,200	$63,200	$63,200	$63,200	$63,200	$63,200	$63,200	$63,200	$758,400
15,800	15,800	15,800	15,800	15,800	15,800				189,600
23,479	23,479	23,479	23,479	23,479	23,479	23,479	23,479	23,479	281,746
10,554	10,554	10,554	10,554	10,554	10,554	-	-	-	126,651
1,750	1,750	1,750	1,750	1,750	1,749	-	-	-	21,000
9,708	9,708	9,708	9,708	9,708	9,708	9,708	9,708	9,708	116,500
-	9,150	-	-	9,150	-	-	9,150	-	36,600
1,542	1,542	1,542	1,542	1,542	1,542	-	-	-	18,500
$126,033	**$135,183**	**$126,033**	**$126,033**	**$135,183**	**$126,032**	**$96,387**	**$105,537**	**$96,387**	**$1,548,997**
$25,200	$25,200	$25,200	$25,200	$25,200	$25,200	$25,200	$25,200	$25,200	$302,401
11,600	11,600	11,600	11,600	11,600	6,655	11,270	11,270	11,270	134,256
1,750	1,750	1,750	1,750	1,750	1,749	-	-	-	21,000
16,505	16,505	16,505	16,505	16,505	16,505	16,505	16,505	16,505	198,059
-	7,639	-	-	7,639	-	-	7,639	-	30,556
1,696	1,696	1,696	1,696	1,696	1,696	-	-	-	20,353
$56,751	$64,390	$56,751	$56,751	$64,390	$51,805	$52,975	$60,614	$52,975	$706,625
$21,663	$21,663	$21,663	$21,663	$21,663	$21,663	$21,663	$21,663	$21,663	$259,951
9,425	9,425	9,425	9,425	9,425	5,407	9,157	9,157	9,157	109,083
	891			891			891		3,563
$31,088	$31,978	$31,088	$31,088	$31,978	$27,069	$30,819	$31,710	$30,819	$372,597
$6,857	$6,857	$6,857	$6,857	$6,857	$6,857	$6,857	$6,857	$6,857	$82,288
3,142	3,142	3,142	3,142	3,142	1,802	3,052	3,052	3,052	36,361
263	263	263	263	263	263	263	263	263	3,158
1,650	1,650	1,650	1,650	1,650	1,650	-	-	-	19,800
625	625	625	625	625	625	-	-	-	7,500
-	620	-	-	620	-	-	620	-	2,481
$12,537	$13,157	$12,537	$12,537	$13,157	$11,198	$10,173	$10,793	$10,173	$151,587
$8,216	$8,216	$8,216	$8,216	$8,216	$8,216	-	-	-	$98,595
$142	$142	$142	$142	$142	$142	$142	$142	-	$1,700
15,275	15,275	15,275	15,275	15,275	15,275	-	-	-	183,300
3,060	3,060	3,060	3,060	3,060	3,060	-	-	-	36,72
833	833	833	833	833	833	833	833	833	10,000
$19,310	$19,310	$19,310	$19,310	$19,310	$19,310	$975	$975	$833	$231,725
-	-	-	-	-	$3,500				$3,500
$127,903	**$137,053**	**$127,903**	**$127,903**	**$137,053**	**$121,099**	**$94,942**	**$104,092**	**$94,800**	**$1,564,629**
$64,305	$62,436	$60,566	$58,697	$56,827	$54,957	$59,891	$61,336	$62,781	
$62,436	**$60,566**	**$58,697**	**$56,827**	**$54,957**	**$59,891**	**$61,336**	**$62,781**	**$64,368**	

(1) Cash disbursements are subject to actual cash availability. (2) Assumes prompt payment from the State Public Transportation Fund (Part I and Part II) and a three month delay in State Financial Assistance payments. (3) Agency Administration, Regional Services and Programs, Regional Technology and Agency Capital. (4) Restricted and unrestricted cash.

The GFOA Distinguished Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) present an award of Distinguished Presentation to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2008.

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.

The Government Finance Officers Association of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

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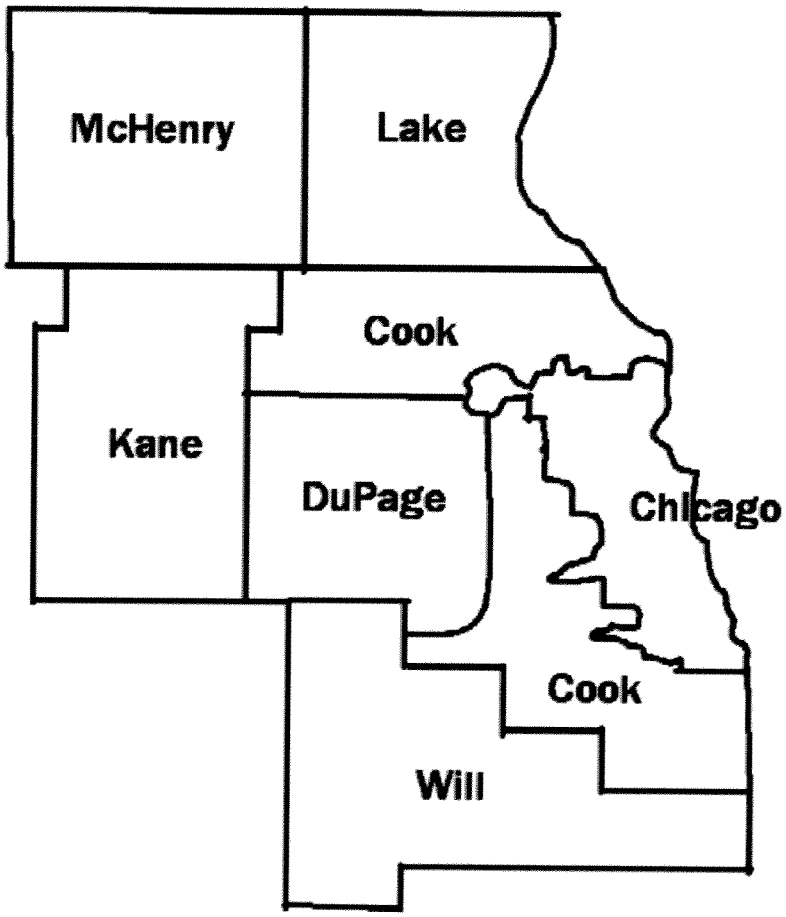
Financial Planning & Analysis Division
Regional Transportation Authority, Illinois

The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.

Executive Director

Date July 21, 2008

2 Budget in Brief



System Overview

The Regional Transporhtation Authority (RTA) provides funding, planning and fiscal oversight for regional bus and rail operations in the six-county northeastern Illinois region as set forth by the RTA Act. The Act designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra Commuter Rail and Pace Bus, have operational responsibility for public transportation within the six-county region and are governed by their own boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service in the suburbs and between the suburbs and the City of Chicago, and Pace provides ADA Paratransit service for the entire region (Exhibit 2-1).

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.

Exhibit 2-1: **RTA Organization Structure**

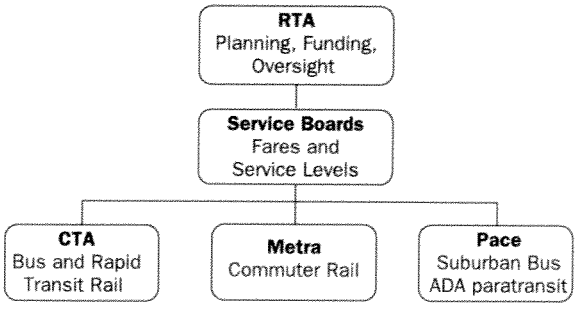
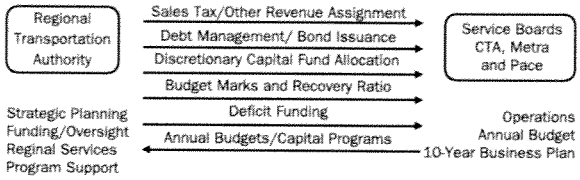


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**



The "marks" guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that is to conform 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 2-2 illustrates the principal responsibilities and interactions between the Authority and Service Boards in the annual budget and capital program process.

Service Characteristics

There are more than eight million residents in the six-county northeastern Illinois region, an area that covers 3,749 square miles. The RTA system deploys over 5,000 bus and rail cars on more than 400 routes to service its customers. In 2007, the regional public transportation system provided nearly 623 million trips.

The system has a replacement value of almost $35 billion (i.e., the asset value of the system's existing infrastructures). With an average asset life of over 20 years, the RTA system needs more than $1 billion

Exhibit 2-3: **RTA Statement of Revenues and Expenditures - General and Agency Funds** (dollars in millions)

	2008 Estimate	2009 Budget
System-Generated Revenue		
Sales Tax (Part I)	758	758
Public Transportation Funds - Part I (PTF)	190	190
Sales Tax & PTF (Part II)	249	429
State Financial Assistance	116	117
Reduced Fare Reimbursement	37	37
Other Revenue	18	19
Total Revenue	**1,367**	**1,549**
Operating Expenditures		
RTA Total for CTA	559	635
PTF from RETT for CTA (Part II)	-	21
RTA Total for Metra	280	316
RTA Total for Pace Suburban Service	102	122
Suburban Community Mobility Funds for Pace	20	20
South Suburban Job Access for Pace	4	8
RTA Total for ADA Paratransit Service	100	99
Funding for Innovation, Coordination, and Enhancement (ICE)	10	4
State Ridership Programs & Sales Tax Interest	38	38
Agency Administration, Regional Services/Programs	34	32
Total Operating Expenditures	**1,146**	**1,294**
Debt Service & Capital Expenditures		
Principal and Interest	186	183
Regional Technology and Agency Capital	2	5
Funding for Innovation, Coordination, and Enhancement (ICE)	-	6
Transfer Capital - Metra	31	53
Transfer Capital - CTA	20	20
Total Debt Service and Capital Expenditures	**239**	**267**
Total Expenditures	**1,386**	**1,561**
Fund Balance (undesignated/unreserved)		
Beginning Balance	26	23
Change in Fund Balance	(18)	(12)
Funds Reserved for ADA Paratransit	-	(0)
RTA Funds for JSIF	(4)	(4)
Ending Unreserved/Undesignated Fund Balance	**4**	**7**
Total Operating Expenditures %	0.3%	0.4%
System-Generated Revenue Recovery Ratio %	55.0%	54.7%
ADA Paratransit Recovery Ratio	10.0%	10.0%

in capital funds each year just to keep the existing infrastructure in good repair.

Operating Budget

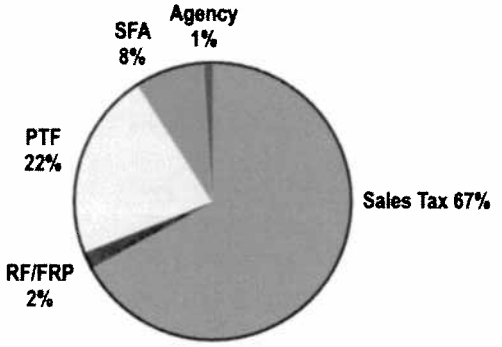
A statement of revenues and expenditures for the 2008 estimate and the 2009 budget is presented in Exhibit 2-3, and subsequent paragraphs summarize line item information. The statement of RTA revenues and expenditures from 2007 through 2011 is shown in the Region section.

Total Revenues

In 2009, total RTA revenues are projected at $1,549 million. This represents an increase of $182 million or 13% over the 2008 estimate of $1,367 mil-

lion. $1,040 million, or 67%, of these revenues will be generated from RTA Sales Tax; Public Transportation Fund (PTF) receipts of $337 million are 22% of the total. State financial assistance (SFA) of $116 million provides eight percent of revenues. State reduced fare reimbursement and free ride programs (RF/FRP) equal two percent of total revenues, or $37 million, and other RTA/Agency revenues account for the remaining balance of $19 million, or one percent. Exhibit 2-4 illustrates this distribution.

Exhibit 2-4: **2009 RTA Revenue** - $1,549 million



Sales Tax

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

RTA Sales Tax (Part I) and Public Transportation Funds (PTF)

The traditional RTA sales tax (identified in this document as "Old" or "Part I" Sales Tax) has been the major source of funding for public transportation in northeastern Illinois for nearly three decades. As much as 85 percent of the 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 2008 sales tax estimate and the 2009 budget year sales tax projections were developed in August 2008, and were established after assessing state and regional economic data and national forecasts. Based on this information, the RTA estimated sales tax receipts for 2008 and 2009 to be $758 million. The estimate for 2008 in August was 1% below the RTA's initial budget figure of $766 million.

State Public Transportation Funds (PTF) from Part I sales taxes are based on a formula tied to Part I sales tax results. The fund provides the RTA with a 25% match of its sales tax proceeds, which means that for every $4 collected in old sales tax the RTA receives an additional $1 in PTF. The budgeted receipts for 2009 are $190 million.

RTA Sales Tax, Real Estate Transfer Tax (RETT), and PTF – (Part II)

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF (identified in this document as "New" or "Part II" Sales Tax). The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the collar counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008, the RETT in the City of Chicago was increased by 0.3% (e.g. for every $1,000 in sales price $3.00 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase will rise from 5% to 30%.

While RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as regional Innovation, Coordination, and Enhancement (ICE) and Suburban Community Mobility Funds (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the

Exhibit 2-5: **Funds Provided by P.A. 95-0708**
2009 Budget (dollars in millions)

Source	Funds	%
Sales Tax	282	57%
PTF	148	30%
RETT	67	13%
Total Source	**496**	**100%**
Distribution		
CTA	222	45%
Metra	109	22%
Pace (includes SCMF)	56	11%
ADA Paratransit	99	20%
ICE	10	2%
Total Distribution	**496**	**100%**

CTA, Metra and Pace. Of this remaining balance, the CTA receives 48%, Metra 39% and Pace 13% (reference the Region section for additional information). In 2009, the budget for the additional funds provided by P.A. 95-0708 total $496 million (Exhibit 2-5).

State Financial Assistance

This revenue source is state-authorized assistance to reimburse 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 2008 are $116 million.

Reduced Fare/Free Ride Programs

This operating assistance is partial reimbursement from the State to the Service Boards for discounts and free ride programs mandated by law. This includes discounts to students, elderly, and disabled riders as well as free ride programs for seniors 65 and older, and any disabled person who qualifies for the State's Circuit Breaker Program. The funds are distributed by the state through the RTA and then to the Service Boards. Receipts for 2009 are budgeted at $37 million, an amount equal to the 2008 funding level.

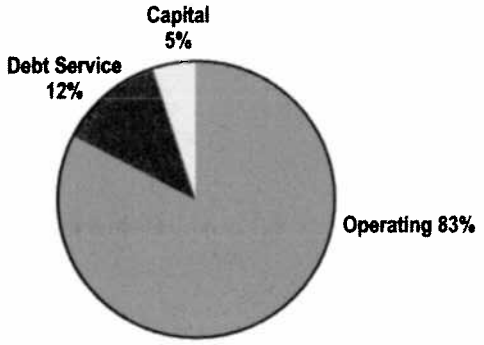
Other Revenue

This RTA revenue category includes sales tax interest, investment income, transit benefit program revenue, and grant funds from state and local agencies for regional coordination and technology initiatives which help defray the cost of these Agency sponsored programs. Total receipts in 2009 are budgeted at $19 million.

Total Expenditures

Total RTA expenditures (operating, debt service and capital) for 2009 are budgeted at $1,561 million. This amount is $175 million or 13% higher than the 2008 estimate of $1,386 million. Operating expenses account for 83% of the expenditures, 12% is used to cover the debt service on RTA bonds, and 5% is used to funds capital programs (Exhibit 2-6 illustrates this distribution).

Exhibit 2-6: **2009 RTA Expenditures** - $1,561 million



Operations Funding

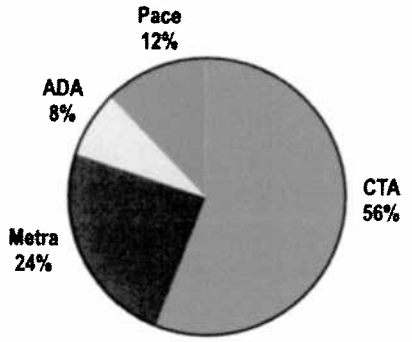
The RTA's primary expenditure is the funding of Service Board operating deficits.

The RTA Board establishes "marks" for each Service Board to use in its proposed budget and program. The marks are set in September for the next fiscal (calendar year) period. Operating marks include a recovery ratio for the next budget year and operating funds for the budget and following two-year financial planning period.

Operating deficits are primarily sourced from RTA sales tax, the State's PTF, and the City of Chicago's RETT. Secondary sources include program funds, and intermittent use of fund balances.

In 2009 funds for operations are budgeted at

Exhibit 2-7: **Funds for Service Operations - $1,290 million**



$1,290 million. The CTA will use 56%, Metra 24%, and Pace 20 % (12% for suburban bus service and 8% for regional ADA Paratransit service (Exhibit 2-7). The source of funds and amount of funds (Exhibit 2-8) used for each Service Board's operation are identified in more detail in subsequent paragraphs.

CTA

The CTA's operations funding level (deficit) in 2009 is budgeted at $723 million. This figure includes statutory sales tax (sales tax based on formulas set by state law) totaling $437 million, $198 million from discretionary RTA funds (sales tax and PTF funds the RTA receives for operating and capital expenditures as set forth by state law), and $88 million from City of Chicago RETT and corresponding 25% statutory PTF. (Note: City of Chicago RETT funds flow directly from the City to the CTA and therefore are not included in the revenue or funding figures on Exhibit 2-3).

Metra

Metra's funding in 2009 is budgeted at $369 million with all funds provided by statutory formula. $316 million is appropriated for operations with the remaining balance of $53 million retained by Metra and set aside for capital programs (in this document statutory funds that exceed Metra's operating needs may be referenced as Transfer Capital or Retained Earnings).

Pace Suburban Service

Pace's funding for operations in 2009 is budgeted at $150 million. Pace will receive statutory sales tax from the old sales tax and new sales tax formulas totaling $119 million. The RTA will provide $3 million in discretionary funds; Suburban Community Mobility and South Suburban Job Access funding (provided by P.A. 95-0708 and discussed in more detail in the region section) total $27 million, and Federal Job Access Reverse Commute (JARC) and Congestion Mitigation Air Quality (CMAQ) funds total $2 million. The remaining balance of $1 million will be retained by Pace for future operating and/or capital expenditure.

Exhibit 2-8 **2009 Service Board Deficit Funding** (dollars in millions)

	2009				
			Pace		
Service Board	**CTA**	**Metra**	**Suburban Service**	**ADA**	**Total**
Operating Revenue	601	316	54	-	971
Operating Expense	1,324	632	205	-	2,161
Operating Deficit	**723**	**316**	**150**	**100**	**1,290**
Funding					
RTA Sales Tax - old	303	260	83	-	646
RTA Sales Tax - new	134	109	36	100	380
RTA Discretionary Funds	198	-	3	-	201
RETT/PTF	88	-	-	-	88
RTA Community Mobility and Job Access)	-	-	27	-	27
Other (1)	-	(53)	1	-	(52)
Total Funding for Operations	**723**	**316**	**151**	**100**	**1,290**

(1) Metra's amount ($53 million) represents funds retained for Capital initiaitves. Pace's amount is the net of Federal CMAQ/JARC funds ($2 million) less funds retained by Pace totaling $1 million..

Pace ADA Paratransit Service

Funding for ADA Paratransit service in 2009 is budgeted close to $100 million. All funds are statutorily provided by P.A. 95-0708 and increase or decrease each year by the percentage change in sales tax revenue. Statutory funds that exceed the operating deficit are by statute retained by the RTA and reserved to fund future ADA Paratransit service; in 2009 less than $1 million is to be retained by the RTA.

Innovation, Coordination and Enhancement (ICE) Funding

Included in P. A. 95-0708 legislation was a provision that set aside $10 million in 2008 for operating or capital programs for use by the Service Boards or units of local government that advance the goals and objectives identified by the RTA in its Strategic Plan. The funds may only be used to enhance the coordination and integration of public transportation and develop and implement innovations to improve the quality and delivery of public transportation in the region. The $10 million set aside in 2008 was captured as an operating expense pending development of a program and grantee process. In the fourth quarter of 2008 the RTA adopted the use of funds for operations (38%) and capital (62%). The 2009 budget based the distribution of funds on these same percentages and calls for operating funds totaling nearly $4 million with the balance of $6 million allocated to capital programs.

Reduced Fare/Free Ride Programs and Sales Tax Interest

State reduced fare/free ride reimbursements are received as revenue by the RTA, as previously described, and flow directly to the Service Boards to help defray program costs. The 2009 budgeted reimbursement level of $37 million remains at par with the 2008 funding amount.

There is a lag in time between when the State collects RTA sales tax and when it distributes the funds to the RTA. The RTA receives interest on this sales tax, and then disburses earnings on Part I sales tax to the Service Boards using the same formula as the Part I sales tax distribution formula. Payments in 2009 are budgeted at $1 million.

Agency Administration and Regional Initiatives

Agency administration represents on-going RTA functions to execute its funding and financial oversight responsibilities. Budgeted 2009 administrative expenses totaling $9 million are significantly below the 2009 statutory cap of $16 million permitted by the RTA Act.

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), ADA certification, Reduced Fare, and the Customer Service Center. In addition, the RTA supports continued demands for technical assistance initiatives and coordination programs that encourage transit oriented improvements in the region. Programs supported include various community planning and sub-regional programs.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to increase from $239 million in 2008 to $267 million in 2009, an increase of 11.8 %. This change basically reflects the increase of statutory funds Metra has available for capital expenditure.

Principal and Interest

Principal and interest (debt service) expenditures in the 2009 budget total $183 million. Payments cover the debt incurred on bonds (authorized by the state), which help pay for Service Board capital projects, and pay for the occasional issuance of working cash notes to cover extended accounts receivable cycles from the State. The State's financial assistance for SCIP bond programs covers roughly 62% of the RTA's debt service costs with the remaining balance paid from RTA funds.

Regional Technology/Agency Programs and ICE

The 2009 budget continues the RTA's commitment to fund region-wide capital driven technology initiatives and Agency programs. The 2009 Agency budget of $5 million for these initiatives includes funds for new TIC telephone equipment, leasehold improvements for the RTA board room, a condition assessment of Service Board assets, an improved Agency information system, and regional technology initiatives such as multi-modal information kiosks. As previously discussed, ICE funds for capital initiatives in the 2009 Budget total $6 million.

Total RTA revenues less total RTA expenses produce an annual change to the fund balance.

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. Annual funding for this program during the next three-year financial planning period continues at over $20 million. In addition, the statutory apportionment of sales tax to a Service Board can exceed its operating needs. When this occurs, the Service Board retains the funds for their capital program. Over the years Metra has been the only Service Board that has been able to retain such funds for capital investment. The budget for 2009 includes $53 million available for Metra's capital program.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5% minimum level in the unreserved and undesignated fund balance. If the amount is below 5% the financial plan must show full replenishment by the end of the current three-year planning cycle. The percentage is based on total operating expenditures for the year (as shown on Exhibit 2-3). The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods. The policy proved its value as sluggish economic conditions over the past several years' limited growth of sales tax receipts.

However, continued unfavorable economic conditions have created the need to waive, the provision for the 2009-2011 planning period. This waiver also removes RTA's ability to fund the operating budgets of the Service Boards at the levels established in the operating marks, (a provision of the RTA Funding Policy) and therefore the funding to budget policy must be waived for purposes of the adoption of the 2009 Budget and 2010-2011 Financial Plan. The ending fund balance for 2009 is estimated to be $7 million or 0.5% of total operating costs of $1.6 billion.

Beginning Balance

The beginning fund balance is the amount of funds in the undesignated and unreserved (General Fund) fund balance after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2007 actual results for the 2008 beginning balance.

Change in Fund Balance

Total RTA revenues less total RTA expenses produce an annual change to the fund balance. When revenue exceeds expense, the remainder or surplus is added to the fund balance. If expenses exceed revenues, the fund balance is reduced by the deficit amount. Projections indicate that expenses will exceed revenues in 2008 by $22 million which includes $4 million to fund the regions Joint Self Insurance Fund (JSIF).

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% (apart from ADA Paratransit service) of the system operating cost. The RTA's system-generated

revenue recovery ratio for 2009 is nearly 55%. A detailed breakdown of this calculation is provided in the Region section.

In meeting the 50% 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% 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 Act further requires a recovery ratio for ADA Paratransit service of 10%, the 2009 budget for this service meets this stipulation.

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% (apart from ADA Paratransit that requires a recovery ratio of 10%); and the RTA's (Agency's) administrative expenses do not exceed an established statutory cap (CAP). The CAP is over $16 million, and the Agency's administrative expenses of slightly less than $9 million are well below the statutory 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 that comply with these stipulations.

Source and Use of Funds

Each section of the 2009 Program and Budget Book presents the source of funds (public funding and/or operating revenues) and the use (expenditure) of funds for the respective operation. The subsequent paragraphs and exhibits summarize the source and use of these funds for the 2009 budget.

In 2009, total revenue estimates of $2,579 million include: $1,040 million in receipts from RTA sales tax; State funding totaling $490 million from PTF, financial assistance, reduced fare reimbursement/free ride programs, and $35 million from Other

Exhibit 2-9: **2009 Source and Use of Funds** (dollars in millions)

Source of Funds	**Total**
RTA Sales Tax	1,040
State Funds	490
RTA Revenue & Fund Balance	35
Chicago RETT	67
Service Board (bus, rail, van)	938
ADA Paratransit	9
Total Source	**2,579**

Use of Funds	**Total**
Service Board (bus, rail, van)	2,158
ADA Paratransit	107
ICE & Job Access	12
Agency & JSIF	35
Debt Service	183
Capital (includes ICE funds)	84
Total Use	**2,579**

Exhibit 2-10: **2009 Source of Funds -$2,579** million

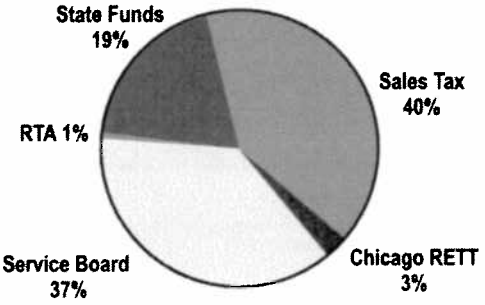


Exhibit 2-11: **2009 Use of Funds** - $2,579 million

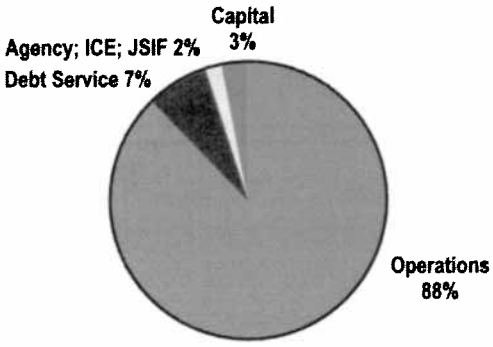
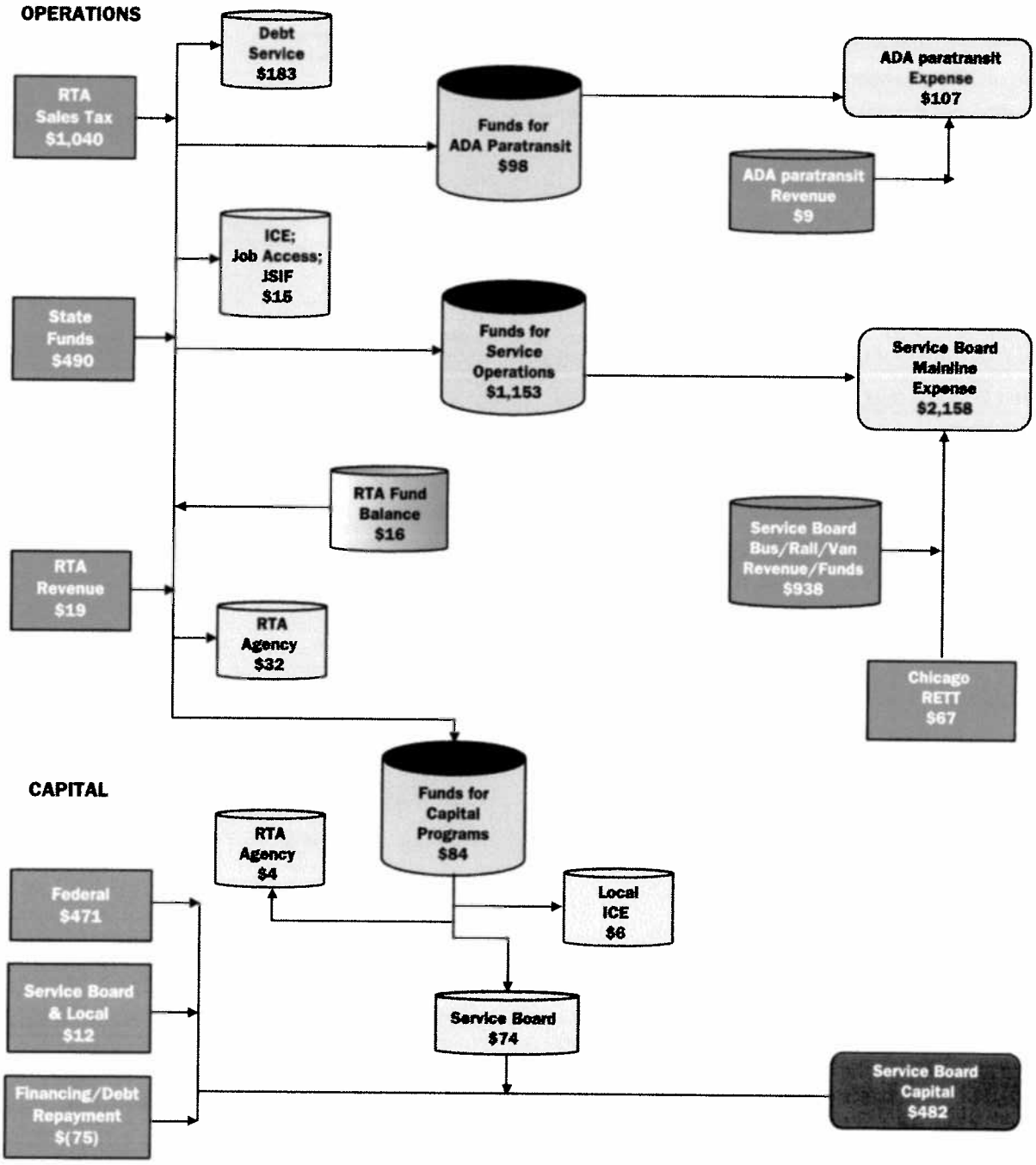


Exhibit 2-12: **2009 Source of Funds -$2,579** - in millions



RTA revenues and the use of its fund balance; $67 million from RETT, CTA, Metra and Pace mainline operating receipts of $938 million; and $9 million in ADA operating revenue.

The use of $2,579 million in funds includes $2,265 for service operations (ADA paratransit $107 million, and mainline CTA, Metra and Pace Suburban Bus service $2,158 million); $183 million for debt service; $84 million for capital programs, and $47 million for agency administration and regional initiatives (including ICE, South Suburban Job Access and JSIF funding). (Exhibits 2-9 though 2-12).

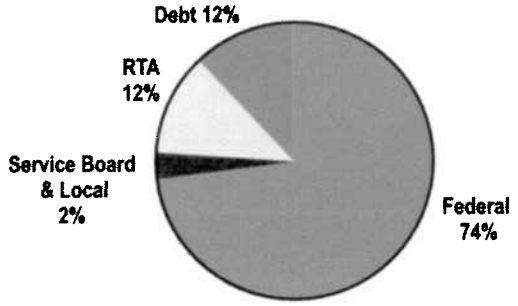
Capital Program

The capital program "marks" set by the RTA Board in September include estimated figures that the Service Boards use in the budget and program documents that they present for public hearing. When final federal appropriations numbers are determined and local funds revised, the RTA Board will consider ordinances that incorporate all changes and bring the marks and program in balance. The five-year program currently totals more than $4 billion with 2009 totaling $482 million (Exhibits 2-13 and 2-14). Details on their current programs are provided in the Capital section of this document.

Exhibit 2-13: **2009 Capital Program Funds** (dollars in millions)

Service Boards	
FTA (Federal) Capital Grants	471
Service Board and Local Funds	12
RTA Funds for Capital	74
Debt Financing	(75)
Total Service Board	**482**

Exhibit 2-14: **2009 Service Board Capital Program** - $482 million



3 RTA

Region Operating Plan

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 plan, and a five-year capital program that meets specific statutory requirements.

This document fulfills the responsibility. Exhibit 3-1 provides a summary of the RTA's statement of revenue and expenditures for 2007-2011. Throughout this document, 2007 is actual data, 2008 is the estimate of year-end results, 2009 is the operating budget, and 2010-2011 is the two-year financial plan.

Revenue

Total revenue is projected to grow from $1,173.7 million in 2007 to $1,605.3 million in 2011 (Exhibit 3-1). This is an increase of $431.6 million over the four-year period, or an 8.1 percent compound annual growth rate. This increase is primarily the direct result of new legislation passed in 2008 by the State of Illinois (P.A. 95-0708).

The RTA retains 15 percent of Part I sales tax and distributes the remaining 85 percent to the Service Boards

The RTA Sales Tax is the primary source of revenue for the RTA. In 2007, traditional RTA Sales Tax (Old or Part I) receipts of $752.9 million comprised 64 percent of the RTA's total revenue. Public Transportation Funds (PTF – Part I), State Financial Assistance (SFA), State Reduced Fare (RF), and other revenue, which includes state funds totaling $54.3 million for ADA Paratransit service, provided the balance of RTA revenue totaling $420.8 million, or 36 percent (Exhibit 3-2).

Sales Tax

The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, without appropriation, by the State Treasury on the order of the State Comptroller.

The traditional (Old) sales tax is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in DuPage, Kane, Lake, McHenry and Will counties. 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 distributes the remaining 85 percent to the Service Boards according to the formula specified in the RTA Act (Exhibit 3-3).

Exhibit 3-4 breaks out the 2007 sales tax distribution by Service Board. In 2007, the $752.9 million in sales tax was broken out in the following manner; CTA 40 percent, Metra 34 percent, Pace 11 percent, and RTA 15 percent. Sales tax is projected to increase from $752.9 million in 2007 to $789.4 million in 2011, a compound growth rate of 1.2 percent.

Sales tax (New or Part II) from legislation passed in January 2008 (P.A. 95-0708) is projected to increase from $281.7 million in 2009 (the first full year receipts are collected) to $293.3 million in 2011, an increase of $11.5 million or 2.0% annually (Exhibit 3-5). The legislation increased RTA sales tax from 1% in Cook County to 1.25%, and increased the sales tax in the collar counties (DuPage, Kane, Lake, McHenry and Will) from .25% to .75%. The collar county tax increase is divided evenly between the RTA and the county where the tax is collected, which means the sales tax the RTA receives in the collar counties doubled (to .50% from 0.25%).

The 2009 sales tax budget was developed mid-year 2008 after assessing state and local economic trends. After reviewing this data, the RTA decreased its original 2008 budget figure of $766.1 million for old sales tax to $758.4 million (a 1% decrease) and carried this estimate forward for the 2009 budget.

Exhibit 3-1: **RTA Statement of Revenue and Expenditures - General and Agency Funds** (dollars in thousands)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
System-Generated Revenue					
RTA Sales Tax (Part I)	752,922	758,400	758,400	768,639	789,392
RTA Public Transportation Fund (Part I)	188,931	189,600	189,600	192,160	197,348
RTA Sales Tax (Part II)	-	207,900	281,746	285,549	293,259
RTA PTF (Part II subtotal)	-	40,657	126,651	128,361	131,827
RTA RETT PTF for CTA (Part II)	-	-	21,000	21,275	21,850
State Financial Assistance	117,807	116,477	116,500	116,500	116,500
State Reduced Fare/Free Ride Programs	36,678	36,800	36,600	36,600	36,600
Other Revenue	77,356	33,500	18,500	18,500	18,500
Total Revenue	**1,173,694**	**1,383,334**	**1,548,997**	**1,567,584**	**1,605,276**
Operating Expenditures					
RTA Operations Funding - CTA (includes rett ptf	464,349	558,832	655,715	644,288	664,619
RTA Operations Funding - Metra	256,629	280,100	315,860	327,200	338,810
RTA Operations Funding - Pace Suburban Service	92,192	102,441	121,807	120,251	123,498
RTA Suburban Community Mobility Funding for Pace	-	20,000	19,800	20,067	20,609
RTA South Suburban Job Access Funding for Pace	-	3,750	7,500	7,500	7,500
RTA Total for ADA Paratransit Service	76,010	100,000	98,595	108,076	110,078
RTA Funding for Innovation, Coordination, and Enhancement	-	3,851	3,812	3,912	4,019
State Reduced Fare/Free Ride Programs and Sales Tax Interest	39,183	37,700	38,300	38,300	38,300
Agency Administration, Regional Services & Programs (1)	32,712	33,613	32,159	33,300	34,600
Total Operating Expenditures	**961,075**	**1,140,287**	**1,293,548**	**1,302,894**	**1,342,033**
Debt Service & Capital Expenditures					
Principal and Interest for Service Board Capital Programs	179,116	186,318	183,300	183,300	183,300
Regional Technology and Agency Capital (1)	5,709	1,870	4,566	4,600	4,500
RTA Funding for Innovation, Coordination, and Enhancement	-	6,029	6,088	6,121	6,285
Transfer Capital - Metra Funds	745	30,661	53,174	46,816	45,304
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**205,923**	**245,231**	**267,481**	**261,190**	**259,742**
Total Expenditures	**1,166,998**	**1,385,518**	**1,561,029**	**1,564,084**	**1,601,775**
Fund Balance (undesignated/unreserved)					
Beginning Balance	8,510	25,648	19,424	3,490	3,489
Change in Fund Balance	17,138	(2,184)	(12,032)	3,500	3,501
RTA Funds Reserved	-	(120)	(403)	-	-
RTA JSIF Funding	-	(3,920)	(3,500)	(3,500)	(3,500)
Ending Unreserved/Undesignated Fund Balance	**25,648**	**19,424**	**3,490**	**3,489**	**3,491**
% of Total Operating Expenditures	2.7%	1.7%	0.3%	0.3%	0.3%

(1) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action. (2) Includes $10.4 million designations/reserves in 2007.

From a geographic standpoint, the City of Chicago accounted for 31 percent of the Part I sales tax collected in 2007, suburban Cook 53 percent, and the collar counties 16 percent (Exhibit 3-6). In 2009, combining the estimate for new and old sales tax the distribution is as follows: the City of Chicago 28%, suburban Cook 48% and the collar counties 24% (Exhibit 3-7). RTA Ordinance 2008-83 Schedule I-E (Introduction Section) illustrates the source and distribution of funds provided by the new legislation.

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 revenue realized from Part I 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

Exhibit 3-2: **2007 RTA Revenue** - $1,174 million

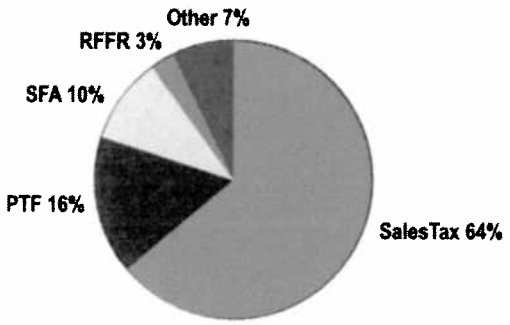
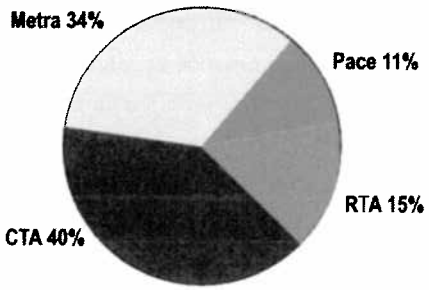


Exhibit 3-3: **RTA Sales Tax (Part 1) Collected** (in percent)

	CTA	Metra	Pace	Total
Chicago	100	0	0	100
Suburban Cook	30	55	15	100
Collar Counties	-	70	30	100

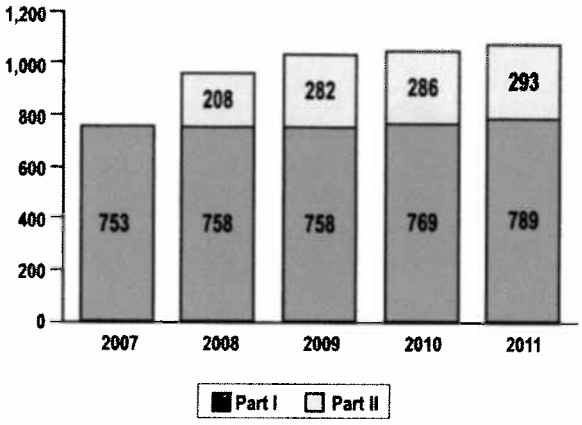
Exhibit 3-4: **RTA Sales Tax (Part I) Distribution** - $753 milion



that is collected in sales tax, the RTA receives an additional dollar in PTF. The 2009 estimated amount is $189.6 million (Exhibit 3-1). The amount of funds that each Service Board receives through the RTA from the PTF is allocated at the discretion of the RTA Board upon the review and approval of each Service Board's annual or revised budget.

In 2009 revenues from this special fund provided by P.A 95-0708 (Part II receipts of $147.7 million) are combined with the new sales tax generated by P.A. 95-0708 and designated for certain operations and programs before formula allocation to the Service Boards. Money set aside before allocations include funding for ADA Paratransit operations, Suburban Community Mobility (SCMF), and Innovation, Coordination and Enhancement (ICE) initiatives. Funding

Exhibit 3-5: **RTA Sales Tax** (dollars in millions)



for these initiatives, as set by statute, increase or decrease with the annual change in sales tax with 2008 set as the base year. The 2008 appropriation for ADA Paratransit was $100 million, SCMF $20 million and ICE $10 million. The remaining balance is allocated as follows: CTA 48%, Metra 39% and Pace suburban service 13%.

In 2009, the new legislation increases PTF on old sales tax to 30% with 5% becoming part of the group of funds just described. The new legislation also increased the real estate transfer tax (RETT) in the City of Chicago by 0.3%, which yields $3 in public funding for the CTA for every $1,000 paid for the property. This funding flows directly from the City to the CTA and is not included in the RTA schedule of revenues and expenditures (Exhibit 3-I). However, PTF funds associated with RETT (i.e. 25% of RETT) transactions flow through the RTA and by statute become part of the CTA's funding as illustrated in the Introduction Section (Ordinance 2008-83 - Schedule I-B)

None of the PTF revenue is payable to the RTA until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the RTA Act.

State Financial Assistance (SFA)

This revenue source is state-authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP)

Exhibit 3-6: **2009 Part I Sales Tax by Area** - $753 million

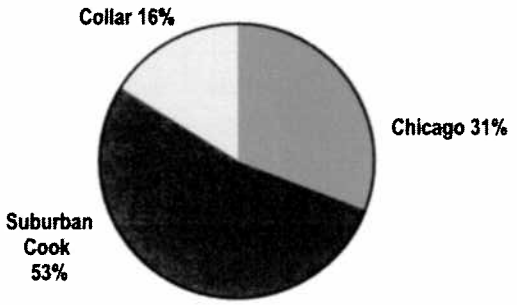
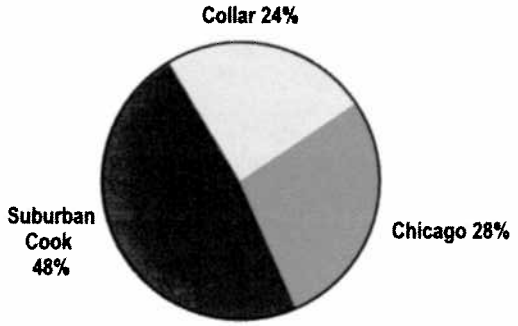


Exhibit 3-7: **2009 Part I & Part II Sales Tax by Area** - $1,040 million



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 $117.8 million in 2007 and estimates $116.5 million from 2008 through 2011.

Reduced Fare/Free Ride Programs

This operating assistance is partial reimbursement from the State to the Service Boards for discounts mandated by law. This includes discounts to students, elderly, and disabled individuals who qualify for the State Circuit Breaker Program. For more information regarding this program please access the State of Illinois web page (www.state.il.us).

The reduced fare/free ride funds are distributed by the State through the RTA and then to the Service Boards. Funding in 2007 was $36.7 million and is expected to average $36.6 million from 2009 through 2011.

Other Revenue

The other revenue category generally consists of sales tax interest, investment income, and Agency revenue. From 2005 through 2007 the State of Illinois appropriated funds totaling $54.3 million for ADA Paratransit Service and other costs and services. This amount is included in the $77.4 million figure on Exhibit 3-I. This separate source of funds was superseded by P.A. 95-0708. The amount in 2008 includes $16 million representing continued working cash needs.

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 the interest on Part I sales tax receipts to the Service Boards based on the same formula used to allocate the Part I sales tax receipts. In 2009 the interest is budgeted at $1.7 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 RTA financial transaction proceeds. Additional revenue in this category includes fees charged to employers for RTA Fare Checks that help offset the costs of administering the program. Also included in Agency revenue are matching funds obtained under federal, state and local programs for regional planning, development and new technology efforts. The sum of investment earnings, transit check fees and matching funds is estimated to average $16.8 million; combined with interest on sales tax yields a total of $18.5 million during the current (2009-2011) planning cycle.

Operating Expenditures

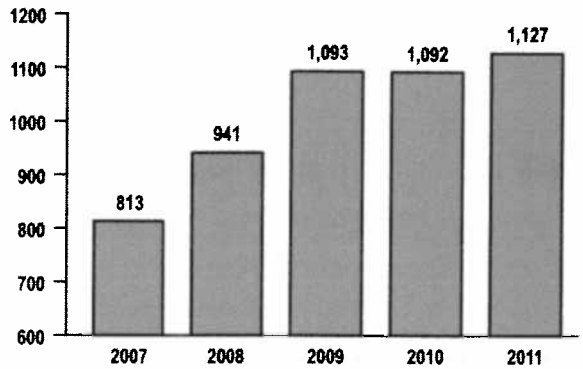
Exhibit 3-1 provides a summary of the RTA's operating expenditures from 2007 through 2011. Total operating expenditures are projected to grow from $961.1 million in 2007 to $1,342.0 million in 2011. This is an increase of $381 million over the four-year period, or an 8.7 percent compound annual growth 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 revenue (fare box and other revenue) and system operating expenditures. Exhibit 3-8 presents the operations funding level for the three Service Boards. From 2007-2011, Service Board operations funding from the RTA is expected to increase from $813.1 million to $1,127 million. This $313.9 million increase represents a compound annual growth rate of 8.5 percent.

RTA operations funding to the Service Boards in 2007 compared to 2011 is as follows: The CTA's funding (including PTF from RETT) increases from $464.3 million in 2007 to $664.7 million in 2011, an annual increase of 9.4%. Metra's amount increases from $256.6 million in 2007 to $338.8 million in 2011, a compound growth of 7.2%, and Pace's suburban service amount (excluding Suburban Community Mobility Funds and South Suburban Job Access funds) increase from $92.2 million in 2007 to $123.5 million in 2011, annual increase of 7.6% (Exhibit 3-I). With Suburban Community Mobility and South Suburban Job Access Pace's funding for suburban operations increase at a growth rate of 13.2% through the three-year planning compared to the level of funding received in 2007. Total funding for the 2009 budget and 2010-2011 financial plan is provided in the Introduction Section (Ordinance 2008-83, Schedule I-B). A detailed discussion of each Service Board's revenues and expenditures is provided in the CTA, Metra and Pace sections of this document.

Exhibit 3-8: **RTA Operations Funding** - Excludes ADA
(dollars in millions)



Suburban Community Mobility Funding

Each year, as provided by P.A. 95-0708, the RTA shall deposit into this fund an amount that increases of decreases with the percentage change in sales tax receipts. This change is indexed from the 2008 statutory base year amount of $20 million. As shown on Exhibit 3-1 the amount declines to $19.8 million in 2009. Funding from 2009 through 2011 increases from $19.8 million to $20.6 million an annual growth rate of 2%.

The amount on deposit including interest and earnings shall be used by the RTA to make grants to Pace for operating transit services, other than traditional fixed route services, that enhance suburban mobility, including, but not limited to, demand-response services, ride sharing, van pooling, service coordination, centralized dispatching and call taking, reverse commuting, service restructuring and bus rapid transit (BRT).

South Suburban Job Access Funding

Another provision of P.A. 95-0708 is the establishment of a fund that provides financial resources to Pace, in cooperation with the RTA, for the development of operating programs that enhance access to job markets for residents in south suburban Cook County. Funding was set at $3.75 million for 2008 increasing to $7.5 million annually going forward, however, an additional source of funds is not provided by P.A. 95-0708.

ADA Paratransit Service

As previously discussed, the State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for ADA paratransit service and other costs and services in 2005, 2006, and 2007. In 2005, the CTA received the full appropriation. In 2006 the CTA and Pace shared the appropriation because

Pace acquired responsibility for all ADA paratransit service in the RTA region effective July 1, 2006. In 2007, Pace received the full appropriation from the State. Because of growing service demands and increased operating costs, Pace also received $19.8 million of RTA Discretionary Funds producing a total funding for ADA Paratransit in 2007 of $76.1 million.

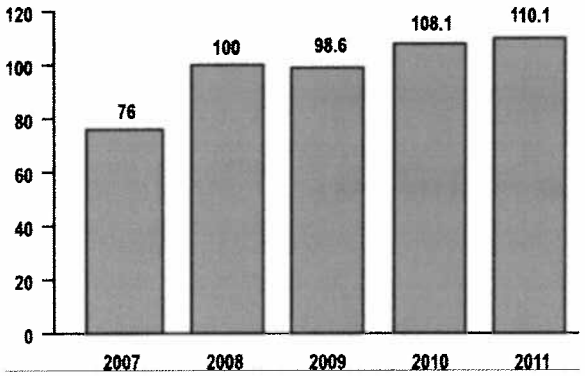
In 2008 the additional state funding for ADA paratransit service ($54.3 million) was terminated with the passage of P.A. 95-0708. Provisions in the ACT set aside a base amount of $100 million for 2008 operations that changes annually with the annual percentage change in sales tax receipts. During the three-year (2009-2011) planning period funding is estimated to increase from $98.6 million in 2009 to $110.1 million in 2011 (Exhibit 3-9), an annual growth rate of 5.7%.

Innovation, Coordination and Enhancement (ICE) Funding

The new legislation also established a fund for innovation, coordination, and enhancement. In 2008, as the initial amount was set at $10 million, which then changes annually with the amount of regional sales tax receipts. The distributions of funds from 2008 through 2011 are apportioned respectively to operations and capital on ratio of 39% and 61% (Exhibit 3-1).

With the affirmative vote of 12 directors, and after a public participation process, service boards, transportation agencies, or units of local government may receive ICE operating on capital grants or loans to advance the goals and objectives of the RTA's Strategic Plan, provided that an improvement is not in a five-year capital program as of the effective date of the new legislation. However, if the RTA Board determines that an emergency exists, by an affirmative vote of 12 members, funds may then be used for urgent operating or capital needs.

Exhibit 3-9: **ADA Paratransit Funding** - (dollars in millions)



Reduced Fare/Free Ride Programs, and Sales Tax Interest

State reduced fare/free ride programs reimbursements are received as revenue by the RTA and flow directly to the Service Boards to help defray program costs. In 2007, the State's Reimbursement was $36.7 million. During the three-year planning period (2009-2011), the reimbursement is estimated to be $36.6 million, which is not expected to fully cover the cost of the program.

There is a lag between when the State collects the RTA Sales Tax and when the State transfers it to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of the interest on Part 1 sales tax receipts to the Service Boards according to the same formula used for sales tax distribution. In 2007 receipts were $2.7 million compared to an estimate of $0.9 million in 2008. From 2009 through 2011 the amount is projected to hold at an annual amount of $1.7 million.

Agency Administration, Regional Services and Programs

Spending for Agency administration, regional services and regional programs is discussed further in the Agency portion of this section. Expenditures in 2007 were $32.7 million and are projected to increase to $34.6 million in 2011, an increase of $1.9 million, or an annual increase of 1.4%.

Debt Service and Capital Expenditures

Exhibit 3-1 provides a summary of the RTA's debt service and capital expenditures from 2007-2011.

Total expenditures in this category are projected to increase from $205.9 million in 2007 to $259.7 million in 2011. The increase is the direct result of increased statutory funds that Metra receives.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures from 2007 through 2011. Payments are expected average $183.3 million during the three-year planning period with State Financial Assistance (SFA) for the SCIP bond program expected to defray about 63 percent of the total Principal and Interest expenditures during this timeframe. Additional bond information is provided at the end of this section.

Regional Technology, Agency Capital and ICE

The 2009 budget continues to fund region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies, reducing RTA funding. At the end of the year, any funds that have not been spent are reserved. Included in this category are expenditures for the Agency's capital needs. The funds are used to enhance various information technology programs and preserve the office environment.

The budget for 2009 totals $4.6 million, primarily a level amount though the planning period. More details are spelled out in the Agency's share of this section. ICE funding details were previously discussed; the amount budgeted for 2009 is $6 million.

Transfer Capital

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The statutory apportionment of sales tax to a Service Board can exceed its operating marks, when this occurs a Service Board can transfer these funds to its capital program. During the planning period Metra continues to be the only Service Board that can assign funds that could be used for operating purposes to its capital program. From 2009 through 2011, Metra's plans to average a transfer of statutory funds to its capital program totaling $48.4 million annually.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. From 1995 through 1997 the program was funded at an annual level of $11.0 million. 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 and increased to $20.4 million in 2000 and remains at this level through the 2011 planning period.

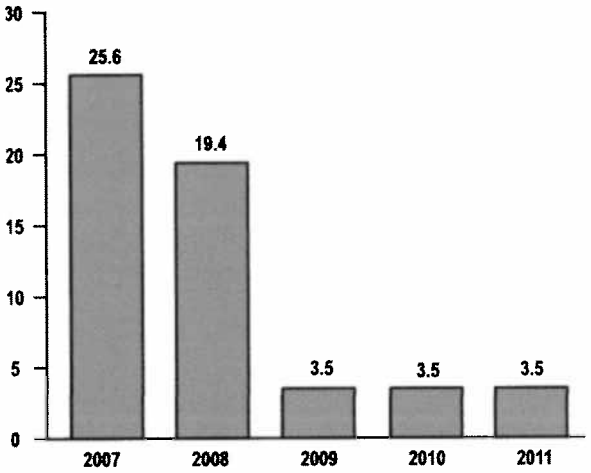
Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. From 2007 through 2011, these expenses are projected to increase from $1,167 million to $1,601.8 million. This $434.8 million increase represents a compound growth rate of 8.2 percent driven by the increase for service operations.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent of total operating expenditures. (Fund balance policy details are outlined in the Introduction Section.) The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods. Unfortunately, unfavorable economic conditions have created the need to waive, for purposes of the adoption of the 2009 Budget and 2010-2011 Financial Plan, the provision of the ordinance that requires the RTA to show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period. However, this policy will be in effect for the development and adoption of the 2010 Budget and 2011-2012 Financial Plan unless further action is taken by the RTA Board to extend such waiver.

Exhibit 3-10 **Fund Balance** - (dollars in millions)



The 2007 ending balance was $25.6 million. The estimated ending balance for 2008 is $19.4 million. The ending balance for the 2009 budget and two-year financial plan (2010 to 2011) remains at $3.5 million (Exhibit 3-10).

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 2007 actual results of $25.6 million as the 2008 beginning balance.

Change In Fund Balance/Ending Fund Balance

Total RTA revenue less total RTA expenditures produces a change to the fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. In 2007, total revenues exceeded total expenditures on a budgetary basis by $6.7 million.

Funding provided by P.A. 95-0708 that exceeds the operating needs of ADA Paratransit operations is by statute reserved by the RTA for future needs. The amount reserved in 2009 is $403 thousand. Funds reserved in 2008 reflect the remaining balance of ICE funds not programmed from the total appropriation of $10 million. The funds will be reserved until allocated to future programs. Also expended from RTA's fund balance is the payment of the premium for the Joint Self Insurance Fund (JSIF). The RTA provides excess liability insurance to protect the self-insurance programs maintained by the Service Boards. The Service Boards are obligated to reimburse the fund for any damages paid plus interest. The 2009-2011 Budget and Financial Plan provides for an annual payment of premium totaling $3.5 million

At year end changes in revenue over expenditures, other financing uses, and capital grant expenditures are reconciled on a GAAP versus budgetary basis with the balance in the general fund then reflecting a GAAP based undesignated/unreserved balance. The year-end unreserved/undesignated fund balance in 2007 was $25.6 million (Exhibit 3-1).

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 revenue from RTA operations cover at least 50 percent of the system operating cost. The RTA's system-generated revenue recovery ratio in 2009 is 54.7 percent. This statutory calculation computes to 4.7 percentage points above the mandated 50 percent.

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/lease-back transactions, and Metra's 2008 fare increase—which was restricted for capital investment. A detailed breakout of this calculation is provided in Exhibit 3-34 at the end of this section.

2008 Budget versus 2008 Estimate

Total RTA revenue of $1,383.3 million is projected to be $200.7 million more than the 2008 budget of $1,182.6 million set before the passage of P.A. 95-0708 (Exhibit 3-11).

Total expenditures of 1,385.5 million increased $224.9 over an original budget of $1,160.7 million reflecting the benefit of the additional funds provided by P.A. 95-0708. Without the additional funds provided by this statute the Service Boards were faced with the need to significantly raise fare, decrease service and curtail infrastructure improvements by shifting capital funds to operations.

Capital Program

At the present time, the 2009-2013 capital program funding marks total $2.575 billion. When federal, state or local appropriation figures change, the Service Boards' capital programs may not match the program marks.

When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital Section of this publication.

Exhibit 3-11: **RTA Statement of Revenues and Expenditures - General & Agency Fund** (dollars in thousands)

	2008 Budget (1)	2008 Estimate (2)	Change
System-Generated Revenue			
RTA Sales Tax (Part I)	766,077	758,400	(7,677)
RTA Public Transportation Fund (Part I)	191,519	189,600	(1,919)
RTA Sales Tax (Part II)	-	207,900	207,900
RTA PTF (Part II)	-	40,657	40,657
State Financial Assistance	116,477	116,477	-
State Free Rides & Reduced Fare Reimbursement	36,800	36,800	-
Other Revenue (3)	71,752	33,500	(38,252)
Total Revenue	**1,182,625**	**1,383,334**	**200,709**
Operating Expenditures			
RTA Total for CTA operations	471,828	558,832	87,004
RTA Total for Metra Operations	264,097	280,100	16,003
RTA Total for Pace Suburban Service	84,596	102,441	17,845
RTA Suburban Community Mobility Funding for Pace	-	20,000	20,000
RTA South Suburban Job Access Funding for Pace	-	3,750	3,750
RTA Total for ADA Paratransit Service (4)	65,922	100,000	34,078
RTA Funding for Innovation, Coordination, and Enhancement	-	3,851	3,851
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	37,700	37,700	-
Agency Administration and Regional Initiatives (5)	29,952	33,613	3,661
Total Operating Expenditures	**954,095**	**1,140,287**	**186,192**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs (6)	184,318	186,318	2,000
Regional Technology and Agency Capital (5)	1,900	1,870	(30)
RTA Funding for Innovation, Coordination, and Enhancement	-	6,029	6,029
Transfer Capital - Metra Funds	-	30,661	30,661
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	-
Total Debt Service and Capital Expenditures	**206,571**	**245,231**	**38,660**
Total Expenditures	**1,160,666**	**1,385,518**	**224,852**
Fund Balance (undesignated/unreserved)			
Beginning Balance	227	25,648	25,421
Change in Fund Balance (7)	21,959	(6,224)	(28,183)
Ending Unreserved/Undesignated Fund Balance	**22,186**	**19,424**	**(2,762)**
% of Total Operating Expenditures	2.3%	1.7%	(0.6%)

1) Budget Ordinance 2007-63 (adopted December 2007). (2) August estimate to meet 2009 budget and two-year financial planning cycle (Marks set by September 15, and Budget adoption by year-end) as set by state statute. (3) Includes State funding for ADA Paratransit service and other costs and services totaling $54.3 million. (4) Includes $11.7 million of RTA discretionary funds. (5) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action. (6) Additional interest for working cash loan. (7) Estimate includes loss of $2.2 million as total expenses exceed total revenue, $3.9 million to fund the JSIF, an ICE reserve of $120 thousand for balance of funds not programmed and available for future year funding.

Agency Operating Plan

Budget and Financial Plan

The RTA (the Agency) performs planning, coordination, oversight, and funding responsibilities for the RTA public transportation system. Recent recommendations from the Illinois Office of the Auditor General (OAG), as well as changes to the state laws governing the RTA, enhanced the role of the RTA. Planning-related responsibilities include the following:

Agency budget reflects legislative mandates.

- Develop a regional Strategic Plan and update it to meet changing conditions
- Improve planning and coordination within the RTA system
- Implement new regional programs
- Advance bus rapid transit and universal fare card initiatives

Oversight-related responsibilities include the following:

- Review system performance and establish performance measures
- Improve the capital programming process
- Increase ADA Paratransit service oversight
- Improve the annual budgeting process to ensure consistency with the Strategic Plan

In addition, the Agency operates regional programs such as the Travel Information Center (TIC), Customer Service Center, ADA certification, and the senior and disabled free ride programs.

The Agency budget is constructed in alignment with these responsibilities – representing the resources needed in 2009 implement these responsibilities. These responsibilities are the agency program priorities – described more fully later in this section, including details on staff and costs by department, along with an organization chart.

In 2009, Agency expenditures total $36.7 million, which is a 3.5% increase over the 2008 budget of $35.5 million. The increase reflects resources – staff and outside expertise – to implement the responsibilities of the new legislation and OAG recommendations.

The budget in 2008 of $35.5 million reflects the increased resources needed to implement the recommendations from the Illinois Auditor General's audit – many of which were included in the state legislation enacted on January 18, 2008.

Overall, the amendments to the RTA Act looked to achieve a better coordinated and more efficient regional transit system, including implementation of many of the recommendations of the Illinois Office of the Auditor General (OAG), by enhancing the RTA's responsibilities and accountability with respect to regional planning, fiscal oversight, and fare and service coordination.

In the last couple of years, the Agency shifted to a performance-based budgeting approach. Rather than using a formula-based approach, the budget is developed by identifying the performance objectives for the upcoming year and assessing the resources needed to accomplish those objectives.

Based on this approach, the next section outlines each department's expenditures and program priorities in 2009, followed by a general description of each department.

Agency Departments and Staffing

In 2007, the RTA began to chart a new course for the agency and started to re-organize the RTA staff to improve planning, coordination, and oversight focus. We have added positions directed towards those efforts, as well as the ride free programs.

The staffing plan for 2008 was 113 positions, and as we continue our efforts, we continue to assess our staffing needs. The 2009 budget contemplates five additional positions for a total of 118.

The RTA organization chart (Exhibit 3-12) illustrates the agency departments and their divisions or functional units.

Exhibits 3-13 and 3-14 show the staffing plan by department. The department breakdown reflects that 46% of our efforts provide various regional services and planning programs and that 32% of our efforts

Exhibit 3-12: **RTA Organization Chart**

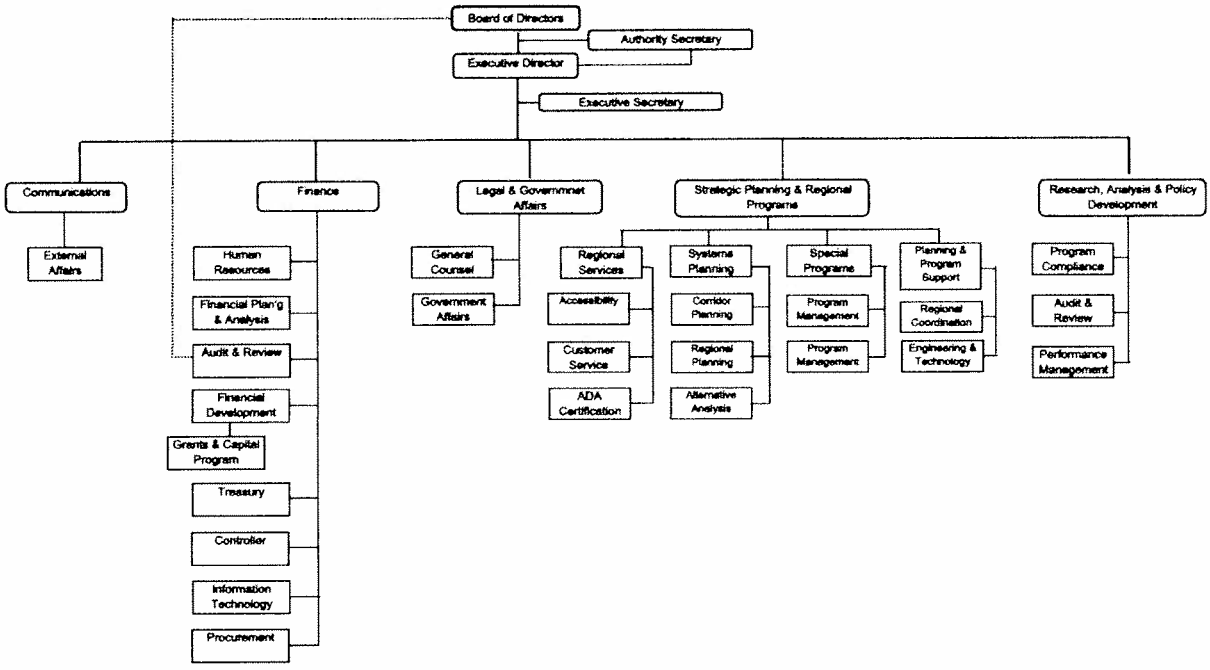


Exhibit 3-13: **Agency Staffing by Department** - budgeted positions

	2008	2009	Change
Executive Office	3	3	-
Communications	5	6	1
Legal & Governmental Affairs	6	6	-
Finance & Administration	37	38	1
Planning	22	25	3
Regional Services	29	29	-
Research, Analysis & Policy Development (RAP)	11	11	-
Total RTA Staffing Plan	**113**	**118**	**5**

are for finance and administration initiatives. The remaining 22% is dedicated for various management services such as executive services, communications, legal & governmental affairs, and research, analysis and policy development.

Exhibits 3-15 and 3-16 show agency expenses by department. As previously discussed, the total 2009 agency budget is $36.7 million. Since the Research, Analysis & Policy Development department was formed in 2007, it reflects only a partial year of expenditures for that year; the organization's first full year of operation occurred in 2008.

The following sections outline each department's organizational structure, program priorities, and analyze their expenditures in more detail.

Exhibit 3-14: **Agency Staffing by Department** - budgeted positions

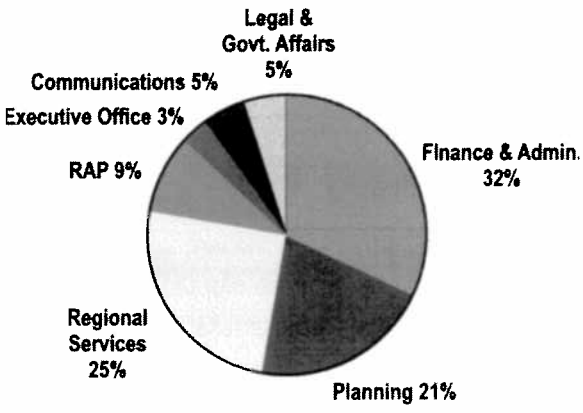
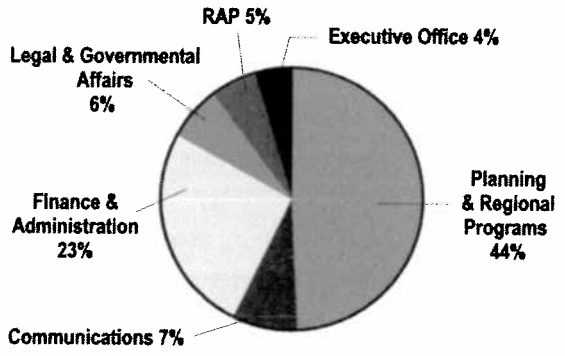


Exhibit 3-15: **Agency Expense by Department** - (in dollars)

	2007 Actual	2008 Budget	2009 Budget
Executive Office	1,269,607	1,617,973	1,466,700
Planning & Regional Programs	25,536,267	21,757,341	19,951,326
Research, Analysis & Policy Development	124,481	1,366,829	1,834,542
Finance & Administration	7,043,234	6,083,433	8,597,362
Legal & Governmental Affairs	2,203,615	2,136,927	2,333,293
Communications	1,796,443	2,520,509	2,541,437
Total	**37,973,648**	**35,483,012**	**36,724,660**

Exhibit 3-16: **Agency Expense by Department** - (in dollars)



Executive Office

This structure includes the RTA Board of Directors and organizations that support the RTA Chairman and Board of Directors, and administer day-to-day agency activities.

The RTA Board of Directors consists of 15 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 public transit system. The RTA Board and its committees set policy, consider matters relating to RTA operations and compliance with the ADA Act, 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.

The Executive Director executes the policy decisions of the RTA Board and staffs the agency to administer its statutory mission and implement Board policy. The Executive Director informs and assists the RTA Chairman and the Board in the development of policy, and is the principal contact with executive staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities.

The Secretary to the Authority provides Board support functions by assisting with the information, documentation, and logistical needs of the RTA Board. The Secretary works with staff to supply Board members with the information and documentation needed to fulfill their statutory role and to obtain quorums for meetings of the Board and its six standing committees.

Program priorities:

- Manage the departments continued implementation of the RTA Act mandates and Illinois Auditor General recommendations
- Oversee the departments achievement of their 2009 program goals
- Work closely with the RTA Board to obtain the necessary Board direction for the achievement of the over-all 2009 program

2009 expenditures of $1.5 million represent 4% of the total agency budget, which include personnel related expenses for the board and the executive area. There will be no change in the budgeted positions in 2009. The total executive office staff of 3 - without the board members - will remain the same.

Planning and Regional Programs

The department consists of four principal organizational areas. Three areas, Strategic & Long

Exhibit 3-17: **2009 Program Expenses** (in dollars)

Agency Programs	**2009 Budget**
Communications	
RTA Map	150,000
Advertising	100,000
Production	50,000
Marketing	200,000
Outreach	187,500
Transit card delivery fees	15,000
Total Communications Programs	**702,500**
Legal & Governmental Affairs	
Regional Diversity	70,000
Legislative Consulting	426,500
Total Legal & Gov't Affairs Programs	**496,500**
Regional Services	
ADA Travel Training	10,000
Paratransit trips	900,000
Applicant Appeals	10,000
Total Regional Services Programs	**920,000**
Total Agency Programs	**2,119,000**
Regional Technical Assistance Programs	
Community Planning Programs	967,200
Subregional Planning	481,900
Other Regional Technical Asst. Program	1,086,500
Capital Asset Condition Assessment	1,000,000
Total Regional Technical Asst Program	**3,535,600**
Agency Capital Programs	
Integrated Management System	1,126,000
TIC Relocation - lower cost facility	312,500
Office Renovation	900,000
Other computer software and hardware	255,999
Contingency	51,000
Total Agency Capital Program	**2,645,499**
Regional Technology Programs	
Universal Fare Card Study	150,000
Regional System Analysis	500,000
Transit Hub Program	100,000
RTA Multi-Modal Info Kiosk	150,000
Regional Transit Data Exchange Standards	285,000
Regional Transit Incidents Reporting System	385,000
Regional Green Transit Plan	350,000
Total Regional Technology Programs	**1,920,000**
Coordination Program Expenses	
Strategic Plan Update	150,000
Rail Safety Oversight / Project Mgmt Oversight	150,000
Trustee Fee / Rebate Calculation	201,000
APTA dues	150,000
Other	98,500
Total Coordination Program Expenses	**749,500**
Grand Total	**10,969,599**

Range Planning, Special Programs, and Regional Coordination, provide strategic, regional, sub-regional and corridor planning, and coordination between Service Boards. The fourth area, Regional Services is responsible for the following RTA-operated regional services and programs: the RTA Travel Information Center, Accessibility, ADA Paratransit Certification program, RTA reduced fare program, senior and disabled ride free program, and the RTA Customer Service Center.

Program priorities:

- Develop Amendments to the Strategic Plan
- Market Analysis: Produce a regional analysis of travel markets with rider and non-rider surveys; a detailed regional perspective not available anywhere else.
- Regional/Corridor Planning Process: Define the regional planning process and relevant work such as corridor planning, local area planning and how it relates to project prioritization.
- Regional System Analysis: Review the performance of the existing system and develop guidance for RTA selection of Enhance and Expand projects in the business plan and capital program processes.
- Improve Planning & Operating Coordination Between RTA, CTA, Metra, & Pace
  - Multimodal Trip planner: Launch and manage the state-of-the-art multimodal regional information system; implement new features such as incident reporting and real time next bus/train.
  - Improve Service Planning Coordination initiatives.
- Refine Grant Management of RTA's Regional Funding Programs

  This initiative includes Sub-regional Planning, Community Planning and Transit Oriented Development (TOD) coordination for the region; Job Access Reverse Commute/New Freedom (JARC/NF) programs; Innovation Coordination & Enhancement (ICE) funding for Service Boards

and local community initiatives; Suburban Community Mobility Funding, South Suburban Job Access Funding; and the 2010 Call for Projects.

- Advance Bus Rapid Transit (BRT) Initiative
  - Develop and Implement two to four BRT demonstration projects.
- Advance Universal Fare Card Initiative
  - Define goals and criteria for implementing a seamless fare system that ensures open architecture and region-wide applicability with appropriate fare policy. Identify the short and long term goals and begin implementation with the Service Boards.
- Travel Information Center Relocation
  - Relocation of space to the Metra building.
- Administer New Free Rides
  - Senior Ride Free and Disabled Ride Free Programs.

Planning and regional programs represent more than half, 55%, of the total agency budget. Most of the expenditures are for regional services initiatives such as TIC operations, the ADA certification program, and the ride free programs. The 2009 expenses reflect an 8% decrease from the 2008 budget due to a lower TIC operations fee and a more careful selection of planning programs. The TIC operation will be managed by a new vendor resulting in a $1.3 million savings over the 2008 budget.

To meet all of the legislative requirements, the planning department is adding three new staff positions to its existing 22 positions. There are no changes planned for the regional services area that totals 29 budgeted positions in 2009.

Research, Analysis and Policy Development (RAP)

The RAP organization was created in 2007 to better meet the RTA's oversight responsibilities and address the recommendations of the Auditor General. It is responsible for coordinating interdepartmental resources to perform this mission. Departmental divisions include Program Compliance, External Audit, and Performance Management. The department will ensure RTA staff has adequate finance, administration, and operations information, as well as the resources to lead the development of policies for a more effective and efficient regional mass transit system. The department is also responsible for the CTA Rail Safety Oversight and Capital Project Management Oversight (PMO) for each Service Board. 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 Guideway Systems.

Program priorities:

- Expand Review & Assessment of Performance of All Transit Agencies and Establish and Implement Agency Specific & Sub-Regional Measures and Standards
  - Measure, analyze, and critique performance of all transit agencies. Conduct and analyze performance utilizing measures and peer analysis to ensure consistency with and support of the Moving Beyond Congestion (MBC) Strategic Plan.
- Continue to Establish and Implement Regional Performance Measures and Standards
  - Implement methodologies to measure and monitor.
- Manage ADA Paratransit Oversight
  - Perform ADA Paratransit oversight as required by the FTA and State.

- Report on ADA Legislative Compliance Review
  - Report and present policy and financial issues to the RTA Board for discussion and resolution with the goal of maintaining ADA service standards with cost effective and efficient service.
- Develop and Implement a New Regional Capital Programming Process
  - Improve the regional capital program process to reflect RTA reform legislation mandates and OAG recommendations. Perform Project Management Oversight of the Service Boards' capital improvement plans and capital project developments. Establish a capital evaluation process that will provide an estimate of capital needs for each of the Service Boards based on a complete assessment of the current asset inventory and the age and condition of those assets and then develop a prioritization process for the selection of capital improvement projects.
- Coordinate Cross-Department Integration
  - Manage interdepartmental task forces to address priority matters that cross departmental lines.

Department expenses of $1.8 million in 2009 represent 5% of the total agency budget. This is an increase of 34% over the 2008 budget. The increase reflects a budget of $1.0 million for the capital condition assessment of Service Board assets. The total costs for this assessment is $1.2 million; $200,000 was budgeted in 2008. Other program expenses such as rail safety oversight and program management oversight are listed in Exhibit 3-17. The department's 11 budgeted positions in 2009 does not change from the level set in 2008.

Finance and Administration

The Finance office executes the funding and oversight responsibilities of the RTA. It works to maintain financial stability in the region and ensures that the agency and Service Boards execute their statutory requirements for fiscal responsibility. The finance department includes the following divisions: Controller, Financial Planning and Analysis, Audit and Review, Financial Development/Grants and Capital Program, and Treasury. Administrative offices include Human Resources, Procurement, and Information Technology. These areas are responsible for compensation and benefits, purchasing, and information systems management.

Program priorities:

- Improve the Regional Operating Budget Program, and Mitigate and Seek to Resolve Threats to the Financial Stability of the System
  - Develop assumptions for ongoing operations and "baselines" for the 10-year business plan data and related projections.
  - Perform analysis of obligations including pension, leasing, borrowing (capacity, debt service coverage/affordability, and interest earnings), injury and damages/joint self-insurance fund. Develop strategy for financial documents released for public review: short term "business plan" documents, and public relations information.
- Implement an Improved Integrated Management System
  - Recent legislation strengthened the RTA planning and oversight responsibility. The OAG also recommended that the RTA prepare and adopt annually a ten-year financial plan that includes the agency's cash position and all known obligations for the region. In order to accomplish these recommendations, an improved integrated management system is planned to be implemented in 2009. The new system will enhance our ability to provide information to the Board, and we will be able to respond quicker to requests for Ad-Hoc analysis.
- Develop and Implement a More Robust Capital Program Analysis, Monitoring, and Reporting Process

- Adapt the capital program management process to new parameters developed with the Research, Analysis and Policy Development and Planning & Regional Programs departments regarding project selection and funding distribution. Implement new procedures for grant management associated with new RTA programs related to new legislation.

- Improve Administrative Support for All Departments
  - Develop a vision for agency human resources, information technology, and procurement operations that support the RTA's strategic plan positions the RTA as a valued partner with its Service Boards, and provides the RTA with the tools it needs to maximize its effectiveness.

The 2009 expenditures of $8.6 million reflect a $2.5 million increase over the 2008 budget primarily due to the implementation of a new integrated management system of $1.1 million and office renovation and board room relocation of $0.9 million. The department's capital programs are listed in Exhibit 3-17. Increased cost of health benefits and a modest increase in personnel and office services contributed to the other $0.5 million growth over the 2008 budget. The department's expenses represent 23% of the Agency's total budget.

In order to respond quicker to various ad-hoc analyses to the RTA Board and management, the department is adding an Analyst position in 2009 to the existing 37 positions.

Legal and Governmental Affairs

The Legal and Governmental Affairs Department provides legal advice and counsel to the RTA Board, Executive Director, and staff regarding the statutory and regulatory provisions governing the Authority, as well as overseeing all RTA contracts and litigation. The Department also develops and promotes the RTA's federal, state and local government affairs agenda in coordination with the Service Boards.

Program priorities:

- Enact and implement comprehensive, long-term capital funding legislation in Springfield
  - With the passage of the reform and operating funding legislation in 2008, our focus in Springfield in 2009 will be on passing a state capital bill. Our capital program is significantly underfunded, and our ability to advance our other priorities depends on securing capital funds. We are developing coalitions, drafting legislation, and advocating with the Legislature. The 2009 budget contains funding for lobbyists to help advance this objective.
- Increase the region's transit funding in the federal authorization of surface transportation programs
  - In the short-term, we are working with our Congressional delegation and with the Obama transition team to develop economic recovery legislation that provides funding to invest in ready to go transit infrastructure projects. In the longer term, the authorization for federal transportation funding will expire in 2009, and the federal transportation programs are expected to undergo the most significant reform in decades. We have developed and are leading a national coalition of large transit systems, working with industry associations such as APTA, advising legislators with policy and program design, and advocating directly with Congress and the Obama Administration. The 2009 budget contains funding for lobbyists to help advance this objective.
- Enhance the RTA's Disadvantaged Business Enterprise and Regional Title VI Programs
  - The RTA will continue to work to enhance the opportunities for diverse firms to participate in its procurement processes, both as prime contractors and as sub-contractors. The RTA will also work with the Service Boards to evaluate the regional application of Title VI equity principles in the Strategic Plan and capital program development.

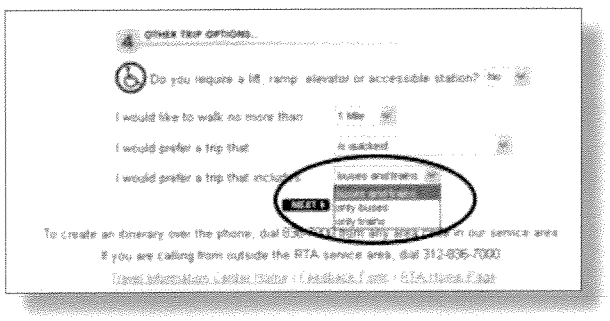
Departmental expenses for 2009 represent 6% of the total agency budget. Budgeted expenses of $2.3 million are 9% higher than the 2008 budget reflecting increased legislative and legal expenses for capital program funding as well as CTA pension oversight. The department's staffing plan of 6 people will remain the same in 2009.

Communications

Communications assists management in the formulation and execution of communications and marketing initiatives. The department manages the RTA's internal and external production of reports, speeches, video presentations, advertising, and publications that explain and promote agency initiatives and goals. The department also leads public outreach and hearings, media relation efforts, marketing and sales information, advertising initiatives, and efforts to coordinate marketing opportunities with the Service Boards. Starting in 2009, the transit benefit program will be supervised by the department.

Program priorities:

- Advance Joint Regional Marketing Programs
  - As a follow up to the 2008 marketing summit, manage and implement coordinated sales, marketing, advertising and public information programs in conjunction with the Service Boards. Programs include the Transit Benefit program, the Drive Less/Live More campaign, the Congestion Mitigation campaign, BRT, the new generation Multi-Modal Trip Planner, and initiatives stemming from the Fall 2008 Marketing Summit with the Service Boards.



- Develop Marketing rules & regulations
  - Develop rules and regulations in conjunction with the Service Boards to be adopted by the RTA board that will serve as guidelines to present a coordinated marketing effort.
- Continue and Expand Outreach to the General Public and Partners for Transit
  - Conduct public hearings and factor in feedback obtained in efforts to secure a capital investment campaign;
  - Help obtain input and support for the comprehensive strategic plan being adopted by the Board in 2009;
  - Broaden outreach to obtain input, involvement, and support for Planning and Regional Program's management of RTA Funding Programs;
  - Continue to enhance efforts to obtain public input into the budget planning process;
  - Demonstrate transparency and accountability by publicizing and obtaining input and support for capital program management and performance measures;
  - Obtain input and feedback on Pace service and operations that relate to the audit of ADA Paratransit being conducted by the RTA.

Expenses of $2.5 million in 2009 are 7% of the total agency budget and remain at the 2008 budget level. Major communications program initiatives are listed in Exhibit 3-17. In order to meet increased outreach program needs, the department is adding one new position in 2009, an Outreach Specialist, to its existing base of five positions.

Agency Expenses by Expense Type

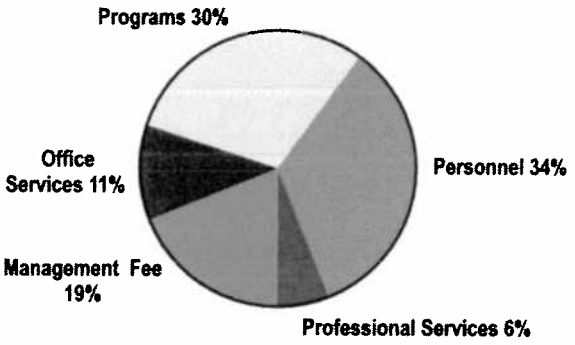
Exhibit 3-18 shows an Agency summary by major expense type from 2007 to 2009. The 2009 budget of $36.7 million reflects a 3.3% reduction compared to 2007 actual results, and a 3.5% modest increase to the 2008 budget.

Exhibit 3-19 shows the 2009 Agency expense by type. $12.6 million or 34% of the total expenses

Exhibit 3-18: **Agency Expense by Type** - (in dollars)

	2007 Actual	2008 Budget	2009 Budget
Compensation/ Benefits/Personnel	9,852,755	11,625,655	12,630,104
Professional Services	1,357,036	1,934,400	2,110,350
Management Fee	8,061,802	8,203,000	6,870,000
Office Services	3,259,044	5,255,621	4,144,607
Program Expenses	15,443,011	8,464,336	10,969,599
Total Agency	**37,973,648**	**35,483,012**	**36,724,660**

Exhibit 3-19: **Agency Expense by Type** - (in dollars)



represent personnel related expenditures, such as compensations, benefits, recruitment, training, and travel expenses. This is an 8.6% increase over the 2008 budget, reflecting the five proposed new positions, higher health insurance costs, and increased pension contributions. Eleven million or 30% of the total Agency budget is used to fund various program expenses. Nineteen percent or $6.9 million of our budget is dedicated to operate the Travel Information Center, the ADA certification program, senior and disabled ride free programs, and the transit benefit program. $4.1 million or 11% is projected for office services including rent and utilities, and the CTA card stock for the ride free programs. The remaining balance of $2.1 million or 6% will cover various legal and consulting fees that are necessary for the CTA pension oversight, internal, external, and task order audits, and legal fees for capital program funding and other legal matters.

Exhibit 3-20 also shows the Agency expenses by type but at a more detailed (category) level. The Program Expense category represents the largest level of expenditure.

As illustrated on Exhibit 3-20 the cost of temporaries has increased for 2008 and 2009 reflecting the temporary staff needed for the senior and disabled free ride programs. Office and equipment maintenance increases for 2009 reflect planned office renovating services as well as normal maintenance on fax, AV room and other equipment. Card stock for the reduced fare programs is included in the office services expense category. Other office services include office supplies, graphic design, data services, furniture, bank charges, public meetings, leased auto expenses, property and liability insurance, security and other miscellaneous items.

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The proposed 2009 administrative expenditures of $8.8 million are 45.5% below the cap allowance of $16.1 million as it shown on Exhibit 3-21.

Major Mandates

The 2009 budget was developed to reflect legislative mandates enacted by Public Act 95-0708 on January 18, 2008. Exhibit 3-22 shows budget expenditures corresponding with this legislation. The following list describes the major mandates and how they align with 2009 agency initiatives.

1) Strategic Plan development and improved coordination of fares and service

The RTA Act requires the RTA Board to adopt a comprehensive, long-term Strategic Plan for regional transit, to be reviewed and updated periodically and develop amendments to the Strategic Plan such as market analysis and regional system analysis. For these efforts our 2009 budget includes a total amount of $905,000. The RTA is authorized to adopt sub-regional and corridor plans, and the 2009 budget includes $481,900 for these initiatives. In addition, the plan must include a 10-year assessment of the transit system's financial condition.

The Agency is authorized to make recommenda-

Exhibit 3-20 **Agency Expense by Type by Category** (in dollars)

Expense Category	2007 Actual	2008 Budget	2009 Budget
Salaries and Other Pay	6,619,196	7,527,705	8,210,242
Temporaries	50,465	69,000	214,650
Interns	23,683	8,000	72,500
Total Compensation/Salaries	**6,693,345**	**7,604,705**	**8,497,392**
Vacation Pay Expense	42,278	45,000	65,000
FICA Employer Share & SUTA Unemployment Comp.	496,644	585,000	576,000
Insurance-Group Life & Medical and Workman Comp.	1,203,337	1,640,000	1,706,000
Pension Expense	999,916	1,100,000	1,228,547
RTA Employee Transit Benefit Prg	81,458	105,000	123,000
Other Employee Benefits	116,769	190,000	75,000
Total Benefits	**2,940,402**	**3,665,000**	**3,773,547**
Recruitment	14,684	75,000	65,000
Membership	41,327	58,950	52,165
Training & Employee Recognition	34,342	70,000	58,000
Travel & Business Expense	128,656	152,000	184,000
Total Other Personnel	**219,008**	**355,950**	**359,165**
Legal Fees	646,776	400,000	455,000
Consulting	710,261	1,534,400	1,655,350
Total Professional Services	**1,357,036**	**1,934,400**	**2,110,350**
Transit Benefit Program	749,611	843,000	750,000
ADA Paratransit	1,327,984	1,300,000	1,400,000
Reduced Fare	294,990	160,000	60,000
TIC	5,689,217	5,250,000	4,000,000
Seniors Ride Free Program	-	650,000	440,000
Disabled Ride Free Program	-	-	220,000
Total Management Fee	**8,061,802**	**8,203,000**	**6,870,000**
Printing, Postage & Mailing	290,500	369,500	359,900
Rent	1,796,937	1,804,770	1,854,161
Utility and Office & Equipment Maintenance	119,480	136,800	199,335
Computer Expenses	233,000	299,500	351,900
Telephone & Internet	323,484	375,000	457,000
Publications & Media Services	64,301	77,000	64,000
Card Stock (ride free programs)	-	1,875,000	500,000
Other Office Services	431,341	318,051	358,311
Total Office Services	**3,259,044**	**5,255,621**	**4,144,607**
Total Agency Programs	1,444,652	1,933,500	2,119,000
Total Regional Technical Asst Prg	4,821,650	3,894,189	3,535,600
Agency Capital Prg	2,400,200	397,500	2,645,499
Regional Technology Prg	5,099,000	1,472,647	1,920,000
Coordination Prg Exp	1,677,508	766,500	749,500
Total Program Expenses	**15,443,011**	**8,464,336**	**10,969,599**
Total Expenses	**37,973,648**	**35,483,012**	**36,724,660**

tions to the RTA Board regarding fare coordination, transfers, service coordination, and duplication of service and to evaluate the feasibility of implementing new bus rapid transit services using expressway and tollway systems in the metropolitan region. For the bus rapid transit and the universal fare card studies our budget includes $412,500 and $150,000, respectively.

2) Improved oversight

The recent legislation further empowered the RTA with stronger business planning and oversight

Exhibit 3-21: **2009 Administrative Expense/Statutory Cap**
(in dollars)

	2009 Budget
Administration Expenses	**8,783,985**
Regional Expenses	23,375,176
Capital Expenses	4,565,499
Total RTA	**36,724,660**
Statutory Cap Allowance	16,125,371
Percent under Cap	**(45.5)%**

responsibility of the region's public transportation system. However, given the stand-alone features of RTA and Service Board systems, our ability to meet these requirements is hampered because our current systems:

- Lack significant integration of RTA and Service Board financial systems (Treasury, Budget, Accounting, Grants, and Capital).
- Lack significant integration of RTA and Service Board operational data (service plans, ridership, and performance data).
- Experience significant redundancies in processing, storing, analyzing and reporting data throughout the RTA, which represents a significant investment in staff time and sets up opportunities for conflicting analysis and reporting.
- Lack efficient approval processes. The current process flow is time-consuming, primarily because each division checks/approves invoices against its own set of records.
- Do not provide efficient methods to retrieve and analyze information that is stored in multiple single source (silo) data systems.

The integrated system solution will provide single source data for business planning and analysis, and will be the central repository for core data system-wide. The system will provide the following benefits:

- Enhanced functionality to support all divisions and departments
- Single data entry at point of origin
- Electronic interface with the Service Boards for financial, operational, and capital project data
- Flexible ad-hoc reporting, and analytical and decision support capabilities
- Effective and efficient workflow management (on-line routing and approval)
- Data warehouse and business intelligence modules for management information
- Adaptability to address RTA's evolving business requirements

To implement the new Integrated Management System will cost $1.8 million for the 3-year project period. For 2009 we budgeted $1.1 million for implementation of the core system. In 2010 will plan to complete the management information/business intelligence phase, and in 2011 we will take care of any final work to ensure proper functioning of the system.

The RTA is required to ensure ongoing financial oversight to stabilize the long-term financial health of the CTA pension and retiree health care system. The RTA staff also must ensure that annual Service Board budgets are consistent with the Strategic Plan and that budgets include details of long-term obligations. The RTA is required to audit the Service Boards no less than every five years; such audits may include management, performance, financial and infrastructure condition audits. The RTA is also required to audit ADA Paratransit costs every three years. For these efforts we budgeted $1.5 million.

An additional initiative is the relocation of the RTA board room. We have added additional public hearings for adopting the Strategic Plan and for adopting the annual Budget/Two-Year Financial Plan and Five-Year Capital Program. In order to provide more space for the public and to improve access to people with disabilities for RTA board meetings and public hearings, due to increased interest, we are planning to move the board room to the 2nd floor. The relocation is budgeted at $900,000.

3) Capital Program

A top priority in 2009 will be to enact and implement comprehensive, long-term capital funding

legislation in Springfield that will enable us to maintain, enhance and expand the region's transit system. (Capital projects can only be in the RTA Five-Year Capital Program if they meet the criteria in the Strategic Plan.) To assist this effort we budgeted $881,000 for various legislative consulting and legal fees.

To establish a capital evaluation process that will provide an estimate of capital needs for each of the Service Boards, based on a complete assessment of the current asset inventory and the age and condition of those assets, we budgeted $1 million for 2009.

4) Coordinated sales and marketing

In order to develop and adopt a coordinated sales, marketing, advertising and public information program for all transit in the region, meet increased outreach needs, assist efforts with the capital campaign, and update the strategic plan, we budgeted $687,500. Administration of the transit benefit program, which will be coordinated by the RTA, is budgeted at $815,000.

5) Senior and disabled ride free programs

The RTA is required to provide free rides for seniors as well as the disabled who are eligible for the Circuit Breaker Program. The costs for this program will be $3.5 million, which includes $1.2 million to manage the initiatives and issue new reduced fare cards and $2.3 million to meet the increased demand for the ADA Paratransit certification program (represents transportation costs to the certification centers and the operations costs of the certification site).

6) Other agency and planning programs and the Travel Information Center

From a regional perspective the Agency coordinates and funds several initiatives that bring together public transportation services across the region. One of the region-wide programs includes the operation of the Travel Information Center (TIC). The TIC operations and the proposed TIC relocation to Metra's headquarters building will cost $4.5 million in 2009. The TIC operation, which will be managed by a new firm, will result in a $1.3 million savings over our 2008 budget of $5.3. The budget for this operation in 2009 is $4.0 million.

The RTA plans to continue to support strategic planning and coordination initiatives which develop transit options in the region such as sub-regional and community planning programs. The 2009 budget also continues to fund region-wide capital-driven technology initiatives and agency programs. The 2009 budget for these other regional programs (regional technical assistance, regional technology, coordination, and other regional programs) is $3.6 million.

Exhibit 3-22 shows these direct expenditures allocated by legislative mandate in a total amount of $20.4 million. Out of the total 2009 Agency budget of $36.7 million, the remaining of $16.3 million represents personnel and office services expenditures. Exhibits 3-23 and 3-24 show our staffing plan by legislative initiative. Out of the 118 positions 40% are dedicated for improved oversight, while 30% of our efforts go to the strategic plan, coordination of fares, and services initiatives. 19% of our staff is focused on the senior and disabled ride free programs as well as the ADA Paratransit certification program. 6% of our staff will work to enact and implement comprehensive, long-term transit capital funding legislation, and to establish a capital evaluation process. The remaining 5% of staff will work on coordinated sales and marketing initiatives.

Exhibit 3-22: **2009 Expense by Major Legislative Mandate** (in dollars)

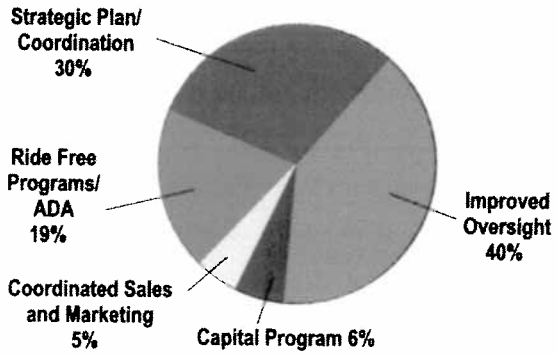
Strategic plan development & Improved Coordination (fares/services)	**2009 Budget**
Strategic Plan Update	150,000
Travel Markets	255,000
Sub-regional and corridor plans	481,900
Regional System Analysis	500,000
Bus Rapid Transit (BRT)	412,500
Universal Fare Card Study	150,000
Total Strategic Plan / Coordination of Fares and Services	**1,949,400**
Improved Oversight	
Integrated Management System	1,126,000
Board room relocation / Office renovation	900,000
Professional Services for CTA pension, Service Board, and RTA	1,483,350
Total Improved Oversight	**3,509,350**
Capital Program	
Legislative consulting and legal fees to seek capital funding	881,000
Capital Asset Condition Assessment	1,000,000
Total Capital Program	**1,881,000**
Coordinated Sales and Marketing	
Communications Programs (RTA Map, Marketing, Advertising, Outreach)	687,500
Transit Benefit Program	815,000
Total Coordinated Sales and Marketing	**1,502,500**
Agency and Planning Programs / Travel Information Center	
Regional Technology Programs *	1,420,000
Regional Technical Assistance Programs *	1,236,200
Other Regional Programs	409,499
Coordination Programs (in addition to strategic plan update)	599,500
TIC Operations and relocation	4,462,500
Total Agency and Planning Programs / TIC	**8,127,699**
Seniors and Disabled Ride Free Programs / ADA Paratransit Programs	
Senior Ride Free Programs	940,000
Disabled Ride Free Programs	220,000
ADA Paratransit Certification Program	2,320,000
Total Ride Free Programs and ADA Paratransit Programs	**3,480,000**
Total before Personnel and Office Services - Direct Costs	**20,449,949**
Personnel and Office Services	
Compensations / Benefits / Personnel	12,630,104
Office Services	3,644,607
Total Personnel and Office Services	**16,274,711**
Grand Total	**36,724,660**

(*in addition to the programs listed above at the Strategic Plan category)

Exhibit 3-23: **Agency Staffing by Legislative Initiative**

	2008 Budget	2009 Budget	Change
Strategic Plan / Coordination	31	35	4
Improved Oversight	48	48	-
Capital Program	7	7	-
Coordinated Sales and Marketing	5	6	1
Ride Free Programs / ADA	22	22	-
Total RTA Staffing Plan	**113**	**118**	**5**

Exhibit 3-24: **Agency Staffing by Legislative Initiative**



Goals and Performance Plan (1)

Strategic Goals	Short-Term Goals	Departments
I. Provide Transportation Option Provide public transportation choices that link to jobs and deliver cost-effective, dependable and on-time commutes.	Update the Strategic Plan to incorporate the mandates of the RTA reform legislation	Planning and Regional Programs
	Revise and adopt Planning and Coordination Requirements, Policy, and Process	
II. Ensure Financial Viability Ensure the sustained financial viability of public transportation as intrinsic to the region's multimodal transportation system.	Improve the regional operating budget program to reflect the RTA reform legislation mandates and OAG recommendations.	Finance and Administration
	Improve the capital program to reflect RTA reform legislation mandates and OAG recommendations	Research, Analysis, and Policy Development (RAP)
	Measure, analyze, and critique performance of all transit agencies.	
	Seek enactment of a state transit operating and capital funding and reform	Legal & Government Affairs
	Protect and increase the region's transit funding share in the federal reauthorization of the surface transportation programs.	
	Support the implementation of the RTA reform legislation mandates	
III. Enhance Livability and Economic Vitality Provide a public transportation system that protects the environment and supports the livability and economic vitality of the region.	Establish the Innovation, Coordination and Enhancement (ICE) fund policy and criteria.	Planning and Regional Programs
	Strongly manage ADA paratransit oversigth of the Service Boards.	
IV. Demonstrate Value Create and sustain public understanding of the benefits of public transportation to individual health and well-being, regional economic vitality and sustainability, and as a catalyst for new opportunities for users and non-users alike.	Develop framework for more effective oversight of the Service Boards.	Research, Analysis, and Policy Development (RAP)
	Create an integrated marketing program.	Communications
	Develop and manage an on-going public participation on the Partners for Transit Program.	
	Manage departments' implementation of new RTA Act mandates	Executive Director
	Oversee departments' achievement of their 2009 Program Goals	
	Ensure effective Board involvement in the program.	

(1) Reference Agency Operating Plan on page 53-64 and Goals and Performance Measures on page 67-70.

Goals and Peformance Measures

In 2007, Regional Transportation Authority released its five-year strategic plan, Moving Beyond Congestion that presented our 30-year vision for maintaining, enhancing and expanding our public system now valued at $35 billion dollars and provides two million rides each weekday and thousands more on weekends. It also addresses several major issues across the region which includes congestion and mobility, changing travel markets, service coordination and integration, capital and operations funding, and the risks without additional funding. Formal process for goals and performance measures will be presented to the RTA board for adoption in 2009. Some of the informal processes are summarized below.

Vision

The RTA, Metra, CTA and Pace vision for the region is a world-class public transportation system that is convenient, affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities.

Goals

I. Provide Transportation Option
   - Provide public transportation choices that link to jobs and deliver cost-effective, dependable and on-time commutes.

II. Ensure Financial Viability
   - Ensure the sustained financial viability of public transportation as intrinsic to the region's multimodal transportation system.

III. Enhance Livability and Economic Vitality
   - Provide a public transportation system that protects the environment and supports the livability and economic vitality of the region.

IV. Demonstrate Value
   - Create and sustain public understanding of the benefits of public transportation to individual health and well-being, regional economic vitality and sustainability, and as a catalyst for new opportunities for users and non-users alike.

Objectives and Specific Performance Measures

The specific objectives and performance measures will be presented to the Board of Directors for adoption in 2009. In the interim, some of the temporary measures placed by the Service Boards are as follows:

I. Provide Transportation Options

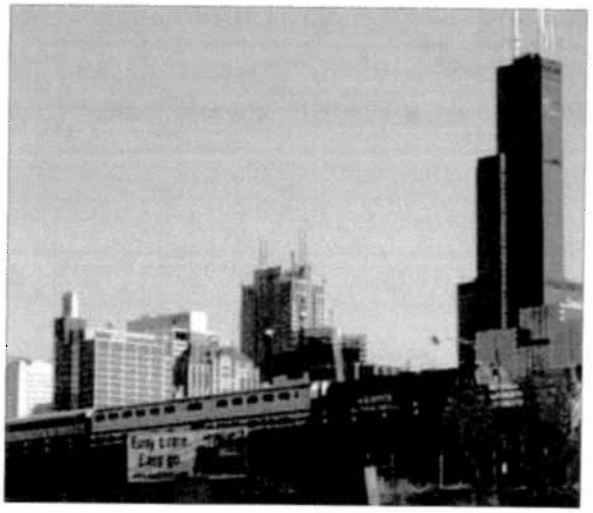
Objectives:

1. Improve on-time performance
2. Provide seamless public transportation
3. Increase ridership

Performance Measures

1. Improve on-time performance (96.6%–5 year average) (METRA)

Year	% On-Time	Goal (%)
2004	96.9%	>0.3
2005	96.3%	<0.3
2006	96.3%	<0.3
2007	95.7%	<0.9
2008	96.0%	<0.6



2. Provide Seamless public transportation (January-November) (in thousands)

Options	2006	2007	2008	'07 vs. '08
Link-up (issued by Metra—use on peak period for CTA & most Pace services)	80,222	87,472	87,329	143
PlusBus (issued by Metra– unlimited use on most Pace Routes	13,962	13,213	12,756	457
Pass (e.g. 7-day pass, UPass, 1,2,3,5 day pass issued by CTA—unlimited use on CTA & Pace)	152,716	168,944	178,689	9,745

3. Increase Ridership

Service Boards	2007 Actual	2008 Estimate	2009 Plan	'08 vs. '09
CTA	499,540,000	524,304,000	517,860,000	<1.2
Metra	83,346,000	87,736,000	89,082,000	>1.5
Pace	38,000,000	38,900,000	40,772,000	<4.8

II. Ensure Financial Viability

Objectives:

1. Demonstrate measurable achievement in the provision of clean, attractive, affordable, safe, reliable and convenient public transportation services.

Metric	2009 Goal (%)
CTA Major Delays, Rail Transportation	≤11/mo.
CTA Major Delays, Rail Vehicle Maintenance	≤22/mo.
CTA General Cleans: % of Fleet Past Due	0%

2. Continually enhance efficiencies through effective management, innovation, and technology.
1. Provide a public transportation system that protects the environment and supports the livability and economic vitality of the region.

Options	2007 Actual	2008 Estimate	2008 Plan	2009 Goal (%)
Travel Information Center Call Capture Rate (%)	92.2	93.6	94.0	>0.4
Automated CTA Bus announcement	2,033	2,175	2,175	0

Options (in thousands)	2007 Actual	2008 Estimate	2008 Plan	Est. vs. Plan (%)
ADA Ridership	2,799,000	2,658,000	3,253,000	<22
CTA Bus Lifts	2,033	2,175	2,175	0
Pace Fixed Route Accessible stations	232	240	240	0
RTA Reduced Fare Permit (used by senior & ADA for fixed route)	320,000	320,000	320,000	0
RTA ADA Certification (used by seniors & ADA paratransit)	10,428	13,130	10,000	>31

2. Provide mobility to aging populations and people with disabilities.

IV. Demonstrate Value

1. Increase public outreach
2. Develop public-private partnerships

Options	2007 Actual	2008 Estimate	2009 Plan
Public Hearings	35	37	37

2008 Public Hearing with RTA Executive Director, Stephen E. Schlickman

In the future, specific performance measures will follow the matrix below

Measure	MBC Goals
Service Supplied **(the amount of service scheduled and/or actually operated**	
Vehicle revenue hours (hours that vehicles travel while in revenue service, including layover/ recovery time, but excluding deadhead time) • Per capita (population for the Chicago UZA &/or six county service area—US Census)	I. Provide Transportation Options
Vehicle revenue miles (Miles that vehicles travel while in revenue service, including layover/ recovery time, but excluding deadhead time) • Per capita (population for the Chicago UZA &/or six county service area—US Census). • Per service area/square miles (square miles within geographic boundary for the Chicago UZA &/or 6 county service area—US Census).	I. Provide Transportation Options
Transit Capacity (total person space miles: seating capacity (plus standees based on loading standards) multiplied by vehicle revenue miles. • Per capita (population for the Chicago UZA &/or six county service area (US Census)	I. Provide Transportation Options
Service Consumed **(the amount of service actually used by passengers)**	
Passenger trips (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination). • Per capita (population for the Chicago UZA &/or six county service area (US Census).	IV. Demonstrate Value
Passenger miles (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips). • Per capita (population for the Chicago UZA &/or six county service area (US Census)	I. Provide Transportation Options
Transit capacity utilization (Percent of transit capacity that is actually used: Passenger miles divided by transit capacity).	IV. Demonstrate Value
Service Efficiency **(Achieving the desired result (service delivery) with the minimum use of resources)**	
Operating cost (The expenses associated with the operation of the transit agency) • Per vehicle revenue hour (Hours that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per vehicle revenue mile (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per unit of transit capacity (Total person space miles: seating capacity (plus standees based on loading standards) multiplied by vehicle revenue miles)	Ii. Ensure Financial Viability
Service Effectiveness **(The extent to which passengers are using public transit service in relation to the amount of service available).**	IV. Demonstrate Value
Passenger trips (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination) • Per vehicle revenue hour (Hours that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Per vehicle revenue mile (Miles that vehicles travel while in revenue service, including layover/recovery time, but excluding deadhead time) • Passenger miles (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips)	I. Provide Transportation Options

Cost Effectiveness **(Economically worthwhile in terms of what is achieved for the amount of money spent).**	
Operating Cost (The expense associated with the operation of the transit agency)	
• Per passenger mile (Cumulative sum of the distances ridden by each passenger: average trip length multiplied by total passenger trips)	II. Ensure Financial Viability
• Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination.	
Service Delivery **– Customer Service (The provision of service to customers before, during and after a purchase that is designed to enhance the customer experience and level of satisfaction)**	
• On-time Performance (Percentage of the times a transit vehicle departs a location within a certain number of minutes after and/or before the scheduled time and/or interval maintenance for frequent service)	II. Ensure Financial Viability
• Customer satisfaction index score (A market research tool, administered through a survey, that identifies criteria and establishes a rating system for the measurement of customer satisfaction)	II. Ensure Financial Viability
Service Delivery **– Safety (Protection from the risk of harm or injury)**	
Major Security Incidents (Occurrences of bomb threats, robbery, larceny, burglary or arrests/ citations for fare evasion, trespassing, vandalism, and assault)	II. Ensure Financial Viability
• Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination.	
Major Safety Incidents (Any event involving the operation of a transit system if, as a result, one or more of the following occurs: an individual dies either at the time of the event or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of $25,000.	
• Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles and are counted each time they board a vehicle used to travel from their origin to their destination.	
Service Level Solvency **– Operations (The operating budget)**	
Short-term financial viability (The ability to fund operations over a three year period so as not adversely impact service delivery)	II. Ensure Financial Viability
• Operating reserves (the amount of unallocated unreserved fund balance).	
Fare Revenue (All income received directly from passengers, either paid in cash or through pre-paid tickets, passes, etc. and the reduced fares paid by passengers in a user-side subsidy arrangement)	II. Ensure Financial Viability
• Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles that are counted each time they board a vehicle used to travel from their origin to their destination)	
Subsidy (Government financial assistance)	II. Ensure Financial Viability
• Per passenger trip (Unlinked passenger trips: The number of passengers who board public transportation vehicles that are counted each time they board a vehicle used to travel from their origin to their destination)	
Recovery ratio	II. Ensure Financial Viability
• Percentage of the actual operating cost of service delivery that is covered by passenger fare revenue (NTD)	
• Total system-generated revenue recovery ratio as required by the RTA Act	

Reference

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 $2,351.4 million as of December 31, 2006, are divided into two types: $1,646.3 million in Strategic Capital Improvement Program (SCIP) bonds and $705.1 million in RTA bonds (Exhibit 3-25 and Exhibit 3-26).

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 financial statements.

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 financial statements.

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, in-

Exhibit 3-25: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	January 1, 2007	New Issues	Retirements	December 31, 2007
1990A	60,795	-	-	60,795
1991A	55,745	-	-	55,745
1992A* and 1992B	46,435	-	6,250	40,185
1994A* and 1994B	24,395	-	-	24,395
1994C* and 1994D	66,300	-	4,095	62,205
1997 Refunding	75,455	-	4,625	70,830
1999 Refunding*	285,505	-	5,395	280,110
2000A*	239,790	-	4,730	235,060
2001A*	92,295	-	1,785	90,510
2001B Refunding*	32,985	-	1,555	31,430
2002A*	150,450	-	2,690	147,760
2002B	163,855	-	9,710	154,145
2003A*	251,310	-	4,335	246,975
2003B	145,210	-	2,545	142,665
2003C Refunding	10,200		3,240	6,960
2004A	255,005	-	4,190	250,815
2005B Refunding	145,315	-	2,940	142,375
2006A*	250,350	-	1,050	249,300
Total	**$2,351,395**	**-**	**$59,135**	**$2,292,260**

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

Exhibit 3-26: **RTA Debt Outstanding** (dollars in thousands)

	As of December 31, 2007	As of December 31, 2008
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized But Unissued RTA Debt	121,595	149,650
Total Non-SCIP (RTA) Principal Outstanding	678,405	650,350
Total SCIP Principal Outstanding	1,613,855	1,577,225
Total Debt Outstanding	**$2,292,260**	**$2,227,575**

Exhibit 3-27: **1998-2007 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Serv. Req.
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
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840
2006	746,829	178,086	445,215
2007	752,922	188,551	471,378

Exhibit 3-28: **RTA Debt Service Requirements** (dollars in thousands)

Year	Principal	Interest	Total
1998	16,124	61,759	77,883
1999	16,988	60,878	77,866
2000	22,949	58,727	81,676
2001	19,805	75,382	95,187
2002	27,262	86,264	113,526
2003	37,940	102,667	140,607
2004	40,430	119,272	159,702
2005	49,570	129,966	179,536
2006	55,110	122,976	178,086
2007	59,135	129,416	188,551

cluding 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 financial statements.

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 financial statements. 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.

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 generating resources for all future debt service payments. The second issue was a $260 million SCIP bond offering on April 1. On the same day, RTA currently 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 from the financial statements. 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.

On October 13, 2004, the RTA issued one bond offering (Series 2004A) for $260 million in SCIP bonds. The Series 2004A Bonds are also secured by the Series 2004A debt service reserve account.

Exhibit 3-29 **Recent Bond Projects with Project-to-Date Expenditures** (dollars in thousands)

2003 B	CTA	Replace Track and Structure	$1,769
2003 B	CTA	Replace Ties on North Main Line/Red & Brown Lines	920
2003 B	CTA	Replace/Upgrade Power Distribution and Signals	364
2003 B	Pace	Construct Headquarters Facility	1,617
		Total	**$4,670**
2004 A	CTA	Purchase 117 Replacement Buses	$8,034
2004 A	CTA	Replace/Upgrade Power Distribution and Signals-Elevated Loop	3,068
2004 A	Metra	Upgrade Crossings (Road and Track)	1,167
		Total	**$12,269**
2006 A	CTA	Purchase Replacement Buses	$28,446
2006 A	CTA	Replace/Upgrade Power Distribution and Signals	15,132
2006 A	CTA	Upgrade Communication System	2,821
2006 A	CTA	Upgrade Rail Stations and Facilities	2,254
2006 A	CTA	Replace/Upgrade Elevators and Escalators	1,686
2006 A	Metra	Install Passenger Information Display Systems	2,607
2006 A	Metra	Replace Ties and Ballast	1,841
2006 A	Metra	Improve 47th Street Shops -- RID	1,237
2006 A	Pace	Purchase Fixed Route Buses	2,835
2006 A	Pace	Purchase Paratransit Vehicles	1,059
2006 A	Pace	Purchase/Install Enterprise Resource Planning System	781
		Total	**$60,699**

On May 2,2005, the RTA issued $148,110,000 of general obligation bonds (2005B) to defease the remaining balance of the 1996 refunding. As a result, the 1996 refunding bonds have been removed from the financial statement.

On September 13, 2006, the RTA issued a general obligation bond for $250,350,000 (2006A) to be used to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 3-27 and 3-28), 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 3-29 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.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 3-30).

General Fund

The General Fund is the general operating fund of the RTA. It is used to account for all financial

Exhibit 3-30: **RTA 2007 Combined Fund Statement of Revenues & Expenditures by Fund** (dollars in millions)

	General	Agency	Debt	Capital	JSIF	Pension	Combined
Revenues							
Sales Tax	$112.9	$640.0	-	-	-	-	$752.9
Public Transportation Funds	188.9	-	-	-	-	-	188.9
State Financial Assistance	117.8	-	-	-	-	-	117.8
Operating Assistance-CTA/PACE (ADA)	54.3	-	-	-	-	-	54.3
Advanced Reduced Fare Reimbursements	-	15.6	-	-	-	-	15.6
Reduced Fare Reimbursements	-	36.7	-	-	-	-	36.7
Other Revenue	20.9	2.1	14.1	-	1.4	5.4	43.9
Pension Contribution	-	-	-	-	-	9.1	9.1
Total Revenues	**$494.8**	**$694.4**	**$14.1**	**$0.0**	**$1.4**	**$14.5**	**$1,219.2**
Expenditures							
Operations Funding	209.9	640.0	-	-	-	-	849.9
Sales Tax Interest to Service Boards	-	2.1	-	-	-	-	2.1
Reduced Fare Reimbursements	-	36.7	-	-	-	-	36.7
Advanced Reduced Fare Reimbursements	-	15.6	-	-	-	-	15.6
Agency Operations	30.0	-	-	-	4.9	7.4	42.3
Capital Grants	25.3	-	-	88.1	-	-	113.4
CTA/PACE Operating Assistance Grant	40.0	-	-	-	-	-	40.0
Debt Service Operating Transfer	179.1	-	(179.1)	-	-	-	0.0
Joint Self-Insurance	-	-	-	-	-	-	0.0
P&I Bondholder Payment	-	-	188.5	-	-	-	188.5
Debt Issuance Costs	3.0	-	0.3	0.0	-	-	3.3
Other	-	-	-	-	-	-	0.0
Total Expenditures	**$487.3**	**$694.4**	**$9.7**	**$88.1**	**$4.9**	**$7.4**	**$1,291.8**
Revenues less Expenses (1)	$7.5	-	$4.4	($88.1)	($3.5)	$7.1	($72.6)
Fund Balance beginning of the year	**$141.6**	**-**	**$72.7**	**$360.3**	**$31.8**	**$116.4**	**$722.8**
Fund Balance end of the year (2)	**$149.1**	**-**	**$77.1**	**$272.2**	**$28.3**	**$123.5**	**$650.2**

(1) Reconciliation of Budgetary basis to GAAP basis.

(2) Before reserves and designations. General Fund reserves and designation totalled $123.5 in 2007 leaving an unreserved/undesignated fund balance of $25.6 million.

transactions that are not specifically required to be accounted for in another fund such as the Agency Fund. Exhibit 3-1 shows the balance in the General Fund from 2007 through 2011. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 3-31 highlights the 2009 budget for these funds.

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

Exhibit 3-31: **RTA Statement of Revenues and Expenditures 2009 Budget by Fund - General and Agency Fund** (dollars in thousands)

	General Fund	Agency Fund	Total Budget
System-Generated Revenue			
RTA Sales Tax (Part I)	113,759	644,641	758,400
RTA Public Transportation Fund (Part I)	189,600	-	189,600
RTA Sales Tax (Part II)	10,303	271,443	281,746
RTA PTF (Part II excludes RETT portion)	-	126,651	126,651
RTA RETT PTF for CTA (Part II)	-	21,000	21,000
State Financial Assistance	116,500	-	116,500
State Free Rides & Reduced Fare Reimbursement (1)	-	36,600	36,600
Other Revenue	16,800	1,700	18,500
Total Revenue	**446,962**	**1,102,035**	**1,548,997**
Operating Expenditures			-
RTA Operations Funding - CTA (Includes RETT PTF)	198,059	457,657	655,716
RTA Operations Funding - Metra	-	315,860	315,860
RTA Operations Funding - Pace Suburban Service	3,158	118,649	121,807
RTA Suburban Community Mobility Funding for Pace	-	19,800	19,800
RTA South Suburban Job Access Funding for Pace	7,500	-	7,500
RTA Total for ADA Paratransit Service	-	98,595	98,595
RTA Funding for Innovation, Coordination, and Enhancement	3,812	-	3,812
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	-	38,300	38,300
Agency Administration, Regional Services & Programs	32,158	-	32,158
Total Operating Expenditures	**244,687**	**1,048,861**	**1,293,548**
Debt Service & Capital Expenditures			-
Principal and Interest for Service Board Capital Programs	183,300	-	183,300
Regional Technology and Agency Capital (3)	4,566	-	4,566
RTA Funding for Innovation, Coordination, and Enhancement	6,088	-	6,088
Transfer Capital - Metra Funds	-	53,174	53,174
Transfer Capital - Discretionary RTA Funds to CTA	20,353	-	20,353
Total Debt Service and Capital Expenditures	**214,307**	**53,174**	**267,481**
Total Expenditures	**458,994**	**1,102,035**	**1,561,029**
Fund Balance (undesignated/unreserved)			
Beginning Balance	19,424	-	19,424
Change in Fund Balance	(12,032)	-	(12,032)
RTA Funds Reserved	(403)		(403)
RTA JSIF Funding	(3,500)	-	(3,500)
Ending Unreserved/Undesignated Fund Balance	**3,490**	**-**	**3,490**
% of Total Operating Expenditures			0.3%

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. These amounts have been issued.

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

Exhibit 3-32: **2007 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of revenues over expenditures and other financing use-budgetary basis	**8,408**
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(8,529)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	7,059
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	637
Budgetary basis to GAAP basis adjustment	**(833)**
Net Change in Fund Balance - GAAP basis	7,575
Net Changes in Reserves	(879)
Net Change in Unreserved, Undesignated Fund Balance	**6,696**

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.

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.

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.

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 has been the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the Budget Ordinance. However due to unfavorable economic conditions and the waiver of the 5% fund balance policy, this policy is also waived.

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 (Exhibit 3-32 and 3-33).

Exhibit 3-33: **RTA 2007 Statement of Revenues and Expenditures General and Agency Fund** (dollars in thousands)

	2007 Budget	2007 Actual	Change
Revenue			
Sales Tax	745,937	752,922	6,985
Public Transportation Fund	186,484	188,931	2,447
State Financial Assistance	122,836	117,807	(5,029)
Reduced Fare Reimbursement	36,275	36,678	403
Additional State Funding for ADA Paratransit	54,252	54,252	-
Other Revenue	14,722	23,104	8,382
Total Revenue	**1,160,506**	**1,173,694**	**13,188**
Operating Expenditures			
Operations Funding -CTA, Metra, Pace	813,915	813,17	(745)
Operations Funding -ADA	76,01	76,01	-
Reduced Fare Reimbursement/Sales Tax Interest	37,125	39,183	2,058
Agency Administration, Regional Services & Regional Programs	27,769	32,712	4,943
Total Operating Expenditures	**954,819**	**961,075**	**6,256**
Debt Service & Capital Expenditures			
Principal and Interest	186,218	179,116	(7,102)
Regional Technology & Agency Capital	3,975	5,709	1,734
Transfer Capital	23,802	21,098	(2,704)
Total Debt Service and Capital Expenditures	**213,995**	**205,923**	**(8,072)**
Total Expenditures	**1,168,814**	**1,166,998**	**(1,816)**
Fund Balance (undesignated/unreserved)			
Beginning Balance (1)	8,512	8,510	(2)
Designations/Reserves	-	10,442	10,442
Change in Fund Balance	(8,308)	6,696	15,004
Ending Balance	**204**	**25,648**	**25,444**
% of Total Operating Expenditures	0.0%	2.7%	2.6%

Exhibit 3-34: **Exhibit 3-34: Recovery Ratio** (dollars in thousands)

	2009
CTA	
Operating Revenue	601,113
In-Kind Revenue	56,600
Total Revenue	**657,713**
Operating Expenses	1,324,413
In-Kind Expenses	22,000
Less Security and Pension Obligation Bond	(80,540)
Total Expenses	**1,265,873**
CTA Recovery Ratio	**52.0%**
Metra	
Total Revenue	**325,800**
Operating Expenses	631,660
Less Security, Depreciation, Facility Lease Exemption	(39,400)
Total Expenses	**592,260**
Metra Recovery Ratio	**55.0%**
Pace	
Operating Revenue	54,248
In-kind Revenue	22,400
Total Revenue	**76,648**
Operating Expenses	204,597
In-kind Expenses	8,400
Total Expenses	**212,997**
Pace Recovery Ratio	**36.0%**
System-Generated Revenue Recovery Ratio Revenue	
Total Service Board Revenue	1,060,161
CTA Lease Transaction	4,260
Less Service Board In Kind	(79,000)
Agency	16,800
Total Revenue	**1,002,221**
Expense	
Total Service Board Expenses	1,959,130
Less Regional Exemption (statutory)	(160,000)
Agency	32,159
Total Expenses	**1,831,289**
Recovery Ratio (apart from ADA Paratransit)	**54.7%**
ADA Paratransit	
Operating Revenue	8,558
Operating Expense	107,153
Less Provision for CCC	(21,600)
Total Expense	**85,553**
Recovery Ratio	**10.0%**

(1) As set by RTA marks in September 2008.

4 CTA 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 153 bus routes and eight rapid transit routes. A seven-member Chicago Transit Board governs the CTA.

Service Characteristics

The CTA operates the second largest public transportation system in the United States. Average weekday ridership on its bus and rail system is 1.8 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

Bus operations provide 2,100 buses traveling over 153 routes covering 2,529 miles, with approximately 11,833 bus stops. Rail service on eight routes has 1,190 train cars traveling over 224.1 miles of track. The CTA transferred all paratransit service to Pace in July 2006. During the first half of 2006, CTA provided more than 1.2 million rides at a cost of about $26 per ride.

Ridership

Ridership is estimated at 524.3 million trips by the end of 2008 (Exhibit 4-1). This is 4.9 percent or 24.8 million trips higher than 2007 ridership. Bus ridership is forecasted at 327.8 million trips in 2008, which is 18.5 million trips or 5.8 percent higher than 2007. Rail ridership is projected at 196.5 million in 2008 and is higher than the prior year by 6.2 million or 3.3 percent (Exhibit 4-2).

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

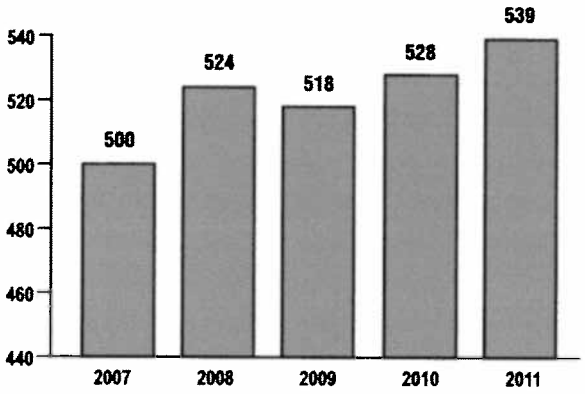


Exhibit 4-2: **CTA Annual Ridership by Mode** (in millions)

	2005	2006	2007	2008	2009
Bus	303.2	298.4	309.3	327.8	309.5
Rail	186.8	195.2	190.3	196.5	208.3
Paratransit/Taxi	2.4	1.2	-	-	-
Total Ridership	**492.4**	**494.8**	**499.6**	**524.3**	**517.8**

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

	2005	2006	2007	2008	2009
Weekday	1,482	1,596	1606	1,644	1630
Saturday	899	966	977	988	973
Sunday	621	662	675	812	807

Average weekday ridership on the CTA is 1.6 million, while Saturday and Sunday average ridership is at 988,000 and 812, 000, respectively (Exhibit 4-3). The CTA expects its ridership levels to increase by a compound growth rate of 1.9 percent from 2007 through 2011. Total vehicle miles in 2009 are expected to experience a slight increase due to bus service enhancements such as extension of several existing routes, increased frequency, and additional service supporting rail temporary station closure and then remain flat from 2010 through 2011 (Exhibit 4-4).

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

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
Ridership	499,540	524,304	517,860	528,217	538,782
Vehicle Miles	135,244	133,013	135,784	135,784	135,784
Passengers Per Mile	3.7	3.9	3.8	3.9	4.0

Service Quality

The CTA has continued to work on improving the core components of its business that impact its customers directly. Some of its efforts include the implementation of performance management initiatives that ensure the delivery of safe, clean, on-time, courteous and efficient service; the restructuring and consolidating of customer service and customer communications providing timely and accurate information to the riders; and concrete repairs made to improve the safety of bus turnarounds and rail stations.

Challenges

In 2008, after months of a dedicated effort to create fiscal stability, the Illinois General Assembly in January passed a landmark funding package (P.A. 95-0708) for mass transit in Northeastern Illinois, increasing financial support for the region's public transit providers and creating long-term financial stability to CTA's pension and retiree health plans. The funding package provide financial assurance that led CTA to embark upon a series of initiative that improves customer experience and ensures that benefits provided to its 10,500 employees are viable and affordable for the long term. Although the state legislation brought welcome funding to the region, the CTA 2009 budget was pressured by a sluggish economy, higher fuel prices, increase power, higher material costs, and the impact of the unanticipated free ride programs. To alleviate the pressure, 2009 budget includes fare increases, 396 eliminated positions, and additional belt tightening measures.

Capital Investments

The CTA spent $731 million on capital programs in 2007. The CTA is expected to spend $1.3 billion on capital projects in 2008 and 2009 (Exhibit 4-5).

The Brown Line Capacity Expansion project of $529.9 million began in 2004 and continued to progress throughout 2008. In August 2006, the fully renovated Kedzie and Rockwell stations were re-opened to customers for service. The station boasts a new glass station houses, new platforms, brighter lighting and accessible features including ramps, tactile edging and accessible gates. The station is also ADA accessible which brings the total number of accessible CTA rail stations to 85 out of 144, or 59% of the system. In addition, at Fullerton and Belmont stations, the most complex station rehabilitations on the Brown Line, northbound trains are operating on newly constructed rail bed and passengers board from new platforms even as structural work is proceeding to create new track and platforms for the southbound station areas. The project is expected to be completed in December, 2009, on time and within budget.

Bus System

The CTA continues to upgrade its bus fleet. Through September 2008, CTA received 850 standard 40 foot New Flyer buses equipped with air-conditioner, low-floor, and fully ADA accessible. In fall 2008, an order was placed for the new 150 air-conditioned, articulated hybrid buses that will be used in the heavily trafficked routes. Delivery completion is set in summer, 2009.

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2005	2006	2007	2008	2009
CTA Total Capital Expenditures	$402,951	$640,447	$730,819	$793,400	$498,559
CTA Bus Vehicles	2,033	2,089	2,175	2,110	2,087
Average Age of Buses (in years)	9.4	9.4	9.3	5.6	5.6
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	22.0	23.0	24.0	25.0	26.0
Bus Routes Offering Lift Service	150	154	154	154	154
ADA Accessible Stations	72	76	82	85	85

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. In 2008, the Flexible 600 Series buses were completed and the overhaul of the Nova 6400 series began. Bus mid-life overhaul activities are programmed for $10.5 million in 2009 and $160 million during the period 2010-2013. With overhauls, the fleet will demonstrate increased reliability and fewer instances of expensive breakdown-based repair.

The Bus tracker project has improved data communication between buses and the Control Center and on-street supervision. The project tracks CTA buses in real time and provides estimated bus arrival times for customer. Global positioning satellite (GPS) technology is used to identify bus locations and provides that information via a dedicated web site www. ctabustracker.com and can also be accessed in any mobile devices.

Rail System

The CTA has committed to an aggressive slow zone rehabilitation schedule. As of October 2008 slow zones on CTA's rail system have been reduced to 9.1 percent. A total of 141,577 feet of slow zones have been removed from a high point of 22.3 percent (263,526 feet).

Work continues on the signal upgrade and replacement for the Blue Line. This project, which began in 2006, will replace the entire signal system in the Dearborn Subway, on the Congress (Forest Park) Branch and a portion of the O'Hare Branch. This will result a smoother train operation, reduced travel times and greater reliability.

The CTA has 406 railcars currently on order with an expected delivery between 2010 and 2012. These railcars will replace the aging 2200 and 2400-Series fleet placed into service in 1969 and 1978. Both series have already exceeded their expected service life of 38.3 years and 30.3 years respectively.

System-Wide Improvements

The CTA continued to invest in new technology to further improve service and safety. Through technology, CTA was able to complete the installation of the infrastructure necessary to enhance communication capability on the Red and Blue Line subway system. In addition, stations are also being outfitted with cameras to provide a comprehensive view of the transit system to the CTA Control Center, and through redundant fiber optic links to Chicago's 911 Center. Other systems improvements include better lighting, rehabilitation of station escalators and elevators, replacement of station roofs and canopies, and upgraded passenger public address systems.

Partnerships

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

Vendors

The CTA Purchasing Department pursues an aggressive Disadvantaged Business Enterprise Program (DBE) to encourage 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 the best prices for the good and services procured. These efforts have saved the CTA several million dollars over the past few years.

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 bus and rail systems. 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 trains for shelter.

Over the past decade, the City of Chicago has provided the CTA $828.5 million in capital improvements. This substantial investment in the CTA's infrastructure includes the Roosevelt Connector project, replacement of the elevated span at Wacker Drive and Wells Street, the renovated Chicago Avenue station on the Red Line, the elevated Library-State/Van Buren station, and the rehabilitation of the underground transfer tunnel that provides a pedway connection between the Red and Blue Line platforms at Jackson.

In 2007, the Chicago Department of Transportation (CDOT) will begin renovation work on the Grand Station on the Red Line. The renovation includes mezzanine expansion, platform with glazed ceramic tile, and vaulted ceiling panels, additional turnstiles, and installation of new exit-only rotogates.

Legislators

State and federal funding has been crucial to the CTA's ability to rebuild its system. Specifically, Chicago Mayor Richard M. Daley, U.S. House Speaker Dennis Hastert, Governor Rod R. Blagojevich, the Illinois Congressional delegation, and the Illinois General Assembly have supported efforts to maintain

and improve the infrastructure of CTA bus and rail systems. While federal legislators have made a financial commitment to the future of public transit, state and local legislators must identify the matching funds required to secure the federal funds. In 1999, the State established Illinois FIRST, a $12 billion matching program to improve the State's infrastructure, which included $2.1 billion for transit. The CTA received more than $1 billion of Illinois FIRST funding over four years for capital improvements to its rail and bus systems.

Budget and Financial Plan

The 2009 budget as submitted by the CTA conforms to the 2009 marks however, 2010 and 2011 financial plan exceeded the marks set by the RTA on September 15, 2008. The CTA's operating funding marks were set at $723.3 million for 2009, $729.4 million for 2010, and $752.0 million for 2011. The CTA's recovery ratio was set at 52.0 percent for 2009 by the RTA, which the CTA has exceeded. The CTA's statement of revenue and expenditures, which includes the recovery ratio, is presented in Exhibit 4-6. The following portrays the outlook for the 2009-2011 planning period.

System-Generated Revenue

Total system-generated revenue is expected to increase from $546 million in 2007 to $689 million in 2011. This is an increase of $143 million over

Exhibit 4-6: **CTA 2009 Budget and 2010-2011 Financial Plan (1)** (dollars in thousands)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
System-Generated Revenues:					
Passenger Revenue	$457,299	$466,707	$519,213	$533,812	$565,841
Reduced Fare Subsidy	33,308	32,000	16,100	32,300	32,300
Other Revenue	55,313	49,400	65,800	72,835	90,539
Total Revenues	**545,920**	**548,107**	**601,113**	**638,947**	**688,680**
Operating Expenses:					
Labor	$784,841	$884,683	$890,623	$926,248	$1,003,000
Material	84,178	89,469	94,763	96,658	98,591
Fuel	71,181	91,095	102,852	112,109	115,472
Power	28,141	38,326	39,944	41,941	42,780
Insurance & Claims	25,000	14,000	30,000	30,600	31,212
Purchase of Security Services	31,363	32,442	33,441	35,113	35,815
All Other	69,465	59,625	132,790	146,069	149,900
Total Operating Expenses	**$1,094,169**	**$1,209,640**	**$1,324,413**	**$1,388,738**	**$1,476,770**
Total Deficit Reduction Actions (2)	-	-	-	(20,403)	(36,070)
Operating Deficit	$548,249	$661,533	$723,300	$729,388	$752,020
Deficit Funding					
RTA Sales Tax	295,098	357,208	457,697	442,551	454,500
RTA Discretionary Funds	169,251	201,624	198,059	180,462	188,270
Use of Service Board Funds	-	20,000	-	-	-
Federal Capital Funds used for Operations	83,900	20,000	-	-	-
Real Estate Transfer Tax	-	62,701	67,544	106,375	109,250
Total Deficit Funding	**$548,249**	**$661,533**	**$723,300**	**$729,388**	**$752,020**
Recovery Ratio % (3)	53.1%	49.0%	52.7%	53.1%	53.4%

(1) As released by the CTA with exceptions noted. (2) Public funding that exceeds the marks set by the RTA Board. (3) Items excluded from expenses are for security and POB debt service. Grant revenue and In kind revenues and expenditures from the CPD of $22,000 are included In the recovery ratio.

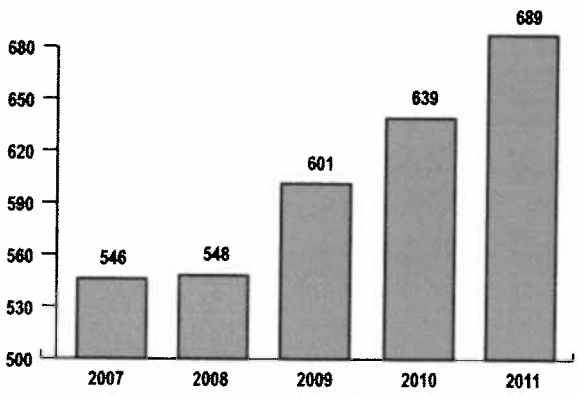
the four-year period, or a compound annual growth rate of 6.0 percent (Exhibit 4-7). System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue. Passenger revenue comprises 86 percent of the CTA's total operating revenue. The reduced fare subsidy and other revenue account for the remaining 14 percent (Exhibit 4-8).

Passenger Revenue

Passenger revenue is expected to increase from $457 million in 2007 to $566 million by 2011, a $109 million increase or an average increase rate of 5.5 percent (Exhibit 4-9) due to higher average fare as a result of the proposed fare increase and increased in ridership.

Fare revenue is estimated at $519.2 million in 2009, $52.0 million higher than the 2008 forecast. The CTA fare structure is shown in Exhibit 4-10.

Exhibit 4-7: **CTA System-Generated Revenue** (dollars in millions)



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. Fare reimbursement is included as revenue and became available in July 1989. However in 2009, State eliminated half of the funding for this program thereby leaving CTA estimating its share at $16.1 million in 2009. For 2010 and 2011, CTA assumed that the program will be fully restored to $32.3 million.

Exhibit 4-8: **2009 CTA Revenue** - $601 million

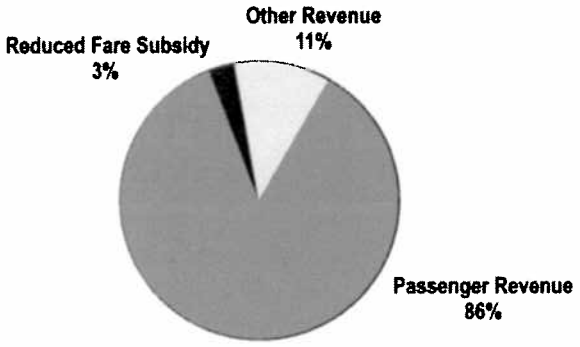


Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2007	2008	2009	2010	2011
Passenger Revenue	$457,299	$466,707	$519,213	$533,812	$565,841
System Ridership	499,540	524,304	517,860	528,217	538,781
Average Fare	$0.92	$0.89	$1.00	$1.01	$1.05

Exhibit 4-10: **CTA Fare Structure**

	Full	Reduced(1)	Comments
Basic Cash Fare (Bus & Rail)- No transfers allowed	**$2.00**	**$1.00**	**No transfers allowed**
Transit Card (Rail)	$2.25	$0.85	
Chicago Card (Rail)	$2.25	None	
Chicago Card (Bus)	$2.00	None	
Transit Card (Bus)	$2.00	$0.85	
University Pass	$0.84	None	20% increase; price change effective 2009 Fall term
First Transfer W/Fare Card	$0.25	$0.15	Allow two add'l rides within two hours of issue.
Passes			
1-day	$6.00	None	
7-day	$24.00	None	
30-day	$90.00	$35.00	
Visitor Passes			
1-day	$6.00	None	
2-day	-	None	Eliminated
3-day	$15.00	None	
5-day	-	None	Eliminated
Link-up Pass	$39.00	None	Sold by Metra; use with Metra monthly ticket.
Express Surcharge	$0.25	$0.25	Downtown on bus routes 2, 6, 14, and 147.
Rush Shuttle Fares	$1.00	None	To/from downtown Metra stations during rush hour.
128 Soldier Field Express	$1.00	$0.50	
154 Wrigley Field Express	$5.00		Per carload.

Note: (1) 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 disabilitites with RTA reduced fare riding permit.

Exhibit 4-11: **All Other Revenue** (dollars in thousands)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
All Other Revenues:					
Advertising, Charter, & Concessions	$23,164	$28,200	$40,500	$41,715	$58,401
Investment Income	10,495	5,600	6,300	11,700	12,285
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	16,654	10,600	14,000	14,420	14,853
Total All Other Revenues	**$55,313**	**$49,400**	**$65,800**	**$72,835**	**$90,539**

Other Revenue

This category includes advertising, charters, concessions, contributions from local governments, investment income, and other revenue (Exhibit 4-11). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3 million and the County contributes an additional $2 million. Revenue for this category was approximately $55 million in 2007 and is expected at $91 million in 2011. Reasons for this increase include additional revenue from sale of excess property, increase in advertisements placed on buses, trains, and in stations, as well as income from concessions and charters.

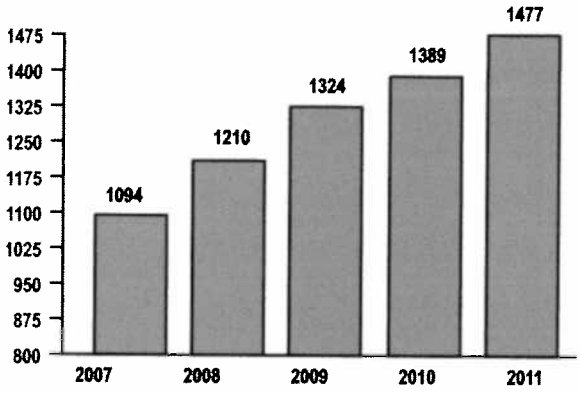
Operating Expenditures

Total operating expenditures are forecasted to increase from $1,094 million in 2007 to $1,477 million in 2011. This $383 million increase represents a 7.8 percent compound growth rate from 2007 through 2011 (Exhibit 4-12).

For 2008, operating expenditures are estimated at $1,209.6 million. This is 10.6 percent higher than 2007 actual expenditures of $1,094.2 million. The increase is due mainly to higher labor and pension costs, fuel, security and all other costs.

Budgeted 2009 expenditures of $1,324.4 million are 9.4 percent higher than 2008 projections. The projections for 2010 and 2011 show operating expenditures of $1,388.7 million and $1,476.8 million, respectively. The 2010 projection represents an increase of 4.8 percent over the 2009 operating budget. The 2011 projection represents an increase of 6.3 percent over the 2010 financial plan.

Exhibit 4-12: **CTA Total Operating Expenditures** (dollars in millions)



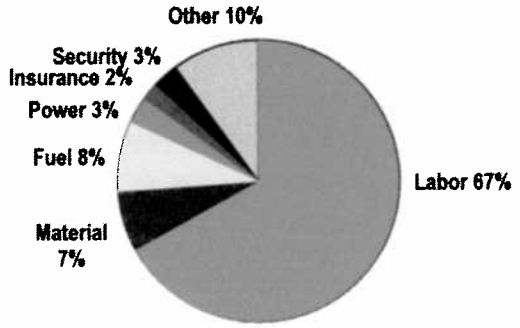
Expenditure Elements

The 2009 operating expenditure elements include labor, material, fuel, power, insurance and claims, security, paratransit services, and other costs. Labor expenditures, including fringe benefits, represent 67 percent of the CTA's total expenditures. 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 expenditures. Fuel and power represent 11 percent of the CTA's expenditures. Security, insurance and claims represent 5 percent of total spending. Other expenditures comprise the remaining 10 percent. The other expenditure category includes items such as lease, utility, and contractual services (Exhibit 4-13).

Labor Costs

Labor expenditures are expected to increase from $784 million in 2007 to $1,003 million in 2011.

Exhibit 4-13: **CTA Operating Expenditures - $1,324 million**



This is a $219 million increase, or an average growth rate of 5.9 percent annually (Exhibit 4-14). Labor expenditures for 2008 are estimated at $884.7 million, which is $99.9 million more, or 12.7 percent higher, than last year. This increase is due to the rising costs of healthcare, workers compensation, and wages. Labor expenditures are forecasted to be $890.6 million in 2009, an increase of $5.9 million or 0.7 percent higher than 2008. This modest increase is due to a five-year labor union agreement between CTA and labor union. The numbers of budgeted positions for 2009 is lower than 2008 (Exhibit 4-15). Overall, labor expenditures of $926.2 million are projected to rise by 4.0 percent in 2010 and then increase to $1,003 million in 2011, an 8.3 percent change.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are forecasted at approximately $89.5 million in 2008, $94.8 million in 2009, $96.7 million in 2010, and $98.6 million in 2011. The increase in material expenditures is mainly due to the higher replacement costs for major fleet components such as doors, brakes, and wheels of the aging fleet.

Fuel

Assuming 25.5 million gallons at $3.57 per gallon, the CTA estimates fuel expenditures at $91.1 million for 2008 (Exhibit 4-16). The cost per gallon is higher than 2007 actual results.

The CTA forecasts the need for 25.5 million gallons of diesel fuel in the 2009 budget. Due to the uncertainty surrounding energy prices, the CTA estimates that the cost of fuel will be about $4.03 per gallon. The 2010 and 2011 financial projections hold diesel fuel costs at $4.39 per gallon and $4.52 per gallon respectively.

Power

Electric power expenditures for the rail system are forecasted at $38.3 million in 2008. This increase is due to unusually cold weather experienced during winter. Expenditures for power increase by $1.6 million in 2009, higher by $2.0 million in 2010 and higher by $0.9 million in 2011.

Insurance and Claims

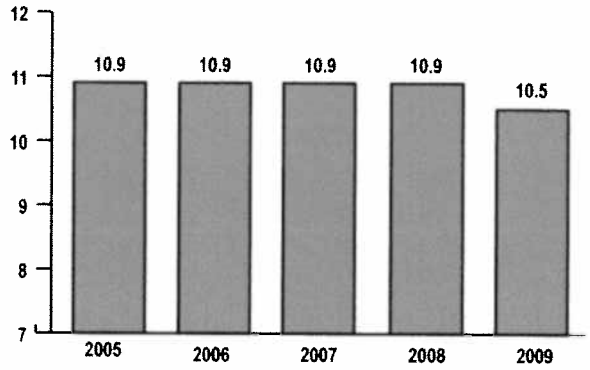
The Provision for Injuries and Damages represents the expenditure for claims and litigation for injuries and damages that occur on CTA property, or with CTA vehicles.

The CTA 2008 forecast is $14.0 million and is $11.0 million lower than the prior year. The CTA utilized increased fare revenues to fully fund the reserve for injuries and damages as projected by the 2006 actuarial analysis. The 2009 funding is $30.0 million versus an estimate of $14.0 million for 2008. In 2010 and 2011, the CTA projects these expenditures to be $30.6 million and $31.2 million respectively.

Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2007	2008	2009	2010	2011
Labor Expense	$784,841	$884,683	$890,623	$926,248	$1,003,000
% Change from Prior Year	3.2%	12.7%	0.7%	4.0%	8.3%

Exhibit 4-15: **CTA Budgeted Positions** (in thousands)



Purchase of Security Services

Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by Chicago, Evanston and Oak Park Police departments, Wells Fargo Guard Service and National K-9 Security.

Expenditures are forecasted at $32.4 million in 2008, which is a slight increase from prior year (Exhibit 4-17). The 2009 budget is $33.4 million and for 2010 and 2011, expenditures are expected to increase $1.7 million and $0.7 million. These modest increases are due to investments made in new surveillance cameras and sensors for the rail system.

All Other Expenditures

All other expenditures include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2008, $59.6 million is forecasted, which is $9.9 million or 1.7 percent lower than the prior year.

TThe 2009 budget is $132.8 million, which is higher than the 2008 estimate by $72.9 million. The increase is primarily due to inflation, increases in contractual services, and the inclusion of Pension Obligation Bond (POB) interest required by the 2008 legislation that enabled the CTA to issue bonds to regain long-term solvency in its pension funds. Expenditures are forecasted to increase from 2009 levels in 2010 and 2011 due to increase in the POB debt service requirement.

Deficit

System-generated revenue (fares and other revenue) total more than half of the CTA's operating budget, with the remainder (operating deficit) covered by public funding. The operating deficits are derived from total system generated revenue minus total operating expenditures. The deficit for the budget and two-year financial plan is $723 million, $729 million and $752 million, respectively (Exhibit 4-6).

Funding

RTA Sales Tax and RTA discretionary funding represent the major sources of public funds to the CTA and are usually less than half of the CTA's operating budget. The RTA Sales Tax is a primary source of the CTA's operating funding. The RTA retains 15 percent of the Part I sales tax revenue, and distributes the remaining 85 percent to the Service Boards. The CTA receives 100 percent of the RTA Sales Tax collected in Chicago and 30 percent of the sales tax collected in suburban Cook County. RTA discretionary funds for the CTA are expected to range between $198 million and $188 million from 2009 to 2011. Apportionments from the RTA's 15 percent share of the sales tax revenue and the State's public transportation fund (PTF) are the source of the RTA's discretionary funds. The Region Section provides the details for this funding calculation.

Exhibit 4-16: **CTA Fuel Cost per Gallon** (cost and gallons in thousands)

	2007	2008	2009	2010	2011
Fuel Cost	$71,181	$91,095	$102,852	$112,109	$115,472
Gallons	25,225	25,545	25,545	25,545	25,545
Cost Per Gallon	$2.822	$3.566	$4.026	$4.389	$4.520

Recovery Ratio

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2009, the CTA's recovery ratio estimate is 52.7 percent and exceeds the mark of 52 percent set by the RTA. The Region Section provides the detailed recovery ratio calculation.

The following factors affect the recovery ratio for the 2008 estimate and 2009-2011 plans. First is the inclusion of $22 million of in-kind security services provided by the Chicago Police Department, which is included as both revenue and expenditure in the recovery ratio calculation. Second is the exclusion of additional security expenditures from the recovery ratio. The CTA's recovery ratio was 53.1 percent in 2007 and is expected to be at 49.0 percent in 2008 (Exhibit 4-6).

2008 Budget versus 2008 Estimate

The CTA expects a balanced budget in 2008 based on an amended budget.

Revenue

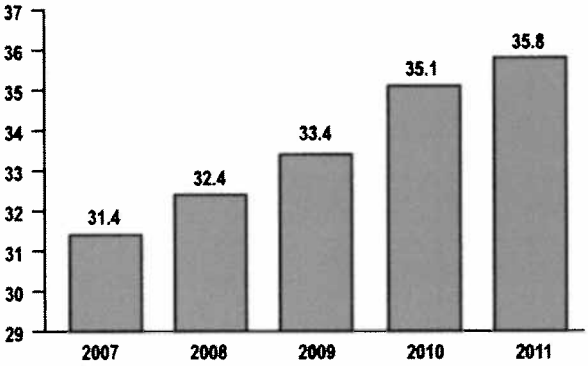
Revenue from fares is forecasted at $466.7 which is higher than budget by $3.2 million, or 0.7 percent (Exhibit 4-18). The higher fare revenue is due to higher average fare and higher ridership.

The reduced fare subsidy is the State's re-imbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. The reduced fare reimbursement is even with budget.

Other revenue is expected to be $2.9 million unfavorable to plan. The categories listed below reflect this line item.

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

Exhibit 4-17: **CTA Purchase of Security Service** (dollars in millions)



All other revenues which include parking fees, sale of real estate, and rentals are projected to be $2.2 million lower than budget.

Investment income is estimated at $5.6 million, which is $0.7 million lower than budget. The CTA benchmarks its investments against the rates for the 90-day Treasury bond.

Expenditures

Calendar year 2008 operating expenditures are estimated at $1,209.6 million and are projected to be unfavorable to budget by $20.0 million or 1.7 percent. Expenditures for labor, fuel, power and all other costs are expected to be over budget for the year, while material and security costs are forecasted to finish under budget.

Labor expenditures are projected at $884.7 million, which is $8.3 million or 9.5 percent over budget. The increase is due to higher wage rates, increased pension contributions and higher health care expenses.

Material expenditures are forecasted at $89.5 million, which is lower than budget by $3.0 million. The decrease in material expenditures is due to lower prices on building materials, vehicle replacement parts and other materials CTA uses in day-to-day system maintenance.

Fuel expenditures for revenue equipment are expected to be $91.1 million at the end of 2008. This is $1.2 million or 1.3 percent higher than budget. The 2008 budget assumed an average price of $3.52 per gallon for 25.2 million gallons. Fuel prices have been running above budget and are estimated to end the year at an average price of $3.57.

Electric power expenditures for the rail system are forecasted at $38.3 million or $3.0 million higher than budget. The increase can be attributed to unusually cold weather during winter.

Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are forecasted at $14.0 million for 2008 which is par to budget.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expenditures are estimated at $32.4 million, which is lower than budget. This lower spending level reflects the CTA's decision to utilize alternative security measures, such as increasing the number of CTA employees deployed to rail stations and the installation of additional surveillance cameras, to maintain a safe environment to riders. In addition to the services contracted by CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide services to CTA at an estimated cost of $22 million.

All other costs are forecasted at $59.6 million, which is $11.6 million higher than budget. The increase is primarily due to higher contractual services for Oracle, facilities, and equipment maintenance service.

Statutory Compliance

The RTA Act requires that each Service Board meet the six criterions detailed in the Region Section for their budgets to be approved. The CTA budget, as submitted, meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-19 and consists of the following divisions.

CTA Board

The CTA's governing arm is the Chicago Transit Board, consisting of seven board members. The Mayor of Chicago appoints four board members who are subject to the approval of the City Council and the Governor. The Governor appoints three board members who are subject to the approval of the State Senate and the Mayor of Chicago.

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 and tort litigation, and workers compensation matters.

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 office is also responsible for financial and general investigations.

Treasurer

The Treasurer manages cash and handles investment.

Office of the President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board.

Revenue and Marketing

Revenue and Marketing includes two departments: Planning and Development, and Customer Communications. The Planning and Development department oversees route scheduling and strategic service planning for the Agency. The Customer Communications department is responsible in providing accurate, consistent and timely information to the general public via maps, brochures, fliers, news releases, and a cable television show.

Security and System Safety

Security and System Safety administers the Destination Safety program with aims to reduce employee and third party accidents and injuries.

Facilities

Facilities Maintenance includes system maintenance support, power and way maintenance, rail station appearance, and facility maintenance.

Performance Management

Performance management includes developing strategic goal for each business unit that focuses on five goals namely, safety, on-time, cleanliness, efficiency, and courtesy.

Transit Operations

Transit Operations, which represents the largest percentage of CTA employees, is responsible for bus and train operations, customer and paratransit services (prior to July 1, 2006), planning, security, control center, and training.

Bus and Rail Operations manages a fleet of 2,100 buses and 1,190 rail cars that cover 690,000 bus miles and 225,400 rail miles driven every day. They employ approximately 4,700 full-time equivalent

Exhibit 4-18: **CTA 2008 Amended Budget versus 2008 Estimate** (dollars in thousands)

	2008 Amended Budget	2008 Estimate	Variance
System-Generated Revenues			
Passenger Revenues	$463,466	$466,707	$3,241
Reduced Fare Subsidy	32,000	32,000	0
Other Revenue	52,340	49,400	(2,940)
Total Revenues	**$547,806**	**$548,107**	**$301**
Operating Expenditures			
Labor	$876,350	$884,683	($8,333)
Material	92,435	89,469	2,966
Fuel	89,918	91,095	(1,177)
Power	35,335	38,326	(2,991)
Insurance & Claims	14,000	14,000	0
Purchase of Security Services	33,600	32,442	1,158
All Other	48,000	59,625	(11,625)
Total Operating Expenditures	$1,189,638	$1,209,640	($20,002)
Operating Deficit	**$641,832**	**$661,533**	**($19,701)**
Recovery Ratio %	54.8%	53.2%	(1.6) pts.

bus operators and 1,500 rail operators that provide service to the customers.

The Control Center monitors passenger and facility security and maintains accident statistics and monitors environmental affairs. The Control Center operates 24 hours per day, 7 days a week.

Operations Support

Public Affairs department is responsible for marketing, media relations, identity development, and publications.

Finance is responsible for budgeting, general accounting, investment support, program development, and the management and control of property, grants, and funding.

The Government Affairs and Affirmative Action department monitors transit legislation that affects the CTA on both regional and national levels.

The Human Resources department includes recruiting, hiring, benefit services, medical services, and program compliance.

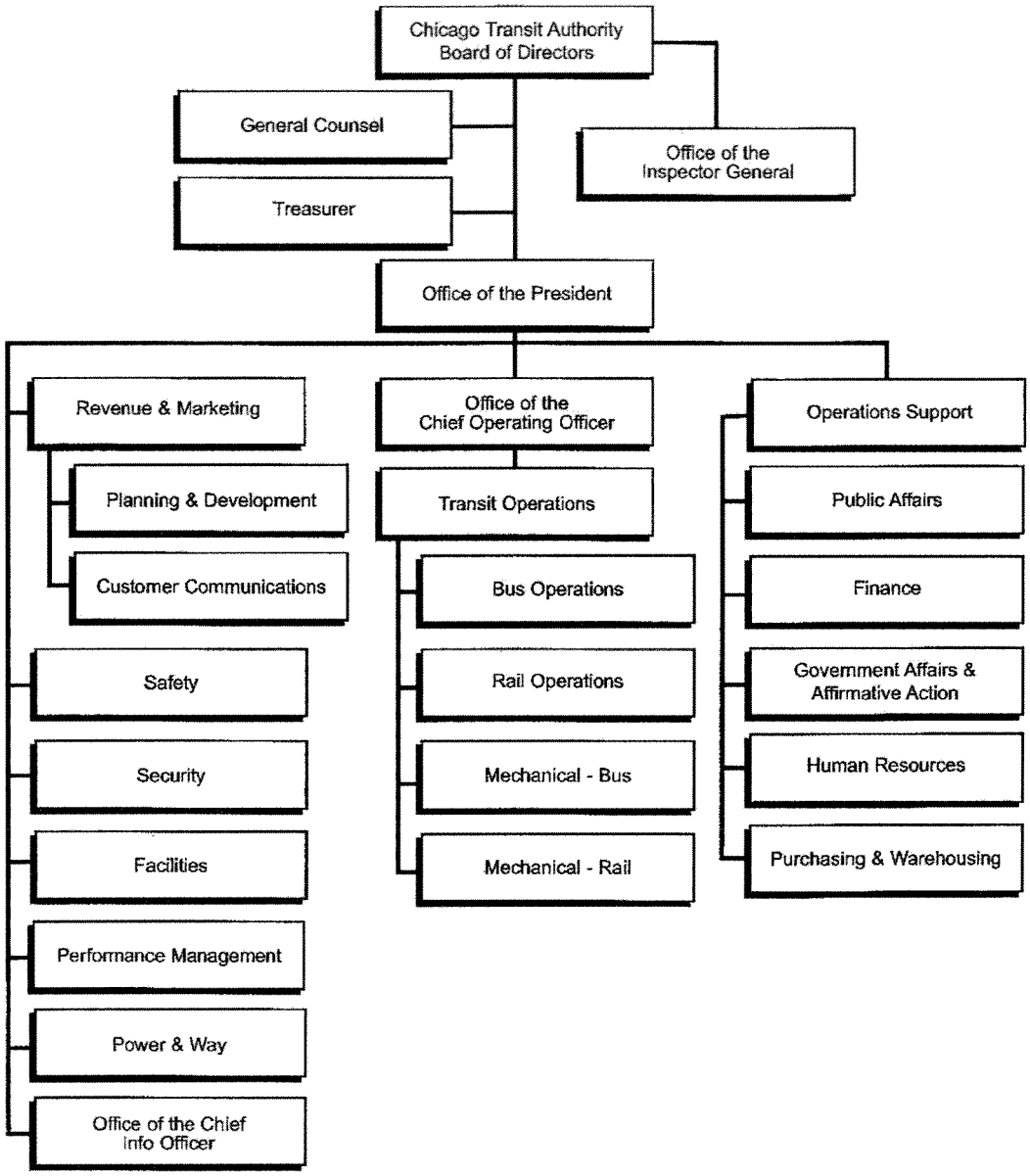
The Purchasing/Warehousing department includes inventory management.

CTA Brown Line Francisco Station

Office of the Chief Info Center

Office of the Chief Info Center Department includes maintenance and upgrades of all CTA technology infrastructure and management information systems.

Exhibit 4-19: **CTA Organization Chart**



5 Metra 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 an eleven-member board of directors. Four of the directors are appointed by the suburban members of the Cook County Board. The chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry and Will counties each appoint one director, and the Mayor of the City of Chicago also appoints one director. The Chairman of Metra's board of directors must be one of the eleven directors, and is appointed by the concurrence of eight directors.

Metra operates 61 percent of its trains on weekdays, 25 percent on Saturdays and 14 percent on Sundays and holidays.

Service Characteristics

The Metra rail system is comprised of eleven separate lines, which run north, west, and south of the Chicago central business district. The system extends 488 route-miles to the limits of the six-county area and serves 238 local rail stations in more than 100 communities. The network itself is made up of more than 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 18 rail storage yards, and seven major maintenance facilities. Geographically, the Metra system is the largest in the United States; and its operational interface with extensive freight network makes it arguably the nation's most complex. A system of such magnitude requires continual maintenance and renewal in order to preserve operational performance, safety, and service efficiency.

Metra provides safe, reliable commuter rail service with an average weekday ridership of 317,200. Peak period ridership represents 76 percent of the total average weekday trips.

Metra operates 61 percent of its trains on weekdays, 25 percent on Saturdays and 14 percent on Sundays and holidays. Average scheduled train operating speeds are 5 percent higher during the weekday peak period than during off-peak hours and weekend/holiday periods.

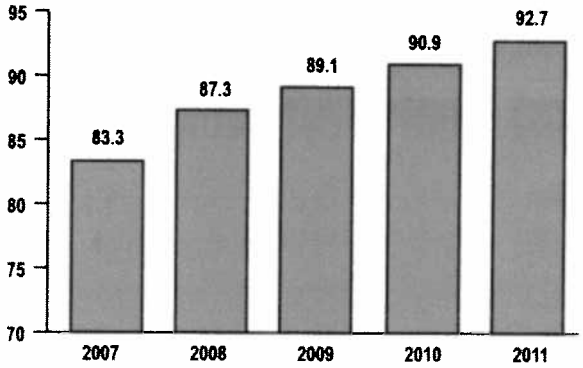
Metra serves the region on routes owned by Metra or freight carriers and through purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, the two largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana.

Metra's hub is the downtown Chicago business district. Four downtown terminals serve Metra's eleven lines. Approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra.

Ridership

In 2007, Metra's ridership, excluding South Shore service, totaled 83.3 million passenger trips (Exhibit 5-1), representing a 4.3 percent increase from the corresponding 2006 ridership of 79.9 mil-

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



(1) Based on ticket sales. Includes free senior rides. Excludes South Shore (NICTD) service.

Exhibit 5-2: **Riders and Miles** (in millions) (1)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
Ridership (2)	83.3	87.3	89.1	90.9	92.7
Revenue Car Miles	34.1	34.3	34.3	34.3	34.3
Passenger Miles (3)	1,877.2	1,956.8	1,995.9	2,035.8	2,076.6

(1) Ridership, Revenue Car Miles, and Passenger Miles exclude South Shore (NICTD) service. (2) Based on ticket sales. Includes free Senior rides.
(3) Based on ticket sales. Excludes Senior free rides.

lion. Metra's ridership is expected to continue to grow with 87.3 million passenger trips in 2008 and 89.1 million in 2009. (Exhibit 5-2)

Metra's primary customer base remains providing work trips for the downtown Chicago market. Passenger loads on peak period, peak direction trains have realized an increase of 6.1 percent compared to five years earlier. 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.

Metra has successfully marketed off-peak and reverse commute trips. Compared to five years earlier, reverse peak travel has increased 56.1 percent, while midday and evening travel has increased 25.5 percent and 34.5 percent, respectively (Exhibit 5-3). These gains are attributable to Metra's efforts to broaden its ridership base, including the weekend ticket, enhanced off-peak service, targeted promotion of service to suburban employers, marketing travel to cultural and entertainment attractions, and Metra's Bikes on Train program. Metra's Bike on Train program was implemented on June 1, 2005.

Exhibit 5-3: **Average Daily passenger Loads by Service Period** (in thousands)

	July 2002-June 2003 (1)	July 2007-June 2008 (1)	Change	% Change
Peak Direction	227.5	241.3	13.8	6.1
Reverse Peak	13.2	20.6	7.4	56.1
Midday	28.2	35.4	7.2	25.5
Evening	14.8	19.9	5.1	34.5
Total Weekday	283.7	317.2	33.5	11.8
Saturday	48.4	71.1	22.7	46.9
Sunday	27.3	42.0	14.7	53.8

(1) Excludes South Shore (NICTD) service.

In 2006, the program was expanded to allow three bikes in each diesel rail accessible car and two in each electric rail car.

Service Quality

To deliver on its objective to provide customer-driven, flexible and personalized service Metra must understand the needs and interests of its customers. Metra periodically conducts on-board surveys to measure various service attributes. Metra not only measures general rider satisfaction, but also collects information on the service attributes that are most effective at 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 derived directly from the most important service characteristics identified through these customer surveys.

Metra measures service reliability using on-time performance. A delay is recorded if the train arrives at its final destination more than five minutes later than scheduled. Exhibit 5-4 presents system-wide annual on-time performance since 2003. Metra's on-time performance in 2007 was 95.7 percent.

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 efficiency. Metra measures capacity utilization train-by-train, which allows it to track average daily passenger load by service period 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 change decisions.

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 revenue car mile. Metra's ratio of passengers per revenue car mile is projected to increase from 2.44 in 2007 to 2.71 in 2011 (Exhibit 5-5). In the case of a new service, the number of miles increases faster than ridership, thereby decreasing the passenger per mile ratio.

Another measurement used to evaluate whether costs are being contained and efficiency maintained, is 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 pojects that its cost per revenue car mile will increase from $15.84 in 2007 to $19.18 in 2011, corresponding to compound annual growth rate of 5.5 percent.

The cost per passenger ratio measures cost effectiveness and is designed to examine how well vehicles are deployed to serve riders. As Exhibit 5-6 illustrates, Metra projects that its cost per passenger ratio will increase from $6.58 in 2007 to $7.36 in 2011, corresponding to a compound annual growth rate of 2.8 percent. Historically, the Consumer Price Index (CPI) has increased slightly more than 3 percent per year.

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

Year	% On-Time
2003	97.1
2004	96.9
2005	96.3
2006	96.3
2007	95.7

Exhibit 5-5: **Passengers Per Revenue Car Mile** (in millions)

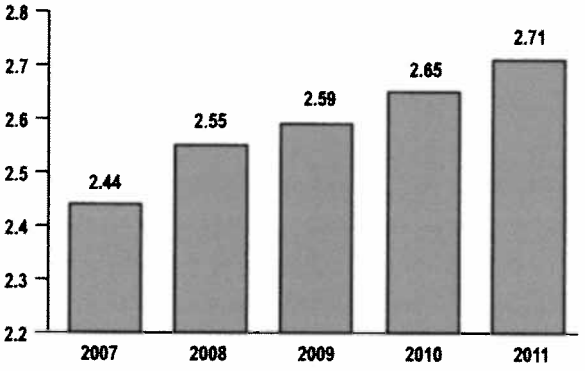
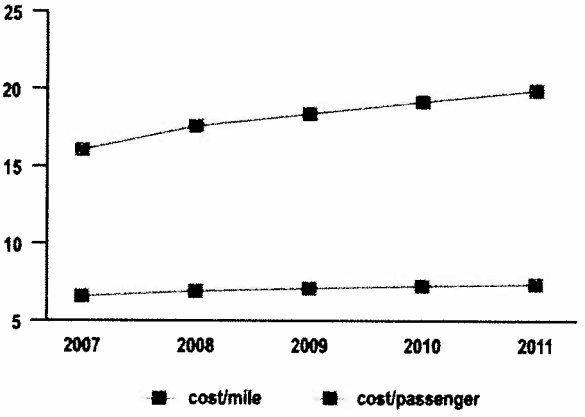


Exhibit 5-6: **Metra Cost Efficiency**



Maintenance and Modernization

Since Metra was formed in 1984, Metra has overseen a comprehensive program to improve and grow the regional commuter rail network in support of the twin objectives of core system maintenance and strategic service expansion. Metra has expended more than $5 billion to overhaul and modernize the system and to create a cyclical program of preventive maintenance and renewal. Such investment has led to the emergence of one of the nation's premier commuter rail operations, with Metra enjoying a near unparalleled record of sustained ridership growth and operational excellence.

State legislation passed in January 2008 increased public funding for the public transit operations in Northeastern Illinois providing much needed funding to maintain Metra's current level of operations. However, without legislation that addresses capital funding, Metra does not possess adequate resources to maintain, upgrade or expand the commuter rail system. During the previous three years, Metra bridged shortages of operations funding through a variety of cost containment strategies and by shifting capital resources to operations. The diversion of $134.7 million in capital funding to cover operating expenses made it more difficult for Metra to maintain existing service levels because of delays in completing required infrastructure projects, equipment overhauls, and new rolling stock purchases.

Safety and Security

Metra provides employee incentives to those regularly meeting goals. Key among these goals is workplace safety. A safe workplace correlates into a safe environment for Metra employees and passengers.

Metra's investments in staff training programs and incentive plans have resulted in substantial dividends, including commuter satisfaction and industry recognition.

In addition to routine workplace safety training, Metra employees have also been trained to recognize and observe potential safety hazards in and around trains, stations and tracks. Metra is the only railroad

organization in the nation to train all of its 4,000 employees in terrorism awareness and emergency procedures. As part of these investments, security cameras are being installed at several downtown train stations. Metra is also installing emergency signage involving LED technology in strategic locations throughout Metra's downtown terminals. The signs will alert passengers to emergency situations and can display pre-programmed or free form messages to assist Metra in communicating with customers.

In addition, Metra installed a train tracking system using Global Positioning System (GPS) technology in 2001. GPS monitors the real time position and movement of all trains on Metra's routes.

GPS offers Metra's operations professionals a snapshot that details the performance of every train during an operational day. The real-time information supports and delivers a more effective response to any service disruptions or emergencies and leads to enhanced overall safety.

Metra also encourages and provides safety training and education opportunities within the community.

Budget and Financial Plan

The Metra budget and financial plan presented in Exhibit 5-7 meets the 2009, 2010, and 2011 funding marks set by the RTA Board on September 15, 2008. The RTA Board set Metra's 2009 recovery ratio mark at 55.0 percent and adopted this mark on December 18, 2008. Metra's 2009 budget reflects a recovery ratio of 55.0 percent.

System-Generated Revenue

Total system-generated revenue is expected to increase from $291.8 million in 2007 to $353.3 million in 2010. This represents an increase of $61.5 million or a compound annual growth rate of 4.9 percent (Exhibits 5-7 and 5-8).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. In 2009, passenger revenue of $262.0 million comprises 81 percent of the total revenue budget (Exhibit 5-9).

Passenger Revenue

Passenger revenue or farebox revenue is estimated to increase from $227.2 million in 2007 to $272.5 million by 2011. This increase of $45.3 million represents a 4.7 percent compound annual growth rate. Metra's passenger revenue increase results from projected ridership growth and a 10% fare increase effective February 1, 2008.

The strength of the local economy and higher of gasoline prices earlier in 2008, as well as continued major road reconstruction projects and the 2006 service expansions or extensions of the North Central Service, Union Pacific West, and SouthWest Service Lines also contributed to higher ridership and therefore higher passenger revenue.

Changing rider and ticket trends, such as longer trip length and increased one-way conductor and weekend ticket sales (Exhibit 5-10) also contributed to the higher passenger revenue.

Metra's fare structure is presented at the end of this section (Exhibit 5-14).

Exhibit 5-7: **Metra 2009 Budget and 2010-2011 Financial Plan** (dollars in thousands)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
System-Generated Revenue					
Passenger Revenue	$227,185	$254,400	$262,000	$267,200	$272,500
Reduced Fare Subsidy	3,884	1,700	1,700	3,400	3,400
Other Revenue	60,772	61,400	62,100	70,800	77,400
Total Revenues	**$291,841**	**$317,500**	**$325,800**	**$341,400**	**$353,300**
Operating Expenditures					
Transportation and Maintenance	$342,143	$363,900	$376,500	$391,040	$405,940
Administration	24,249	22,800	21,950	22,710	23,400
Risk Mgmt. & Claims	18,967	10,800	15,800	19,500	20,200
Regional Services and Downtown Stations	23,437	26,300	27,150	28,050	28,950
Diesel Fuel	53,706	87,400	92,560	95,100	96,320
Security	14,773	15,300	16,000	17,000	18,000
Health Insurance	53,622	56,000	59,360	62,300	65,800
Pension	4,840	4,800	4,740	4,900	5,200
Electricity	12,733	16,200	17,600	18,000	18,300
Total Expenditures	**$548,470**	**$603,500**	**$631,660**	**$658,600**	**$682,110**
Operating Deficit	**$256,629**	**$286,000**	**$305,860**	**$317,200**	**$328,810**
Deficit Funding					
RTA Sales Tax	257,374	261450	259,951	263,460	270,573
RTA Sales Tax & PTF (PA95-0708)	-	46,237	109,083	110,556	113,541
RTA Discretionary	-	3,074	-	-	-
Funds Available for Capital (1)	58,156	(24,761)	(63,174)	(56,816)	(55,304)
Total Deficit Funding	**315,530**	**286,000**	**305,860**	**317,200**	**328,810**
Recovery Ratio % (1)	56.6%	55.9%	55.0%	N/A	N/A

(1) Recovery ratio revenue includes credits for Senior free rides in 2008 - 2011, half year of reduced fare reimbursement not funded by the State of Illinois in 2008 and 2009, and $10 million of capital farebox revenue in 2007 - 2011. Recovery ratio expenditures exclude costs related to the acquisition and use of transportation facilities, security and depreciation.

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 revenue 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. In 2008, the State of Illinois eliminated funding for the reduced fare reimbursement program in the State Fiscal Year ending June 30, 2009, an annual reduction for Metra of $3.4 million. Assuming this program will be restored for the State Fiscal Year beginning July 1, 2009, Metra budgeted $1.7 million in 2009 and $3.4 million in 2010 and 2011.

Other Revenue

The other revenue category represents 19 percent of Metra's total revenue for 2009. The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non fare-generated income. Other revenue is expected to increase from $60.8 million in 2007 to $77.4 million in 2011, due mostly to increased capital credits.

Operating Expenditures

Total operating expenditures are forecast to increase from $548.5 million in 2007 to $682.1 million in 2011. This $133.6 million increase represents a 5.6 percent compound annual growth rate (Exhibit 5-11).

Exhibit 5-8: **Metra System-Generated Revenue** (dollars in millions)

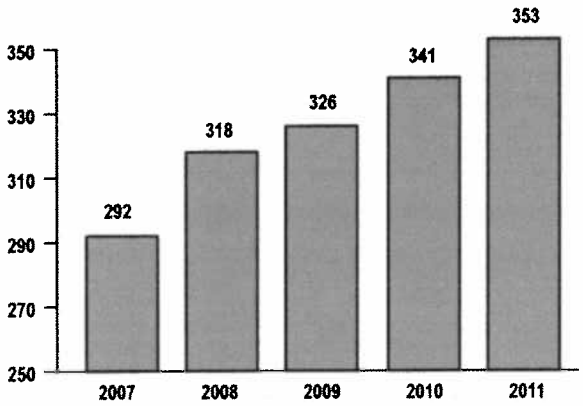


Exhibit 5-9: **2009 Metra Revenues** - $326 million

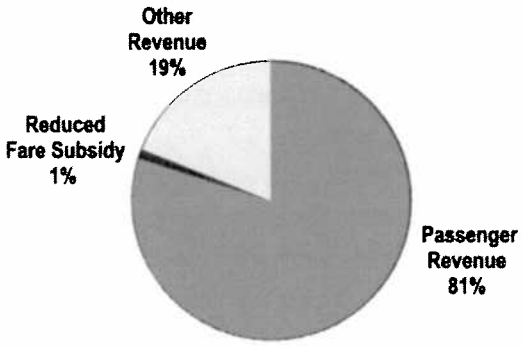


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	July 2006-June 2007	July 2007-June 2008	Change	% Change
Monthly	1,153.0	1,180.9	27.9	2.4%
Ten-Ride	1,800.5	1,933.3	132.8	7.4%
Regular One-Way	5,923.2	5,917.7	(5.5)	(0.1%)
Conductor	4,050.3	4,332.1	281.8	7.0%
Weekend	1,566.9	1,752.1	185.2	11.8%
Link-Up	92.8	94.5	1.7	1.8%
PlusBus	15.3	13.5	(1.8)	(11.8%)

*Excludes South Shore (NICTD) service.

Metra's 2009 operating expenditures of $631.7 million are projected to grow by $28.2 million or 4.7 percent from the 2008 estimate.

In 2009 and 2010, total expenditures will increase by 4.3 percent and 3.6 percent respectively, compared to the previous year (Exhibit 5-7). Higher maintenance expense due to lack of capital funding is the major contributing factor.

Expenditure Elements

The components of operating expenditures are transportation and maintenance, administration and pension, diesel fuel and electricity, security, health insurance and all other, including claims and risk management, regional services and downtown stations. In the 2009 budget, Metra's expenditures

comprise transportation and maintenance 59 percent, administration and pension 5 percent, fuel and electricity 17 percent, security 3 percent, health insurance 9 percent, and all other 7 percent (Exhibit 5-12).

Exhibit 5-11: **Metra Operating Expenditures** (dollars in millions)

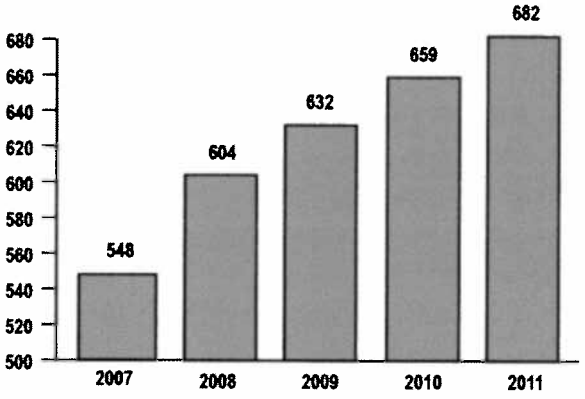
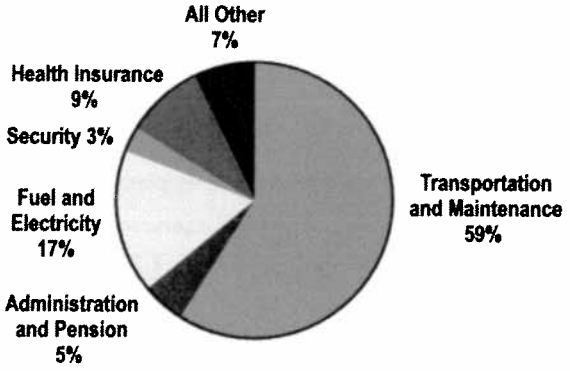


Exhibit 5-12: **Metra Operating Expenditures** - $573.3 million



Transportation and Maintenance

Transportation includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations.

Maintenance includes two types of activities: maintenance of way and maintenance of equipment. Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions.

Maintenance of equipment activities includes regular repairs, inspection and preventive maintenance on passenger train equipment to ensure that this equipment is safe and in good working order to meet train schedules and passenger demand for seating.

Transportation and maintenance expenditures are expected to increase from $342.1 million in 2007 to $405.9 million in 2011. This $63.8 million increase represents a compound annual growth rate of 4.4 percent (Exhibit 5-7).

Administration and Pension

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Management of the Metra owned and operated rail services are also included in this category.

Administration and pension expenditures are projected to decrease $0.5 million or 0.4% from $29.1 million in 2007 to $28.6 million in 2011 (Exhibit 5-7).

Diesel Fuel and Electricity

Diesel fuel is one of the most volatile components of the operating expenditures. Diesel fuel was budgeted at $2.65 per gallon for 2008 but is expected to average $3.41 per gallon for a total of $87.4 million, an increase of $33.7 million or 62.7% over 2007. Metra is estimating an average price of $3.60 per gallon in 2009 for a total cost of $92.6

million, $5.2 million or 5.9% more than the 2008 estimate. Metra is projecting an average fuel price of $3.70 and $3.75 per gallon for 2009 and 2010, respectively.

Rates for Metra electric motive power and power at Metra's large yards are under contract until May 2009. For 2009, Metra budgeted motive power and electric utility costs to increase $1.4 million or 8.6% from the 2008 estimate.

Combined fuel and electric power is projected to increase from $66.4 million in 2007 to $114.6 million in 2011. This $48.2 million increase represents a compound annual growth of 14.6 percent (Exhibit 5-7).

Security

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expense category includes police and contract security services as well as planning, coordination, and training with other agencies. For 2009, the budget is $16.0 million, which is 4.6 percent above the 2008 estimate of $15.3 million. Security expenses are expected to increase by $1.0 million per year in 2009 and 2010 (Exhibit 5-7).

Health Insurance

Health insurance costs for 2009 of $59.4 million are assumed to increase by 6.0% over the 2008 estimate of $56.0 million, with annual growth rates of 5.0 percent and 5.6 percent in 2010 and 2011, respectively (Exhibit 5-7).

All Other

Expenditures for risk management and claims are expected to decrease from $19.0 million in 2007 to $10.8 million in 2008 before increasing to $20.2 million in 2011.

Metra is also responsible for setting fares and service levels, capital improvement planning and oversight, and service planning. Expenditures for these functions are included in the regional services and downtown stations category.

Expenditures in this category are expected to increase from $23.3 million in 2007 to $29.0 million by 2011. This $5.7 million increase represents a compound annual growth rate of 5.6 percent (Exhibit 5-7).

Deficit

The operating deficit is derived from total system-generated revenue minus total operating expenditures. Metra's 2009 budget deficit is $305.9 million (Exhibit 5-7). This deficit is offset by public funding to reach a balanced budget.

Funding

The operating deficit is offset by public funding to reach a balanced budget. Metra projects a funding surplus of $63.2 million in 2009, $56.8 million in 2010, and $55.3 million in 2010, which will be transferred to the capital program.

RTA Sales Tax (enacted by 1983 legislation) is the major source of public funds used to cover the budgeted operating deficit. By statute, the RTA re-

tains 15 percent of the sales tax receipts and passes the remaining balance of 85 percent to the Service Boards. Of this remaining amount, Metra receives 55 percent of the RTA Sales Tax dollars collected in suburban Cook County, and 70 percent of the RTA Sales Tax collected in the collar counties.

Illinois Public Act 95-0708, increased the RTA sales tax rate throughout the region, effective April 1, 2008, created a real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25% to 30% the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). With this new funding source Metra's budgeted statutory sales tax receipts are $369.0 million in 2009, $374.0 million in 2010, and $384.1 million in 2011.

Recovery Ratio

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2009 Metra's recovery ratio is 55.0 percent, matching the mark set by the RTA. The RTA Region section provides a detailed recovery ratio calculation.

Statutory Compliance

The RTA Act requires that each Service Board meet six criteria, which are detailed in the RTA Region section, for Board approval of its budget. The Metra budget meets each of these criteria

2008 Budget versus 2008 Estimate

Total revenue is expected to finish $11.2 million favorable to budget for 2008. Passenger revenue is projected to be favorable to budget by $11.6 million or 4.8 percent due to higher ridership. Reduced fare subsidy is projected to be unfavorable to budget by $1.7 million or 49.6% because the State of Illinois eliminated funding for the reduced fare reimbursement program in the State Fiscal Year beginning July 1, 2008. Other revenue is expected to exceed budget by $1.2 million.

Expenditures are forecast to finish $17.1 million or 2.9 percent unfavorable to budget for 2008. Transportation and diesel fuel are expected to finish the year $13.4 million (3.8 percent) and $20.0 million (29.7 percent) unfavorable to budget. The

Exhibit 5-13: **Metra 2008 Budget versus 2008 Estimate** (dollars in thousands)

	2008 Budget	2008 Estimate	Variance
System-Generated Revenue			
Passenger Revenue	$242,770	$254,400	$11,630
Reduced Fare Subsidy	3,370	1,700	(1,670)
Other Revenue	60,160	61,400	1,240
Total Revenue	**$306,300**	**$317,500**	**$11,200**
Operating Expenditures			
Transportation and Maintenance	$350,525	$363,900	(13,375)
Administration	29,175	22,800	6,375
Risk Mgmt. & Claims	19,930	10,800	9,130
Regional Services and Downtown Stations	26,380	26,300	80
Diesel Fuel	67,380	87,400	(20,020)
Security	17,000	15,300	1,700
Health Insurance	55,980	56,000	(20)
Pension	4,840	4,800	40
Electricity	15,190	16,200	(1,010)
Total Expenditures	**$586,400**	**$603,500**	**($17,100)**
Operating Deficit	**$280,100**	**$286,000**	**($5,900)**
Recovery Ratio %	**55.6%**	**55.9%**	**0.3%**

2008 budget assumed an average fuel cost of $2.65 per gallon, significantly lower than the 2008 estimate of $3.41 per gallon. Administration and risk management & claims are expected to finish the year $6.4 million and $9.1 million favorable to budget, respectively. Exhibit 5-13 details the variance between the 2007 budget and 2007 estimate.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones. These zones 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 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 fare zone boundaries are crossed. Effective February 1, 2008, the base fare is $2.15 for a one-way trip. The incremental charge is 40¢ or 45¢ for additional zones (Exhibit 5-14). Metra's administrative organization chart is presented in Exhibit 5-15

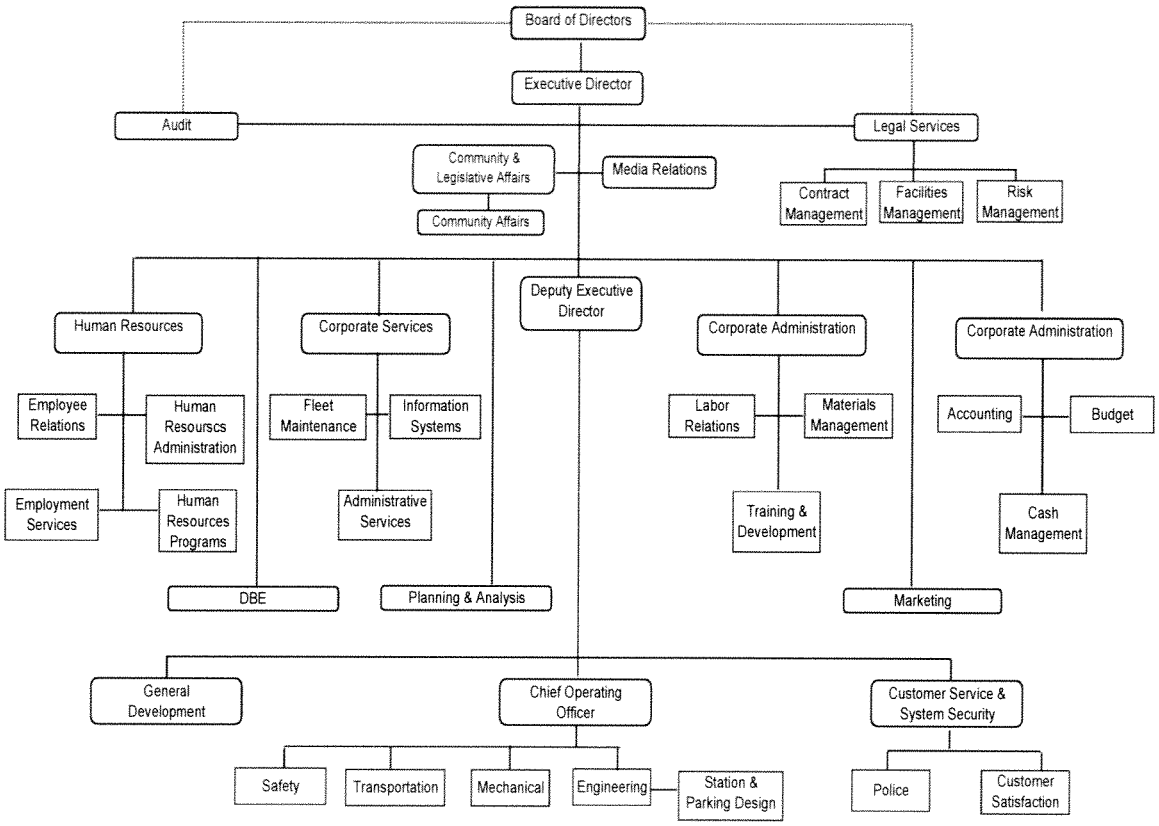
Exhibit 5-14: **Metra Ticket Pricing Formula**

Ticket Type	Period of Validity	Number of Rides	Pricing Basis
Monthly (2)	Calendar Month	Unlimited	27 times one-way fare
10-Ride (2)	One Year	Ten	8.5 times one-way fare
One-Way(2) (3)	One Year	One	Base fare plus increments
Weekend	Saturday/ Sunday	Unlimited	Flat rate $7/day

(1) Effective March 17, 2008, seniors citizens age 65 or older living in the six-county RTA region are eligible to ride free. Effective October 24, 2008, people with disabilities enrolled in the Illinois Circuit Breaker program are eligible to ride free. (2) 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. (3) Effective February 1, 2008, the base fare for a one-way trip is $2.15.

Organizational Structure

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



6 Pace Operating Plan

Suburban Service

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.

Beginning July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace's regional ADA paratransit service is discussed separately later in this section.

Service Characteristics

Pace's mission is to provide efficient well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility supplies line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. Achieving this mission will also require the continued restructuring of Pace's current fixed-route service.

Pace suburban service includes 143 regular routes, 65 feeder routes, 23 shuttle routes, and 767 vanpool vehicles.

Pace's suburban service area measures 3,446 square miles. The suburban area is divided among the six counties and incorporates 284 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Pace service includes approximately 147 regular routes, 51 feeder routes, 18 shuttle routes, 696 vanpool vehicles, 158 Pace-owned Dial-A-Ride vehicles, and 182 Pace-owned ADA paratransit vehicles. The suburb-to-suburb travel market is the largest service area in the region and is primarily served by the automobile.

Employment and residential shifts outward from central business districts have resulted in longer commutes, greater single-occupant automobile use, increased traffic congestion, and declining air quality. Changing travel needs are the result of the growing suburban job market, welfare-to-work initiatives, and greater work-hour, workday, and work-location flexibility. However, increased support for smart growth, transit-oriented development, and environmental concerns has accompanied these trends. In light of these factors, Pace is working to better serve various suburban travel markets.

To attract more riders, Pace will need to gain consensus among a diverse group of stakeholders, communities, and organizations interested in transportation and smart growth; create viable community and regional partnerships; develop service plans for specific communities and groups of communities; and gain funding from local, regional, state and federal sources.

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

Pace already works with 210 communities to plan, design, and deliver services. Vision 2020 identifies nearly 100 service areas for further study in partnership with communities. To better support a service area that spans walkable suburban neighborhoods, satellite cities, and rural communities, Pace will expand its current offerings (e.g., fixed-route, commuter rail feeder, employer shuttle, and route-deviation services) and further customize the mix of tailored, flexible community-based services (e.g., demand response, curb-to-curb van service, and subscription routes) based on detailed studies of travel markets and local interests and conditions. Vision

2020 addresses three service levels—low, medium, and high—which reflect the spectrum of population and employment density found in Pace's service area. To achieve high service levels at low cost, Pace will apply Bus Rapid Transit (BRT) features, limited stops, simple routes, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority, and bus lanes on expressway/tollway and arterial line haul routes.

To develop an effective regional arterial and community-based transit system, Pace began route-restructuring initiatives in 2000. Consistent with Vision 2020, the goals of route restructuring include faster, more efficient, and more effective service, as well as an enhanced image of transit as an alternative to the automobile. Pace restructured routes in Elgin, along the Halsted Corridor, and in the vicinity of Orland Square Mall. In 2005, Pace completed its restructuring of eleven routes in North Shore communities to serve new trip generators, reduce transfers, and eliminate unproductive segments and route duplication.

Late in 2005, Pace implemented an initial round of service changes in the Aurora area as part of its restructuring efforts in the Fox Valley/Southwest DuPage region. After Metra increased service on its North Central Line, Pace added three new Shuttle Bug routes for employees of several nearby companies. Pace has completed most of the planning for the redesign of service in southern and southwestern Cook County and all of Will County. Initially, service changes will improve service coverage and reliability, strengthen connections between major destinations, introduce innovative types of service, and expand service hours. In the next few years, Pace plans restructuring initiatives in the Waukegan area and in western Cook County.

Pace is seeking to implement a regional Transit Signal Priority (TSP) program along major arterial routes. Implementation of the Harvey Transportation Center TSP initiative will improve the operation of the transit terminal and increase the reliability of Pace routes traveling along nearby 154th Street, 159th Street, and Halsted Street. Initially focusing on expanding Pace's existing express bus service and new express bus service between southern Cook County and the Rosemont/O'Hare area, implementation of a suburban expressway/tollway service express bus network will connect major regional activity centers and park-n-ride lots. Pace's Bus Rapid Transit (BRT) Corridor Implementation will develop Pace's Arterial Rapid Transit Network for the Region (PARTNER) Program. Integrated with Pace's express bus service, the PARTNER Program will operate on major arterials and utilize TSP and queue jump lanes to increase travel speed and route reliability.

Ridership

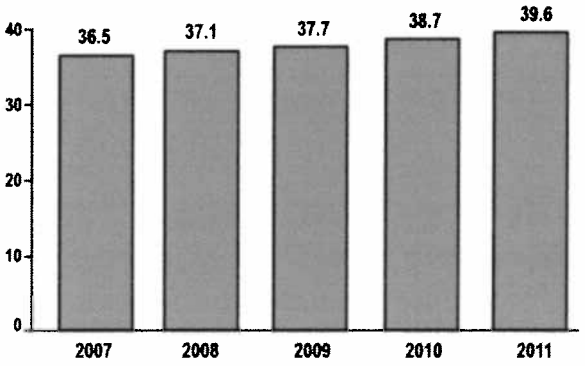
In 2007, Pace ridership of 39.2 million included suburban service ridership of 36.5 million. Pace estimates 2008 suburban service ridership of 37.1 million.

Pace projects suburban service ridership of 37.7 million in 2009. Pace projects suburban service ridership to increase 2.5 percent annually to 38.7 million in 2010 and 39.6 million in 2011 (Exhibit 6-1).

Marketing Strategies

Pace's 2009 marketing strategy implementation will emphasize work commute trips, which comprise 80 percent of Pace's customer base, and encourage non-riders to try Pace service. Pace plans to augment

Exhibit 6-1: **Pace Suburban Service Ridership** (in millions) (1)



(1) Ridership in 2010 and 2011 assumes no deficit reduction actions.

existing successful tactical route marketing campaigns and to promote extensively express routes to popular destinations. Pace's 2009 marketing efforts will also emphasize outreach to the disabled and Latino communities and support of the South Cook restructuring project, the ride share program, and special projects.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to relate the number of passengers to the number of miles serviced. Pace's passengers per mile ratio for suburban service is projected to continue to decline from 0.91 in 2008 to 0.89 in 2009 (Exhibit 6-2). Part of this decline results from route restructuring that reduces transfers.

The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Suburban service cost per mile is expected to increase from $4.06 in 2007 to $4.52 in 2008. Pace projects the cost per mile for suburban service to rise to $4.81 in 2009.

Exhibit 6-2: **Pace Suburban Service Passengers Per Mile**
(in millions)

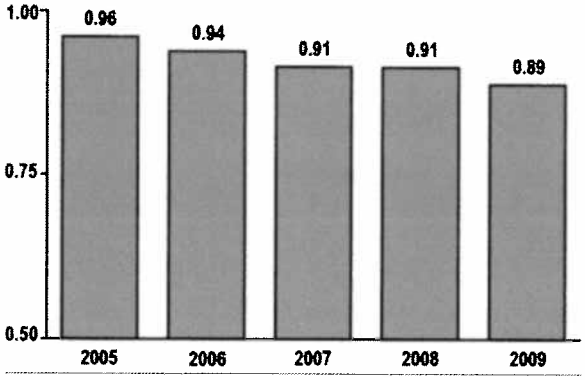
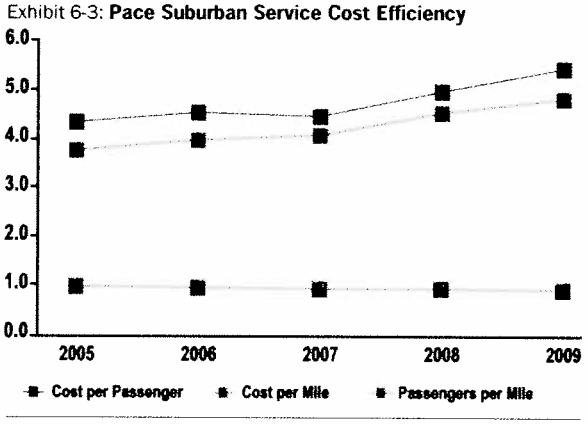


Exhibit 6-3: **Pace Suburban Service Cost Efficiency**



Capital Investment

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management.

Rolling Stock

In 2009, Pace intends to replace 37 fixed-route buses which have exceeded their useful life. The new vehicles will be 30-foot vehicles. Pace will also purchase buses for local municipal service in the Village of Oak Park.

Pace plans to replace 128 paratransit replacement vehicles which have exceeded their useful life. The new vehicles, a combination of buses and vans, will be operated to provide dial-a-ride services in Pace's suburban service area.

Pace plans to retrofit bus engines with mechanical components and software upgrades, and install diesel multi-state filters that will reduce engine emissions.

Electrical, Signal & Communications

The capital program contains funds to for the continued development and purchase of transit signal priority (TSP) systems in major corridors.

Support Facilities & Equipment

The capital program includes continued funding of the HPe3000 computer system replacement project and the routine replacement of computer hardware and software. The program also contains funds to make critical repairs and improvements to

garages and facilities, purchase garage equipment and replace non-revenue vehicles, and to implement the first of three region-wide paratransit call centers to coordinate transportation services for people with disabilities, the elderly, and low income individuals.

Budget and Financial Plan

The Pace suburban service budget and financial plan presented in Exhibit 6-4 meets the funding marks set by the RTA Board on September 15, 2008. To meet these funding levels, Pace will need to implement deficit reduction actions that will increase revenues and/or decrease expenditures by $6.8 million in 2010 and $12.6 million in 2011. The RTA Board set Pace's 2009 recovery ratio mark for suburban service operations at 36.0 percent and adopted this mark on December 18, 2008. Pace's 2009 budget reflects a recovery ratio of 36.0 percent.

From 2004 to 2007, the RTA provided additional funding to Pace to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes. In 2008, the RTA has not included additional funding for Pace to accept these passes. Pace has decided not to honor these passes effective January 1, 2009.

System-Generated Revenue

In 2007, Pace's system-generated revenue from suburban service totaled $52.2 million. Pace estimates 2008 suburban service system-generated revenue will decline to $52.1 million. Pace projects suburban service system-generated revenue of $54.2 million in 2009,$56.0 million in 2010, and $58.9 million in 2011, corresponding to a compound annual growth rate of 4.2 percent from 2009 through 2011 (Exhibit 6-5). These revenue figures do not incorporate required deficit reduction actions in 2010 and 2011. In 2009, passenger revenue is projected to account for 55 percent, local share/other 30 percent, advertising 9 percent, investment income 2 percent, and new initiatives/fare change 3 percent of total suburban service revenue (Exhibit 6-6).

Passenger Revenue and Local Share

In 2007, Pace suburban service passenger revenue totaled $28.2 million. Pace expects that in 2008 suburban service will result in passenger revenue of $29.0 million. In 2008, fare box revenue is expected to increase 2.6 percent from fixed route ridership growth and the expansion of Pace's van pool programs. Pace expects this trend to continue in 2009 with passenger revenue growth of 2.5 percent from existing service plus revenue of $1.9 million from new or expanded service. Pace projects suburban service passenger revenue of $29.7 million in 2009 will grow to $31.6 million in 2011, a $1.9 million increase corresponding to a compound annual growth rate of 3.2 percent (Exhibit 6-7). Passenger revenue includes fixed route farebox deposits (using cash, passes, and cards) and payments for vanpool, dial-a-ride, and other services.

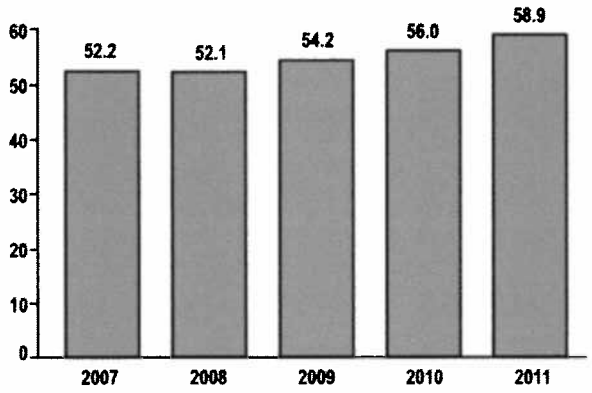
Along with its budget, Pace took to public hearing

Exhibit 6-4: **Pace Suburban Service 2009 Budget and 2010-2011 Financial Plan** (dollars in thousands)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
System-Generated Revenue					
Passenger Revenue (1)	$28,249	$28,973	$29,689	$30,640	$31,628
Local Share/Other	14,397	15,744	16,476	17,441	19,287
Advertising Revenue	4,572	4,713	5,015	5,316	5,645
Investment Income	2,230	1,361	1,193	682	330
Reduced Fare Reimbursement	2,704	1,291	-	-	-
New Initiatives/Fare Changes	-	-	1,875	1,959	2,048
Total Revenues (2)	**$52,152**	**$52,082**	**$54,248**	**$56,037**	**$58,937**
Operating Expenditures			104,841		114,743
Labor/Fringe Benefits	$80,895	$84,769	$88,429	$91,257	$94,412
Health Insurance	14,737	14,780	16,412	18,267	20,331
Parts/Supplies	5,481	6,541	6,796	6,945	7,098
Purchased Transportation	23,627	26,462	28,295	29,902	31,459
Fuel	16,108	26,319	29,545	29,601	30,197
Utilities	2,376	2,693	2,992	3,145	3,293
Insurance/Claims	7,923	11,422	12,459	13,942	15,632
Other	12,704	14,588	15,728	16,318	16,952
New Initiatives	-	-	7,500	7,838	8,190
Regional ADA Support Credit	(1,340)	(3,422)	(3,559)	(3,701)	(3,849)
Total Expenditures	**$162,511**	**$184,152**	**$204,597**	**$213,513**	**$223,715**
Deficit Reduction Actions				$6,848	$12,640
Operating Deficit	***$110,359***	***$132,070***	***$150,349***	***$150,628***	***$152,138***
Deficit Funding					
RTA Sales Tax	$81,232	$82,889	$82,288	$83,399	$85,651
RTA Sales Tax & PTF (PA95-0708)	-	15,413	36,361	36,852	37,847
RTA Discretionary Funds	6,960	4,139	3,158	-	-
RTA Suburban Community Mobility Funds (SCMF)	-	20,000	19,800	20,067	20,609
RTA South Suburban Job Access Funds	-	3,750	7,500	7,500	7,500
RTA Pass Reimbursement (3)	4,000	-	-	-	-
CMAQ/JARC/New Freedom	1,645	2,459	2,395	1,657	531
Federal 5307 Funds (4)	22,585	-	-	-	-
Total Deficit Funding	**$116,422**	**$128,650**	**$151,502**	**$149,475**	**$152,138**
Funding Surplus/Deficit	***$6,063***	***$(3,420)***	***$1,153***	***$(1,153)***	-
Recovery Ratio (5)	***36.0%***	***36.0%***	***36.0%***		

(1) Passenger revenue includes fixed route, vanpool, Dial-A-Ride, Ride DuPage, Ride in Kane, and other services. (2) Excludes ADvAntage Program–in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation. (3) Pass reimbursement is considered revenue for Pace's recovery ratio calculation. (4) Federal Section 5307 funding (preventive maintenance) transferred from the capital program tarations. (5) The recovery ratio in 2007 includes ADvAntage program–in-kind revenue and expense credits (of equal amount). The recovery ratio in 2008 includes ADvAntage program–in-kind revenue and expense credits (of equal amount), as well as revenue credits for lost revenue from the Seniors Ride Free program and for accepting the CTA 7-Day Pass, U-Pass, and Visitor/Fun Passes. The recovery ratio in 2009-2011 includes ADvAntage program–in-kind revenue and expense credits (of equal amount), as well as revenue credits for lost revenue from the Seniors Ride Free program. The recovery ratio in 2009 meets the 36% mark set for Pace by the RTA Board on September 15, 2008.

Exhibit 6-5: **Pace Suburban Service System-Generated Revenue**
(dollars in millions) (1)



(1) In 2007, Revenue excludes RTA pass reimbursement. In 2009 through 2011, revenue reflects fare increases and new initiatives. In 2010 and 2011, revenue does not reflect deficit reduction actions.

Exhibit 6-6: **2009 Pace Suburban Service Revenue**
$54.2 million

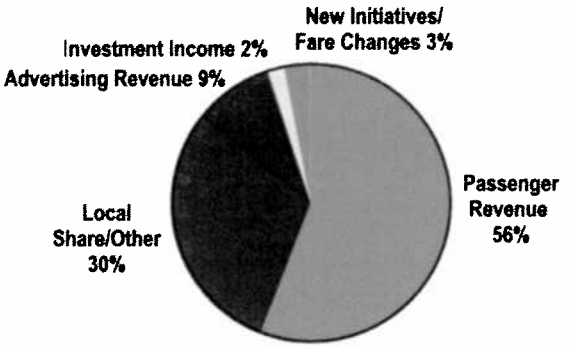
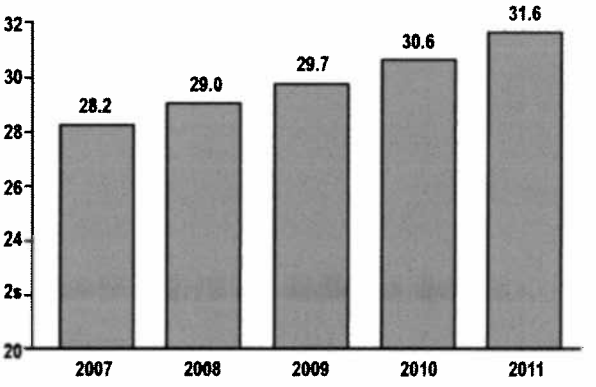


Exhibit 6-7: **Pace Suburban Service Farebox Revenue**
(dollar in millions) (1)



(1) In 2009 through 2011, revenue reflects fare increases and new initiatives. In 2010 and 2011, revenue does not reflect deficit reduction actions.

a proposal to increase bus, Dial-A-Ride, and vanpool fares. Pace has also decided to stop accepting CTA 7-Day Passes, U-Passes, and Visitor/Fun Passes effective January 1, 2009. A new Pace/CTA 7-Day Pass sold at a $5 premium will be valid on Pace and CTA. However, no fare increases or pass acceptance changes were assumed in Pace's revenue or ridership projections.

In 2007, Pace's local share contributions and other revenue totaled $14.4 million. Pace expects that in 2008 suburban service will result in local share contributions and other revenue of $15.7 million. Suburban service local share contributions and other revenue are projected to grow from $16.5 million in 2009 to $19.3 million in 2011, a $2.8 million increase that corresponds to an 8.2 percent compound annual growth rate.

Pace's suburban service fare structure is presented at the end of this section (Exhibit 6-10). Pace raised its base fare from $1.50 to $1.75, its monthly pass from $75.00 to $86.00, and its van pool fares by 10 percent. Pace also raised the price of its other full-fare and reduced fare single-ride fares, ten-ride tickets, and passes.

Reduced Fare Subsidy

With uncertainty looming in the State's reduced fare reimbursement program, Pace excluded this source of revenue during the 2009-2011 planning period. Pace also reduced its estimate of its 2008 reduced fare reimbursement to the amount advanced by the State in the fall of 2007. The State 2009 budget has since been amended to include funds for reduced fare reimbursement.

Advertising

Advertising revenue is expected to increase from $4.6 million in 2007 to $4.7 million in 2008. Pace projects that advertising revenue will grow from $5.0 million in 2009 to $5.6 million in 2011, a $0.6 million increase corresponding to a 6.1 percent compound annual growth rate.

Investment

Investment income is expected to decrease from $2.2 million in 2007 to $1.4 million in 2008 resulting from smaller cash balances and declining interest rates. Pace projects that advertising revenue will continue to decline from $1.2 million in 2009 to $0.3 million in 2011.

Operating Expenditures

Pace suburban service operating expenditures totaled $162.5 million in 2007. In 2008, Pace expects suburban service operating expenditures of $184.2 million. Pace projects suburban service operating expenditures of $204.6 million in 2009 to grow to $223.7 million in 2011, an increase of $19.1 million corresponding to a compound annual growth rate of 4.6 percent (Exhibit 6-8). These expenditure totals include a regional ADA support credit of approximately $3.7 million annually that reflects many of the administrative and overhead costs to be incurred throughout Pace in support of ADA paratransit. Growth of labor/fringe benefits and health care costs is the primary factor behind the increases in suburban service operating expenditures. Figures for individual expenditure elements do not incorporate required deficit reduction actions in 2010 and 2011.

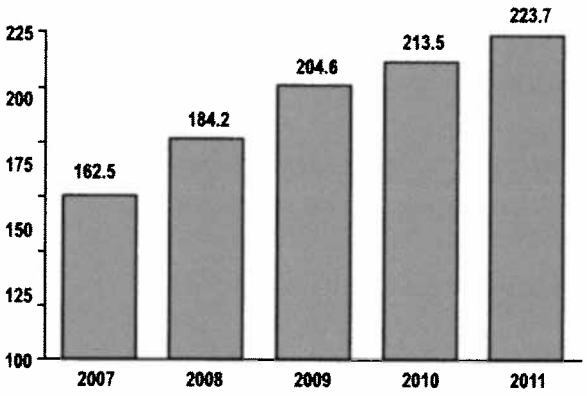
Expenditure Elements

Operating expenditure elements include labor/fringe benefits, health insurance, parts/supplies, purchased transportation, fuel, utilities, insurance/claims, other, new initiatives, and ADA indirect overhead credit (Exhibit 6-4).

Labor/Fringe Benefits and Health Insurance Costs

Labor/fringe and health insurance expenditures are projected to account for 51.2 percent of total suburban service operating expenditures in 2009. Combined labor/fringe benefits and health insurance expenditures for suburban service are projected to grow from $104.8 million in 2009 to $114.7 million in 2011, a $9.9 million increase that corresponds to a 4.6 percent compound annual growth rate.

Exhibit 6-8: **Pace Suburban Service Operating Expenditures**
(dollars in millions) (1)



(1) In 2010 and 2011, expenditures do not reflect deficit reduction actions.

Parts/Supplies

Parts/supplies expenditures are projected to account for 3.3 percent and of total suburban service operating expenditures in 2009. These expenditures are projected to grow from $6.8 million in 2009 to $7.1 million in 2011, a $0.3 million increase that corresponds to a 2.2 percent compound annual growth rate.

Purchased Transportation

Expenditures for purchased transportation are projected to account for 13.8 percent of total suburban service operating expenditures in 2009. These expenditures are projected to grow from $28.3 million in 2009 to $31.5 million in 2011, a $3.2 million increase that corresponds to a 5.4 percent compound annual growth rate.

Fuel

Fuel expenditures are projected to account for 14.4 percent of total suburban service expenditures in 2009. These expenditures are projected to grow from $29.5 million in 2009 to $30.2 million in 2011, a $0.7 million increase that corresponds to a 1.1 percent compound annual growth rate.

Utilities

Utilities expenditures are projected to account for 1.5 percent of total suburban service operating expenditures in 2009. These expenditures are projected to grow from $3.0 million in 2009 to $3.3 million in 2011, a $0.3 million increase that corresponds to a 4.9 percent compound annual growth rate.

Insurance/Claims

Insurance/claims expenditures are projected to account for 6.1 percent of total suburban service operating expenditures in 2009. These expenditures are projected to grow from $12.5 million in 2009 to $15.6 million in 2011, a $3.2 million increase that corresponds to a 12.0 percent compound annual growth rate.

Other

Other expenditures are projected to account for 7.7 percent of total suburban service operating expenditures in 2009. These expenditures are projected to grow from $15.7 million in 2009 to $17.0 million in 2010, a $1.2 million increase corresponding to a 3.8 percent compound annual growth rate.

New Initiatives

The 2008 funding legislation was expected to provide an opportunity for Pace to implement new or expanded service. Pace planned to spend $7.5 million to implement new initiatives in 2009. By 2011, this amount is projected to grow by $0.7 million, corresponding to a 4.5 percent compound annual growth rate.

Regional ADA Support Credit

In 2007, Pace charged $1.3 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.4 million in 2008. Pace projects that this amount will increase from $3.6 million in 2009 to $3.8 million in 2011.

Deficit

The operating deficits are derived from total system-generated revenue minus total operating expenditures. Although Pace suburban service achieved a funding surplus of $6.1 million in 2007, Pace expects a suburban service funding deficit of $3.4 million in 2008. Pace projects a funding surplus of $1.2 million in 2009. In 2010, a deficit reduction action of $6.8 million is projected to result in a funding deficit of $1.2 million. In 2011, a deficit reduction action of $12.6 million is projected to result in deficit funding matching the operating deficit.

Funding

The traditional RTA sales tax is the primary source of funding for Pace suburban service. The RTA retains 15 percent of these sales tax funds for discretionary funding and allocates the remainder to the Service Boards by statutory 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 the traditional RTA sales tax is expected to increase 2.0 percent from $81.2 million in 2007 to $82.9 million in 2008. This amount is projected to decline 0.7 percent to $82.3 million in 2009 before increasing 1.4 percent to $83.4 million in 2010 and 2.7 percent to $85.7 million in 2011. In 2007, Pace also received from the RTA $7.0 million of discretionary funding and $4 million to reimburse Pace for accepting the CTA's 7-Day Pass, U-Pass, and Visitor Fun Passes. The RTA does

not plan to fund Pace to accept these CTA passes after 2007. The RTA expects to provide Pace with discretionary funds in the amount of $4.1 million in 2008 and $3.2 million in 2009. The RTA does not plan to provide discretionary funding to Pace after 2009. In 2007, federal funding for Pace suburban service operations included $22.6 million of Section 5307 funds transferred from Pace's capital program and $1.6 million of combined Congestion Mitigation Air Quality (CMAQ), Job Access Reverse Commute (JARC) and New Freedom funds. Combined CMAQ, JARC, and New Freedom funds for Pace suburban service are expected to increase to $2.5 million in 2008 before declining to $0.5 million by 2011.

Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region beginning on April 1, 2008, created a real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25 percent to 30 percent the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). From this new funding source, RTA sales tax & PTF (PA95-0708) and RTA Suburban Community Mobility Funds (SCMF) will increase support for Pace suburban service operations beginning in 2008. RTA sales tax & PTF (PA95-0708) is projected to increase from $15.4 million in 2008 to $37.8 million in 2011. SCMF of approximately $20 million are projected for 2008 through 2011. The legislation also required that the RTA provide Pace suburban service with RTA South Suburban Job Access Funds in the amount of $3.8 million in 2008 and $7.5 million annually thereafter.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. With the inclusion of reimbursement from the RTA to accept the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes and ADvAntage Program in-kind revenue and expense credits, Pace achieved a recovery ratio of 36.0 percent in 2007. With the inclusion of ADvAntage program in-kind revenue and expense credits, as well as revenue credits for lost revenue from the Seniors Ride Free program and for accepting the CTA 7-Day Pass, U-Pass, and Visitor Fun Passes, Pace expects to achieve a recovery ratio for suburban service of 36.0 percent in 2008. With the inclusion of ADvAntage program in-kind revenue and expense credits, as well as revenue credits for lost revenue from the Seniors Ride Free program and the People with Disabilities Ride Free program, Pace projects a recovery ratio for suburban service of 36.0 percent in 2009 which matches the 36 percent recovery ratio mark set by the RTA Board on September 15, 2008. Exhibit 6-4 provides the detail used in these calculations.

2008 Budget versus 2008 Estimate

Pace expects 2008 operating revenue for suburban service to finish the year $1.1 million or 2.1 percent unfavorable to budget. Passenger revenue is expected to finish the year $0.8 million or 2.8 percent favorable, while local share/other revenue is expected to be $0.4 million or 2.4 percent unfavorable. Advertising revenue is projected to finish the year at budget, while investment income is expected to be $0.2 million or 12.5 percent unfavorable. The reduced fare reimbursement was projected to finish the year $1.3 million or 50.0 percent unfavorable to budget. However, the State 2009 budget has since been amended to include funds for reduced fare reimbursement.

Total expenditures are expected to finish the year $8.7 million or 5.0 percent unfavorable to budget. Expenditures for labor/fringe benefits, health insurance, other, and the regional ADA support credit are each expected to be $0.5, $0.3, $6.2, $0.8 million favorable to budget, respectively, while expenditures for parts/supplies, purchased transportation, fuel, utilities, and insurance/claims are expected to be $0.7, $4.2, $10.6, $0.2, and $0.7 million unfavorable to budget, respectively.

From a funding perspective, Pace expects a favorable variance of $0.3 million in 2008 because of higher than budgeted federal CMAQ & JARC funding (Exhibit 6-9).

Exhibit 6-9: **Pace 2008 Budget vs. 2008 Estimate** (dollars in thousands)

	Amended 2008 Budget (1)	2008 Estimate	Variance
System-Generated Revenue			
Passenger Revenue (2)	$28,183	$28,973	$ 790
Local Share/Other	16,139	15,744	(395)
Advertising Revenue	4,713	4,713	-
Investment Income	1,556	1,361	(195)
Reduced Fare Reimbursement	2,582	1,291	(1,291)
Total Revenues (3)	**$53,172**	**$ 52,082**	**$ (1,090)**
Operating Expenditures			
Labor/Fringe Benefits	$85,298	$84,769	$529
Health Insurance	15,034	14,780	254
Parts/Supplies	5,840	6,541	(701)
Purchased Transportation	22,297	26,462	(4,165)
Fuel	15,695	26,319	(10,624)
Utilities	2,463	2,693	(230)
Insurance/Claims	10,716	11,422	(706)
Other	20,764	14,588	6,176
Regional ADA Support Credit	(2,655)	(3,422)	767
Total Expenditures	**$175,450**	**$184,152**	**$(8,702)**
Operating Deficit	***$122,278***	***$132,070***	***$(9,792)***
Deficit Funding			
RTA Sales Tax	$82,889	$82,889	-
RTA Sales Tax & PTF (PA95-0708)	15,413	15,413	-
RTA Discretionary Funds	4,139	4,139	-
RTA Suburban Community Mobility Funds (SCMF)	20,000	20,000	-
RTA South Suburban Job Access Funds	3,750	3,750	-
CMAQ/JARC/New Freedom	2,146	2,459	313
Total Deficit Funding	**$128,337**	**$128,650**	**$313**
Funding Surplus/Deficit (Revenue less Expense)	$6,059	$(3,420)	$(9,479)
ADvAntage Program - In-Kind (4)	$5,250	$7,702	$2,452
Recovery Ratio (5)	***36.0%***	***36.0%***	***0.0%***

(1) Pace Regional ADA Paratransit Service 2008 Budget approved by the RTA Board on September 15, 2008. (2) Passenger revenue includes Fixed Route, Van Pool, Dial-A-Ride, Ride DuPage, Ride in Kane, and Other Services. (3) Excludes ADvAntage Program–in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation. (4) The ADvAntage Program - in-kind revenue and expense (of equal amount) is included in the recovery ratio calculation. (5) The recovery ratio calculation includes ADvAntage program–in-kind revenue and expense credits (of equal amount), as well as revenue credits for lost revenue from the Seniors Ride Free program and for accepting the CTA 7-Day Pass, U-Pass, and Visitor/Fun Passes.

Exhibit 6-10: **Pace Suburban Service Fare Structure**

	Current Fares		New Fares	
	Full Fare	**Reduced Fare**	**Full Fare**	**Reduced Fare**
Regular Fares				
Full Fare	$1.50	$0.75	$1.75	$0.85
Transfer to Pace/CTA*	0.25	0.10	0.25	0.15
Local Fares				
Full Fare	$1.25	$0.60	$1.75	$0.85
Transfer to Pace/CTA*	0.50	0.25	0.25	0.15
Local Transfer	Free Local Transfer		Free Local Transfer	
Local 10 Ride Plus Ticket	12.50	6.00	Eliminated	
Passes				
Pace/CTA (30-Day)	$75.00	$35.00	$86.00	$35.00
Pace/CTA (7-Day)				$28.00
Commuter Club Card (CCC)(Pace Only)	50.00	25.00	60.00	30.00
Link-Up Ticket	36.00		36.00	
Plus Bus	30.00		30.00	
Regular 10 Ride Plus Ticket	15.00	7.50	17.50	8.50
Student (Haul Pass)		25.00		30.00
Student Summer Pass		40.00		45.00
Subscription Bus (Monthly)	110.00		125.00	
CTA 7-Day/U-Pass/Visitor Fun Passes	Accepted		Not Accepted	
Express Fares/Other Fares				
Premium Routes	$3.00	$1.50	$4.00	$2.00
Premium 10 Ride Plus Ticket (355 and 855)	30.00	15.00	40.00	20.00
Other				
Dial-a-Ride	$1.60	$0.80	$2.00	$0.80
Shuttle Routes (No Reduced Fares)	1.00		1.75	
Shuttle Routes 535	0.50		1.75	

Vanpool

New monthly VIP and other van pool services fares range from $73 to$174 depending on the daily round trip van miles and the number of passengers. This range represents a 10% increase from 2008.

*Effective January 1, 2006, the CTA discontinued issuing or accepting cash transfers.

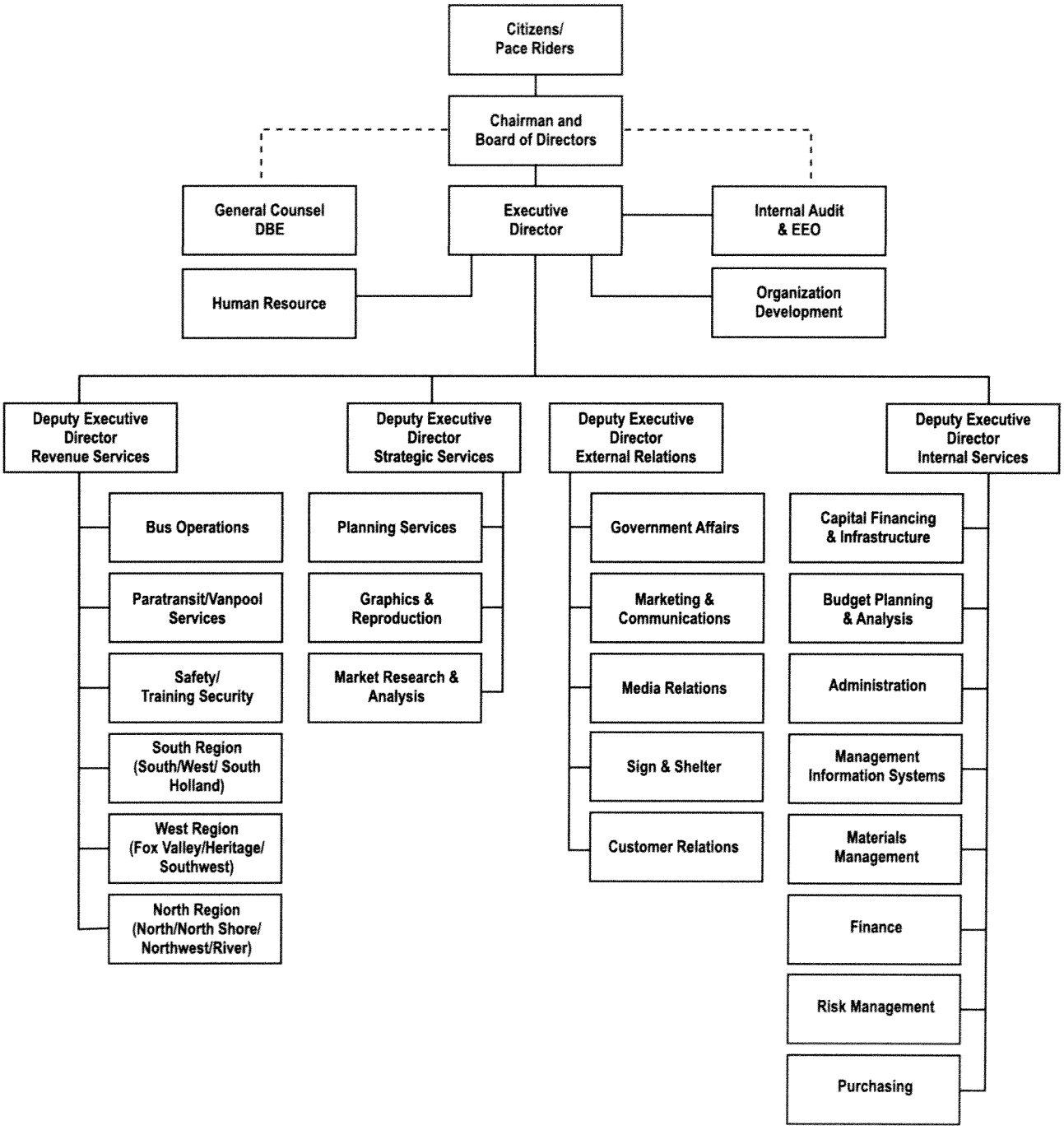
Statutory Compliance

Pace's proposed 2009 budget and 2009 recovery ratio submitted to the RTA comply with the operating marks set by the RTA Board on September 15, 2008. Pace's 2010 and 2011 financial plan exceeded the operating marks by $6.8 million and $12.6 million, respectively. To meet the operating marks, Pace will need to implement deficit reduction actions that will increase revenues and/or decrease expenditures by $6.8 million in 2010 and $12.6 million in 2011. Effective January 1, 2009, Pace increased bus, Dial-A-Ride, and vanpool fares (Exhibit 6-10).

Organizational Structure

Pace is organized into four main areas: Revenue Services, Strategic Services, External Relations, and Internal Services (Exhibit 6-11). Pace's organizational structure comprises four primary elements: administration, central support, Pace-owned divisions, and regional ADA paratransit services. Within each element, employees are classified into four areas: operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the National Transit Database reporting requirements, which apply to all public transit operators.

Exhibit 6-11: **Pace Organization Chart**



ADA Paratransit

Overview

Effective July 1, 2006, aace has provided all ADA paratransit service in the RTA region. Beginning in 2007, Pace's revenue and expenditures are separated into suburban service and regional ADA paratransit service.

Service Characteristics

The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA or Metra rail stations, as described in the Americans with Disabilities Act (ADA).

In the suburban area where Pace provides fixed route service, Pace contracts with private operators to provide ADA paratransit service. These operators use Pace-owned lift-equipped vehicles to provide curb-to-curb service to ADA-certified passengers within a portion of the suburban area of the RTA region.

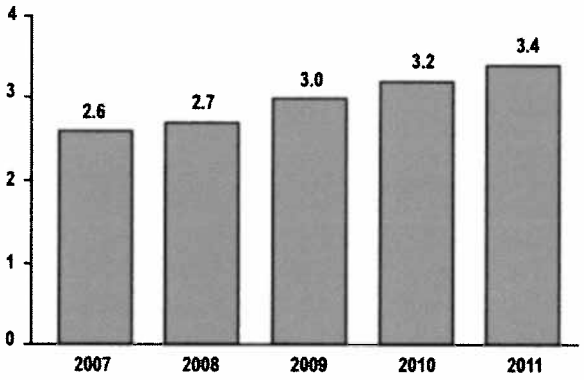
In the CTA service area, Pace contracts with private operators to provide ADA paratransit service. The operators use contractor-owned vehicles to provide service to ADA-certified passengers throughout the City of Chicago and the suburban communities served by CTA bus and rail operations. Pace also administers two subsidized taxi programs in the City of Chicago (the Taxi Access Program (TAP) and the Mobility Direct program) for ADA-certified passengers, although these programs are not required by the Americans with Disabilities Act.

The CTA and Pace fixed route services are described earlier in this document.

Ridership

In 2007, Pace's regional ADA paratransit ridership totaled 2.6 million. In 2008, Pace expects regional ADA paratransit ridership of 2.7 million. Pace projects that in 2009, ADA paratransit ridership will grow 10.8 percent (11.7 percent in the CTA service area and 6.8 percent in the suburban service area) to 3.0 million and then 5.8 percent annually (6.0 percent in the CTA service area and 5.0 percent in the suburban service area) to 3.2 million in 2010 and 3.4 million in 2011. (Exhibit 6-12)

Exhibit 6-12: **Pace Regional ADA Paratransit Ridership**
(in millions)



Cost Efficiency

The cost per passenger measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-13). Cost per passenger for Regional ADA paratransit service is projected to increase from $35.32 in 2009 to $37.44 in 2011. This $2.12 increase corresponds to a compound annual growth rate of 3.0 percent. Pace projects that during this period contractor costs will grow 8.5 percent and 14.3 percent annually in the CTA service area and suburban service area, respectively.

Exhibit 6-13: **Pace ADA Paratransit Cost Efficiency**

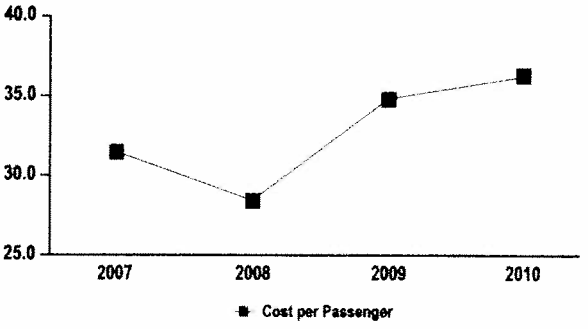


Exhibit 6-14: **Pace Regional ADA Paratransit Service 2008 Budget and 2009-2010 Financial Plan** (dollars in thousands)

	2007 Actual	2008 Estimate	2009 Budget	2010 Plan	2011 Plan
System-Generated Revenues					
Passenger Revenue	$ 6,182	$ 6,814	$ 8,010	$ 8,465	$ 8,946
RTA Certification Trips	834	889	548	577	607
Total Revenues	**$ 7,016**	**$ 7,703**	**$ 8,558**	**$ 9,042**	**$ 9,553**
Operating Expenditures					
Labor/Fringe Benefits	$ 2,007	$ 2,107	$ 2,382	$ 2,472	$ 2,566
Health Insurance	280	266	294	327	364
Administrative Expense	779	1,555	1,782	1,820	1,867
Fuel	1,498	2,269	2,644	2,614	2,631
Insurance/Claims	428	337	366	409	459
RTA Certification	464	500	548	577	607
Suburban ADA Purchased Transportation	13,678	15,411	17,866	20,420	23,340
CTA Service Area ADA Purchased Transportation	63,230	83,684	77,713	84,777	91,492
Regional ADA Support Allocation	1,340	3,422	3,559	3,701	3,849
Total Expenditures	**$83,704**	**$109,551**	**$107,153**	**$117,118**	**$127,175**
Deficit Reduction Actions (1)	-	$ 1,848	-	$ 7,339	$ 14,579
Operating Deficit	***$ 76,688***	***$ 100,000***	***$ 98,595***	***$ 100,737***	***$ 103,043***
Deficit Funding					
State ADA Paratransit Funding	$ 54,252	-	-	-	-
RTA Paratransit Funding	21,758	-	-	-	-
Sales Tax and PTF (PA 95-0708)	-	100,000	98,998	100,334	103,043
RTA Funds (Reserved)/Used for ADA Service	-		(403)	403	
Total Deficit Funding	**$ 76,010**	**$ 100,000**	**$ 98,595**	**$ 100,737**	**$ 103,043**
Funding Surplus/(Deficit)	$ (678)	-	-	-	-
Recovery Ratio % (2)	***8.4%***	***10.0%***	***10.0%***	-	-

(1) Pace must take actions to achieve a deficit of no more than $100.0 million in 2008, $100.7 million in 2010, and $103.0 million in 2011. (2) On August 26, 2008, the Governor signed Senate Bill 1920 that allows the RTA Board to exempt from the farebox recovery ratio formula a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

Budget and Financial Plan

The Pace ADA paratransit service budget and financial plan presented in Exhibit 6-14 meets the 2009 recovery ratio mark set by the RTA on September 15, 2008, and the three year funding levels as amended by the RTA on December 18, 2008. In compliance with the RTA Act, the RTA set the ADA paratransit recovery ratio for 2009 at 10.0 percent. The RTA set the funding for ADA paratransit at $98.6 million for 2009, $100.7 million for 2010, and $103.0 million for 2011. To meet these funding levels, Pace will need to implement deficit reduction actions that will increase revenues and/or decrease expenditures by $7.3 million in 2010 and $14.6 million in 2011.

System-Generated Revenue

In 2007, regional ADA paratransit revenue of $7.0 million comprised passenger revenue of $6.2 million and reimbursements from the RTA for transporting paratransit applicants to assessment sites of $0.8 million (Exhibit 6-15 and Exhibit 6-16). In 2008, Pace expects total regional ADA paratransit revenue to reach $7.7 million with passenger revenue accounting for $6.8 million of this amount. Pace projects that Passenger revenue will account for 94 percent of total revenue in 2009 (Exhibit 6-17). Pace projects total ADA paratransit system-generated revenue of $8.6 million in 2009, $9.0 million in 2010,

Exhibit 6-15: **Pace ADA Paratransit Service System-Generated Revenue** (dollars in millions)

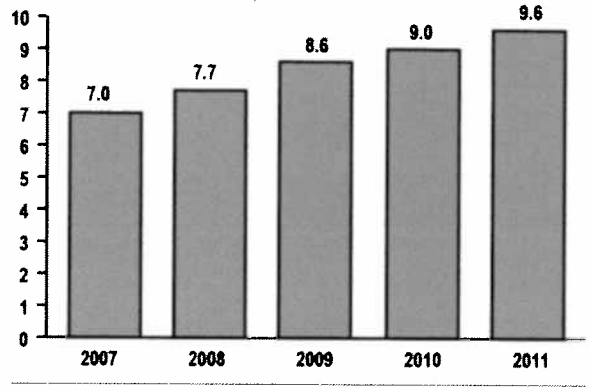
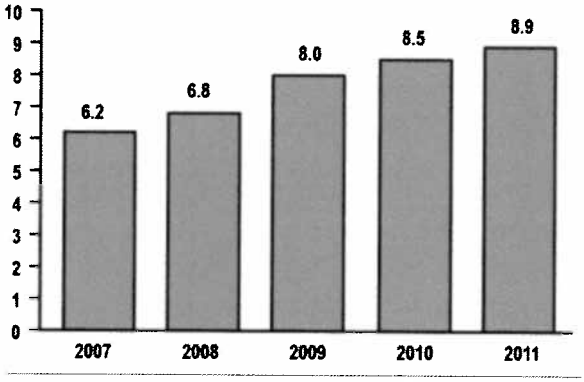


Exhibit 6-16: **Pace ADA Paratransit Farebox Revenue** (dollars in millions)



and $9.6 million in 2011. These revenue figures do not incorporate required deficit reduction actions in 2008, 2010, and 2011. Pace's regional ADA paratransit fare structure is presented at the end of this section (Exhibit 6-20). No fare increases were assumed in Pace's revenue or ridership projections.

Operating Expenditures

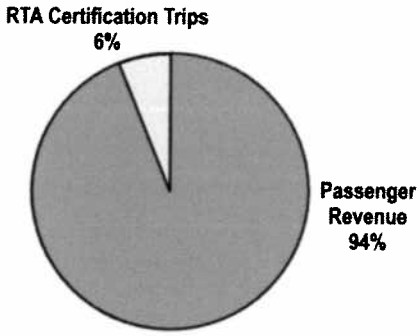
In 2007, regional ADA paratransit service operating expenditures totaled $83.7 million. In 2008, Pace expects total regional ADA paratransit operating expenditures to reach $109.6 million. Pace projects total operating expenditures of $107.2 million in 2009, $117.1 million in 2010, and $127.2 million in 2011. Growth in purchased transportation costs is the primary factor behind these increases in operating expenditures (Exhibit 6-18).

Expenditure Elements

Operating expenditure elements include labor/fringe benefits, health insurance, administrative expense, fuel, insurance/claims, RTA certification, suburban ADA purchased transportation, CTA service area ADA purchased transportation, and an indirect overhead allocation (Exhibit 6-14). Figures for individual expenditure elements do not incorporate required deficit reduction actions in 2008, 2010, and 2011.

Labor/Fringe and Health Insurance Costs

Exhibit 6-17: **2009 Pace ADA Paratransit Revenue**--$8.6 million

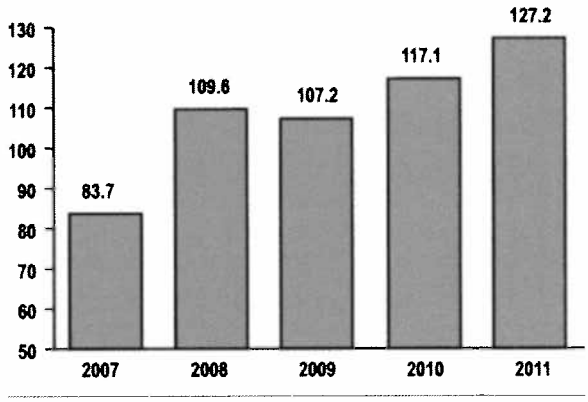


Labor/fringe benefits and health insurance expenditures are expected to account for 2.5 percent of regional ADA paratransit service operating expenditures in 2009. Labor/fringe benefits and health insurance expenditures are projected to grow from $2.7 million in 2009 to $2.9 million in 2011, corresponding to a 4.6 percent compound annual growth rate.

Administration

Administration expenditures are projected to account for 1.7 percent of regional ADA paratransit service operating expenditures in 2009. Pace leases its operations center for ADA paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. Administrative expenditures are projected to grow from $1.8 million in 2009 to $1.9 million in 2010 at a 2.4 percent compound annual

Exhibit 6-18: **Pace Total Operating Expenditures**
(dollars in millions)



growth rate.

Fuel

Pace purchases fuel for the private operators who provide ADA paratransit service using Pace-owned vehicles in Pace's suburban service area. Fuel expenditures are projected to account for 2.5 percent of regional ADA paratransit service operating expenditures in 2009. Fuel expenditures are projected remain at $2.6 million from 2009 to 2011, declining from 2.5 percent to 2.1 percent of regional ADA paratransit operating expenditures.

Insurance and Claims

Insurance/claims expenditures are projected to account for 0.3 percent of regional ADA paratransit service operating expenditures in 2009. Insurance/claims expenditures are projected to remain near $0.4 million from 2009 to 2011.

RTA Certification

RTA certification expenditures comprise the cost of transporting applicants for ADA certification to and from assessment centers. These expenditures are projected to account for 0.6 percent of regional ADA paratransit service operating expenditures in 2009. RTA certification expenditures are projected remain near $0.6 million from 2009 to 2011.

Suburban ADA purchased transportation

Suburban ADA purchased transportation expenditures are projected to account for 16.7 percent of regional ADA paratransit service operating expenditures in 2009. These expenditures are projected to increase from $17.9 million in 2009 to $23.3 million in 2011, a $5.5 million increase that corresponds to a 14.3 percent compound annual growth rate. Pace assumes that demand for suburban ADA paratransit service will increase 5.0 percent in both 2010 and 2011.

CTA service area ADA purchased transportation

CTA service area ADA purchased transportation expenditures are projected to account for 72.5 percent of regional ADA paratransit service operating expenditures in 2009. These expenditures are projected to increase from $77.7 million in 2009 to $91.5 million in 2011, a $13.8 million increase that corresponds to an 8.5 percent compound annual growth rate. Pace assumes that demand for CTA service area ADA paratransit service will increase 6.0 percent in both 2010 and 2011.

Regional ADA support allocation

In 2007, Pace charged $1.3 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.4 million in 2008. Pace projects that this amount will increase from $3.6 million in 2009 to $3.8 million in 2011.

Deficit and Funding

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2007, funding for regional ADA paratransit service consisted of State funding of $54.3 million and RTA funding of $21.8 million, resulting in a shortfall of $0.7 million. In 2008, Illinois Public Act 95-0708 allocated to the funding of ADA paratransit service $100 million of the revenue from the increase in the RTA sales tax rate and the increase in the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). According to the legislation, this amount will vary in future years in proportion to annual RTA sales tax collections, and funding not required for the current year deficit will be applied to regional ADA paratransit operating deficits in future years. In 2008, all of the $100.0 million allocated for public transit is expected to fund the 2008 regional ADA paratransit service deficit. Based on the projections of sales tax collections in 2009, 2010, and 2011, the amounts to be allocated to the funding of ADA paratransit service are $99.0 million, $100.3 million, and $103.0 million, respectively.

Suburban service area and CTA service area purchased transportation expenses account for 16.4% and 74.4%, respectively, of total regional ADA paratransit expenditures.

RTA paratransit funding is projected to increase from $98.6 million in 2009 to $103.0 million in 2011, an increase of $4.4 million corresponding to a compound annual growth rate of 2.2 percent. In each year, the funding level is projected to match the corresponding operating deficit, contingent on deficit reduction actions in the amount of $7.3 million in 2010 and $14.6 million in 2011.

The budget and financial plan for regional ADA paratransit service presented in Exhibit 2-4 meet the 2009 through 2011 funding levels as amended by the RTA on December 18, 2008. The levels set annual funding for regional ADA paratransit funding at $98.6 million for 2009, $100.7 million for 2010, and $103.0 million for 2011.

Recovery Ratio

The recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The RTA Act requires that regional ADA paratransit service meet a recovery ratio of 10 percent. In 2008 and 2009, Pace's projected recovery ratio for regional ADA paratransit service is 10 percent. These recovery ratios are reached by exempting from the recovery ratio calculation a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

2008 Budget versus 2008 Estimate

Pace projects 2008 regional ADA paratransit service operating revenue that will be $0.6 million or 7.6 percent unfavorable to budget. Passenger revenue is expected to finish the year $0.7 million or 8.7 percent unfavorable.

Total expenditures are expected to finish the year $15.6 million or 16.6 percent unfavorable to budget. Expenditures for CTA service area purchased transportation are expected to be unfavorable to budget by $15.3 million (22.5 percent), and expenditures for fuel for suburban service area purchased transportation are expected to be unfavorable to budget by $0.6 million (33.7 percent).

From a funding perspective, Pace expects an unfavorable variance of $14.4 million in 2008 because of higher than expected expenditures (Exhibit 6-19). Funding for 2008 regional ADA paratransit service

Exhibit 6-19: **Pace Regional ADA Paratransit Service 2008 Budget vs. 2008 Estimate** (dollars in thousands)

	Amended 2008 Budget (1)	2008 Estimate	Variance
System Generated Revenue			
Passenger Revenue	$ 7,465	$ 6,814	$ (651)
RTA Certification Trips	869	889	20
Total Revenue	**$ 8,334**	**$ 7,703**	**$ (631)**
Operating Expenditures			
Labor/Fringe Benefits	$ 2,237	$ 2,107	$ 130
Health Insurance	244	266	(22)
Administrative Expense	1,555	1,555	0
Fuel	1,697	2,269	(572)
Insurance/Claims	504	337	167
RTA Certification	848	500	348
Suburban ADA Purchased Transportation	15,881	15,411	470
CTA Service Area ADA Purchased Transportation	68,339	83,684	(15,345)
Regional ADA Support Allocation	2,655	3,422	(767)
Total Expenditures	**$ 93,960**	**$ 109,551**	**$ (15,591)**
Deficit Reduction Actions (1)	-	1,848	(1,848)
Operating Deficit	***$ 85,626***	***$ 100,000***	***$ (14,374)***
Deficit Funding			
State ADA Paratransit Funding	-	-	-
RTA Paratransit Funding	-	-	-
Sales Tax and PTF (PA 95-0708)	100,000	100,000	-
RTA Funds (Reserved)/Used for ADA Service	(14,374)	-	(14,374)
Total Deficit Funding	**$ 85,626**	**$ 100,000**	**$ 14,374**
Funding Surplus/Deficit	-	-	-
Recovery Ratio (2)	***8.9%***	***10.0%***	***1.1%***

(1) Pace Regional ADA Paratransit Service 2008 Budget approved by the RTA Board on April 17, 2008, following enactment of PA 95-0708
(3) On August 26, 2008, the Governor signed Senate Bill 1920 that allows the RTA Board to exempt from the farebox recovery ratio formula a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

was subsequently increased to $100.0 million, still requiring deficit reduction actions in the amount of $1.8 million.

Statutory Compliance

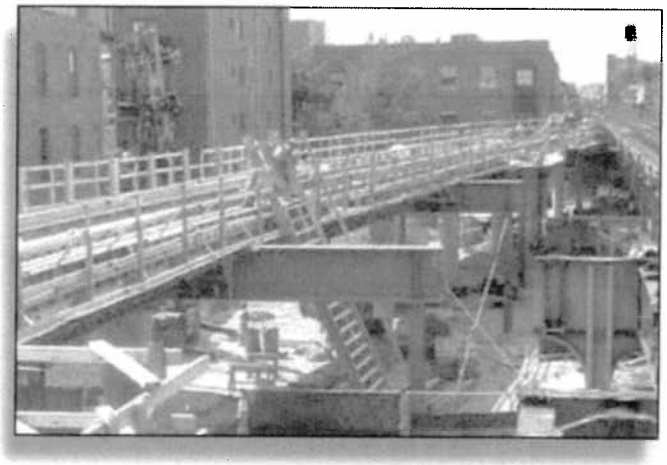
Pace's proposed 2009 budget and 2010 plan met the regional ADA paratransit operating funding marks set by the RTA Board on September 15, 2008, but Pace's proposed 2011 plan did not. These marks set the total funding levels at $98.6 million in 2009, $108.1 million in 2010 and $110.1 million in 2011. After the RTA revised the 2010 and 2011 funding level for regional ADA paratransit service, neither Pace's 2010 plan nor the 2011 plan met the required funding level. The revised regional ADA paratransit service funding levels for 2010 and 2011 were $100.3 million and $103.0 million, respectively.

To meet the 2010 and 2011 required funding levels, Pace's deficit projections were reduced $7.3 million and $14.6 million, respectively. Pace's projected recovery ratio of 10 percent in 2009 complies with the recovery ratio marks set by the RTA Board on September 15, 2008.

Exhibit 6-20: **Fare Structure**

	2008 - 2009 Fares
CTA Service Area	
ADA Paratransit	$2.25
Taxi Access Program and Mobility Direct	$5.00
Pace Service Area	
Regular Route analog	$3.00
Local Route analog	$2.50

7 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 emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's $34.7 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. This translates into a need over $1 billion per year just to maintain and preserve the existing system. In 2005, Congress passed a reauthorization of federal funding for transportation projects. Although this legislation provided an increase over previous levels of funding, it stills leave a substantial shortfall.

In January 2008, the Illinois State Legislature passed legislation which amended the RTA Act. This amendment increased funding for public transit operations, but it did not address capital funding for public transportation in northeastern Illinois. Without a state-sponsored capital program, the Service Boards do not have the resources to maintain, enhance or expand the RTA system.

With funding needs for capital improvements and rehabilitation greatly exceeding expected resources, the RTA and the Service Boards must actively pursue additional funding opportunities to preserve and enhance the economic viability of the RTA system. It is critical that the RTA allocate our available capital resources consistent with long-range plans and short-range needs.

Continued financial support for public transit is vital to the region's economic health. However, the region's current transit needs, based upon bringing the entire system to a state of good repair, continue to outpace projected funding levels. The $34.7 billion asset of trains, buses, vans and stations and tracks belongs to the people of northeastern Illinois.

On April 17, 2008, the RTA approved the 2009 Business Plan Call that included a request for information regarding the Five-Year (2009-2013) Capital Program and Ten-Year (2009-2018) Capital Plan. The Business Plan Call established forms and schedules, assumptions and projections, and information that the RTA requires from the Service Boards in order to execute its responsibilities and authority under the RTA Act. In addition, the Five-Year Capital Program will be developed in concert with RTA Resolution 2008-46 adopted on July 17th that endorsed the work done by the RTA and Service Boards' task forces on the interim capital evaluation process for the 2009 budget. On July 17th, the RTA Board amended the previously adopted Business Plan Call (RTA Ordinance 2008-17) to include a uniform capital process and criteria to use in the 2009 RTA capital plan development.

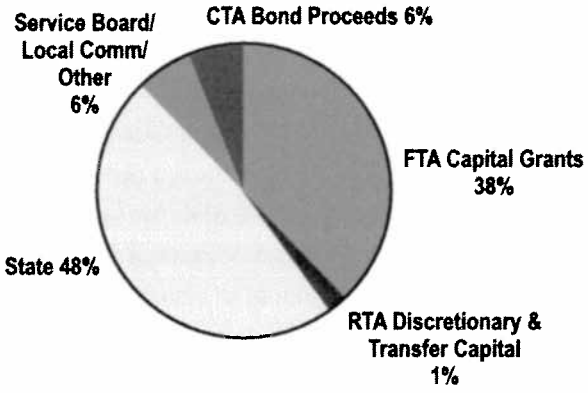
Consistent with the amended RTA Act, the Moving Beyond Congestion Strategic Plan and the recommendations of the management and performance audit by the Illinois Auditor General, the Business Plan Call has been enhanced to provide a more comprehensive evaluation of longer-term operating and capital program trends. The RTA is also developing a comprehensive set of performance measurements that will track and report at a frequency appropriate for each measurement. The Service Boards are to incorporate these measurements in the proposed business plan and capital program documents they provide for public hearing and submit to the RTA in November. As required by the amended RTA Act, the RTA is working with the Service Boards on the development of a new system for prioritizing projects based on regional goals that is intended eventually to replace fixed allocation percentages. The Capital Evaluation task force is reviewing existing processes

at the individual Service Boards and selecting and prioritizing common criteria. The use of these common capital criteria represents an interim evaluation process for the development in 2008 of the 2009 Capital Plan - which the RTA Ordinance 2008-44 incorporated into the Business Plan Call for this year. To begin to institute these capital criteria, the Service Boards will evaluate projects for this Capital Program in a review process based on customers' needs. Evaluation criteria included customer and employee safety, reductions to travel time, increased comfort and convenience, system security, impact on system reliability, compliance with regulations and community impact. The development of a regional criteria-based capital investment evaluation process is currently underway as part of the development of a comprehensive update to the Strategic Plan.

Sources of Funds

The funding sources for the RTA Capital Program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards. The total estimated new capital funds available for 2009 are projected at $551.3 million. After deducting $74.7 million to provide for the CTA's repayment of principal and interest on borrowed funds, $476.6 million is available for capital projects. At this time, the final federal appropriation figures for 2009 have not been determined. Once this amount is established, the capital program will be adjusted to reflect the available funding.

Exhibit 7-1: **RTA 2009-2013 Capital Program Marks—** $5 billion



On September 15, 2008, the RTA adopted preliminary capital funding marks for 2009-2013. When the RTA adopts its budget on December 18, 2008, these marks will be revised to update various federal and local funding sources based on the latest information from the Service Boards and the RTA. (Exhibits 3-1 and 3-2). Of the estimated $476.6 million of new funding sources for 2009, federal funding accounts for $396.4 million or 83 percent, RTA funds account for $20.3 million or 4 percent, and Service Board and other funds account for $59.9 million or 13 percent (Exhibits 3-3 and 3-4).

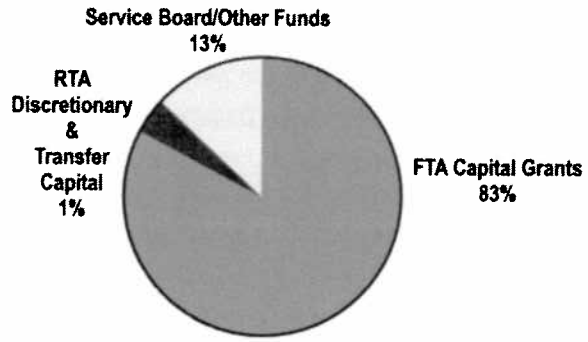
Federal

The RTA receives federal funds authorized under federal sections 5307, 5340 and 5309 of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Exhibit 7-2: **RTA 2009-2013 Capital Program Marks** (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Total	Adjusted total for CTA Principal and Interest
FTA Capital Grants	1,376	800	213	2,389	1,891
RTA Discretionary & Transfer Capital	102	-	-	102	102
State	1,200	1,080	120	2,400	2,400
Service Board/ Local Comm/ Other	33	283	2	318	318
Total New Service Board Capital Funding	**$2,711**	**$2,163**	**$335**	**$5,209**	**$4,711**
De-obligations	-	-	-	-	-
CTA Principal and Interest	(498)	-	-	(498)	-
CTA Bond Proceeds	325	-	-	325	325
Total Service Board Available	**$2,538**	**$2,163**	**$335**	**$5,036**	**$5,036**

Exhibit 7-3: **Capital Funding in 2009**—$477 million



SAFETEA-LU provides funding for federal surface transportation programs, including transit through federal fiscal year (FFY) 2009. For planning purposes, the RTA preliminary marks assume the continued availability of federal funds in 2010 through 2013. Note, because of reduced balances in the federal Highway Trust Fund, which is the source of money for federal transit funding, and general budget shortfalls, the RTA is cautious regarding future rates of growth. Therefore, the RTA is using the historic annual average growth rate of 4% beyond 2009 for federal formula funds.

On September 30, 2008, President Bush signed into law a Continuing Resolution (CR) to fund federal agencies until March 6, 2009. The CR funds the Department of Transportation at FFY 2008 levels until the new Congress convenes next year. The CR includes the full FFY 2009 appropriation bill for Homeland Security.

Certain federal funding programs are allocated to urbanized areas based on statuatory defined formulas. The RTA region receives federal Section 5307 Urbanized Area Formula funds and federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds in this fashion. SAFETEA-LU included a new program, federal Section 5340 Growing and High Density States, also distributed by formula that will provide funds to northeastern Illinois. All of these formula-based funds are allocated by the RTA to the Service Boards according to the historical distribution of 58 percent to the CTA, 34 percent to Metra, and 8 percent to Pace. However, while the RTA is using these distribution percentages for the 2009-2013 Capital Program, these amounts may be adjusted based on regional priorities for future programs.

Funds from federal discretionary programs are made available on a competitive basis nationally. The RTA traditionally receives funding from the Section 5309 Discretionary Bus program. The region is expected to receive all funds earmarked for the Service Boards in SAFETEA-LU for this program. The Service Boards will develop projects in the future to compete for additional federal resources.

At this time, with insufficient capital funding, the region must concentrate the Capital Program on the preservation of existing facilities and equipment. Therefore, no New Starts funding for construction will be allocated for the Five-Year programming period. In the event federal funds are available for plan-

Exhibit 7-4: **Capital Funding in 2009** (dollars in thousands)

Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**Total**	**Adjusted total for CTA Principal and Interest**
FTA Capital Grants	279,775	151,584	39,704	471,063	396,361
IDOT Grants	-	-	-	-	-
RTA Disrectionary & Transfer Capital	20,353	-	-	20,353	20,353
Service Board/Other Funds	6,718	51,774	1,387	59,879	59,879
Total New Service Board Capital Funding	**$308,846**	**$203,358**	**$41,091**	**$551,295**	**$476,593**
De-obligations	-	-	-	-	-
CTA Principal and Interest	(74,702)	-	-	(74,702)	
Total Service Board Available	**$225,426**	**$203,358**	**$41,091**	**$476,593**	**$476,593**

ning purposes, including Alternatives Analysis and Preliminary Engineering, the marks may need to be revised.

Other Federal Flexible funds, such as the Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funds, are sought by the Service Boards through a regional competitive process.

In addition, the CTA and Metra have requested to program $6.5 million and $5 million, respectively for each year in the RTA's Five-Year funding marks from the Department of Homeland Security based on amounts they have received in the past for security projects.

Finally, other federal funds will be made available to the region by formula but may be allocated among a variety of agencies, including but not limited to transit operators, on a competitive basis. These programs include the Section 5316 Job Access and Reverse Commute (JARC) Program and Section 5317 New Freedom Program (for services supplemental to ADA requirements). Since projects using funds for these programs will be selected in 2009 based on a competitive selection process led by the RTA, in cooperation with the MPO Policy Committee, no funding marks have been proposed at this time. In 2009, the RTA Capital Program marks will be amended to include JARC and New Freedom funding for capital projects only.

In summary, the 2009 RTA preliminary federal estimates reflecting the SAFETEA-LU legislation are $167.1 million for federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds, $244.6 million for federal Section 5307 Urbanized Area Formula funds combined with Section 5340 Growing and High Density States, $30.5 million for federal Section 5309 (m)(2)(A) New Start funds, $5.2 million for federal Section 5309 (m)(2)(C) Bus and Bus Facility funds, $12.2 million for federal flexible including CMAQ and other funds, and $11.5 million for Department of Homeland Security funds for systemwide security projects for the CTA and Metra. Furthermore, the CTA requested to reduce their federal funding by $74.7 million for the payment of debt principal and interest for 2009 and $423.7 million for this purpose in the out years.

State

State funds historically are awarded to the Service Boards by the Illinois Department of Transportation (IDOT) on a discretionary basis and are used primarily for federal match purposes to ensure that sufficient local funds are made available for critical transit projects in the region. The State of Illinois has historically provided capital support of public transportation in northeastern Illinois. This funding was provided through IDOT's Series B Bond program and RTA's Strategic Capital Improvement Program (SCIP) Bonds. As background, in 1999, the RTA Act was amended as part of Illinois FIRST legislation. The legislation increased the RTA borrowing authority by $1.6 billion for capital infrastructure improvements. This amount included $1.3 billion in authorization for SCIP Bonds. The State of Illinois reimburses the RTA for the principal and interest expense on these bonds. The remaining $300 million represented RTA Bonds for which the RTA does not receive State reimbursement. All of these funds (SCIP and RTA bonds) have been programmed to the Service Boards since 2004. Also, there has been no commitment on the part of the State to fund a major new capital program for public transportation. This means no State Series B Bonds, the traditional source of local match for federal funds, and no successor to the successful SCIP Bond programs. However, the RTA, CTA, Metra and Pace, as well as other supportive partners, are working with members of the General Assembly and the Governor's Administration to secure funding to support this level of investment.

The marks assume $3 billion in state funding will become available beginning with the 2010 budget year, therefore, the 2009-2013 Capital Program includes $2.4 billion in state funding. This amount maintains the same value in today's dollars as the Illinois FIRST program in 1999. These funds are distributed among the Service Boards in the same proportion as has been historically used for RTA bond

programs: 50% to the CTA, 45% to Metra and 5% to Pace. This allocation represents a distribution for planning purposes at this time and not a commitment for the future. It must be noted that even the $3 billion of new state funding is unlikely to bring the assets of the region's public transportation system to a state of good repair much less allow investment in capacity improvements to meet market demands.

However, without an adequate State capital program, the transit system will have insufficient funds to maintain, let alone enhance and expand the transit system. The RTA had shown in its Regional Transportation Strategic Plan that $10 billion is needed in order to fully fund all needed system maintenance and to initiate all authorized system expansion projects.

RTA

Since 1995, the RTA has funded a Transfer Capital (TC) program. Transfer Capital are funds that can be used for operations but have, through cost containment, been reallocated for use on capital improvement projects. A total of $20.4 million has been allocated to transfer capital for the CTA for 2009. The 2010-2013 out-year Capital Program includes $81.4 million for the CTA from Transfer Capital funds.

The 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 several years, due to limited RTA Sales Tax receipts, the RTA deferred an allocation of any discretionary funds to the Service Boards for capital projects and the funds have been used primarily to fund operations.

Service Boards

Five-Year funding for this category includes Service Boards' own funds, local community and other non-traditional funding from state and federal agencies based on information supplied by the Service Boards. Historically, the Service Boards have occasionally transferred monies from current revenues or fund balances to the Capital Programs. These marks contain estimates provided by the Service Boards of funds that will be available from these sources.

CTA Financing

The CTA is proposing to borrow funds of $150 million in 2010 and $175 million in 2011 from the proceeds of bonds which would be repaid with future federal formula funds. The CTA will secure all funds and pay for all borrowings from their federal Section 5307 formula funds and federal Section 5309 Fixed Guideway Modernization funds.

Tollway Revenue Credits

Without the needed new state funds discussed previously, the Service Boards will not have sufficient

Exhibit 7-5: **RTA Capital Program Obligations**
(dollars in millions)

	CTA	Metra	Pace	Total
Ave. 1995-1999	240	154	24	418
2000	320	202	55	577
2001	322	500	61	883
2002	489	473	53	1,015
2003	599	365	25	989
2004	414	351	41	806
2005	494	216	37	747
2006	536	202	24	762
2007	489	109	38	636
2008 Estimate	650	180	10	840

Exhibit 7-6: **RTA Capital Program Expenditures**
(dollars in millions)

	CTA	Metra	Pace	Total
Ave. 1995-1999	234	166	20	420
2000	277	182	31	490
2001	351	316	55	722
2002	486	340	35	861
2003	477	468	81	1,026
2004	450	402	26	878
2005	351	354	33	738
2006	570	257	27	854
2007	612	166	35	813
2008 Estimate	650	150	25	825

Exhibit 7-7: **2009-2013 Capital Program Uses**—$5 billion

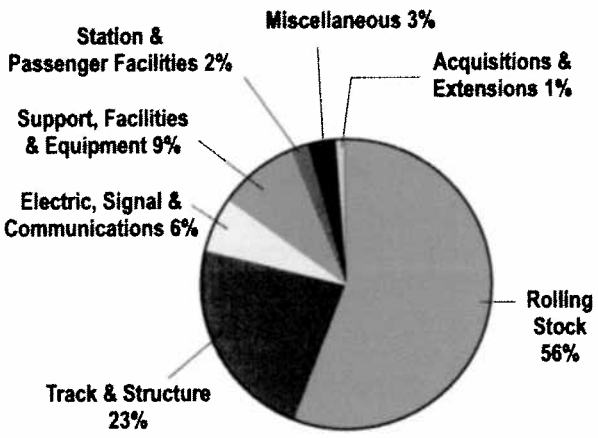


Exhibit 7-8: **2009-2013 Capital Program Uses**
(dollars in thousands)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	$1,630	$1,020	$183	$2,833
Track & Structure	594	537		1,131
Electric, Signal & Communications	119	176	26	321
Support Facilities & Equipment	133	208	101	442
Stations & Passenger Facilities	-	76	20	96
Miscellaneous	20	139	2	161
Acquisitions & Extensions	42	-	-	42
Contingencies & Administration	-	7	3	10
Totals	**$2,538**	**$2,163**	**$335**	**$5,036**

funds available to provide the entire local match for federal funding in 2009. Therefore, the Service Boards may exercise the toll revenue credit provision that was established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), incorporated in TEA-21 and continued in SAFETEA-LU. The toll revenue credit provision permits states to use certain expenditures of toll revenue as a "credit" toward the required local match for certain highway and transit programs. These credits are not actually funds that can be used; rather they are a mechanism to count toll revenues already spent for tollway capital projects as local matching dollars for federal capital funds for transit.

Use of Funds

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 through the 2004 program was $918.8 million, a 60 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 through 1999. From 2000 through 2008 (estimated), the Service Boards have awarded an annual average of $806 million in contracts. Project spending has also increased substantially, from an average of $420 million per year from 1995 through 1999 to $801 million from 2000 through 2008 (estimated). Exhibits 3-5 and 3-6 illustrate these trends. These results show that the Service Boards are putting the monies available to good use, providing benefits to public transportation riders. Obligations and expenditures for Metra in recent years are showing the effects of the elimination of state funding since 2004 and the diversion of federal monies to operations in 2005 through 2007. The CTA has been able to ameliorate these trends through the issuance of a substantial amount of debt to fund capital projects which must be repaid with future federal funds.

The primary emphasis of the 2009 Capital Program is to continue efforts to bring the system's assets to a state of good repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionalities of equipment, facilities and rolling stock. In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system expansion. For the 2009 Capital Program, the percent of the budget for capital projects to maintain the system is 89 percent. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

Investments in the Capital Program can also be broken down by various asset categories. Exhibits 3-7 and 3-8 show that $2.8 billion or 56 percent of the program is spent on rolling stock and $1.1 billion or 23 percent for track and structure 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.

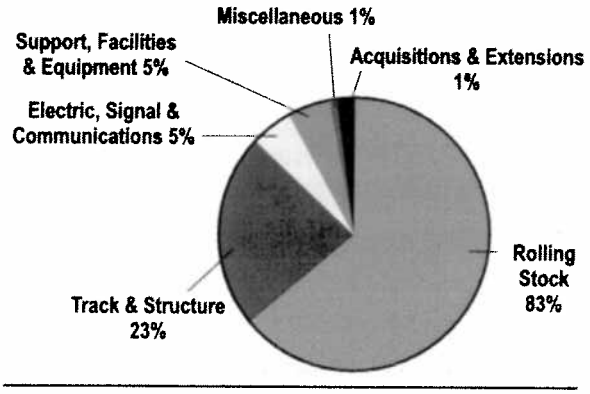
The 2009-2013 Capital Programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibits 3-9—3-12. Some of the more significant projects included in the proposed 2009-2013 capital program are:

- $593.4 million for the repair of CTA track and structure;
- $543.4 million for the purchase of 406 CTA rail cars;
- $488.2 million for the rehabilitation and overhaul of CTA rail cars;
- $364.3 million for the continuation of the purchase of CTA buses;
- $200 million for the rehabilitation and overhaul of CTA buses;
- $133 million for the improvement of CTA facilities;
- $42.3 million for the expansion of the CTA Ravenswood Brown Line;
- $540.5 million to purchase 160 bi-level cars for the Metra Electric District;
- $349.7 million for Metra bridge rehabilitation and renewal;
- $177.1 million for the rehabilitation of Metra commuter rail cars;
- $146.6 million for the construction and renewal of Metra yards, shops and facilities;
- $127 million for the rehabilitation and improvement of Metra locomotives;
- $80 million to purchase 50 bi-level commuter cars;
- $74.6 million for the upgrade of Metra signal systems;
- $86.3 million for the purchase of 261 Pace fixed route buses;
- $42.6 million for the purchase of Pace vans and community vehicles;
- $42 million for improvements to Pace garages and facilities;
- $32.4 million for the purchase of 376 Pace paratransit vehicles;
- $30.5 million for the purchase of a replacement Pace farebox system;
- $20 million for the purchase of a replacement of Pace's fixed route radio system;
- $16.8 million for the construction of Pace passenger and transfer facilities;
- $10.2 million for the purchase of the replacement for the HPe3000 computer system; and
- $4.5 million for the implementation of Transit Signal Priority projects.

CTA Overview

The proposed projects in the CTA's portion of the 2009-2013 capital program total $2.5 billion. The CTA's portion of the capital program continues the rehabilitation and replacement of their capital assets. The percentage for the general categories of capital improvements of the total program are: rolling stock at 64 percent, track and structure at 23 percent, electric, signal and communications at 5 percent, support facilities and equipment at 5 percent, acquisitions and extensions at 2 percent and miscellaneous at 1 percent. The general categories of capital improvements comprising the CTA's portion

Exhibit 7-9: **CTA Five-Year Assets by Category**—$2,538 million



of the capital program are illustrated in Exhibit 7-9.

Highlights of the CTA's portion of the 2009-2013 Capital Program are as follows:

Rolling Stock

The CTA's portion of the 2009-2013 Capital Program includes $564.3 million in the bus rolling stock category. The CTA's bus fleet consists of approximately 2,100 vehicles. The CTA's portion of the 2009-2013 capital program contains $364.3 million for replacement of overage buses with low-floor, fully accessible and air-conditioned buses. The buses that will be replaced will have reached the industry standard retirement age of 12 years by the end of the five-year program. Continued operation of these buses imposes unnecessarily high maintenance and operating costs and reduces service reliability for the CTA's customers.

In addition, $200 million is budgeted for capital-eligible bus maintenance activities and life extending overhauls over the five-year program with $19.8 million planned in 2009. The CTA will continue its aggressive Bus Capital Maintenance Program to schedule the replacement of parts nearing the end of their useful life. This program will improve the comfort, quality and reliability of the CTA's bus service and will reduce operating expenses by avoiding service disruptions and unscheduled maintenance of buses. Buses placed into service in 1999 through 2004 will be overhauled and returned to a state of good repair.

The rail rolling stock category includes over $1 billion in 2009-2013 to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of approximately 1,190 rail cars. The average car in the CTA rail fleet is over 24 years of age in 2008 and approximately 46% of the fleet exceeds the 25-year FTA standard life.

The five-year program includes $543.4 million for the replacement of aging 2200 and 2400 Series rail cars and the purchase of additional cars to meet the service requirements associated with the Brown Line capacity expansion. The CTA is proposing $78.5 million towards the purchase of new rail cars in 2009. Also, the 2009-2013 capital program contains $522.9 million for the CTA systematic maintenance and upgrade of rapid transit rolling stock including the overhaul and mid-life rehabilitation for rail cars. The CTA anticipates new rail cars will be delivered between 2010 and 2012. Until this occurs, the CTA must continue to use the 2200 and 2400 Series cars. The 2200 Series cars have been in service for more than 38 years and the 2400 Series cars have been in service for more than 30 years; both have already exceeded their expected service life. Funding is provided in the proposed program to complete life extending overhauls for the 2200 and 2400 Series cars to permit the CTA to keep them in service until they will be replaced.

In addition, the CTA plans to perform quarter life overhauls for the 2600 Series rail cars and mid-life overhauls of the 3200 rail cars as a part of the program for rail car overhaul and rehabilitation. By performing these scheduled maintenance activities and replacing rail cars at the appropriate time, generally at 25 years of age, the CTA will improve the comfort, quality and service reliability of the rail cars while reducing operating maintenance costs.

Track and Structure

The track and structure category includes $593.4 million in 2009-2013 to rehabilitate and expand existing rail lines with $9.8 million programmed in 2009 to continue the systematic rehabilitation of the CTA right-of-way, ties, track and structure to reduce slow zone restrictions. The CTA rail system contains over 287.8 total track miles, including yard track. The rail system provides 620,000 rides each weekday; customers depend on the CTA's rail system to deliver them to their destinations quickly and safely. The CTA has committed to an aggressive slow zone rehabilitation schedule. As of October 2008, slow zones on the CTA's system have been reduced to 9.1 percent. While these are considerable achievements, the rest of the CTA's rails and ties are continuing to age. Many of the remaining ties in the subways are past their useful life and will need replacement soon.

Electrical, Signal, and Communications

The electrical, signal, and communications category totals $119.1 million for the CTA's portion of the proposed five-year program, with $26.1 million programmed in 2009. The CTA's five-year program includes $86.6 million for systemwide replacement and upgrade of signals and power distribution and $32.5 million for systemwide security and communication enhancements. The CTA is proposing $19.6 million for upgrading and replacing the signal system for the entire Dearborn Subway, the Congress Branch and a portion of the O'Hare Branch on the Blue Line, and $6.5 million for security and communication enhancements in 2009.

Support Facilities and Equipment

The CTA's portion of the 2009-2013 capital program includes $133 million in the support facilities and equipment category with 2009 funding of $13.3 million. During this capital program period, the CTA will make significant progress in increasing rail station accessibility.

The CTA's five-year program includes upgrades and improvements to various CTA facilities that need repair and require security enhancements. A significant number of rail stations and bus turnarounds have not been improved or enhanced in many years and are in need of upgrades that will improve appearance and give customers a greater sense of security. Many roofs and canopies are nearing or are at the end of their service life and require replacement in order to avoid safety hazards and prevent damage to building interiors and roof structures.

Acquisitions & Extensions

The CTA's portion of the 2009-2013 capital program includes $42.3 million in the acquisition and extensions category in 2009 to complete the funding for 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.

Metra Overview

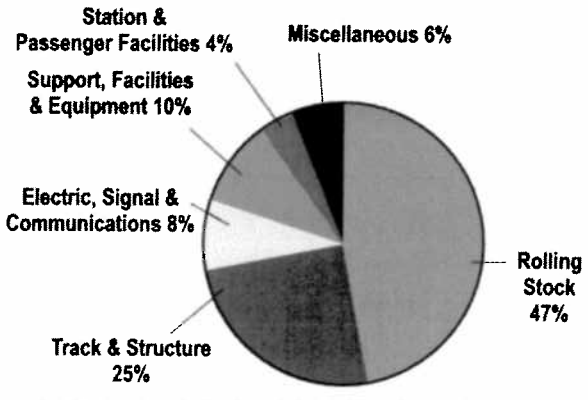
Metra's portion of the proposed 2009-2013 capital program totals $2.2 billion. During this five-year period, Metra will continue to renew its extensive commuter rail infrastructure and replace aging rolling stock. The percentage for the general categories of capital improvements of the total program are: rolling stock at 47 percent; track and structure at 25 percent; electric, signal, and communications at 8 percent; support facilities and equipment at 10 percent; stations and passenger facilities at 4 percent; and contingencies, administration and miscellaneous at 6 percent (Exhibit 7-10).

Highlights of Metra's portion of the 2009-2013 Capital Program are as follows:

Rolling Stock

The five-year rolling stock program totals $1 billion, with $26.4 million planned for 2009. Metra's fleet includes 144 locomotives, 818 non-electric bi-level cars and 171 electric-propelled highliner cars. In order for Metra to maintain a state of good repair, rail cars must undergo rehabilitation every 15 years, meaning that 50 rail cars per year must go through our rehab program. Without a state capital program, Metra has been able to rehab 23 cars per year since 2005, resulting in an 18 to 19-year rehabilitation cycle. Metra's locomotives must be rehabbed every ten years to maintain a state of good repair. Cur-

Exhibit 7-10: **Metra Five-Year Assets by Category** – $2,163 million



rently, that cycle has been extended from 10 to 12 years.

Most pressing is Metra's need to replace 160 highliner cars used on the Metra Electric District. These cars are nearly 40 years old and must be replaced. Replacement costs are currently estimated at $585 million.

In addition to the highliner cars, Metra's five-year capital program calls for the replacement of 50 bi-level gallery cars at $80 million, ten new locomotives at $40 million, the rehab/remanufacture of 130 locomotives at $127 million and the rehab of 213 bi-level cars at $177 million.

Track and Structure

The track and structure category totals $537.1 million over the five years of the program, with $85.1 million planned for 2009.

Track and structure are the foundation of the Metra system. Without the continual renewal of track components, retaining walls and bridges, Metra's reliable on-time service would decline and the wear and tear on our rail cars and locomotives would increase.

To maintain a state of good repair, Metra has established a continual cycle of inspection and renewal for its track and structures. Metra currently replaces 80,000 ties and 45 rail crossings per year. Ballast and track resurfacing is performed on a 4-year cycle, and since 1980, 82 bridges on the Metra system have been replaced.

Track and structure projects includes $350 million for the replacement of bridges, including 29 on the Union Pacific-North Line that are more than 100 years old. Tie and ballast replacement is set at $48 million, railroad crossing replacement is set at $17 million, rail renewal at $28 million, structural upgrades at $30 million and other improvements at $65 million.

Electrical, Signal and Communications

A total of $176.4 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 2009 program provides $25 million for numerous projects throughout the system.

Signals and communications systems are vital to safe railroad operations. These signal systems are aging and replacement parts are limited in availability. Although the five-year capital program includes $39.6 million to upgrade our signal systems, without a new state program Metra will be unable to sufficiently fund these necessary upgrades.

The Metra system has 534 at-grade crossings, including 148 that are interconnected with traffic signals. Maintaining and upgrading crossing signal systems is also critical for safety. The 2009–2013 program includes $13 million for crossing signal improvements.

The 2009-2013 program also includes $34 million to upgrade interlockings, which will improve operations efficiency and enable increased capacity on the Metra system; $11 million to upgrade electrical substations on the Metra Electric District; and $35 million for the installation of a communications based train control on the Metra Electric District, Milwaukee District and SouthWest Service Lines. Communications-based train control will provide an added level of safety for their train crews and passengers. In addition, $9 million is allocated for passenger communications improvements, including upgrades to the GPS-based train monitoring system.

Support Facilities and Equipment

The support facilities and equipment category totals $208.7 million for the 2009-2013 planning period, with $17.9 million in the 2009 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 has 18 rail yards and seven maintenance facilities. When Metra took over commuter rail opera-

tions in northeastern Illinois in 1984, most of these facilities were out of date and inefficient. Additional capital investments must be made so that Metra can efficiently repair track, service their rail cars and locomotives and respond to failures such as a signal problem or a broken crossing gate. Equipment and vehicles have reached the end of their useful life and must be replaced

Upgrades and expansions are also necessary to accommodate system expansion. The five-year program includes upgrades to the Weldon Yard on the Electric District. These projects can have an immediate impact on Metra's operating budget since operational costs increase when equipment doesn't run at optimum efficiency.

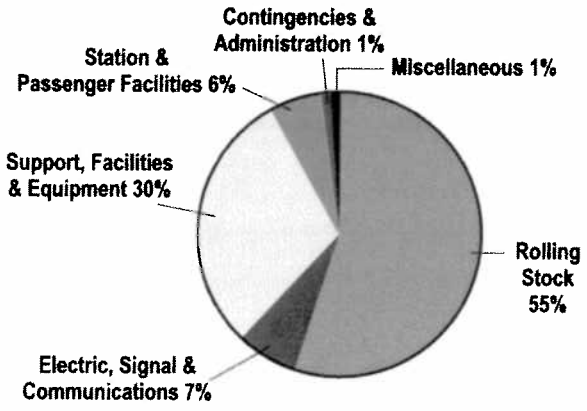
Stations and Passenger Facilities

Station and parking improvements are some of the most visible capital improvements to our customers. The 2009-2013 Capital Program allocates $75.7 million for station and parking improvements. Due to constraints in capital funding, station improvements are being limited to necessary rehabilitation to maintain the integrity of the facilities and upgrades that meet the requirements of the Americans with Disabilities Act (ADA). Parking improvements will be limited to areas where Metra currently owns property that will enable expansion.

Miscellaneous, Contingencies and Administration

Metra's portion of the 2009-2013 capital program includes $138.7 million for station studies, project management and oversight, security improvements, advertising, material additives, insurance, support engineering, unanticipated capital, administration and contingencies, with $26 million programmed in 2009.

Exhibit 7-11: **Pace Capital Program by Category** – $335 million



Pace Overview

Pace's portion of the proposed 2009-2013 capital program totals $335 million. A majority of the funding is provided for the replacement and expansion of rolling stock. The percentage for the general categories of capital improvements of the total program are: rolling stock at 55 percent; electric, signal and communications at 7 percent; support facilities and equipment at 30 percent; stations and passenger facilities at 6 percent, miscellaneous, contingencies and administration at 2 percent. These allocations are illustrated in Exhibit 7-11.

Highlights of Pace's portion of the 2009-2013 capital program are as follows:

Rolling Stock

In the five-year capital program, Pace plans to purchase up to 1,664 transit vehicles for replacement and expansion at a cost of $161.3 million. Pace's fleet consists of 702 fully accessible fixed-route buses, 355 fully accessible paratransit vehicles and 789 vanpool vehicles. Pace's 2009 fixed route bus purchase budget of $11.5 million includes the replacement of 37 fixed route buses. The new 30 foot vehicles will replace buses that have exceeded their useful life.

In 2012 and 2013, Pace also plans to spend $22.1 million to purchase up to 248 paratransit vehicles. In 2009, Pace plans to spend $10.2 million to purchase up to 128 paratransit buses to replace vehicles that have exceeded four years of useful lives or 100,000 miles of service. These vehicles will replace 112 Eldorado buses and add 16 vehicles

to the spare fleet to bring the spare fleet ratio up to 20 percent which is within FTA guidelines. These vehicles will be a combination of buses and vans.

In addition, Pace's portion of 2009-2013 capital program includes $39.9 million for the purchase of vanpool vans. The vanpool program includes 656 vans for the replacement of the vanpool vehicles which have exceeded their useful life and 341 vans for the expansion of service. Pace's vanpool program is comprised of four elements: the Vanpool Incentive Program (VIP), the Corporate Shuttle, the Advantage Program and the Community Transit Program.

Furthermore, this program contains $5.7 million in 2009 to retrofit Detroit Diesel Series 50 engines in existing buses with improved mechanical components and software upgrades that reduce engine exhaust emission through the installation of a diesel multi-stage filter (DMF).

Electrical, Signal and Communications

Pace's portion of the five-year capital program includes $20 million for the purchase and installation of a new systemwide radio system to replace Pace's existing radio system. The existing system is 13 years old, has exceeded its useful life, and parts are becoming difficult to find. The new radio system will not only save operating money, the technology will provide Pace with better communication coverage.

Support Facilities and Equipment

Pace proposes to program $101.2 million over five years for support facilities and equipment. Pace's portion of the capital program includes $42 million for critical improvements to facilities such as the replacement of overhead doors and concrete and upgrade of underground storage tanks. The replacement of facility systems and equipment must be addressed based on a life cycle cost approach, otherwise system failures will result in using operating funds for these repairs which will have a negative impact on the operating budget. Pace's proposed out-year capital program includes $30.5 million for the purchase of a replacement farebox system and $1.7 million for the purchase of bus safety equipment. Pace installed the current farebox system in 1994. Parts for the system are now obsolete. Pace is finding that it is becoming more difficult to find replacement parts due to the age of the system. In addition, the proposed capital program includes $6.1 million in 2010-2012 for the continuation of funding for the purchase and installation of a computer system to replace the existing HPe3000 system with $4.1 million proposed for 2009. Phase IV of this project involves implementing the Human Resources module which will replace the legacy human resources system and the legacy safety sub-system. The HPe3000 technology is no longer supported by Hewlett Packard.

Stations & Passenger Facilities

The five-year program includes $19.8 million for Pace stations and passenger facilities. This funding will provide for improvement to transportation centers and transfer facilities, expansion of the Homewood Park-n-Ride facility and construction of a new Park-n-Ride facility in Plainfield, as well as the purchase of bus stop signs, shelters and other passenger amenities.

Miscellaneous and Project Administration

The 2009-2013 capital program contains Congestion Mitigation and Air Quality (CMAQ) funding of $1 million for the I-GO Car Share Program. The CMAQ committee has authorized Pace to apply for $1 million to launch an I-Go Car Share Program in the suburbs. Pace will work with the Center for Neighborhood Technology (CNT) in the development of this program. The City of Chicago has a similar program in place since 2002. Pace's CMAQ grant will allow 75 cars to be leased for use in the suburbs. This program has no operating cost impact.

Exhibit 7.12: **CTA Five-Year Capital Program**—(dollars in thousands)

Project & Title	Classification	2009	2010-2013	TOTAL
Rolling Stock—Bus				
021.803 Perform Bus Overhaul and Maintenance Activities-- Systemwide	Maintain	9,274	20,353	29,627
021.806 Perform Mid-Life Bus Overhaul -- Systemwide	Maintain	10,500	159,833	170,333
031.054 Purchase Replacement Buses (Partial $)-- Systemwide	Maintain	6,718	357,628	364,346
Subtotal Rolling Stock		**26,492**	**537,814**	**564,306**
Total Bus		**26,492**	**537,814**	**564,306**
Rolling Stock—Rail				
022.903 Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial $) -- Systemwide	Maintain	20,669	467,547	488,216
022.906 Perform Rail Car Overhaul Activities -- Systemwide	Maintain	10,863	23,839	34,701
132.056 Replace a Minimum of 406 Rail Cars (2200 and 2400 Series, Partial $) -- Systemwide	Maintain	78,527	464,880	543,407
Subtotal Rolling Stock		**110,059**	**956,266**	**1,066,325**
Track & Structure—Rail				
171.133 Repair Track and Structure Defects -- Systemwide	Maintain	9,844	21,603	31,447
181.500 Repair Track and Structure -- Systemwide	Maintain	0	561,915	561,915
Subtotal Track & Structure		**9,844**	**583,518**	**593,362**
Electrical, Signal, & Communications—Rail				
121.500 Replace/Upgrade Power Distribution and Signals -- Systemwide	Maintain	19,603	67,000	86,603
Subtotal Electrical, Signal, & Communications		**19,603**	**67,000**	**86,603**
Acquisitions & Extensions—Rail				
194.115 Expand CTA Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial $) -- Brown Line	Expand	42,339	0	42,339
Subtotal Acquisitions & Extensions		**42,339**	**0**	**42,339**
Rail Total		**181,845**	**1,606,784**	**1,788,629**
Electrical, Signal, & Communications—System				
150.028 Implement Security & Communication Projects -- Systemwide	Maintain	6,500	26,000	32,500
Subtotal Electrical, Signal, & Communications		**6,500**	**26,000**	**32,500**
Support Facilities & Equipment—System				
073.500 Improve Facilities -- Systemwide	Maintain	7,116	94,971	102,087
073.500 Provide for Headquarter Lease	Maintain	6,190	24,753	30,944
Subtotal Support Facilities & Equipment		**13,307**	**119,724**	**133,031**
Miscellaneous—System				
404.500 Implement CMAQ Projects -- Systemwide	Maintain	4,000	16,000	20,000
Subtotal Miscellaneous		**4,000**	**16,000**	**20,000**
System Total		**23,807**	**161,724**	**185,531**
CTA Total		**232,144**	**2,306,322**	**2,538,465**

Exhibit 7-12: **METRA Five-Year Capital Program**—(dollars in thousands)

Project & Title	Classification	2009	2010-2013	TOTAL
Rolling Stock—Rail				
P-121 Provide Miscellaneous Locomotive Improvements -- MET	Maintain	3,300	3,674	6,974
P-112 Rehabilitate a Minimum of 130 Locomotives -- MET	Maintain	0	127,000	127,000
P-104 Purchase up to 10 Diesel Locomotives -- MET	Maintain	0	40,000	40,000
P-141 Purchase a Minimum of 50 Accessible Bi-Level Commuter Cars (Expansion) - MET	Enhance	0	80,000	80,000
P-151 Rehabilitate Bi-level Commuter Cars --BNSF, MET	Maintain	14,500	162,558	177,058
P-161 Provide for Miscellaneous Rolling Stock Improvements -- MET	Maintain	842	1,952	2,794
P-181 Purchase a Minimum of 160 Accessible Bi-Level Electric Multi-Unit Commuter Cars (Repl., Partial $) -- MED	Maintain	0	540,500	540,500
P-183 Rehabilitate and Improve MU Electric Cars -- MED	Maintain	750	3,445	4,195
P-191 Overhaul Rolling Stock Fleet Components -- MET	Maintain	7,036	34,218	41,254
Subtotal Rolling Stock Total		**26,428**	**993,347**	**1,019,775**
Track & Structure—Rail				
P-203 Provide for Rail, Ties, Ballast & Surfacing -- BNSF, MWD, UPR, MET	Maintain	12,550	35,662	48,212
P-211 Provide for Track Improvements -- MET	Maintain	415	6,889	7,304
P-215 Upgrade Crossings (Road and Track) -- MET	Maintain	3,000	13,779	16,779
P-221 Provide for Rail, Ties, Ballast & Surfacing -- UPR, MET	Maintain	500	5,512	6,012
P-233 Provide for Rail Renewal -- BNSF, MED, MWD, RID, SWS, UPR, MET	Maintain	5,550	22,045	27,595
P-234 Improve North Central Service -- NCS	Maintain	624	2,756	3,380
P-240 Provide for Right-of-Way Improvements -- MET	Maintain	500	0	500
3837 Perform Engineering and Construction for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project -- MET	Enhance	0	20,000	20,000
P-250 Rehabilitate or Replace Bridges -- BNSF, MED, MWD, RID, SWS, UPR, MET	Maintain	50,100	299,581	349,681
P-271 Provide for Structural Improvements -- BNSF, MWD, RID, UPR, MET	Maintain	9,300	12,890	22,190
P-281 Provide for Miscellaneous Right-of-Way Work -- MET	Maintain	200	1,378	1,578
P-294 Rehabilitate Catenary Structure -- MED	Maintain	400	3,445	3,845
P-296 Provide for Station Structural Improvements -- MET	Maintain	0	27,558	27,558
P-298 Provide for Structural Improvements -- MED	Maintain	2,000	459	2,459
Subtotal Track & Structure		**85,139**	**451,954**	**537,093**
Electrical, Signal & Communications—Rail				
P-301 Upgrade Signal System -- BNSF, MED, MWD, UPR, MET	Maintain	10,600	28,983	39,583
P-301 Install Communications-Based Train Control (ETMS) -- MED. MWD, SWS	Enhance	0	35,000	35,000
P-311 Upgrade Signal System -- MWD, UPR, MET	Maintain	1,600	11,484	13,084
P-321 Upgrade Interlockers and Crossovers -- RID, UPR, MET	Maintain	7,200	26,766	33,966
P-331 Upgrade Signal System -- BNSF, UPR, MET	Maintain	500	3,215	3,715
P-341 Upgrade Electric Equipment -- MET	Maintain	0	22,244	22,244
P-351 Provide for Electrical System Improvements -- MED, MET	Maintain	1,500	5,278	6,778
P-361 Upgrade Backup and Standby Power -- MET	Maintain	0	3,650	3,650
P-371 Improve Electrical Equipment -- MED, MET	Maintain	0	4,593	4,593
P-381 Purchase Communication Equipment -- MET	Maintain	2,800	6,283	9,083
P-391 Replace Switch Heaters -- UPR, MET	Maintain	150	3,674	3,824
P-395 Replace Signal Batteries and Rectifiers -- MET	Maintain	150	689	839
Subtotal Electrical, Signal, & Communications		**24,500**	**151,858**	**176,358**
Support Facilities & Equipment—Rail				
P-411 Improve Yards, Shops and Facilities -- BNSF, MED, MWD, RID, UPR, MET	Maintain	6,050	140,519	146,569
P-421 Upgrade Buildings -- MED, RID, MET	Maintain	3,100	8,070	11,170
P-431 Improve Support Facilities -- MET	Maintain	500	2,296	2,796
P-441 Purchase Equipment and Vehicles -- MET	Maintain	5,000	22,294	27,294
P-451 Purchase Office Support Equipment -- MET	Maintain	1,270	7,429	8,699
P-472 Upgrade Revenue Accounting Systems -- MET	Maintain	2,000	10,129	12,129
Subtotal Support Facilities & Equipment		**17,920**	**190,738**	**208,658**

(continued on next page)

Exhibit 7-12: **METRA Five-Year Capital Program continued—** (dollars in thousands)

Project & Title	Classification	2009	2010-2013	TOTAL
Stations & Passenger Facilities—Rail				
P-511 Rehabilitate/Improve Stations -- RID, UPR, MET	Maintain	11,831	0	11,831
P-520 Improve Stations and Parking -- MET	Maintain	0	55,161	55,161
P-521 Construct 35th Street Intermodal Station -- RID	Enhance	1,129	0	1.129
P-550 Expand Commuter Parking -- RID, UPR, MET	Enhance	2,908	0	2,908
P-550 Expand Commuter Parking -- RID, UPR, MET	Maintain	4,660	0	4,660
Subtotal Stations & Passenger Facilities		**20,527**	**55,161**	**75,688**
Miscellaneous—Rail				
P-741 Provide Support Activities -- MET	Maintain	700	3,215	3,915
P-748 Conduct Feasibility Study for Kennedy-King and Auburn Park Stations -- RID	Enhance	68	0	68
P-766 Provide for Material Handling -- MET	Maintain	1,560	6,889	8,449
P-789 Improve Metra System Security -- MET	Maintain	5,000	20,000	25,000
P-790 Provide for Project Management -- MET	Maintain	7,384	32,610	39,994
P-794 Provide for Program Support Engineering -- MET	Maintain	10,000	44,490	54,490
P-796 Provide for Unanticipated Capital -- MET	Maintain	1,248	5,512	6,760
Subtotal Miscellaneous		**25,960**	**112,716**	**138,676**
Contingencies & Administration—Rail				
P-797 Provide for Project & Grant Administration -- MET	Maintain	800	3,674	4,474
P-799 Provide for Contingencies -- MET	Maintain	2,085	0	2,085
Subtotal Contingencies & Administration		**2,885**	**3,674**	**6,559**
TOTAL Rail		**203,358**	**1,959,448**	**2,162,806**
Total METRA		**203,358**	**1,959,448**	**2,162,806**

Exhibit 7-12: **Pace Five-Year Capital Program—**(dollars in thousands)

Project & Title	Classification	2009	2010-2013	TOTAL
Rolling Stock—Bus				
4401 Purchase a Minimum of 261 Fixed Route Accessible Buses - Systemwide	Maintain	11,470	74,830	86,300
4402 Purchase a Minimum of 376 Paratransit Vehicles -- Systemwide	Maintain	10,240	22,110	32,350
4403 Purchase a Minimum of 2 Community Vehicles -- Systemwide	Enhance	226	0	226
4403 Purchase a Minimum of 28 Community Vehicles -- Systemwide	Maintain	0	2,520	2,520
4404 Purchase a Minimum of 656 Vanpool Vans (Replacement) -- Systemwide	Maintain	0	13,640	13,640
4404 Purchase a Minimum of 341 Vanpool Vans (Expansion) -- Systemwide	Enhance	0	26,240	26,240
4406 Provide for Associated Capital Items -- Systemwide	Maintain	1,500	4,000	5,500
4407 Provide for Bus Overhaul -- Systemwide	Maintain	2,000	8,000	10,000
4408 Provide for Diesel Engine Retrofit -- Systemwide	Maintain	5,685	0	5,685
Subtotal Rolling Stock		31,121	151,340	182,461
Electrical, Signal, & Communications—Bus				
4126 Implement Transit Signal Priority Project -- Cermak Road	Enhance	500	0	500
4127 Implement Transit Signal Priority Project -- Rand Road	Enhance	181	400	581
4128 Implement Transit Signal Priority Project -- Cicero Avenue	Enhance	226	0	226
4129 Implement Transit Signal Priority Projects -- South Suburbs	Enhance	113	0	113
4309 Purchase Replacement Radio System -- Systemwide	Maintain	0	20,000	20,000
4410 Replace Intelligent Bus System (IBS) and Mobile Data Terminals (MDT) -- Systemwide	Maintain	0	1,000	1,000
4411 Implement Transit Signal Priority Projects -- Systemwide	Enhance	0	3,500	3,500
Subtotal Electrical, Signal & Communications		**1,019**	**24,900**	**25,919**
Support Facilities & Equipment—Bus				
3614 Purchase and Installation of Replacement for HPe3000 Computer System -- Systemwide	Maintain	4,100	6,100	10,200
4317 Purchase Bus Equipment -- Systemwide	Maintain	11	0	11
4414 Purchase Maintenance/ Support Equipment and Vehicles -- Systemwide	Maintain	840	3,120	3,960
4415 Purchase Bus Safety System -- Systemwide	Maintain	0	1,650	1,650
4416 Purchase Computer Hardware and Software Systems -- Systemwide	Maintain	1,000	11,400	12,400
4417 Purchase Office Equipment -- Systemwide	Maintain	0	400	400
4418 Improve Garages & Facilities -- Systemwide	Maintain	800	41,247	42,074
4420 Purchase Replacement Farebox System -- Systemwide	Enhance	0	30,500	30,500
Subtotal Support Facilities & Equipment	Maintain	**6,751**	**94,417**	**101,168**
Stations & Passenger Facilities—Bus				
4318 Construct Park-N-Ride -- Plainfield	Enhance	0	595	595
4422 Expand Park-N-Ride -- Homewood	Enhance	500	0	500
4423 Improve Transportation Centers and Transfer Facilities -- Systemwide	Maintain	0	16,838	16,838
4424 Install Shelters/ Signs/ Passenger Amenities -- Systemwide	Maintain	100	1,800	1,900
Subtotal Stations & Passenger Facilities		**600**	**19,233**	**19,833**
Miscellaneous—Bus				
4426 Lease Cars for I-GO Car Sharing Program -- Systemwide	Enhance	1,000	0	1,000
4427 Provide for Unanticipated Capital -- Systemwide	Maintain	250	1,000	1,250
Subtotal Miscellaneous		**1,250**	**1,000**	**2,250**
Contingencies & Administration—Bus				
4428 Provide for Project Administration	Maintain	350	3,010	3,360
Subtotal Contingencies & Administration		**350**	**3,010**	**3,360**
Total Bus		**41,091**	**293,900**	**334,991**
Total Pace		**41,091**	**293,900**	**334,991**
Grand Total		**476,593**	**4,559,669**	**5,036,262**

Addendum

On October 23, 2008, the RTA Board approved the RTA 2009 Programs of Projects consistent with legislative mandates and RTA's updated Strategic Plan. Innovation, Coordination and Enhancement (ICE) Program is available to units of local government, transportation agencies and the RTA Service Boards for operating and capital projects that enhance the coordination and integration of public transportation, or that develop and implement innovations to improve the quality and delivery of public transportation. Funding for the program was provided through $10 million from the regional 2008 budget as mandated by the new RTA Act amendments, matched by the project sponsor 50/50% for operating projects and 80/20% for capital projects. This Addendum adds seven capital projects totaling $7.6 million to the previously published Exhibit 7-13, Five-Year Capital Program.

Exhibit 7-13 (Addendum): **CTA Five-Year Capital Program/ICE Projects**—(dollars in thousands)

	Project & Title	**Classification**	**2009**
Electrical, Signal & Communications—Bus			
073.171	Purchase/Install Automatic Bay Reading System for Bus Garages -- Systemwide	Enhance	1,600
110.014	Install up to 100 Bus Arrival Signs -- Systemwide	Enhance	2,371
	Subtotal Electrical, Signal & Communications-Bus		3,971
	Total for CTA ICE Projects		3,971

Exhibit 7-12 (Addendum): **Non-Service Board Five-Year Capital Program/ICE Projects** — (dollars in thousands)

Support Facilities & Equipment-Bus			
	Provide for Improvements to Bus Facilities for Circulator Routes -- DuPage County	Enhance	778
	Purchase Dispatching System for Paratransit Service -- Rich Township	Enhance	190
	Subtotal Support Facilities & Equipment-Bus		968
Stations & Passenger Facilities-Rail			
	Provide for Access Improvements at Metra Station -- Village of Riverside	Enhance	665
	Provide for Station Area Improvements at Oakton Station -- Village of Skokie	Enhance	1,622
	Provide for Sheltered Bike Parking at CTA and Metra Stations -- City of Chicago	Enhance	375
	Subtotal Stations & Passenger Facilities-Rail		2,662
	Total for Non-Service Board ICE Projects		3,630
	Grand Total for ICE Projects		7,601

Capital Impact on Operations

Capital investments by the three Service Boards are intended to improve public transit service while reducing operating costs. Procurement of replacement vehicles for bus and rail fleets will improve service reliability, while reducing maintenance costs and fuel consumption. Similarly, investment in vehicle overhaul and preventive maintenance programs will reduce service failures and vehicle down time. Rail line expansion and infrastructure improvements will increase passenger capacity and travel speed, as well as improve safety. System-wide improvements, including upgrades in passenger and maintenance facilities, communications and computer equipment, and security systems will improve employee productivity, operating efficiency, and passenger safety (Exhibits 7-14, 7-15, and 7-16).

The RTA public transit network has faced significant operating and capital funding challenges in recent years. Insufficient operating and capital funding in recent years have forced the RTA and the CTA, Metra, and Pace to make tough spending decisions in order to maintain vital transportation services for millions of passengers throughout northeastern Illinois. Despite these challenges, the system was able to fulfill its critical responsibilities to the people, businesses, and institutions of the nation's third largest metropolitan region.

CTA

The proposed 2009 Capital Program for CTA totals $232.1 million divided among the following: Rolling Stock $136.5 million; Track & Structure $9.8 million; Electrical, Signal & Communications $26.1 million; Acquisition and Extension $42.3 million; Support Facilities and Equipment $13.3 million; and Miscellaneous $4 million. CTA's 2009 Capital Program also includes $4 million of RTA Innovation, Coordination & Enhancement funds for Electrical, Signal & Communications projects.

Exhibit 7-14: **CTA Capital Impact on Operations** (includes some of the major programs only)

Rolling Stock	
Replacement of Buses ($6.7 million)	• Improve service reliability • Increase customer satisfaction • Reduce maintenance and operating costs
	• Enhance safety
Replacement Rail Cars ($78.5 million)	• Increase fleet reliability (Rail cars to be replaced exceed the 25-year FTA standard life of a rapid transit car by at least 5 years.)
	• Reduce maintenance costs
Track & Structure	
Rehabilitation of existing rail lines ($9.8 million)	• Raise travel speed by reducing slow zone restrictions
	• Enhance safety • Improve on-time performance • Increase customer satisfaction
Support Facilities & Equipment	
Upgrade rail stations and bus turnarounds ($7.1 million)	• Prevent damage and reduce maintenance costs • Enhance safety and customer satisfaction
Acquisitions & Extensions	
Brown Line capacity expansion ($42.3 million)	• Increase ridership by extending platforms to accommodate eight-car trains • Improve accessibility

Metra

The proposed 2008 Capital Program for Metra totals $166.0 million which is divided among the following: Rolling Stock for $24.4 million; Track & Structure for $63.5 million; Electrical/Signal/Communications for $24.7 million; Support Facilities & Equipment for $22.5 million; Stations & Passenger Facilities for $12.7 million; and Miscellaneous for $18.2 million.

Ballast, track, and signal upgrade at Metra's Milwaukee West line

Exhibit 7-15: **Metra Capital Impact on Operations** (includes some of the major programs only) Rolling Stock

Rehabilitation of Commuter Bi-level cars ($14.5 million)	• Maintain on-time performance • Reduce maintenance cost • Enhance safety • Increase customer satisfaction
Track & Structure	
Rehabilitation of Bridges ($50.1 million)	• Preserve uninterrupted service – higher on-time performance • Improve vertical clearances • Improve traffic flow and pedestrian safety
Electrical Signal & Communication	
Signal system upgrade ($10.5 million)	• Improve travel times resulting in higher on-time performance • Enhance safety
Stations and Passenger Facilities	
Rehabilitate/improve/construct stations ($13.0 million)	• Increase other revenue by providing more commercial and retail space
Expand commuter parking ($7.7 million)	• Increase ridership

Pace

The proposed 2009 Capital Program for Pace totals $43.3 million divided among the following: Rolling Stock $31.1 million; Electrical, Signal & communications $1.0 million; Support Facilities & Equipment $6.8 million; Stations & Passenger Facilities $0.6 million; and Miscellaneous, Contingencies & Administration $1.6 million.

NABI bus - Pace Rapid Transit project

Exhibit 7-16: **Pace Capital Impact on Operations** (includes some of the major programs only)

Rolling Stock	
Purchase of 37 fixed route accessible buses ($11.5 million)	• Reduce maintenance costs • Improve travel time • Enhance safety • Lower fuel consumption
Diesel engine retrofit with improved mechanical components, software upgrades, and diesel multi-stage filters ($5.7 million) and Bus Overhaul Maintenance ($2.0 million)	• Reduce operating expenses • Lower maintenance costs • Reduce engine exhaust emissions
Purchase of 128 paratransit Dial-A-Ride buses and vans ($11.5 million)	• Increase ridership • Reduce maintenance costs • Improve travel time • Enhance safety • Lower fuel consumption
Electrical, Signal & Communication	
Transit Signal Priority projects ($1.0 million)	• Shorten travel time • Improve schedule reliability • Increase customer satisfaction • Reduce vehicle requirement to operate service while maintaining headway
Support Facilities and Equipment	
Computer Systems ($5.1 million)	• Operating labor investment of $1.1 million, primarily staff time associated with implementation of new system
Regional Call Center ($2.2 million)	• Improve access to transportation services for disabled individuals • Integrate and coordinate services for individuals with disabilities, older adults, and individuals with low incomes.

8 Appendices

Exhibit 8-1: **2009 Business Plan Calendar (dates listed are in 2008)**

Apr 17	RTA Finance Committee meets for Business Plan Call release.
May-Jul	RTA holds Community and County outreach meeting to review legislative actions and collect suggestions for consideration in business plan development.
Jul 11	Service Boards submit environment assessments to the RTA for review and discussion.
Aug 1 - 15	Service Boards submit ten-year business plan documents (budget, two-year financial plan, seven-year view, and capital program plans) to the RTA.
Aug 21	The RTA Executive Director submits a report to the RTA Board regarding the adequacy of the Service Boards' Business Plan submittals for its review and discussion at the August 21, 2008 RTA Board meeting.
Aug-Sep	The RTA Executive Director prepares the finance and ordinance information required to: (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, (3) set the preliminary capital program amounts for the upcoming five years, and (4) set the preliminary ten-year capital plan funding marks.
Sep 15	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the preliminary capital program amounts for the upcoming ten years.
Sep-Oct	RTA evaluates Service Boards' current year performance for consistency with the adopted budget and the Strategic Plan, and provides guidance to the Service Boards to use in preparing their Business Plan Documents (defined below).
Sep-Oct	Based on RTA Board action, Service Boards develop the following materials (going forward referenced as Business Plan Documents): • detailed annual operating budgets, • two-year financial plans, • seven-year long-term financial view, • preliminary five-year capital programs, and • preliminary ten-year capital plan.
Oct-Nov	Service Boards release proposed Business Plan Documents to the RTA, the public, and present to the Counties in the region. RTA Executive Director analyzes Service Board Business Plan Documents and provides comments to Service Boards.
Oct 23	RTA Board Committees and the RTA Board review the RTA Agency Budget.
Nov 15	Service Boards adopt Business Plan Documents and submit them to the RTA no later than November 15.
Nov 20	RTA prepares consolidated Business Plan Documents and the Chairman and of the RTA Board and/or the Chairman of the RTA Board Finance Committee approve the release of such documents.
Nov 28	RTA proposed consolidated Business Plan Documents are made available for public inspection.
Nov-Dec	RTA presents operating and capital program information to the Counties in the region in November and December. RTA holds public hearings in December on the proposed consolidated Business Plan Documents.
Dec 18	RTA Finance Committee meets to review and approve consolidated Business Plan Documents, and the Board will review and consider concurrence with the 2012-2018 long-term financial view and the 2014-2018 Capital Plan. RTA Board meets to review and approve consolidated Budget, Financial Plan and Capital Program Documents, and the Board will review and consider concurrence with the 2012-2018 long-term financial view and the 2014-2018 Capital Plan.

Exhibit 8-2.1: **RTA August Community Meetings/Budget Hearings Schedule**

The RTA is seeking public input regarding the 2009 budget and summarizing the new transit legislation and RTA governance reforms. Input will also be invited on the strategic plan update of how transit projects will be assessed and prioritized as well as the status of capital investment needs to fund transit projects.

CHICAGO
Central - Monday, August 4th
6:00 pm
Regional Transportation Authority
175 W. Jackson Boulevard, Suite 1550

South - Monday, August 4th
6:00 pm
Mount Calvary Baptist Church
1259 W. 111th Street

Southwest - Wednesday, August 6th
6:00 pm
Toman Public Library
2708 S. Pulaski Road

North- Thursday, August 7th
6:00 pm
Loyola University - Water Tower Campus
25 E. Pearson Street,
Rubloff Auditorium, First Floor of the Law School

West - Tuesday, August 12th
6:00 pm
Chinese Community Center
250 W. 22nd Place

SUBURBAN COOK COUNTY
North - Tuesday, August 12th
6:00 pm
Pace Headquarters, Board Room
550 W. Algonquin Road, Arlington Heights

South - Monday, August 11th
6:00 pm
South Suburban Mayors and Managers Association
Meeting Room C
1904 W. 174th Street East, Hazel Crest

West - Wednesday, August 13th
6:00 pm
Village of Westchester Court Room
10300 Roosevelt Road., Westchester

DUPAGE COUNTY
Wednesday, August 6th
6:00 pm
DuPage County Building Auditorium
421 N. County Farm Road, Wheaton

KANE COUNTY
Thursday, August 14th
6:00 pm
The Centre of Elgin
100 Symphony Way, Elgin

LAKE COUNTY
Thursday, August 14th
6:00 pm
University Center of Lake County
1200 University Center Drive, Grayslake
Enter at Main Entrance off Washington St. at Lancer Lane, 2nd Floor - Room 241

McHENRY COUNTY
Wednesday, August 13th
6:00 pm
Woodstock Admin. Building
2nd Floor Conference Room
667 Ware Road, Woodstock

WILL COUNTY
Tuesday, December 11th
6:00 pm
Joliet Historical Museum
204 N. Ottawa Street, Joliet

Meetings are open to the general public. All locations are ADA accessible. For questions, call the RTA at 312-913-3153.

Exhibit 8-2.2: : **RTA November 2009 Budget Hearings Schedule**

The Regional Transportation Authority (RTA) is holding a second round series of public hearings to discuss the regional mass transit budget for 2009. The hearings will also address the capital investment needs of the regional transit system.

CHICAGO
North - Monday, November 17, 2008
6:00 pm
Truman College (Room 1176/Faculty Dining Room)
1145 W. Wilson Avenue

South - Tuesday, November 18, 2008
6:00 pm
Carter G. Woodson Public Library (Auditorium)
9625 S. Halsted, Chicago

Southwest - Tuesday, November 18, 2008
6:00 pm
National Museum of Mexican Art
(2nd Floor. Board Room)
1852 W. 19th Street, Chicago

West - Wednesday, November 19, 2008
6:00 pm
Malcolm X College
2nd Floor, Room 2418
1900 W. Van Buren, Chicago

SUBURBAN COOK COUNTY
North - Thursday, November 13, 2008
6:00 pm
Pace Headquarters, Board Room
550 W. Algonquin Road, Arlington Heights

West - Thursday, November 13, 2008
6:00 pm
Hillside Village Hall, Board/Court Room
425 Hillside Avenue, Hillside

South - Monday, November 17, 2008
6:00 pm
South Suburban Mayors and Managers Association
Meeting Room C
1904 W. 174th Street East, Hazel Crest

McHENRY COUNTY
Monday, November 10, 2008
6:00 p.m
Woodstock Administration Building
2nd Floor Conference Room
667 Ware Road, Woodstock

LAKE COUNTY
Wednesday, November 12, 2008
6:00 pm
University Center of Lake County
1200 University Center Drive, Grayslake
2nd Floor - Room 212
Enter at Main Entrance off Washington Street
at Lancer Lane

WILL COUNTY
Monday, November 17, 2008
6:00 pm
Joliet Historical Museum, Caterpillar Auditorium
204 N. Ottawa Street, Joliet

KANE COUNTY
Tuesday, November 18, 2008
6:00 pm
The Centre of Elgin, Heritage Ballroom
100 Symphony Way, Elgin

DUPAGE COUNTY
Wednesday, November 19, 2008
6:00 pm
DuPage County Building, Auditorium
421 N. County Farm Road Wheaton

Meetings are open to the general public and are ADA accessible. If you require a reasonable accommodation in order to attend a meeting or have questions, please call 312-913-3153 (TTY - 312-913-3111) at least 2 business days before the meeting. For more information, visit www.MovingBeyondCongestion.org.

Exhibit 8-2.3: **RTA 2009 Final Budget Hearing**

The Regional Transportation Authority (RTA) is holding a final public hearing to discuss the regional mass transit budget for 2009. The hearing will also address the capital investment needs of the regional transit system.

CHICAGO
Monday, December 15, 2008
9:00 am
The Loop/River Room, 2nd Floor,
University Center
525 S. State Street, Chicago
Entrance near State and Congress

The meeting is open to the general public and is ADA accessible. If you require a reasonable accommodation in order to attend a meeting or have questions, please call 312-913-3153 (TTY - 312-913-3111) at least 2 business days before the meeting. For more information, visit www.MovingBeyondCongestion.org.

Public Hearing 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. In 2008, the RTA held thirteen public hearings from August 4 through August 14, twelve from November 10 through November 19 and one on December 15. The hearings in August as well as the hearings in November/December took place as follows: five in the City of Chicago (north, east, south, west and central), three in suburban Cook (north, south and west), and one each in Lake, Will, DuPage, Kane and McHenry counties. The meetings were publicized in press releases issued to the media, paid half-page ads in newspapers across the region, e-mails and calls to Moving Beyond Congestion Partners for Transit, the RTA's InTransit newsletter, a special communication to elected officials, as well as through the Service Boards, at reduced fare presentations, and on MovingBeyondCongestion, RTA, all service boards and many Partners For Transit websites. Additionally, we conducted over a dozen radio interviews, had three television mentions and one cable TV show interview (in Spanish and English).The hearing schedules are detailed in Exhibit 8-2.

At these meetings, the RTA briefed the public on the proposed RTA 2009 Budget, provided an update on the Moving Beyond Congestion strategic plan, briefed the public on the new transit legislation, underscored the need for capital investment, provided an overview of the RTA Funding Program grant awards and responded to over 750 comments and questions. Presenters included Executive Director Steve Schlickman and RTA senior management who were joined by RTA board members at all the hearings as well as 19 staff volunteers. The approximately 380 attendees included members of the general public, representatives of municipalities, Partners for Transit organizations, and State and local elected officials.

The majority of comments on record were supportive of State legislation that calls for additional transit funding, a call for more effective RTA oversight, requests for new services and an appreciation for Funding Programs awards. Strong opposition to fare increases was also expressed along with concerns about paratransit service. Court reporters were present to take testimony, and transcripts of this testimony are on file at the RTA.

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 transit vehicles, operations and facilities to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit.

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 Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. (Of the four types of fiduciary funds [Agency funds, pension (and other employee benefit] funds, investment trust funds, and private-

purpose funds), the RTA uses only the first two.)

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 Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

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 estimated to be available for the next three years. 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.

Capital—Funds that finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car Mile or Vehicle Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

Circuit Breaker Program—The Illinois Department on Aging's Circuit Breaker program provides assistance to low-income senior citizens and persons with disabilities. Illinois residents with a qualifying disability who meet the income eligibility requirements of the Circuit Breaker program are eligible for free rides on regularly scheduled fixed-route public transit service.

CMAP (The Chicago Metropolitan Agency for Planning)—Formed in 2005, CMAP integrates planning for land use and transportation in northeastern Illinois. The new organization combined the region's two previously separate transportation and land-use planning organizations -- Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) -- into a single agency.

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.

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.

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 deadhead miles.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "system-generated" revenue.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes that serve Metra stations.

Financial Plan—In addition to an annual budget, the RTA 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 Expenditures)—Pay or expenditures 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 that helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and 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 prove 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-time work schedule for one year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund. 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.

Funding Formula—A specific formula used to determine a subsidy level.

General Long Term Debt Account Group (GLTDAG)—This account group 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.

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.

General Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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 group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board.
For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

Innovation, Coordination and Enhancement (ICE) Fund—A new fund created to award grants to the Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements.

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.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (Intermodel 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.

Joint Self Insurance Fund (JSIF)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The service boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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 Expenditure—Expenditures for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

Metra—The Commuter Rail Division of the RTA responsible for all rail public transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

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 revenue and other financial resource increments (e.g., bond issue proceeds) is 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.

Moving Beyond Congestion—Jointly with the Chicago Transit Authority, Metra and Pace, the Regional Transportation Authority is leading a strategic planning effort to maintain, enhance and expand the northwestern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

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.

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 revenue and expenditures 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. On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including 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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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 expenditure 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 RTA. Generally refers to funding for operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the ADA paratransit Service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures as allowed by the RTA Act. 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 attain an annual recovery ratio of at least 50 percent for mainline service. For ADA paratransit service, the Act requires a 10% recovery ratio in 2008 and 12% thereafter.

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. Fifteen 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.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

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 the only Service Board that has generated by statute sales tax for capital in more than a decade.

SCIP (Strategic Capital Improvement Program) 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). 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.

State Financial Assistance (SFA)—Subject to appropriation by the State, this assistance reimburses the debt service expenses of the RTA's Strategic Capital Improvement Program (SCIP) bonds.

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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program (TAP)—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50 at a reduced price to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998, this legislation 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.

TOD (Transit-Oriented Development or Transit-Oriented Design)— Mixed use development of residential, office and retail uses within walking distance of a transit station or bus route.

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.

Supplemental Data

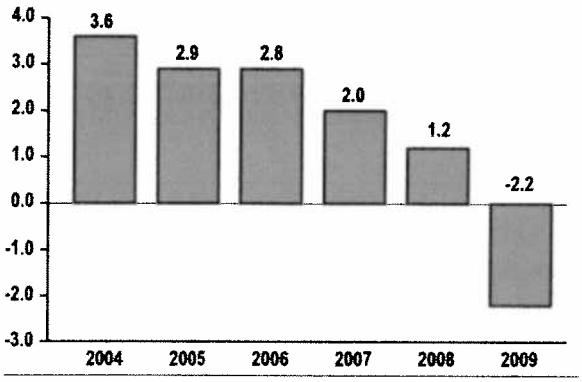
National Economic Projections

During the third quarter of 2008, the Gross Domestic Product (GDP) contracted at an annual rate of 0.5 percent, following 0.9 percent and 2.8 percent annual growth rates during the first and second quarters of 2008, respectively. The GDP is the value of the output of goods and services produced by labor and property located in the United States. Exhibit 8-3 highlights the annual real GDP growth from 2004 through 2009. GDP growth declined from 3.6 percent in 2004 to 2.0 percent in 2007. The GDP is expected to grow 1.2 percent in 2008 and then contract 2.2 percent in 2009.

In 2008, the national unemployment rose from 6.8 percent in November to 7.2 percent in December. Exhibit 8-4 shows the U.S. annual unemployment rate from 2004 through 2009. The annual average unemployment rate declined from 5.5 percent in 2004 to 4.6 percent in 2006, remained at 4.6% in 2007, and then rebounded to 5.7 percent in 2008. The national unemployment rate is expected to climb to 8.3 percent in 2009.

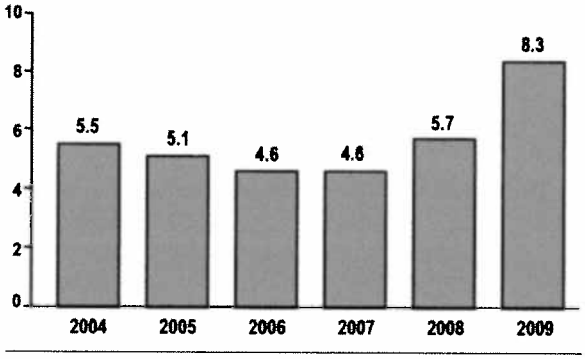
Exhibit 8-5 shows the annual growth of the U.S. Consumer Price Index (CPI) from 2004 through 2009. The CPI annual growth rate increased from 2.7 percent in 2004 to 3.4 percent in 2005, before declining to 2.8 percent in 2007. CPI annual growth is expected to jump to 4.1 percent in 2008 before falling to 0.1 percent in 2009.

Exhibit 8-3: **U.S. Real Gross Domestic Product** (percent change)



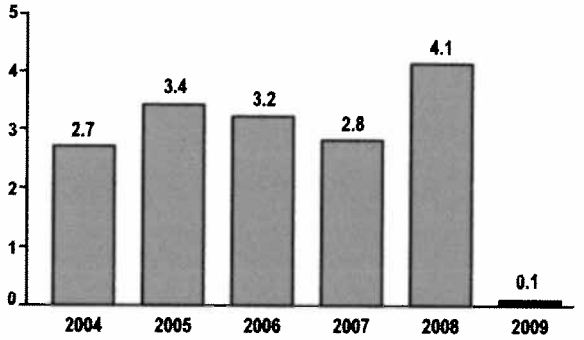
Source: US Department of Commerce, Congressional Budget Office

Exhibit 8-4: **U.S. Unemployment Rate** (in percent)



Source: US Department of Labor, Congressional Budget Office

Exhibit 8-5: **U.S. Consumer Price Index Percent Change**



Source: US Department of Labor, Congressional Budget Office

RTA Region

The following sections summarize 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

As shown in Exhibit 8-6, the population of the RTA region grew by 4.0 percent (from 8.1 million to 8.4 million) between 2000 and 2007. Population growth in the RTA region grew at slower pace than the overall population of the United States, which increased by 6.7 percent during this period.

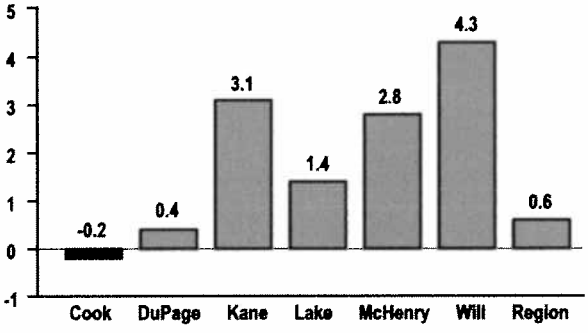
Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties between 2000 and 2007. The highest growth rate occurred in Will

Exhibit 8-6: **Population Trend by County** (in thousands)

	1990	2000	2007	% Change
Cook	5,105	5,377	5,285	-1.7%
DuPage	782	904	929	2.8%
Kane	317	404	501	24.0%
Lake	516	644	710	10.2%
McHenry	183	260	316	21.5%
Will	357	502	674	34.1%
Total	**7,261**	**8,092**	**8,415**	**4.0%**

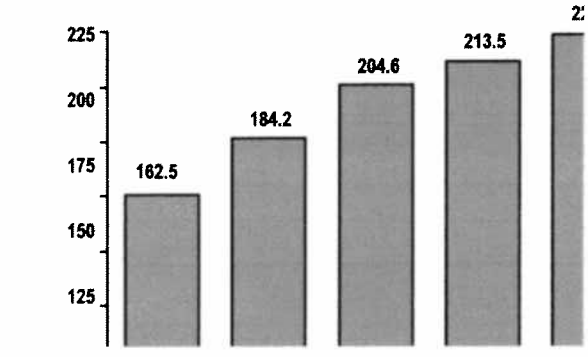
Source: United States Census Bureau

Exhibit 8-7: **RTA Region Population Annualized Growth Rates 2000-2007** (in percent)



Source: United States Census Bureau

Exhibit 8-8: **RTA Region Population Distribution by County - 2007**



Source: United States Census Bureau

County, where the population increased at annual rate of 4.3 percent. The population of Kane and McHenry counties grew at annual rates of 3.1 percent and 2.8 percent, respectively, while the population of Lake and DuPage counties increased at annual rates of 1.4 percent and 0.4 percent, respectively. Cook County experienced a population decline at an annual rate of 0.2 percent. During this 7-year period, the population of the entire RTA region grew at an annual rate of 0.6 percent.

In 2007, Cook County accounted for 63 percent of the 8.4 million people living in the RTA region. DuPage County's population comprised 11 percent of the region, followed by Lake County and Will County (8 percent each), Kane County (6 percent), and McHenry County (4 percent). The population distribution for 2007 is illustrated in Exhibit 8-8.

Employment

Exhibit 8-9 provides a comparison of 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 from 2004 to 2008. Between 2004 and 2006, the national unemployment rate declined from 5.5 percent to 4.6 percent, remaining at that rate in 2007. Between 2004 and 2006, the unemployment rate in Illinois fell from 6.2 percent to 4.5 percent before rebounding to 5.0 percent in 2007. In November 2008, the State-wide unemployment rate of 7.3 percent was 0.6 percentage points higher than the national unemployment rate of 6.7 percent.

Between 2004 and 2008, the Illinois state-wide unemployment rate exceeded those of most of the counties of the RTA region except Cook. Among the six counties in the RTA region, DuPage County's November 2008 unemployment rate of 5.0 percent was the lowest in the region, while Lake County's rate of 7.7 percent was the highest in the region.

Suburban jurisdictions have led the region in employment growth since 1980. In 2000, employment

Exhibit 8-9: **Unemployment Rates** (in percent)

	2004	2005	2006	2007	Nov. 2008*
United States	5.5	5.1	4.6	4.6	6.7
Illinois	6.2	5.7	4.5	5.0	7.3
County					
Cook	6.7	6.4	4.7	5.1	6.6
DuPage	5.0	4.7	3.4	3.8	5.0
Kane	6.1	5.8	4.3	4.8	6.3
Lake	5.4	4.7	4.2	5.0	7.7
McHenry	5.2	5.1	3.7	4.3	6.0
Will	6.2	5.8	4.3	4.7	6.2

Source: United States Census Bureau

Exhibit 8-10: **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 8-11: **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

in the five collar counties accounted for one-third of the RTA region's total. Cook County, which in 1980 accounted for 79 percent of the region's employment, accounted for only two-thirds of employment in 2000. Regional employment has increased from 3.7 million in 1980 to 4.3 million in 1990 and to 5.0 million in 2000 (Exhibit 8-10).

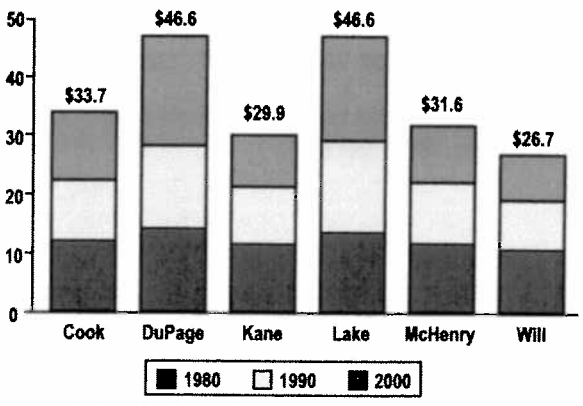
The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-11. Between 1980 and 2000, the most growth has occurred in the service sector. The manufacturing sector experienced the greatest loss during this period. In 2000, services comprised 34 percent of employment, retail 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 8-12.

Sales Tax Trends

In April 2008, the RTA sales tax increased from the equivalent of one percent on retail sales in Cook County and one quarter percent on retail sales in

Exhibit 8-12: **Region Per Capita Income** (dollars in thousands)

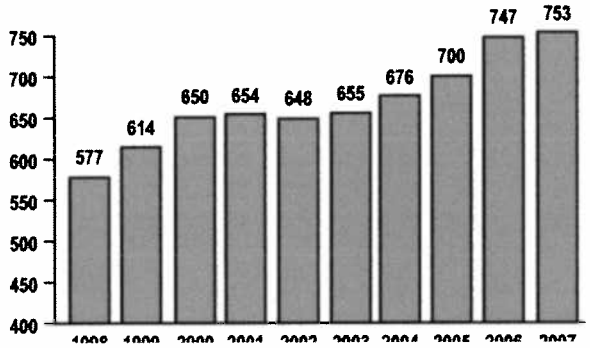


Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exhibit 8-13: **Sales Tax Collections by County** (dollars in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Chicago	$177	$188	$199	$197	$195	$198	$205	$214	$231	$237
Suburban Cook	315	334	354	358	354	356	364	373	396	395
Total Cook	**$492**	**$521**	**$553**	**$555**	**$549**	**$555**	**$569**	**$587**	**$627**	**$632**
DuPage	$39	$42	$43	$42	$41	$41	$43	$44	$47	$47
Kane	10	11	12	12	12	13	14	15	16	16
Lake	20	22	24	25	25	25	26	27	29	29
McHenry	6	7	7	7	7	8	8	9	9	9
Will	10	11	12	12	13	14	15	17	19	20
Total Collar	**$85**	**$92**	**$97**	**$99**	**$98**	**$100**	**$106**	**$113**	**$120**	**$121**
Total RTA Region	**$577**	**$614**	**$650**	**$654**	**$648**	**$655**	**$676**	**$700**	**$747**	**$753**
Percent Change	**3.8%**	**6.4%**	**6.0%**	**0.5%**	**(0.9%)**	**1.1%**	**3.2%**	**3.7%**	**6.6%**	**0.8%**

Exhibit 8-14: **Sales Tax Collections 1997-2006** (dollars in millions)



the collar counties to the equivalent of one and one quarter percent on retail sales in Cook County and one half percent on retail sales in the collar counties. Also in 2008, a real estate transfer tax of three tenths of one percent was imposed in the City of Chicago to fund the CTA.

Sales tax collections grew at a healthy pace from $577 million in 1998 to $650 million in 2000. However, between 2000 and 2003, sales tax collections fluctuated between $648 and $655 million. From 2004 to 2006, sales tax collections increased from $676 million and $747 million. In 2007, sales tax collections increased only 0.8% to $753 million. Over the ten-year period, the rate of sales tax growth has been greatest in the collar counties followed by the City of Chicago and Suburban Cook County. However, more recently, the rate of sales tax growth in the City of Chicago has exceeded that of the collar counties. Collections in Suburban Cook County continue to account for more than half of total collections, while collections in the City of Chicago account for slightly less than one third of the total. (Exhibit 8-13).

Ridership Trends

Total RTA ridership increased annually from 1998 to 2001 despite a decline in Pace ridership during this period. Reflecting the overall downturn in the economy, total RTA ridership declined in both 2002 and 2003. Metra and Pace lost riders in 2002, while all three Service Boards lost riders in 2003. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, all three Service Boards achieved significant ridership gains as the economy rebounded and gas prices climbed. Albeit at a slower rate, regional ridership continued to grow in 2007 and 2008. On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the region. Regional paratransit ridership is shown separately beginning in 2007 (Exhibit 8-14).

Exhibit 8-15: **RTA Ridership** (in millions)

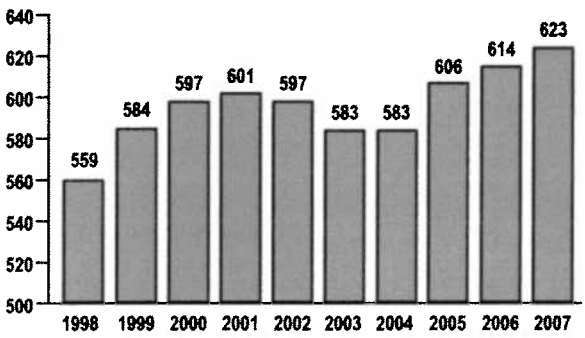


Exhibit 8-16: **Service Board Ridership 1998-2007** (millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CTA Bus	291.7	300.2	303.3	303.1	304.8	293.7	296.2	305.6	299.6	309.3
CTA Rail*	153.6	166.5	176.2	181.7	180.4	181.1	178.7	186.8	195.2	190.3
Total CTA	**445.3**	**466.7**	**479.5**	**484.8**	**485.2**	**474.8**	**474.9**	**492.4**	**494.8**	**499.5**
Metra	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.0
Pace	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	36.6
Regional ADA Paratransit **										2.5
Total RTA	**559.1**	**583.5**	**596.9**	**601.0**	**596.8**	**583.3**	**583.4**	**606.3**	**613.6**	**622.6**
% Increase	**1.6%**	**4.4%**	**2.3%**	**0.7%**	**(0.7%)**	**(2.3%)**	**0.0%**	**3.9%**	**1.2%**	**1.5%**

* CTA rail ridership includes cross-platform transfers.

**Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

Exhibit 8-17: **Service Board Operating Expenditures** (dollars in millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CTA	$808	$805	$851	$884	$920	$897	$938	$1,021	$1,076	$1,094
Metra	379	397	416	431	445	455	466	504	525	548
Pace	111	114	122	127	131	139	147	160	199	163
Regional ADA Paratransit*										84
Total	**$1,297**	**$1,316**	**$1,389**	**$1,442**	**$1,496**	**$1,491**	**$1,552**	**$1,685**	**$1,801**	**$1,890**
% Change	1.1%	1.4%	5.6%	3.8%	3.7%	(0.3%)	4.1%	8.6%	6.9%	4.9%

* Prior to 2007, ADA Paratransit expenditures are included in CTA Bus and Pace figures.

Exhibit 8-19: **Service Board Farebox Revenue** (dollars in millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CTA	$364	$366	$369	$374	$384	$368	$403	$417	$462	$457
Metra	181	186	192	192	190	191	192	198	218	227
Pace	36	35	37	41	34	32	32	32	31	28
Regional ADA Paratransit*										6
Total	**$580**	**$587**	**$598**	**$607**	**$608**	**$591**	**$627**	**$648**	**$711**	**$719**
% Change	1.7%	1.3%	1.8%	1.4%	0.2%	(2.7%)	6.0%	3.3%	9.8%	1.1%

*Prior to 2007, ADA Paratransit farebox revenue is included in CTA Bus and Pace figures.

Exhibit 8-18: **Service Board Operating Expenditures** (dollars in millions)

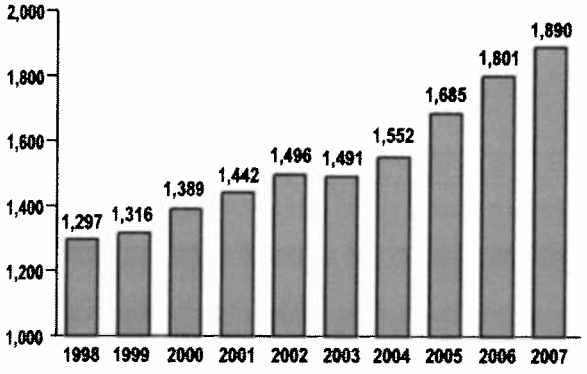


Exhibit 8-20: **Service Board Farebox Revenue** (dollars in millions)

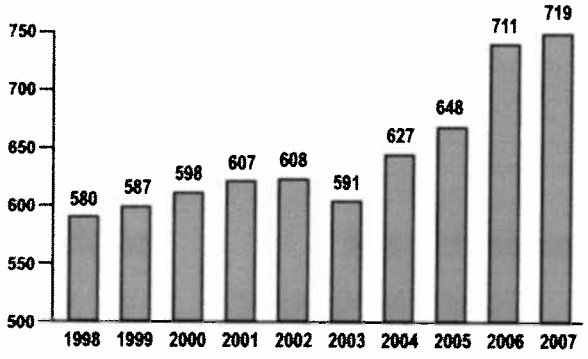


Exhibit 8-21: **System Characteristics**

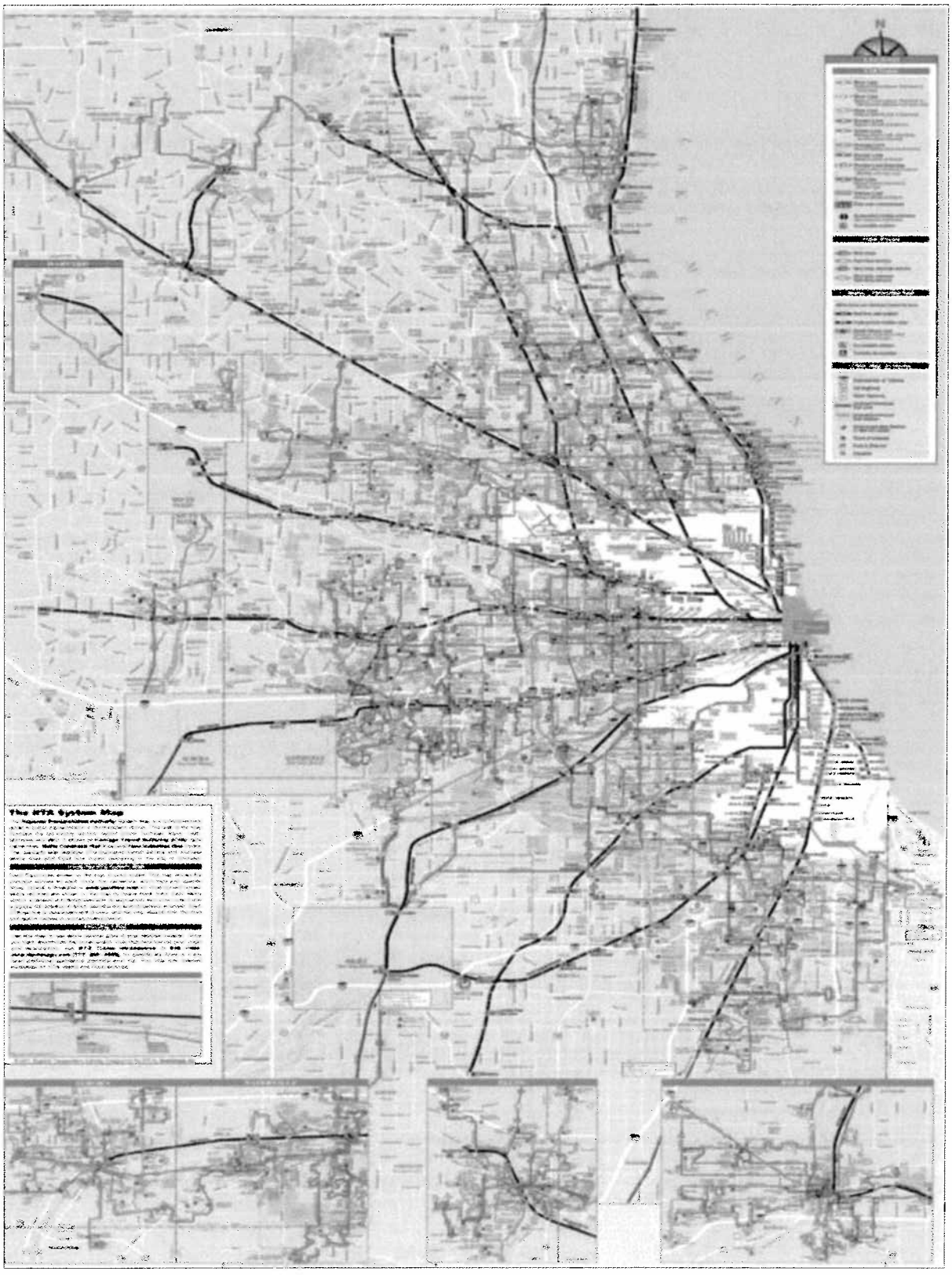
Asset Value (2008)	
CTA	$22.3 billion
Metra	$11.8 billion
Pace	$ 0.6 billion
Total Asset Value	**$34.7 billion**

Regional Statistics (2007)	
Regional Population	8.4 million
Service Area	3,749 sq. miles
Passenger Miles	3.9 billion
Vehicle Miles	**190 million**
Stations Served	383

Vehicles & Routes (2007)	
Buses	2,806
Cars & Locomotives	2,325
Vanpools Operated	678
Rail Routes	**20**
Bus Routes	382

All data excludes NICTD South Shore.

RTA System Map



Regional Transportation Authority

RTA Main Office
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
165 North Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

RTA ADA Certification Helpline
Voice (312) 663-4357
TTY (312) 913-3122

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any local area code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Fare Program
(800) 531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6777
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 364-7223
www.pacebus.com

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101d

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

2010

Operating Budget, Two-Year Financial Plan and Five-Year Capital Program

MOVINGBEYOND CONGESTION

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1 Introduction

Regional Transportation Authority

Regional Transportation Authority

RTA Board of Directors

Jim Reilly
RTA Chairman

James Buchanan
City of Chicago

Jan Carlson
Kane County

William R. Coulson
Suburban Cook County

L. Tyrone Crider, Sr.
Suburban Cook County

Patrick J. Durante
DuPage County

Phil Fuentes
City of Chicago

Al Jourdan
McHenry County

Dwight A. Magalis
Lake County

Patrick V. Riley, Jr.
Suburban Cook County

Michael Rosenberg
City of Chicago

J.D. Ross
Will County

Horace E. Smith
City of Chicago

Judy Baar Topinka
Suburban Cook County

Douglas M. Troiani
Suburban Cook County

Stephen E. Schlickman
Executive Director

Letter from the Executive Director

Enclosed is the 2010 budget and operating plan for the Regional Transportation Authority (RTA), which includes Chicago Transit Authority (CTA), Metra and Pace. The severe economic crisis that began in late 2008, and intensified throughout most of 2009, deeply affected the regional transit system. Thankfully, the operating funding and reform legislation that became law in January 2008 provided the regional transit system with the necessary resources to work through this crisis. Without it, the transit system would have been unable to meet the demands of out more than 2 million daily riders.

Over the last year, the RTA worked with CTA, Metra and Pace to maintain reliable, affordable service for our riders while managing the severe economic crisis. The RTA re-allocated resources and helped the transit agencies avoid significant service cuts and fare increases in 2009. While the economy has shown some signs of recovery, we anticipate that significant economic challenges will remain in 2010. Due to the ongoing recession, some service changes and fare increases will be part of the transit agencies' 2010 budget and operating plans.

Despite the economic turmoil experienced over the last year, both the Illinois General Assembly and the federal government approved critical capital investments in our transit system. These important funds will be used to replace aging vehicles, rebuild and replace track and stations and help us improve the overall condition of the system. Just as importantly, the RTA will complete an update to our Regional Strategic Plan next year that will help guide transit investments and operations in the future and will ensure we make the most efficient and accountable use of our resources.

Thank you for your support and confidence in the regional transit system. The RTA is looking forward to a successful year of growth and rejuvenation. We will continue to meet challenges head-on and work to provide reliable, quality service for the region's transit riders. For more information and to receive important updates, visit www.MovingBeyondCongestion.org, and register as a Partner for Transit.

Thank you again for your support.

Sincerely,

Steve Schlickman

Stephen E. Schlickman
Executive Director, Regional Transportation Authority

Guide

The outline below is presented as a guide to the organization of the RTA 2010 Budget, Two-Year (2011-2012) Financial Plan, and Five-Year (2010-2014) Capital Plan. In reading this document it is important to note that the information provided reflects the Region's funding and service conditions when the RTA Board adopted Ordinance 2009-93 on December 17, 2009, which approved the 2010 budgets and 2011-2012 financial plans of the Service Boards, the Agency, and Region as a whole. It is also important to note that the funding marks (public funds to cover operating deficits) for each Service Board were set on September 15, 2009. The book is divided into the following eight sections.

1. **Introduction** that provides a list of the members of the RTA Board of Directors, a letter from the RTA Executive Director explaining the key points of the 2010 budget, a guide to the overall structure of this document, key budget issues, RTA's Vision, Governance including the 2010 budget ordinance (2009-93), and the 2009 GFOA Distinguished Budget Presentation Award.
2. **Budget in Brief** provides a snapshot of the RTA's role and summarizes the key components of the 2010 budget.
3. **RTA** section is divided into four major categories: Region Operating Plan (RTA, CTA, Metra, and Pace Suburban Service and ADA Paratransit Service); Agency Operating Plan (budget and financial plan); Goals and Performance Measures; and Reference (RTA bonds and fund types).
4. **CTA** information includes service characteristics, operating plans, budget and financial plan details, and organizational structure.
5. **Metra** section includes service characteristics, operating plans, budget and financial plan details, and organizational structure.
6. **Pace** information is divided into two operations – Suburban Bus Service and ADA Paratransit Service. Information about both operations includes service characteristics, operating plan, budget and financial plan details, and organizational structure.
7. **Capital** provides an overview and details of the capital program of each of the Service Boards (CTA, Metra, and Pace), and the capital impact on operations.
8. **Appendices** include the Budget Call Calendar, Budget Hearing Schedule, Glossary, and Supplemental Ridership and Sales tax data.

Service Operations and Capital Funding Issues

In the planning cycle the region is faced with two predominant issues: capital funding, and operations funding due to the economic downturn.

Operations Funding with Capital Transfers

In recent years increasing amounts of federal capital funds have been diverted to ameliorate operating deficits due to the economic downturn, and similar transfers are taken from the 2010-2012 capital plans and transferred to operations. Continued transfers of scarce capital resources will exacerbate capital shortfalls as reduced capital funding over the long term while maintaining constant levels of service will likely add to increases in operating costs.

Service Board Bonding for Capital

Service Board bonding has provided additional capital funding for many projects over the last ten years, however since debt service requirements are often paid out of federal formula funds, a significant percentage of future funding is locked up and not available for future needs.

State Capital Funding

Historically the State has provided capital funding in five year programs approximately every ten years. After the current State program is exhausted in 2014, capital funding levels drop to dangerously low levels which points to the need for the RTA system to have a dedicated source of capital funding.

System Expansion

Projections of future funding did not include any federal New Starts monies. Historically the RTA region has been success in acquiring funds from this discretionary program. Such federal funds generally require a local match of up to 40 percent of total project costs which would divert existing federal and local resources from more basic state of good repair needs.

Vision

In 2007, the Regional Transportation Authority released a long-range plan "Moving Beyond Congestion" that presented the RTA's 30-year vision for maintaining, enhancing, and expanding public transit system in northeastern Illinois. The vision for the region is a world-class public transportation system that is convenient, affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities.

Governance

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.

In reviewing this document it is important to note that 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

The corporate authority and governing body of the RTA is the 16-member RTA Board of Directors. Fifteen directors are appointed from within the six-county region: five directors by the Mayor of the City of Chicago, one director by the president of the Cook County Board; four directors by the suburban members of the Cook County Board; and one director from DuPage, Kane, Lake, McHenry and Will appointed by the Chairman or Executive of the County Board, its 16th member, is elected by at least 12 of the 15 appointed members.

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.

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 (apart from ADA Paratransit service) 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 expenditures. By statute the recovery ratio for ADA Paratransit service has been set at 10 percent. 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. Pace is also responsible for region-wide ADA paratransit service.

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 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

As previously discussed, 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. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 8-1).

Budget Calendar

Between May and September of each year the RTA and Service boards work through a "business plan call process" that includes RTA estimates of revenue to be collected from taxes and other sources and the Service Boards own preliminary estimates for the capital plan and operating revenues and expenditures during the planning period.

Based upon this information "the RTA Board shall, not later than September 15 prior to the beginning of the Authority's next fiscal year" advise each Service Board of the amount of funds 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 and 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 RTA Act requires that the budgets submitted by each Service Board not project or assume receipt of revenue greater than that 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. The public hearing notice for the 2010 budget may be reviewed in the Appendices Section.

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt a budget (by 12 votes) that meets the statutory criteria. 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 seven statutory criteria for Board approval of the budget and financial plan of each Service Board. These seven criteria are:

Balanced Budget

Such budget and plan shall show a balance between (a) anticipated revenue 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 expenditures 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.

Strategic Plan

Such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan

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.

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 "it's 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 seven statutory budget criteria necessary to pass an annual budget. If not, the RTA does not release any moneys 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 that 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.

Operations Funding

The RTA provides operating funds to each Service Board equivalent to its 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. However, due to the economic downturn, such practice has been deferred for current budgets.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The ordinance affirms that 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 revenue falls 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 three-year planning period.

The RTA established this policy 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. However, due to the economic downturn, such practice has been deferred for current budgets.

Financial Policies

Capital Expenditure

The RTA Five-Year Capital Program is adopted by the RTA after affirmative vote of at least 12 RTA Directors, after consultation with the Service Boards, and after holding a minimum of 3 public hearings in Cook County and one public hearing in each of the other counties in the metropolitan region. Preparation of the RTA's capital budget is guided by the following policies found in the RTA Act.

A five-year program for capital improvements is updated annually. Each capital improvement to be undertaken or on behalf of a Service Board should meet the criteria set in the Strategic Plan, and is not inconsistent with any sub-regional or corridor plan adopted by the RTA.

In reviewing proposals for improvements to be included in a Five Year Capital Program, the RTA may give priority to improvements that are intended to bring public transportation facilities into a state of good repair.

The Five Year Capital Program shall also identify capital improvements to be undertaken by a Service Board, a transportation agency, or a unit of local government and funded by the Authority from amounts in the Innovation, Coordination, and Enhancement Fund, provided that no improvement that is included in the Five Year Capital Program as of the effective date of this amendatory Act of the 95th General Assembly may receive funding from the Innovation, Coordination, and Enhancement Fund.

Fixed Assets

The RTA's sets a fixed asset capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the

beginning of that year for the purpose of computing depreciation.

Description	Useful life
Furniture and Equipment	5 years
Computer Equipment	5 years
Leasehold improvements	Life of the lease

General Obligation Bonds

The RTA's policy states that bonds should be payable from all revenue 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 (JSIF) 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. In addition, RTA Sales Tax must be 2.5 times greater than the debt service requirement. 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 Act, the CTA, Metra and Pace fare box receipts and funds on hand will not be used for payment of debt service.

Investment

The RTA's policy complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, public trust, and Investments in Local and Disadvantaged Institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

The RTA policy establishes the following objectives:

- Safety of Principal – Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.
- Liquidity – Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA
- Rate of Return – A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.
- Public Trust – The RTA and its officers should avoid any investment transaction or practice which in appearance may impair public confidence in its stewardship of public funds.
- Investments in Local and Disadvantaged Institutions – Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

Operating Budget

The RTA operating budget and two-year financial plan approval process is based on the following guidelines:

- Adoption requires an affirmative vote of at least 12 RTA Board Directors, and the RTA must hold at least one public hearing in the metropolitan region, and meet with the county board or its designee of each of the several counties in the metropolitan region.
- The Service Boards (CTA, Metra, and PACE) must prepare and publish, for public hearing and comment, a comprehensive budget document that is to conform to the RTA "marks". RTA 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.
- All funds are required to balance. The total budgeted revenues must equal the sum of budgeted expenditures for each fund. Revenue sources include sales tax, state funds (e.g.

Public Transportation Funds, State Financial Assistance, and Reduced Fare/Senior Ride Free program reimbursements) and other revenue.

- The adopted budget should reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than 5 percent of the RTA total operating expenditures for the year. If the amount is below 5 percent, the financial plan must show full replenishment by the end of the current planning cycle.
- The combined revenue from RTA operations (apart from ADA Paratransit Service) should cover at least 50 percent of the system operating costs. ADA Paratransit Service operations are to cover 10 percent of the system operating costs.

Pension Funding

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

ORDINANCE NO. 2009-93

APPROVING THE 2010 BUDGETS AND 2011-2012 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2010 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2010 BUDGETS, AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT TO THE BUDGET AND PROGRAM FOR FISCAL YEAR 2010

WHEREAS, Section 4.01 of the Regional Transportation Authority Act (the "Act") directs the Board of Directors of the Regional Transportation Authority (the "RTA Board") to (i) appropriate money to perform the purposes of the Regional Transportation Authority (the "RTA") and provide for payment of debts and expenses of the RTA, (ii) take action with respect to the budget and two-year financial plan of each of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division of the Regional Transportation Authority ("Metra"), the Suburban Bus Division of the Regional Transportation Authority ("Pace", and, together with the CTA and Metra, collectively, the "Service Boards" and each, individually, a "Service Board"), as provided for in Section 4.11 of the Act, and (iii) adopt an Annual Budget and Two-Year Financial Plan for the RTA that includes the annual budget and two-year financial plan of each Service Board that has been approved by the RTA;

WHEREAS, pursuant to Section 4.11 of the Act, the RTA Board adopted Ordinance 2009-74 on September 15, 2009, identifying the amounts of funds estimated to be available to each Service Board during fiscal year 2010 and the two following fiscal years;

WHEREAS, on November 11, 2009, the RTA and the Service Boards entered into a Memorandum of Understanding (the "MOU") with the Illinois Department of Transportation ("IDOT"), pursuant to which, among other things, IDOT agreed to provide (i) $8.5 million of funding for ADA Paratransit service operations in each of 2010 and 2011, and (ii) capital funds for distribution to the CTA in an amount equal to the debt service payable on RTA bonds to be issued pursuant to Ordinance 2009-82;

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has presented its proposed fiscal year 2010 budget and proposed 2011–2012 financial plan to the RTA for its review;

WHEREAS, the RTA has conducted public hearings with respect to its proposed annual budget, and considered the proposed budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans;

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards for approval;

WHEREAS, pursuant to Sections 4.01(a) and 4.11(d) of the Act, the budgets and financial plans of the Service Boards shall contain estimated expenses for contributions to be made with respect to pension and other employee benefits, and the Service Boards are required to present to the RTA sufficient detail that fairly presents the condition of any pension plan or trust for health care benefits with respect to retirees established by the Service Board and describes the plans of the Service Boards to meet the requirements of Sections 4.02a and 4.02b;

WHEREAS, pursuant to Sections 4.02a and 4.02b of the Act, the RTA shall continually review the payment of the required employer contributions to affected pension plans and if at any time the RTA determines that a Service Board's payment of any portion of the required contributions to an affected pension plan is more than one month overdue, it shall as soon as possible pay the amount of those overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of moneys otherwise payable to that Service Board under Section 4.03.3, and the RTA shall thereafter

have no liability to the Service Board for amounts paid to the trustee of the affected pension plan, and if the RTA's payment of such contributions is similarly overdue it shall pay such overdue amount out of its administrative expenses;

WHEREAS, pursuant to Ordinance 2007-48, adopted by the RTA Board on September, 14, 2007, federal capital funds may not be used by a Service Board to fund operating expenses unless the RTA Board determines, based on adequate information supplied by the Service Board, that such use will not have a materially adverse impact on the state of repair of such Service Board's capital assets;

WHEREAS, as set forth in RTA Ordinance 2009-83, adopted on November 19, 2009, the RTA Board has authorized the CTA to transfer $77,321,848 from 2009, $36,462,265 from 2010 and $52,215,887 from 2011 of federal capital funds to operations to provide for preventive maintenance, and has determined that these transfers will not have a materially adverse impact on the state of repair of CTA's capital assets;

WHEREAS, the CTA desires to use additional federal funds to fund operations in the form of preventive maintenance in the amounts of: $90 million in 2010, $70 million in 2011, and $65 million in 2012;

WHEREAS, Pace desires to use $2.3 million of federal capital funds to fund Suburban Service operations in the form of capital cost of contracting;

WHEREAS, the federal capital funds utilized for preventive maintenance or capital cost of contracting in the operating budget of a Service Board are not considered operating revenues and are therefore excluded from such Service Boards' recovery ratio calculation;

WHEREAS, the RTA will provide the CTA with $14.953 million of discretionary funds for the CTA's capital program;

WHEREAS, Metra's capital farebox programs are considered as operating revenue for funding their operating deficit and in calculating the recovery ratio;

WHEREAS, pursuant to Section 4.03.3 of the Act, the RTA has established public funding levels in 2010 through 2012 for the ADA Paratransit Fund, the Suburban Community Mobility Fund, and the Innovation, Coordination, and Enhancement Fund (the "ICE Fund") that change proportionately with the percentage change in RTA sales tax receipts;

WHEREAS, pursuant to Ordinance 2009-74, an emergency was declared was respect to 2010 funds in the ICE Fund, and such funds have been reserved for potential allocation to Pace for use in 2010 ADA Paratransit service operations, subject to certain conditions;

WHEREAS, pursuant to Ordinance 2009-74 the RTA Board has waived the RTA funding policy adopted by Ordinance 91-9 (the "Fund to Budget Policy") for the 2010 fiscal year;

WHEREAS, unfavorable economic conditions have created the need to waive, for purposes of the adoption of the 2010 Budget and 2011-2012 Financial Plan, the provision of the RTA Funding Policy adopted by Ordinance No. 98-15 that requires that the RTA Annual Budget and Two-Year Financial Plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period (the "Fund Balance Policy");

WHEREAS, the RTA will reimburse the purchase of excess liability and terrorism insurance by the RTA system's Loss Financing Plan to provide system protection against catastrophic loss; and

WHEREAS, RTA working cash borrowing was used to fill shortfalls in funding provided by public subsidies to the Service Boards in 2009; and, pursuant to Section 4.09 of the Act, the proceeds of such borrowings distributed to the Service Boards are projected to be repaid in 2011 with the proceeds of subsequent working cash borrowings; 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:

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 proposed budgets for 2010, and financial plans for 2011 and 2012, of each of the Service Boards.

1.2 With respect to the proposed budget and financial plans of the CTA (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 CTA sufficient to allow CTA to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

(h) Given the adverse economic conditions and shortfall in funding needed for the CTA's 2010, 2011 and 2012 operating budgets, the RTA Board determines that it is necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize the CTA to transfer additional federal capital funds to operations for preventive maintenance in the following amounts: $90 million in 2010, $70 million in 2011, and $65 million in 2012.

1.3 With respect to the proposed budget and financial plans of Metra (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 Metra sufficient to allow Metra to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.4 With respect to the proposed budget and financial plan submitted by Pace for Suburban Service (as summarized in Schedule I-B) and subject to Pace taking deficit reductions actions as reflected 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established;

(g) Each such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan; and

(h) Given the adverse economic conditions and shortfall in funding needed for Pace's 2010 operating budget, the RTA Board determines that it is necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize Pace to transfer $2.3 million of federal capital funds to operations for capital costs of contracting in 2010.

1.5 With respect to the proposed budget and financial plan submitted by Pace for ADA Paratransit service and subject to the deficit reduction actions reflected 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

(h) Such budget and plan do not reflect the $8.5 million in funding to be provided by IDOT pursuant to the MOU in each of 2010 and 2011 for use in ADA Paratransit service operations, and such budget and plan are hereby amended as summarized in Schedule I-B to reflect such amounts.

1.6 Pursuant to Section 4.11 of the Act, the 2010 budgets and 2011-2012 financial plans for each of the Service Boards, as presented in the attached Schedule I-B, are hereby approved.

1.7 Pursuant to Section 4.11 of the Act, no more than 30 days after each fiscal quarter, each Service Board is directed to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two:

RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2010 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2010 Annual Budget and Program is hereby approved and the Board finds as follows:

(a) The 2010 Annual Budget and Program shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2010 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-E.

(c) The 2010 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 system-generated revenues from such fares and charges received in 2010 apart from ADA Paratransit services to equal at least fifty percent (50%) of the aggregate cost of providing such public transportation in 2010, and at least ten percent (10%) for ADA Paratransit service in 2010, as required by the Act, and as summarized in Schedule I-C.

(d) The 2010 Annual Budget and Program is based on and employs assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2010, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2010 of $16,931,639.

(g) The 2010 annual budget and program is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

ARTICLE II - APPROPRIATION OF FUNDS AND CERTAIN OTHER ACTIONS

Section One:

Appropriation for each Service Board

The following amounts for 2010 are appropriated for payment to each Service Board from the enumerated sources of funds and for the specified objects and purposes.

1.1 Statutory RTA Taxes (Part I)

There is appropriated, for expenditure by each Service Board pursuant to the 2010 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 shown on this page and specified in Section 4.03.3(a) of the Act, and from the Regional Transportation Authority Occupation and Use Tax Replacement Fund and the State and Local Sales Tax Reform Fund pursuant to Section 4.03.3(b) of the Act. The estimated amount of the appropriation is specified as Part I Allocation – "85% Sales Tax" on Schedule I-D.

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 Statutory RTA Sales Taxes and Public Transportation Funds (Part II)

(a) There is appropriated for expenditure by Pace for ADA Paratransit Services receipts from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts pursuant to Section 4.09 of the Act. The amount of the appropriation is specified as Part II Allocation; RTA Total for ADA Paratransit Service on Schedule I-D;

(b) There is appropriated for expenditure by the Service Boards pursuant to the Budget approved in Article I, RTA receipts from taxes imposed pursuant to Section 4.03 of the Act, and public transportation fund receipts pursuant to Section 4.09 of the Act. The amount of the appropriation is specified as Remaining Balance to Service Boards in Part II Allocation on Schedule I-D, and allocated to each Service Board according to the percentages specified under Remaining Balance to Service Boards in Part II on Schedule I-D; and

(c) There is appropriated for expenditure by Pace's Suburban Bus Service funds for Suburban Community Mobility pursuant to the Budget approved in Article I, RTA receipts from taxes imposed pursuant

	Statutory RTA Sales Tax (Part I)		
	Collected Within Chicago	**Collected 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%**

to Section 4.03 of the Act, and public transportation fund receipts pursuant to Section 4.09 of the Act. The amount of the appropriation is specified as RTA Suburban Community Mobility Funding to Pace in Part II Allocation on Schedule I-D.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, and Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director of the RTA shall provide for the payment to each Service Board the specified share of such proceeds pursuant to Section 4.03.3 of the Act.

1.3 Free and Reduced Fare Reimbursement

There is appropriated, for expenditure by each Service Board pursuant to the 2010 Budget approved in Article I, amounts received from the State of Illinois for reimbursement of revenues lost from providing free or reduced fare rides.

After receipt by the RTA of such funds from the State of Illinois, the Executive Director shall provide for the payment to each Service Board its proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A.

1.4 Discretionary Funds of the RTA -- Public Transportation Fund, 15% Sales Tax, Other RTA Revenues

(a) There is appropriated, for expenditure by each Service Board pursuant to the 2010 Budget approved in Article I, the amounts specified as "RTA Discretionary Funds to CTA", and "RTA Discretionary Funds to Pace" on Schedule I-B from other receipts and revenues of the RTA; and

(b) There is appropriated, for expenditure by Pace pursuant to the amount specified as RTA South Suburban Community Job Access Funds 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 Pace equal the amount specified as "RTA South Suburban Community Job Access Funds" on Schedule I-B.

(c) There is appropriated to the ICE Fund, which shall be reserved for potential expenditure by Pace for ADA Paratransit Service, subject to the conditions set forth in Ordinance 2009-74, the amount specified as RTA Funding for Innovation, Coordination and Enhancement (ICE) on Schedule I-A from Part II Allocation of Statutory Sales Taxes and Public Transportation Funds.

Subject to receipt by the RTA of sufficient proceeds of taxes imposed pursuant to Section 4.03 of the Act, and from the Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director is hereby directed to provide for the payment of such funds described in paragraphs (a) through (c) 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.

(d) Transfer Capital: There is appropriated, for expenditure by the CTA for capital projects, $20.353 million, consisting of $14.953 million of RTA funds and $5.4 million of grant funds from IDOT pursuant to the MOU.

Subject to receipt by the RTA of sufficient proceeds of taxes imposed pursuant to Section 4.03 of the Act, the Executive Director is hereby directed to provide for payment of such funds described in paragraph (d) pursuant to grant or intergovernmental agreements with the CTA.

Section Two:
Appropriation to the Regional Transportation Authority

In 2010 there is appropriated, for expenditure for the operating purposes of the RTA (the

"Agency") the amounts specified on Schedule I-A as Agency Administration, RTA Regional Services and Programs, and Regional Technology and Agency Capital, pursuant to the 2010 Budget approved in Article I, from other receipts and revenues of the RTA.

In 2010 there is appropriated for transfer from the RTA's Fund Balance to the Joint Self Insurance Fund (JSIF), funds to reimburse the insurance premium and associated fees for liability and terrorism insurance for the RTA System's Loss Financing Plan the amount specified on Schedule I-A as RTA JSIF Funding.

The total appropriations as shown in Schedule I-A for 2010 Agency Administration, RTA Regional Services and Programs, and Regional Technology and Agency Capital, represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% from and among each of these items.

ARTICLE III - GENERAL

Section One:
Implementation and Dissemination

The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance and to prepare and disseminate the 2010 Annual Budget and Program of the RTA in accordance with the Act and the policies established herein.

Section Two:
Organization of the RTA

The Executive Director shall organize the staff of the Authority, shall allocate their functions and duties, and shall fix compensation and conditions of employment. The Executive Director shall develop, and modify as may be necessary, Agency policies regarding travel, business and relocation expenses.

Section Three:
Waiver of the Fund Balance Policy

The Fund Balance Policy is hereby waived with respect to the 2010 Budget and 2011-2012 Financial Plan.

Section Three:
Non-Waiver of RTA Authority

Nothing in this Ordinance is intended to or shall have the effect of (i) creating an obligation on the part of the RTA to provide funding to the Service Boards in excess of their respective statutorily allocated portions of the proceeds from taxes and State funds actually received by the RTA, nor (ii) waiving any discretion the RTA may have under law to amend the amounts appropriated to the Service Boards under the Ordinance, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

Section Four:
Executive Director's Authority to Apply for Additional Funds

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation ("USDOT"), Federal Transit Administration ("FTA"), the Illinois Department of Transportation ("IDOT"), and any other funding agency (collectively the "Funding Agencies") for any monies available for funding of the RTA Annual Budget. The Executive Director is authorized to

furnish such additional information, assurances, certifications and amendments as the funding agencies may require in connection with such 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 funding agencies. 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.

Section Five:
Direction to File this Ordinance with Public Officials.

The Executive Director is authorized and directed to file the 2010 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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 - General and Agency Funds** (dollars in thousands)

	2010 Budget	2011 Plan	2012 Plan
System-Generated Revenue			
RTA Sales Tax (Part I)	649,600	668,438	687,823
RTA Sales Tax (Part II)	240,875	247,860	255,048
RTA Public Transportation Fund (PTF - Part I)	162,400	167,110	171,956
RTA PTF (Part II) (1)	111,343	114,980	118,706
State Financial Assistance	122,000	122,000	122,000
State Free Rides/Reduced Fare Reimbursement	36,800	36,800	36,800
State Funding for ADA per MOU	8,500	8,500	-
State Funding for Debt Service per MOU	5,400	10,800	10,800
RTA Other Revenue	17,600	17,600	17,600
Total Revenue	**1,354,518**	**1,394,088**	**1,420,733**
Operating Expenditures			
RTA Total Funds for CTA Operations	474,839	505,305	521,681
RTA Total Funds for Metra Operations	292,100	305,400	315,600
RTA Total Funds for Pace Suburban Service Operations (2)	125,256	128,855	132,572
RTA Total Funds for Pace ADA Paratransit Service (3)	98,803	101,421	95,616
RTA Funding for Innovation, Coordination, and Enhancement (ICE) (3)	9,030	9,292	9,562
State Free Rides/Reduced Fare Reimbursement/Sales Tax Interest	38,500	38,500	38,500
Agency Administration	8,024	8,225	8,430
RTA Regional Services and Programs	23,321	23,904	24,502
Total Operating Expenditures	**1,069,873**	**1,120,902**	**1,146,463**
Debt Service & Capital Expenditures			
Principal and Interest	207,020	215,020	217,620
Regional Technology and Agency Capital	2,379	2,438	2,499
Transfer Capital - Metra Funds	17,998	13,717	12,797
Transfer Capital - RTA and IDOT Funds to CTA (4)	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**247,750**	**251,528**	**253,269**
Total Expenditures	**1,317,623**	**1,372,430**	**1,399,732**
Fund Balance			
Beginning Balance (unreserved/undesignated)	(17,682)	15,113	32,571
Change in Fund Balance	36,895	21,658	21,001
RTA Joint Self Insurance Fund (JSIF)	(4,100)	(4,200)	(4,300)
Ending Unreserved/Undesignated Fund Balance	**15,113**	**32,571**	**49,272**
% of Total Operating Expenditures	1.4%	2.9%	4.3%
Total System-Generated Revenue Recovery Ratio %	53%	53%	53%
ADA Paratransit Recovery Ratio %	10%	10%	10%

(1) Includes PTF on the City of Chicago's Real Estate Transfer Tax (RETT). (2) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds as shown on Schedule I-B. (3) Estimated ICE funds in 2010 total $9.030 million are reserved pursuant to RTA Ordinance 2009-74. (4) Includes RTA funds available for region-wide capital or operational initiatives and funding from the State for Debt Service per MOU.

Schedule 1-B: **Total Funds for Service Board Operations General and Agency Funds** (dollars in thousands)

	2010 Budget	2011 Plan	2012 Plan
CTA			
Total System-Generated Revenue	600,706	682,216	805,744
Total Operating Expenses	1,271,045	1,364,521	1,418,425
Total Deficit	**670,339**	**682,305**	**612,681**
RTA Funding for Operations			
RTA Sales Tax (Part I)	261,616	269,203	277,010
RTA Sales Tax and PTF (Part II)	110,075	113,300	116,617
RTA Discretionary Funds to CTA	97,648	116,802	121,554
RTA PTF from RETT (Part II)	5,500	6,000	6,500
Total RTA Funding for Operations	**474,839**	**505,305**	**521,681**
Other Funding			
Federal 5307 Preventive Maintenance Funds	173,000	153,000	65,000
CTA Funds - City of Chicago RETT (Part II)	22,500	24,000	26,000
Working Cash Borrowing (1)	-	56,147	-
Working Cash Repayment (1)	-	(56,147)	-
Total Other Funding	**195,500**	**177,000**	**91,000**
Total Funding for Operations	**670,339**	**682,305**	**612,681**
Metra			
Total System-Generated Revenue	311,000	322,000	332,300
Total Operating Expenses	603,100	627,400	647,900
Total Deficit	**292,100**	**305,400**	**315,600**
RTA Sales Tax (Part I)	220,661	227,061	233,645
RTA Sales Tax and PTF (Part II)	89,436	92,056	94,751
Total RTA Funding Available for Operations	**310,097**	**319,117**	**328,396**
Service Board Retained Funds (2)	(17,997)	(13,717)	(12,796)
Total RTA Funding for Operations	**292,100**	**305,400**	**315,600**
Pace Suburban Service			
Total System-Generated Revenue	55,043	57,684	59,708
Total Operating Expenses	190,888	199,155	209,288
Deficit Reduction Actions (3)	(4,198)	(11,115)	(16,720)
Total Deficit	**131,647**	**130,356**	**132,860**
RTA Sales Tax (Part I)	69,883	71,909	73,995
RTA Sales Tax and PTF (Part II)	29,812	30,685	31,584
RTA Discretionary Funds to Pace	-	175	370
RTA Suburban Community Mobility Funds	18,061	18,585	19,124
RTA South Suburban Community Job Access Funds	7,500	7,500	7,500
Total RTA Funding for Operations	**125,256**	**128,854**	**132,573**
Other Funding			
Federal 5307 Capital Cost of Contracting Funds	2,300	-	-
Federal CMAQ/JARC Funds	3,105	1,163	287
RTA Funding for ICE (4)	986	339	-
Total Other Funding	**6,391**	**1,502**	**287**
Total Funding for Operations	**131,647**	**130,356**	**132,860**

Schedule 1-B: **Total Funds for Service Board Operations General and Agency Funds** (dollars in thousands)

	2010 Budget	2011 Plan	2012 Plan
Pace ADA Paratransit Service			
Total System-Generated Revenue	8,353	8,852	9,380
Total Operating Expenses	127,595	138,128	149,421
Deficit Reduction Actions (3)	(11,742)	(27,855)	(35,925)
Total Deficit	**107,500**	**101,421**	**104,116**
RTA Sales Tax and PTF (Part II)	90,303	92,921	95,616
Additional State Funding for ADA	8,500	8,500	-
Total RTA Funding	**98,803**	**101,421**	**95,616**
Other Funding			
Additional Budget Balancing Actions (5)	8,697	-	-
Working Cash Borrowing (1)	-	4,103	-
Working Cash Repayment (1)	-	(4,103)	-
Total Other Funds	**8,697**	**-**	**-**
Total Funding	**107,500**	**101,421**	**95,616**

(1) RTA working cash borrowing to fill shortfalls in funding provided by public subsidies in 2009. Pursuant to Section 4.04 of the Act the borrowing is projected to be repaid in 2011 with subsequent working cash borrowing. (2) Funds that exceed the operating deficit of a Service Board (except for ADA Paratransit service) are retained by the Service Board and reserved for their capital program unless approved for operating use by the RTA Board. (3) To achieve a balanced budget and two-year financial plan, as set forth in Ordinance 2009-74, the budget and two-year financial plan must be adjusted by actions that may include, but are not limited to, service adjustments, identification of additional funds or operating revenues, reducing operating costs, requesting the use of retained earnings (positive budget variances -PBV), and/or the use of federal capital funds for operating purposes. (4) Balance of 2008 ICE funding appropriated by Ordinance 2008-28. (5) Further actions are required to balance the ADA Paratransit budget, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2010 funds from the ICE Fund that may be allocated pursuant to Paragraph 7 of Ordinance 2009-74.

Schedule I-C: **Recovery Ratio %**

	2010 Budget
CTA	
Recovery Ratio %	51.0%
Metra	
Recovery Ratio %	55.0%
Pace Suburban Service	
Recovery Ratio %	36.0%
Total System-Generated Revenue Recovery Ratio %	**52.9%**
Pace ADA Paratransit	
Recovery Ratio %	10.0%

The RTA Act allows certain expenditures to be excluded from the recovery ratio calculation including security, depreciation, CTA's pension obligation bonds, and facility leases. Metra's calculation includes capital farebox revenue. The total system-generated revenue recovery ratio includes a statutory expense credit of $160 million.

Schedule 1-D: **RTA Statutory Sales Tax, Public Transportation Funds, and RETT Source and Distribution of Funds** (dollars in thousands)

Source of Funds	**2010 Budget**	**2011 Plan**	**2012 Plan**
Part I Sales Tax ("85% Sales Tax")			
City of Chicago (COC)	206,134	212,111	218,262
Suburban Cook County	338,833	348,659	358,771
Collar Counties	104,633	107,668	110,790
Total Part I - Sales Tax [1]	**649,600**	**668,438**	**687,823**
Part I Public Transportation Funds (PTF) (25% of Sales Tax)	162,400	167,110	171,956
Total Part I - Sales Tax and PTF	**812,000**	**835,548**	**859,779**
Part II - Sales Tax, PTF and RETT			
City of Chicago (COC)	51,533	53,028	54,566
Suburban Cook	84,708	87,165	89,692
Collar Counties	104,634	107,667	110,790
Total Part II - Sales Tax	**240,875**	**247,860**	**255,048**
Part II - COC Real Estate Transfer Tax (RETT) [2]	22,000	24,000	26,000
Total Part II - Sales Tax and RETT	**262,875**	**271,860**	**281,048**
Part II - Public Transportation Funds			
30% of Part II Sales Tax	72,263	74,358	76,514
5% Part I Sales Tax & RETT	33,580	34,622	35,691
25% of RETT to CTA	5,500	6,000	6,500
Total Part II PTF	**111,343**	**114,980**	**118,706**
Total Part II - Sales Tax, PTF and RETT	**374,218**	**386,840**	**399,754**
Total Source of Funds	**1,186,218**	**1,222,388**	**1,259,533**
Distribution of Funds			
Part I Sales Tax Allocation *("85% Sales Tax")*			
RTA - 15% of Part I Sales Tax	97,439	100,266	103,173
CTA	261,617	269,202	277,009
Metra	220,661	227,061	233,644
Pace	69,883	71,909	73,995
Total Part I Sales Tax [1]	**649,600**	**668,437**	**687,821**
RTA - 100% of Part I PTF	162,400	167,110	171,956
Grand Total Part I Sales Tax & PTF	**812,000**	**835,547**	**859,777**
Part II Allocation (Sales Tax, PTF and RETT)			
RTA Total for ADA Paratransit Service	90,303	92,921	95,616
RTA Innovation, Coordination & Enhancement (ICE)	9,030	9,292	9,562
RTA Suburban Community Mobility Funding to Pace	18,061	18,585	19,124
COC RETT to CTA [2]	22,000	24,000	26,000
PTF - 25% of RETT to CTA	5,500	6,000	6,500
Total Part II Allocation before Service Board Distribution	**144,894**	**150,798**	**156,802**
Remaining Balance to Service Boards			
CTA - 48%	110,075	113,300	116,617
Metra - 39%	89,436	92,056	94,751
Pace - 13%	29,812	30,685	31,584
Total Part II Funds to Service Boards	**229,324**	**236,042**	**242,952**
Total Part II Funds Allocated (Sales Tax, PTF and RETT)	**374,218**	**386,840**	**399,754**
Total Distribution of Funds	**1,186,218**	**1,222,387**	**1,259,531**

Part I Sales Tax - Service Board Allocation Formula [1]	**City of Chicago**	**Suburban Cook**	**Collar Counties**
CTA	100%	30%	-
Metra	-	55%	70%
Pace	-	15%	30%
Total	**100%**	**100%**	**100%**

(1) The RTA Act directs 85% of these sales tax revenues to the Service Boards based on the allocation formula shown on this schedule. (2) The City of Chicago disburses RETT funds directly to the CTA; therefore these funds are excluded from RTA Revenues on Schedule I-A,

Schedule I-E: **RTA Monthly Cash Flow Projection of 2010 Operations, General and Agency Funds (1)** (dollars in thousands)

	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010
Cash Receipts						
RTA Sales Tax (Part I)	-	-	-	$51,968	$51,968	$51,968
RTA Sales Tax (Part II)	-	-	-	19,270	19,270	19,270
RTA Public Transportation Fund (PTF - Part I)	-	-	-	-	-	-
RTA PTF (Part II)	-	-	-	-	-	-
State Financial Assistance	-	-	-	10,167	10,167	10,167
State Free Rides/Reduced Fare Reimbursement	-	-	-	-	-	9,200
State Funding for ADA per MOU	-	-	-	-	-	-
State Funding for Debt Service per MOU	-	-	-	-	-	-
RTA Other Revenue	1,467	1,467	1,467	1,467	1,467	1,467
Total Cash Receipts	**$1,467**	**$1,467**	**$1,467**	**$82,871**	**$82,871**	**$92,071**
Cash Disbursements						
CTA						
RTA Sales Tax (Part I)	-	-	-	$20,929	$20,929	$20,929
RTA Sales Tax (Part II)	-	-	-	2,989	2,989	2,989
RTA PTF (Part II)	-	-	-	-	-	-
RTA PTF from RETT (Part II)	-	-	-	-	-	-
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-
State Free Rides/Reduced Fare Reimbursement	-	-	-	-	-	7,798
Transfer Capital - RTA and IDOT Funds to CTA	-	-	-	1,696	1,696	1,696
RTA Total CTA Disbursements	**-**	**-**	**-**	**$25,614**	**$25,614**	**$33,412**
Metra						
RTA Sales Tax (Part I)	-	-	-	$17,653	$17,653	$17,653
RTA Sales Tax (Part II)	-	-	-	2,428	2,428	2,428
RTA PTF (Part II)	-	-	-	-	-	-
State Free Rides/Reduced Fare Reimbursement	-	-	-	-	-	823
RTA Total for Metra Disbursements	-	-	-	**$20,081**	**$20,081**	**$20,904**
Pace Suburban Service						
RTA Sales Tax (Part I)	-	-	-	$5,591	$5,591	$5,591
RTA Sales Tax (Part II)	-	-	-	809	809	809
RTA PTF (Part II)	-	-	-	-	-	-
RTA Suburban Community Mobility Funds	-	-	-	2,007	2,007	2,007
RTA South Suburban Community Job Access Funds	-	-	-	-	-	-
State Free Rides/Reduced Fare Reimbursement	-	-	-	-	-	579
Total Pace Suburban Service Disbursements	-	-	-	**$8,407**	**$8,407**	**$8,986**
Pace ADA Paratransit Service						
RTA Sales Tax and PTF (Part II)	$7,525	$7,525	$7,525	$7,525	$7,525	$7,525
Additional State Funding for ADA	-	-	-	4,250	-	-
Total Pace ADA Paratransit Disbursements	**$7,525**	**$7,525**	**$7,525**	**$11,775**	**$7,525**	**$7,525**
RTA Operations, Debt Service and Capital						
Principal and Interest for Service Board Capital Programs	$17,252	$17,252	$17,252	$17,252	$17,252	$17,252
Agency Operations (2)	2,810	2,810	2,810	2,810	2,810	2,810
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	-	-	-	1,003	1,003	1,003
Total RTA Disbursements	$20,062	$20,062	$20,204	$21,207	$21,207	$21,207
Joint Self Insurance Fund	-	-	-	-	-	-
Total Cash Disbursements	**$27,587**	**$27,587**	**$27,729**	**$87,084**	**$82,834**	**$92,034**
Cash Balance						
Beginning	-	($26,121)	($52,241)	($78,503)	($82,716)	($82,679)
Ending	**($26,121)**	**($52,241)**	**($78,503)**	**($82,716)**	**($82,679)**	**($82,642)**

(1) Cash disbursements are subject to actual cash availability. (2) Agency Administration, Regional Services and Programs, Regional Technology and Agency Capital. (3) Restricted and unrestricted cash.

Schedule I-E: **RTA Monthly Cash Flow Projection of 2010 Operations, General and Agency Funds (1)** (dollars in thousands)

July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	2011 Operations
$54,133	$54,133	$54,133	$54,133	$54,133	$54,133	$56,299	$56,299	$56,299	$649,600
20,073	20,073	20,073	20,073	20,073	20,073	20,876	20,876	20,876	240,875
79,576	-	-	-	-	-	82,824	-	-	162,400
54,558	-	-	-	-	-	56,785	-	-	111,343
10,167	10,167	10,167	10,167	10,167	10,167	10,167	10,167	10,167	122,000
-	-	9,200	-	-	-	9,200	-	9,200	36,800
4,250	-	-	-	-	-	4,250	-	-	8,500
2,700	-	-	-	-	-	2,700	-	-	5,400
1,467	1,467	1,467	1,467	1,467	1,467	-	-	-	17,600
$226,924	**$85,840**	**$95,040**	**$85,840**	**$85,840**	**$85,840**	**$243,100**	**$87,341**	**$96,541**	**$1,354,518**
$21,801	$21,801	$21,801	$21,801	$21,801	$21,801	$22,673	$22,673	$22,673	$261,616
3,374	3,374	3,374	3,374	3,374	3,374	10,020	10,020	10,020	59,271
24,894	-	-	-	-	-	25,910	-	-	50,805
2,695	-	-	-	-	-	2,805	-	-	5,500
47,848	-	-	-	-	-	49,800	-	-	97,648
-	-	7,798	-	-	-	7,798	-	7,798	31,191
1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	1,696	20,353
$102,308	**$26,871**	**$34,669**	**$26,871**	**$26,871**	**$26,871**	**$120,704**	**$34,390**	**$42,188**	**$526,384**
$18,388	$18,388	$18,388	$18,388	$18,388	$18,388	$19,124	$19,124	$19,124	$220,661
2,741	2,741	2,741	2,741	2,741	2,741	8,142	8,142	8,142	48,158
20,227	-	-	-	-	-	21,052	-	-	41,279
-	-	823	-	-	-	823	-	823	3,293
$41,356	**$21,130**	**$21,953**	**$21,130**	**$21,130**	**$21,130**	**$49,141**	**$27,266**	**$28,089**	**$313,391**
$5,824	$5,824	$5,824	$5,824	$5,824	$5,824	$6,057	$6,057	$6,057	$69,883
914	914	914	914	914	914	2,714	2,714	2,714	16,053
6,742	-	-	-	-	-	7,017	-	-	13,760
2,007	2,007	2,007	2,007	2,007	2,007	-	-	-	18,061
-	-	-	-	-	7,500	-	-	-	7,500
-	-	579	-	-	-	579	-	579	2,315
$15,486	**$8,744**	**$9,323**	**$8,744**	**$8,744**	**$16,244**	**$16,367**	**$8,770**	**$9,349**	**$127,571**
$7,525	$7,525	$7,525	$7,525	$7,525	$7,525	-	-	-	$90,303
4,250	-	-	-	-	-	-	-	-	8,500
$11,775	**$7,525**	**$7,525**	**$7,525**	**$7,525**	**$7,525**	**-**	**-**	**-**	**$98,803**
$17,252	$17,252	$17,252	$17,252	$17,252	$17,252	-	-	-	$207,020
2,810	2,810	2,810	2,810	2,810	2,810	-	-	-	33,724
1,003	1,003	1,003	1,003	1,003	1,003	-	-	-	9,030
$21,207	**$21,207**	**$21,207**	**$21,207**	**$21,207**	**$21,207**	**$142**	**$142**	**-**	**$251,474**
-	-	-	-	-	$4,100				$4,100
$192,133	**$85,478**	**$94,678**	**$85,478**	**$85,478**	**$97,078**	**$186,353**	**$70,567**	**$79,626**	**$1,321,723**
($82,642)	($47,851)	($47,489)	($47,127)	($46,765)	($46,403)	($57,641)	($894)	$15,880	
($47,851)	**($47,489)**	**($47,127)**	**($46,765)**	**($46,403)**	**($57,641)**	**($894)**	**$15,880**	**$32,795**	

(1) Cash disbursements are subject to actual cash availability. (2) Agency Administration, Regional Services and Programs, Regional Technology and Agency Capital. (3) Restricted and unrestricted cash.

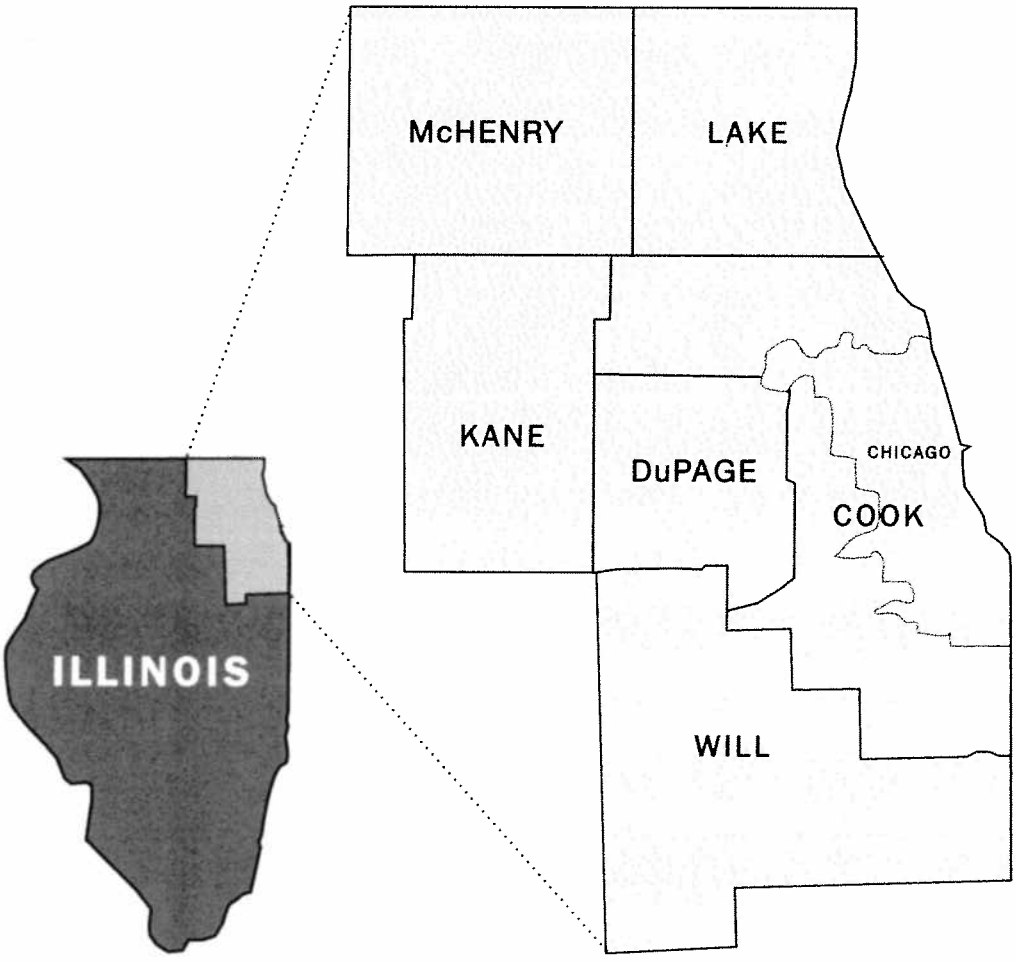
The GFOA Distinguished Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) present an award of Distinguished Presentation to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2009.

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.

2 Budget in Brief



System Overview

The Regional Transportation Authority (RTA/Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in the six-county northeastern Illinois region as set forth by the RTA Act. The Act designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace bus, have operational responsibility for public transportation within the six-county region and are governed by their own separate boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service in the suburbs and between the suburbs and the City of Chicago, and Pace provides ADA Paratransit service for the entire region (Exhibit 2-1).

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.

Exhibit 2-1: **RTA Organization Structure**

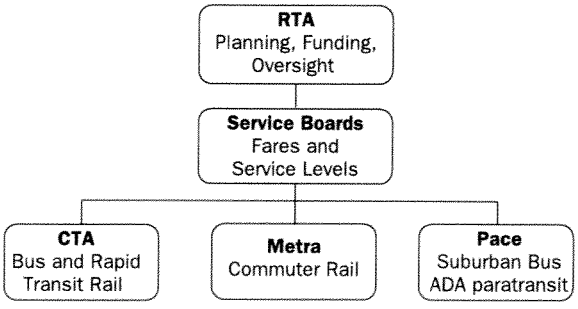
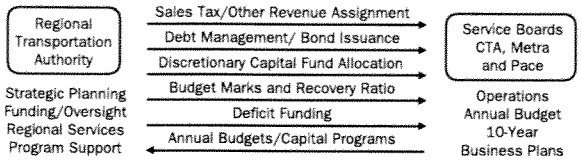


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**



The marks guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that is to conform 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 2-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Service Characteristics

There are more than 8 million residents in the six-county northeastern Illinois region, an area that covers 3,749 square miles or 7,200 route miles. The RTA system includes 5,100 bus and rail cars plus over 600 vanpool vehicles on more than 400 routes to service its customers. In 2008, the regional public transportation system provided nearly 651.8 million trips.

The system has a replacement value of over $36 billion (i.e., the asset value of the system's existing infrastructures). With an average asset life

Exhibit 2-3: **RTA Statement of Revenues and Expenditures - General and Agency Funds** (dollars in millions)

	2009 Estimate	2010 Budget
System-Generated Revenue		
RTA Sales Tax (Part I)	640	650
RTA Public Transportation Fund (Part I)	160	162
RTA Sales Tax (Part II)	237	241
RTA PTF (Part II)	109	111
State Financial Assistance	122	122
State Reduced Fare/Free Ride Programs	34	37
State Funding for ADA & Debt Services	-	14
Other Revenue	18	18
Total Revenue	**1,320**	**1,354**
Operating Expenditures		
RTA Operations Funding - CTA (includes rett ptf	465	475
RTA Operations Funding - Metra	269	292
RTA Operations Funding - Pace Suburban Service	100	100
RTA Suburban Community Mobility Funds for Pace	18	18
RTA South Suburban Job Access Funds for Pace	8	8
RTA Total for ADA Paratransit Service	93	99
RTA Funding for Innovation, Coordination, and Enhancement	-	9
State Reduced Fare/Free Ride Programs and Sales Tax Interest	35	39
Agency Administration, Regional Services & Programs (1)	30	31
Total Operating Expenditures	**1,018**	**1,070**
Debt Service & Capital Expenditures		
Principal and Interest for Service Board Capital Programs	202	207
Regional Technology and Agency Capital (1)	4	2
Transfer Capital - Metra Funds	37	18
Transfer Capital - Discretionary RTA Funds to CTA	20	20
Total Debt Service and Capital Expenditures	**262**	**248**
Total Expenditures	**1,280**	**1,318**
Fund Balance (undesignated/unreserved)		
Beginning Balance	(53)	(18)
Change in Fund Balance	40	37
Other Funding & Reserves	(4)	(4)
Ending Unreserved/Undesignated Fund Balance	**(18)**	**15**
% of Total Operating Expenditures	(1.7%)	1.4%
System-Generated Revenue Recovery Ratio %	54.0%	53.0%
ADA Paratransit Recovery Ratio	10.0%	10.0%

of over 25 years, the RTA system needs more than $1 billion in capital funds each year just to keep the existing infrastructure in good repair.

Operating Budget

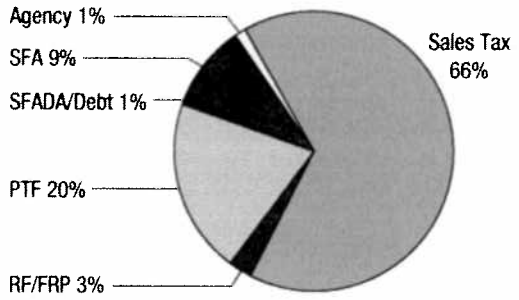
A statement of revenues and expenditures for the 2009 estimate and the 2010 budget is presented in Exhibit 2-3, and subsequent paragraphs summarize line item information. The statement of RTA revenues and expenditures from 2008 through 2012 is shown in the Region section.

Total Revenues

In 2010, total RTA revenues are projected at $1,354 million. This represents an increase of $34 million or 3% over the 2009 estimate of $1,320

million. $891 million, or 66%, of these revenues will be generated from RTA Sales Tax; State reduced fare reimbursement and free ride programs (RF/FRP) equal 3% or $37 million of total revenues. Public Transportation Fund (PTF) receipts are 20% or $273 million of total revenues. State Funding for ADA and Debt Services (SFADA/DEBT) of $14 million provides 1% of revenues. State Financial Assistance (SFA) equals 9% of total revenues, or $122 million, and other RTA/Agency revenues account for the remaining balance of $18 million, or 1%. Exhibit 2-4 illustrates this distribution.

Exhibit 2-4: **2010 RTA Revenue - $1,354 million**



Sales Tax

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

RTA Sales Tax (Part I) and Public Transportation Funds (PTF)

The traditional RTA sales tax (identified in this document as "Old" or "Part I" Sales Tax) has been the major source of funding for public transportation in northeastern Illinois for nearly three decades. 85% of the RTA sales tax receipts are apportioned to the Service Boards by statutory formula.

The 2009 sales tax estimate and the 2010 budget year sales tax projections were developed in August 2009, and were established after assessing state and regional economic data and national forecasts. This information was used as a basis for the RTA estimated sales tax receipts for 2009 and 2010 totaling $640 and $650 million respectively. The estimate for 2009 in August was 5% below the RTA's initial budget figure of $680.0 million.

State Public Transportation Funds (PTF) from Part I sales taxes are based on a formula tied to Part I sales tax results. The fund provides the RTA with a 25% match of its sales tax proceeds, which means that for every four dollars collected in old sales tax the RTA receives an additional dollar in PTF. The budgeted receipts for 2010 are $162 million.

RTA Sales Tax, Real Estate Transfer Tax (RETT), and PTF – (Part II)

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF (identified in this document as "New" or "Part II" Sales Tax). The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008, the real estate transfer tax in the City of Chicago was increased 0.3% (e.g. for every $1,000 in sales price $3.00 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase moved from 5% to 30%.

While RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations as well as for regional Innovation, Coordination and Enhancement (ICE) and Suburban Community Mobility Fund (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside

Exhibit 2-5: **Funds Provided by P.A. 95-0708**
2010 Budget (dollars in millions)

Source	Funds	%
Sales Tax	241	64%
PTF	111	30%
RETT	22	6%
Total Source	**374**	**100%**
Distribution		
CTA	138	37%
Metra	89	24%
Pace (includes SCMF)	48	13%
ADA Paratransit	90	24%
ICE	9	2%
Total Distribution	**374**	**100%**

before distributions to the CTA, Metra and Pace. Of this remaining balance the CTA receives 48%, Metra 39% and Pace 13%. In 2010, the budget for the additional funds provided by P.A. 95-0708 total $374 million (Exhibit 2-5).

State Financial Assistance

This revenue source is state-authorized assistance to reimburse 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 2009 and 2010 are $122 million.

Reduced Fare and Free Ride Programs

This operating assistance is partial reimbursement from the State of Illinois to the Service Boards for discounts and free ride programs mandated by law. This includes discounts to students, elderly, and disabled riders as well as free ride programs for seniors 65 and older, and any disabled person who qualifies for the State's Circuit Breaker Program. The funds are distributed by the state through the RTA and then to the Service Boards. Receipts for 2010 are budgeted at $37 million, an increase of $3 million from the 2009 funding level.

State Funding ADA/Debt Service

On November 11, 2009 the RTA and the Service Boards entered into a Memorandum of Understand (MOU) with the Illinois Department of Transportation (IDOT). In this document the IDOT agreed to provide $8.5 million in funding for ADA Paratransit service operations in 2010 and 2011, and agreed to provide capital funds for distribution to the CTA in an amount equal to the debt service payable on RTA bonds to be issued in order to maintain quality service. The 2010 budget calls for debt funding of $5.4 million.

Other Revenue

This RTA revenue category includes sales tax interest, investment income, transit benefit program revenue, and grant funds from state and local agencies for regional coordination and technology initiatives which help defray the cost of these Agency sponsored programs. Total receipts are budgeted at $18 million for 2009 and 2010.

Total Expenditures

Total RTA expenditures (operating, debt service and capital) for 2010 are budgeted at $1,318 million. This amount is $38 million or 3% higher than the 2009 estimate of $1,280 million. Operating expenses account for 81% of the expenditures, 16% is used to cover the debt service on RTA bonds, and 3% is used to fund capital programs (Exhibit 2-6 illustrates this distribution).

Exhibit 2-6: **2010 RTA Expenditures** - $1,318 million

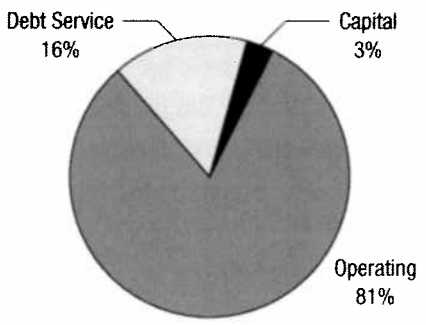
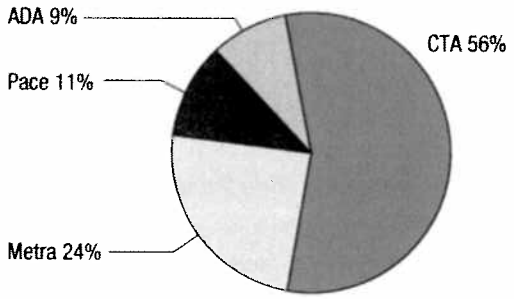


Exhibit 2-7: **2010 Funds for Service Operations - $1,193 million**



Operations Funding

The RTA's primary expenditure is the funding of Service Board operating deficits.

The RTA Board establishes "marks" for each Service Board to use in its proposed budget and program. The marks are set in September for the next fiscal (calendar year) period. Operating marks include a recovery ratio for the next budget year and operating funds for the budget and following two-year financial planning period. Operating deficits are primarily sourced from RTA sales tax, the State's PTF, and the City of Chicago's RETT. Other sources include federal funds, local program funds and intermittent use of fund balances.

Funds for operations are budgeted at $1,193 million in 2010. The CTA will use 56%, Metra 24%, and Pace 20% (11% for suburban bus service and 9% for regional ADA Paratransit service) (Exhibit 2-7). The source of funds and amount of funds (Exhibit 2-8) used for each Service Board's operation are identified in more detail in subsequent paragraphs.

CTA

The CTA's operations funding level (deficit) in 2010 is budgeted at $670 million. This figure includes statutory sales tax (sales tax based on formulas set by state law) totaling $372 million, $98 million from discretionary RTA funds (sales tax and PTF funds the RTA receives for operating and capital expenditures as set forth by state law), $28 million from City of Chicago RETT and corresponding 25% statutory PTF, and $173 million from the Federal 5307 Preventive Maintenance Fund. (Note: City of Chicago RETT funds flow directly from the City to the CTA and therefore are not included in the revenue or funding figures on Exhibit 2-3).

Metra

Metra's funding in 2010 is budgeted at $310 million with all funds provided by statutory formula.

Exhibit 2-8 **2010 Service Board Deficit Funding** (dollars in millions)

	2010				
			Pace		
Service Board	**CTA**	**Metra**	**Suburban Service**	**ADA (1)**	**Total**
Operating Revenue	601	311	55	8	975
Operating Expense	1,271	603	191	128	2,193
Deficit Reduction Actions	-	-	(4)	(21)	(25)
Operating Deficit	**670**	**292**	**132**	**99**	**1,193**
Funding					
RTA Sales Tax - old	262	221	70	-	552
RTA Sales Tax - new	110	89	30	90	320
RTA Discretionary Funds	98	-	-	-	98
RETT/PTF	28	-	-	-	28
RTA Community Mobility and Job Access	-	-	26	-	26
Other (1)	173	(18)	6	9	170
Total Funding for Operations	**670**	**292**	**132**	**99**	**1,193**

(1) CTA's amount ($173 million) represents Federal 5307 Preventive Maintenance Funds.
Metra's amount ($18 million) represents funds retained for Capital initiatives
Pace's amount for Suburban Service ($6 million) represents RTA Ice funds carried over from the previous year and Federal funds. Pace's amount for ADA ($9 million) represents additional state MOU funding.

$292 million is appropriated for operations with the remaining balance of $18 million retained by Metra and set aside for capital programs (in this document statutory funds that exceed Metra's operating needs may be referenced as Transfer Capital or Retained Earnings).

Pace Suburban Service

Pace's funding for operations in 2010 is budgeted at $132 million and reflects deficit reduction actions of $4 million. Pace will receive statutory sales tax from the old sales tax and new sales tax formulas totaling $100 million. Suburban Community Mobility and South Suburban Community Job Access funding (provided by P.A. 95-0708 and discussed in more detail in the region section) total $26 million. Pace is also transferring to operations federal 5307 funds in the amount of $2 million and projects $4 million in CMAQ/JARC/New Freedom/Ice funds.

Pace ADA Paratransit Service

Funding for ADA Paratransit service in 2010 is budgeted at $99 million and reflects total deficit reduction actions of $21 million. RTA funds are statutorily provided by P.A. 95-0708 and increase or decrease each year by the percentage change in sales tax revenue. Statutory funds that exceed the operating deficit are by statute retained by the RTA and reserved to fund future ADA Paratransit service; in 2010 no funds are to be retained by the RTA.

Innovation, Coordination and Enhancement (ICE) Funding

The Innovation, Coordination, and Enhancement (ICE) program, established as part of the 2008 Mass Transit Reform Legislation (P.A. 95-0708), provides operating and/or capital funding for projects that provide cost-effective ways to enhance the coordination and integration of public transportation, and develop and implement innovations to improve the quality and delivery of public transportation.

In 2009, the funding for ICE is projected to be used as discretionary funding from the RTA with $5 million for CTA operations and the balance for ADA Paratransit service. In 2010, $9 million is set aside and may be allocated for ADA Paratransit, as directed by ordinance 2009-74 paragraph 7.

Reduced Fare/Free Ride Programs and Sales Tax Interest

State reduced fare and free ride reimbursements are received as revenue by the RTA, as previously described, and flow directly to the Service Boards to help defray program costs. The 2010 projected reimbursement level of $37 million is a 9% increase from 2009.

There is a lag in time between when the State collects RTA sales tax and when it distributes the funds to the RTA. The RTA receives interest on this sales tax, and then disburses earnings on Part I sales tax to the Service Boards using the same formula as the Part I sales tax distribution formula. Payments in 2009 and 2010 are budgeted above $1 million.

Agency Administration, Regional Services & Programs

Agency administration represents on-going RTA functions to execute its funding and financial oversight responsibilities. Budgeted 2010 administrative expenses totaling $8 million are significantly below the 2010 statutory cap of $17 million permitted by the RTA Act.

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), ADA certification, Reduced Fare, and the Customer Service Center. In addition, the RTA supports continued demands for technical assistance initiatives and coordination programs that encourage transit oriented improvements in the region. Programs supported include various community planning and sub-regional programs.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to decrease from $262 million in 2009 to $248 million in 2010, a decrease of 5%. This change basically reflects the decrease of statutory funds Metra has available for capital expenditure.

Principal and Interest

Principal and interest (debt service) expenditures in the 2010 budget total $207 million. Payments cover the debt incurred on bonds (authorized by the state), which help pay for Service Board capital projects, and pay for the occasional issuance of working cash notes to cover extended accounts receivable cycles from the State. The State's financial assistance for SCIP bond programs in 2010 covers roughly 59% of the RTA's debt service costs with the remaining balance paid from RTA funds.

Regional Technology and Agency Capital

The 2010 budget continues the RTA's commitment to fund region-wide capital and/or technology driven initiatives and Agency programs. The 2010 Agency budget of $2 million includes an online Trip Planner (goroo), various IT hardware and software updates, an integrated management system, telecommunication hardware moves, and participation with the Clean Air Commuter Challenge.

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. Annual funding for this program during the next three-year financial planning period continues at over $20 million. In addition, the statutory apportionment of sales tax to a Service Board can exceed its operating needs. When this occurs, the Service Board retains the funds for their capital program. Over the years Metra has been the only Service Board that has been able to retain such funds for capital investment. The budget for 2010 includes $18 million available for Metra's capital program.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5% minimum level in the unreserved and undesignated fund balance. If the amount is below 5% the financial plan must show full replenishment by the end of the current three-year planning cycle. The percentage is based on total operating expenditures for the year (as shown on Exhibit 2-3). The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods. The policy proved its value as sluggish economic conditions over the past several years' limited growth of sales tax receipts.

However, continued unfavorable economic conditions created the need to waive the provision for the 2009-2011 planning period, and the continued uncertainty in the economic environment necessitates the continuance of this waiver during the 2010-2012 planning cycle. This waiver also removes RTA's ability to fund the operating budgets of the Service Boards at the levels established in the operating marks, (a provision of the RTA Funding Policy) and therefore the funding to budget policy was waived for purposes of the adoption of the 2010 Budget and 2011-2012 Financial Plan. The ending fund balance for 2010 is estimated to be $15 million or 1.4% of total operating costs of $1.1 billion.

Beginning Balance

The beginning fund balance is the amount of funds in the undesignated and unreserved (General Fund) fund balance after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2008 actual results for the 2009 beginning balance.

Change in Fund Balance

Total RTA revenues less total RTA expenses produce an annual change to the fund balance. When revenue exceeds expense, the remainder or surplus is added to the fund balance. If expenses exceed revenues, the fund balance is reduced by the deficit amount. Estimates indicate that revenues will exceed expenditures in 2010 by $37 million before using $4 million to fund the regions Joint Self Insurance Fund (JSIF).

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% (apart from ADA Paratransit service) of the system operating cost. The RTA's system-generated revenue recovery ratio for 2010 is 53%. A breakdown of this calculation is provided at the end of the Region section.

In meeting the 50% 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% 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 Act further requires a recovery ratio for ADA Paratransit service of 10%, the 2010 budget for this service meets this stipulation.

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% (apart from ADA Paratransit that requires a recovery ratio of 10%); and the RTA's (Agency's) administrative expenses do not exceed an established statutory cap (CAP). The CAP is almost $17 million, and the Agency's administrative expenses of $8 million are well below the statutory amount. The Act also requires that prudent fiscal practice be followed such as

Exhibit 2-9: **2010 Source and Use of Funds** (dollars in millions)

Source of Funds	**Total**
RTA Sales Tax	891
State Funds	446
RTA Revenue	18
Chicago RETT	23
Service Board (bus, rail, van)	932
ADA Paratransit	8
Federal Funds for Operations	175
Total Source	**2,493**

Use of Funds	**Total**
Service Board (bus, rail, van)	2,061
ADA Paratransit	116
Agency & JSIF	38
Debt Service	207
Transfers to Capital	38
RTA Fund Balance	33
Total Use	**2,493**

Exhibit 2-10: **2010 Source of Funds - $2,493 million**

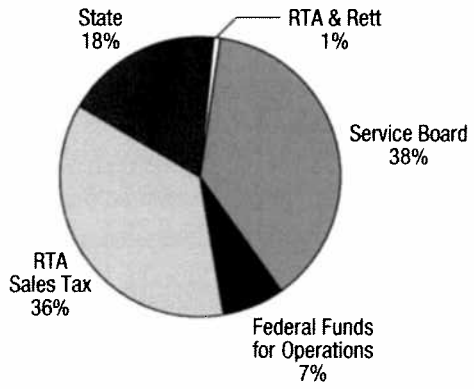


Exhibit 2-11: **2010 Use of Funds - $2,493 million**

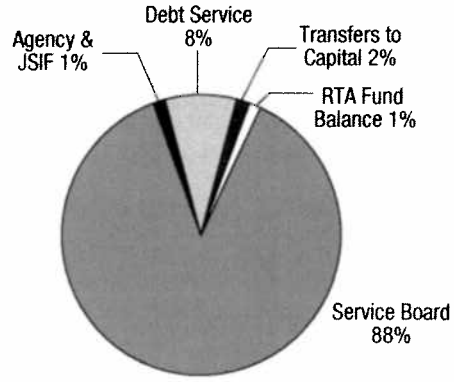
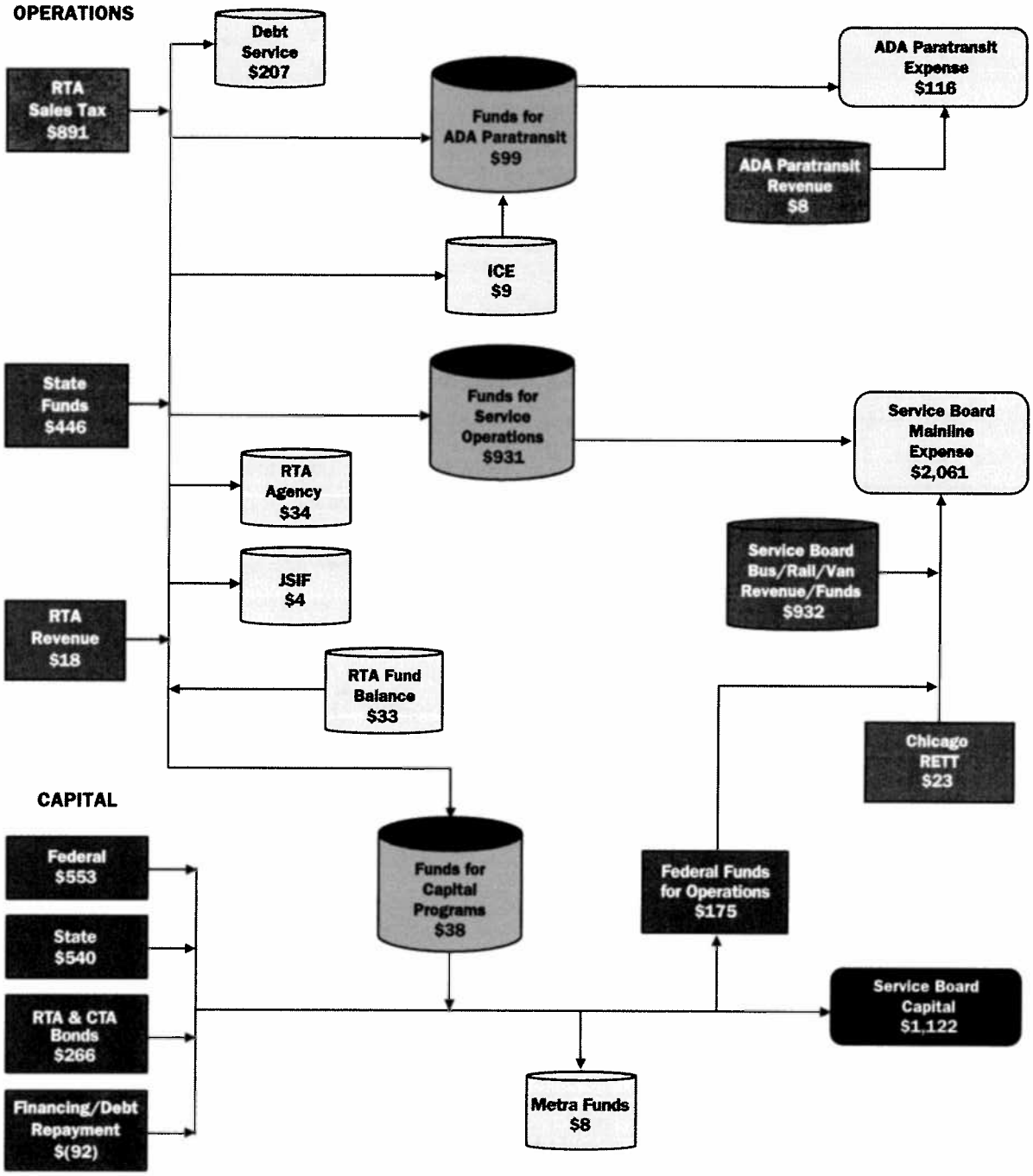


Exhibit 2-12: **2010 Source and Use Funds - $2,493 million**



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 that comply with these stipulations.

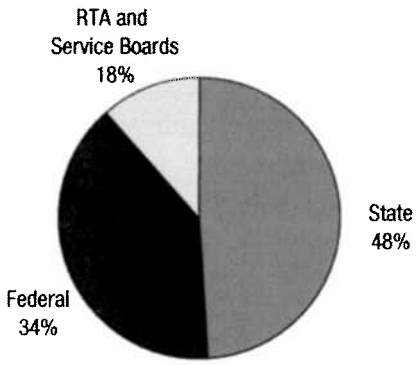
Source and Use of Funds

Each section of the 2010 Program and Budget Book presents the source of funds (public funding and/or operating revenues) and the use (expenditure) of funds for the respective operation. The subsequent paragraphs and exhibits (Exhibits 2-9 though 2-12) summarize the source and use of these funds for the 2010 budget.

In 2010, total revenue estimates of $2,493 million include: $891 million in receipts from RTA sales tax; State funding totaling $446 million, RTA revenue of $18 million, $23 million from RETT, CTA, Metra, and Pace mainline operating receipts of $932 million, $8 million in ADA operating revenue, and federal funds for operations of $175 million.

The use of $2,493 million in funds includes $2,177 million for service operations (ADA paratransit $116 million, and mainline CTA, Metra and Pace Suburban Bus service $2,061 million); $38 million for Agency and JSIF; $207 million for debt service; $38 million for capital programs, and $33 million for the RTA fund balance.

Exhibit 2-13: **2010 Funds for Service Board Capital Programs - $1,122 million**



Capital Program

The capital program information in this document adopted by the RTA Board on December 17, 2009 includes: $38 million from RTA funds, $553 million in federal funds, $540 million in State funds, $266 million in RTA and CTA bonds, less $92 million used for debt service, $8 million retained by Metra, and $175 million used for operations. Exhibit 2-13 summarizes program funds totaling $1,122 million by major source. Reference the capital Section for program detail and the capital program impact on region-wide operations.

3 RTA

Region Operating Plan

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 plan, and a five-year capital program that meets specific statutory requirements.

This document fulfills the responsibility. Exhibit 3-1 provides a summary of the RTA's statement of revenue and expenditures for 2008-2012. Throughout this document, 2008 is actual data, 2009 is an estimate of year-end results, 2010 is the operating budget, and 2011-2012 represent the two-year financial plan.

Revenue

Total revenue for the regions operating plan is projected to drop in 2009 to $1,319.7 million, a decrease of $4.7 million from 2008. This is because the traditional RTA sales tax (Part I) is expected to decrease 11.9 percent in 2009. In 2012, total revenue is expected to reach $1,420.7 million, an increase of $101.0 million from 2009 (Exhibit 3-1).

The RTA Sales Tax (Part I and II) are the primary sources of revenue for the RTA comprising a total of 69.6 percent or $921.3 million in 2008. Traditional RTA Sales Tax (Part I) receipts of $726.7 million comprised 54.9 percent of the RTA's total revenue. RTA Sales Tax (Part II) receipts of $194.6 million comprised 14.7 percent of the RTA's total revenue. Public Transportation Funds (PTF – Part I and PTF-Part II), State Financial Assistance (SFA), State Reduced Fare (RF), and other revenue provided the balance of RTA revenue totaling $403.1 million, or 30.4 percent (Exhibit 3-2).

Sales Tax

The RTA Sales Tax (Part I and II) is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, without appropriation, by the State Treasury on the order of the State Comptroller.

The traditional (Part I) sales tax is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in DuPage, Kane, Lake, McHenry and Will counties. 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 of Illinois 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 distributes the remaining 85 percent to the Service Boards according to the formula specified in the RTA Act (Exhibit 3-3).

Exhibit 3-4 breaks out the 2008 sales tax distribution by Service Board for the Part I Sales Tax. In 2008, the $726.7 million in sales tax was broken out in the following manner; CTA received 40.2 percent, Metra 34.0 percent, Pace 10.8 percent, and RTA 15.0 percent.

Public Act 95-0708 (P.A. 95-0708) passed in January 2008 established Sales Tax Part II. The legislation increased RTA sales tax from 1 percent in Cook County to 1.25 percent, and increased the sales tax in the collar counties (DuPage, Kane, Lake, McHenry and Will) from .25 percent to .75 percent. The collar county tax increase is divided evenly between the RTA and the county where the tax is collected, which means the sales tax the RTA receives in the collar counties doubled (from 0.25 percent to 0.50 percent). Revenues collected from RTA Sales Tax Part II are projected to increase from $237.3 million in 2009 (the first full year receipts were collected) to $255.0 million in 2012, an increase of $17.7 million or a compound annual growth rate of 2.5 percent (Exhibit 3-5). Total sales tax revenues are projected to decline from $921.2 million in 2008 to $877.3 million in 2009. After 2009, total sales tax revenues are estimated

Exhibit 3-1: **RTA Statement of Revenue and Expenditures - General and Agency Funds** (dollars in thousands)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
System-Generated Revenue					
RTA Sales Tax (Part I)	726,689	640,000	649,600	668,438	687,823
RTA Public Transportation Fund (Part I)	188,830	160,000	162,400	167,110	171,956
RTA Sales Tax (Part II)	194,556	237,315	240,875	247,860	255,048
RTA Public Transporation Fund (Part II)	38,371	109,195	111,343	114,980	118,706
State Financial Assistance	121,870	122,000	122,000	122,000	122,000
State Reduced Fare/Free Ride Programs	36,801	33,570	36,800	36,800	36,800
State Funding for ADA & Debt Services	-	-	13,900	19,300	10,800
Other Revenue	17,325	17,600	17,600	17,600	17,600
Total Revenue	**1,324,442**	**1,319,680**	**1,354,518**	**1,394,088**	**1,420,733**
Operating Expenditures					
RTA Operations Funding - CTA	591,760	465,244	474,839	505,305	521,681
RTA Operations Funding - Metra	278,888	268,660	292,100	305,400	315,600
RTA Operations Funding - Pace Suburban Service	91,620	100,478	99,695	102,770	105,948
RTA Suburban Community Mobility Funds for Pace	20,000	17,794	18,061	18,585	19,124
RTA South Suburban Job Access Funds for Pace	3,750	7,500	7,500	7,500	7,500
RTA Total for ADA Paratransit Service	100,000	92,865	98,803	101,421	95,616
RTA Funding for Innovation, Coordination, and Enhancement	10,000	-	9,030	9,292	9,562
State Reduced Fare/Free Ride Programs and Sales Tax Interest	32,002	35,120	38,500	38,500	38,500
Agency Administration, Regional Services & Programs (1)	30,897	29,873	31,345	32,129	32,932
Total Operating Expenditures	**1,158,917**	**1,017,534**	**1,069,873**	**1,120,902**	**1,146,463**
Debt Service & Capital Expenditures					
Principal and Interest for Service Board Capital Programs	186,268	201,620	207,020	215,020	217,620
Regional Technology and Agency Capital (1)	1,870	3,552	2,379	2,438	2,499
Transfer Capital - Metra Funds	8,293	36,822	17,998	13,717	12,797
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	**216,784**	**262,347**	**247,750**	**251,528**	**253,269**
Total Expenditures	**1,375,701**	**1,279,881**	**1,317,623**	**1,372,430**	**1,399,732**
Fund Balance (undesignated/unreserved)					
Beginning Balance	25,648	(53,481)	(17,682)	15,113	32,571
Change in Fund Balance	(51,259)	39,799	36,895	21,658	21,001
Other Funding & Reserves	(27,870)	(4,000)	(4,100)	(4,200)	(4,300)
Ending Unreserved/Undesignated Fund Balance	(53,481)	(17,682)	15,113	32,571	49,272
% of Total Operating Expenditures	**(4.6%)**	**(1.7%)**	**1.4%**	**2.9%**	**4.3%**
Total System-Generated Revenue Recovery Ratio %	55%	54%	53%	53%	53%
ADA Paratransit Recovery Ratio %	10%	10%	10%	10%	10%

(1) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action.

to increase annually up to $942.9 million in 2012 (Exhibit 3-5).

Sales tax projections are made by examining economic trends at a national, state and regional level. From a geographic standpoint, the City of Chicago accounted for 31.7 percent of the Part I sales tax collected in 2008, suburban Cook 52.2 percent, and the collar counties 16.1 percent (Exhibit 3-6). In 2010, combining the estimates for Part I and Part II sales tax, the collections are as follows; the City of Chicago 28.9 percent, suburban Cook County 47.6 percent, and the collar counties 23.5 percent (Exhibit 3-7). RTA Ordinance 2009-93 Schedule I-D (Introduction Section) illustrates the source and distribution of funds provided by the new legislation.

Public Transportation Funds (PTF I and II)

Revenues from this fund are only paid to the RTA upon state appropriation. In accordance with

Exhibit 3-2: **2008 RTA Revenue** - $1,324 million

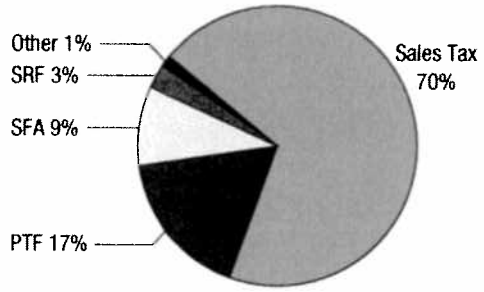


Exhibit 3-3: **RTA Sales Tax (Part 1) Collected** (in percent)

	CTA	Metra	Pace	Total
Chicago	100	-	-	100
Suburban Cook	30	55	15	100
Collar Counties	-	70	30	100

Exhibit 3-4: **RTA Sales Tax (Part I) Distribution** - $727 milion

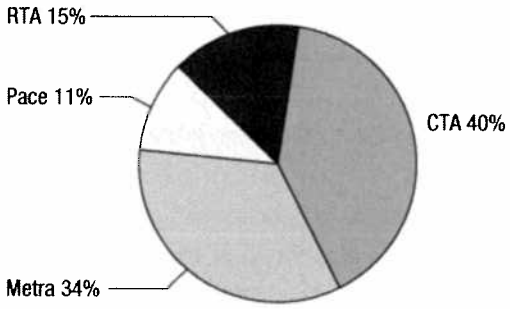
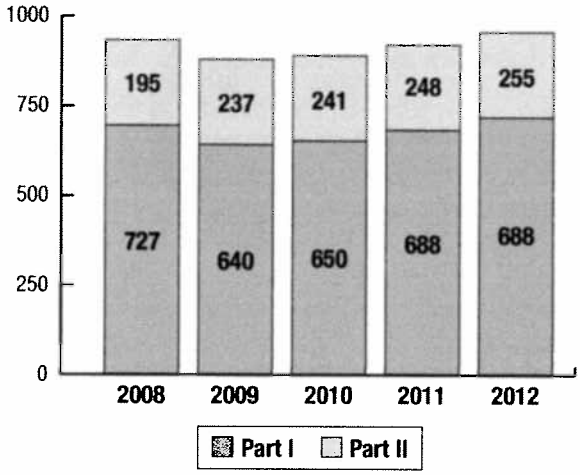


Exhibit 3-5: **RTA Sales Tax** (dollars in millions)



the RTA Act, the State Treasurer is authorized and required to transfer from the State of Illinois' General Revenue Fund an amount equal to 25 percent of net revenue realized from Part I sales taxes. These receipts are based on a formula tied to sales tax collections and are, therefore, projected to increase or decrease at a rate equal to sales tax growth or decline. For every four dollars that are collected in sales tax Part I, the RTA receives an additional dollar in PTF I. The 2010 estimated amount is $162.4 million (Exhibit 3-1). The amount of funds that each Service Board receives through the RTA from the PTF I are allocated at the discretion of the RTA Board upon the review and approval of each Service Board's annual or revised budget.

Revenues from PTF II provided by P.A. 95-0708 are combined with Part II sales tax and designated for certain operations and programs before formula allocation to the Service Boards. Money set aside before allocations include funding for: ADA Paratransit operations, Suburban Community Mobility (SCMF), and Innovation, Coordination and Enhancement (ICE) initiatives. Funding for these initiatives, as set by statute, increase or decrease with the annual changes in sales tax collections, with 2008 set as the base year. The 2010 appropriation for ADA Paratransit was $90.3 million, SCMF $18.1 million, and ICE $9.0 million. The remaining balance is allocated as follows: CTA 48 percent, Metra 39 percent and Pace suburban service 13 percent.

In 2009, (P.A. 95-0708), the PTF match of both the RETT and the RTA portion of the sales tax increased from 5 percent to 30 percent. The new legislation also increased the real estate transfer tax (RETT) in the City of Chicago by 0.3 percent, which yields $3 in public funding for the CTA for every $1,000 paid for the property. This funding flows directly from the City of Chicago to the CTA and is not included in the RTA schedule of revenues and expenditures (Exhibit 3-1). However, PTF funds associated with RETT (i.e. 25 percent of RETT)

Exhibit 3-6: **2008 Part I Sales Tax by Area** - $727 million

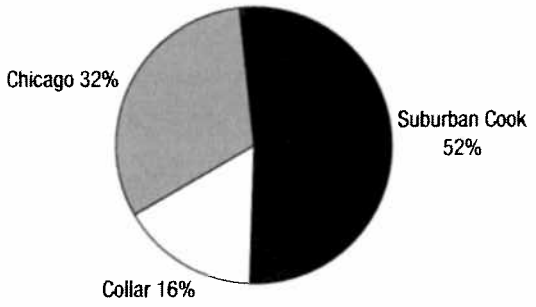
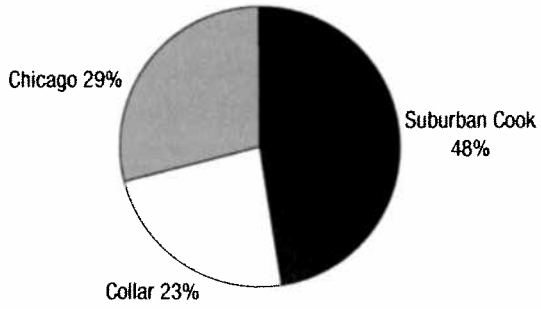


Exhibit 3-7: **2010 Part I & Part II Sales Tax by Area** - $890 million



transactions flow through the RTA and by statute become part of the CTA's funding as illustrated in the Introduction Section (Ordinance 2009-93 – Schedule I-B).

None of the PTF revenue is payable to the RTA until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the RTA Act.

State Financial Assistance (SFA)

This revenue source is a state-authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds. Subject to the appropriation of funds by the State of Illinois, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments. The RTA received $121.9 million in 2008 and estimates that it will receive $122.0 million each year from 2009 to 2012.

Reduced Fare/Free Ride Programs

This operating assistance program is a partial reimbursement from the State of Illinois to the Service Boards for discounts mandated by law. This includes discounts to students, elderly, and disabled individuals who qualify for the State Circuit Breaker Program.

The reduced fare/free ride funds are distributed by the State of Illinois through the RTA and then to the Service Boards. Funding in 2008 was $36.8 million and is estimated at $33.6 million in 2009. Funding of $36.8 million annually is expected from 2010 through 2012.

State Funding ADA/Debt

On November 11, 2009 the RTA and the Service Boards entered into a Memorandum of Understand (MOU) with the Illinois Department of Transportation (IDOT). In this document the IDOT agreed to provide $8.5 million in funding for ADA Paratransit service operations in 2010 and 2011, and agreed to provide capital funds for distribution to the CTA in an amount equal to the debt service payable on RTA bonds to be issued in order to maintain quality service. The 2010 budget and 2011-2012 financial plan calls for debt funding in the respective amounts of $5.4 million, $10.8 million, and $10.8 million.

Other Revenue

The other revenue category generally consists of sales tax interest, investment income, and Agency revenue. The RTA received $17.3 million in Other Revenue in 2008.

Illinois 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 the interest on Part I sales tax receipts to the Service Boards based on the same formula used to allocate the Part I sales tax receipts. In 2009, sales tax interest is estimated at $2.0 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 RTA financial transaction proceeds. Additional revenue in this category includes fees charged to employers for RTA Fare Checks that help offset the costs of administering the program. Also included in Agency revenue are matching funds obtained under federal, state and local programs for regional planning, development and new technology efforts. Other Revenue of $17.6 million annually, is expected during the 2010-2012 planning cycle.

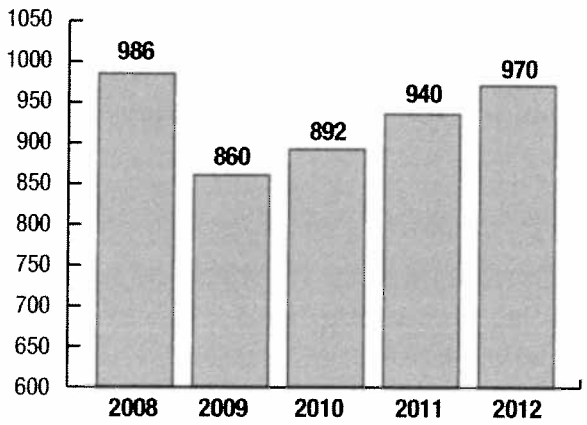
Operating Expenditures

Exhibit 3-1 provides a summary of the RTA's operating expenditures from 2008 through 2012. Total operating expenditures are projected to decline from $1,158.9 million in 2008 to $1,146.5 million in 2012. This is a decrease of $12.5 million over the four-year period, or a compounded annual decline of (0.3) percent.

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 revenue (farebox and other revenue) and system operating expenditures. Exhibit 3-8 presents the operations funding level for the three Service Boards and ADA Paratransit. The Service Board operations funding apart from ADA from the RTA is estimated at $859.7 million in 2009. This $126.3 million decline from 2008 represents to a decrease of 12.8 percent. Service Board operations funding is expected to increase annually after 2009 to $969.9 million in 2012.

Exhibit 3-8: **RTA Operations Funding** - Excludes ADA
(dollars in millions)



RTA operations funding to the Service Boards in 2008 compared to 2012 is as follows: The CTA's funding (including PTF from RETT) is estimated to decline to $465.2 million in 2009. This $126.5 million decrease corresponds to a 21.0 percent decline from 2008. CTA's funding is projected to increase annually from 2010 to 2012, reaching $521.7 million in 2012.

Metra's funding level is expected to decline to $268.7 million in 2009. This $10.2 million decrease from 2008 corresponds to a 0.4 percent decline. Metra's funding is projected to increase annually from 2010 to 2012. Metra's funding is estimated at $315.6 million in 2012.

Pace's suburban bus service funding (excluding Suburban Community Mobility Funds and South Suburban Job Access funds) are expected to increase in 2009 to $100.5 million and then increase to 105.9 million in 2012. A compound annual growth rate of 1.8 percent in 2012 (Exhibit 3-I). When Suburban Community Mobility funds and South Suburban Job Access funds are added to Pace's suburban operations funds, Paces funding increases from 115.4 million in 2008 to 132.6 million in 2012, a compound annual growth rate of 2.8 percent. Total funding for the 2010 through 2012 financial plan is provided in the Introduction Section (Ordinance 2009-93, Schedule I-B).

A detailed discussion of each Service Board's revenues and expenditures is provided in the CTA, Metra and Pace sections of this document.

Suburban Community Mobility Funding

Each year, as provided by P.A. 95-0708, the RTA shall deposit into this fund an amount that increases or decreases with the percentage change in sales tax receipts. This change is

indexed from the 2008 statutory base year amount of $20 million. As shown in Exhibit 3-1 this amount declines to $17.8 million in 2009. Funding increases from $18.1 million in 2010 to $19.1 million 2012. This $1.0 million increase corresponds to a compound annual growth rate of 2.9 percent.

The amount on deposit including interest and earnings shall be used by the RTA to provide grants to Pace for operating transit services that enhance suburban mobility, including, but not limited to, demand-response services, ride sharing, van pooling, service coordination, centralized dispatching, call taking, reverse commuting, service restructuring, and bus rapid transit (BRT).

South Suburban Job Access Funding

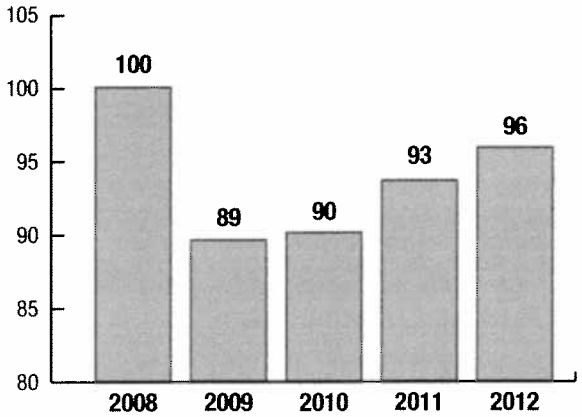
Another provision of P.A. 95-0708 is the establishment of a fund that provides financial resources to Pace, in cooperation with the RTA, for the development of operating programs that enhance access to job markets for residence in south suburban Cook County. Funding was set at $3.75 million in 2008 increasing to $7.5 million annually thereafter.

ADA Paratransit Service

The State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for ADA Paratransit service and other costs and services in 2005, 2006, and 2007. In 2005, the CTA received the full appropriation. In 2006 the CTA and Pace shared the appropriation because Pace acquired responsibility for all ADA Paratransit service in the RTA region effective July 1, 2006. In 2007, Pace received the full appropriation from the State of Illinois. Because of growing service demands and increased operating costs, Pace also received $21.8 million of RTA Discretionary Funds producing a total funding for ADA Paratransit in 2007 of $76.1 million.

In 2008, the additional state funding for ADA Paratransit service ($54.3 million) was terminated with the passage of P.A. 95-0708. Provisions in the RTA Act set aside a base amount of $100 million for 2008 ADA Paratransit operations that change annually in conjunction with the annual percentage change in sales tax receipts. Funding from this source is estimated to decrease to $89 million in 2009 and then increase to 95.6 million in 2012 (Exhibit 3-9), a compound annual growth rate of 1.8 percent. The additional $8.5 million from the state increases total funding to $98.8 million in 2010 and $101.4 million in 2011. Consult the section titled Pace ADA Paratransit for further information on Pace ADA revenues and expenditures.

Exhibit 3-9: **ADA Paratransit Funding** - (dollars in millions)



Innovation, Coordination and Enhancement (ICE) Funding

P.A. 05-0708 also established a fund for innovation, coordination, and enhancement. The base amount of $10 million for ICE funds changes at the same rate as regional sales tax collection changes. ICE Fund are appropriated with the affirmative vote of 12 RTA directors, and after a public participation process, for operating or capital grants or loans to service boards, transportation agencies, or units of local government that advance the goals and objectives of the RTA's Strategic Plan, provided that an improvement is not a five-year capital program as of the effective date of the new legislation may receive any ICE funds. However, if the RTA Board determines that an emergency exists, by an affirmative vote of 12 members, funds may then be used for urgent operating or capital needs.

The distributions of funds from 2008 through 2012 have decreased from $10.0 million to $9.6 million respectively. In 2009, the RTA determined that an emergency existed and diverted ICE funds to the CTA and ADA Paratransit service.

Reduced Fare/Free Ride Programs and Sales Tax Interest

State reduced fare/free ride programs reimbursements are received as revenue by the RTA and flow directly to the Service Boards to help defray program costs associated with the cost of providing free and reduced fares. In 2008, the State's Reimbursement was $36.8 million. The reimbursement is estimated to decline in 2009 to $33.6 million which is not expected to fully cover the cost of the program. During the three-year planning period (2010-2012), the reimbursement is estimated to be $36.8 million.

There is a lag between when the State of Illinois collects the RTA Sales Tax and when the State of Illinois transfers it to the RTA. The RTA receives interest on this sales tax, and then disburses 85 percent of the interest to the Service Boards according to the same formula used for sales tax distribution. From 2010 through 2012 the amount is projected to hold at an annual amount of $1.7 million.

Agency Administration, Regional Services and Programs

Spending for Agency administration, regional services and regional programs are discussed further in the Agency portion of this section. Expenditures in 2008 were $30.9 million and estimated in 2009 at $29.9 million. After 2009, these expenditures are expected to increase annually through 2012 to $32.9 million corresponding to a compound annual growth rate of 3.3 percent from 2009.

Debt Service and Capital Expenditures

Exhibit 3-1 provides a summary of the RTA's debt service and capital expenditures from 2008 to 2012. Total debt service and capital expenditures are estimated at $262.3 million in 2009. This represents an increase of $45.6 million from 2008. Total debt service and capital expenditures are then expected to decrease in 2010 and then increase annually through 2012. These expenditures are estimated at $247.8 million in 2010 and $253.3 million in 2012.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures from 2008 through 2012. Payments are expected to be $207.0 million, $215.0 million, and $217.6 million in 2010, 2011, and 2012 respectively. Additional bond information is provided at the end of this section.

Regional Technology, Agency Capital, and ICE

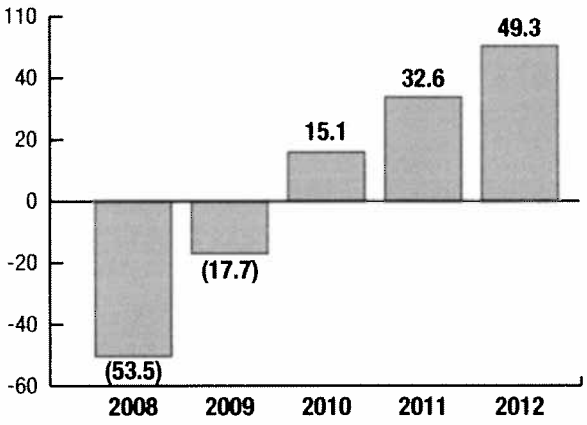
The 2010 budget continues to fund region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies, reducing RTA funding. At the end of the year, any funds that have not been spent are reserved. Included in this category are expenditures for the Agency's capital needs. The funds are used to enhance various information technology programs and preserve the office environment.

The budget for 2010 totals $2.4 million, remaining level though the planning period. More details are spelled out in the Agency's share of this section.

Transfer Capital

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The statutory apportionment of sales tax to a Service Board can exceed its operating deficit, when this occurs, a Service Board can transfer these funds to its capital program. During the planning period Metra continues to be the only Service Board that can assign funds that could be used for operating

Exhibit 3-10 **Fund Balance** - (dollars in millions)



purposes to its capital program. From 2010 through 2012, Metra's plans to transfer statutory funds to its capital program in the respective amounts of $18 million, $13.7 million, and $13 million.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. From 1995 through 1997 the program was funded at an annual level of $11.0 million. 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 and increased to $20.4 million in 2000 and remains at this level through the 2012 planning period.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. In 2009, these expenses are projected at $1,279.9 million, a decrease of $95.8 million from 2008. After 2009, total RTA expenditures are expected to increase annually to $1,399.7 million in 2012. This $119.9 million increase is corresponds to an annual growth rate of 3.0 percent from 2009 to 2012.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent of total operating expenditures. Fund balance policy details are outlined in the Introduction Section. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods. However, unfavorable economic conditions have created the need to waive the provision for the 2010 budget and 2011-2012 planning period.

The 2008 undesignated/unreserved ending fund balance was negative $53.5 million. The estimated ending balance for 2009 is negative $17.7 million. The ending balance for the 2010 budget and two-year financial plan (2011 to 2012) is expected to be $15.1 million, $32.6 million, and $49.3 million respectively (Exhibit 3-10).

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 2008 actual results of negative $53.5 million as the 2009 beginning balance.

Change In Fund Balance/Ending Fund Balance

Total RTA revenue less total RTA expenditures produces a change in fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. In 2008, total expenditures exceeded total revenues on a budgetary basis by $51.3 million.

Expended from RTA's fund balance is the payment of premium for the Joint Self Insurance Fund (JSIF). The amount in 2010 is $4.1 million. The RTA provides excess liability insurance to protect the self-insurance programs maintained by the Service Boards. The Service Boards are obligated to reimburse the fund for any damages paid plus interest. The 2010-2012 Budget and Financial Plan provides for an annual payment of premium of approximately $4.2 million

At year end changes in revenue over expenditures, other funding uses, and capital grant expenditures are reconciled on a GAAP versus budgetary basis with the balance in the general fund then reflecting a GAAP based undesignated/ unreserved balance. The year-end unreserved/ undesignated fund balance in 2008 was negative $53.5 million (Exhibit 3-1).

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 revenue from RTA operations cover at least 50 percent of the system operating cost apart from ADA paratransit Service. The RTA's system-generated revenue recovery ratio in 2010 is 53.0 percent or 3.0 percentage points above the mandated 50.0 percent. This calculation is based on the CTA, Metra and Pace achieving their respective marks of 51 percent, 55 percent and 36 percent.

In meeting the 50.0 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 figures 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/lease-back transactions and Metra's 2008

Exhibit 3-11: **RTA Statement of Revenues and Expenditures - General & Agency Fund** (dollars in thousands)

	2009 Budget (1)	2009 Estimate (2)	Change
System-Generated Revenue			
RTA Sales Tax (Part I)	640,000	640,000	-
RTA Public Transportation Fund (Part I)	160,000	160,000	-
RTA Sales Tax (Part II)	237,315	237,315	-
RTA RETT PTF for CTA (Part II) (INCLUDES PTF FOR RETT)	109,195	109,195	-
State Financial Assistance	122,000	122,000	-
State Free Rides & Reduced Fare Reimbursement	33,570	33,570	-
Other Revenue	17,600	17,600	-
Total Revenue	**1,319,680**	**1,319,680**	**-**
Operating Expenditures			
RTA Total for CTA operations	465,244	465,244	-
RTA Total for Metra Operations	268,660	268,660	-
RTA Total for Pace Suburban Service	125,772	125,772	-
RTA Total for ADA Paratransit Service (3)	92,865	92,865	-
RTA Funding for Innovation, Coordination, and Enhancement	-	-	-
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	35,120	35,120	-
Agency Administration and Regional Initiatives (4)	30,158	29,873	(285)
Total Operating Expenditures	**1,017,819**	**1,017,534**	**(285)**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	201,620	201,620	-
Regional Technology and Agency Capital (4)	3,566	3,552	(14)
Transfer Capital - Metra Funds	36,822	36,822	-
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	-
Total Debt Service and Capital Expenditures	**262,361**	**262,347**	**(14)**
Total Expenditures	**1,280,180**	**1,279,881**	**(299)**
Fund Balance (undesignated/unreserved)			
Beginning Balance	(53,481)	(53,481)	-
Change in Fund Balance (5)	35.500	35,799	299
Ending Unreserved/Undesignated Fund Balance	**(17,981)**	**(17,682)**	**299**
% of Total Operating Expenditures	(1.8%)	(1.7%)	0.1%

(1) Budget Ordinances 2009-65 and 2009-67 (adopted August 2009). (2) August estimate to meet 2009 budget and two-year financial planning cycle (Marks set by September 15, and Budget adoption by year-end) as set by state statute. (3) Includes $3.9 million of RTA discretionary funds from 2009 ICE Funds. (4) Appropriated funds for long-term regional initiatives that remain unspent at the end of each year continue to be available for this purpose without subsequent appropriation action. (5) Estimate includes $3.9 million to fund the JSIF.

fare increase—which was restricted for capital investment. A breakout of this calculation is provided in Exhibit 3-46 at the end of this section.

2009 Budget Versus 2009 Estimate

The 2009 budget was last amended in August of 2009. Total revenues of $1,319.7 million is estimated to come in at par to budget.

Total expenditures of $1,279.9 million are projected to be favorable to the budget by $299 thousand dollars. Total operating expenditures are estimated to be favorable to the budget by $285 thousand dollars with the entirety being saved from agency administration and Regional initiatives. Additional funding for Regional Technology and Agency Capital is estimated to be favorable to budget by $14 thousand dollars (Exhibit 3-11).

Capital Program

At the present time, the 2010-2014 capital program funding marks total $5.003 billion. When federal, state or local appropriation figures change, the Service Boards' capital programs may not match the program marks.

When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital Section of this publication.

Agency Departments and Staffing

The agency's original 2009 budget included a staffing plan of 118 Full Time Equivalent (FTE) positions, an increase of five positions over the staffing level in 2008. During the year one FTE was added bringing the staffing level to 119 positions. However, with economic environments upholding unpredictability and revenues for 2009 and 2010 significantly below earlier expectations ten positions remained open in the middle of 2009, lowering the total FTE positions plan to 109. The proposed plan for 2010 is 110 positions, adding one new travel trainer to increase mainline service usage and decrease ADA paratransit service dependency. The proposed 110 positions staffed in 2010 will forego salary increases, and further cost saving measures will be taken, including employee furloughs, to maintain a budget unchanged from 2009 expenditures of $33.7 million.

The RTA organization chart (Exhibit 3-12) illustrates the agency departments and their divisions and functional units.

Exhibit 3-13 shows the total RTA staffing plan and the Grand Total of budgeted positions for the entire region. The Grand Total of budgeted positions in 2010 is 15,254. The department breakdown reflects that 44.0 percent of our efforts provide various regional services and planning programs and that 30.0 percent of our efforts are for finance and administration initiatives. The remaining 26.0 percent is dedicated for various management services and oversight responsibilities such as executive services, research, analysis and policy development, legal & governmental affairs, and communications (Exhibit 3-14).

Exhibit, 3-15 and 3-16 show agency expenses by each department. The estimated 2009 agency expenses of $33.4 million are slightly under the 2009 budget. As previously discussed, the total 2010 agency expenditure is $33.7 million, which represents no increase over the 2009 budget.

The next pages introduce each department, their program priorities and analyze their expenditures in a more detailed level. The 2010 Agency Program Priorities builds on the accomplishments of 2009.

Executive Office

This structure includes the RTA Board of Directors and organizations that support the RTA Chairman and Board of Directors, and administer day-to-day agency activities.

The RTA Board of Directors consists of 15 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 public transit system. The RTA Board and its committees set policy, consider matters relating to RTA operations and compliance with the ADA Act, 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.

The Executive Director executes the policy decisions of the RTA Board and staffs the agency to administer its statutory mission and implement Board policy. The Executive Director informs and assists the RTA Chairman and the Board in the development of policy, and is the principal contact with executive staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities.

The Secretary to the Authority provides Board support functions by assisting with the information, documentation, and logistical needs of the RTA Board. The Secretary works with staff to supply Board members with the information and documentation needed to fulfill their statutory role and to obtain quorums for meetings of the Board and its six standing committees.

Program priorities:

- Manage the departments continued implementation of the RTA Act mandates and Illinois Auditor General Recommendations

Exhibit 3-12: **RTA Organization Chart**

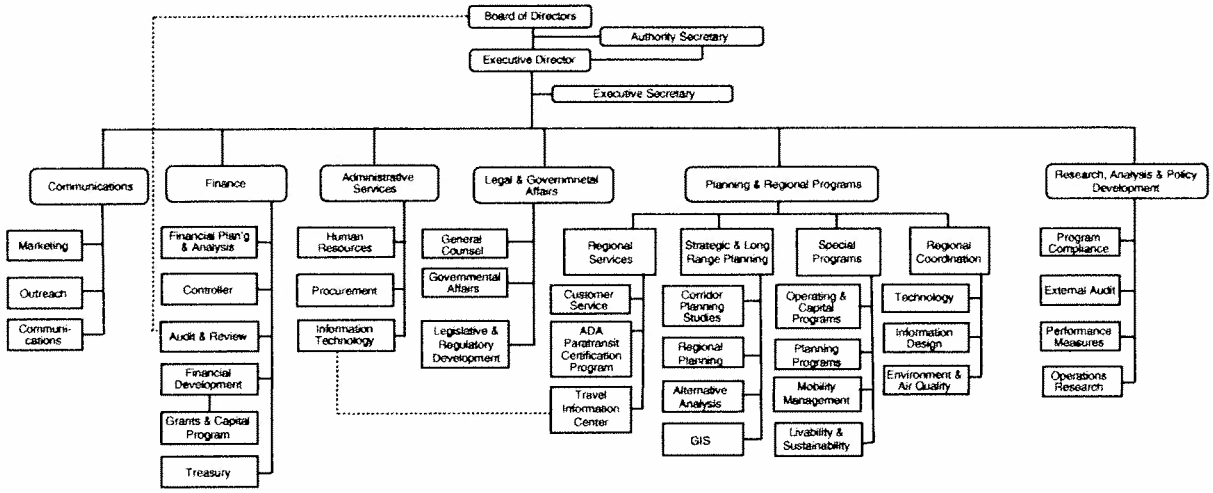


Exhibit 3-13: **Agency Budget Staffing by Department**

	2009 Original Plan	2009 Revised Plan	2010 Plan	Change
Executive Office	3	3	3	-
Communications	6	6	5	(1)
Legal & Governmental Affairs	6	6	6	-
Administrative Services	17	15	14	(1)
Finance	21	19	19	-
Planning and Regional Programs	54	49	49	-
Research, Analysis & Policy Development (RAP)	11	11	14	3
Total RTA Staffing Plan	**118**	**109**	**110**	**1**
	2008	**2009**	**2010**	
RTA	124	109	110	
Metra	4,201	4,201	4,201	
CTA	10,867	10,502	9,479	
Pace	1,449	1,449	1,464	
Grand Total	**16,641**	**16,261**	**15,254**	

- Oversee the departments achievement of their 2010 program goals
- Work closely with the RTA Board to obtain the necessary Board direction for the achievement of the over-all 2010 program

2010 expenditures of $1.4 million represent 4 percent of the total agency budget, which include personnel related expenses for the board and the executive area. The 2010 budget reflects a 2.3 percent reduction over 2009. There will be no change in the budgeted positions in 2010. The total executive office staff of three - without the board members - will remain the same.

Exhibit 3-14: **Agency Budget Staffing by Department**

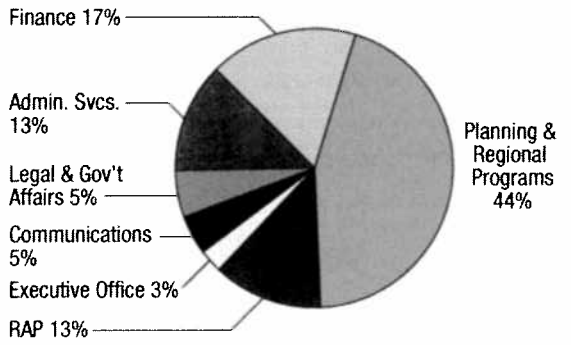
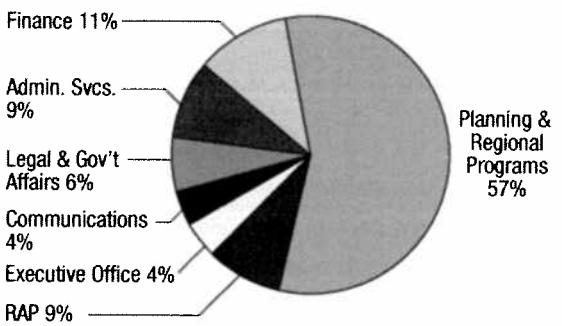


Exhibit 3-15: **Agency Expense by Department** - (in dollars)

	2008 Actual	2009 Budget	2009 Forecast	2010 Budget
Executive Office	1,538,781	1,473,408	1,422,843	1,439,182
Communications	1,832,204	2,348,327	2,335,209	1,364,460
Legal & Governmental Affairs	2,400,077	2,238,325	2,203,563	2,141,690
Administrative Services	2,133,132	3,958,611	3,219,368	3,078,034
Finance	2,959,484	3,519,495	3,383,908	3,680,683
Planning & Regional Programs	20,201,492	17,551,259	17,925,462	19,074,039
Research, Analysis & Policy Development	964,655	2,635,237	2,935,839	2,946,574
TOTAL AGENCY	**32,029,825**	**33,724,662**	**33,426,192**	**33,724,662**

Exhibit 3-16: **Agency Expense by Department** - (in dollars)



Planning and Regional Programs

The department consists of four principal organizational areas. Three areas, Strategic & Long Range Planning, Special Programs, and Regional Coordination provide strategic, regional, subregional and corridor planning, and coordination between Service Boards. The fourth area, Regional Services is responsible for the following RTA-operated regional services and programs: the RTA Travel Information Center, Accessibility, ADA Paratransit Certification program, RTA reduced fare program, senior and disabled ride free program, and the RTA Customer Service Center.

Program priorities:

STRATEGIC AND LONG RANGE PLANNING

- **Moving Beyond Congestion Strategic and Business Plan**

  Complete the update to the strategic plan in spring 2010. The plan will incorporate major RTA investigations including the asset condition assessment, performance measurement, 10-Year business plans, and travel market and system analyses. Additional work on a longer term vision and with the Board is likely to take place in the first half of 2010. The plan will present several strategy recommendations that will guide all RTA future activities. Staff must present and monitor these activities to ensure implementation.

- **Bus Rapid Transit**

  I-55 Bus on Shoulder

  Phase Engineering Study: Complete study with IDOT, determine operating parameters of the scope of BOS on I-55 including transit and highway agencies. Address legal issues. Seek IDOT and FHWA approval. Work with Pace and IDOT to implement a demonstration project. Evaluate impacts and operations.

  Cermak Alternatives Analysis

  Procure and lead Alternatives Analysis work with FTA and Pace. Lead the federally prescribed Very Small Starts Alternatives Analysis. Coordinate with highway agencies and local communities

  Market Research Study

  Complete an investigation of customer/ stakeholder preferences for various BRT elements, focusing on the Cermak corridor. This will inform Cermak AA as well as other RTA BRT initiatives.

- **Establish an Enterprise GIS System**

  Establish an Enterprise GIS system that will centralize and update datasets, establish dictionary, mapping standards, templates. Staff

must also create data sharing protocols and automatic data updating. This system is the backbone of all RTA planning and over-sight analyses including service overlap and planning work and supports other functions such as Support Path of Travel database development.

SPECIAL PROGRAMS

- **Operating and Capital Programs**
  Provide program and project management of the ICE and JARC/NF programs, structuring of programs to achieve key Department initiatives, development of a RTA policy or position on sustainability of grant funded operating and capital projects, implementation of a compliance program for ICE and provide input on the federal reauthorization.
- **Planning Programs**
  Provide program and project management of the Community Planning and Subregional Planning programs, implementation of a quantitative evaluation method, structuring of programs to achieve key initiatives, ongoing coordination with CMAP.
- **Mobility Management**
  This activity involves national and local policy development and implementation (passenger information, fares/ticketing, complete streets, interface with ongoing information and technology projects in Regional Coordination Division), oversight of RTA travel training program, oversight and support for coordinated Paratransit and Human Service Agency Transportation systems and initiatives, ADA Paratransit Policy support (including staffing ADA Advisory Committee).
- **Livability & Sustainability Programs**
  This activity involves national and local policy development, coordination with local agencies/ development of roles and responsibilities, development of a spectrum of alternatives and formulation of RTA policy on sustainability of grant funded operating projects, oversight of Suburban Community Mobility Fund and South Suburban Job Access Fund.

REGIONAL COORDINATION

- **Regional Traveler Information**
  Adding enhancements to the goroo website including a mobile version; real-time CTA, Metra and Pace information; and screen reader compatibility for people with visual limitations. Staff will also deliver systems to support the RTA interactive voice response system (with next train and bus information) and the Traveler Resource and Itinerary Planning System (TRIPS) kiosks. Also, the federally-funded signage project created a uniform design standard for a system of information products to seamlessly guide inter-agency transit passengers throughout the region. Staff will install and test signage at four pilot sites. Staff will use goroo software to produce automated schedules for ITPID, and the service boards resulting in cost savings and efficiencies for operators and more accurate information for customers.
- **Fare Coordination**
  Work with the Service Boards to establish a policy framework that leads towards a new open source regional electronic payment system to enable seamless regional travel on CTA, Metra and Pace using a single fare instrument. Initiate technical work regarding regional interoperability standards and the development of a regional fare clearing

house. Conduct an analysis of the associated costs and benefits of a range of potential implementation alternatives, recommend the most cost-effective preferred alternative and develop an implementation plan for a regional fare payment system.

- **Environment and Air Quality**

  Green Transit Plan

  Develop the Regional Green Transit Plan to develop a baseline inventory of environmental impacts from RTA system operations and infrastructure; Establish environmental impact reduction goals and identify the strategies for achieving these goals; Give priority to strategies that achieve savings or have no cost impact; Best position the region to obtain funding from discretionary programs addressing climate change; Make evident the benefits of a reliable and expanded public transit system in addressing climate change and energy efficiency issues.

  Chicago Climate Action Plan

  Continue coordination with the City of Chicago and their Climate Action Plan to ensure that the benefits of transit are emphasized; identify opportunities for funding; coordinate this effort with the RTA Green Transit Plan and staff several committees.

  Clean Air Commuter Challenge

  Co-brand the RTA's goroo and Drive Less Live More websites, to provide social networking capabilities between challenge participants and sophisticated personal and competitive trip tracking system (mileage, comparative team progress, carbon and calorie calculators)

REGIONAL SERVICES

- **Free Ride program administration**

  Continue the implementation and support for the Free Ride programs including the annual certification of the People with Disabilities Ride Free program.

- **Launch Mail-in Recertification process**

  Notify applicants who meet criteria for waiver of in-person recertification, provide mail-in recertification materials, review upon receipt and make recertification decision. Continue to identify applicants who qualify for waiver of in-person recertification at time of next eligibility review.

- **Expand Travel Training Program**

  Further reduce TT waiting list to less than 3 months. The longer customers have to wait for training, the less likely they will be to participate. Getting people trained to use main-line and fixed route is saving the region approximately $809,000 annually based on trips not taken on paratransit.

- **Complete Path of Travel Database**

  Create a GIS based Path of Travel Database that will track barriers in the path of travel from paratransit users' front doors and their destinations to fixed route stops and stations. This data will be used in the travel training program and to help determine which paratransit riders can take fixed route rather than paratransit. This will significantly reduce paratransit ridership over time, leading to cost savings for the region.

Planning and regional programs of $19.1 million represent more than half, 57.0 percent of the total agency budget (Exhibit 3-16). Most of the expenditures are reflecting the regional services initiatives, such as TIC operations, ADA certification program, transit benefit, and ride free programs as well as the agency planning programs and studies.

The 2010 expenses reflect a 9.0 percent increase over the 2009 budget due to higher monthly fixed fees, interviews and assessment fees and close to a 50.0 percent increase in transportation cost for the ADA certification program; the inclusion of the Transit Benefit Program, which will be part of the regional programs from 2010; and the proposed Bus Rapid Transit initiative.

The department's 49 budgeted positions (Exhibit 3-13) reflect a 10.0 percent decrease or 5 less positions over the 2009 original plan of 54 positions. The department deferred some positions and plan to add one new travel trainer position.

Research, Analysis, and Policy Development (RAP)

The RAP organization was created in 2007 to better meet the RTA's oversight responsibilities and address the recommendations of the Auditor General. Departmental divisions include Program Compliance, External Audit, Performance Measures and Standards, and Operations Research.
The primary function of the department is to strengthen the RTA's oversight of the Service Boards and ensure that RTA has adequate finance, administration, and operations information and resources to develop policies for a more effective and efficient regional mass transit system. The department is also responsible for the CTA Rail Safety Oversight, which assures compliance with the Federal State Safety Oversight Rule for Rail Fixed Guideway Systems.

Program priorities:

- **Performance Measurement**
  Measure and benchmark the performance of the RTA regional transit system and the Service Boards as required by the RTA Act and recommended by the OAG. Develop and implement methodologies to monitor and report key performance against standards that are consistent with and support the achievement of the MBC Strategic Plan. Perform evaluation of performance at a regional level that aggregates Service Board data, as well as at a sub-regional level that includes individual Service Board, mode, line, and geographic measures. Utilize trend analysis and peer data to frame performance and target improvement.
- **ADA Paratransit Oversight**
  Perform Paratransit and ADA oversight to ensure compliance with Federal and State regulations as required by the RTA Act. Update ADA Legislative Compliance Review and present policy issues to Board for discussion and resolution with the goal of maintaining ADA service standards in a cost effective manner. Implement and follow-up on recommendations from the audit of the Chicago service area transition to pace.
- **Customer Satisfaction Survey**
  Implement a regional customer satisfaction survey as outlined by the performance measurement system and as required by the RTA Act. Develop a regional survey instrument that coordinates and consolidates various aspects of the individual Service Board surveys as well as reflect specific regional interests. Administer, tabulate and analyze a regional customer satisfaction survey.
- **Project Management Oversight**
  Improve the execution of the capital program to reflect RTA reform legislation mandates and OAG recommendations. Complete the development and implementation of a new PMO program for the monitoring and reporting of overall capital project performance that includes both fiscal and planning/engineering aspects.
- **Capital Asset Evaluation and Programming**
  Develop and implement a process for the evaluation and programming of capital projects as required by the RTA Act and recommended by the OAG. Complete the development of a capital prioritization process, which utilizes criteria that integrate MBC priorities, including a complete assessment of the age and condition of the current asset inventory. Implement a decision support tool to facilitate the execution of the selection process.
- **Audit of Service Boards**
  Design and implement a five-year audit program of the Service Boards as required by the RTA Act. Review and audit the management control process of the Service Boards, which includes management and performance

audits, operational audits, financial audits, and program specific audits.

2010 expenses of $2.9 million represent 9.0 percent of the total agency budget. This is a 12.0 percent increase over the 2009 budget reflecting initiatives that required by the RTA Act such as the capital asset condition assessment and the development of a capital program prioritization tool; customer satisfaction survey development as part of the performance measurement, service boards audit, and other program compliance expenses such as rail safety oversight and program management oversight.

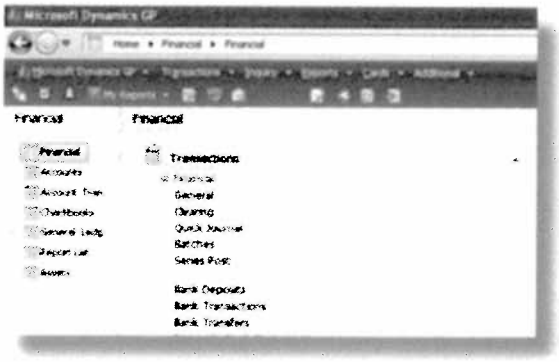
The department's 2010 budgeted positions of 14 include 3 additional positions over the 2009 plan in order to be able to meet all of the legislative requirements.

Finance

The Finance office executes the funding and oversight responsibilities of the RTA. It works to maintain financial stability in the region and ensures that the agency and the Service Boards execute their statutory requirements for fiscal responsibility. The finance department includes the following divisions: Controller, Financial Planning and Analysis, Audit and Review, Financial Development/ Grants and Capital Program, and Treasury.

Program priorities:

- **Integrated management system**
  This system provides an integrated database for finance, human resources, procurement, grants management, accounting, as well as system operating information for budget and subsequent reporting of actual results. This new system will enhance our ability to perform more robust analysis and provide information to agency management and the Board, as well as improve agency process efficiencies. The agency looks to "go live" on 1/1/10. Activity in 2010 will focus on developing business intelligence ("dashboard") information, as well as any effort necessary to ensure the system is working properly.



- **2010 budget and business plan process**
  In 2010, the agency will look for continued improvement to the ten-year business plan. This involves more robust assumptions of key factors and subsequent analysis of long-term obligations such as those related to pension, leasing, borrowing, and operational liabilities. Further, this effort will work with the Chicago Metropolitan Agency for Planning (CMAP) in their "GoTo2040" project. Also, the agency will look to better communicate the status of the developed information.
- **Financing**
  This objective includes the analysis of RTA financial obligations – short term as well as long term – and related cash flow requirements. The economic downtown has placed increased financial pressure on the RTA system In 2010, the agency will develop a strategy to address short term need – which will include the development of legislation recommendations, as appropriate – as well as execute any long term financing necessary.
- **Public-private partnership ("PPP")**
  The RTA has embarked on an initiative to investigate PPP strategies we have not tried here in the Chicago area but which are applied by transit systems elsewhere in the US and other nations. The first phase of this effort involves identifying revenue enhancements and cost savings that will help balance future operating budgets and provide funds for

expansion projects. The RTA has brought in outside expertise to provide the RTA with an assessment of projects and operating activities that may benefit from a public-private partnership approach.

The department's 2010 expenditures of $3.7 million represent 11.0 percent of the overall Agency budget. This reflects a 4.5 percent increase over the 2009 budget mainly due to higher financial advisory services and higher fringe benefit allocation, such as higher health insurance and pension contribution.

The budgeted 19 positions in 2010 represent a 9.5 percent decrease or 2 less positions over the 2009 plan. The department deferred some positions during the year.

Administrative Services

Administrative Services include Human Resources, Procurement, and Information Technology. These areas are responsible for compensation and benefits, purchasing, and information systems management.

Program priorities:

- **Office Relocation**
  This involves securing office space sufficient for agency needs in the most economical manner possible. In 2010, the agency looks to relocate the Travel Information Center (TIC) to available, lower cost, space in the Metra building. Subsequently, if economical, we will relocate staff currently adjacent to the TIC space to adjoin the agency staff on the 15th floor of 175 W. Jackson, to improve productivity as well as enable reconfiguring the existing RTA Board room to better accommodate the public and its use as general meeting space.
- **Integrated management system**
  Work with finance and vendors on potential change modifications and updates to the new financial business system. Develop power point presentation training for Procurement for use with the new financial system. Train all staff and new hires on the new procurement process within the new integrated system.

The department's 2010 expenditures of $3.1 million represent 9 percent of the overall Agency budget. This reflects a 22 percent decrease over the 2009 budget mainly due to the budgeted TIC relocation cost in 2009 that will be carried over in 2010, and the integrated management system implementation that started in 2009 and plans to complete the core system by January 1st of 2010.

The budgeted 14 positions in 2010 represent a 13.0 percent decrease or 3 less positions over the original 2009 plan. The department deferred some positions during the year.

Legal and Governmental Affairs

The Legal and Governmental Affairs Department provides legal advice and counsel to the RTA Board, Executive Director, and staff regarding the statutory and regulatory provisions governing the Authority, as well as overseeing all RTA transactions and litigation. The Department also develops and promotes the RTA's federal, state and local government affairs agenda, in coordination with the Service Boards.

Program priorities:

- **Implement State Capital Bill**
  In 2009 the Legislature and Governor enacted two capital bills that together provide $2.7 billion in funding for northeastern Illinois mass transit. In 2010 the RTA will work cooperatively with the Service Boards and with the State (Governor's Office, Office of Management and Budget, and Illinois Department of Transportation) to implement the capital program. This will include seeking the timely sale of bonds to fund capital projects, as well as development of a capital program administrative process that allows for an efficient implementation of the capital program.

- **Protect and Increase Transit Capital and Operating Funding or Revenues**
  The RTA continually monitors legislative developments and cooperates with the Service Boards to provide analysis and coordinate advocacy efforts. These efforts include promoting the appropriate funding of transit operations in the annual budget process, and seeking state legislative changes that stabilize funding for the regional transit system, such as means-testing the Seniors Ride Free Program.
- **Promote Increases in Federal Funding for Transit State of Good Repair Needs**
  At the federal level, the RTA will continue to work cooperatively with the Service Boards to promote reinvestment in the nation's largest and oldest transit systems. We have developed and are leading a national coalition of large transit systems. We are also working with industry associations such as APTA, advising legislators with policy and program design, and advocating directly with Congress and the Obama Administration.
- **Protect and Increase Federal Funding and Transit-Oriented Development**
  The RTA continually monitors legislative developments and cooperates with the service boards to provide analysis and coordinate advocacy efforts. A particular focus in 2010 will be efforts by the Obama Administration and Congress to develop a comprehensive policy for urban affairs that integrates regional housing, transportation, and land use planning and investment. The RTA will continue to work with the Administration and Congress to promote mass transit and transit-oriented development as a key component of these urban policy initiatives.
- **Improve Disadvantaged Business Enterprise Program**
  The RTA will continue to work to enhance the opportunities for diverse firms to participate in its procurement processes, both as prime contractors and as sub-contractors. The January 2008 amendments to the RTA Act require that, beginning in January 2010, the RTA implement a similar program to track and report on DBE participation on non-federal contracts. Improved DBE program policies and procedures will be utilized to monitor and report on all agency contracts. RTA procurement and legal staff are working to improve the procurement and contracting process to enhance identification of DBE opportunities and ensure compliance with contracting goals established by the agency.
- **Improve Legal Procedures and Policies to Enhance Efficiency and Performance**
  Many of the RTA's internal policies and procedures are not adequately documented or have become outdated, resulting in administrative inefficiencies that hamper the productivity of the agency. Revisions to these policies and procedures aimed at streamlining administrative tasks are necessary to improve agency efficiency. In addition, agency staff will be retrained with respect to project management, procurement and contracting issues to ensure compliance with applicable rules and requirements.

The department's expenses represent 6.0 percent of the total agency budget. 2010 expenses of $2.1 million show a 4.0 percent decrease over the 2009 budget reflecting lower legislative and consulting expenses as well as lower regional diversity program expense. The department's staffing plan of 6 people will remain the same in 2010.

Communications

Communications leads management in three key areas: communications, marketing and public outreach to communicate, market, publicize and obtain input for each RTA department's programs and initiatives. The department also collaborates with the service boards to promote their services and programs.

Program priorities:

- **Communications**
  Communicate and publicize RTA programs, initiatives and successes to internal and external audiences. In this area, responsibilities include production and distribution of annual reports and budget publications, newsletters, websites content writing and updates, proactive media relations and special events management and internal communications.
- **Marketing**
  Implement partnership agreement following board adoption to coordinate sales, advertising, marketing and public information programs among the RTA and service boards that will help increase ridership, improve the ridership experience and achieve cost efficiencies. Promote programs and campaigns that include: the Transit Benefit program, drive less. live more, BRT, goroo multi-modal trip planner. Coordinate and manage sponsor-ships that help promote transit ridership and programs. Oversee graphic design including websites and ensure graphic standards are maintained and adhered to. Develop and distribution materials that promote transit programs and initiatives.
- **Public Outreach**
  Broaden support for the RTA obtaining public input and promoting advocacy; favorably influence public perception about the RTA's value by demonstrating transparency and accountability. Conduct public hearings and factor in feedback related to the Strategic Plan update; conduct public hearings for RTA 2011 budget and incorporate an array of other public input methods to increase outreach; obtain input for Planning and Regional Program's management of RTA Funding Programs; generate advocacy for pursuit of federal authorization funding; continue and expand Partners for Transit Outreach; manage public speaking engagements for senior staff and RTA Board; utilize emerging communications resources such as social media; and launch a reconstituted Citizen Advisory Board.

2010 expenses of $1.4 million are 4.0 percent of the total agency budget. It shows a 42.0 percent decrease over the 2009 budget level due to lower Communications program expenses and transferring the Transit Benefit Program expenses to the regional programs. As a result of this transfer the 5 budgeted positions in 2010 reflect one less position than in 2009.

Agency Expenses by Expense Type

Exhibit 3-17 shows an Agency summary by major expense type from 2008 to 2010. The 2010 budget of $33.7 million reflects a 5.3 percent increase over the 2008 actual expenses and no increase over the 2009 budget. The 2009 expenses of $33.4 million are expected to be slightly under the 2009 budget.

Exhibit 3-18 shows that compensation of $8.1 million is 24.0 percent of the total expenses. This represents no increase over the 2009 budget as we keep our headcount flat.

Benefits and other personnel of $4.3 million or 13 percent of total expenses show a 5.1 percent increase over the 2009 budget reflecting higher health insurance and pension contribution expenses.

Professional services of $3.3 million represents 9.0 percent of the overall expenses and reflect an 18 percent increase over the 2009 budget. This category includes some new initiatives required by the RTA Act, such as the five-year service boards audit program, customer satisfaction survey for performance measurement, and new project management oversight program development.

Purchase Service category represents 23.0 percent of the total Agency expenses. This category includes the operation of the Travel Information Center, the ADA certification program, ADA Accessibility program, the senior and disabled ride free programs, and the transit benefit program. The 2010 budgeted expense of $7.7 million reflects

Exhibit 3-17: **Agency Expense by Type** - (in dollars)

	2008 Actual	2009 Budget	2009 Forecast	2010 Budget
Compensation	6,927,881	8,089,187	8,135,046	8,089,187
Benefits and Other Personnel	3,640,135	4,112,958	4,010,666	4,322,549
Professional Services	1,981,970	2,753,488	2,700,211	3,258,846
Purchase Service	9,339,038	7,631,012	8,302,093	7,670,000
Office Services	4,946,670	4,040,517	4,085,877	4,040,360
Agency Programs & Studies	5,194,131	7,097,500	6,192,299	6,343,720
Total Agency	**32,029,825**	**33,724,662**	**33,426,192**	**33,724,662**

Exhibit 3-18: **Agency Expense by Type** - (in dollars)

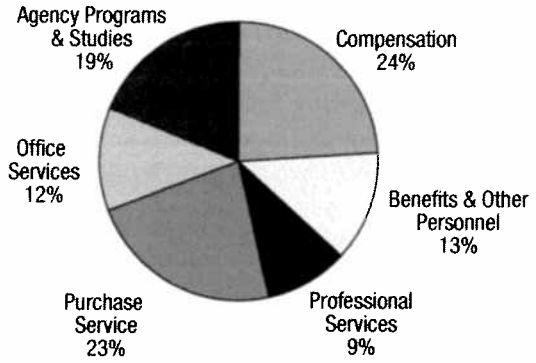


Exhibit 3-20: **2010 Administrative Expense/Statutory Cap** (in dollars)

	2010 Budget
Administration Expenses	**8,024,403**
Regional Expenses	23,321,459
Capital Expenses	2,378,800
Total RTA	**33,724,662**
Statutory Cap Allowance	16,931,639
Percent under Cap	**(52.6)%**

an increase for the ADA certification program over the 2009 budget due to higher transportation costs, higher monthly fixed fee and interview and assessment fees but lower budgeted expenses for the transit benefit program.

Office services of $4.0 million represent 12.0 percent of the overall Agency budget and reflects no change over the 2009 budget. In 2010 the base rent fee for the 2nd and 15th floor office space will be 2.6 percent lower than in 2009.

Agency programs and studies of $6.3 million represent 19.0 percent of the total Agency expenses. This category includes all the agency planning programs/projects and studies such as community planning programs, regional coordination programs, and strategic & long range planning programs (e.g. bus rapid transit) as well as the agency capital program initiatives such as the integrated management system. This category shows an 11.0 percent decrease over the 2009 budget due mostly to the integrated management system implementation and the budgeted TIC relocation expenses in 2009 that will be carried over in 2010. Exhibit 3-19 provides subcategorized detail of each expense type.

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5.0 percent per year. The proposed 2010 administrative expenditures of $8.0 million are 52.6 percent below the cap allowance of $16.9 million as it shown on Exhibit 3-20. The next part of this section outlines Agency work to develop and study the impact of Regional Performance Measures.

Exhibit 3-19: **Agency Expenses by Type** (in dollars)

	2008 Actual	2009 Budget	2009 Forecast	2010 Budget
Salaries and Other Pay	6,726,796	7,964,187	7,973,518	7,886,377
Temporaries	187,505	100,000	131,628	130,000
Interns	13,580	25,000	29,900	72,810
Total Compensation/Salaries	**6,927,881**	**8,089,187**	**8,135,046**	**8,089,187**
Vacation Pay Expense	55,208	64,480	64,480	80,000
FICA Employer Share & Unemployment Comp.	510,756	539,100	590,695	592,257
Insurance-Group Life & Medical and Workman Comp.	1,250,390	1,658,649	1,574,124	1,694,919
Pension Expense	995,402	1,228,545	1,137,000	1,250,000
RTA Employee Transit Benefit Program	98,779	119,519	110,000	130,000
Other Employee Benefits	95,702	77,000	90,800	103,800
Total Benefits	**3,006,237**	**3,687,293**	**3,567,099**	**3,850,976**
Recruitment	65,001	35,000	28,650	34,000
Membership & Corporate Dues	325,531	185,665	176,759	200,289
Training & Employee Recognition	42,759	43,000	55,500	47,000
Travel & Business Expense	200,607	162,000	182,658	190,284
Total Other Personnel	**633,898**	**425,665**	**443,567**	**471,573**
Legal Fees	679,497	455,000	490,537	475,000
Consulting	810,718	1,342,988	1,075,602	1,551,746
Legislative Consulting	411,798	426,500	400,761	354,500
Professional Services	79,957	529,000	598,011	775,000
Research, Interpreter Services and Other	-	-	135,300	102,600
Total Consulting and Professional Services	**1,981,970**	**2,753,488**	**2,700,211**	**3,258,846**
Mobility and Benefit Programs *	4,109,037	3,785,000	4,456,081	3,695,000
Travel Information Center	5,230,001	3,846,012	3,846,012	3,975,000
Total Purchase Service	**9,339,038**	**7,631,012**	**8,302,093**	**7,670,000**
Printing, Postage, Mailing & Graphic Design	531,168	383,290	442,312	549,386
Rent	1,737,554	1,874,997	1,782,980	1,675,032
Utility, Security and Office & Equipment Maintenance	171,198	181,705	166,833	219,506
Computer Expenses	211,226	191,900	153,992	217,063
Telephone & Internet	483,297	457,000	457,095	302,000
Publications, Media Services & Public Activities	55,835	55,000	73,983	191,000
Card Stock (ride free programs)	1,376,295	500,000	536,195	500,000
Finance Charges	228,362	245,675	337,754	238,649
Other Office Supplies & Services	151,735	150,950	134,733	147,724
Total Office Services	**4,946,670**	**4,040,517**	**4,085,877**	**4,040,360**
Total Agency Capital Programs	530,193	2,252,500	1,392,564	1,113,000
Total Non-Capital Programs and Studies	2,244,283	4,695,000	3,811,000	4,064,920
Total Capital Planning Programs and Projects	2,419,655	150,000	988,735	1,165,800
Total Agency Programs and Studies	**5,194,131**	**7,097,500**	**6,192,299**	**6,343,720**
TOTAL EXPENSES	**32,029,825**	**33,724,662**	**33,426,192**	**33,724,662**

* Includes Transit Benefit, ADA Assessments & Travel Training, Reduced Fare and Free Ride Programs.

Background on Goals and Performance Measures

In February 2007, the Regional Transportation Authority released its five-year strategic plan entitled Moving Beyond Congestion (MBC). This joint planning process between the RTA and the three service boards achieved several important milestones, including the establishment of a shared vision and goals for the region, a detailed analysis of the current status of the transit network, and a long-term evaluation and assessment of the infrastructure and operational needs of the system.

In January 2008, the Illinois General Assembly enacted significant amendments to the RTA Act, which mandated an ongoing strategic planning process, the establishment of goals, and measurement of performance.

The goals and objectives approved in February 2007 were developed with a funding campaign focus and were designed to be inspirational. Unfortunately, they did not easily support the development of performance measures. Some of the specific MBC objectives were not aligned with the best high-level goals. For example, service/customer objectives supported the financial goal instead of the provision of service goal. Finally, the January 2008 amendment to the RTA Act specified in some detail the role of the RTA's strategic plan goals. The MBC goals and objectives did not satisfy all of these requirements.

On February 19th, 2009, the RTA joined in partnership with each of the Service Boards to enact a resolution that would revise the goals and objectives of the MBC in order to satisfy all requirements of the amended RTA Act.

Vision

The RTA, CTA, Metra, and Pace share a common vision for the region: That the RTA is a world-class public transportation that is affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air, and livable communities.

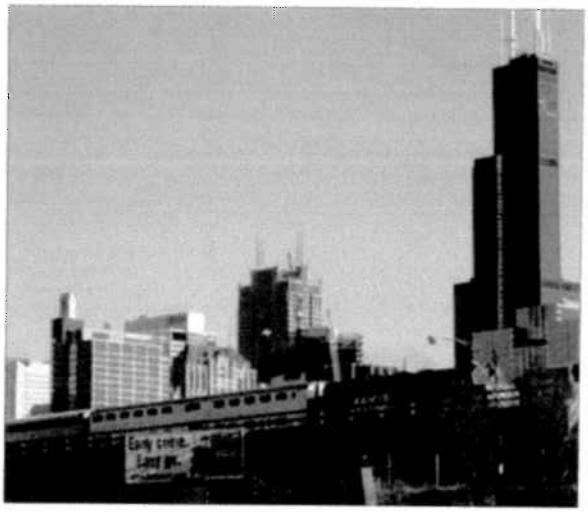
Goals and Objectives

The table on the next page identifies the current regional goals and objectives. The Goals explain what the RTA Region needs to accomplish in order to realize its vision, the Focus identifies the stakeholders of each goal, and the Objectives identify how the RTA region will meet its goals.

The executive director and staff of the RTA are committed to working with the Service Board's, their staffs, and local and state elected officials in order to update the Plan to reflect the strategic planning process, achieve the objectives in the Plan, promote investment in the region's transit system, and ensure that the system operates efficiently and in a coordinated fashion throughout the region.

Performance Measures

In addition to revisions of the MBC's Goals and Objectives, the RTA Act required the development of performance measures to inform the public about the extent to which the provision of public transportation in the metropolitan region meets the goals, objectives and standards for the RTA, the Service Boards, and the broader community of stakeholders. In accordance with these mandates,



RTA Goals and Objectives

MBC Goal	Focus	Objectives
Provide Transportation Options and Mobility		
Provide attractive, high-quality, innovative transit choices that link people to jobs and facilitate the use of transit for other trips. Transit use in our region is the broadest measure of the success of the transit system.	Customer / external	· Increase the use of public transportation for commuting · Increase the use of public transportation for other purposes. · Increase the amount of transit service provided and serve more of the region's travel markets using innovative approaches, as appropriate · Take advantage of highway pricing strategies and promote preferential treatment of transit · Provide quality transit service that is fast, clean, safe and reliable · Provide affordable transit service · Increase the ease of connection between different transit providers by coordinating service, fares, information and physical connections · Ensure appropriate consideration of regional equity principles
Ensure Financial Viability		
The sustained financial viability of public transportation is essential to the region's effective multi-modal transportation system. The transit agencies need to manage operating costs, make sound investment decisions and implement the capital program in a timely manner.	Internal to transit agencies	· Manage the growth of operation costs · Select investments which maximize returns to the region · Progress towards achieving a state of good repair while making appropriate investments to enhance and expand the transit system · Implement the capital program in a timely manner · Ensure a fair allocation of passenger revenue from interagency trips across service providers · Where appropriate, engage in joint efforts with private interests that contribute resources and add value to the transit system
Enhance Livability and Economic Vitality		
An effective transit system makes many contributions to an economically vibrant and livable region. Though transit's role is secondary, not primary, in achieving this goal.	External: transit is a secondary contributor but does not have direct control	· Mitigate the growth in highway congestion · Improve our environment by reducing total transportation emissions and energy consumption · Coordinate transit with development to encourage concentrated growth near transit services · Provide mobility for aging populations and people with disabilities · Provide employers with access to a broader workforce
Demonstrate Value		
In order to fulfill its valuable role in our region, transit requires the support of key constituencies and the public at large.	External: Taxpayers and key stakeholders	· Realize additional operations support through legislative action · Achieve adequate capital funding to move the system towards a state of good repair and undertake selective expansions · Manage transit operations so that they are cost and service effective · Create and sustain public understanding of the benefits of public transportation

the RTA has established several Performance Measures, which have been compiled into a Report Card. The Report Card will be published annually for use in both internal and public reports and made available on the RTA's website.

In order to achieve the objectives of the Strategic Plan the RTA Report Card has identified five major areas, Service Coverage, Service Efficiency and Effectiveness, Service Delivery, Service Maintenance and Capital Investment, and Service Level Solvency. Each major area has several corresponding performance metrics.

- **Service Coverage** - monitors both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.
- **Service Efficiency and Effectiveness** - evaluates the level of resources spent for delivering service as well as the extent to which passengers are using public transit.
- **Service Delivery** - reflects the quality of the service delivered.
- **Service Maintenance and Capital Investment** - indicates the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.
- **Service Level Solvency** - assesses financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

The 2007 Regional Report Card was approved on May 21st 2009 and contains a unique perspective that is achieved by aggregating data from CTA, Metra, and Pace to assess how those agencies are collectively meeting their missions, and thus the transit needs of the region.

Overall, the report suggests that the performance of the transit system is relatively good. However, it is clear that the system continues to face challenges and that specific opportunities remain. Two of the five areas of evaluation show very optimistic trends, two are less encouraging and one is still under development and will allow for future measurement.

Performance Metrics

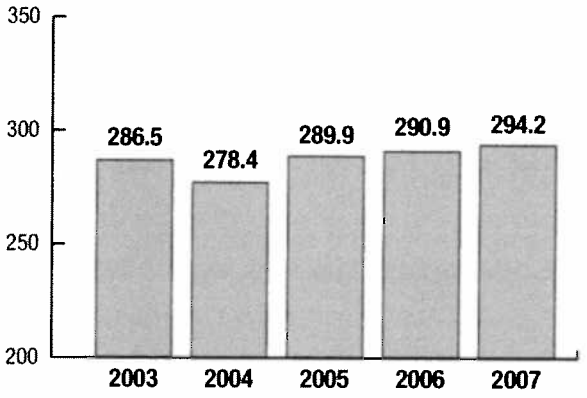
Service Coverage

Service Supplied and Service Consumed

These metrics monitor both how much service is available to people in the region and how much of that service capacity is actually used. The measures reveal positive trends reflecting increased service levels and concurrent ridership growth. Passenger Trips per area resident, Vehicle Revenue Mile per service area square mile, Total Ridership, Total Ridership Per Area Resident, and Passenger miles all increased at a rate of 2.7, 9.1, 5.0, 4.7 and 9.2 percent, respectively, from 2003 to 2007 (Exhibit 3-21 through Exhibit 3-25). Thus, service plans over the five year period were responsive to service demands from both new and existing customers, as well as to regional population changes. These results demonstrate that residents reacted positively to public transit overall and thus utilized it more, both in frequency and in distance traveled.

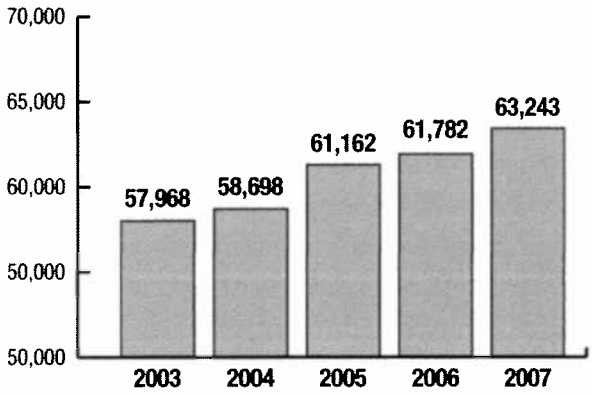
Transit Capacity (trips): The amount of service provided as measured in trips available to be taken.

Exhibit 3-21: **Per Area Resident** - The number of trips available for each resident in the region to take annually.



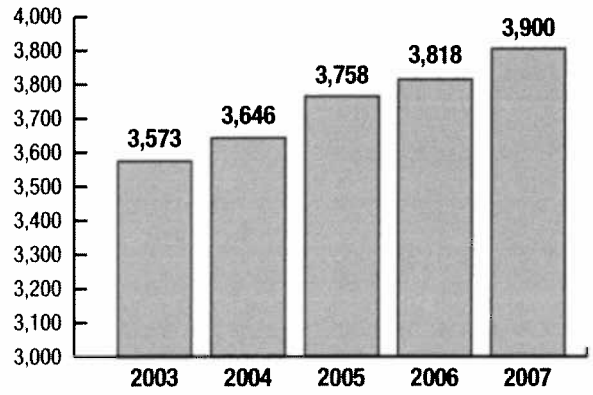
Vehicle Revenue Miles: The amount of service provided as measured in miles driven by vehicles while in service.

Exhibit 3-22: **Per Service Area Square Mile** - The number of miles of travel provided per square mile of the service area annually



Passenger Miles: The cumulative sum of the distances ridden by all passengers.

Exhibit 3-23: **In millions**



Passenger Trips (Ridership): The number of times passengers board buses and trains, including transfers from one bus or train to another to complete their trips.

Exhibit 3-24: **In millions**

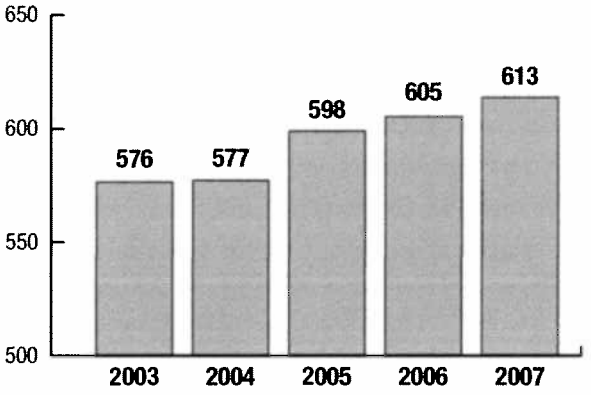
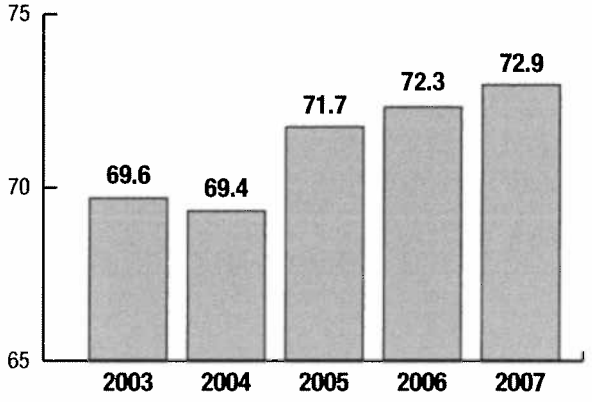


Exhibit 3-25: **Per Area Resident** - The number of rides taken per resident annually.



Service Efficiency and Effectiveness

Efficiency of Service and Cost Effectiveness

These metrics, which evaluate the cost of supplying units of transit services, show somewhat negative results. Operating costs grew faster than inflation, but cost growth was still somewhat contained despite the challenges of rising costs including fuel, healthcare, labor, and infrastructure of a mature transit system. This area continues to provide opportunities for managing and reducing costs of individual services provided and the overall network (Exhibits 3-26, 3-27, and 3-28).

Operating Cost: The expenses associated with the operation of the transit system.

Exhibit 3-26: **Per Unit of Transit Capacity** - The average cost of providing a passenger seat or space for each mile of an individual trip, whether or not it is taken.

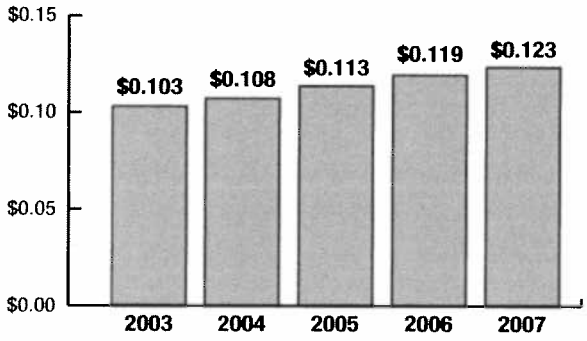


Exhibit 3-27: **Per Passenger Trip** - The average cost of an individual trip.

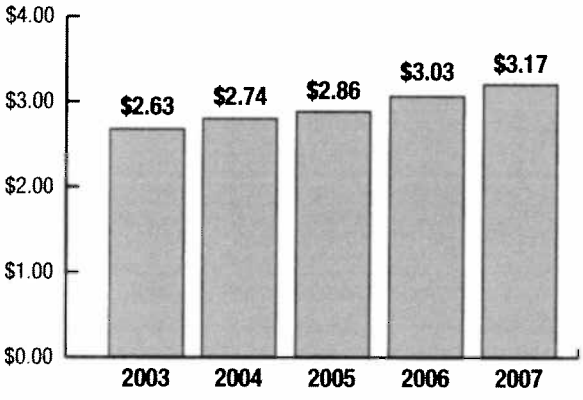
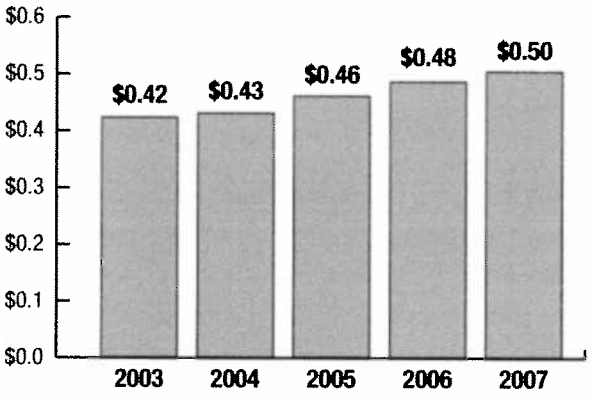
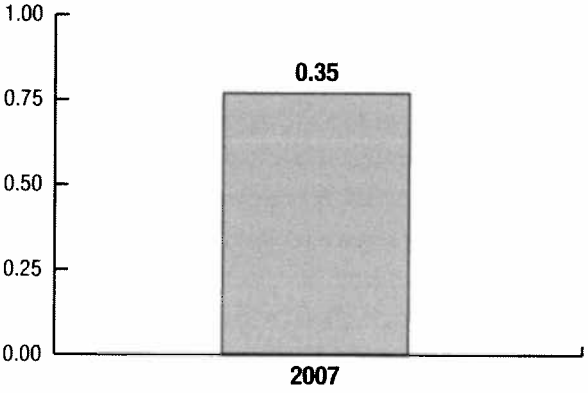


Exhibit 3-28: **Per Passenger Mile** - The average cost of providing each mile of an individual trip taken.



Major Safety and Security Incident: Accidents, casualty, and crime statistics reported under the Federal Transit Administration (FTA) National Transit Database (NTD) reporting system (Exhibit 3-29).

Exhibit 3-29: **Per 100,000 Passenger Trips** - The number of combined safety and security incidents per 100,000 trips taken.



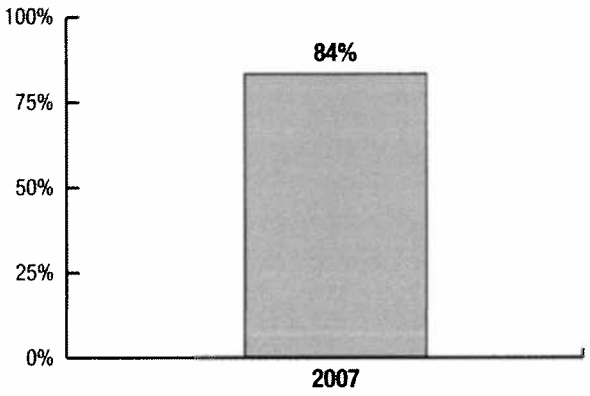
Service Delivery

Customer Service, and Customer Safety and Security

This performance area, which focuses on customer service and safety, is still under development. Regional Customer Satisfaction metrics are being created, which will include customer surveys regarding interagency services. Also, consistent and comparable data for some metrics were only available for 2007 (Exhibit 3-30).

On-Time Performance*: The percentage of time that vehicles are "on-schedule".

Exhibit 3-30



*Due to variances in collection methods, data for prior years are not comparable and therefore not included.

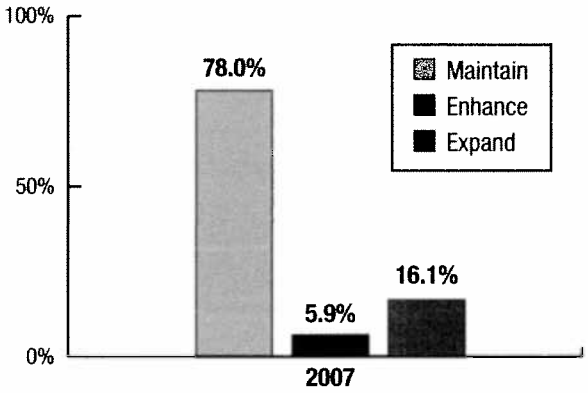
Service Maintenance and Capital Investment

State of Good Repair and Reliability

This area, which evaluates reliability and state of good repair, is trending very well, even showing significant improvement. The measures suggest that the focus of the system has been to invest its limited resources to keep the vehicle inventory operational. This has slowed the implementation of expansion and enhancement plans, and has also put significant pressure on operations, as more costs are required to maintain an aging infrastructure. For instance, the miles between major mechanical failures have increased, from 11,934 miles in 2003 to 15,993 miles in 2007, representing a 30.0 percent increase. However, even with these focused efforts and demonstrated progress, the system is still far from achieving a state of good repair.

Capital Program Maintenance/Enhancement/ Expansion: Annual allocation of projects budgeted within each category as a percent of the total capital program (Exhibit 3-31).

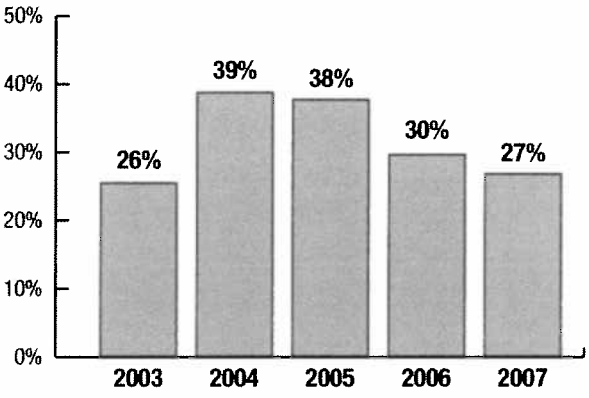
Exhibit 3-31



*Data for prior years are not available and therefore not included.

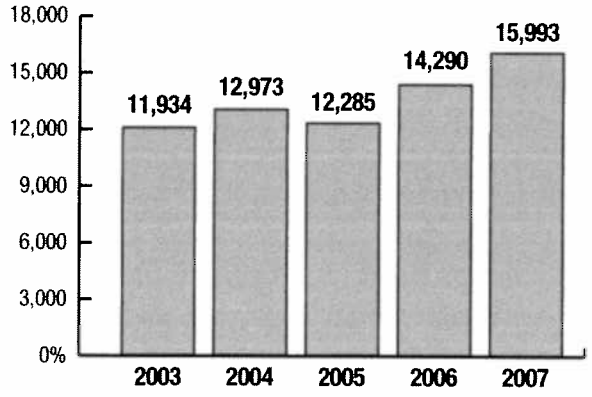
Percent of Vehicles Beyond Useful Life: The actual number of vehicles for all modes combined that exceeds their individual useful lives as defined by the Federal Transit Administration (10 years for buses and 25 years for rail cars that are new; or longer for some vehicles if life-extending rehabilitations are performed (Exhibit 3-32).

Exhibit 3-32



Miles Between Major Mechanical Failures: The average distance that vehicles of all modes travel in revenue service uninterrupted by mechanical failures that prevent them from completing a scheduled trip or from starting the next scheduled trip (Exhibit 3-33).

Exhibit 3-33:



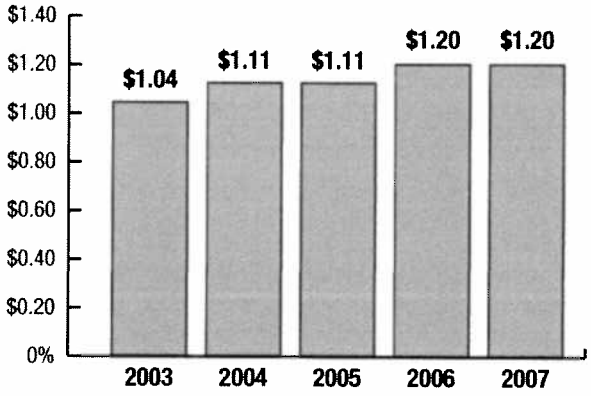
Service Level Solvency

Operations and Capital

Financial indicators that monitor overall financial strength highlight a system that is under stress. Although more fare revenue has been generated as a result of increases in both ridership and actual fares (Exhibits 3-34 and 3-35), it has not been sufficient to cover higher public subsidy to provide the service, including demands for more peak service rather than non-peak service with existing capacity. Thus, other system generated revenue, such as advertising on buses, continues to be an important element in achieving the legislatively mandated 50% recovery ratio. The Capital budget is also cause for concern primarily due to the significant decline in capital funding resulting from the lack of a state capital program for infrastructure.

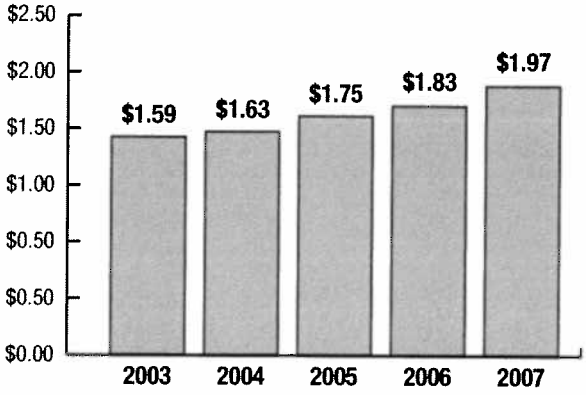
Fare Revenue: The total amount of money that passengers pay in fares.

Exhibit 3-34: **Per Passenger Trip:** The average fare paid by a customer per trip.



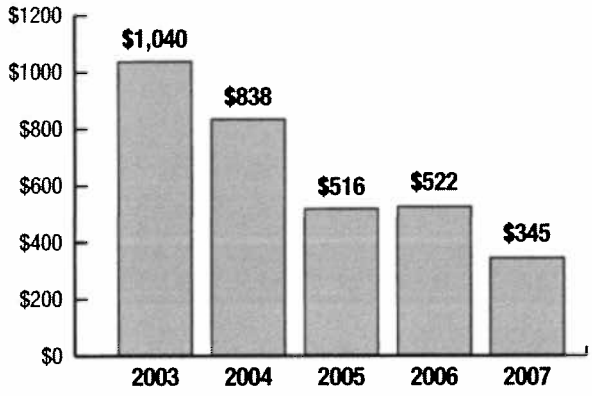
Fare Subsidy: The amount of the total cost of operation that is not covered by fare revenue.

Exhibit 3-35: **Per Passenger Trip:** The average amount of each trip that is not covered by the customer.



Capital Program: The amount of capital funds (Exhibit 3-36) available to finance the maintenance, enhancement and expansion of the transit system infrastructure.

Exhibit 3-36



A Commitment to Performance Measurement

As part of its on going commitment to the Strategic Plan and to providing quality service to the public transit passengers of the region, the RTA is continuing to work with the Service Boards and key stakeholders to develop more performance measures. In 2010, the RTA will propose a set of new performance measures that compares the performance of the RTA Region with peer regions. Using data from the National Transit Database, the RTA intends to make comparisons between the RTA's regional service and service in ten of the most urbanized areas, as identified by the US Census Bureau. In conjunction with the Service Boards, and key stakeholders, the RTA expects to develop a target or goal for each of the above performance measures, and develop sub-regional and Service Board specific measures. Both the CTA and Pace have already started development of their own performance measures. These efforts are described in the Service Board sections.

The RTA is committed to the use and development of performance measurement, and recognizes that these measures increase overall accountability, and can explain where the system is doing well and where it can make improvements. Through the continued use of Performance Measurement the RTA recognizes that trends will emerge which will help the region as a whole make informed planning, operating, capital and financial decisions.

Reference

RTA Bonds

The bonds issued by the RTA carry a rating of "AA+" from Standard & Poor's, AA- Fitch IBCA and "Aa3" from Moody's Investors Service, Inc. 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 $2,227.6 million as of December 31, 2008, are divided into two types: $1,577.2 million in Strategic Capital Improvement Program (SCIP) bonds and $650.3 million in RTA bonds (Exhibit 3-37 and Exhibit 3-38).

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 financial statements.

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 financial statements.

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

Exhibit 3-37: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	January 1, 2008	New Issues	Retirements	December 31, 2008
1990A	60,795	-	-	60,795
1991A	55,745	-	-	55,745
1992A* and 1992B	40,185	-	6,840	33,345
1994A* and 1994B	24,395	-	-	24,395
1994C* and 1994D	62,205	-	4,420	57,785
1997 Refunding	70,830	-	4,875	65,955
1999 Refunding*	280,110	-	5,665	274,445
2000A*	235,060	-	4,995	230,065
2001A*	90,510	-	1,880	88,630
2001B Refunding*	31,430	-	1,630	29,800
2002A*	147,760	-	2,835	144,925
2002B	154,145	-	10,060	144,085
2003A*	246,975	-	4,555	242,420
2003B	142,665	-	2,675	139,990
2003C Refunding	6,960	-	3,395	3,565
2004A	250,815	-	4,405	246,410
2005B Refunding	142,375	-	3,070	139,305
2006A*	249,300	-	3,385	245,915
Total	**$2,292,260**	**-**	**$64,685**	**$2,227,575**

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

Exhibit 3-38: **RTA Debt Outstanding** (dollars in thousands)

	As of December 31, 2007	As of December 31, 2008
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized But Unissued RTA Debt	149,650	179,195
Total Non-SCIP (RTA) Principal Outstanding	650,350	620,805
Total SCIP Principal Outstanding	1,577,225	1,538,315
Total Debt Outstanding	**$2,227,575**	**$2,159,120**

(1) Excludes Bank Borrowing and Short-term Notes

Exhibit 3-39: **1998-2008 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Serv. Req.
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
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840
2006	746,829	178,086	445,215
2007	752,922	188,551	471,378
2008	949,617	192,555	481,388

Exhibit 3-40: **RTA Debt Service Requirements** (dollars in thousands)

Year	Principal	Interest	Total
1998	16,124	61,759	77,883
1999	16,988	60,878	77,866
2000	22,949	58,727	81,676
2001	19,805	75,382	95,187
2002	27,262	86,264	113,526
2003	37,940	102,667	140,607
2004	40,430	119,272	159,702
2005	49,570	129,966	179,536
2006	55,110	122,976	178,086
2007	59,135	129,416	188,551
2008	64,685	127,870	192,555

refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

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 financial statements. 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.

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 generating resources for all future debt service payments. The second issue was a $260 million SCIP bond offering on April 1. On the same day, RTA currently 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 from the financial statements. 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.

On October 13, 2004, the RTA issued one bond offering (Series 2004A) for $260 million in SCIP bonds. The Series 2004A Bonds are also secured by the Series 2004A debt service reserve account.

Exhibit 3-41 **Recent Bond Projects with Project-to-Date Expenditures** (dollars in thousands)

2003 B	CTA	Repair Track and Structure	$1,508
2003 B	CTA	Implement Automatic Fare Control	417
2003 B	Metra	Rehabilitate Commuter Cars	787
2003 B	Pace	Improve Garages and Facilities	921
		Total	**$3,633**
2006 A	CTA	Replace/Upgrade Power Distribution and Signal Systems	$3,883
2006 A	CTA	Rehabilitate Rail Stations	2,940
2006 A	CTA	Upgrade Communication Systems	2,603
2006 A	CTA	Purchase Replacement Buses	1,348
2006 A	Metra	Rebuild Locomotives	11,304
2006 A	Metra	Renew Bridges	5,426
2006 A	Metra	Improve Station Platforms and Ramps	1,368
2006 A	Pace	Purchase Paratransit Vehicles	2,857
2006 A	Pace	Purchase Associated Capital Items	488
2006 A	Pace	Improve Garages and Facilities	201
		Total	**$32,418**

On May 2,2005, the RTA issued $148,110,000 of general obligation bonds (2005B) to defease the remaining balance of the 1996 refunding. As a result, the 1996 refunding bonds have been removed from the financial statement.

On September 13, 2006, the RTA issued a general obligation bond for $250,350,000 (2006A) to be used to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 3-39 and 3-40), 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 3-41 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.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 3-42).

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 3-1 shows the balance in the General Fund from 2008 through 2012. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 3-43 highlights the 2010 budget for these funds.

Exhibit 3-42: **RTA 2008 Combined Fund Statement of Revenues & Expenditures by Fund** (dollars in millions)

	General	Agency	Debt	Capital	JSIF	Pension	Combined
Revenues							
Sales Tax	$109.0	$617.7	-	-	-	-	$726.7
New Sales Tax	-	222.9	-	-	-	-	$222.9
Interest on Sales Taxes	1.1	2.0	-		-	-	$3.1
Public Transportation Fund	188.8	-	-	-	-	-	$188.8
New 5% PTF Advance Recovery	38.4	-	-	-	-	-	$38.4
Innovation, Coordination & Enhancement (ICE)	10.0	-	-	-	-	-	$10.0
Operating Assistance - CTA/PACE ADA Paratransit	4.4		-	-	-	-	$4.4
State Assistance	121.9	-	-	-	-	-	$121.9
Reduced Fare Reimbursement	-	28.9	-	-	-	-	$28.9
Investment Income	(10.8)	-	9.3	-	-	-	($1.5)
Other Revenues	3.2	-	-	-	0.9	(25.7)	($21.6)
Pension Contribution	-	-	-	-	-	9.2	$9.2
Total Revenues	**$466.0**	**$871.5**	**$9.3**	**$0.0**	**$0.9**	**($16.5)**	**$1,331.2**
Expenditures							
Financial Assistance to Service Boards	$249.9	$720.6	-	-	-	-	$970.5
Capital Grants–Discretionary	26.3	-	-	-	-	-	$26.3
South Suburban Job Access Program- (PACE)	3.8	-	-	-	-	-	$3.8
5% PTF/RETT & ADA Paratransit (New Sales Tax)	42.8	-	-	-	-	-	$42.8
Paratransit Funding (PACE)	-	85.6	-	-	-	-	$85.6
Suburban Community Mobility Fund	-	20.0	-	-	-	-	$20.0
Paratransit Funding -PACE (future funds)	-	14.4	-	-	-	-	$14.4
Innovation, Coordination, & Enhancement (ICE)	10.0	-	-	-	-	-	$10.0
PACE (PTF) Expenditures	1.6	-	-	-	-	-	$1.6
Capital Grants–Bonds	-	-	-	$93.1	-	-	$93.1
Reduced Fare Reimbursement	-	28.9	-	-	-	-	$28.9
Debt Service Operating Transfer	190.2	-	(186.3)	-	(3.9)	-	($0.0)
Administrative	7.3	-	-	-	4.4	9.5	$21.2
Regional	24.5	-	-	-	-	-	$24.5
Capital Outlay	0.3	-	-	-	-	-	$0.3
Interest on Sales Taxes to Service Board	-	2.0	-	-	-	-	$2.0
Debt Service:							$0.0
Principal	-	-	$64.7	-	-	-	$64.7
Interest	3.8	-	127.9	-	-	-	$131.7
Debt Related Costs	1.4	-	0.2	-	-	-	$1.6
Total Expenditures	**$561.9**	**$871.5**	**$6.5**	**$93.1**	**$0.5**	**$9.5**	**$1,543.0**
Revenues less Expenses (1)	($95.9)	(0)	$2.8	($93.1)	$0.4	($26.0)	($211.8)
Fund Balance beginning of the year	**$149.2**	**-**	**$77.1**	**$272.3**	**$28.4**	**$123.5**	**$650.5**
Fund Balance end of the year (2)	**$53.3**	**(0)**	**$80.0**	**$179.2**	**$28.8**	**$97.5**	**$438.7**

(1) Reconciliation of Budgetary basis to GAAP basis.

(2) Before reserves and designations. General Fund reserves and designation totalled $106.8 in 2008 leaving a negative unreserved/undesignated fund balance of $53.5 million.

Exhibit 3-43: **RTA Statement of Revenues and Expenditures 2010 Budget by Fund - General and Agency Fund** (dollars in thousands)

	General Fund	Agency Fund	Total Budget
System-Generated Revenue			
RTA Sales Tax (Part I)	97,440	552,160	649,600
RTA Public Transportation Fund (Part I)	162,400	-	162,400
RTA Sales Tax and PTF (Part II)	9,030	343,188	352,218
State Financial Assistance	122,000	-	122,000
State Free Rides & Reduced Fare Reimbursement (1)	-	36,800	36,800
State Funding for ADA & Debt Service	13,900	-	13,900
Other Revenue	15,900	1,700	17,600
Total Revenue	**420,670**	**933,848**	**1,354,518**
Operating Expenditures			
RTA Operations Funding - CTA (Includes RETT PTF)	97,648	377,191	474,839
RTA Operations Funding - Metra	-	292,100	292,100
RTA Operations Funding - Pace Suburban Service	-	99,695	99,695
RTA Suburban Community Mobility Funding for Pace	-	18,061	18,061
RTA South Suburban Job Access Funding for Pace	7,500	-	7,500
RTA Total for ADA Paratransit Service	8,500	90,303	98,803
RTA Funding for Innovation, Coordination, and Enhancement	9,030	-	9,030
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	-	38,500	38,500
Agency Administration	8,024	-	8,024
RTA Regional Services and Programs	23,321	-	23,321
Total Operating Expenditures	**154,023**	**915,850**	**1,069,873**
Debt Service & Capital Expenditures			-
Principal and Interest for Service Board Capital Programs	207,020	-	207,020
Regional Technology and Agency Capital (3)	2,379	-	2,379
Transfer Capital - Metra Funds	-	17,998	17,998
Transfer Capital - Discretionary RTA Funds to CTA	20,353	-	20,353
Total Debt Service and Capital Expenditures	**229,752**	**17,998**	**247,750**
TOTAL EXPENSES	**33,724,662**	**33,426,192**	**33,724,662**
Fund Balance (undesignated/unreserved)			
Beginning Balance	**(17,682)**	-	**(17,682)**
Change in Fund Balance	**36,895**	-	**36,895**
RTA Funds Reserved	-		-
RTA JSIF Funding	**(4,100)**	-	**(4,100)**
Ending Unreserved/Undesignated Fund Balance	**15,113**	-	**15,113**
% of Total Operating Expenditures			

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

Exhibit 3-44: **2008 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of expenditures over revenues and other financing use-budgetary basis	**(90,026)**
Adjustment	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(5,962)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	26
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	134
Budgetary basis to GAAP basis adjustment	**(5,801)**
Net Change in Fund Balance - GAAP basis	(95,827)
Net Changes in Reserves	42,346
Net Change in Unreserved, Undesignated Fund Balance	**(53,481)**

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. These amounts have been issued.

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.

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.

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.

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/

Exhibit 3-45: **RTA 2008 Statement of Revenues and Expenditures General and Agency Fund** (dollars in thousands)

	2008 Budget	2008 Actual	Change
Revenue			
Sales Tax (Part I)	758,400	726,689	(31,711)
Public Transportation Fund (PART I)	189,600	188,830	(770)
Sales Tax and PTF (Part II)	248,557	232,927	(15,630)
State Financial Assistance	116,477	121,870	5,393
Reduced Fare Reimbursement	15,361	36,801	21,440
Other Revenue	54,700	17,325	(37,375)
Total Revenue	**1,383,365**	**1,324,442**	**(58,923)**
Operating Expenditures			
RTA Operations Funding - CTA (includes rett ptf)	558,832	591,760	32,928
RTA Operations Funding - Metra	280,100	278,888	(1,212)
RTA Operations Funding - Pace Suburban Service	102,441	91,620	(10,821)
RTA Suburban Community Mobility Funds for Pace	20,000	20,000	-
RTA South Suburban Job Access Funds for Pace	3,750	3,750	-
RTA Working Cash Loan for Service Board Operations	21,200	-	(21,200)
RTA Total for ADA Paratransit Service	85,626	100,000	14,374
RTA Funding for Innovation, Coordination, and Enhancement	10,000	10,000	-
State Reduced Fare/Free Ride Programs and Sales Tax Interest	16,531	32,002	15,471
Agency Administration, Regional Services & Programs	25,404	30,897	5,493
Total Operating Expenditures	**1,123,884**	**1,158,917**	**35,033**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	186,318	186,268	(50)
Regional Technology and Agency Capital	1,870	1,870	-
Transfer Capital - Metra Funds	30,661	8,293	(22,368)
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	
Total Debt Service and Capital Expenditures	**239,202**	**216,784**	**(22,418)**
Total Expenditures	**1,363,086**	**1,375,701**	**12,615**
Fund Balance (undesignated/unreserved)			
Beginning Balance	25,848	25,648	(200)
Change in Fund Balance	12,070	(51,259)	(63,329)
Other Funding & Reserves	(18,294)	(27,870)	(9,576)
Ending Balance	**19,624**	**(53,481)**	**(73,105)**
% of Total Operating Expenditures	1.7%	(4.6%)	(6.4%)

expenditures. Management has the authority to exceed any line appropriation without Board approval, provided it does not exceed the legal levels of control. It has been the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the Budget Ordinance. However, due to the unfavorable economic conditions in recent years and the depletion of funds in the undesignated / unreserved fund balance to preserve operating stability, the RTA waived its fund to budget policy for the 2010 fiscal year.

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 (Exhibit 3-44 and 3-45).

Exhibit 3-46: **Recovery Ratio** (1) (dollars in thousands)

	2010 Budget
CTA	
Operating Revenue	600,706
Adjustments (2)	28,000
Total Revenue	**628,706**
Operating Expenses	1,324,413
Adjustments (2)	(39,000)
Total Expenses	**1,232,045**
CTA Recovery Ratio	**51.0%**
Metra	
Operation Revenue	309,250
Metra Capital Farebox Revenue	-
Total Revenue (3)	**311,500**
Operating Expenses	603,100
Adjustments (3)	(36,750)
Total Expenses	**566,350**
Metra Recovery Ratio	**55.0%**
Pace	
Operating Revenue	55,043
Adjustments (4)	11,000
Total Revenue	**66,043**
Operating Expenses	204,597
Adjustments (4)	(7,450)
Total Expenses	**183,438**
Pace Recovery Ratio	**36.0%**
System-Generated Revenue Recovery Ratio Revenue	
Total Service Board Revenue	1,006,249
Agency	15,900
Adjustments (5)	(15,800)
Total Revenue	**1,006,349**
Expense	
Total Service Board Expenses	1,981,833
Less Regional Exemption (statutory)	(120,000)
Agency & JSIF	35,445
Total Expenses	**1,897,278**
Recovery Ratio (apart from ADA Paratransit)	**53.0%**
ADA Paratransit	
Operating Revenue	8,353
Operating Expense	127,595
Adjustments (6)	(44,000)
Total Expense	**83,595**
Recovery Ratio	**10.0%**

(1) The RTA Act permits certain revenue and expense adjustment for the recovery ratio calculation. The RTA, by means of ordinance, allows supplementary adjustments for service board calculations, but such adjustments are reversed to determine the system-generated revenue recovery ratio for the region, which by statute must be at least 50%. Service board adjustments include amounts that result in calculations that equal the "marks" set by the RTA. (2) CTA adjustments to revenue include credits for seniors who ride free and in-kind revenue for security services provided by the Chicago Police Department (CPD). Expense adjustments include in-kind costs for the CPD equal to the revenue credit, and credit for security and pension obligation debt service. (3) Metra revenue reflects senior ride free credits; expense adjustment credits include security, depreciation and transportation facility leases. (4) Pace revenue adjustments include in-kind ADvAntage program and senior ride free credits. Expense adjustments include budget reduction actions and in-kind ADvAntage program charges. (5) Regional revenue adjustments include a debit for service board senior ride free credits, and a credit for a CTA lease transaction. (6) Expense adjustments include reductions for budget balancing actions, and credits for capital costs incurred in providing contracted services (capital cost of contracting).

4 CTA 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 and is governed by a seven-member Chicago Transit Board.

A new State of Illinois funding package ratified by state legislation in 2008 increased the percentage of State sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. The legislation also provided for long-term pension reforms that will increase the funded ratio of the CTA's pension to 90% by 2059.

In 2010, the CTA is faced with the difficult decision of having to divert additional funds from capital construction projects to fund its operating budget. In 2010, $173 million of federal capital funds will be used for the operating budget. In order to balance its 2010 budget, the CTA has also identified the need to eliminate nine express bus routes and implement span reductions on 41 bus routes. On January 6, 2010, the RTA issued a combined $175 million in Build America and General Obligation Bonds. This arrangement provides the CTA equal amounts in excess of $80 million in 2010 and 2011. The CTA remains committed to maintaining and continually improving the level of on-time, clean, safe, courteous and efficient service to its customers.

Service Characteristics

The CTA operates the second largest public transportation system in the United States with an average weekday ridership of 1.6 million on its bus and rail system. The CTA's service area encompasses 220 square miles in the City of Chicago and its 40 surrounding suburbs.

Bus operations provide 1,782 buses traveling over 153 routes covering 2,517 miles, with approximately 11,833 bus stops. Rail service on eight routes has 1,190 train cars traveling over 224 miles of track. The CTA transferred all paratransit service to Pace in July 2006.

Ridership

Total ridership for 2010 is estimated at 466.8 million trips (Exhibit 4-1). This is 9.8% or 50.6 million trips lower than the projected 2009 ridership. Bus ridership is estimated at 277.5 million trips in 2010. This is 11.9% or 37.4 million trips lower than projected 2009 ridership. Rail ridership is estimated at 189.3 million trips in 2010. This is 6.5% or 13.1 million trips lower than projected 2009 ridership (Exhibit 4-2).

Average weekday ridership on the CTA is 1.4 million, while Saturday and Sunday average

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

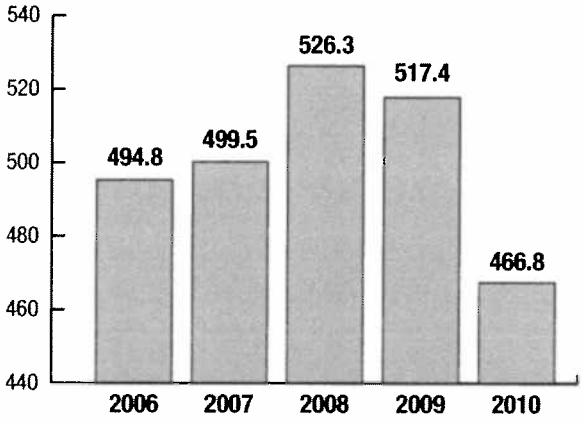


Exhibit 4-2: **CTA Annual Ridership by Mode** (in millions)

	2005	2006	2007	2008	2009	2010
Bus	303.2	298.4	309.3	328.2	315.0	277.5
Rail	186.8	195.2	190.3	198.1	202.4	189.3
Paratransit/Taxi	2.4	1.2	-	-	-	-
Total Ridership	**492.4**	**494.8**	**499.5**	**526.3**	**517.4**	**466.8**

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

	2006	2007	2008	2009	2010
Weekday	1,596	1,606	1,679	1,583	1,430
Saturday	966	977	1,048	1,107	994
Sunday	662	675	725	864	775

ridership are 994,000 and 775,000, respectively (Exhibit 4-3). Total vehicle miles are expected to decline from 135.6 million in 2009 to 118.5 million in 2010. This 12.6% decline is largely due to the sluggish economy and scheduled service changes in 2010 (Exhibit 4-4).

Service Quality

The CTA has continued to work on improving the core components of its business that impact its customers directly. Some of its efforts include: the implementation of performance management initiatives that ensure the delivery of safe, clean, on-time, courteous and efficient service; the restructuring and consolidating of customer service and customer communications providing timely and accurate information to the riders; and concrete repairs made to improve the safety of bus turnarounds and rail stations.

As part of its effort to improve service quality, the CTA has implemented a variety of performance measures. These measures support a significant effort by the CTA to improve service quality. Grouped by quality service objective, the CTA provides for each performance measure the average monthly 2008 result, a 2009 monthly target, 2009 monthly results, and a definition of the performance measure. These quality objectives include ridership, on-time, efficient, safe, clean, and courteous. When performance for the month exceeds the monthly target, the measurement is highlighted in green. If performance for the month falls below but within 10% of the target, the measurement is highlighted in yellow. When performance falls below 10% of the target, the measurement is highlighted in red. Performance measure targets, which have yet to be established, are highlighted in gray. The 2009 performance measures can be found at the end of this section.

The implementation of performance measures represents an important step toward ensuring quality service and increasing accountability to the public. By creating these performance targets and striving to meet or exceed them, the CTA has shown that it values customer opinion and is working toward improving service quality.

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

	2006* Actual	2007 Estimate	2008 Budget	2009 Plan	2010 Plan
Ridership	494,803	499,540	526,336	517,374	466,800
Vehicle Miles	138,648	135,244	136,190	135,557	118,544
Passengers Per Mile	3.6	3.7	3.9	3.8	3.9

* Data includes one half year of Paratransit service.

Challenges

Although there are signs in the broader economy that the nation may be pulling out of the deep recession that began in 2008, the outlook for 2010 continues to be pessimistic. The CTA's primary revenue sources are very sensitive to the health of the economy. In addition to significantly lower public funding, the CTA is also faced with higher costs in several areas. Labor costs make up the largest portion of the CTA's budget. In 2010, the CTA's union labor will receive an automatic 3.5% pay increase which adds $24 million to the expense budget. Increases in required Pension Obligation Bond interest payments will add $79 million to expenses in 2010. Additional required employer contributions to the CTA's employee pension fund will add $28 million. Free rides mandated by State law continue to cost the CTA over $30 million per year in lost revenue.

Capital Investments

The CTA spent $941 million on its capital program in 2008. The CTA is expected to spend a total of $1.2 billion on capital projects in 2009 and 2010 (Exhibit 4-5).

In August 2009, the fully renovated Kedzie and Rockwell Brown Line stations were re-opened to customers for service. The station boasts a new glass station house, new platforms, brighter lighting and accessible features including ramps, tactile edging and accessible gates. The station is also ADA accessible, bringing the total number of accessible CTA rail stations to 91, out of 144, or 63% of the rail stations.

The Brown Line Capacity Expansion, which began in the late 1990's, was completed in January of 2010. Following the capacity expansion, the Brown Line accommodates eight-car trains and provides greater accessibility to customers with disabilities in accordance with the Americans with Disabilities Act.

Bus System

In 2009, the CTA operated a fleet of approximately 2,069 buses, that made 24,195 weekday trips on 150 routes, providing almost 1.037 million rides on a typical weekday. In the summer of 2009, the CTA received the final 200 option 4, standard forty-foot New Flyer buses. The New Flyer buses represent the complete delivery of the 1,050 bus order. In addition, the CTA also received delivery of 1,208 sixty-foot articulated hybrid buses. The hybrid bus order was funded through the American Recovery and Reinvestment Act. The entire CTA bus fleet is ADA Accessible and air-conditioned.

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. In 2010, bus mid-life overhaul activities are programmed for $15.3 million in 2010 and $162.9 million during 2011-2014. With overhauls, the fleet will demonstrate increased reliability and fewer instances of expensive breakdown-based repair.

The bus tracker project has improved data communication between buses and the Control Center and on-street supervision. The project

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2006	2007	2008	2009	2010
CTA Total Capital Expenditures[1]	$640,447	$730,819	$940,749	$815,810	$416,203
CTA Bus Vehicles	2,089	2,175	2,093	3,069	1,782
Average Age of Buses (in years)	9.4	9.3	5.6	4.8	4.5
CTA Rail Cars	1,190	1,190	1,190	1,190	1,190
Average Age of Rail Cars (in years)	23.0	24.0	25.0	26.0	27.0
Bus Routes Offering Lift Service	154	154	154	154	150
ADA Accessible Stations	76	82	85	85	85

(1) 2009 is a forecast; 2010 is the budget. From CTA 2010 Budget Book, page 93.

tracks CTA buses in real time and provides estimated bus arrival times to customers. Global positioning satellite (GPS) technology identifies bus locations and provides that information via a dedicated website (www.ctabustracker.com) which can be accessed by mobile devices. Bus tracker has enhanced centralized control functions and provides useful information to customers.

Rail System

The CTA has committed to an aggressive slow zone rehabilitation schedule. As of October 2009, slow zones on CTA's rail system have been reduced to 263,526 feet or 9.3% of track from a peak of 141,577 feet of slow zones or 22.3% of track.

Work continues on the signal upgrade and replacement for the Blue Line. This project, which began in 2006, will replace the entire signal system in the Dearborn subway, on the Congress (Forest Park) Branch, and a portion of the O'Hare Branch. This will result in smoother train operations, reduced travel times, and greater reliability.

The CTA has 406 railcars currently on order. Delivery of test cars began in late 2009. Delivery of the full order is expected to begin in late 2010. These railcars will replace the aging 2200-Series and 2400-Series fleet placed into service in 1969 and 1978. Both series have already exceeded their 25-year life expectancy.

System-Wide Improvements

The CTA continued to invest in new technology to further improve service and safety. The CTA was able to complete the installation of the technology infrastructure necessary to enhance communication capability in the Red and Blue Line subway system. In addition, stations are being outfitted with cameras to provide a comprehensive view of the transit system to the CTA Control Center and through redundant fiber optic links to Chicago's 911 Center. Other systems improvements include better lighting, rehabilitation of station escalators and elevators, replacement of station roofs and canopies, and upgraded passenger public address systems.

Budget and Financial Plan

The 2010 budget and 2011 and 2012 financial plan approved by the RTA Board on December 17, 2009, conforms to the 2009 marks set by the RTA on September 15, 2009. The CTA's operating funding marks were set at $474.8 million for 2010, $505.3 million for 2011, and $521.7 million for 2012. The CTA's recovery ratio mark was set at 51.0% in 2010. The CTA's statement of revenue and expenditures, which includes the recovery ratio, is presented in Exhibit 4-6. The following portrays the outlook for the 2010-2012 planning period.

System-Generated Revenue

Total system-generated revenue is expected to increase from $552.6 million in 2008 to $805.7 million in 2012. This is an increase of $253.1 million over the four-year period, or a compound annual growth rate of 9.9% (Exhibit 4-7). System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue. In 2010, passenger revenue comprises 86.8% of the CTA's total operating revenue. The reduced fare subsidy and other revenue account for the remaining 13.2% (Exhibit 4-8).

Exhibit 4-6: **CTA 2010 Budget and 2010-2012 Financial Plan (1)** (dollars in thousands)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
System-Generated Revenues:					
Passenger Revenue	$471,099	$525,033	$521,417	$575,206	$688,063
State Free Rides & Reduced Fare Reimbursement	31,855	24,248	32,200	32,300	32,300
Other Revenue	49,601	52,688	47,089	74,710	85,381
Total Revenues	**552,555**	**601,969**	**600,706**	**682,216**	**805,744**
Operating Expenses:					
Labor	$873,636	$870,985	$852,081	$905,904	$933,081
Material	100,568	90,245	77,724	79,278	80,864
Fuel	91,834	99,180	63,879	65,795	67,769
Power	35,442	39,970	38,176	38,940	39,718
Insurance & Claims	7,718	20,000	28,000	28,560	29,131
Purchase of Security Services	32,382	33,044	33,181	34,840	35,537
All Other	72,807	118,510	178,004	211,204	232,325
Total Operating Expenses	**$1,214,387**	**$1,271,934**	**$1,271,045**	**$1,364,521**	**$1,418,425**
Operating Deficit	$661,832	$669,965	$670,339	$682,305	$612,681
Deficit Funding					
RTA Sales Tax I	292,407	257,749	261,616	269,203	277,010
Sales Tax II and PTF II	49,405	108,409	110,075	113,300	116,617
25% PTF II on RETT	-	5,000	5,500	6,000	6,500
RTA ICE Funds	-	5,000	-	-	-
RTA Discretionary Funds	249,949	89,086	97,648	116,802	121,554
City of Chicago RETT	30,071	20,000	22,500	24,000	26,000
Use of Service Board Funds	20,000	-	-	-	-
Federal Funds	20,000	128,574	173,000	153,000	65,000
Working Cash Borrowing	-	56,147	-	56,147	-
Working Cash Repayment				(56,147)	
Total Deficit Funding	**$661,832**	**$669,965**	**$670,339**	**$682,305**	**$612,681**
Recovery Ratio % (3)	**49.2%**	**53.5%**	**51.0%**	**52.0%**	**52.0%**

(1) As released by the CTA with exceptions noted.

(2) Items excluded from expenses are for security and POB debt service. Grant revenue and In kind revenues and expenditures from the CPD of $22,000 are included in the recovery ratio.

(3) Recovery ratio marks are projected for 2011 and 2012.

Exhibit 4-7: **CTA System-Generated Revenue** (dollars in millions)

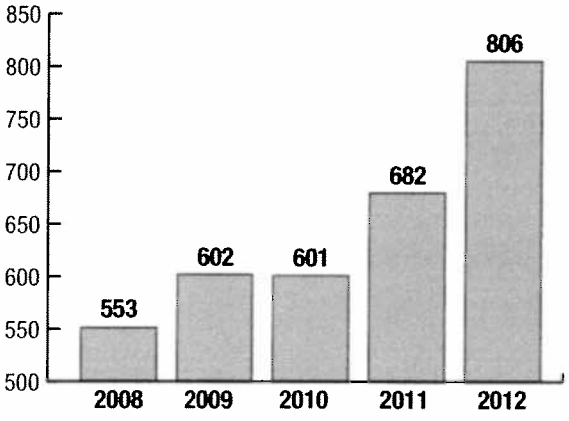
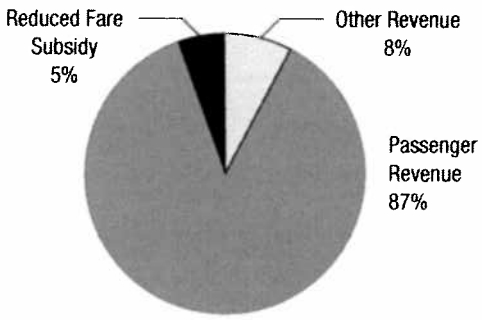


Exhibit 4-8: **2009 CTA Revenue** - $602 million



Passenger Revenue

Passenger revenue is expected to increase from $471.1 million in 2008 to $525.0 million in 2009, an increase of $53.9 million or 11.4% due to higher average fare resulting from a fare increase in January 2009 (Exhibit 4-9).

Fare revenue is budgeted at $521.4 million in 2010, $3.6 million lower than the 2009 estimate, reflecting the 2010 service reductions. The CTA fare structure is shown in Exhibit 4-10.

Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2006*	2007	2008	2009	2010
Passenger Revenue	$462,218	$457,299	$471,099	$525,033	$521,417
System Ridership	494,803	499,540	526,336	517,374	466,800
Average Fare	$0.93	$0.92	$0.90	$1.01	$1.12

* Data includes one half year of Paratransit service.

Exhibit 4-10: **CTA Fare Structure**

	Full	Reduced(1)	Comments
Basic Cash Fare (Bus & Rail) - No transfers allowed	**$2.25**	**$1.00**	**No transfers allowed**
Transit Card (Rail)	$2.25	$0.85	
Chicago Card (Rail)	$2.25	None	
Chicago Card (Bus)	$2.00	None	
Transit Card (Bus)	$2.00	$0.85	
University Pass	$0.84	None	20% increase; price change effective 2009 Fall term
First Transfer w/Fare Card	$0.25	$0.15	Allow two add'l rides within two hours of issue.
Passes			
1-day	$5.75	None	
7-day	$23.00	None	
7-day	$28.00	None	7-Day CTA/Pace Pass valid on CTA and Pace non-premium/subscription routes.
30-day	$86.00	$35.00	
Visitor Passes			
1-day	$5.75	None	
3-day	$14.00	None	
Link-up Pass	$39.00	None	Sold by Metra; use with Metra monthly ticket.
Express Surcharge	$0.25	$0.25	Downtown on bus routes 2, 6, 14, and 147.
Rush Shuttle Fares	$1.00	None	To/from downtown Metra stations during rush hour.
128 Soldier Field Express	$1.00	$0.50	
154 Wrigley Field Express	$6.00		Per carload.

Note: (1) 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.

Exhibit 4-11: **All Other Revenue** (dollars in thousands)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
All Other Revenues:					
Advertising, Charter, & Concessions	$27,661	$27,358	$22,876	$38,829	$46,595
Investment Income	3,779	1,927	1,832	3,500	9,375
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	13,161	18,403	17,381	30,381	24,411
Total All Other Revenues	**$49,601**	**$52,688**	**$47,089**	**$74,710**	**$85,381**

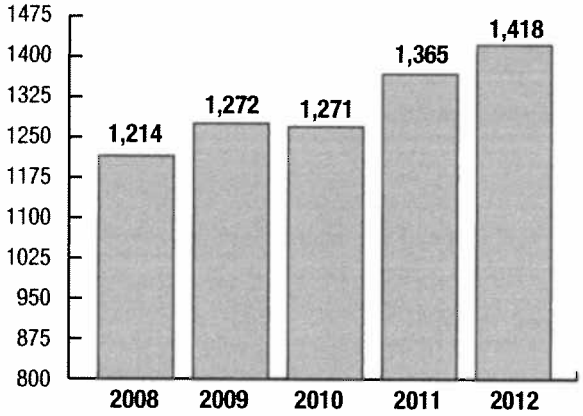
State Free Rides & Reduced Fare Reimbursements

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. Fare reimbursement is included as revenue and became available in July 1989. However, in 2009, the State eliminated a portion of the funding for this program thereby leaving CTA estimating its share at $24.2 million in 2009. For 2010-2012, CTA assumes that the program will be fully restored to and their share of program receipts will be $32.3 million.

Other Revenue

This category includes advertising, charters, concessions, contributions from local governments, investment income, and other revenue (Exhibit 4-11). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3 million, and the County contributes an additional $2 million. Other revenue was $49.6 million in 2008 and is expected to reach $112.3 million in 2012. Reasons for this increase include additional revenue from the sale of excess property and an increase in advertisements placed on buses and trains and in stations, as well as income from concessions, charters fees from filming and other miscellaneous revenues.

Exhibit 4-12: **CTA Total Operating Expenditures** (dollars in millions)



Operating Expenditures

Total operating expenditures are forecasted to increase from $1,214.4 million in 2008 to $1,418.4 million in 2012. This $204.0 million increase represents a 4.0% compound growth rate (Exhibit 4-12).

For 2009, operating expenditures are estimated at $1,271.9 million or 4.7% higher than 2008 actual expenditures of $1,214.4 million. The increase is due mainly to higher labor and pension costs, fuel, security and all other costs.

Budgeted 2010 expenditures of $1,271.0 million are expected to decline slightly from 2009. The financial projections for 2011 and 2012 show operating expenditures of $1,364.5 million and $1,418.4 million respectively. The 2011 financial projection represents an increase of 7.4% over the 2010 operating budget, and the 2012 financial projection represents an increase of 4.0% over the 2011 financial plan.

Expenditure Elements

The 2010 operating expenditure elements include labor, material, fuel, power, insurance and claims, security, paratransit services, and other costs. Labor expenditures, including fringe benefits, represent 67.0% of the CTA's total expenditures. 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 6.1% of total expenditures. Fuel and power represent 8.0% of the CTA's expenditures. Security and insurance & claims represent 4.8% of total spending. Other expenditures comprise the remaining 14.0%. The other expenditure category includes items such as leases, utilities, and contractual services (Exhibit 4-13).

Labor Costs

Labor expenditures are expected to increase from $873.6 million in 2008 to $933.1 million in 2012. This $59.5 million increase represents a compound annual growth rate of 1.7% (Exhibit 4-14). Labor expenditures for 2009 are estimated at $871.0 million or $2.6 million less than prior year. The lower labor expense is a result of administrative layoffs effective January 1, 2009. The number of budgeted positions in 2009 is lower than in 2008 (Exhibit 4-15). Budgeted labor expenditures of $852.1 million in 2010, a decrease of $18.9 million or 2.2% from prior year result from position eliminations reflecting proposed service efficiencies, as well as the implementation of furlough days and unpaid holidays for non-union employees. Labor expenditures are projected to rise by 6.3% to $905.9 million in 2011 and 3.0% to $933.1 million in 2012.

Exhibit 4-13: **2010 CTA Operating Expenditures - $1,271 million**

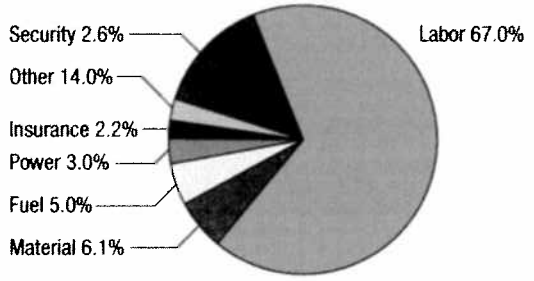
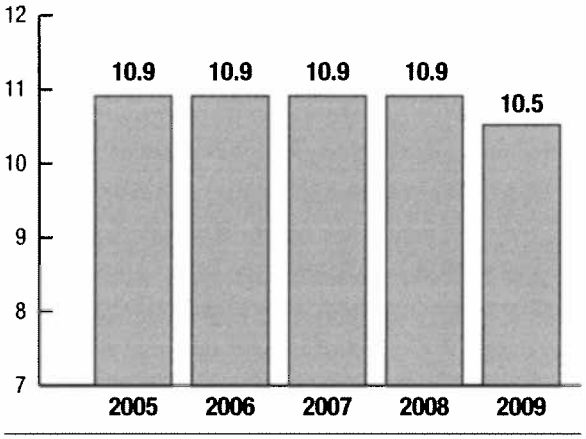


Exhibit 4-15: **CTA Budgeted Positions** (in thousands)



Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are estimated at $90.2 million in 2009, $77.7 million in 2010, $79.3 million in 2011, and $80.9 million in 2012. The overall decline results from service level reductions and additional capital preventative maintenance funds received in 2009, which helped offset costs of regular maintenance.

Fuel

In 2008, CTA fuel expenditures were $91.8 million for 21.4 million gallons (Exhibit 4-16). The 2009 budget identified the need for 22.6 million gallons of diesel fuel at a cost of $99.2

Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2008	2009	2010	2011	2012
Labor Expense	$873,636	$870,985	$852,081	$905,904	$933,081
% Change from Prior Year	11.3%	-0.3%	-2.2%	6.3%	3.0%

Exhibit 4-16: **CTA Fuel Cost per Gallon** (cost and gallons in thousands)

	2006	2007	2008	2009	2010
Fuel Cost	$57,470	$68,614	$91,834	$99,180	$63,879
Gallons	24,722	25,500	24,100	22,600	25,545
Cost Per Gallon	$2.33	$2.69	$3.81	$4.39	$2.50

million. Due to the uncertainty surrounding energy prices, the CTA estimated for 2009 fuel costs at approximately $4.39 per gallon. Total diesel fuel cost for 2010 are budgeted to be $63.9 million, $34.3 million less than the 2009 estimate. This decrease is based on proposed service changes, lower fuel costs and more fuel efficient buses.

Power

Electric power expenditures for the rail system are projected to increase from $35.4 million in 2008 to $40.0 million in 2009 due to higher energy prices. Expenditures for power decrease $1.8 million in 2010, increase $0.7 million in 2011 and increase $0.8 million in 2012.

Insurance and Claims

The Provision for Injuries and Damages represents the expenditure for claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles.

The CTA 2009 estimate of $20.0 million is $12.3 million higher than the actual 2008 amount. The 2010 budget of $28.0 million represents a 40% increase over 2009. In 2011 and 2012 the CTA projects these expenditures to be $28.6 million and $29.1 million respectively.

Purchase of Security Services

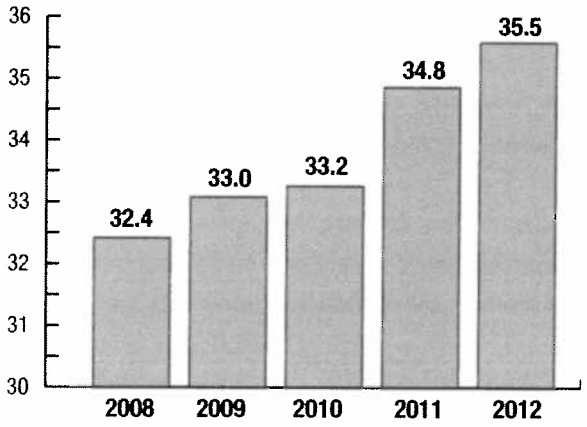
Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by the City of Chicago, Evanston and the Oak Park Police departments, the Wells Fargo Guard Service, and National K-9 Security.

Expenditures are estimated to be $33.0 million in 2009, which is a slight increase from 2008 (Exhibit 4-17). The 2010 budget is $33.2 million. In 2011 and 2012, security expenditures are expected to increase $1.6 million and $0.7 million, respectively. These modest increases are due to investments made in new surveillance cameras and sensors for the rail system.

All Other Expenditures

All other expenditures include utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2009, $118.5 million is budgeted, which is $45.7 million more or 63.2% higher than the prior year. The 2010 all other expenditures budget is projected to be $178.0 million, which is higher than the 2009 budget by $59.3 million. Expenditures are forecasted to continue to increase to $211.2 million and $232.3 million in 2011 and 2012, respectively. All other expenditures include interest on Pension Obligation Bond (POB) required by the 2008 legislation which enabled the CTA to regain long-term solvency in its pension funds.

Exhibit 4-17: **CTA Purchase of Security Service** (dollars in millions)



Deficit

System-generated revenue (fares and other revenue) cover much of the CTA's operating expense budget, with the remainder of the operating deficit covered by public funding. The operating deficits are derived from total system generated revenue minus total operating expenditures. The deficits for the 2010 budget and 2011-2012 financial plan are $670.3 million, $682.3 million and $612.7 million, respectively (Exhibit 4-6).

Funding

Public funding, available for CTA operations, is determined by and based on the RTA's revenue projection for the year. Public funding from the RTA consists of the RTA Sales Tax (RTA Sales Tax-I and II), the Public Transportation Fund (PTF-II), the RTA Real Estate Transfer Tax (RETT), and RTA discretionary funding. Illinois Public Act 95-0708, increased the rates of the RTA sales tax rate, the PTF match, and the City of Chicago RETT, creating RTA Sales Tax II, PTF-II and RETT.

CTA funding from RTA Sales Tax-I is expected to increase from $261.6 million in 2010 to $277.0 million in 2012. RTA Sales Tax-II and PTF-II are expected to increase from $110.1 million in 2010 to $116.6 million in 2012. The RETT and the 25% PTF-II match on RETT combined are expected to increase from $28.0 million in 2010 to $32.5 million in 2012. RTA discretionary funds for the CTA are expected to increase from $97.6 million in 2010 to $121.6 in 2012. Apportionments from the RTA's 15% share of the sales tax (Sales Tax-I) revenue and the State's public transportation fund (PTF-I) are the sources of the RTA's discretionary funds. A more detailed description of how public funds are allocated among the service boards can be found in the Region Section of this book.

Recovery Ratio

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2010, the CTA's Estimated recovery ratio is 53.5% which exceeds the mark of 51% set by the RTA Board. The Region Section provides the detailed recovery ratio calculation.

The following factors affect the CTA recovery ratio calculation. First, in-kind security services provided by the Chicago Police Department in the amount of $22 million are included as both revenue and expenditure in the recovery ratio calculation. Second, additional security expenditures are excluded from the recovery ratio calculation. The CTA's recovery ratio was 49.2% in 2008 and is estimated to be 53.5% in 2009. In 2010, the CTA will be required to reach a 51% recovery ratio, that amount is expected to increase to 52% in both 2011 and 2012 (Exhibit 4-6).

2009 Budget versus 2009 Estimate

The CTA expects a balanced budget in 2009 based on an amended budget (Exhibit 4-18).

Revenue

Calendar year 2009 operating revenues are estimated at $602.0 million and are projected to be equal to budget. Revenue from fares is estimated at $525.0 million which is lower than budget by $4.7 million, or 0.9%. The decrease in fare revenue is a result of a lagging economy and its impact on ridership.

The reduced fare subsidy is the State's reimbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. Revenue from the reduced fare subsidy is estimated at $24.2 million which is higher than budget by $8.1 million or 50.6%.

All other revenue is estimated at $52.7 million which is lower than budget by $3.5 million or 6.2%. Contributions from local governments of $5 million are on par with budget. The RTA Act requires the City of Chicago to contribute $3 million and Cook County to contribute $2 million annually to the operations of CTA. Revenue from Advertising, Charter, & Concessions is estimated at $27.4 million which is lower than budget by $3.2 million or 10.2%. Investment income is estimated at $1.9 million, which is lower than budget by 3.8%. The CTA benchmarks its investments against the rates for the 90-day Treasury bond.

Expenditures

Calendar year 2009 operating expenditures are estimated at $1,271.9 million and are projected to be equal to budget. Expenditures for fuel and security services are expected to be slightly over budget for the year. On the other hand, labor, material, power, and other services are estimated to finish under budget due to cost containment strategies implemented to ensure that the CTA balances its budget in 2009.

Labor expenditures are projected at $871 million, which is $.8 million or 0.1% under budget. The increase is due to higher wage rates, increased pension contributions and higher health care expenses.

Material expenditures in 2009 are estimated at $90.2 million, which is lower than budget by $2.1 million. The decrease in material expenditures is due to a reduction in replacement bus part expenditures. In 2009 the CTA retired 92 buses that had surpassed their Federal

Exhibit 4-18: **CTA 2009 Amended Budget versus 2009 Estimate** (dollars in thousands)

	2009 Amended Budget	2009 Estimate	Variance
System-Generated Revenues			
Passenger Revenues	$529,705	$525,033	($4,672)
Reduced Fare Subsidy	16,100	24,248	8,148
Other Revenue	56,164	52,688	(3,476)
Total Revenues	**$601,969**	**$601,969**	**$0**
Operating Expenditures			
Labor	$871,757	$870,985	$772
Material	92,326	90,245	2,081
Fuel	98,163	99,180	(1,017)
Power	40,077	39,970	107
Insurance & Claims	20,000	20,000	0
Purchase of Security Services	32,204	33,044	(840)
All Other	117,407	118,510	(1,103)
Total Operating Expenditures	$1,271,934	$1,271,934	$0
Operating Deficit	**$669,965**	**$669,965**	**$0**
Recovery Ratio %	53.5%	53.5%	0.0 pts.

Transit Administration life span of 12 years. Due to structural issues, the CTA also pulled 220 high maintenance North American Bus Industries (NABI) buses out of service. To offset these fleet requirements, the CTA has put 75 new 40 foot New Flyer buses and 158 new 60-foot hybrid buses into service. These capital expenditures have resulted in a decrease in Material expenditures.

Fuel expenditures for revenue equipment are expected to be $99.2 million at the end of 2009. This is $1.0 million or 1.0% higher than budget. Fuel prices have been running above budget and are estimated to end 2009 at an average price of $4.39. Budgeted fuel expenses were made at $98.2 million which is $1.0 million greater than projected, and 8.0% more than the previous year's actual amount

Electric power expenditures for the rail system are estimated to be $40.0 million, just under budget. At the end of May 2008 the CTA's new Electric power contract began. This new Contract included a rate of $0.0875 per kilowatt hour. This rate is $0.0189 per kilowatt hour, or 27.6% higher than the previous contract. However, the rail system did benefit from the cooler than expected summer weather, saving approximately 25 million kilowatt hours of power, or $2.2 million.

Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are estimated at $20.0 million for 2009 which is par to budget.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expenditures are estimated at $33.0 million. This is $0.8 million or 2.6% higher than budget. In addition to the services contracted by CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide services to CTA at an estimated cost of $22 million.

Statutory Compliance

The RTA Act requires that each Service Board meet the six criterions detailed in the Region Section for their budgets to be approved. The CTA budget, as submitted, meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-19 and consists of the following divisions.

CTA Board

The CTA's governing arm is the Chicago Transit Board, consisting of seven board members. The Mayor of Chicago appoints four board members who are subject to the approval of the City Council and the Governor. The Governor appoints three board members who are subject to the approval of the State Senate and the Mayor of Chicago.

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 and tort litigation, and workers compensation matters.

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 office is also responsible for financial and general investigations.

Treasurer

The Treasurer manages cash and handles investment.

Office of the President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board.

Planning

The Planning department is responsible for developing routes and schedules that best synchronize CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

Security and System Safety

Security and System Safety administers the Destination Safety program with aims to reduce employee and third party accidents and injuries.

Facilities Maintenance, Construction & Engineering

Facilities Maintenance includes system maintenance support, power and way maintenance, rail station appearance, and facility maintenance. Construction is responsible for ensuring that major capital construction projects are on time, budget, and in conformance with the standards. Engineering is responsible for creation and maintenance of construction documents for CTA facilities, reviewing and answering design requests.

Performance Management

Performance management includes developing strategic goal for each business unit that focuses on five goals namely, safety, on-time, cleanliness, efficiency, and courtesy (Exhibit 4-20).

Transit Operations

Transit Operations, which represents the largest percentage of CTA employees, is responsible for bus and train operations, customer and paratransit services (prior to July 1, 2006), planning, security, control center, and training.

Bus and Rail Operations manages a fleet of 1,782 buses and 1,190 rail cars that cover 188,000 bus miles and 189,000 rail miles driven every day. They employ approximately 4,200 full-time equivalent bus operators and 1,300 rail operators that provide service to the customers.

The Control Center monitors passenger and facility security and maintains accident statistics and monitors environmental affairs. The Control Center operates 24-hours per day, 7 days a week.

Operations Support

Communications and Marketing is responsible for marketing, media relations, identity development, and publications.

Finance is responsible for budgeting, general accounting, investment support, program development, and the management and control of property, grants, and funding.

The Government and Community Relations and Affirmative Action department monitors transit legislation that affects the CTA on both regional and national levels.

The Human Resources department includes recruiting, hiring, benefit services, medical services, and program compliance.

The Purchasing/Warehousing department includes inventory management.

The Technology Management department includes management information systems.

The Property & Real Estate Asset Management is responsible for the management of the CTA Headquarter, the CTA control center, and for the management of all properties leased by the CTA.

Exhibit 4-19: **CTA Organization Chart**

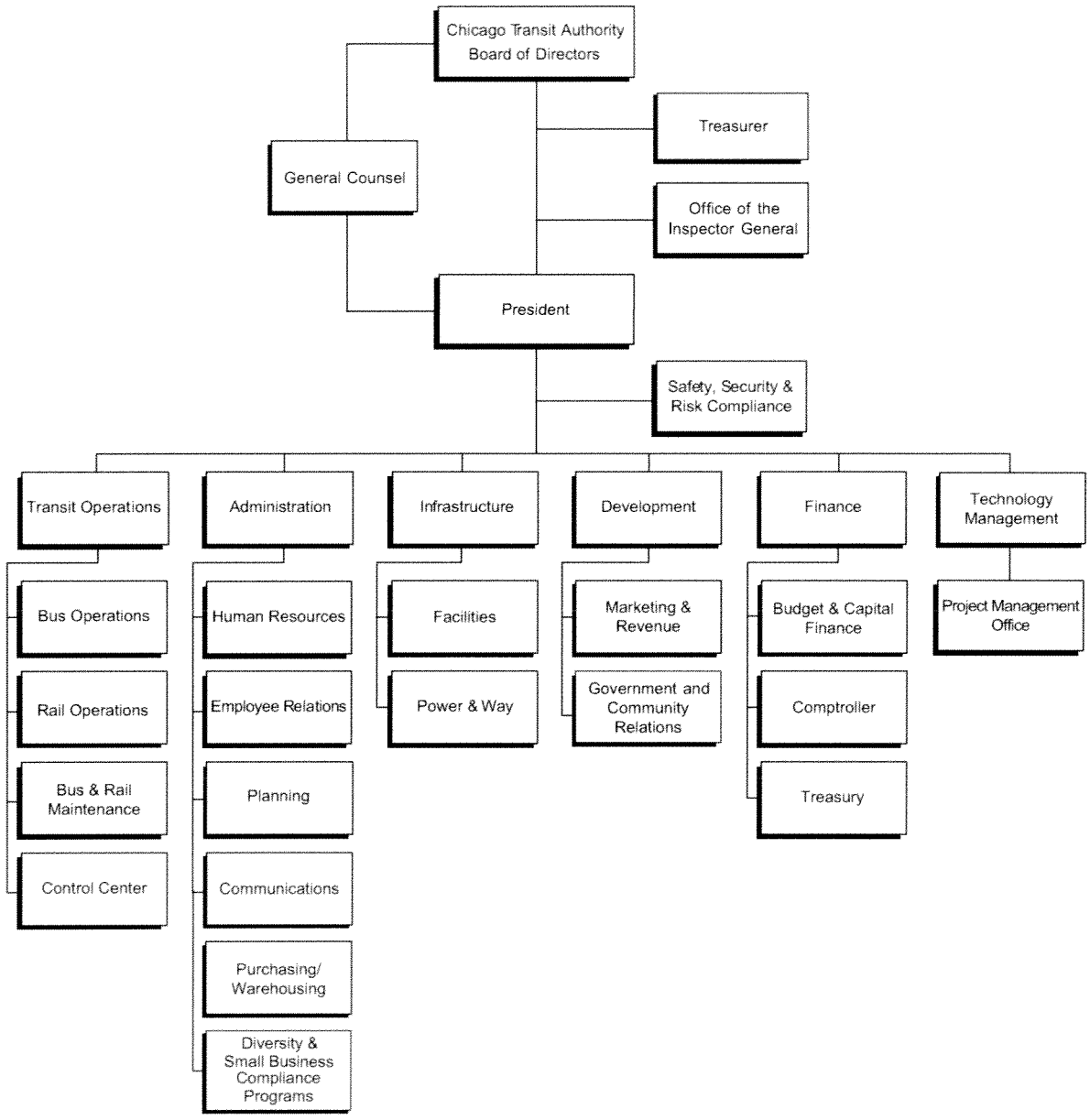


Exhibit 4-20

	CTA Monthly Performance	2009 Monthly Target	2008 Monthly Average	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Definition
RIDERSHIP	Total Ridership (in millions)	41.1	45.0	40.3	40.1	44.4	43.4	44.3	44.0	45.3	46.1	46.1	47.4	42.7	39.9	Number of rides registered on the bus and rail systems. Rail ridership includes rail-to-rail transfers.
	Rail Ridership (in millions)	17.2	18.0	15.3	15.0	16.7	16.8	16.7	17.4	18.5	17.5	18.2	18.7	16.5	15.3	Number of rides registered on the rail system including rail-to-rail transfers.
	Bus Ridership (in millions)	24.4	26.5	25.0	25.0	27.7	26.6	27.6	26.5	26.9	25.9	27.9	28.7	26.2	24.6	Number of rides registered on the bus system.
	Total (Year to Date, in millions)	476.3	208.8	40.3	80.4	124.8	168.1	212.4	256.4	301.7	345.1	391.3	438.7	481.4	521.2	Number of rides registered on the bus and rail systems year-to-date. Includes rail-to-rail transfers.
	% Change Over Prior Year (Year to Date)	6.2%	4.3%	2.2%	1.7%	6.3%	1.5%	1.8%	0.9%	0.4%	0.3%	-0.5%	-0.9%	-0.8%	-0.6%	Number of rides registered on the bus and rail systems year-to-date (including rail-to-rail transfers) divided by the number of rides registered on the bus and rail systems
ON-TIME	Rail Delays of 10 Minutes or More	78	90	86	63	76	53	53	68	60	71	74	72	57	76	Rail Delays of 10 minutes or more reported to the Control Center by an Operator, a Controller or a Supervisor.
	% of Slow Zone Mileage	N/A	12.3%	7.5%	8.2%	7.3%	8.3%	9.5%	9.0%	9.6%	9.4%	9.5%	8.9%	7.3%	5.9%	Miles of revenue track that have slow zones. Slow zones range from 6 mph to 35 mph.
	% of Big Gap Intervals, Bus	5%	6.2%	4.6%	3.8%	3.4%	3.1%	3.7%	3.9%	3.8%	3.7%	3.6%	3.4%	2.9%	2.9%	Number of bus intervals (time between two buses at a bus stop) that are double the scheduled interval or greater than 15 minutes, divided by the total number of weekday
	% of Bunched Intervals, Bus	3%	3.3%	2.4%	2.2%	2.1%	2.0%	2.5%	2.5%	2.3%	2.2%	2.6%	2.6%	2.0%	1.9%	Number of bus intervals (time between two buses at a bus stop) that are 60 seconds or less divided by the total number of weekday bus intervals traveled during the month.
EFFICIENT	Mean Miles Between Reported Rail Vehicle Defects	4000	3617	3343	3838	4068	4068	4145	4363	4808	4317	4335	3960	4744	4415	Miles traveled during the month divided by the number of reported defects for the month.
	Miles Between Reported Bus Service Disruptions Due to Equipment (1)	3000	2971	2413	3875	3570	3858	4007	3606	4840	4807	5200	5507	5501	4579	Miles traveled during the month divided by number of reported service disruptions due to equipment for the month.
	Average Daily Percent of Bus Fleet Unavailable for Service	13%	14%	14%	11%	9%	9%	9%	10%	10%	10%	10%	12%	12%	12%	Daily average number of buses unavailable for service for any reason divided by the total number of buses in the fleet.
	Average Daily Percent of Rail Fleet Unavailable for Service	12%	12%	12%	10%	9%	8%	9%	9%	7%	8%	9%	8%	9%	8%	Daily average number of rail cars unavailable for service for any reason divided by the total number of rail cars in the fleet.
SAFE	Bus NTD Security-Related Incidents per 100,000 miles	N/A	0.63	0.74	0.58	0.77	0.76	0.72	0.75	0.80	0.61	0.73	0.64	0.81	0.78	Number of occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism, and assault on the bus system divided by traveled miles divided by 100,000.
	Rail NTD Security-Related Incidents per 100,000 miles	N/A	2.0	1.9	1.8	2.0	1.6	2.0	1.9	3.0	2.8	2.5	2.6	3.0	1.8	Number of occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism, and assault on the rail system divided by traveled miles divided by 100,000.
	Bus NTD Safety-Related Incidents per 100,000 Miles	N/A	0.45	0.54	0.50	0.28	0.46	0.37	0.63	0.31	0.44	0.44	0.46	0.43	0.32	Any event where one or more of the following occurs on the system: individual dies at the time or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene, property damage in excess of $25,000.
	Rail NTD Safety-Related Incidents per 100,000 Miles	N/A	0.04	0.06	0.02	0.03	0.05	0.03	0.01	0.03	0.02	0.05	0.09	0.02	0.06	Any event where one or more of the following occurs on the system: individual dies either at the time or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of $25,000.
CLEAN	Average Days Between Completed Rail Detail Cleans	14	23	11	12	12	12	13	14	14	12	12	13	14	14	Two month rolling average number of days between detail cleans on rail cars for those rail cars that were cleaned at least twice during the two month period.
	Average Days Between Completed Bus Detail Cleans	14	17	12	12	12	13	14	14	15	14	13	13	16	22	Two month rolling average number of days between detail cleans on buses for those buses that were cleaned at least twice during the two month period.
COURTEOUS	% of Customer Complaints Not Closed Out Within 14 Days	6%	5.9%	2%	4%	1%	1%	3%	2%	3%	2%	2%	1%	3%	1%	Number of open and overdue complaints (complaints not closed out by a department within 14 days) as of the last day of the month divided by the total number of complaints received during that month.
	CTA Customer Service Hotline Average Wait-time (2)	0:02:00	0:03:26	0:02:28	0:02:09	0:01:59	0:01:34	0:01:00	0:01:55	0:02:12	0:02:32	0:01:54	0:01:42	0:01:13	0:01:51	Average number of minutes a customer waits on the CTA hotline before his/her call is answered.
	Reported Lift Defects (Service Disruptions)	N/A	82	114	73	73	55	59	91	65	68	70	35	38	35	Number of reported lift defects that resulted in a disruption of service.
	Reported Ramp Defects (Service Disruptions)	N/A	45	133	49	61	46	49	49	56	56	56	32	41	53	Number of reported ramp defects that resulted in a disruption of service.
	% Buses with Defective AVAS	2%	3.2%	2.3%	1.8%	1.5%	1.6%	1.5%	1.7%	1.6%	1.4%	1.7%	1.6%	1.5%	1.7%	The percent of buses that are experiencing navigation issues (not calling out stops for at least part of the day), broken operator log on screens, odometers reporting zero distance and Bus Link issues, meaning no data will be received from the bus. This does
	% Functional Destination Signs	96%	97.3%	99.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	The percent of buses audited by Bus Quality Control (QC) with defective destination signs.
	Reported ADA Complaints	N/A	26	29	44	20	34	36	42	55	50	42	33	34	30	Number of reported complaints to Customer Service identified as ADA-related.

Legend
- Meeting or exceeding target:
- Within 10% of target:
- Missing target by more than 10%:
- Measure does not have a target:

Footnotes
(1) 2008 Average is based on September through December data only. A new reporting procedure was implemented in September of 2008.
(2) Shading for Customer Service Average Wait time is green if meeting or exceeding target, yellow if within 60 seconds of target and red if exceeding target by 60 seconds.

5 Metra Operating Plan

Overview

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra 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 twelve-member board of directors. Four of the directors are appointed by the suburban members of the Cook County Board. The chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry, and Will counties each appoint one director, and the Mayor of the City of Chicago also appoints one director. The Chairman of Metra's board of directors must be one of the twelve-directors, and is appointed by the concurrence of eight directors.

In 2010, Metra will continue its efforts to contain costs by leaving 150 positions unfilled. Additionally some targeted fare actions will be implemented in order to maximize system generated revenues.

Service Characteristics

The Metra rail system is comprised of eleven separate lines, which run north, west, and south of the Chicago central business district. The system extends 488 route-miles to the limits of the six-county area and serves 240 local rail stations in more than 100 communities. The network itself is made up of 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 18 rail storage yards, and seven major maintenance facilities. Metra's operational interface with extensive freight networks makes it one of the nation's most complex. A system of such magnitude requires continual maintenance and renewal in order to preserve operational performance, safety, and service efficiency.

Metra serves the region on routes owned by Metra or freight carriers and through purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, two of the largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana.

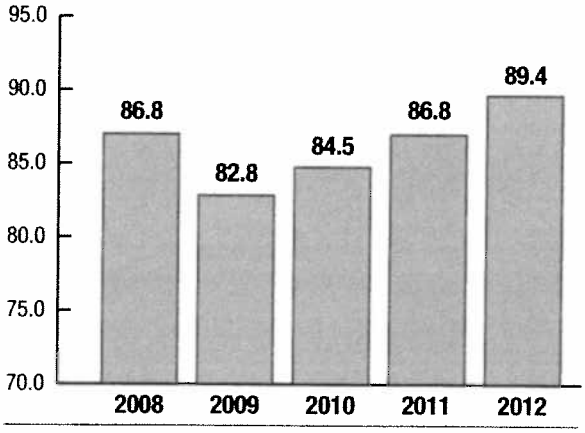
Metra provides safe, reliable commuter rail service with an average weekday ridership of 322,100. Peak period ridership represents 75.1 percent of the total average weekday trips. Average scheduling speeds are 5.0 percent higher during weekday peak periods than during off-peak hours and weekend/holiday periods.

Metra's hub is located in the downtown Chicago business district. Four downtown terminals serve Metra's eleven lines. Approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra.

Ridership

Metra's primary customer base is suburban residents who work in downtown Chicago. Passenger loads on peak period, peak direction trains have realized an increase of 2.5 percent compared to five years earlier. According to Metra's

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



(1) Based on ticket sales. Includes free senior rides. Excludes South Shore (NICTD) service.

Exhibit 5-2: **Riders and Miles** (in millions) (1)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
Ridership (2)	86.8	82.8	84.5	86.8	89.4
Revenue Car Miles	35.1	33.4	33.4	33.4	33.4
Passenger Miles (3)	1,913.7	1,807.7	1,843.8	1,895.5	1,952.3

(1) Ridership, Revenue Car Miles, and Passenger Miles exclude South Shore (NICTD) service.
(2) Based on ticket sales. Includes free Senior rides.
(3) Based on ticket sales. Excludes Senior free rides.

2006 Origin-Destination Survey, more than 90 percent of all Metra trips are for business and work purposes.

In 2008, Metra's total ridership, excluding South Shore service, totaled 86.8 million passenger trips (Exhibit 5-1). Metra's total ridership is projected to decline in 2009 to 82.8 million passenger trips. An increase of 6.6 million passenger trips is expected over the next three years, with an estimated total ridership of 89.4 million passenger trips in 2012. This represents a compound annual growth rate of 2.6 percent (Exhibit 5-2).

Metra has made concerted efforts to market off-peak and reverse commute trips. Compared to five years earlier, reverse peak travel has increased 64.3 percent, while midday and evening travel has increased 18.1 percent and 28.8 percent, respectively (Exhibit 5-3). These gains are attributable to Metra's efforts to broaden its ridership base, including the weekend ticket, enhanced off-peak service, targeted promotion of service to suburban employers, marketing travel to cultural and entertainment attractions, and Metra's Bikes on Train program, implemented on June 1, 2005. In 2009, with grants from the RTA's ICE program, weekday Southwest Service was expanded from 179th Street to Manhattan and Saturday service was introduced on this line.

Exhibit 5-3: **Average Daily passenger Loads by Service Period** (in thousands)

	July 2003-June 2004 (1)	July 2008-June 2009 (1)	Change	% Change
Peak Direction	236.0	241.8	5.8	2.5
Reverse Peak	14.0	23.0	9.0	64.3
Midday	31.0	36.6	5.6	18.1
Evening	16.0	20.6	4.6	28.8
Total Weekday	297.0	322.0	25.0	8.4
Saturday	53.0	74.4	21.4	40.4
Sunday	30.0	50.2	20.2	67.3

(1) Excludes South Shore (NICTD) service.

Service Quality

Metra has identified improved service quality as one of its objectives to insuring customer satisfaction. Metra periodically conducts on-board surveys to measure various service attributes. Beyond general rider satisfaction, Metra also collects information on the service attributes that are most effective at 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 derived directly from the most important service characteristics identified through these customer surveys. In response to the changing needs of customers, Metra continuously looks

for ways to expand and improve its service within financial constraints. In order to ensure customer satisfaction and efficiency Metra has implemented a number of metrics to measure efficiency and customer satisfaction.

For instance, Metra measures service reliability using on-time performance. A delay is recorded if the train arrives at its final destination more than five minutes later than scheduled. Metra's on-time performance in 2008 was 95.4 percent (Exhibit 5-4).

Matching the supply of service to demand is another means of maintaining system efficiency. Metra measures capacity utilization train-by-train, which allows it to track daily passenger loads by service period and line in order to analyze trends. Metra monitors and reports trains with occupancy rates exceeding 95.0 percent, and uses this information to make service change decisions.

One measurement of system-wide effectiveness relates the number of passengers to the number of car miles of service, thereby calculating passengers per revenue car mile. Metra's ratio of passengers per revenue car mile is projected to increase from 2.4 in 2008 to 2.7 in 2012 (Exhibit 5-5). This 0.3 increase represents a compound annual growth rate of 2.4 percent. In the case of a new service, the number of car miles initially increases faster than the number of passengers, thereby decreasing the passenger per mile ratio. An increase in passengers per revenue car mile indicates increasingly efficient transportation practices.

Another measurement used to evaluate whether costs are being contained and efficiency maintained is cost per revenue car mile. This measure recognizes that costs tend to vary with the amount of service provided. Metra expects that its cost per revenue car mile will increase from $16.96 in 2008 to $19.40 in 2012. This $2.44 increase represents a compound annual growth rate of 3.4 percent (Exhibit 5-6).

The cost per passenger ratio measures cost effectiveness and is designed to examine how well vehicles are deployed to serve riders. Metra projects that its cost per passenger will decrease slightly from 2008 to 2009, and increase from 2009 to 2012. The cost per passenger ratio is expected to be $6.80 in 2009 and $7.30 in 2012. This $0.50 increase represents a compound annual growth rate of 2.4 percent (Exhibit 5-6).

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

Year	% On-Time
2004	96.9
2005	96.3
2006	96.3
2007	95.7
2008	95.4

Exhibit 5-5: **Passengers Per Revenue Car Mile** (in millions)

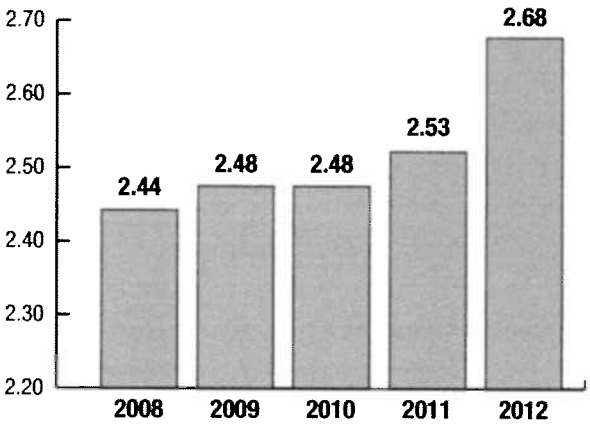
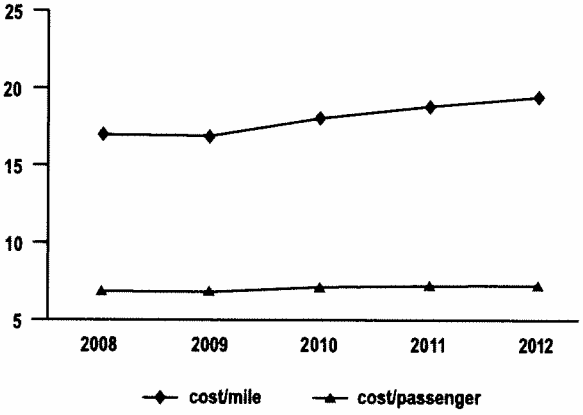


Exhibit 5-6: **Metra Cost Efficiency**



Maintenance and Modernization

Since Metra was formed in 1984, Metra has overseen a comprehensive program to improve and grow the regional commuter rail network in support of the twin objectives of core system maintenance and strategic service expansion. For the past several years Metra's budget has discussed the need for new capital funding sources.

In 2009, the Illinois General Assembly passed a new bond program that will provide up to $1.1 billion for Metra's capital program. An additional $140.9 million in capital funding was also made available through the American Recovery and Reinvestment Act (ARRA). These federal stimulus dollars are already being put to use on projects such as remanufacturing locomotives, replacing bridges, restoring stations, and upgrading signal systems. When the proceeds from the new State of Illinois capital funding become available, Metra intends to replace 160 Highliner cars used on the Metra Electric District. Metra has stated that some of these cars date as far back as 1971. Metra expects that the Highliner purchase will cost an estimated $585 million. The remainder of the state capital program will be used to address a backlog of rolling stock and infrastructure projects across the region.

Safety and Security

In an effort to provide a safe and secure environment for both customers and employees, Metra provides employee incentives to those

regularly meeting safety and security goals. Key among these goals is workplace safety. A safe workplace correlates into a safe environment for Metra passengers.

Metra's investments in staff training programs and incentive plans have resulted in substantial dividends, including commuter satisfaction and industry recognition. In 2009 Metra received a Bronze Harriman Award from the E.H Harriman Memorial Awards Institute for outstanding achievements in maintaining employee safety. This marks the 11th time that Metra has been so recognized for its safety record.

In addition to routine workplace safety training, Metra employees have also been trained to recognize and observe potential safety hazards and security threats in and around trains, stations and tracks. As part of these investments, Metra has installed security cameras at several downtown train stations.

Metra also installed a train tracking system using Global Positioning System (GPS) technology in 2001. GPS monitors the real time position and movement of all trains on Metra's routes. GPS offers Metra's operations professionals a snapshot that details the performance of every train during an operational day. The real-time information supports and delivers a more effective response to any service disruptions or emergencies and leads to enhanced overall safety.

In 2010 Metra will continue its safety outreach programs emphasizing the region's school children. This year will mark the fourth year of Metra's

Poster Contest. Students from throughout the region compete to create the winning designs to be displayed on Metra's safety calendar and monthly passes, and distributed to over 2,000 schools. This year's theme is, "Make the right choice: Look, Listen and Live."

Budget And Financial Plan

The Metra budget and financial plan presented in Exhibit 5-7 meets the 2010, 2011, and 2012 funding marks and the 2010 recovery ratio mark of 55 percent set by the RTA Board on September 15, 2009. The performance measures published for 2009 can be found at the end of this section. The RTA Board adopted Metra's 2010 budget and 2011-2012 financial plan on December 17, 2009.

System-Generated Revenue

Total system-generated revenue is estimated at $296.3 million in 2009, a decrease of $19.5 million from 2008. Total system-generated revenue is expected to increase to $332.3 million in 2012. The increase of $36.0 million represents a compound annual growth rate of 3.9 percent from 2009 to 2012. (Exhibits 5-7 and 5-8).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. In 2010, passenger revenue of $250.7 million comprises 80.6 percent of the total revenue budget with other revenue and the reduced fare subsidy representing 18.3 percent and 1.1 percent respectively (Exhibit 5-9).

Exhibit 5-7: **Metra 2010 Budget and 2011-2012 Financial Plan** (dollars in thousands)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
System-Generated Revenue					
Passenger Revenue	$251,693	$238,900	$250,700	$257,600	$265,300
Reduced Fare Subsidy	2,865	3,400	3,400	3,400	3,400
Other Revenue	61,299	54,040	56,900	61,000	63,600
Total Revenues	**$315,857**	**$296,340**	**$311,000**	**$322,000**	**$332,300**
Operating Expenditures					
Transportation and Maintenance	$351,379	$348,000	$357,400	$369,000	$380,800
Administration and Regional Services	51,222	53,300	49,400	51,700	53,300
Risk Mgmt. & Claims	10,094	8,700	14,900	15,400	15,900
Downtown Stations	13,315	13,260	14,000	14,600	15,100
Diesel Fuel	74,477	41,900	53,800	56,000	57,300
Security	16,558	16,000	16,700	17,200	17,700
Health Insurance	55,318	58,000	62,700	65,500	68,100
Credit Cards	-	200	4,200	6,800	7,200
Pension	4,840	4,740	5,700	6,000	6,500
Electricity	16,550	18,600	19,300	20,000	20,600
Apprentice Training Program	992	2,300	5,000	5,200	5,400
Total Expenditures	**$594,745**	**$565,000**	**$603,100**	**$627,400**	**$647,900**
Deficit Funding					
RTA Sales Tax I	$247,039	$217,400	$220,661	$227,061	$233,645
RTA Sales Tax II and PTF II	40,142	88,082	89,436	92,056	94,751
Federal Funds	-	6,300	-	-	-
Funds Available for Capital (1)			(17,997)	(13,717)	(12,796)
Total Deficit Funding	**$287,181**	**$311,782**	**$292,100**	**$305,400**	**$315,600**
Additions to Recovery Ratio Revenues	5,000	7,100	7,500	7,700	7,900
Recovery Ratio % (1) (2)	**57.4%**	**56.5%**	**55.0%**	**55.0%**	**55.0%**

(1) Recovery ratio revenue includes credits for Senior free rides, and $10 million of capital farebox revenue. Recovery ratio expenditures exclude costs related to transportation facilities, security and depreciation.

(2) In 2010, Metra's recovery ratio is 56.2 percent, exceeding the mark of 55.0 percent set by the RTA Board.

Passenger Revenue

Passenger revenue or farebox revenue is estimated at $238.9 in 2009, a decrease of $12.8 million from 2008. Passenger revenue is expected to increase to $265.3 million in 2012. This increase of $26.4 million represents a compound annual growth rate of 3.6 percent from 2009 to 2012.

Ridership and passenger revenue are expected to decline from 2008 to 2009. In 2010 Metra expects passenger revenues to increase by 4.9 percent. This increase is largely due to projected ridership growth and fare adjustments. Targeted fare increases include a 6.0 percent increase in one way fares across all fare zones, an increase in the weekend fare from $5 to $7, and an increase in the penalty for on board ticket purchases from $2 to $3. These programs, intended to increase advanced ticket purchases of discounted 10 ride tickets and monthly tickets take effect on February 1, 2010. Changing rider and ticket trends, such as longer trip length and lower one-way ticket sales also impact changes in passenger revenue (Exhibit 5-10). Metra's fare structure is presented at the end of this section (Exhibit 5-14).

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 providing funds to reimburse the CTA, Metra, and Pace for the cost of providing reduced fares for the elderly, students, and persons with disabilities. The fare reimbursement is included in revenue and is contingent upon annual approval by the State of Illinois. In 1999, the Assembly passed new reduced fare legislation, which doubled the reimbursement level of previous years.

Exhibit 5-8: **Metra System-Generated Revenue** (dollars in millions)

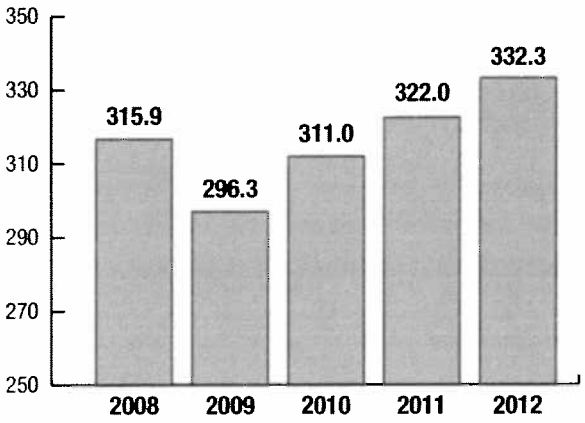


Exhibit 5-9: **2010 Metra Revenues** - $311 million

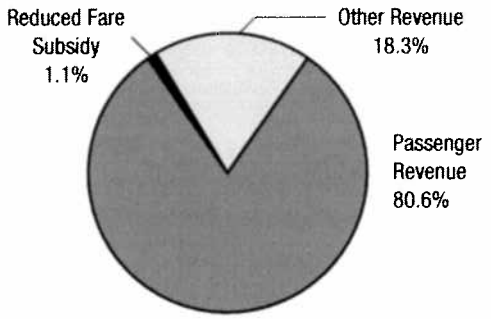


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	July 2007-June 2008	July 2008-June 2009	Change	% Change
Monthly	1,180.9	1,147.9	(33.0)	(2.8%)
Ten-Ride	1,933.3	1,785.1	(148.2)	(7.7%)
Regular One-Way	5,917.7	5,551.0	(366.7)	(6.2%)
Conductor	4,332.1	4,208.1	(124.0)	(2.9%)
Weekend	1,752.1	1,926.1	174.0	9.9%
Link-Up	94.5	99.6	5.1	5.4%
PlusBus	13.5	16.0	2.5	18.5%

*Excludes South Shore (NICTD) service.

Other Revenue

The other revenue category represents 18.3 percent of Metra's total revenue for 2010. The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non fare-generated income. Other revenue is expected to decrease $7.3 million from 2008 to $54.0 million in 2009. In 2012, other revenue is estimated at $63.6 million. This $9.6 million increase represents a compound annual growth rate of 5.6 percent from 2009 to 2012. This increase is due to higher levels of capital project work.

Operating Expenditures

Total operating expenditures are estimated to decrease $29.7 million from 2008 to $565.0 million in 2009. Total operating expenditures are expected to be $647.9 million in 2012. This $82.9 million increase represents a compound growth rate of 4.7 percent from 2009 to 2012 (Exhibit 5-11).

Metra's 2010 total operating expenditures of $603.1 million are projected to grow by $38.1 million or 6.7 percent from the 2009 estimate. In 2011 and 2012, total expenditures will increase by 4.0 percent and 3.3 percent respectively (Exhibit 5-7). These increases are consistent with the terms and conditions of contracts and agreements, as well as projections of market indices as applicable.

Exhibit 5-11: **Metra Operating Expenditures** (dollars in millions)

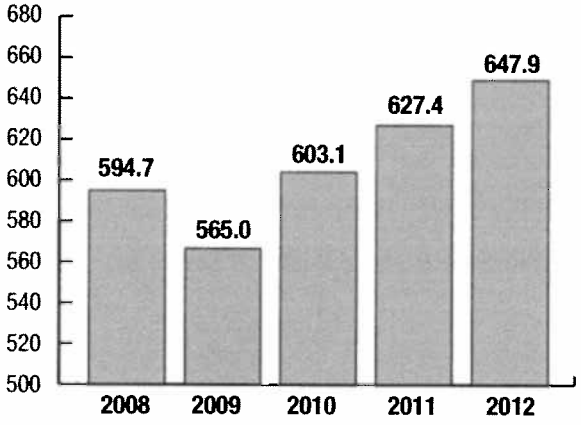
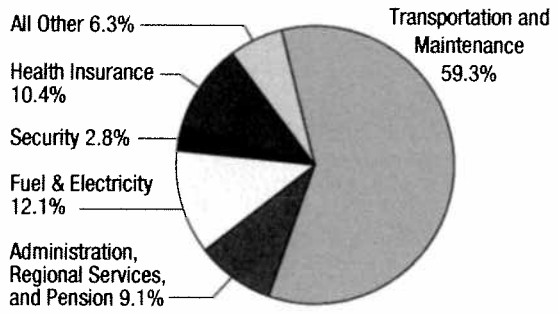


Exhibit 5-12: **Metra Operating Expenditures** - $603.1 million



Expenditure Elements

The components of operating expenditures are transportation and maintenance, administration & regional services, pension, diesel fuel and electricity, security, health insurance and all other, which includes risk management & claims, downtown stations, credit cards, and the apprentice training program. Of total 2010 expenditures, transportation and maintenance represent 59.3 percent; administration, regional services, and pension 9.1 percent; fuel and electricity 12.1 percent; security 2.8 percent; health insurance 10.4 percent; and the all other 6.3 percent (Exhibit 5-12).

Transportation and Maintenance

Transportation includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations.

Maintenance includes two types of activities: maintenance of way and maintenance of equipment. Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions.

Maintenance of equipment activities include regular repairs, inspection and preventive maintenance of passenger train equipment to ensure that this equipment is safe and in good working order to meet train schedules and passenger demand for seating.

Transportation and maintenance expenditures are estimated to decrease $3.4 million from

2008 to $348.0 million in 2009. Transportation and maintenance expenditures are expected to reach $380.8 million in 2012. This $32.8 million increase represents a compound annual growth rate of 3.0 percent from 2009 to 2012. This growth rate is consistent with the traditional growth rate of the CPI (Exhibit 5-7).

Administration and Regional Services

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Management of Metra owned and operated rail services are also included in this category.

Metra has adopted a variety of cost-containment measures that save on administrative costs in 2010. The cost-cutting actions include leaving 150 positions unfilled. Administration and regional services are estimated to be $53.3 million in 2009, an increase of $2.1 million from 2008. Administration and regional services are projected to decline in 2010 to $49.4 million, a decrease of $3.9 million. Administration and regional services are expected to reach $53.3 million in 2012, representing an increase of 4.7 percent and 3.1 percent in 2011 and 2012, respectively.

Pension

Metra's annual contributions to the RTA Pension Plan are determined by a third-party actuary. The pension expenditure is expected to decrease slightly from 2008 to $4.7 million in 2009. The pension expenditure is expected to reach $6.5 million in 2012. This $1.8 million increase represents a compound growth rate of 11.1 percent from 2009 to 2012.

Diesel Fuel and Electricity

Diesel fuel and electrical power are two of the most volatile components of the operating expenditures. For 2010, Metra has budgeted motive power and electric utility costs to increase by $0.7 million or 3.8 percent from 2009. In 2012, combined fuel and electric power costs are projected to reach $77.9 million. This $17.4 million increase represents a compound annual growth rate of 8.8 percent from 2009 to 2012 (Exhibit 5-7).

In 2009, diesel fuel is expected to average $1.63 per gallon for a total of $41.9 million, a decrease of $32.6 million or 43.8 percent from 2008. The 2010 budget based on $2.15 a gallon totals $53.8 million, an increase of $11.9 million or 28.4 percent from 2009. The projected average prices per gallon for diesel fuel in 2011 and 2012 are $2.24 and $2.29, respectively. In 2004 diesel fuel represented only 4.0 percent of total operating costs. In 2010, diesel fuel is estimated to represent 8.9 percent of total operating expenses, more than double the share in 2004.

Electrical power and diesel fuel costs are projected to decrease from $91.0 million in 2008 to $60.5 million in 2009. This difference of $30.5 million represents a 33.5 percent decrease in combined fuel and electrical costs.

Security

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expense category includes police and contract security services as well as planning, coordination, and training with other agencies. The budget of $16.7 million in 2010 represents an increase of $0.7 million or 4.4 percent from 2009. Security expenses are budgeted to increase $0.5 million annually after 2010 representing a sustainable commitment to provide a secure environment to the customers and employees of Metra (Exhibit 5-7).

Health Insurance

Health insurance costs for 2010 of $62.7 million are assumed to increase by 8.1 percent over the 2009 estimate of $58.0 million, with annual growth rates of 4.5 percent and 4.0 percent in 2011 and 2012, respectively. These increases are attributable to national trends of increasing health insurance costs (Exhibit 5-7).

All Other

This expenditure category includes risk management & claims, downtown stations, credit cards, and the apprentice training program. Expenditures in this category are expected to increase from $24.4 million in 2008 to $43.6 million by 2012. This $19.2 million increase represents a compound annual growth rate of 15.6 percent (Exhibit 5-7).

On September 9, 2009 Metra inaugurated a new web site that included the acceptance of credit and debit cards for the purchase of 10-ride and monthly tickets. Expenses for credit cards are for systems and related support costs. Metra expects that credit card and related expenses will grow from $0.2 million in 2009 to $7.2 million in 2012. This increase represents 37.5 percent of the $19.2 million increase for all other expense from 2008 to 2012 and reflects increased expenses as a result of increased customer demand for credit card transactions. Finally, the apprentice training program increase represents 23.0 percent of the $19.2 million increase for all other expenses, as expenses for this program are expected to increase from $1.0 million in 2008 to $5.4 million in 2012. The apprenticeship training program represent a strategic investment in human capital planning to compensate for the upcoming wave of retirement that Metra is currently facing.

Deficit

The operating deficit is derived from total system-generated revenue minus total operating expenditures. Metra's 2010 budget deficit is $292.1 million (Exhibit 5-7). This deficit is offset with statutorily allocated public funding to reach a balanced budget.

Funding

Public funding, available for Metra, is determined by and based on the RTA's revenue projection for the year. From the RTA, Metra receives RTA Sales Tax (RTA Sales Tax-I and II), the Public Transportation Fund (PTF-II)

Metra funding from RTA Sales Tax-I is expected to increase from $217.4 million in 2009 to $233.6 million in 2012. RTA Sales Tax-II and PTF-II are expected to increase from $88.1 million in 2009 to $94.8 million in 2012. Metra projects that sales tax and PTF funding will exceed the operating deficit by $18.0 million in 2010, $13.7 million in 2011, and $12.8 million in 2012. These amounts will be transferred to the capital program.

A more detailed description of how public funds are allocated among the service boards can be found in the Region Section of this book.

Recovery Ratio

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2010 Metra's recovery ratio is 55.0 percent, matching the mark set by the RTA. The RTA Region section provides a detailed recovery ratio calculation.

Statutory Compliance

The RTA Act requires that each Service Board meet seven criteria, which are detailed in the RTA Region section, for Board approval of its budget. The Metra budget meets each of these criteria.

2009 Budget Versus 2009 Estimate

Metra expects a balanced budget in 2009 based on an amended budget. In 2009 Metra estimated and budgeted for a 57.4 percent Recovery Ratio exceeding the recovery ratio set by the RTA of 55.0 percent. (Exhibit 5-13)

Revenue

Calendar year 2009 operating revenues are estimated at $296.3 million and are projected to be equal to budget. There are no variances for the revenue categories.

Exhibit 5-13: **Metra 2009 Budget vs. 2009 Estimate** (dollars in thousands)

	2009 Budget	2009 Estimate	Variance
System-Generated Revenue			
Passenger Revenue	$238,900	$238,900	-
Reduced Fare Subsidy	3,400	3,400	-
Investment Income	840	840	-
Capital Credits, Leases, etc...	53,200	53,200	-
Total Revenue	**$296,340**	**$296,340**	**-**
Operating Expenditures			
Transportation	$151,200	$150,100	1,100
Maintenance of Way	98,700	98,100	600
Maintenance of Equipment	99,800	99,800	-
Risk Mgmt. & Claims	8,700	8,700	-
Administration & Regional Services	50,100	53,300	(3,200)
Downtown Stations	13,600	13,260	340
Diesel Fuel	41,900	41,900	-
Security	16,000	16,000	-
Health Insurance	59,360	58,000	1,360
Credit Cards	-	200	(200)
Pension	4,740	4,740	-
Electricity	18,600	18,600	-
Apprentice Training Program	2,300	2,300	-
Total Expenditures	**$565,000**	**$565,000**	**-**
Operating Deficit	**$268,660**	**$268,660**	**-**
Recovery Ratio % (1)	**57.4%**	**57.4%**	**0.0%**

(1) The RTA Act requires the RTA Board to set a recovery ratio for each Service Board. Metra's 2009 recovery ratio budget and estimate exceed the 55 percent mark set by the RTA Board.

Expenditures

Total 2009 operating expenditures are estimated at $565.0 million and are projected to be equal to budget.

Transportation, maintenance of way, downtown stations, and health insurance are estimated to cost less than what was budgeted by $1.1 million, $0.6 million, $0.3 million, and $1.4 million respectively, for a total of $3.4 million. Conversely, administration & regional services and credit cards are estimated to finish the year $3.2 million and $0.2 million greater than budget, respectively, for a total of $3.4 million. These compensating variances result in no variance in total expenditures.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones. These zones 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 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 fare zone boundaries are crossed.

Effective February 1, 2010, Metra's one-way fares will increase $0.10 to $0.45 or about 6.0 percent (Exhibit 5-14). Despite these one-way increases, the prices of 10-ride tickets and monthly passes will not change. Accordingly, the 10-ride ticket will now provide a 20 percent discount in comparison to purchase of individual one-way fares. The cost of a weekend pass will increase from $5 to $7 dollars, the first increase since the launch of this fare 18 years ago. Additionally, passengers who pay for their ticket on the train when a Metra agent is available at their boarding station will pay a $3 instead of $2 surcharge. These fare increases were made to encourage customers to utilize Metra's multiple ticket options.

Exhibit 5-14: **Full Fare Schedule**

	Effective Feb. 1, 2008			Effective Feb. 1, 2010 (3)
Zone (1)	**One-Way**	**Ten-Ride (2)**	**Monthly (2)**	**One-Way**
A	$2.15	$18.30	$58.05	$2.25
B	$2.35	$20.00	$63.45	$2.50
C	$3.35	$28.50	$90.45	$3.50
D	$3.80	$32.30	$102.60	$4.00
E	$4.30	$36.55	$116.10	$4.50
F	$4.75	$40.40	$128.25	$5.00
G	$5.15	$43.80	$139.05	$5.50
H	$5.65	$48.05	$152.55	$6.00
I	$6.10	$51.85	$164.70	$6.50
L	$6.60	$56.10	$178.20	$7.00
K	$7.05	$56.95	$190.35	$7.50
M	$8.05	$68.45	$217.35	$8.50

(1) Fares based on traveling to/from Zone A (downtown stations).

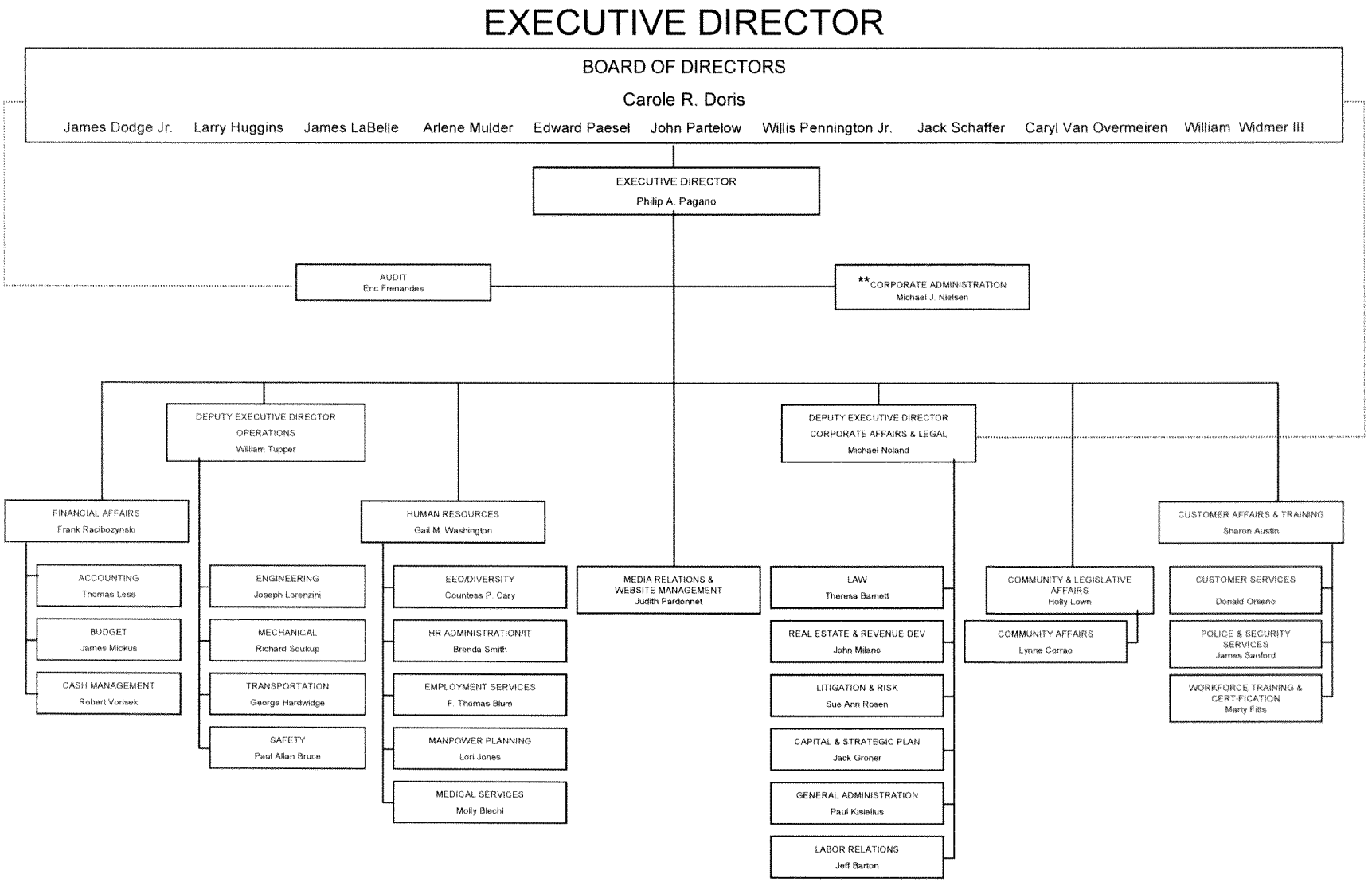
(2) Monthly and Ten-Ride fares will not increase on February 1, 2010.

(3) The weekend pass will increase from $5.00 to $7.00, and the on-board surcharge will increase from $2.00 to $3.00.

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-15.

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



**Job functions modified April 2009 in anticipation of impending retirement

------ Indicates a dual reporting relationship

August 3, 2009

6 Pace Operating Plan

Suburban Service

Overview

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority (RTA), and began service in 1984. A 13-member board of directors made up of current and former village presidents and mayors governs Pace.

Beginning July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace's regional ADA paratransit service is discussed separately, later in this section.

Service Characteristics

Pace's mission is to provide efficient well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility supplies line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. Achieving this mission will also require the continued restructuring of Pace's current fixed-route service.

Pace covers 3,500 square miles and is one of the largest bus services in North America. The suburban area is divided among the six counties and serves 210 communities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Pace service includes approximately 144 regular routes, 48 feeder routes, 19 shuttle routes, 721 Van Pool vehicles, and 371 Paratransit and Dial-A-Ride buses.

Employment and residential shifts outward from central business districts have resulted in longer commutes, greater single-occupant automobile use, increased traffic congestion, and declining air quality. A growing suburban job market, welfare-to-work initiatives, and greater work-hour, workday, and work-location flexibility have resulted in changing transit needs. However, increased support for smart growth, transit-oriented development, and environmental concerns has accompanied these trends. In light of these factors, Pace is working to better serve various suburban travel markets.

To attract more riders, Pace will need to gain consensus among a diverse group of stakeholders, communities, and organizations interested in transportation and smart growth; create viable community and regional partnerships; develop service plans for specific communities and groups of communities; and gain funding from local, regional, state and federal sources.

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

Pace already works with communities to plan, design, and deliver services. Vision 2020 identifies nearly 100 service areas for further study in partnership with communities. To better support a service area that spans walkable suburban neighborhoods, satellite cities, and rural communities, Pace will expand its current offerings (e.g., fixed-route, commuter rail feeder, employer shuttle, and route-deviation services) and further customize the mix of tailored, flexible community-based services (e.g., demand response, curb-to-curb van service, and subscription routes) based on detailed studies of travel markets and local interests and conditions. Vision 2020 addresses three service levels—low, medium, and high—which reflect the spectrum of population and employment density found in Pace's service area. To achieve

high service levels at low cost, Pace will apply Bus Rapid Transit (BRT) features, limited stops, simple routes, frequent service, off-board fare payment, electronic next-stop announcements, traffic signal priority, and bus lanes on expressway/tollway and arterial line haul routes.

To develop an effective regional arterial and community-based transit system, Pace began route-restructuring initiatives in 2000. Consistent with Vision 2020, the goals of route restructuring include faster, more efficient, and more effective service, as well as an enhanced image of transit as an alternative to the automobile. Pace restructured routes in Elgin, along the Halsted Corridor, and in the vicinity of Orland Square Mall. In 2005, Pace completed its restructuring of eleven routes in North Shore communities to serve new trip generators, reduce transfers, and eliminate unproductive segments and route duplication.

Late in 2005, Pace implemented an initial round of service changes in the Aurora area as part of its restructuring efforts in the Fox Valley/ Southwest DuPage region. After Metra increased service on its North Central Line, Pace added three new Shuttle Bug routes for employees of several nearby companies. Pace has completed most of the planning for the redesign of service in southern and southwestern Cook County and all of Will County. These efforts have resulted in improved on time performance, service frequency, and passenger amenities at bus stops, because Pace was able to discontinue unproductive route segments and expand service in areas with greater ridership demand. In the next few years, Pace has plans for restructuring initiatives in the Waukegan area and in Western Cook County.

In 2009, Pace added a series of express routes that operate on regional expressways to provide long distance connections between subregional activity centers through its Express Bus Networks program. Additionally, Pace made progress on its Arterial Rapid Transit Program (ART) by installing Transit System Priority (TSP) technologies. ART is a

program designed to improve regional connectivity throughout suburban Northeastern Illinois. ART can be implemented quickly in comparison to other rapid transit options and will allow Pace to cost-effectively increase service levels. A critical component of ART, TSP technologies allow bus transit vehicles to adhere to their published schedule by giving priority green light time to buses that are behind schedule. In 2009 Pace buses began taking advantage of TSP with the implementation of the Harvey TC project that upgrades 21 existing traffic signals along Halsted Street, Park Avenue, 159th Street, and Sibley Boulevard in the vicinity of the Harvey Transportation Center. In 2010 several other corridors will be developed, including Washington Street, and Grand Avenue in Lake County, Halsted Street and 159th Streets outside the Harvey TC Project Area, 95th Street and Harlem Avenue, in South Cook County, and Cermak & Roosevelt Roads in West DuPage County.

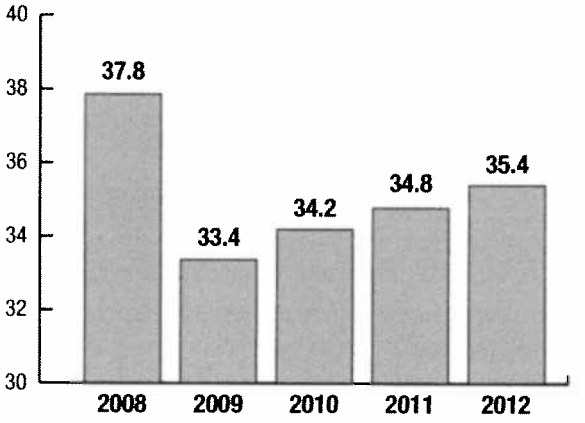
In 2010, Pace will perform a study in conjunction with the RTA that examines the potential for the development of shoulder routes on I-55 for Pace buses. Pace will also be implementing its RideShare program in 2010-12. Through www.PaceRideShare.com, Pace provides a website that matches users who can share their commute by carpooling. This also facilitates the formation of new Pace vanpools and supports the retention of existing van pools.

Ridership

In 2008, Pace ridership of 40.5 million included suburban service ridership of 37.8 million. Pace estimates that suburban service ridership will decline 11.7 percent in 2009 to 33.4 million. This is as a result of increased unemployment, higher fares, and Pace no longer accepting the CTA 7-Day pass, U-pass, and Visitor/Fun passes.

Pace projects suburban service ridership of 34.2 million in 2010. Pace projects suburban service ridership to increase approximately 1.6 percent annually to 34.8 million in 2011 and 35.4 million in 2012 reflecting continued expansion of the vanpool program (Exhibit 6-1).

Exhibit 6-1: **Pace Suburban Service Ridership** (in millions) (1)



(1) Ridership in 2010 and 2011 assumes no deficit reduction actions.

Marketing Strategies

Pace's 2010 marketing strategy implementation will emphasize work commute trips, which comprise 80 percent of Pace's customer base, and encourage non-riders to try Pace service. Pace plans to augment existing successful tactical route marketing campaigns and to promote extensively express routes to popular destinations. Pace's 2010 marketing efforts will also emphasize outreach to the disabled and Latino communities and support of the South Cook restructuring project, the ride share program, and special projects.

Service Quality

As part of its effort to improve service quality, Pace has implemented a variety of performance measures. Pace provides for each performance measure the 2008 result, a projected total for 2009, a 2010 goal, and a Performance Standard. The Performance Standards are grouped by quality service objectives, including Safety, Reliability, Courtesy, Efficiency, and Effectiveness. When performance for a year exceeds the performance standard, the measurement is highlighted in green. If performance for the year falls below but within 10 percent of the standard, the measurement is highlighted in yellow. When performance falls below 10 percent of the standard, the measurement is highlighted in red. The performance measures published for 2009 can be found at the end of this section.

The implementation of performance measures represents an important step toward ensuring quality service and increasing accountability to the public. By creating these performance standards and striving to meet or exceed them, Pace has shown that it values customer opinion and that it is working toward improved service quality.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to relate the number of passengers to the number of miles served. Pace's passengers per mile ratio for suburban service is projected to decline from 0.91

in 2008 to 0.79 in 2009 and 0.78 in 2010 (Exhibit 6-2). This decline results from both decreases in fixed route ridership and increases in Dial-A-Ride services in DuPage and Kane Counties.

The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Suburban service cost per mile is expected to increase from $4.13 in 2008 to $4.34 in 2010. This $0.21 increase corresponds to a compound annual growth rate of 2.5 percent.

Exhibit 6-2: **Pace Suburban Service Passengers Per Mile**

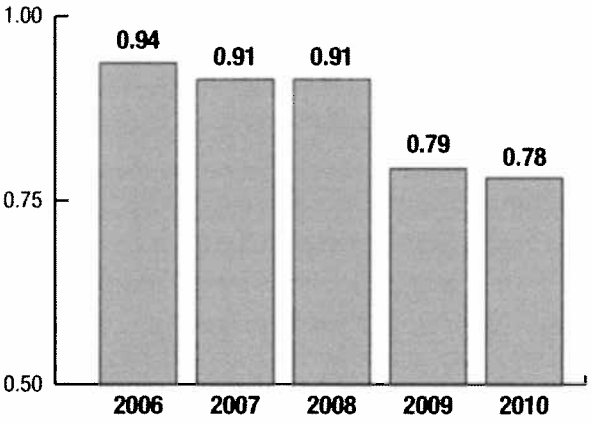
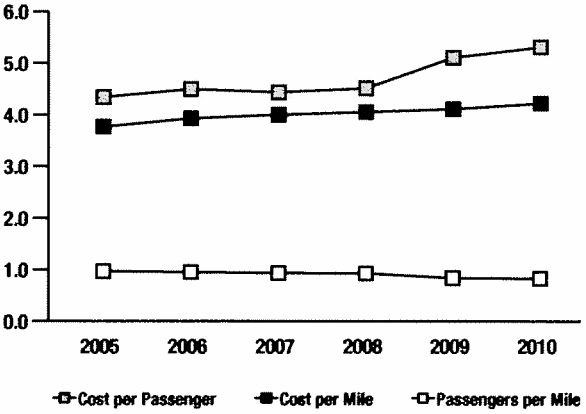


Exhibit 6-3: **Pace Suburban Service Cost Efficiency**



Capital Investment

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management.

Rolling Stock

In 2010, Pace intends to replace 22 fixed-route buses which have exceeded their useful life. The new vehicles will be 40-foot vehicles. Pace will also replace 15 Vanpool Vans which have also exceeded their useful life.

As part of its Diesel Engine Retrofit Program Pace plans to install Detroit Diesel Series 50 engines in existing buses with improved mechanical components and software upgrades that reduce exhaust emissions. The total capital expenditures are expected to cost $8.3 million.

The RTA has also approved Pace's use of $9.0 million of its Federal 5307 capital funds to pay for the capital cost of contracting expenses incurred in 2009 for Regional ADA service.

Stations and Passenger Facilities

Capital funds have been budgeted to construct customer support facilities, signage, and other passenger infrastructure. The 2010 Capital Budget includes funds for a Transportation Center in Downers Grove at I-88 and the North-South Tollway, infrastructure investments along Randal Road between Aurora and Elgin (including the installation of 22 TSP light signals), and the construction of the Toyota Park Transfer Center in Bridgeview.

Support Facilities & Equipment

The 2010 capital program scheduled and required maintenance for garages and other support equipment. The 2010 Capital Program includes capital expenditures for the replacement of the Northwest Cook garage, construction funds for a replacement garage in South Holland, and Mid-Life Reconstruction funds for Fox Valley, North, River, South and West Garages. Midlife Reconstruction funds will replace important garage equipment such as bus washers, and bus lifts as well as provide improvements to lighting, concrete and asphalt.

Exhibit 6-4: **Pace Suburban Service 2010 Budget and 2011-2012 Financial Plan** (dollars in thousands)

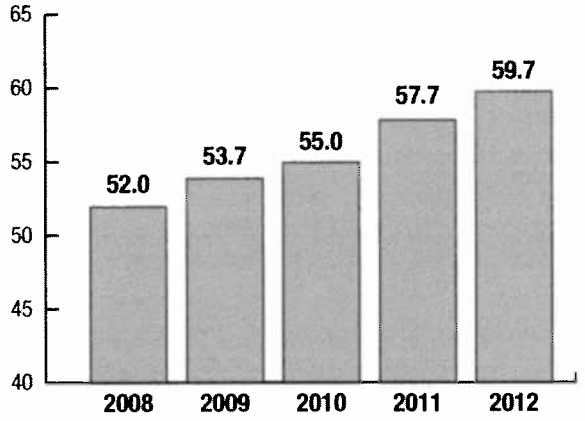
	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
System-Generated Revenue					
Passenger Revenue (1)	$ 28,400	$ 34,235	$ 35,511	$ 36,295	$ 37,129
Local Share/Other	14,571	13,597	14,474	16,120	17,380
Advertising Revenue	4,666	3,050	2,450	2,450	2,450
Investment Income	1,236	264	219	430	359
Reduced Fare Reimbursement	3,089	2,600	2,390	2,390	2,390
Total Revenues (2)	**$ 51,962**	**$ 53,746**	**$ 55,044**	**$ 57,685**	**$ 59,708**
Operating Expenditures					
Labor/Fringe Benefits	$ 82,408	$ 87,140	$ 90,235	$ 93,127	$ 96,492
Health Insurance	13,837	15,656	16,283	18,074	20,062
Parts/Supplies	6,706	7,054	7,046	7,244	7,374
Purchased Transportation	25,890	27,854	32,411	33,830	35,439
Fuel	21,969	13,065	16,835	17,596	19,006
Utilities	2,428	2,058	2,046	2,144	2,537
Insurance/Claims	7,826	10,653	10,927	11,517	12,208
Other	14,470	17,530	18,979	19,626	20,355
Regional ADA Support Credit	(3,577)	(3,688)	(3,873)	(4,001)	(4,185)
Total Expenditures	**$ 171,957**	**$ 177,322**	**$ 190,889**	**$ 199,156**	**$ 209,288**
Deficit Reduction Actions			4,198	$ 11,115	$ 16,720
Operating Deficit	***$ 119,995***	***$ 123,576***	***$ 131,647***	***$ 130,356***	***$ 132,860***
Deficit Funding					
Sales Tax I	$ 78,240	$ 68,850	$ 69,883	$ 71,909	$ 73,995
Sales Tax II and PTF II	13,380	29,361	29,812	30,685	31,584
Suburban Community Mobility Funds	20,000	17,794	18,061	18,585	19,124
South Suburban Job Access Funds	3,750	7,500	7,500	7,500	7,500
RTA Discretionary	-	2,267	-	175	370
Federal Funds	3,357	3,100	5,405	1,163	287
RTA ICE Funds	-	175	986	339	-
Total Deficit Funding	**$ 118,727**	**$ 129,047**	**$ 131,647**	**$ 130,356**	**$ 132,860**
Funding Surplus/Deficit	***$ (1,268)***	***$ 5,471***	-	-	-
Recovery Ratio (3)	***36.0%***	***36.0%***	***36.0%***	***36.0%***	***36.0%***

(1) Passenger revenue includes fixed route, vanpool, Dial-A-Ride, Ride DuPage, Ride in Kane, and other services.

(2) Excludes ADvAntage Program in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation.

(3) The recovery ratio in 2008 includes ADvAntage Program in-kind revenue and expense credits (of equal amount), as well as revenue credits for lost revenue from the Seniors Ride Free program. The recovery ratio in 2009-2012 includes ADvAntage Program in-kind revenue and expense credits (of equal amount), as well as revenue credits for lost revenue from the Seniors Ride Free program. The recovery ratio in 2010 meets the 36% mark set for Pace by the RTA Board on September 15, 2009.

Exhibit 6-5: **Pace Suburban Service System-Generated Revenue**
(dollars in millions) (1)



(1) In 2010, 2011, and 2012, revenue does not reflect deficit reduction actions.

Exhibit 6-6: **2010 Pace Suburban Service Revenue**
$55.0 million

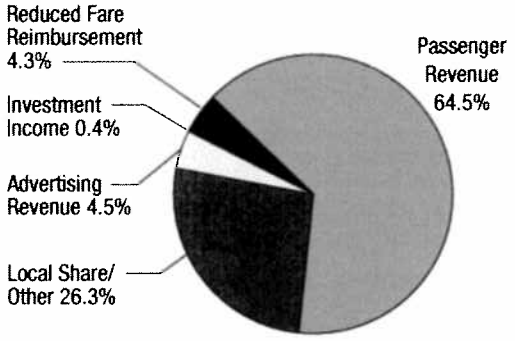
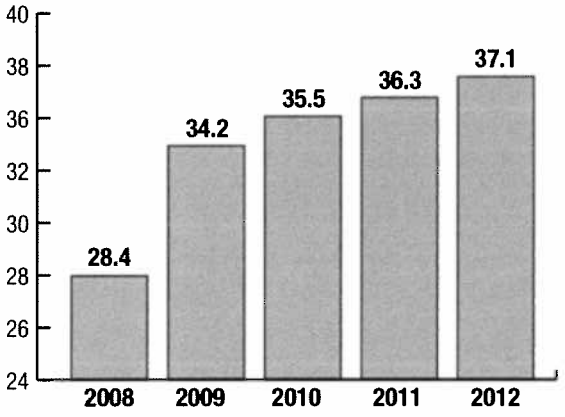


Exhibit 6-7: **Pace Suburban Service Farebox Revenue**
(dollar in millions) (1)



(1) In 2010, 2011, and 2012, revenue does not reflect deficit reduction actions.

Budget and Financial Plan

The Pace suburban service budget and financial plan presented in Exhibit 6-4 meets the funding marks set by the RTA Board on September 15, 2009. To meet these funding levels, Pace will need to implement deficit reduction actions that will increase revenues and/or decrease expenditures by $4.2 million in 2010, $11.1 million in 2011, and $16.7 million in 2012. The RTA Board set Pace's 2010 recovery ratio mark for suburban service operations at 36.0 percent and adopted this mark on September 15, 2009. Pace's 2010 budget reflects a recovery ratio of 36.0 percent.

System-Generated Revenue

In 2008, Pace's system-generated revenue from suburban service operations totaled $52.0 million. Pace projects suburban service system-generated revenue of $53.7 million in 2009, $55.0 million in 2010, $57.7 million in 2011, and $59.7 million in 2012 corresponding to a compound annual growth rate of 3.5 percent from 2008 through 2012 (Exhibit 6-5). These revenue figures do not incorporate required deficit reduction actions in 2010, 2011, and 2012. In 2010, passenger revenue is projected to account for 64.5 percent, local share/other 26.3 percent, advertising revenue 4.5 percent, reduced fare reimbursement 4.3 percent, and investment income 0.4 percent of total suburban service revenue (Exhibit 6-6).

Passenger Revenue and Local Share

In 2008, Pace suburban service passenger revenue totaled $28.4 million. Pace expects that in 2009 suburban service will result in passenger revenue of $34.2 million. Pace projects suburban service passenger revenue of $35.5 million in 2010 will grow to $37.1 million in 2012, a $1.6 million increase corresponding to a compound annual growth rate of 2.3 percent (Exhibit 6-7). Passenger

revenue includes fixed route farebox deposits (using cash, passes, and cards) and payments for Van Pool, dial-a-ride, and other services

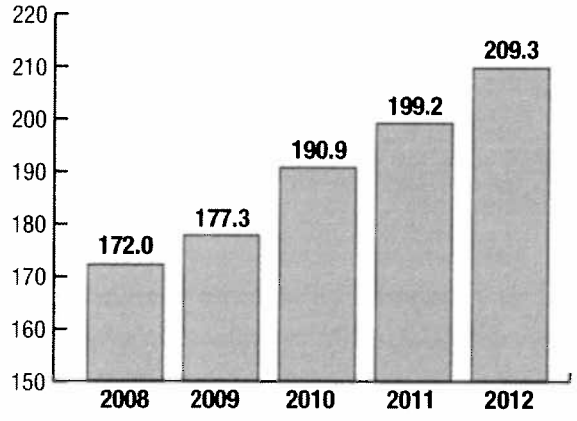
In 2008, Pace's local share contributions and other revenue totaled $14.6 million. Pace expects local share contributions and other revenue of $13.6 million in 2009. Suburban service local share contributions and other revenue are projected to grow from $14.5 million in 2010 to $17.4 million in 2012, a $2.9 million increase that corresponds to a 9.6 percent compound annual growth rate.

Pace's suburban service fare structure (effective January 2009) is presented at the end of this section (Exhibit 6-10). No fare increases are scheduled for 2010. Effective January 2009, Pace raised the base fare from $1.50 to $1.75, monthly pass from $75.00 to $86.00, and Van Pool fares by 10 percent. Pace also raised the price of its other full-fare and reduced fare single-ride fares, ten-ride tickets, and passes.

Reduced Fare Subsidy

Reduced fare reimbursement is expected to decrease from $3.1 million in 2008 to $2.4 million in 2010. This $0.7 million decrease corresponds to a compound annual decline rate of 12.0 percent. The reduced fare reimbursement is expected to remain at $2.4 million through 2012.

Exhibit 6-8: **Pace Suburban Service Operating Expenditures** (dollars in millions) (1)



(1) In 2010, 2011, and 2012, expenditures do not reflect deficit reduction actions.

Advertising

Advertising revenue is expected to decrease from $4.7 million in 2008 to $2.5 million in 2010. This $2.2 million decrease corresponds to a compound annual decline rate of 27.5 percent. Pace projects that advertising revenue will remain at $2.5 million through 2012.

Investment

Investment income is expected to decrease from $1.2 million in 2008 to $0.3 million in 2009 resulting from smaller cash balances and declining interest rates. Pace projects that investment revenue will remain between $0.2 million and $0.4 million annually through 2012.

Operating Expenditures

Pace suburban service operating expenditures totaled $172.0 million in 2008. In 2009, Pace estimates suburban service operating expenditures will be $177.3 million. Pace projects suburban service operating expenditures of $190.9 million in 2010 to grow to $209.3 million in 2012, an increase of $18.4 million corresponding to a compound annual growth rate of 4.7 percent from 2010 to 2012 (Exhibit 6-8). These expenditure totals include a regional ADA support credit that reflects many of the administrative and overhead costs to be incurred throughout Pace in support of ADA paratransit. Growth of labor/fringe benefits, purchased transportation, and health care costs is the primary factor behind the increases in suburban service operating expenditures. Figures for individual expenditure elements do not incorporate required deficit reduction actions in 2010, 2011, and 2012.

Expenditure Elements

Operating expenditure elements include labor/fringe benefits, health insurance, parts/supplies, purchased transportation, fuel, utilities, insurance/claims, other, and regional ADA support credit (Exhibit 6-4).

Labor/Fringe Benefits and Health Insurance Costs

Labor/fringe and health insurance expenditures are projected to account for 55.8 percent of total suburban service operating expenditures in 2010. Combined labor/fringe benefits and health insurance expenditures for suburban service are projected to grow from $106.5 million in 2010 to $116.5 million in 2012, a $10.0 million increase that corresponds to a 4.6 percent compound annual growth rate.

Parts/Supplies

Parts/supplies expenditures are projected to account for 3.7 percent of total suburban service operating expenditures in 2010. These expenditures are projected to grow from $7.0 million in 2010 to $7.4 million in 2012, a $0.4 million increase that corresponds to a 2.3 percent compound annual growth rate.

Purchased Transportation

Expenditures for purchased transportation are projected to account for 17.0 percent of total suburban service operating expenditures in 2010. These expenditures are projected to grow from $32.4 million in 2010 to $35.4 million in 2012, a $3.0 million increase that corresponds to a 4.6 percent compound annual growth rate.

Fuel

In 2009, fuel expenditures fell substantially to $13.1 million from $22.0 million in 2008. This decrease was due to declining gas prices. In 2010, fuel expenditures are projected to account for 8.8 percent of total suburban service expenditures. Fuel expenditures are projected to grow from $16.8 million in 2010 to $19.0 million in 2012, a $2.2 million increase that corresponds to a 6.3 percent compound annual growth rate. The 2010 budget assumes an average price of $2.30 per gallon, a $0.52 increase from estimated 2009 levels. Fuel is one of the most volatile components of the budget.

Utilities

Utilities expenditures are projected to account for 1.1 percent of total suburban service operating expenditures in 2010. These expenditures are projected to grow from $2.0 million in 2010 to $2.5 million in 2012, a $0.5 million increase that corresponds to an 11.4 percent compound annual growth rate. The projected rise in natural gas costs is the primary cause of the increase in utility costs from 2010 through 2012.

Insurance/Claims

Insurance/claims expenditures are projected to account for 5.7 percent of total suburban service operating expenditures in 2010. These expenditures are projected to grow from $10.9 million in 2010 to $12.2 million in 2012, a $1.3 million increase that corresponds to a 5.7 percent compound annual growth rate.

Other

Other expenditures are projected to account for 9.9 percent of total suburban service operating expenditures in 2010. These expenditures are projected to grow from $19.0 million in 2010 to $20.4 million in 2012, a $1.4 million increase corresponding to a 3.6 percent compound annual growth rate.

Regional ADA Support Credit

In 2008, Pace charged $3.6 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.7 million in 2009. Pace projects that regional ADA support credit will increase annually from $3.9 million in 2010 to $4.2 million in 2012.

Deficit

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2008, Pace had a shortfall of $1.3 million that reduced its fund balance. Pace expects a suburban service funding surplus of $5.5 million in 2009. In 2010, 2011, and 2012,

deficit reduction actions of $4.2, $11.1, and $16.7 million respectively are projected to result in deficit funding matching the operating deficit.

Funding

Public funding, available for Pace, is determined by and based on the RTA's revenue projection for the year. From the RTA, Pace receives RTA Sales Tax (RTA Sales Tax-I and II), and monies from the Public Transportation Fund (PTF-I and PTF-II).

Pace's portion of RTA Sales Tax I is expected to decrease 12.0 percent from $78.2 million in 2008 to $68.8 million in 2009 (Exhibit 6-4). This amount is projected to increase to $74.0 million in 2012, which corresponds to a compound annual growth rate of 2.4 percent from 2009. RTA Sales Tax II & PTF II (PA95-0708) is projected to increase from $13.4 million in 2008 to $31.6 million in 2012. This $18.2 million increase is represented by a compound annual growth rate of 24.0 percent. RTA Suburban Community Mobility Funds of approximately $18 million to $19 million are projected for 2009 through 2012. The legislation also required that the RTA provide Pace suburban service with RTA South Suburban Job Access Funds in the amount of $3.8 million in 2008 and $7.5 million annually thereafter.

The RTA will provide Pace with discretionary funds at an estimated amount of $2.3 million in 2009, $0.2 million in 2011, and $0.4 million in 2012. The RTA did not provide discretionary funding for Pace in 2008 and does not plan to in 2010.

Outside of funds collected and distributed from the RTA, Pace also receives federal funds. Combined, Congestion Mitigation Air Quality (CMAQ), Job Access Reverse Commute (JARC), and New Freedom funds for Pace suburban service are expected to be $3.1 million in 2009, a decrease of $0.3 million from 2008. In 2010, Pace estimates these federal funds at $5.4 million, an increase of $2.3 million from 2009. In 2012, federal funds are projected at $0.3 million. This $5.1 million decrease represents a compound annual growth rate of negative 77.0 percent from 2010 to 2012.

RTA Sales Tax II & PTF II (PA95-0708) is projected to increase from $13.4 million in 2008 to $31.6 million in 2012. This $18.2 million increase is represented by a compound annual growth rate of 24.0 percent. RTA Suburban Community Mobility Funds of approximately $20 million are projected for 2008 through 2012 with the rate of change in sales tax receipts. The legislation also required that the RTA provide Pace suburban service with RTA South Suburban Job Access Funds in the amount of $3.8 million in 2008 and $7.5 million annually thereafter.

A more detailed description of how public funds are allocated among the service boards can be found in the Region Section of this book.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. With the inclusion of ADvAntage Program in-kind revenue and expense credits, Pace achieved a recovery ratio of 36.0 percent in 2008. With the inclusion of ADvAntage Program in-kind revenue and expense credits, as well as revenue credits for lost revenue from the Seniors Ride Free program, Pace expects to achieve a recovery ratio for suburban service of 36.0 percent in 2009. With the inclusion of ADvAntage Program in-kind revenue and expense credits, as well as revenue credits for lost revenue from the Seniors Ride Free program and the People with Disabilities Ride Free program, Pace projects a recovery ratio for suburban service of 36.0 percent in 2010 which matches the 36 percent recovery ratio mark set by the RTA Board on September 15, 2009.

Exhibit 6-9: **Pace 2009 Budget vs. 2009 Estimate** (dollars in thousands)

	Amended 2009 Budget (1)	2009 Estimate	Variance
System-Generated Revenue			
Passenger Revenue (2)	$ 33,959	$ 34,235	$ 276
Local Share/Other	16,611	13,861	(2,750)
Advertising Revenue	5,015	3,050	(1,965)
Reduced Fare Reimbursement	2,800	2,600	(200)
New Initiatives	1,124	-	(1,124)
Total Revenues (3)	**$ 59,509**	**$ 53,746**	**$ (5,763)**
Operating Expenditures			
Labor/Fringe Benefits	$ 88,887	$ 87,140	$ 1,747
Health Insurance	16,412	15,656	756
Parts/Supplies	6,835	7,054	(219)
Purchased Transportation	23,141	27,854	(4,713)
Fuel	13,408	13,065	343
Utilities	3,088	2,058	1,030
Insurance/Claims	12,459	10,653	1,806
Other	23,470	17,530	5,940
Regional ADA Support Credit	(3,559)	(3,688)	129
New Initiatives	3,598	-	3,598
Total Expenditures	**$ 187,740**	**$ 177,322**	**$ 10,418**
Operating Deficit	***$ 128,231***	***$ 123,576***	***$ 4,655***
Deficit Funding			
Sales Tax I	$ 68,850	$ 68,850	-
Sales Tax II and PTF II	29,361	29,361	-
Suburban Community Mobility Funds	17,794	17,794	-
South Suburban Job Access Funds	7,500	7,500	-
RTA Discretionary	2,267	2,267	-
Federal Funds	2,462	3,100	638
RTA ICE Funds	-	175	175
Total Deficit Funding	**$ 128,234**	**$ 129,047**	**$ 813**
Funding Surplus/Deficit (Revenue less Expense)		$ 5,471	$ 5,471
ADvAntage Program In-Kind (4)	$ 5,250	$ 7,702	$ 2,452
Recovery Ratio (5)	***36.0%***	***36.0%***	***0.0%***

(1) Pace Suburban Service 2009 Budget approved by the RTA Board on August 20, 2009

(2) Passenger revenue includes Fixed Route, Van Pool, Dial-A-Ride, Ride DuPage, Ride in Kane, and Other Services.

(3) Excludes ADvAntage Program in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation.

(4) The ADvAntage Program in-kind revenue and expense (of equal amount) is included in the recovery ratio calculation.

(5) The recovery ratio calculation includes ADvAntage Program in-kind revenue and expense credits (of equal amount), as well as revenue credits for lost revenue from the Seniors Ride Free program.

2009 Budget Versus 2009 Estimate

Pace expects 2009 operating revenue for suburban service to finish the year $5.8 million or 9.7 percent unfavorable to budget. Passenger revenue is expected to finish the year $0.3 million or 0.8 percent above the budget. Local share/other revenues are expected to be down $2.8 million or 16.6 percent, and advertising revenue is expected to finish the year $2.0 million or 39.2 percent below budget. The reduced fare reimbursement is expected to finish the year down $0.2 million or 7.1 percent unfavorable to budget.

Legislation enacted in early 2008 gave Pace the opportunity to consider implementation of new and/or expanded service. Per the amended budget, Pace expected $1.1 million in additional system-generated revenue from the new initiatives for new and/or expanded service.

Total expenditures are expected to finish the year $10.4 million or 5.5 percent favorable to budget. Expenditures for labor/fringe benefits, health insurance, fuel, utilities, insurance/claims, other, and new initiatives are each expected to be $1.7, $0.8, $0.3, $1.0, $1.8, $5.9, $0.1, and $3.6 million favorable to budget, respectively, while expenditures for parts/supplies and purchased transportation are expected to be $0.2 million and $4.7 million unfavorable to budget, respectively.

From a funding perspective, Pace expects a favorable variance of $0.8 million in 2009 primarily because of higher than budgeted federal CMAQ & JARC funding (Exhibit 6-9).

Exhibit 6-10: **Pace Suburban Service Fare Structure**

	Current Fares	
	Full Fare	**Reduced Fare**
Regular Fares		
Full Fare	$1.75	$0.85
Transfer to Pace/CTA*	0.25	0.15
Local Fares		
Full Fare	$1.75	$0.85
Transfer to Pace/CTA*	0.25	0.15
Local Transfer	Free Local Transfer	
Local 10 Ride Plus Ticket	Eliminated	
Passes		
Pace/CTA (30-Day)	$86.00	$35.00
Pace/CTA (7-Day)	28.00	
Commuter Club Card (CCC)(Pace Only)	60.00	30.00
Link-Up Ticket	39.00	
Plus Bus	30.00	
Regular 10 Ride Plus Ticket	17.50	8.50
Student (Haul Pass)		30.00
Student Summer Pass		45.00
Subscription Bus (Monthly)	125.00	
CTA 7-Day/U-Pass/Visitor Fun Passes	Not Accepted	
Express Fares/Other Fares		
Premium Routes	$4.00	$2.00
Premium 10 Ride Plus Ticket (355 & 855)	40.00	20.00
Dial-a-Ride	2.00	0.80

Vanpool

New Monthly VIP and other van pool services fares range from $73 to $174 depending on the daily round trip van miles and the number of passengers. New fares are effective January 2009

*Effective January 1, 2006, the CTA discontinued issuing or accepting cash transfers.

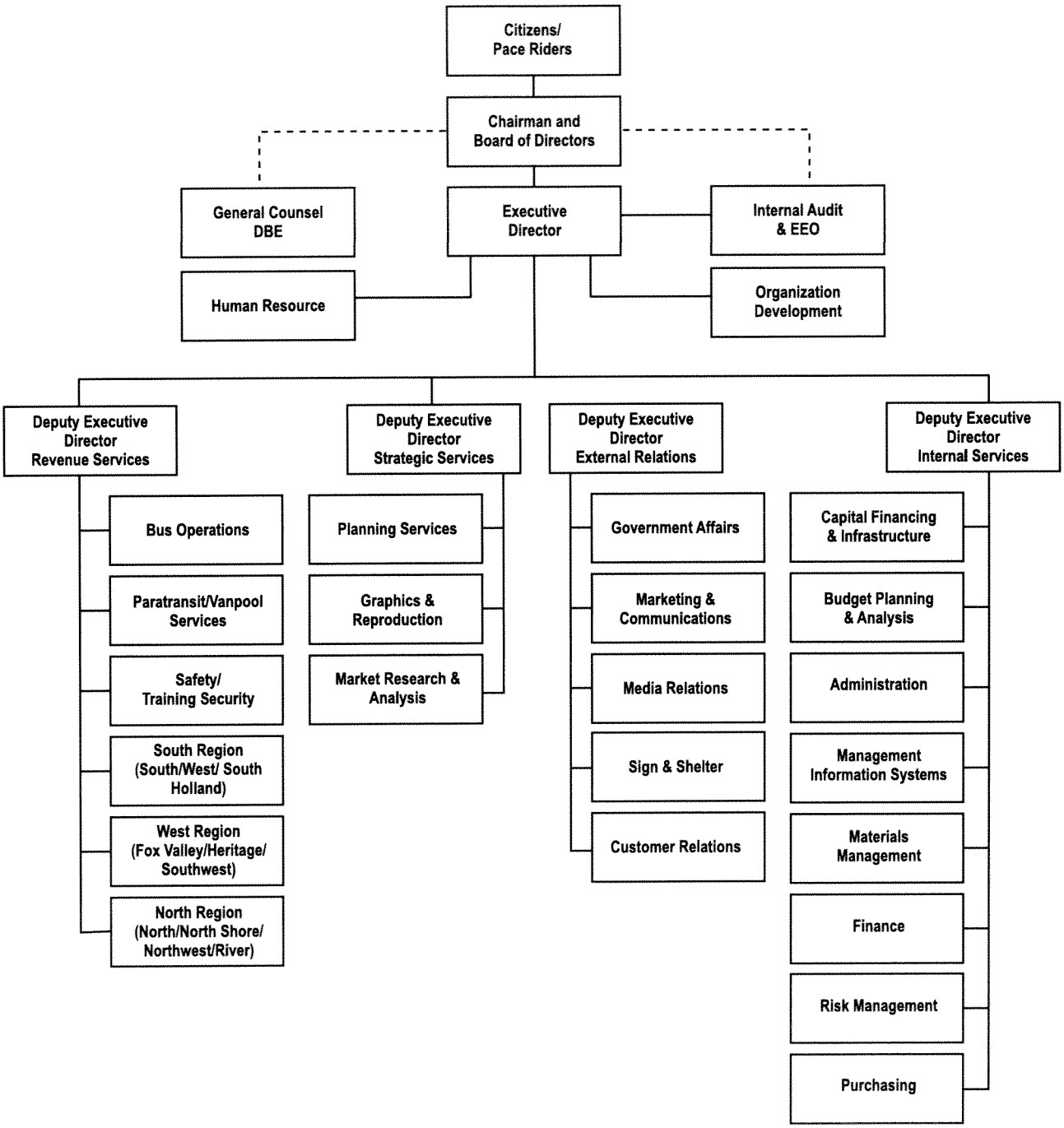
Statutory Compliance

Pace's proposed 2010 budget, 2010-2012 plan, and 2010 recovery ratio submitted to the RTA comply with the operating marks set by the RTA Board on September 15, 2009. These marks set the total funding levels at $131.6 million in 2010, $130.4 million in 2011 and $132.9 million in 2012.

Organizational Structure

Pace is organized into four main areas: Revenue Services, Strategic Services, External Relations, and Internal Services (Exhibit 6-11). Pace's organizational structure comprises four primary elements: administration, central support, Pace-owned divisions, and regional ADA paratransit services. Within each element, employees are classified into four areas: operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the National Transit Database reporting requirements, which apply to all public transit operators.

Exhibit 6-11: **Pace Organization Chart**



ADA Paratransit

Overview

Effective July 1, 2006, Pace has provided all ADA paratransit service in the RTA region. Beginning in 2007, Pace's revenue and expenditures are separated into suburban service and regional ADA paratransit service.

Service Characteristics

The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA or Metra rail stations, as described in the Americans with Disabilities Act (ADA).

In the suburban area where Pace provides fixed route service, Pace contracts with private operators to provide ADA paratransit service. These operators use 187 Pace-owned lift-equipped vehicles to provide curb-to-curb service to 47,000 ADA-certified passengers a month.

In the CTA service area, Pace contracts with four private operators to provide ADA paratransit service in the entire city of Chicago and most of the suburbs serviced by the CTA The operators use contractor-owned vehicles to provide service to ADA-certified passengers throughout the City of Chicago and the suburban communities served by CTA bus and rail operations. Pace also administers two subsidized taxi programs in the City of Chicago (the Taxi Access Program (TAP) and the Mobility Direct program) for ADA-certified passengers, although these programs are not required by the Americans with Disabilities Act.

The CTA and Pace fixed route services are described earlier in this book.

Exhibit 6-12: **Pace Regional ADA Paratransit Ridership** (in millions)

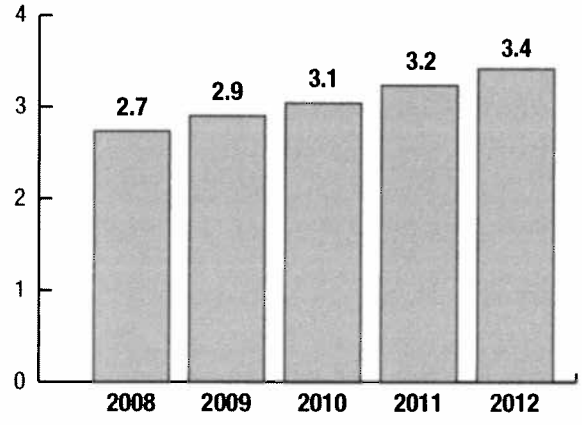
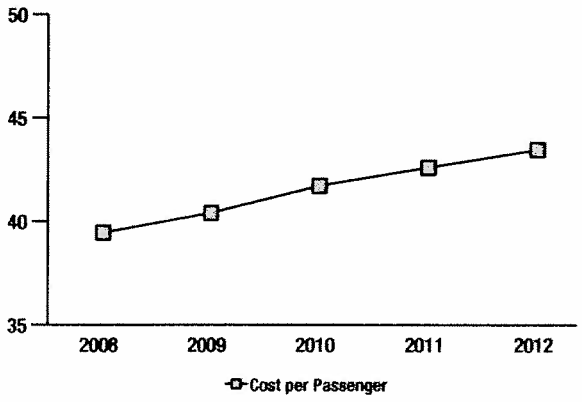


Exhibit 6-13: **Pace ADA Paratransit Cost Efficiency**



Ridership

Pace estimates that ridership will grow by 5.6 percent in 2009 from 2.7 million in 2008 to 2.9 million in 2009. Pace projects that ADA paratransit ridership will increase by 6.0 percent annually (6.0 percent in the CTA service area and 5.9 percent in the suburban service area) to 3.1 million in 2010, 3.2 million in 2011, and 3.4 million in 2012 (Exhibit 6-12). These ridership growth projections do not incorporate the fare increase in the CTA service area and the collar counties implemented on November 15, 2009 (Exhibit 6-20).

Cost Efficiency

The cost per passenger measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-13). Cost per passenger for Regional ADA paratransit service is projected to increase by a compound

Exhibit 6-14: **Pace Regional ADA Paratransit Service 2008 Budget and 2009-2010 Financial Plan** (dollars in thousands)

	2008 Actual	2009 Estimate	2010 Budget	2011 Plan	2012 Plan
System-Generated Revenues					
Passenger Revenue	$ 6,996	$ 7,258	$ 7,692	$ 8,152	$ 8,638
Other Revenue	939	624	661	700	742
Total Revenues	**$ 7,935**	**$ 7,882**	**$ 8,353**	**$ 8,852**	**$ 9,380**
Operating Expenditures					
Labor/Fringe Benefits	$ 2,123	$ 2,382	$ 2,500	$ 2,582	$ 2,701
Health Insurance	266	295	307	341	379
Administrative Expense	1,533	1,933	2,037	2,081	2,135
Fuel	2,004	1,298	1,682	1,732	1,853
Insurance	353	355	386	407	432
RTA Certification	657	624	661	700	742
Purchased Transportation	97,113	105,933	116,149	126,284	136,994
Regional ADA Support Allocation	3,577	3,688	3,873	4,001	4,185
Total Expenditures	**$107,626**	**$116,508**	**$127,595**	**$138,128**	**$149,421**
Deficit Reduction Actions (1)	-	$ 2,658	$ 11,742	$ 27,855	$ 35,925
Operating Deficit	***$ 99,691***	***$ 105,968***	***$ 107,500***	***$ 101,421***	***$ 104,116***
Deficit Funding					
Sales Tax II and PTF II	$ 100,000	$ 88,968	$ 90,303	$ 92,921	$ 95,616
RTA ICE Funds (1)	-	3,897	-	-	-
Additional Budget Balancing Actions (1)	-	-	8,697	-	-
Use of Capital Funds for Operations (1)	-	9,000	-	-	-
Additional State Funding	-	-	8,500	8,500	-
Working Cash Borrowing (2)	-	4,103	-	4,103	-
Working Cash Repayment (2)	-	-	-	(4,103)	-
Total Deficit Funding	**$ 100,000**	**$ 105,968**	**$ 107,500**	**$ 101,421**	**$ 95,616**
Funding Surplus/(Deficit)(1)	$ 309	-	-	-	$ (8,500)
Recovery Ratio % (3)	***10.0%***	***10.0%***	***10.0%***	***10.0%***	***10.0%***

(1) To achieve a balanced budget and two-year financial plan, as set forth in Ordinance 2009-93, the budget and two-year financial plan must be adjusted by actions that may include, but are not limited to, service adjustments, identification of additional funds or operating revenues, reducing operating costs, requesting the use of retained earnings (positive budget variances-PBV), and/or the use of federal capital funds for operating purposes.

(2) RTA working cash borrowing to fill shortfalls in funding provided by public subsidies in 2009. Pursuant to Section 4.04 of the Act the borrowing is projected to be repaid in 2011 with subsequent working cash borrowing.

(3) On August 26, 2008, The governor signed Senate Bill 1920 that allows the RTA Board to exempt from the farebox recovery ratio formula a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

annual growth rate of 2.45 percent from $39.47 in 2008 to $43.58 in 2012. In 2010 through 2012, Pace projects that contractor costs will grow at a compound annual growth rate of 5.6 percent and 6.4 percent annually in the CTA service area and suburban service area, respectively.

Budget And Financial Plan

The Pace ADA paratransit service budget and financial plan presented in Exhibit 6-14 meets the 2010 recovery ratio mark set by the RTA on September 15, 2009. In compliance with the RTA Act, the RTA set the ADA paratransit recovery ratio for 2010 at 10.0 percent. The RTA set the funding for ADA paratransit at $107.5 million for 2010, $101.4 million for 2011, and $95.6 million for 2012. To meet these funding levels, Pace will need to implement deficit reduction actions that will increase revenues and/or decrease expenditures by, $20.4 million in 2010, $27.9 million in 2011,

Exhibit 6-15: **Pace ADA Paratransit Service System-Generated Revenue** (dollars in millions)

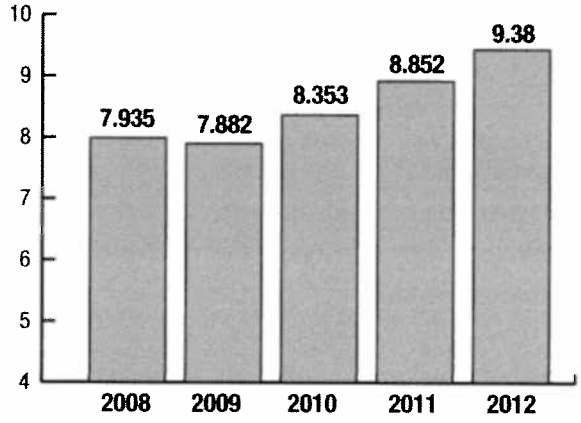
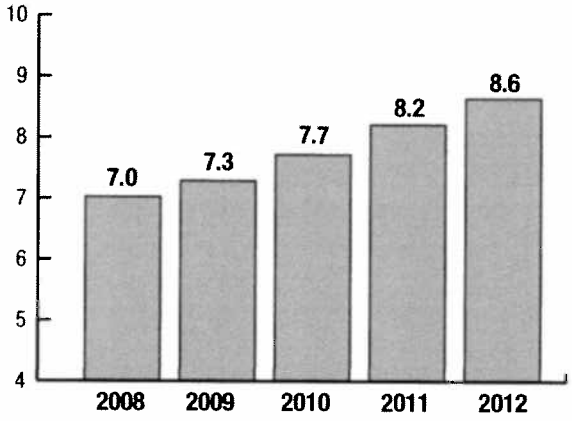


Exhibit 6-16: **Pace ADA Paratransit Farebox Revenue** (dollars in millions)

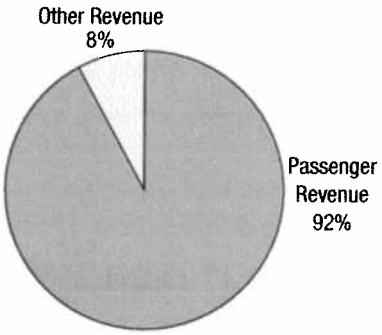


and $35.9 million in 2012. In addition, other budgeting balancing activities totaling $8.5 million are necessary to meet the 2012 funding mark.

System-Generated Revenue

In 2008, regional ADA paratransit revenue of $7.9 million comprised passenger revenue of $7.0 million and reimbursements from the RTA for transporting paratransit applicants to assessment sites of $0.9 million (Exhibit 6-15 and Exhibit 6-16). In 2009, Pace expects total regional ADA paratransit revenue to decrease slightly. Pace projects that passenger revenue will account for 88.2 percent and 92.1 percent of system generated revenue in 2008 and 2009 respectively. From 2010 to 2012, Pace estimates that passenger revenue will remain at 92.1 percent of total revenues (Exhibit 6-17). Pace projects that total ADA paratransit system-generated revenue of $8.4 million in 2010, $8.9 million in 2011, and $9.4 million in 2012. This $1.5 million increase represents a compound annual growth rate of 6.0 percent from 2009 to 2012. These revenue figures do not incorporate required deficit reduction actions in 2008. Pace's regional ADA paratransit structure revisions are presented at the end of this section (Exhibit 6-20). No fare increases were assumed in Pace's revenue or ridership projections.

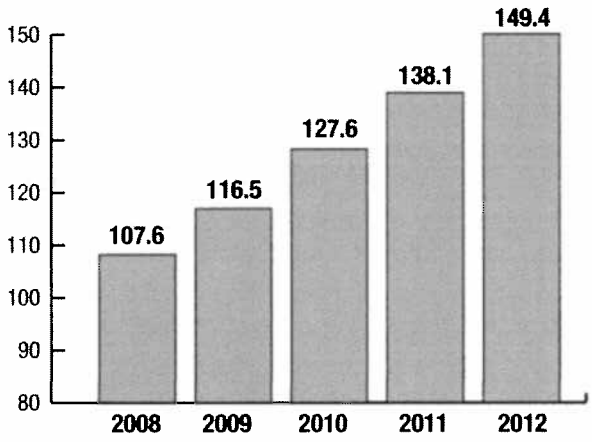
Exhibit 6-17: **2010 Pace ADA Paratransit Revenue**–$8.4 million



Operating Expenditures

In 2008, regional ADA paratransit service operating expenditures totaled $107.6 million. In 2009, Pace expects total regional ADA paratransit operating expenditures to reach $116.5 million. Pace projects total operating expenditures of $127.6 million in 2010, $138.1 million in 2011, and $149.4 million in 2012. This $41.8 million increase in operating expenditures represents a compound annual growth rate of 8.5 percent from 2008 to 2012. Growth in purchased transportation costs is the primary factor behind these increases in operating expenditures, which account for more than 90 percent of total expenses (Exhibit 6-18).

Exhibit 6-18: **Pace Total Operating Expenditures**
(dollars in millions)



Expenditure Elements

Operating expenditure elements include labor/fringe benefits, health insurance, administrative expense, fuel, liability insurance, RTA certification, purchased transportation, and regional ADA support allocation (Exhibit 6-14). Figures for individual expenditure elements do not incorporate required deficit reduction actions in 2008.

Labor/Fringe Benefits and Health Insurance Costs

Labor/fringe benefits and health insurance expenditures are expected to account for 2.2 percent of regional ADA paratransit service operating expenditures in 2010. Labor/fringe benefits and health insurance expenditures are projected to grow from $2.4 million in 2008 to $3.1 million in 2012, corresponding to a 6.5 percent compound annual growth rate.

Administration

Administration expenditures are projected to account for 1.6 percent of regional ADA paratransit service operating expenditures in 2010. Pace leases its operations center for ADA paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. Administrative expenditures are projected to grow from $2.0 million in 2010 to $2.1 million in 2012 at a 2.4 percent compound annual growth rate.

Fuel

Pace purchases fuel for the private operators who provide ADA paratransit service using Pace-owned vehicles in Pace's suburban service area. The price of a gallon of gasoline will decline from 2008 to 2009 but Pace expects it will slowly climb thereafter. Fuel expenditures are projected to account for 1.3 percent of regional ADA paratransit service operating expenditures in 2010. Fuel expenditures of $1.3 million in 2009 are projected to decrease $0.7 million from 2008 expenditures of $2.0 million. This represents a decrease of 35.2 percent from 2008. Fuel expenditures are expected to reach $1.9 million in 2012. This $0.6 million increase in fuel expenditures represents a compound annual growth rate of 12.6 percent from 2009 to 2012.

Liability Insurance

Liability insurance expenditures are projected to account for 0.3 percent of regional ADA paratransit service operating expenditures in 2010. Liability insurance expenditures are projected to remain near $0.4 million from 2010 to 2012.

RTA Certification

RTA certification expenditures comprise the cost of transporting applicants for ADA certification to and from assessment centers. These expenditures are projected to account for 0.5 percent of regional ADA paratransit service operating expenditures in 2010. RTA certification expenditures are projected to remain near $0.7 million from 2010 to 2012.

Purchased Transportation

Purchased transportation expenditures are projected to account for 91.0 percent of regional ADA paratransit service operating expenditures in 2010. These expenditures are projected to increase from $116.1 million in 2010 to $137.0 million in 2012, a $20.9 million increase that corresponds to an 8.6 percent compound annual growth rate. Pace assumes that demand for suburban ADA paratransit service will increase 5.9 percent in both 2011 and 2012, while demand for CTA service area ADA paratransit service will increase 6.0 percent in both 2011 and 2012.

Regional ADA Support Allocation

In 2008, Pace charged $3.6 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.7 million in 2009. Pace projects that this amount will increase from $3.9 million in 2010 to $4.2 million in 2012. This $0.3 million increase corresponds to a 4.0 percent compound annual growth rate.

Deficit and Funding

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2008, Illinois Public Act 95-0708 allocated to the funding of ADA paratransit service $100 million of the revenue from the increase in the RTA sales tax rate and the increase in the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). According to the legislation, this amount will vary in future years in proportion to annual RTA sales tax collections, and funding not required for the current year deficit will be applied to regional ADA paratransit operating deficits in future years. In 2008, nearly all of the $100.0 million allocated for ADA paratransit funded the 2008 regional ADA paratransit service deficit. In 2009, only $89.0 million is allocated to ADA paratransit because of the decline in sales tax revenues. In addition, $4.0 million of ICE funds, $9.0 million of capital funds, and $4.1 million of working cash borrowing will be used to fund ADA paratransit in 2009. Based on the projections of sales tax collections in 2010, 2011, and 2012, the ADA paratransit allocations are $90.3 million, $92.9 million, and $95.6 million, respectively. In 2010 and 2011, additional state funds of $8.5 million per year have also been allocated for ADA public transit.

RTA paratransit funding is projected to decrease from $107.5 million in 2010 to $95.6 million in 2012, a decrease of $11.9 million corresponding to a compound annual decline of 5.7 percent. In 2010 and 2011, the funding level is projected to match the corresponding operating deficit following deficit reduction actions in the amount of $20.4 and $27.9 million, respectively. In 2012, a deficit reduction actions beyond the $35.9 million currently estimated will be required of the operating deficit..

Recovery Ratio

The recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The RTA Act requires that regional ADA paratransit service meet a recovery ratio of 10 percent. In 2009 and 2010, Pace's projected recovery ratio for regional ADA paratransit service is 10 percent. These recovery ratios are reached by exempting from the recovery ratio calculation a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

Exhibit 6-19: **Pace Regional ADA Paratransit Service 2009 Budget vs. 2009 Estimate** (dollars in thousands)

	Amended 2009 Budget (1)	2009 Estimate	Variance
System Generated Revenue			
Passenger Revenue	$ 7,258	$ 7,258	-
Other Revenue	624	624	-
Total Revenue	**$ 7,882**	**$ 7,882**	-
Operating Expenditures			
Labor/Fringe Benefits	$ 2,382	$ 2,382	-
Health Insurance	295	295	-
Fuel	1,298	1,298	-
Insurance	366	355	11
Purchased Transportation	106,279	105,933	346
Regional ADA Support Allocation	3,559	3,688	(129)
Other	2,329	2,557	(228)
Total Expenditures	**$116,508**	**$ 116,508**	-
Deficit Reduction Actions (1)	(2,658)	(2,658)	-
Operating Deficit	***$ 105,968***	***$ 105,968***	-
Deficit Funding			
Sales Tax II and PTF II	$ 88,968	$ 88,968	-
RTA ICE Funds (2)	$ 3,897	$ 3,897	-
Use of Capital Funds for Operations (3)	9,000	9,000	-
Working Cash Borrowing (4)	4,103	4,103	-
Total Deficit Funding	**$ 105,968**	**$ 105,968**	-
Funding Surplus/Deficit	-	-	-
Recovery Ratio (5)	***10.0%***	***10.0%***	-

(1) The amended 2009 budget reflects actions to be taken by Pace to increase system generated revenues and reduce expenses which includes adjusting service and/or fares, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues.

(2) This figure represents the funding described in Paragraph 8 of Ordinance 2009-67 which authorizes that the balance of ICE funds, less $5 million previously allocated to the CTA, be transferred in full to fund ADA paratransit operations.

(3) This figure represents the funding described in paragraph 6 of ordinance 2009-67, which allows Pace to waive the requirement of ordinance 2007-48 and authorizes Pace to use up to $9 million from 2010 federal capital funds to fund 2009 ADA paratransit service operations.

(4) This figure represents the funding described in paragraph 9 of ordinance 2009-67 which authorizes the issuance of working cash notes up to a maximum aggregate of $4.103 million

(5) On August 26, 2008, The governor signed Senate Bill 1920 that allows the RTA Board to exempt from the farebox recovery ratio formula a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

Exhibit 6-20: **Fare Structure**

	2009 Fare	New Fare (1)
CTA Service Area		
ADA Paratransit	$2.25	$3.00
Taxi Access Program and Mobility Direct	$5.00	$5.00
Pace Service Area		
Regular Route analog	$3.00	$3.00
Local Route analog	$2.50	$3.00

(1) Effective November 15, 2009, Pace raised the ADA paratransit fare to $3.00

2009 Budget Versus 2009 Estimate

Pace projects 2009 regional ADA paratransit service operating revenue will be on par with the budget. Other revenue and passenger revenue are estimated to match the budget (Exhibit 6-19).

Total expenditures for 2009 are expected to be on par with the budget. Expenditures for purchased transportation are expected to be favorable to budget by $0.3 million (0.3 percent). The regional ADA support allocation and other expenditures are expected to be unfavorable to budget by $0.1 million (3.6 percent) and $0.2 million (9.7 percent) respectively. Labor/fringe benefits, health insurance, fuel, and liability insurance will also closely match budget

Total funding for 2009 is expected to be on par with the budget. Funding from RTA sales tax II and PTF II, RTA ICE funds, capital funds for operations, and working cash borrowing are expected to match budget.

Statutory Compliance

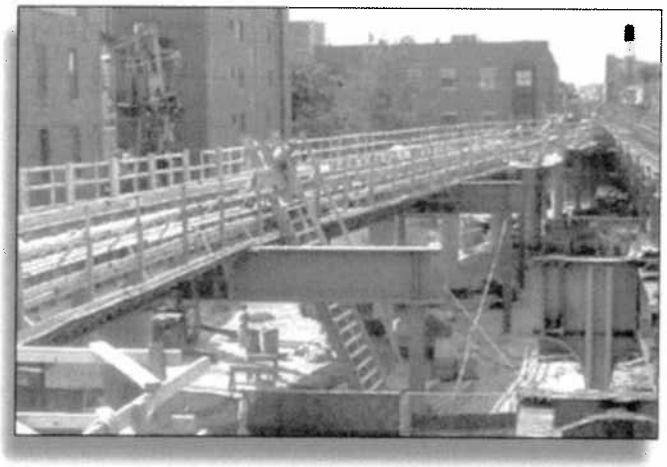
Pace's 2010 budget and plans in 2011 and 2012 meet the regional ADA paratransit operating funding marks set by the RTA Board on September 15, 2009 through budget balancing actions which may include, but are not limited to, adjusting service and/or fares, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2010 funds from the ICE Fund that may be allocated pursuant to paragraph 7 of RTA Ordinance 2009-74. These marks set the total funding levels at $107.5 million in 2010, $101.4 million in 2011 and $95.6 million in 2012. Pace's projected recovery ratio of 10.0 percent in 2010 complies with the recovery ratio marks set by the RTA Board on September 15, 2009.

Exhibit 6-21: **Pace Suburban Service Goals and Performance Measures**

		2008 Actual	2009 Projected	2010 Goal
Safety				
Goal: Provide Safe Public Transportation Services				
Measure(s):	Performance Standard			
Accidents per 100,000 Revenue Miles	Less than 5	5.68	4.63	4.63
Reliability				
Goal: Provide Reliable Public Transportation Services				
Measure(s):	Performance Standard			
On-Time Performance	Greater than 85%	68.45%	71.31%	74.00%
Actual Vehicle Miles per Road Call	Greater than 14,000	10,987	15,266	15,266
Percent Missed Trips per Total Trip Miles	Less than .3%	0.25%	0.13%	0.13%
Courtesy				
Goal: Provide Courteous Public Transportation Services				
Measure(s):	Performance Standard			
Complaints per 100,000 Passenger Miles	Less than 4	2.81	3.19	2.75
Website Hits on Web Watch Site (000's)	Increase over prior period	10,459	13,497	14,172
Efficiency				
Goal: Provide Efficient Public Transportation Services				
Measure(s):	Performance Standard			
Revenue Miles per Revenue Hour	Greater than 17	16.59	16.70	16.90
Revenue Miles per Total Operator Pay Hours	Greater than 10*	10.11	10.25	10.48
Passenger Trips per Operator Pay Hour	Greater than 2.6*	2.62	2.67	2.67
Expense per Revenue Mile	Less than $6.50*	$ 5.87	$ 6.08	$ 6.08
Expense per Revenue Hour	Less than $105.00*	$ 97.30	$101.22	$101.71
Recovery Ratio	Greater than 18%	22.0%	23.8%	23.8%
Subsidy per Passenger	Less than $4.00	$ 2.59	$ 3.27	$ 3.27
Effectiveness				
Goal: Provide Effective Public Transportation Services				
Measure(s):	Performance Standard			
Ridership	Increase from prior period	3.4%	-11.7%	2.6%
Vanpool Units in Service	Increase from prior period	647	692	742
Passenger Miles per Revenue Miles	Greater than 10*	11.53	10.33	10.33
Productivity (Passengers per Revenue Hour)	Greater than 25*	29.35	25.1	25.5
Ridership per Revenue Mile	Greater than 1.5*	1.7	1.5	1.5

Below performance standard Within 10% of performance standard Meets/exceeds performance standard

7 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 emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's $36.4 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. This translates into a need more than $1 billion per year just to maintain and preserve the existing system.

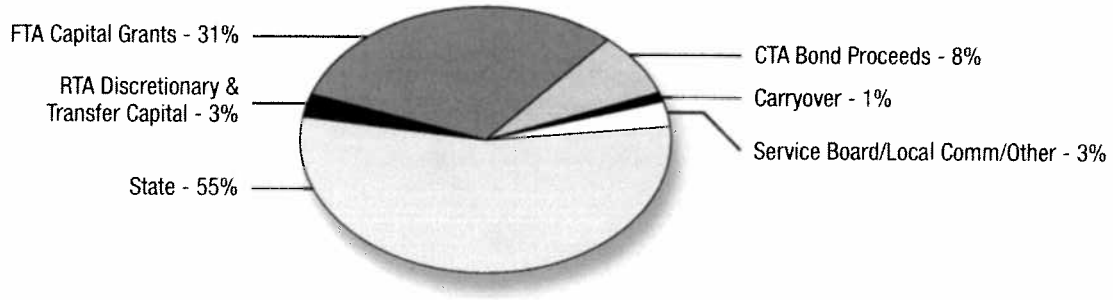
Source of Funds

On September 15, 2009, the RTA adopted preliminary capital funding marks for 2010-2014. Since then, the RTA received proposals for funds controlled by the Service Boards. The RTA adopted Ordinance 2009-92, amending the September marks and adopting the 2010-2014 Capital Program on December 17, 2009, to reflect updates of various federal and local funding sources based on the latest information from the Service Boards and the RTA. Exhibits 7-1 through 7-10 are based on the December ordinance. The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit

Exhibit 7-1: **RTA 2010-2014 Capital Program Marks** (dollars in millions)

Service Board Capital Funding	CTA	Metra	Pace	Pace ADA	Total
FTA Capital Grants	1,404	839	212	-	2,455
RTA Discretionary & Transfer Capital	143	-	-	-	143
State	1,443	1,101	167	36	2,747
Service Board/ Local Comm/ Other	34	50	6	-	90
Total New Service Board Capital Funding	**3,024**	**1,990**	**385**	**36**	**5,435**
De-obligations	-	-	-	-	-
Carryover	-	24	1	-	25
CTA Principal and Interest (Federal)	(537)	-	-	-	(537)
Preventive Maintenance (Federal)	(314)	-	(11)	-	(325)
CTA Bond Proceeds	405	-	-	-	405
Total Service Board Available	**2,578**	**2,014**	**375**	**36**	**5,003**

Exhibit 7-2: **RTA 2010-2014 Capital Program Marks** - $5,003 million



Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards. Of the estimated $5.0 billion of new and carryover funding for 2010-2014, State funds account for $2,747 million or 55%, federal funding accounts for $1,593 million or 31%, the CTA Bond proceeds account for $405 million or 8%, RTA funds account for $143 million or 3%, Service Board and other funds account for $90 million or 2% and carryover funds from 2009 account for $25 million or 1% (Exhibits 7-1 and 7-2).

The total estimated capital funds available for capital projects in 2010 are $1,121.8 million. This amount reflects a $137.8 million transfer of federal funds to operations for CTA and Pace preventive maintenance and the CTA's intention to issue additional bonds totaling $230 million. At this time, the final federal appropriation figures for 2010 have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding. Of the estimated $1,121.8 million of new and carryover funding sources for 2010, State funds account for $545.4 million or 49%, federal funding accounts for $247.8 million or 22%, the CTA Bond proceeds account for $230 million or 20%, RTA funds account for $51.4 million or 5%, Service Board and other funds account for $22.1 million or 2% and carryover funds from 2009 account for $25.1 million or 2% (Exhibits 7-3 and 7-4).

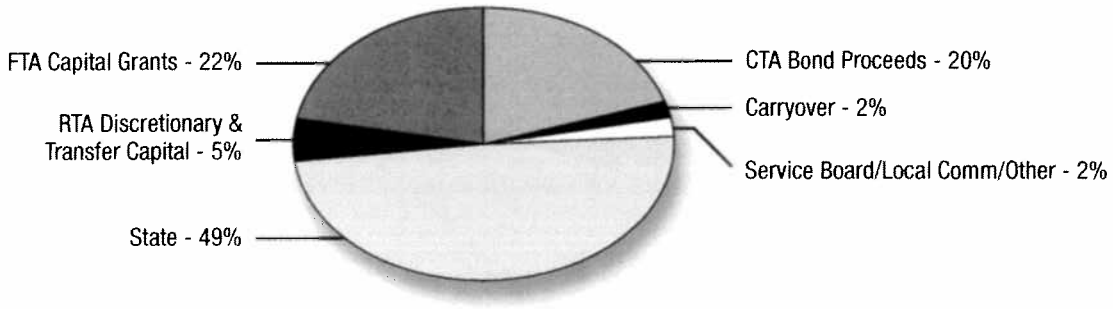
Despite the challenging economic times, critical progress was made in 2009 in meeting our capital investment needs. Both the State of Illinois and the federal government acted this spring and approved nearly $5.3 billion in transit capital investments over the next five years.

The State of Illinois actually approved two measures – a "jump start" capital plan in April and

Exhibit 7-3: **Capital Funding in 2010** (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Pace ADA	Total
FTA Capital Grants	270,405	165,540	39,740	-	475,685
RTA Discretionary & Transfer Capital	51,415	-	-	-	51,415
State	265,653	205,215	38,532	36,000	545,400
Service Board/ Local Comm/ Other	6,718	10,660	4,750	-	22,128
Total New Service Board Capital Funding	**594,191**	**381,415**	**83,022**	**36,000**	**1,094,628**
De-obligations	-	-	-	-	-
Carryover	-	23,760	1,320	-	25,080
CTA Principal and Interest (Federal)	(90,120)	-	-	-	(90,120)
Preventive Maintenance (Federal)	(126,462)	-	(11,300)	-	(137,762)
CTA Bond Proceeds	230,000	-	-	-	230,000
Total Service Board Available	**607,609**	**405,175**	**73,042**	**36,000**	**1,121,826**

Exhibit 7-4: **Capital Funding in 2010** - $1,121.8 million



a full Five-Year Capital Plan in May. Combined, these two programs provided the RTA system with $2.7 billion in capital funds. These funds will allow us to reduce our capital maintenance backlog that had developed over the last four years. With these funds we will also be able to replace aging trains, buses, track, stations and other infrastructure and improve the reliability of the system.

Federal stimulus dollars were also provided this year and helped to address some of our most pressing needs. Because these funds were intended to provide immediate positive effects for the economy, programs were quickly identified and funds were obligated as soon as possible.

Use of Funds

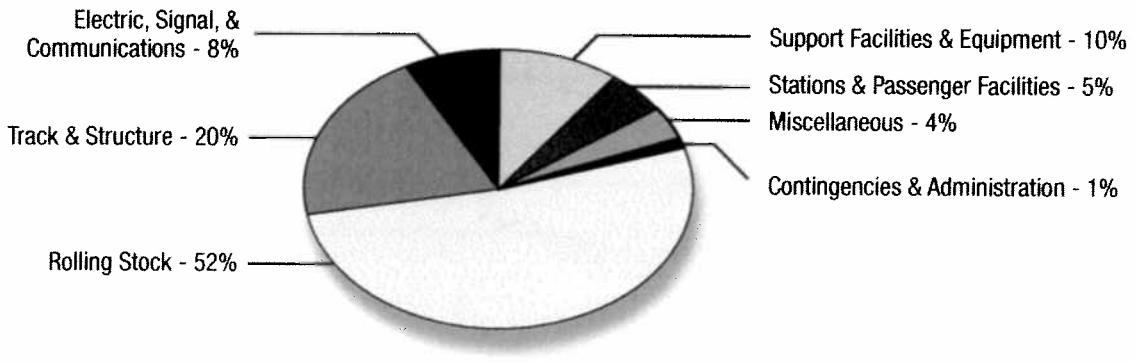
The primary emphasis of the 2010-2014 Capital Program is to continue efforts to bring the system's assets to a state of good repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionalities of equipment, facilities and rolling stock. In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system expansion. For the 2010-2014 Capital Program, 97% of the budget is allocated to capital projects that maintain the existing infrastructure. For the 2010 Capital Program, 95% of the budget is allocated to maintain the existing infrastructure. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

Investments in the capital program can also be broken down by various asset categories. Exhibits 7-5 and 7-6 show that $2.1 billion or 52% of the 2010-2014 Capital Program is spent on rolling stock and $804 million or 20% on track and structure 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.

Exhibit 7-5: **2010-2014 Capital Program Uses** (dollars in millions)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	1,301	618	187	2,106
Track & Structure	450	354	-	804
Electric, Signal, & Communications	132	201	5	338
Support Facilities & Equipment	101	212	81	394
Stations & Passenger Facilities	25	167	18	210
Miscellaneous	54	121	2	177
Acquisitions & Extensions	2	12	-	14
Contingencies & Administration	14	14	3	31
Totals	2,079	1,699	296	4,074

Exhibit 7-6: **2010-2014 Capital Program Uses** - $4,074 million



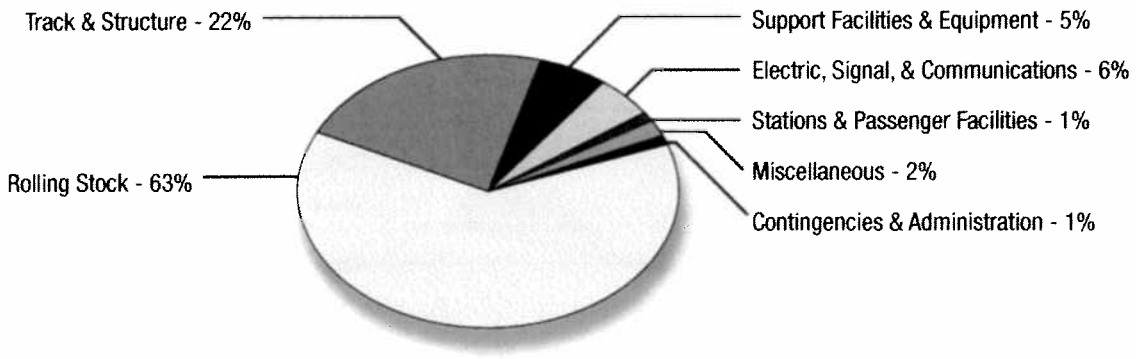
CTA Overview

The proposed projects in the CTA's portion of the 2010-2014 Capital Program total $2.1 billion. The CTA's portion of the Capital Program continues the rehabilitation and replacement of capital assets. The allocation of the total program to the major categories of capital improvements is as follows: 63% for rolling stock, 22% for track and structure, 6% for electric, signal and communications, 5% for support facilities and equipment, 1% for stations and passenger facilities and 3% for miscellaneous, contingencies and administration (Exhibit 7-7). The general categories of capital improvements comprising the CTA's portion of the Capital Program are illustrated in Exhibit 7-10.

Highlights of projects included in the CTA's proposed 2010-2014 Capital Program:

- $440.0 million for the repair of track and structure
- $465.3 million for the purchase of 406 rail cars
- $418.2 million for the rehabilitation and overhaul of rail cars
- $187.7 million for the purchase of buses
- $178.2 million for the rehabilitation and overhaul of buses
- $82.4 million for the improvement of facilities

Exhibit 7-7: **CTA Five-Year Assets by Category** - $2.1 billion



A comprehensive list of CTA Five-Year capital projects can be viewed at www.rtachicago.com

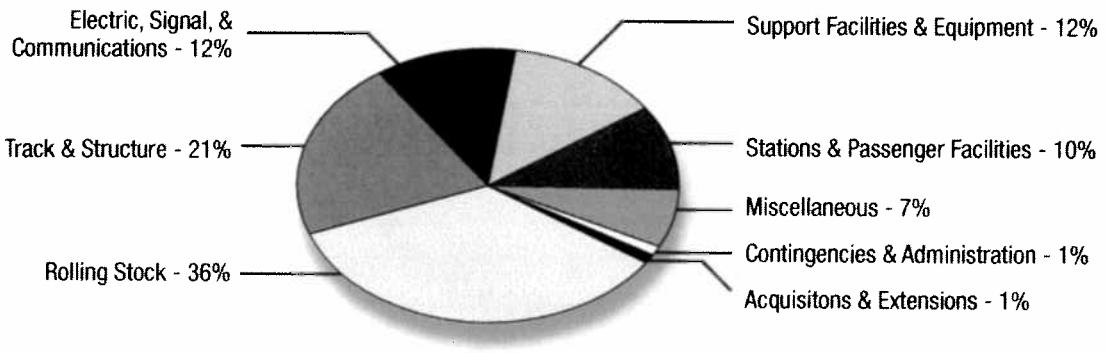
Metra Overview

Metra's portion of the proposed 2010-2014 Capital Program totals $1.7 billion. During this five-year period, Metra will continue to renew its extensive commuter rail infrastructure and replace aging rolling stock. The allocation of the total program to the major categories of capital improvements is as follows: 36% for rolling stock, 21% for track and structure, 12% for electric, signal, and communications, 12% for support facilities and equipment, 10% for stations and passenger facilities, 8% for miscellaneous, contingencies and administration and 1% for acquisitions and extensions (Exhibit 7-8). The general categories of capital improvements comprising the Metra's portion of the Capital Program are illustrated in Exhibit 7-10.

Highlights of projects included in Metra's proposed 2010-2014 Capital Program:

- $294.3 million to purchase 160 bi-level cars for the Metra Electric District
- $178.3 million for bridge rehabilitation and renewal
- $203.6 million for the rehabilitation of commuter rail cars
- $159.6 million for the construction and renewal of yards, shops and facilities
- $103.2 million for the rehabilitation and purchase of locomotives
- $150.3 million for station rehabilitation and improvement

Exhibit 7-8: **Metra Five-Year Assets by Category** - $1.7 billion



A comprehensive list of Metra Five-Year capital projects can be viewed at www.rtachicago.com

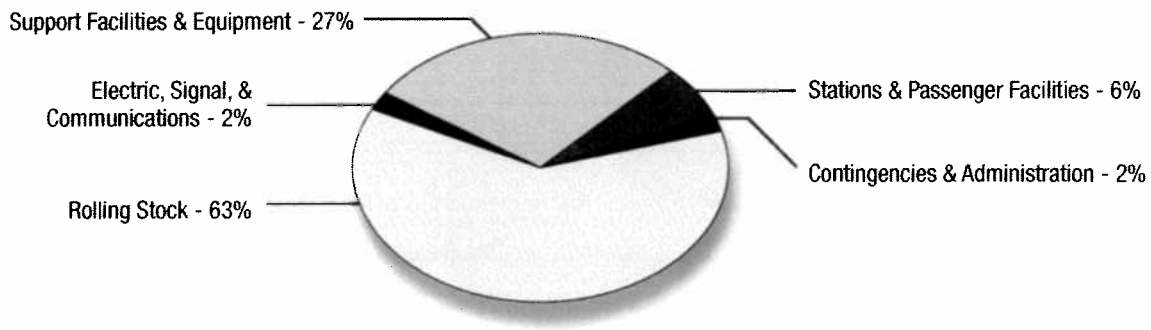
Pace Overview

Pace's portion of the proposed 2010-2014 Capital Program totals $296 million. A majority of the funding is provided for the replacement and expansion of rolling stock. The allocation of the total program to the major categories of capital improvements is as follows: 63% for rolling stock, 2% for electric, signal and communications, 27% for support facilities and equipment, 6% for stations and passenger facilities and 2% for miscellaneous, contingencies and administration (Exhibit 7-9). The general categories of capital improvements comprising the Pace's portion of the Capital Program are illustrated in Exhibit 7-10.

Highlights of projects included in Pace's proposed 2010-2014 Capital Program:

- $104.1 million for the purchase of 262 fixed route buses
- $31.2 million for the purchase of vans and community vehicles
- $26.4 million for the purchase of 310 paratransit vehicles
- $4.9 million for the purchase of a replacement farebox system
- $4.0 million for the purchase of a replacement of fixed route radio system
- $14.6 million for the construction and reconstruction of passenger and transfer facilities
- $12.9 million for the purchase of computer hardware and software
- $59.5 million for the construction, improvement and renovation of garages and facilities

Exhibit 7-9: **Pace Five-Year Assets by Category** - $296 million



A comprehensive list of Pace Five-Year capital projects can be viewed at www.rtachicago.com

Exhibit 7-10: **CTA 2010 and Five-Year (2010-2014) Capital Program** (dollars in millions)

Service Board	2010	5 Year Total
Bus		
Rolling Stock		
Bus Overhaul Activities – Systemwide	9	30
Mid-Life Bus Overhaul – Systemwide	15	178
Purchase Minimum of 1,050 Replacement Buses	8	196
Purchase Minimum of 150 Hybrid Articulated Buses - Partial $	14	14
Total Bus Rolling Stock	**46**	**418**
Rail		
Rolling Stock		
Rail Car Overhaul/Mid-Life Rehab - 2600/3200 Series - Partial $	83	383
Rail Car Overhaul Activities – Systemwide	11	35
Replace Minimum of 406 Rail Cars - 2200 and 2400 Series - Partial $	237	465
Total Rolling Stock	**331**	**883**
Track & Structure		
Repair Track and Structure Defects – Systemwide	10	31
Repair Track and Structure – Systemwide	55	409
Rehabilitate North Mainline – Red Line	10	10
Total Track and Structure	**75**	**450**
Electrical, Signal, & Communications		
Replace/Upgrade Power Distribution and Signals – Systemwide Total	**49**	**99**
Stations & Passenger Facilities		
Rehabilitate Rail Stations – Systemwide Total	**5**	**25**
Acquisitions & Extensions		
New Starts Alternatives Analysis and Engineering – Circle Line	2	2
Expand CTA Ravenswood Line/ Design/Land - Partial $ – Brown Line	-	1
Total Acquisitions & Extensions	2	3
Total Rail	**462**	**1,460**
System		
Electrical, Signal, & Communications		
Implement Security & Communication Projects – Systemwide Total	**7**	**33**
Support Facilities & Equipment		
Implement Computer Systems – Systemwide	9	13
Improve Facilities – Systemwide	17	82
Provide for Headquarter Lease	6	6
Total Support Facilities & Equipment	**32**	**101**
Miscellaneous, Contingencies & Administration		
Program Management – Systemwide	7	33
Implement CMAQ Projects	4	20
Contingencies	14	14
Total Miscellaneous, Contingencies & Administration	**25**	**67**
Total System	**64**	**201**
Total CTA	**572**	**2,079**

Exhibit 7-10: **Metra 2010 and Five-Year (2010-2014) Capital Program** (dollars in millions)

Service Board	2010	5 Year Total
Rail		
Rolling Stock		
Locomotive Improvements	1	63
Rehabilitate Bi-level Commuter Cars	22	200
Rehabilitate and Improve MU Electric Cars	1	4
Overhaul Rolling Stock Fleet Components	3	15
Replace Rolling Stock Maintenance Tracking System	2	2
Purchase up to 10 Diesel Locomotives	30	40
Purchase Minimum 160 Accessible Bi-Level Electric MU Cars -Partial $	74	294
Total Rolling Stock	**133**	**618**
Track & Structure		
Ties, Ballast & Track Surfacing – BNSF, MWD, RID, UPR, MET	12	72
Upgrade Crossings (Road and Track) – MWD, MET	3	15
Provide for Rail Renewal – BNSF, MED, MWD, NCS, RID, SWS, UPR, MET	6	37
Rehabilitate or Replace Bridges - BNSF, MED, MWD, RID, SWS, UPR, MET	54	178
Engineering and Construction for "CREATE" project	-	15
Rehabilitate Retaining Walls – BNSF, MWD, RID, UPR, MET	10	20
Provide for Structural Improvements – BNSF, MWD, RID, UPR, MET	5	17
Total Track and Structure	**90**	**354**
Electrical, Signal, & Communications		
Upgrade Signal System – BNSF, MED, MWD, SWS, UPR, MET	23	36
Upgrade Interlockers and Crossovers – MWD, RID, UPR, MET	12	38
Improve Electrical Systems – MED, MET	3	42
Provide for Communication Equipment	1	11
Install Positive Train Control (PTC) System	4	74
Total Electrical, Signal, & Communications	**43**	**201**
Support Facilities & Equipment		
Improve Yards/Shops/Facilities - BNSF, MED, MWD, NCS, RID, UPR, MET	21	160
Upgrade Buildings – MED, MET	3	10
Purchase Equipment and Vehicles	7	33
Upgrade Revenue Accounting System	4	10
Total Support Facilities & Equipment	**35**	**213**
Stations & Passenger Facilities		
Rehabilitate and Improve Stations – BNSF, MED, MWD, RID, UPR, MET	30	150
Expand Commuter Parking	4	17
Total Stations & Passenger Facilities	**34**	**167**
Miscellaneous, Acquisitions & Extensions, Contingencies & Administration		
Material Handling	2	9
Improve Metra System Security	5	25
Program Support Engineering	21	87
Engineering and Construction for New Start Projects - STAR, SES, UPW & UPNW	12	12
Provide for Project Administration & Contingencies	4	13
Total Miscellaneous, Acquisitions & Extensions, Contingencies & Administration	44	146
Total Metra	**379**	**1,699**

Exhibit 7-10: **Pace 2010 and Five-Year (2010-2014) Capital Program** (dollars in millions)

Service Board	2010	5 Year Total
Bus		
Rolling Stock		
Purchase Minimum of 260 Fixed Route Accessible Buses	8	104
Purchase Minimum of 310 Paratransit Vehicles	-	26
Purchase Minimum of 28 Community Vehicles	-	3
Purchase Minimum of 637 Vanpool Vans	1	29
Bus Overhaul	2	10
Associated Capital Items – Systemwide	3	7
Diesel Engine Retrofit	8	8
Total Rolling Stock	**22**	**187**
Electrical, Signal, & Communications		
Purchase Replacement Radio System - Systemwide	-	4
Replace Intelligent Bus System (IBS)/Mobile Data Terminals (MDT)	-	1
Total Electrical, Signal, & Communications	**-**	**5**
Support Facilities & Equipment		
Purchase Replacement Farebox System	-	5
Purchase Maintenance/ Support Equipment and Vehicles	1	4
Purchase Computer Hardware and Software Systems	3	12
Purchase Office Equipment	-	1
Construct/Improve/Renovate Garages & Facilities	25	59
Total Support Facilities & Equipment	**29**	**81**
Stations & Passenger Facilities		
Design/Construct Transportation Center – DuPage County	-	3
Information Signage/Harvey Transportation Center; Infrastructure - Milwaukee Ave.	1	1
Provide for Transit Infrastructure – Randall Road	1	1
Construct - Park-N-Ride at Plainfield; Transit Center at Toyota Park	1	3
Reconstruct Passenger Facilities – Systemwide	-	4
Construct Passenger and Transfer Facilities – Systemwide	-	4
Install Shelters/Signs/Passenger Amenities – Systemwide	-	2
Total Stations & Passenger Facilities	**3**	**18**
Miscellaneous, Acquisitions & Extensions, Contingencies & Administration		
Unanticipated Capital & Alternative Analysis - J Route BRT	1	2
Provide for Project Administration	-	3
Total Miscellaneous, Acquisitions & Extensions, Contingencies & Administration	1	5
Total Pace	**55**	**296**
TOTAL CAPITAL PROGRAM (CTA, METRA, PACE)	**1,006**	**4,074**

Capital Impact on Operations

As part of its oversight function, the RTA is charged with providing conditional assessments of the Service Board's capital projects and plans. Pursuant to Ordinance 2009-92 the RTA, after consultation with the Service Boards must annually prepare and adopt a Five-Year Capital Program that includes each capital improvement undertaken by or on behalf of a Service Board. As funding sources change, the RTA adopts amended marks and the Service Boards adjust their programs to stay within the marks. On March 18, 2010, the RTA amended its marks to (ordinance 2010-23) approving a financing plan providing for the issuance of bonds with proceeds in the amount of $550 million in 2010. The 10-year Plan Analysis that follow (Exhibits 7-11 and 7-12) include the bond proceeds.

The estimated value of transit capital assets in Northeastern Illinois is $36.4 billion. With an average useful life of 25 years, approximately $1.4 billion in constant dollars should be spent annually just to maintain the system in a state of good repair. In addition to the Five Year Plan, PA. 95-0708 established the need for the development of a Ten Year Capital Plan.

In the 2010-2019 period, the total cost of maintaining the region's system at its current state would be $17.9 billion. Currently, $9.1 billion in capital program funds is estimated to be available for the 2010-2019 Ten Year Plan. Of this $9.1 billion, $1.0 billion has already been committed to debt service for bonds issued by the CTA, and $325.0 million is programmed to be transferred out for operating expenses in 2010-2012. The current Ten Year capital program leaves approximately $7.8 billion in funds available for the 2010-2019 period, or 43.6 percent of the total need.

Capital Funds Available for Ten Year Plan

As Exhibit 7-11 indicates there are four sources of funding that are dedicated to capital program expenditures in the region: Federal, State, Local and RTA. In the RTA's Ten Year plan $475.7 million dollars in Federal Capital Grants are expected to be made available to the RTA in 2010. By 2010 Federal Capital Grants are planned to increase to $630.1 million a compound annual growth rate of 3.4 percent, reflecting long term historic trends. State funding includes the $2.7 billion bond program appropriated in 2009 and allocated through 2014. RTA funds include discretionary spending and bonds issued by the RTA. Local funds consist of $550 million of Service Board borrowing, $10 million that Metra allocates to Capital Programs from farebox revenues annually, and additional funds provided by the Service Boards. In 2010 due to the $550 million borrowed by the CTA, the region would be able to meet its annual replacement need with an available funds for Capital Programs

Exhibit 7-11: **Capital Program Funds Available** (in millions)

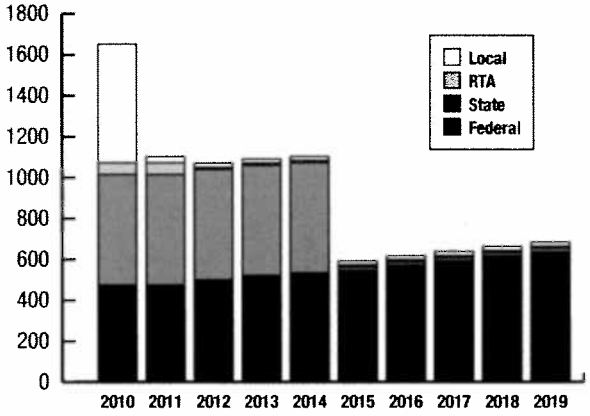


Exhibit 7-12: **Funds vs. Needs** (in millions)

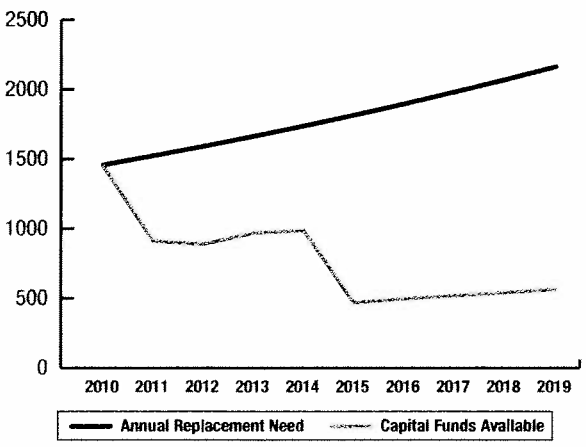
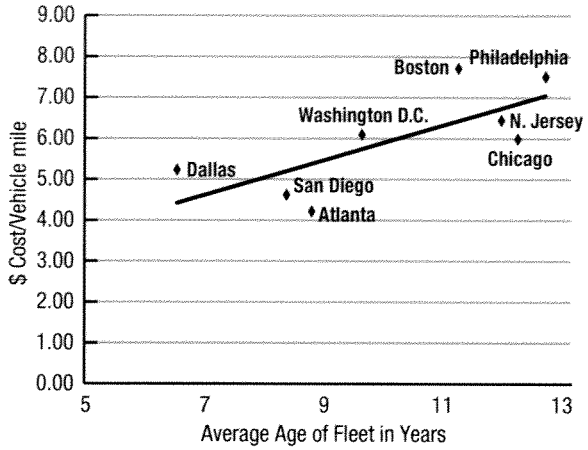


Exhibit 7-13: **Capital Program Funds Available**



of $1,451.6 million. In 2019, the planned balance available for the Capital Programs decreases to $560.9 million or 38.6 percent of 2010 funding. With limited State, RTA and Local funding projected for 2015, approximately 93 percent of all funding for Capital Projects will then come from the federal government.

As Figure 7-12 shows, in 2010 the RTA just meets its annual replacement need. In 2011, with the absence of locally generated borrowing, the Region can only meet about 59.6 percent of its annual replacement need, falling short of fully meeting this need by $615.3 million. In 2012 the unfunded annual replacement need decreases to 55.7 percent with an unmet capital need of $705.5 million. When State funding is no longer projected in 2015, the situation becomes critical, as the amount of funding available would only meet 25.6 percent of the regions annual replacement need.

Lack of funding for capital improvements is further exacerbated by two factors: Capital transfers to the operating budget and increased operating costs associated with an aging vehicle fleet.

In recent years increasing amounts of capital funds have been diverted to operating budgets. In the past ten years $619.5 million has been diverted from capital funding to the operating budget. An additional $325 million has been budgeted for the 2010-2012 period. Allowing additional transfers of scarce resources will only intensify the capital shortfalls. As the region continues to transfer funds from its capital programs budget to its operating budget, it further delays needed replacement expenditures. Delaying replacement, results in increased operating expenditures.

A comparative analysis of peer groups indicates that as the average life of the fleet increases, cost/annual vehicle mile increases. By examining the average life of a fleet we can conclude that as the average life of a region's fleet increases by one year the operating and maintenance costs increase by 44 cents per vehicle mile (Exhibit 7-13). Conversely, if the average age of a fleet decreases, we can expect to see similar reductions in operating and maintenance costs per vehicle mile. Based on this estimation we have calculated the potential savings that could be realized by reducing the replacing aging buses and rail cars in the region.

Capital Impact on Maintenance Operations

By investing in capital and rolling stock the Service Boards reduce their operating expenditures. Evidence also indicates that as the fleet ages it becomes increasingly expensive to maintain. By meeting its annual replacement need, the region will continue to save money on operating expenditures. However, if the region continues to use capital funds for operating expenditures, and fails to address both vehicular and non-vehicular capital replacement needs, operating costs will continue to rise making it difficult to continue to provide service at its current level.

Impact of Capital Program on the 2010 Operating Budget (Based on the December Program)

CTA

The CTA's 2010 Capital Program proposes $572 million for its capital projects divided among

the following: Bus Rolling Stock $46 million; Rail Rolling Stock $331 million; Track & Structure for Rail $75 million; Electrical Signal & Communications for Rail $49 million; Station & Passenger Rehabilitations for Rail $5 million; Acquisitions and Extensions for Rail $2 million; System Electronic, Signal, & Communications $7 million; System Support Facilities & Equipment $32 million; and Total System Miscellaneous, Contingencies & Administration are $25 million (Exhibit 7-10). The CTA will spend approximately $21.9 million on bus replacements in 2010, reducing the average age of its bus fleet from 4.8 years to 4.5 years and saving an estimated $7.4 million in bus operating and maintenance costs. Additionally, the CTA will replace approximately, 140 Rail Cars in 2010 at a

Ballast, track, and signal upgrade at Metra's Milwaukee West line

Exhibit 7-14: **CTA Capital Impact on Operations** (includes only some of the major programs)

Bus Projects	
Replacement of Buses ($8.5 million)	· Improve service reliability · Increase customer satisfaction · Reduce maintenance and operating costs by approximately $2.8 million · Enhance safety
Rail Projects	
Replacement Rail Cars ($237.3 million)	· Increase fleet reliability (Rail cars to be replaced exceed the 25-year FTA standard life of a rapid transit car by at least 5 years.) · Reduce maintenance and operating costs by approximately $82.2 million
Rehabilitation of existing rail lines ($9.8 million)	· Raise travel speed by reducing slow zone restrictions · Enhance safety · Improve on-time performance · Increase customer satisfaction
System Wide Improvements	
Implement Security & Communication Projects ($6.5 million)	· Enhance safety and customer satisfaction · Improve Communications and efficiencies.

Exhibit 7-15: **Metra Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock	
Replace Bi Level Electric Commuter Rail Cars ($74.5 million)	· Maintain on-time performance · Reduce maintenance cost · Enhance safety · Increase customer satisfaction
Track and Structure	
Rehabilitation of Bridges ($3.4 million)	· Preserve uninterrupted service – higher on-time performance · Improve vertical clearances · Improve traffic flow and pedestrian safety
Electrical Signal & Communication	
Signal system upgrade ($22.7 million)	· Improve travel times resulting in higher on-time performance · Enhance safety
Stations and Passenger Facilities	
Rehabilitate/improve/construct stations ($4.5 million)	· Increase other revenue by providing more commercial and retail space
Expand commuter parking ($7.7 million)	· Increase ridership

total cost of $237.3 million in capital expenditures, reducing the average age of the fleet from 22.3 year to 19.6 years. Based on our calculation this could potentially save $82.2 million in operating and maintenance costs (Exhibit 7-14).

Metra

Metra's 2010 Capital Program proposes $379 million for its capital projects divided among the following: Rolling Stock $133 million; Track and Structure $90 million; Electrical, Signal & communications $43 million; Support Facilities and Equipment $35 million; Stations and Passenger Facilities $34 million; and Miscellaneous, Acquisitions & Extensions, Contingencies & Administration $44 million (Exhibit 7-10).

Pace

Pace's 2010 Capital Program proposes $55 million for its capital projects divided among the following: Rolling Stock $22 million; Support Facilities & Equipment $29 million; Stations & Passenger Facilities $3 million; and Miscellaneous, Acquisitions & Extensions, Contingencies & Administration $1 million (Exhibit 7-10). Pace spent $8.9 million to replace 22 fixed route buses saving an estimated $2.2 million in operating and maintenance costs in 2010 (Exhibit 7-16).

NABI bus - Pace Rapid Transit project

The RTA will continue to work more cooperatively with the service boards to identify the impact of capital expenditures on their operating expenditures to mitigate the effects of aging fleets and to meet the capital needs of public transit in Northeastern Illinois.

Exhibit 7-16: **Pace Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock Purchase of 22 fixed route accessible buses ($11.5 million)	· Reduce maintenance and Operating costs by $2.2 million · Improve travel time · Enhance safety · Lower fuel consumption
Diesel engine retrofit with improved mechanical components, software upgrades, and diesel multi-stage filters ($8.2 million) and Bus Overhaul Maintenance ($2.0 million)	· Reduce operating expenses · Lower maintenance costs · Reduce engine exhaust emissions
System Wide Improvements Replace Northwest Cook Garage ($13.7 million)	· Alleviate over crowding of buses in Des Plaine Garage.
South Holland Replacement Garage ($7.4 million)	· Savings in the operating Budget associated with lower building maintenance costs

8 Appendices

Exhibit 8-1: **2010 Business Plan Calendar (dates listed are in 2009)**

DATE	REQUIREMENTS
Jun	RTA and Service Boards meet to discuss Business Plan Call Part I and Part II requirement. (Part I requirements defined as the 2010-2012 Budget and Financial Plan, and Five-Year Capital Program, and Part II requirements defined as the 10-year business plan assessment of operations and capital investments from 2010 through 2019).
25-Jun	RTA Finance Committee and Board meet to discuss and consider the release of the Business Plan Call.
17-Jul	RTA staff provides economic indicators and preliminary public funding estimates to the Service Boards.
Aug	RTA holds Community and County outreach meetings to review legislative actions and collect suggestions for consideration in business plan development.
1 - 14-Aug	Service Boards submit initial Part I Business Plan documents to the RTA.
20-Aug	The RTA Executive Director reports to the RTA Board the adequacy of the Service Boards' Part I Business Plan submittals for its review and discussion at the August 20, 2009 RTA Board meeting.
Aug-Sep	The RTA Executive Director prepares the finance and ordinance information required to: (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, (3) set the preliminary capital program amounts for the upcoming five years.
15-Sep	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the preliminary capital program amounts for the upcoming five years.
Sep-Oct	RTA evaluates Service Boards' current year performance for consistency with the adopted budget and the Strategic Plan, and provides guidance to the Service Boards to use in preparing their Part I and Part II Business Plan Documents (defined below).
Sep-Oct	Based on RTA Board action, the Service Boards complete the following Part I and Part II Business Plan materials. Part I • Three-year environmental assessment, • Detailed annual operating budgets, • Two-year financial plans, • Preliminary five-year capital programs, and • Service Plans Part II • Ten-year environmental assessments, • Ten-year long-term financial view of operations, • Preliminary ten-year capital plans, and • Service Plans
Oct-Nov	Service Boards release proposed Part I Business Plan Documents to the RTA, the public, and present to the Counties in the region. Service Boards release Part II Business Plan Documents to the RTA. RTA Executive Director analyzes Service Board Business Plan Documents (Part I and Part II) and provides comments to Service Boards.
15-Oct	RTA Board Committees and the RTA Board review the RTA Agency Budget.
15-Nov	Service Boards adopt Business Plan Documents (Part I) and submit Part I and Part II documents the RTA no later than November 15.
19-Nov	RTA prepares consolidated Part I Business Plan Documents and the Chairman of the RTA Board and/or the Chairman of the RTA Board Finance Committee approve the release of such documents
Nov-Dec	RTA presents operating and capital program information to the Counties in the region.
1-Dec	RTA proposed consolidated Part I Business Plan Documents are made available for public inspection.
Dec	RTA holds public hearings in December on the proposed consolidated Part I Business Plan Documents.
17-Dec	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the capital program amounts for the upcoming five years. The RTA Executive Director reports to the RTA Board the adequacy of the Service Boards' Part II Business Plan submittals for its review and discussion at the December 17, 2009 RTA Board meeting.

Exhibit 8-2.1: **RTA August Community Meetings/Budget Hearings Schedule**

The RTA is sought public input regarding the 2010 budget and summarized the new transit legislation and RTA governance reforms. Input was invited on the strategic plan update of how transit projects will be assessed and prioritized as well as the status of capital investment needs to fund transit projects.

CHICAGO
Central - Monday, August 24th
9:00 am
University Center (Loop Room),
525 S. State St., Chicago

South - Monday, August 24th
6:00 pm
Carter G. Woodson Public Library (Auditorium),
9625 S. Halsted St., Chicago

Southwest - Tuesday, August 25th
6:00 pm
National Museum of Mexican Art (Main Room),
1852 W. 19th Street, Chicago

West-Tuesday, September 1st
6:00 pm
Malcolm X College (2nd floor - room 2418),
1900 W. Van Buren St., Chicago

North - Wednesday, September 2nd
6:00 pm
Truman College (Student Café),
1145 W. Wilson Ave., Chicago

SUBURBAN COOK COUNTY
West - Thursday, August 27th
6:00 pm
Hillside Village Hall (Board/Court Room),
425 Hillside Ave., Hillside

South - Monday, August 31st
6:00 pm
South Suburban Mayors & Managers (Room 1906),
1904 W. 174th St., East Hazel Crest

North - Tuesday, September 1st
6:00 pm
Pace Headquarters (Board Room),
550 W. Algonquin Rd., Arlington Heights

McHENRY COUNTY
Monday, August 24th
6:00 pm
Woodstock Admin. Bldg. (Conference Room A),
667 Ware Rd., Woodstock

KANE COUNTY
Tuesday, August 25th
6:00 pm
The Centre of Elgin (Heritage Ballroom),
100 Symphony Way, Elgin

WILL COUNTY
Wednesday, August 26th
6:00 pm
Joliet Historical Museum (Caterpillar Auditorium),
204 N. Ottawa St., Joliet

LAKE COUNTY
Thursday, August 27th
6:00 pm
University Ctr. of Lake County (2nd Fl - Room 212),
1200 University Center Dr., Grayslake
(Enter at Main Entrance off Washington St. at Lancer Lane)

DuPAGE COUNTY
Monday, August 31st
6:00 pm
DuPage Co. Building (Auditorium),
421 N. County Farm Rd., Wheaton

Meetings are open to the general public and are ADA accessible.

Exhibit 8-2.2: **RTA December Community Meetings/ Budget Hearings Schedule**

The Regional Transportation Authority (RTA) hosted its second round of public hearings from December 7-10 to discuss the proposed 2010 budget and provide an update on the Strategic Plan. Eight hearings were held throughout the transit system's six county region. RTA Board members offered opening remarks followed by the RTA senior staff who conducted presentations. Attendees had the opportunity to make public comments. Hearings were open to the general public and are ADA Accessible.

In addition to the hearings, the budget and Strategic Plan update was presented through webinars, posted on RTA websites and are available at certain libraries in addition to other methods to broaden access to the public. The RTA Board voted to approve the 2010 transit system budget at its December 17th meeting.

CHICAGO
Central - Monday, December 7th
6:00 pm
RTA Headquarters Bldg.
175 W. Jackson Blvd., Chicago,
Suite 2200

LAKE COUNTY
Monday, December 7th
6:00 pm
Waukegan Public Library,
128 N. County St., Waukegan,
Bradbury Room

COOK COUNTY
West - Tuesday, December 8th
6:00 pm
Cicero Public Library,
5225 W. Cermak Rd., Cicero,
Meeting Room

South - Tuesday, December 8th
6:00 pm
South Suburban Mayors and Managers,
904 W. 174th St., East Hazel Crest,
Room 1906

DUPAGE COUNTY
Wednesday, December 9
6:00 pm
Glen Ellyn Village Hall,
535 Duane St., Glen Ellyn,
Clayton North Room

MCHENRY COUNTY
Wednesday, December 9
6:00 pm
Crystal Lake City Hall,
100 W. Woodstock St., Crystal Lake,
Council Chambers

KANE COUNTY
Thursday, December 10
6:00 pm
Aurora Public Library,
1 E. Benton St., Aurora,
Large Meeting Room

WILL COUNTY
Thursday, December 10
6:00 pm
Joliet Historical Museum,
204 N. Ottawa St., Joliet,
Caterpillar Auditorium

Public Hearing 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 thirteen public hearings from August 24th through September 1st, eight from December 8th through December 10th. The hearings in August took place as follows: five in the City of Chicago (north, east, south, west and central), three in suburban Cook (north, south and west), and one each in Lake, Will, DuPage, Kane and McHenry counties. The hearings in December took place as follows: two in Suburban Cook County (South, and West), one in the City of Chicago, and one each in Lake, Will, DuPage, Kane and McHenry counties. The meetings were publicized in press releases issued to the media, paid half-page ads in newspapers across the region, e-mails and calls to Moving Beyond Congestion Partners for Transit, the RTA's InTransit newsletter, a special communication to elected officials, as well as through the Service Boards, at reduced fare presentations, and on MovingBeyondCongestion, RTA, all service boards and many Partners For Transit websites. The hearing schedules are detailed in Exhibit 8-2.

At these meetings, the RTA briefed the public on the proposed RTA 2010 Budget, provided an update on the Moving Beyond Congestion strategic plan, briefed the public on the new transit legislation, underscored the need for capital investment, provided an overview of the RTA Funding Program grant awards and responded to comments and questions. Presenters included Executive Director Steve Schlickman and RTA senior management who were joined by RTA board members at all the hearings as well as 19 staff volunteers.

The majority of comments on record called for more effective RTA oversight, requests for new services and an appreciation for Funding Programs awards. Strong opposition to fare increases was also expressed along with concerns about paratransit service. Court reporters were present to take testimony, and transcripts of this testimony are on file at the RTA.

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 transit vehicles, operations and facilities to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit.

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 Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. (Of the four types of fiduciary funds [Agency funds, pension (and other employee benefit] funds, investment trust funds, and private-purpose funds), the RTA uses only the first two.)

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 Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

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 estimated to be available for the next three years. 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.

Capital—Funds that finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car Mile or Vehicle Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

Circuit Breaker Program—The Illinois Department on Aging's Circuit Breaker program provides assistance to low-income senior citizens and persons with disabilities. Illinois residents with a qualifying disability who meet the income eligibility requirements of the Circuit Breaker program are eligible for free rides on regularly scheduled fixed-route public transit service.

CMAP (The Chicago Metropolitan Agency for Planning)—Formed in 2005, CMAP integrates planning for land use and transportation in northeastern Illinois. The new organization combined the region's two previously separate transportation and land-use planning organizations – Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) – into a single agency.

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.

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.

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.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "system-generated" revenue.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes that serve Metra stations.

Financial Plan—In addition to an annual budget, the RTA 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 Expenditures)—Pay or expenditures 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 that helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and 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 prove 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-time work schedule for one year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund. 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.

Funding Formula—A specific formula used to determine a subsidy level.

General Long Term Debt Account Group (GLTDAG)—This account group 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.

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.

General Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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 group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board.
For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

Innovation, Coordination and Enhancement (ICE) Fund—A new fund created to award grants to the Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements.

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.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (Intermodel 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.

Joint Self Insurance Fund (JSIF)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The service boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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 Expenditure—Expenditures for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

Metra—The Commuter Rail Division of the RTA responsible for all rail public transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

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 revenue and other financial resource increments (e.g., bond issue proceeds) is 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.

Moving Beyond Congestion—Jointly with the Chicago Transit Authority, Metra and Pace, the Regional Transportation Authority is leading a strategic planning effort to maintain, enhance and expand the northwestern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

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.

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 revenue and expenditures 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. On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including 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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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 expenditure 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 RTA. Generally refers to funding for operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the ADA paratransit Service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures as allowed by the RTA Act. 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 attain an annual recovery ratio of at least 50 percent for mainline service. For ADA paratransit service, the Act requires a 10% recovery ratio in 2008 and 12% thereafter.

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. Fifteen 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.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs

through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

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 the only Service Board that has generated by statute sales tax for capital in more than a decade.

SCIP (Strategic Capital Improvement Program) 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). 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.

State Financial Assistance (SFA)—Subject to appropriation by the State, this assistance reimburses the debt service expenses of the RTA's Strategic Capital Improvement Program (SCIP) bonds.

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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program (TAP)—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50 at a reduced price to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998, this legislation 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.

TOD (Transit-Oriented Development or Transit-Oriented Design)— Mixed use development of residential, office and retail uses within walking distance of a transit station or bus route.

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.

Supplemental Data

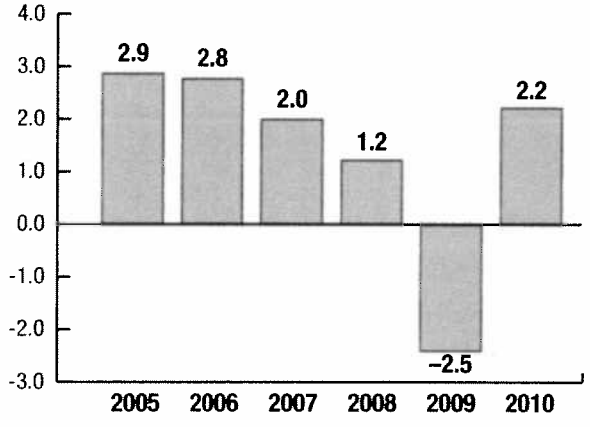
National Economic Projections

During the second half of 2009, the Gross Domestic Product (GDP) began to grow, but the unemployment rate continued to rise. The GDP is the value of the output of goods and services produced by labor and property located in the United States. Exhibit 8-3 highlights the annual real GDP growth from 2005 through 2010. GDP growth steadily declined from 2.9 percent in 2005 to 1.2 percent in 2008 before contracting 2.5 percent in 2009. The GDP is expected to grow 2.2 percent in 2010.

Exhibit 8-4 shows the U.S. annual unemployment rate from 2005 through 2010. The annual average unemployment rate declined from 5.1 percent in 2005 to 4.6 percent in 2006 and 2007, and then rebounded to 5.7 percent in 2008. The national unemployment rate is expected to climb to 9.3 percent in 2009 and climb to 10.1 percent in 2010.

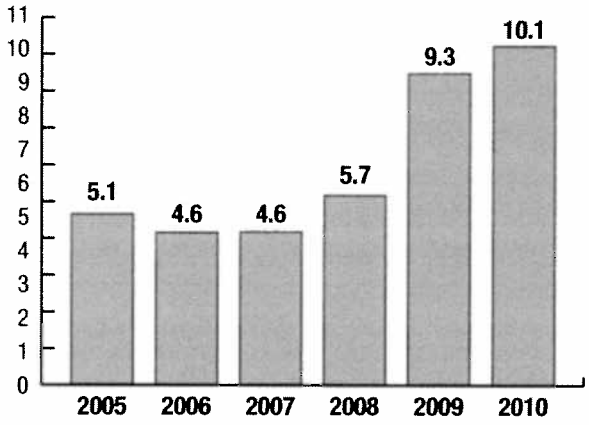
Exhibit 8-5 shows the annual growth of the U.S. Consumer Price Index (CPI) from 2005 through 2010. The CPI annual growth rate decreased from 3.4 percent in 2005 to 2.8 percent in 2007. CPI annual growth jumped to 4.1 percent in 2008. It is expected that the growth will drop to 1.7 percent in 2009 and 1.6 percent in 2010.

Exhibit 8-3: **U.S. Real Gross Domestic Product** (percent change)



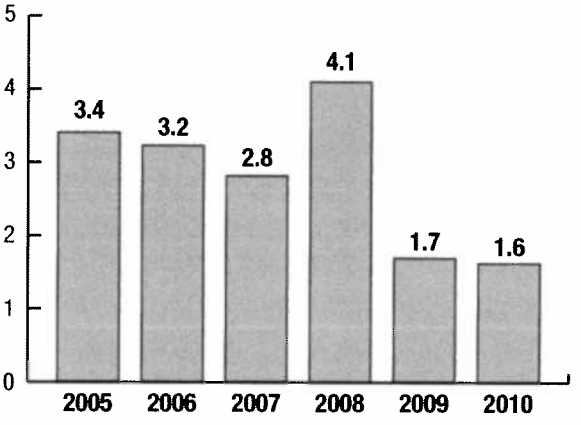
Source: US Department of Commerce, Congressional Budget Office

Exhibit 8-4: **U.S. Unemployment Rate** (in percent)



Source: US Department of Commerce, Congressional Budget Office

Exhibit 8-5: **U.S. Consumer Price Index Percent Change**



Source: US Department of Commerce, Congressional Budget Office

RTA Region

The following sections summarize 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

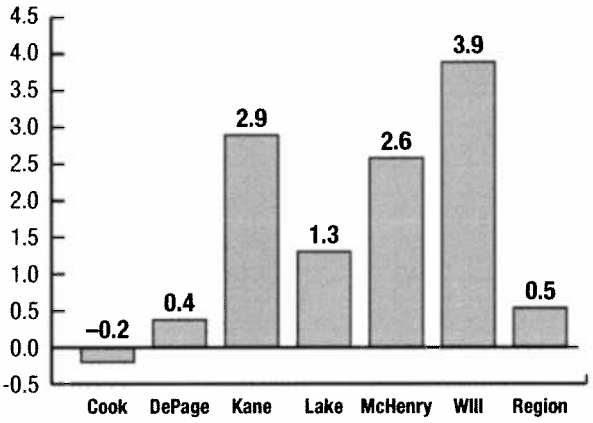
As shown in Exhibit 8-6, the population of the RTA region grew by 4.4 percent (from 8.1 million to 8.4 million) between 2000 and 2008. Population growth in the RTA region grew at a slower pace than the overall population of the United States, which increased by 7.9 percent during this period.

Exhibit 8-6: **Population Trend by County** (in thousands)

	1990	2000	2008	% Change
Cook	5,105	5,377	5,295	-1.5%
DuPage	782	904	931	2.9%
Kane	317	404	508	25.6%
Lake	516	644	712	10.6%
McHenry	183	260	319	22.5%
Will	357	502	681	35.6%
Total	**7,261**	**8,092**	**8,445**	**4.4%**

Source: United States Census Bureau

Exhibit 8-7: **RTA Region Population Annualized Growth Rates 2000-2008** (in percent)

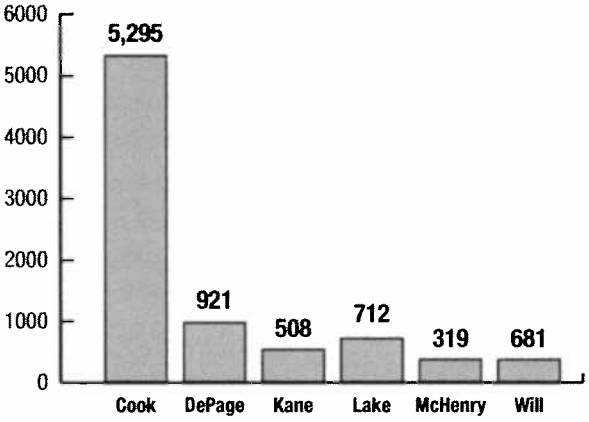


Source: United States Census Bureau

Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties between 2000 and 2008. The highest growth rate occurred in Will County, where the population increased at annual rate of 3.9 percent. The population of Kane and McHenry counties grew at annual rates of 2.9 percent and 2.6 percent, respectively. While the population of Lake and DuPage counties increased at annual rates of 1.3 percent and 0.4 percent, respectively. Cook County experienced a decline in population at an annual rate of 0.2 percent. During this 8-year period, the population of the entire RTA region grew at an annual rate of 0.5 percent.

In 2008, Cook County accounted for 63 percent of the 8.4 million people living in the RTA region. DuPage County's population comprised 11 percent of the region, followed by Lake County and Will County (8 percent each), Kane County (6 percent),

Exhibit 8-8: **RTA Region Population Distribution by County - 2008**



Source: United States Census Bureau

and McHenry County (4 percent). The population distribution for 2008 is illustrated in Exhibit 8-8.

Employment

Exhibit 8-9 provides a comparison of 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 from 2005 to 2009. Between 2005 and 2008, the unemployment rate in Illinois increased from 5.7 percent to 6.5 percent. In November 2009, the State-wide unemployment rate of 10.9 percent was 0.9 percentage points higher than the national unemployment rate of 10.0 percent.

Between 2005 and 2009, the Illinois state-wide unemployment rate exceeded those of most of the counties of the RTA region except Cook and Lake. Among the six counties in the RTA region, DuPage County's November 2009 unemployment rate of 8.6 percent was the lowest in the region, while Lake

Exhibit 8-9: **Unemployment Rates** (in percent)

	2005	2006	2007	2008	Nov. 2009*
United States	5.1	4.6	4.6	5.8	10.0
Illinois	5.7	4.5	5.0	6.5	10.9
County					
Cook	6.4	4.7	5.1	6.5	10.7
DuPage	4.7	3.4	3.8	5.0	8.6
Kane	5.8	4.3	4.8	6.3	10.3
Lake	4.7	4.2	5.0	6.7	10.5
McHenry	5.1	3.7	4.3	5.8	9.7
Will	5.8	4.3	4.7	6.1	10.2

*Nov. 2009 county rates not seasonally adjusted.

Exhibit 8-10: **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 8-11: **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

County's rate of 10.7 percent was the highest in the region.

Suburban jurisdictions have led the region in employment growth since 1980. In 2000, employment in the five collar counties accounted for one-third of the RTA region's total. Cook County, which in 1980 accounted for 79 percent of the region's employment, accounted for only two-thirds of employment in 2000. Regional employment has increased from 3.7 million in 1980 to 4.3 million in 1990 and to 5.0 million in 2000 (Exhibit 8-10).

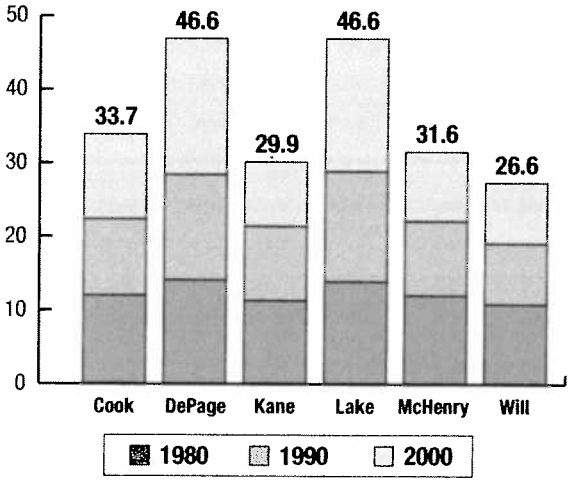
The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-11. Between 1980 and 2000, the most growth has occurred in the service sector. The manufacturing sector experienced the greatest loss during this period. In 2000, services comprised 34 percent of employment, retail 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 8-12.

Sales Tax Trends

In April 2008, the RTA sales tax increased from the equivalent of one percent on retail sales in Cook County and one quarter percent on retail sales in the collar counties to the equivalent of one and one quarter percent on retail sales in Cook County

Exhibit 8-12: **Region Per Capita Income** (dollars in thousands)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exhibit 8-13: **Sales Tax Collections by County** (dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Chicago	$188	$199	$197	$195	$198	$205	$214	$231	$237	$272
Suburban Cook	334	354	358	354	356	364	373	396	395	447
Total Cook	**$521**	**$553**	**$555**	**$549**	**$555**	**$569**	**$587**	**$627**	**$632**	**$720**
DuPage	$42	$43	$42	$41	$41	$43	$44	$47	$47	$77
Kane	11	12	12	12	13	14	15	16	16	26
Lake	22	24	25	25	25	26	27	29	29	48
McHenry	7	7	7	7	8	8	9	9	9	16
Will	11	12	12	13	14	15	17	19	20	34
Total Collar	**$92**	**$97**	**$99**	**$98**	**$100**	**$106**	**$113**	**$120**	**$121**	**$202**
Total RTA Region	**$614**	**$650**	**$654**	**$648**	**$655**	**$676**	**$700**	**$747**	**$753**	**$921**
Percent Change	**6.4%**	**6.0%**	**0.5%**	**(0.9%)**	**1.1%**	**3.2%**	**3.7%**	**6.6%**	**0.8%**	**22.4%**

Exhibit 8-14: **Sales Tax Collections** (dollars in millions)

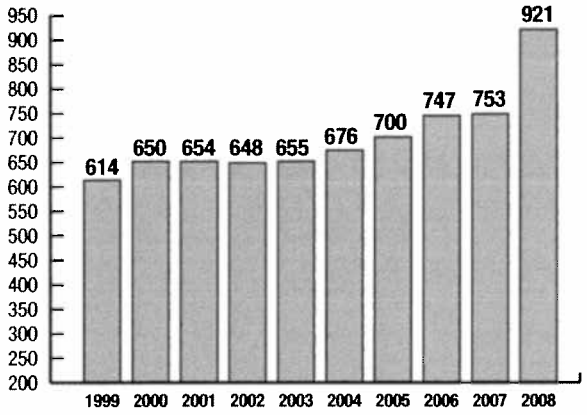
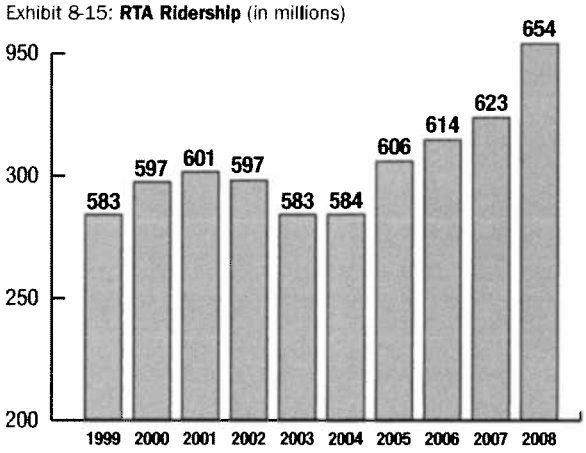


Exhibit 8-15: **RTA Ridership** (in millions)



and one half percent on retail sales in the collar counties. Also in 2008, a real estate transfer tax of three tenths of one percent was imposed in the City of Chicago to fund the CTA. Sales tax collections grew from $614 million in 1999 to $650 million in 2000. However, between 2000 and 2003, sales tax collections fluctuated between $648 and $655 million. From 2004 to 2006, sales tax collections increased from $676 million and $747 million. In 2008, sales tax collections increased 22.4% from $753 million to $921 million, due to the April 2008 sales tax increase. The percentage of sales tax collected by Cook County decreased from 84% in 2007 to 78% in 2008 (Exhibit 8-13 and 8-14).

Ridership Trends

Total RTA ridership increased annually from 1998 to 2001 despite a decline in Pace ridership during this period. Reflecting the overall downturn in the economy, total RTA ridership declined in both 2002 and 2003. Metra and Pace lost riders in 2002, while all three Service Boards lost riders in 2003. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, all three Service Boards achieved significant ridership gains as the economy rebounded and gas prices climbed. Albeit at a slower rate, regional ridership continued to grow in 2006 and 2007. In 2008 ridership grew 4.9% representing the largest percentage of growth in the past ten years (Exhibit 8-16). Other trends include Service Board Expenditures (Exhibit 8-17 and 8-18), Service Board farebox revenues (Exhibit 8-19 and 8-20) and System Characteristics (Exhibit 8-21).

Exhibit 8-16: **Service Board Ridership 1998-2007** (millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA Bus	300.2	303.3	303.1	304.8	293.7	296.2	305.6	299.6	309.3	328.2
CTA Rail[1]	166.5	176.2	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1
Total CTA	**466.7**	**479.5**	**484.8**	**485.2**	**474.8**	**474.9**	**492.4**	**494.8**	**499.5**	**526.3**
Metra	76.6	78.8	79.2	76.8	74.8	74.6	77.0	80.8	84.3	86.8
Pace	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	36.6	37.8
Regional ADA Paratransit[2]									2.5	2.7
Total RTA	**583.5**	**596.9**	**601.0**	**596.8**	**583.3**	**583.6**	**606.3**	**613.6**	**622.9**	**653.6**
% Increase	**4.4%**	**2.3%**	**0.7%**	**(0.7%)**	**(2.3%)**	**0.1%**	**3.9%**	**1.2%**	**1.5%**	**4.9%**

[1] CTA rail ridership includes cross-platform transfers.
[2] Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

Exhibit 8-17: **Service Board Operating Expenditures** (dollars in millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA	$805	$851	$884	$920	$897	$938	$1,021	$1,076	$1,094	$1,214
Metra	397	416	431	445	455	466	504	525	548	595
Pace	114	122	127	131	139	147	160	199	163	172
Regional ADA Paratransit[1]									84	108
Total	**$1,316**	**$1,389**	**$1,442**	**$1,496**	**$1,491**	**$1,552**	**$1,685**	**$1,801**	**$1,890**	**$2,090**
% Change	1.4%	5.6%	3.8%	3.7%	(0.3%)	4.1%	8.6%	6.9%	4.9%	10.6%

[1] Prior to 2007, ADA Paratransit expenditures are included in CTA Bus and Pace figures.

Exhibit 8-19: **Service Board Farebox Revenue** (dollars in millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA	$366	$369	$374	$384	$368	$403	$417	$462	$457	$471
Metra	186	192	192	190	191	192	198	218	227	252
Pace	35	37	41	41	39	32	32	31	28	28
Regional ADA Paratransit[1]									6	7
Total	**$587**	**$598**	**$607**	**$615**	**$598**	**$627**	**$648**	**$711**	**$719**	**$759**
% Change	1.3%	1.8%	1.4%	1.4%	(2.7%)	4.8%	3.3%	9.8%	1.1%	5.5%

[1] Prior to 2007, ADA Paratransit farebox revenue is included in CTA Bus and Pace figures.

Exhibit 8-18: **Service Board Operating Expenditures** (dollars in millions)

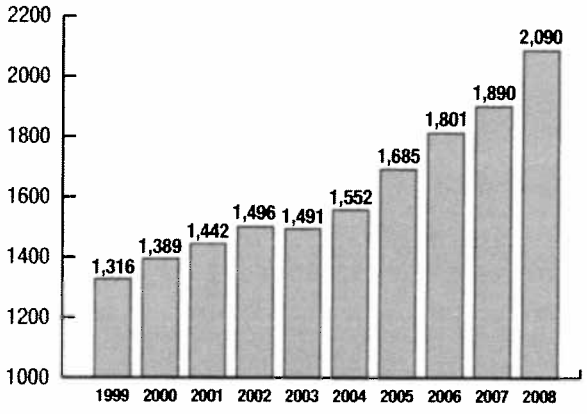


Exhibit 8-20: **Service Board Farebox Revenue** (dollars in millions)

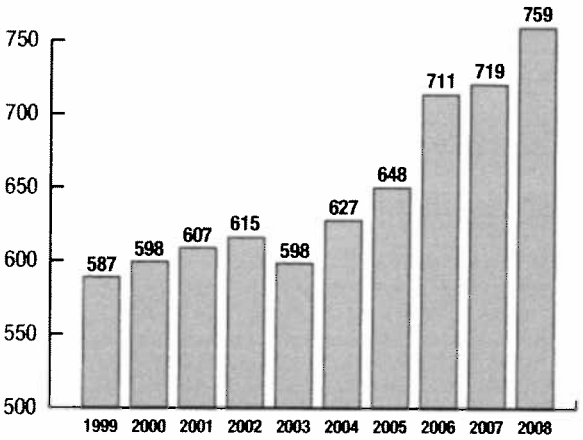
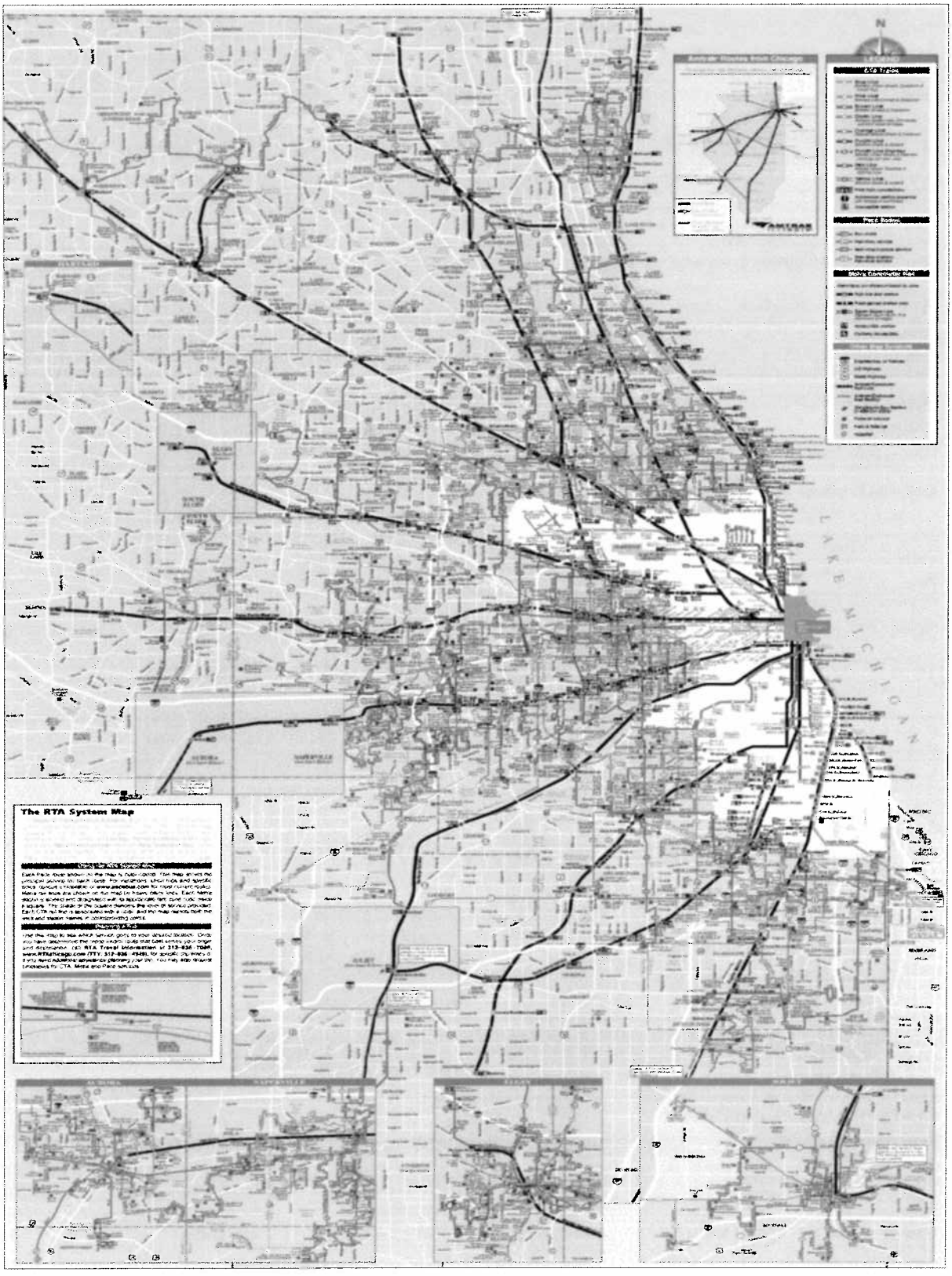


Exhibit 8-21: **System Characteristics**

Asset Value (2008)		**Regional Statistics (2010)**		**Vehicles & Routes (2010)**	
CTA	23.36 billion	Regional Population	8.4 million	Buses	3,224
Metra	12.44 billion	Service Area	3,749 sq. miles	Cars & Locomotives	2,328
Pace	0.63 billion	Passenger Miles	2.9 billion	Vanpools Operated	721
Total Asset Value	**36.43 billion**	**Vehicle Miles**	**151.2 million**	**Rail Routes**	**20**
		Stations Served	382	Bus Routes	377

All data excludes NICTD South Shore.

RTA System Map



Regional Transportation Authority

RTAChicago.com

RTA Main Office
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
165 North Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

RTA ADA Certification Helpline
Voice (312) 663-4357
TTY (312) 913-3122

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any local area code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Fare Program
(800) 531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6777
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 364-7223
www.pacebus.com

101e

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

2011

Operating Budget, Two-Year Financial Plan and Five-Year Capital Program

MOVING BEYOND CONGESTION

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1 Introduction

Regional Transportation Authority

Regional Transportation Authority

RTA Board of Directors

John S. Gates, Jr.
RTA Chairman

James Buchanan
City of Chicago

Jan Carlson
Kane County

William R. Coulson
Suburban Cook County

L. Tyrone Crider, Sr.
Suburban Cook County

Patrick J. Durante
DuPage County

Phil Fuentes
City of Chicago

Al Jourdan
McHenry County

Dwight A. Magalis
Lake County

André Rice
City of Chicago

Michael Rosenberg
City of Chicago

J.D. Ross
Will County

Horace E. Smith
City of Chicago

Judy Baar Topinka
Suburban Cook County

Donald L. Totten
Suburban Cook County

Douglas M. Troiani
Suburban Cook County

Joseph G. Costello
Executive Director

Letter from the Executive Director

The economic recession continues to challenge funding levels for public transit in northeastern Illinois. Reductions in consumer spending since late 2008 have drastically reduced revenues from the RTA sales and real estate transfer taxes and State matching funds, our largest sources of transit funding in our region. Despite recent improvements in the national and regional economy, tax revenues remain well below levels expected prior to the recession. Moreover, the State's fiscal condition has delayed funding to the RTA, running approximately $250 million in arrears on a monthly basis. The RTA has had to borrow funds to bridge these funding delays.

The RTA, CTA, Metra, and Pace have taken measures to continue operating service at these lower than previously anticipated funding levels. Despite service reductions and high levels of unemployment, overall ridership in 2010 is expected to decline less than 1% from 2009 and to begin to recover in 2011. While recent increases in motor fuel prices will further challenge our budgets, higher prices at the gas pump will steer motorists towards transit. We anticipate that many of these new passengers will remain on our buses and trains even if oil prices recede.

The RTA remains diligent in implementing the recommendations of the Auditor General. The RTA continues to work with the CTA, Metra, and Pace on performance measurement programs that will improve the efficiency and effectiveness of public transit service in our region. In cooperation with municipal, county, and state planning and transportation professionals and elected officials, the RTA is developing a set of strategic regional measures to track progress towards the goals outlined in the RTA strategic plan.

The RTA supports efforts to increase accountability and transparency of all of the transit agencies in our region. Recent State legislation will bring oversight of the RTA, CTA, Metra, and Pace under the jurisdiction of the Executive Inspector General and Executive Ethics Commission in July 2011. In 2011, the RTA will perform an initial risk assessment of the region's transit agencies in order to develop an effective multi-year audit work plan. This assessment will determine which areas, programs, and functions could most benefit from a review of policies, procedures, and performance.

Finally, beginning in 2011 the RTA will be leading an interagency task force to advance a collective vision for public transit in northeastern Illinois. Interdisciplinary teams, each with representatives from the RTA, CTA, Metra, and Pace, will pursue key priorities in order to improve efficiency, reduce costs, and increase revenues of the regional public transit network. These priorities include the areas of Strategic Capital Investment, Economies of Scale, Maximize System Use, Enhanced Customer Experience, and Marketing Coordination.

The RTA appreciates your continued support and confidence. I look forward to another year of safe, reliable, affordable, and convenient public transportation in the Chicago metropolitan area.

Sincerely,

Joseph G. Costello
Executive Director

Guide

The outline below is presented as a guide to the organization of the RTA 2011 Budget, Two-Year (2012-2013) Financial Plan, and Five-Year (2011-2015) Capital Program. In reading this document it is important to note that the information provided reflects the Region's funding and service conditions when the RTA Board adopted Ordinance 2010-121 on December 16, 2010, which approved the 2011 budgets and 2012-2013 financial plans of the Service Boards, the Agency, and the Region as a whole. It is also important to note that the funding marks (public funds to cover operating deficits) for each Service Board were set on September 15, 2010. The Service Boards include the Chicago Transit Authority (CTA), Metra commuter rail, Pace suburban bus, and Pace regional ADA Paratransit service. The book is divided into the following eight sections.

1. **Introduction** provides a list of the members of the RTA Board of Directors, a letter from the RTA Executive Director explaining the key points of the 2011 budget, a guide to the overall structure of this document, key budget issues, RTA's Vision and Goals, Governance including the 2011 budget ordinance (2010-121), and the 2010 GFOA Distinguished Budget Presentation Award.
2. **Budget in Brief** provides a snapshot of the RTA's role and summarizes the key elements of the 2011 budget.
3. **RTA** section is divided into four major categories: Region Operating Plan (RTA, CTA, Metra, and Pace Suburban Service and ADA Paratransit Service consolidated budget and plan); Agency Operating Plan (budget and financial plan); Goals and Performance Measures; and References (RTA bonds and fund types).
4. **CTA** information includes service characteristics, operating plans, budget and financial plan details, and organizational structure.
5. **Metra** section includes service characteristics, operating plans, budget and financial plan details, and organizational structure.
6. **Pace** information is divided into two operations – Suburban Service and regional ADA Paratransit Service. Information about both operations includes service characteristics, operating plan, budget and financial plan details, and organizational structure.
7. **Capital** provides an overview and details of the capital program of each of the Service Boards (CTA, Metra, and Pace) and the capital impact on operations.
8. **Appendices** include the budget call calendar, budget hearing schedule, glossary, and supplemental ridership, sales tax, and demographic data.

Service, Operations and Capital Funding Issues

During the planning cycle, the region faces a number of crucial issues:

2010 Service Cuts

Effective February 7, 2010 both the CTA and Pace implemented service reductions. The CTA reduced bus service 18% and rail service 9% by reducing service frequency on 110 routes, reducing service spans on 41 routes, and eliminating nine express routes with matching local routes. Pace eliminated 15 bus routes, cut weekend service on nine, and reduced service on nine others.

Operations Funding with Capital Transfers

In 2011, the RTA will transfer more than $250 million of federal capital funds from the already strapped capital program to operations in order to sustain fare and service levels. In the 2011, 2012 and 2013 plans the CTA will require $196.2 million, $57.8 million, and $70.0 million, respectively, of federal funds to meet its operations funding needs, despite a projected 18.8 percent increase in passenger revenue in 2012. To meet its operations funding needs, Metra requires $60.0 million of federal funds in 2011, followed by $25.0 million in 2012 and 2013. Pace projects that Suburban Service operations will require $2.0 million, $3.1 million, and $4.7 million of federal capital funds in 2011, 2012, and 2013, respectively. Transfers of scarce capital resources to fund operations exacerbate capital shortfalls. While helping to maintain fare and service levels, reduced capital funding over the long term will add to increases in operating costs.

ADA Deficit Growth and Funding

The ADA paratransit fund established by the 2008 funding and reform legislation has not been sufficient to fully fund this growing service. In 2011, the RTA will need to supplement the ADA paratransit fund with $8.5 million of dedicated State funds and by redirecting most, if not all, of the $9.2 million Innovation, Coordination, and Enhancement (ICE) fund. After two years, the State funds for ADA Paratransit will cease in 2011. In 2012 and 2013, the ICE fund, estimated to average under $10 million each year, will not be sufficient to cover the gap of $20.6 million and $24.6 million, respectively, between the ADA paratransit fund and the projected ADA paratransit deficit.

Expense Growth

From 2011 to 2013, the combined CTA, Metra, Pace Suburban Service, and Pace ADA Paratransit Service expenditures are projected to increase at a compound annual growth rate of 2.5 percent, slightly slower than the projected 3.0 percent annual sales tax growth. However, Service Board deficits have historically grown faster than the RTA sales tax and the State Public Transportation Fund (PTF), the primary sources of operations funding. As a result, large amounts of federal funds, traditionally reserved for capital projects, will required to fund Service Board operations for the foreseeable future. Moreover, the CTA will require $50.0 million and $63.0 million of plan balancing actions in 2012 and 2013, respectively, to meet its operations funding needs, despite a projected $18.8% increase in passenger revenue in 2012. The Pace ADA paratransit service budget and plan require balancing actions of $9.2 million, $20.6 million, and $24.6 million in 2011, 2012, and 2013, respectively.

State Operations Funding Delays

Concern about the State's financial condition persists. The State continues to postpone funding to the RTA and is running approximately $300 million in arrears on a monthly basis. To cover this shortfall the RTA has borrowed funds.

State Capital Funding

The Governor has announced the initial phase of the Illinois Jobs Now capital program of $443 million and funds have started to flow. However, concern remains about the entire State capital

program of $2.7 billion because the State has yet to establish a revenue source to fund the $900 million Jumpstart portion of the program.

Although an Appellate Court decision declared appropriations for the Jobs Now capital program unconstitutional, we believe that bond funds previously issued will be sufficient and will be made available to cover existing obligations while the matter is being resolved. We have assumed that the legal issues will be resolved favorably either though action by the Illinois Supreme Court or by legislative action by the General Assembly no later than May 2011. However, if the State is unable to release any additional funds before the end of May, there will be serious impacts on existing obligations and the 2011 Capital Program.

Historically, the State has provided capital funding in five year programs approximately every ten years. After the current State program is exhausted in 2014, capital funding levels drop to dangerously low levels. The RTA system is in need of a dedicated source of capital funding.

Impact of the Recession on Anticipated Operations Funding Growth

Looking ahead in 2007, when legislative funding and reform legislation that would result in P.A. 95-0708 was emerging and the economy was expanding, public funding subsidies from sales tax, public transportation funds, and the City of Chicago's real estate transfer tax were projected to add more than $530 million for bus, rail and ADA Paratransit services. The budget for 2011 now shows figures that significantly below prior projections: 19% for the sales tax and PTF in place before the legislation and 34% for revenues provided by the new legislation. Combined, the sales tax and PTF budgets for 2011 are 24% or nearly $400 million below prior projections. Moreover, the unanticipated requirement to provide free rides on mainline service to all seniors and some people with disabilities has further reduced the benefit of the increase in funding that has been realized.

Uncertainty about Federal Funding Growth

The RTA anticipated that federal funds would grow 4% in 2011, reflecting the long term historical trend in federal formula funding to the region. However, a congressional proposal would reduce 2011 federal appropriations to 2008 levels, a $33.6 million or 8% reduction from the amount previously projected.

With a combined asset value of $36.4 billion and an average useful life of 25 years, approximately $1.4 billion in constant dollars should be spent annually just to maintain the RTA system and keep it in the current condition without any funding for system expansion. Since funding has not been available, major overhauls and replacements of aging vehicles have been delayed. Slow zones, less reliable service, and increased operating costs (fuel, labor, and materials) have resulted.

Debt as a Percentage of Capital Funding

Service Board bonding has provided additional capital funding for many projects over the last ten years. However, since debt service requirement are often paid out of federal formula funds, a significant percentage of future funding is committed and, therefore, not available for future capital needs. A proper balance between addressing immediate needs and meeting longer term requirement must be determined.

Strategic Plan, Vision Statement, and Goals

In 2007, the Regional Transportation Authority released its five-year strategic plan, *Moving Beyond Congestion,* that presented the RTA's 30-year vision for maintaining, enhancing, and expanding public transit system in northeastern Illinois which provides two million rides each weekday and hundreds of thousands more on weekends.

The RTA, CTA, Metra, and Pace vision for the region is a world-class public transportation system that is convenient, affordable, reliable and safe, and

is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities. The four agencies share the following goals:

I. Provide Transportation Option
II. Ensure Financial Viability
III. Enhance Livability and Economic Vitality
IV. Demonstrate Value

Governance

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 with its own independent board of directors. These divisions conduct operations and purchase service from private carriers. The RTA became exclusively responsible for funding, financial oversight, and regional planning and programs.

In reviewing this document it is important to note that the Service Boards operate within the RTA region, but are separate legal entities. The Board of Directors of each Service Board is completely independent of the RTA Board. The RTA Board controls neither the selection nor the appointment of any Service Board director or its management. Furthermore, 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.

The corporate authority and governing body of the RTA is the 16-member RTA Board of Directors. Fifteen directors are appointed from within the six-county region: five directors by the Mayor of the City of Chicago, one director by the president of the Cook County Board; four directors by the suburban members of the Cook County Board; and one director each from DuPage, Kane, Lake, McHenry and Will appointed by the Chairman or Executive of the County Board. The chairman of the RTA Board, its 16th member, is elected by at least 12 of the 15 appointed members.

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.

The RTA Act sets forth detailed provisions for the allocation of receipts by the RTA to the Service Boards, and imposes a requirement that the RTA's system as a whole (apart from ADA Paratransit service) 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 other than ADA Paratransit service. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required proportion of their proposed expenditures. By statute, the recovery ratio for ADA Paratransit service has been set at 10%. 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 40 nearby 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 service area for bus, dial-a-ride, and vanpool service in the suburbs of the six-county region, with service to areas within the City of Chicago. Pace is also responsible for region-wide ADA Paratransit service.

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, each year the RTA is required to prepare and adopt a Five-Year 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

As previously discussed, 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 budget amendment requirements govern this process. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 8-1).

Budget Calendar

By July 1 of each year, the Office of Management and Budget (OMB) is to submit to the RTA an estimate of revenue to be collected from taxes for the next fiscal year.

Between April and September of each year the RTA and the Service Boards execute a "business plan call process" that includes RTA estimates of revenue to be collected from taxes and other sources and the Service Boards' own preliminary estimates for the capital plan and operating revenues and expenditures during the planning period.

Based on this information and its own economic assessments, the RTA estimates tax receipts and revenue 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 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 and 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 RTA Act requires that the budgets submitted by each Service Board not project or assume receipt of revenue greater than that set in the estimates provided by the RTA.

The RTA 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. The public hearing notice and results for the 2011 budget may be reviewed in the Appendices Section (Exhibits 8-2.1 and 8-2.2).

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt (with 12 votes) a budget that meets the statutory criteria. 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 seven statutory criteria for Board approval of the budget and financial plan of each Service Board. These seven criteria are as follows:

Balanced Budget

Such budget and plan shall show a balance between (a) anticipated revenue 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 expenditures 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.

Strategic Plan

Such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan

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.

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 "it's 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 seven statutory budget criteria necessary to pass an annual budget. If not, the RTA does not release any moneys 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 that 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.

Operations Funding

The RTA provides operating funds to each Service Board equivalent to its 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. However, due to the economic downturn, this practice of funding at budget has been suspended for 2010 and 2011 fiscal years.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The ordinance affirms that 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 revenue falls 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 three-year planning period.

The RTA established this policy 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. Deferred for the 2010 budget and 2011–2012 financial plan because of the economic downturn, this practice has been resumed for the 2011 budget and 2012–2013 financial plan.

Financial Policies

Capital Expenditure

The Five-Year Capital Program is adopted by the RTA after affirmative vote of at least 12 RTA Directors, after consultation with the Service Boards, and after holding a minimum of 3 public hearings in Cook County and one public hearing in each of the other counties in the metropolitan region. Preparation of the RTA's capital budget is guided by the following policies found in the RTA Act.

The Five-Year Capital Program is updated annually. Each capital improvement to be undertaken by or on behalf of a Service Board should meet the criteria set in the Strategic Plan and be consistent with any sub-regional or corridor plan adopted by the RTA.

In reviewing proposals for improvements to be included in a Five Year Capital Program, the RTA may give priority to improvements that are intended to bring public transportation facilities into a state of good repair.

The Five-Year Capital Program shall also identify capital improvements to be undertaken by a Service Board, a transportation agency, or a unit of local government and funded by the Authority from amounts in the Innovation, Coordination, and Enhancement Fund, provided that no improvement that is included in the Five Year Capital Program as of the effective date of this amendatory Act of the 95th General Assembly may receive funding from the Innovation, Coordination, and Enhancement Fund.

Fixed Assets

The RTA sets a fixed asset capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation.

Description	Useful life
Furniture and Equipment	5 years
Computer Equipment	5 years
Leasehold improvements	Life of the lease

General Obligation Bonds

The RTA's policy states that bonds should be payable from all revenue 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 (JSIF) 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. In addition, the RTA sales tax must be 2.5 times greater than the debt service requirement. 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 Act, the CTA, Metra and Pace fare box receipts and funds on hand will not be used for payment of debt service.

Investment

The RTA's policy complies with Illinois law, addresses safety of principal, liquidity of funds,

rate of return, public trust, and investments in local and disadvantaged institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

The RTA policy establishes the following objectives:

- Safety of Principal – Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.
- Liquidity – Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA
- Rate of Return – A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.
- Public Trust – The RTA and its officers should avoid any investment transaction or practice which in appearance may impair public confidence in its stewardship of public funds.
- Investments in Local and Disadvantaged Institutions – Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

Operating Budget

The RTA operating budget and two-year financial plan approval process is based on the following guidelines:

- Adoption requires an affirmative vote of at least 12 RTA Directors following at least one public hearing in the metropolitan region and meetings with the county board or its designee of each of the several counties in the metropolitan region.
- The Service Boards (CTA, Metra, and Pace) prepare and publish, for public hearing and comment, a comprehensive budget document that is to conform to the RTA "marks". The RTA 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.
- All funds are required to balance. The total budgeted revenues must equal the sum of budgeted expenditures for each fund. Revenue sources include sales tax, state funds (e.g. Public Transportation Funds, State Financial Assistance, and Free Rides/Reduced Fare Reimbursement) and other revenue.
- The adopted budget should 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 the year. If the amount is below 5 percent, the financial plan must show full replenishment by the end of the current planning cycle.
- The combined revenue from RTA operations should cover at least 50 percent of the system operating costs. ADA Paratransit service revenues should cover at least 10 percent of the operating costs.

Ten-Year Plan

Statutorily required and a sound fiscal policy, a 10-year projection of the financial condition of public transportation in the Chicago metropolitan region supports the RTA Strategic Plan. Aligned with the RTA's goals, a long-term financial plan fosters the vision shared by the region's public transit agencies. Development of the 10-year financial plan detects financial and operational problems before they reach crisis proportions. Instead, course corrections can avoid drastic fare hikes, disruptive service cuts, and/or calls for steep funding increases. The ten-year financial plan supports the case for fare adjustments, service restructuring, and appropriate public support.

Pension Funding

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

The Illinois pension code requires that if after January 1, 2009 a pension is less than 90% funded, the employer(s) must contribute to the plan amounts sufficient to bring the funding ratio up to 90% in accordance with an amortization schedule adopted jointly by the employer(s) and the trustee of the plan. The amortization schedule may extend for any period up to a maximum of 50 years and shall provide for additional employer contributions in substantially equal annual amounts over the selected period.

ORDINANCE NO. 2010-121

APPROVING THE 2011 BUDGETS AND 2012-2013 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2011 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2011 BUDGETS, ALLOCATING CERTAIN REVENUES OF THE RTA TO THE RESPECTIVE SERVICE BOARDS, AMENDING THE CTA'S 2011-2013 OPERATING FUNDING AND ITS 2011 RECOVERY RATIO, AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT TO THE BUDGET AND PROGRAM FOR FISCAL YEAR 2011.

WHEREAS, Section 4.01 of the Regional Transportation Authority Act (the "Act") directs the Board of Directors of the Regional Transportation Authority (the "RTA Board") to (i) appropriate money to perform the purposes of the Regional Transportation Authority (the "RTA") and provide for payment of debts and expenses of the RTA, (ii) take action with respect to the budget and two-year financial plan of each of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division of the Regional Transportation Authority ("Metra"), the Suburban Bus Division of the Regional Transportation Authority ("Pace", and, together with the CTA and Metra, collectively, the "Service Boards" and each, individually, a "Service Board"), as provided for in Section 4.11 of the Act, and (iii) adopt an Annual Budget and Two-Year Financial Plan for the RTA that includes the annual budget and two-year financial plan of each Service Board that has been approved by the RTA;

WHEREAS, pursuant to Section 4.11 of the Act, the RTA Board adopted Ordinance 2010-92 on September 15, 2010, identifying the amounts of funds estimated to be available to each Service Board during fiscal year 2011 and the two following fiscal years;

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has presented its proposed fiscal year 2011 budget and proposed 2012–2013 financial plan to the RTA for its review;

WHEREAS, the RTA has conducted public hearings and webinars with respect to its proposed annual budget, and considered the proposed budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans;

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards for approval;

WHEREAS, pursuant to Sections 4.01(a) and 4.11(d) of the Act, the budgets and financial plans of the Service Boards shall contain estimated expenses for contributions to be made with respect to pension and other employee benefits, and the Service Boards are required to present to the RTA budgets prepared in such detail as prescribed by the Board, which have been prepared on both an accrual and a cash flow basis, and that fairly present the condition of any pension plan or trust for health care benefits with respect to retirees established by the Service Board and describes the plans of the Service Boards to meet the requirements of Sections 4.02a and 4.02b;

WHEREAS, pursuant to Sections 4.02a and 4.02b of the Act, the RTA shall continually review the payment of the required employer contributions to affected pension plans and if at any time the RTA determines that a Service Board's payment of any portion of the required contributions to an affected pension plan is more than one month overdue, it shall as soon as possible pay the amount of those overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of moneys otherwise payable to that Service Board under Section 4.03.3, and the RTA shall thereafter have no liability to the Service Board for amounts paid to the trustee of the affected pension plan, and if the RTA's payment of such contributions is similarly overdue it shall pay such overdue amount out of its administrative expenses;

WHEREAS, pursuant to Ordinance 2007-48, adopted by the RTA Board on September, 14, 2007,

federal capital funds may not be used by a Service Board to fund operating expenses unless the RTA Board determines, based on adequate information supplied by the Service Board, that such use will not have a materially adverse impact on the state of repair of such Service Board's capital assets;

WHEREAS, given the adverse economic conditions and shortfall in funding needed for operations in 2011 through 2013 by the CTA, the RTA Board determines that it is necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize the CTA to transfer federal capital funds to operations for preventive maintenance in the amounts of $196.2 million in 2011, $57.8 million in 2012, and $70 million in 2013;

WHEREAS, the CTA has adopted a budget that presumes the receipt of additional RTA discretionary funds for use in operations in lieu of an equivalent amount of RTA discretionary funds for use in its capital program, and the RTA desires to provide such discretionary funding in the form of operating funding rather than capital funding;

WHEREAS, the receipt of such RTA discretionary funding as operating funding will impact CTA's recovery ratio calculation;

WHEREAS, given the adverse economic conditions and shortfall in funding needed for operations in 2011 through 2013 by Metra, the RTA Board determines that it is necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize Metra, to transfer federal capital funds to operations for preventive maintenance in the amounts of $60.0 million in 2011 and $25.0 million in 2012 and 2013;

WHEREAS, pursuant to Ordinance 2010-92, an emergency was declared with respect to 2011 funds in the ICE Fund, and such funds have been reserved for potential allocation to Pace for use in 2011 ADA Paratransit service operations, subject to certain conditions;

WHEREAS, the federal capital funds utilized for preventive maintenance in the operating budget of a Service Board are not considered operating revenues and are therefore excluded from such Service Boards' recovery ratio calculation;

WHEREAS, pursuant to Section 4.03.3 of the Act, the RTA has established public funding levels in 2011 through 2013 for the ADA Paratransit Fund, the Suburban Community Mobility Fund, and the Innovation, Coordination, and Enhancement Fund (the "ICE Fund") that change proportionately with the percentage change in RTA estimated sales tax receipts;

WHEREAS, the RTA Funding Policy states that the Service Boards may use Service Board 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";

WHEREAS, unfavorable economic conditions have required the RTA to deplete its fund balance to provide funds to the Service Boards, and to allocate, rather than reserve, financial resources in an effort to preserve operating stability in prior years;

WHEREAS, the depletion of the RTA's fund balance prevents the RTA from providing additional operating funding to the Service Boards in the event that revenues decline below estimated levels, therefore the RTA funding policy adopted by Ordinance 91-9 (the "Fund to Budget Policy") must be waived for the 2011 fiscal year;

WHEREAS, the provision of the RTA Funding Policy adopted by Ordinance 98-15 that requires that the RTA Annual Budget and Two-Year Financial Plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period (the "Fund Balance Policy") is hereby reinstated;

WHEREAS, the RTA will reimburse the purchase of excess liability and terrorism insurance by the RTA system's Loss Financing Plan to provide system protection against catastrophic loss;

WHEREAS, RTA working cash borrowing was used to fill shortfalls in funding provided by public subsidies to the Service Boards in 2009; and, pursuant to Section 4.09 of the Act, the proceeds of such borrowings distributed to the Service Boards are projected to be repaid in 2011 with the proceeds of subsequent working cash borrowings; 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:

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 proposed budgets for 2011 and financial plans for 2012 and 2013, of each of the Service Boards.

1.2 With respect to the proposed budget and financial plans of the CTA (as summarized in Schedule I-B), and subject to the CTA taking budget/plan balancing actions in 2012 and 2013 as reflected 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 CTA sufficient to allow CTA to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established;

(g) Each such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan; and

(h) Given the adverse economic conditions and shortfall in funding needed for the CTA's 2011 operating budget and 2012 and 2013 financial plan, the RTA Board determines that it is necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize the CTA to transfer federal capital funds to operations for preventive maintenance in the following amounts: $196.2 million in 2011, $57.8 million in 2012, and $70.0 million in 2013.

1.3 With respect to the proposed budget and financial plans of Metra (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 Metra sufficient to allow Metra to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established;

(g) Each such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan; and

(h) Given the adverse economic conditions and shortfall in funding needed for the Metra's 2011 operating budget and 2012 and 2013 financial plan, the RTA Board determines that it is necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize the Metra to transfer federal capital funds to operations for preventive maintenance in the following amounts: $60.0 million in 2011, $25.0 million in 2012, and $25.0 million in 2013.

1.4 With respect to the proposed budget and financial plan submitted by Pace for Suburban Service (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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established;

(g) Each such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan; and

(h) Given the adverse economic conditions and shortfall in funding needed for Pace's 2011 operating budget and 2012-2013 financial plan, the RTA Board determines that it is

necessary to waive the requirements of Ordinance 2007-48 for purposes of this Ordinance and authorize Pace to transfer federal capital funds to operations for capital costs of contracting in the following amounts: $2.0 million in 2011, $3.1 million in 2012, and $4.7 million in 2013.

1.5 With respect to the proposed budget and financial plan submitted by Pace for ADA Paratransit service and subject to the budget/plan balancing actions reflected 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(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;

(f) Each such budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) Each such budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.6 Pursuant to Section 4.11 of the Act, the 2011 budgets and 2012-2013 financial plans for each of the Service Boards, as presented in the attached Schedule I-B, are hereby approved.

1.7 Pursuant to Section 4.11 of the Act, no more than 30 days after each fiscal quarter, each Service Board is directed to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two:

RTA Annual Budget and Program

2.1 The RTA has received and reviewed the 2011 Annual Budget and Program of the Regional Transportation Authority as summarized in Schedule I-A. The 2011 Annual Budget and Program are hereby approved and the Board finds as follows:

(a) The 2011 Annual Budget and Program shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2011 Annual Budget and Program shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-E.

(c) The 2011 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 system-generated revenues from such fares and charges received in 2011, apart from ADA Paratransit services, to equal at least fifty percent (50%) of the aggregate cost of providing such public transportation in 2011, and at least ten percent (10%) for ADA Paratransit service in 2011, as required by the Act, and as summarized in Schedule I-C.

(d) The 2011 Annual Budget and Program are based on and employ assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2011, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses (Statutory Cap) permitted for 2011 of $17,778,221.

(g) The 2011 annual budget and program is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

ARTICLE II - APPROPRIATION OF FUNDS AND CERTAIN OTHER ACTIONS

Section One:

Appropriation for each Service Board

The following amounts for 2011 are appropriated for payment to each Service Board from the enumerated sources of funds and for the specified objects and purposes.

1.1 Statutory RTA Taxes

There is appropriated from the taxes collected under Section 4.03, to each Service Board for expenditure pursuant to the 2011 Budget approved for such Service Board in Article I, the amount required by Section 4.03.3(a) and 4.03.3(b). The estimated amount of each appropriation is specified as Part I Sales Tax Allocation on Schedule I-D.

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 appropriation.

1.2 Statutory RTA Sales Taxes and Public Transportation Funds

(a) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act, to Pace for expenditure for ADA Paratransit Services, the amount required by Section 4.03.3(c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Total for ADA Paratransit Service on Schedule I-D.

(b) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act to Pace for expenditure for Suburban Community Mobility, the amount required by Section 4.03.3(c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Suburban Community Mobility Funding to Pace on Schedule I-D.

(c) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act, to the Innovation, Coordination and Enhancement (ICE) Fund the amount required by Section 4.03.3(c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Innovation, Coordination

& Enhancement on Schedule I-D. The ICE Fund shall be reserved for potential expenditure by Pace for ADA Paratransit Service, subject to the conditions set forth in Ordinance 2010-92.

(d) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act to each Service Board for expenditure pursuant to the Budget approved for such Service Board in Article I, the amount required by Section 4.03.3(c). The estimated amount of each appropriation is specified as Part II Allocation; Remaining Balance to Service Boards in Schedule I-D.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, and Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director of the RTA shall provide for the payment to each Service Board the specified appropriation.

1.3 Free and Reduced Fare Reimbursement

There is appropriated, for expenditure by each Service Board pursuant to the 2011 Budget approved in Article I, amounts received from the State of Illinois for reimbursement of revenues lost from providing free or reduced fare rides.

After receipt by the RTA of such funds from the State of Illinois, the Executive Director shall provide for the payment to each Service Board its proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A.

1.4 Discretionary Funds of the RTA -- Public Transportation Fund, 15% Sales Tax, Other RTA Revenues

(a) There is appropriated, for expenditure by each Service Board pursuant to the 2011 Budget approved in Article I, the amounts specified as "RTA Discretionary Funds" and the amounts specified as "Additional State Funding" on Schedule I-B from other receipts and revenues of the RTA, or so much as may be necessary that the actual amounts appropriated for each Service Board under paragraphs 1.1 and 1.2 of this section equal the amounts specified as "Total RTA Funding for Operations" on Schedule I-B.

(b) There is appropriated, for expenditure by Pace pursuant to the amount specified as RTA South Suburban Community Job Access Funds on Schedule I-B from other receipts and revenues of the RTA.

Subject to receipt by the RTA of sufficient proceeds of taxes imposed pursuant to Section 4.03 of the Act, and from the Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director is hereby directed to provide for the payment of such funds described in paragraphs (a) and (b) 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.

(c) Transfer Capital: Subject to receipt by the RTA of sufficient grant proceeds from IDOT, there is appropriated, for expenditure by the CTA for capital projects, $10,200 million, consisting of grant funds from the Illinois Department of Transportation ("IDOT") pursuant to the Memorandum of Understanding ("the MOU") that RTA and the Service Boards entered into with IDOT on November 11, 2009.

(d) State Funding for ADA Paratransit Service: Subject to receipt by the RTA of sufficient grant proceeds from IDOT, there is appropriated, for expenditure by Pace for ADA Paratransit Service, $8.5 million, consisting of grant funds from IDOT pursuant to the MOU.

Upon receipt by the RTA of sufficient grant proceeds from IDOT, the Executive Director is hereby

directed to provide for payment of such funds described in paragraphs (c) and (d) pursuant to grant or intergovernmental agreements with the CTA.

Section Two:
Appropriation to the Regional Transportation Authority

In 2011 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency") the amounts specified on Schedule I-A as Agency Administration, RTA Regional Services and Programs, and Regional Technology and Agency Capital, pursuant to the 2011 Budget approved in Article I, from other receipts and revenues of the RTA.

In 2011 there is appropriated for transfer from the RTA's Fund Balance to the Joint Self Insurance Fund (JSIF), funds to reimburse the insurance premium and associated fees for liability and terrorism insurance for the RTA System's Loss Financing Plan the amount specified on Schedule I-A as RTA JSIF Funding.

The total appropriations as shown in Schedule I-A for 2011 Agency Administration, RTA Regional Services and Programs, and Regional Technology and Agency Capital, represent the legal level of budgetary control. The Executive Director is authorized to transfer up to 10% from and among each of these items.

ARTICLE III - GENERAL

Section One:
Implementation and Dissemination

The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance and to prepare and disseminate the 2011 Annual Budget and Program of the RTA in accordance with the Act and the policies established herein.

Section Two:
Organization of the RTA

The Executive Director shall organize the staff of the Authority, shall allocate their functions and duties, and shall fix compensation and conditions of employment. The Executive Director shall develop, and modify as may be necessary, Agency policies regarding travel, business and relocation expenses.

Section Three:
Fund Balance Policy

The provisions of the Fund Balance Policy adopted by Ordinance 98-15 are hereby reinstated for the 2011 budget and 2012-2013 Financial Plans.

Section Four:
Fund to Budget Policy

The provisions of the Fund to Budget Policy are hereby waived for the 2011 fiscal year.

Section Five:
Non-Waiver of RTA Authority

Nothing in this Ordinance is intended to or shall have the effect of (i) creating an obligation on the part of the RTA to provide funding to the Service Boards in excess of their respective statutorily allocated portions of the proceeds from taxes and State funds actually received by the RTA, nor (ii) waiving any discretion the RTA may have under law to amend the amounts appropriated to the Service Boards under the Ordinance, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of

such recovery ratios, or determining the allowable uses of federal, state or local funds.

Section Six:
Executive Director's Authority to Apply for Additional Funds

The Executive Director is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation ("USDOT"), Federal Transit Administration ("FTA"), the Illinois Department of Transportation ("IDOT"), and any other funding agency (collectively the "Funding Agencies") for any monies available for funding of the RTA Annual Budget. The Executive Director is authorized to furnish such additional information, assurances, certifications and amendments as the funding agencies may require in connection with such 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 funding agencies. 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.

Section Seven:
Direction to File this Ordinance with Public Officials.

The Executive Director is authorized and directed to file the 2011 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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 - General and Agency Funds** (dollars in thousands)

	2011 Budget	2012 Plan	2013 Plan
System-Generated Revenue			
RTA Sales Tax (Part I)	675,012	694,588	716,711
RTA Sales Tax (Part II)	241,287	248,285	256,193
RTA Public Transportation Fund (PTF - Part I)	168,753	173,647	179,178
RTA PTF (Part II) (1)	113,337	117,015	120,743
State Financial Assistance (ASA/AFA)	123,000	123,000	123,000
State Free Rides/Reduced Fare Reimbursement	33,570	33,570	33,570
State Funding for ADA per MOU	8,500	-	-
State Funding for Debt Service per MOU	10,200	11,207	11,204
RTA Other Revenue	17,600	17,600	17,780
Total Revenue	**1,391,259**	**1,418,911**	**1,458,378**
Operating Expenditures			
RTA Total Funds for CTA Operations (2)	515,458	530,827	526,361
RTA Funds available for Metra Operations	318,146	327,397	332,300
RTA Total Funds for Pace Suburban Service Operations (3)	128,854	132,578	135,791
RTA Total Funds for Pace ADA Paratransit Service (4)	101,421	95,616	98,662
RTA Funding for Innovation, Coordination, and Enhancement (ICE) (5)	9,292	9,562	9,866
State Free Rides/Reduced Fare Reimbursement/Sales Tax Interest	35,270	35,270	35,270
Agency Administration	8,032	8,193	8,356
RTA Regional Services and Programs	23,738	24,213	24,697
Total Operating Expenditures	**1,140,211**	**1,163,656**	**1,171,303**
Debt Service & Capital Expenditures			
Principal and Interest	226,058	226,703	227,737
Regional Technology and Agency Capital	1,955	1,994	2,034
Transfer Capital - Metra Funds	-	-	5,525
Transfer Capital - State Funds to CTA per MOU (6)	10,200	11,207	11,204
Total Debt Service and Capital Expenditures	**238,213**	**239,904**	**246,500**
Total Expenditures	**1,378,423**	**1,403,560**	**1,417,802**
Fund Balance			
Beginning Balance (unreserved/undesignated)	5,655	13,111	23,082
Change in Fund Balance	12,836	15,351	40,576
RTA Joint Self Insurance Fund (JSIF) Funding (7)	(5,380)	(5,380)	(5,380)
Ending Unreserved/Undesignated Fund Balance	**13,111**	**23,082**	**58,278**
% of Total Operating Expenditures	1.1%	2.0%	5.0%
Total System-Generated Revenue Recovery Ratio %	53.4%	56.8%	55.5%
ADA Paratransit Recovery Ratio %	10%	10%	10%

(1) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT). (2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT) and RTA discretionary funds available for region-wide capital or operating initiatives transferred to the CTA for preventive maintenance in the operating budget. (3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds. (4) 2011 includes additional IDOT funding of $8.5 million per MOU. (5) Further actions are required to balance the ADA Paratransit budget, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2011 funds from the ICE Fund that may be allocated pursuant to Paragraph 8 of Ordinance 2010-92. (6) Funding from the State (IDOT) for Debt Service per MOU. (7) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

Schedule 1-B: **Total Funds for Service Board Operations General and Agency Funds** (dollars in thousands)

	2011 Budget	2012 Plan	2013 Plan
CTA			
Total System-Generated Revenue	602,097	704,119	707,922
Total Operating Expenses	1,337,755	1,368,746	1,394,115
Total Deficit	**735,658**	**664,627**	**686,193**
RTA Funding for Operations			
RTA Sales Tax (Part I)	271,850	279,734	288,644
RTA Sales Tax and PTF (Part II)	109,356	112,559	116,144
RTA Discretionary Funds (1)	128,251	132,034	114,865
RTA PTF on RETT (Part II)	6,000	6,500	6,708
Total RTA Funding for Operations	**515,458**	**530,827**	**526,361**
Other Funding			
CTA Funds - City of Chicago RETT (Part II)	24,000	26,000	26,832
Federal Funds (2)	196,200	57,800	70,000
Working Cash Repayment (3)	(56,147)	-	-
Working Cash Borrowing (3)	56,147	-	-
Budget/Plan Balancing Actions (4)	-	50,000	63,000
Total Other Funding	**220,200**	**133,800**	**159,832**
Total Funding for Operations	**735,658**	**664,627**	**686,193**
Metra			
Total System-Generated Revenue	297,300	316,500	338,200
Total Operating Expenses	634,202	649,600	670,500
Total Deficit	**336,902**	**333,100**	**332,300**
Federal Funds (2)	60,000	25,000	25,000
Remaining Deficit Balance	**276,902**	**308,100**	**307,300**
RTA Sales Tax (Part I)	229,294	235,943	243,458
RTA Sales Tax and PTF (Part II)	88,852	91,454	94,367
Total RTA Funding for Operations (5)	**318,146**	**327,397**	**337,825**
Funds Available	**41,244**	**19,297**	**30,525**
Less Metra Capital Farebox Funds	(10,000)	(10,000)	(10,000)
Balance of Funds (6)	**31,244**	**9,297**	**20,525**
Pace Suburban Service			
Total System-Generated Revenue	49,802	53,694	54,429
Total Operating Expenses	183,320	189,384	194,884
Total Deficit	**133,518**	**135,690**	**140,455**
RTA Sales Tax (Part I)	72,617	74,722	77,102
RTA Sales Tax and PTF (Part II)	29,617	30,485	31,456
RTA Discretionary Funds to Pace	535	747	-
RTA Suburban Community Mobility Funds	18,585	19,124	19,733
RTA South Suburban Community Job Access Funds	7,500	7,500	7,500
Total RTA Funding for Operations	**128,854**	**132,578**	**135,791**
Other Funding			
Federal CMAQ/JARC/NF Funds	1,935	-	-
Federal Funds (2)	2,000	3,112	4,664
RTA Funding for ICE (7)	236	-	-
Pace (PBV) Funds	493	-	-
Total Other Funding	4,664	3,112	4,664
Total Funding for Operations	**133,518**	**135,690**	**140,455**

Schedule 1-B: **Total Funds for Service Board Operations General and Agency Funds** (dollars in thousands)

	2011 Budget	2012 Plan	2013 Plan
Pace ADA Paratransit Service			
Total System-Generated Revenue	9,994	10,282	10,668
Total Operating Expenses	120,656	126,459	133,905
Total Deficit	**110,662**	**116,178**	**123,237**
RTA Sales Tax and PTF (Part II)	92,921	95,616	98,662
Additional State Funding - IDOT for ADA (per MOU)	8,500	-	-
Total RTA Funding for Operations	**101,421**	**95,616**	**98,662**
Other Funding			
Budget/Plan Balancing Actions (8)	9,241	20,562	24,575
Total Other Funds	**9,241**	**20,562**	**24,575**
Total Funding	**110,662**	**116,178**	**123,237**

(1) Increases the CTA's 2011, 2012, and 2013 funding marks set by Ordinance 2010-92 in the respective amounts of $10.153 million, $9.146 million, and $9.149 million. These RTA discretionary (transfer capital) funds had been provided to the CTA in their capital program. (2) CTA and Metra Federal 5307/5309 funds transferred from their capital programs for preventive maintenance; Pace Federal 5307 funds transferred from its capital program for service under contract (Capital Cost of Contracting). (3) RTA working cash borrowing to fill shortfalls in funding provided by public subsidies in 2009. Pursuant to Section 4.04 of the Act the borrowing is projected to be repaid in 2011 with subsequent working cash borrowing. (4) Further actions are required to balance the CTA financial plan in 2012 and 2013, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues. (5) Funds that exceed the operating deficit of a Service Board (except for ADA Paratransit service) are retained by the Service Board and reserved for the capital program unless approved for operating use by the RTA Board. The amount retained by Metra in 2013 is $5.525 million of statutory funds identified as Transfer Capital - Metra Funds on Schedule 1-A. (6) Proceeds to pay ongoing operating costs (e.g. payroll, utilities, and fuel), and continuing project commitments requiring local match and/or 100% service board funds; conditions resulting from the past three years' economic downturn and state payment delays. (7) Balance of 2008 ICE funding appropriated by Ordinance 2008-28. (8) Further actions are required to balance the ADA Paratransit budget, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2011 funds from the ICE Fund that may be allocated pursuant to Paragraph 8 of Ordinance 2010-92.

Schedule I-C: **Recovery Ratio %**

	2011 Budget
CTA	
Recovery Ratio %	53.8%
Metra	
Recovery Ratio %	55.0%
Pace Suburban Service	
Recovery Ratio %	36.0%
Total System-Generated Revenue Recovery Ratio %	**53.4%**
Pace ADA Paratransit	
Recovery Ratio %	10.0%

The RTA Act allows certain expenditures to be excluded from the recovery ratio calculation including security, depreciation, CTA's pension obligation bonds, and facility leases. Metra's calculation includes capital farebox revenue. Metra and Pace calculations include part of the statutory expense exclusion which is not to exceed the respective amounts of $41.1 million and $15.0 million. The total system-generated revenue recovery ratio includes a statutory expense credit of $80 million.

Schedule 1-D: **RTA Statutory Sales Tax, Public Transportation Funds, and RETT Source and Distribution of Funds** (dollars in thousands)

Source of Funds	**2011 Budget**	**2012 Plan**	**2013 Plan**
Part I Sales Tax ("85% Sales Tax")			
City of Chicago (COC)	214,197	220,409	227,429
Suburban Cook County	352,088	362,299	373,839
Collar Counties	108,727	111,880	115,443
Total Part I - Sales Tax [1]	**675,012**	**694,588**	**716,711**
Part I Public Transportation Funds (PTF) (25% of Sales Tax)	168,753	173,647	179,178
Total Part I - Sales Tax and PTF	**843,765**	**868,235**	**895,889**
Part II - Sales Tax, PTF and RETT			
City of Chicago (COC)	51,622	53,119	54,810
Suburban Cook	84,853	87,314	90,095
Collar Counties	104,812	107,852	111,287
Total Part II - Sales Tax	**241,287**	**248,285**	**256,193**
Part II - COC Real Estate Transfer Tax (RETT)[2]	24,000	26,000	26,832
Total Part II - Sales Tax and RETT	**265,287**	**274,285**	**283,025**
Part II - Public Transportation Funds			
25% of new sales tax	60,322	62,071	64,048
5% total new/old sales tax & RETT	47,015	48,444	49,987
25% of RETT to CTA	6,000	6,500	6,708
Total Part II PTF	**113,337**	**117,015**	**120,743**
Total Part II - Sales Tax, PTF and RETT	**378,624**	**391,299**	**403,768**
Total Source of Funds	**1,222,390**	**1,259,534**	**1,299,657**
Distribution of Funds			
Part I Sales Tax Allocation *("85% Sales Tax")*			
RTA - 15% of Part I Sales Tax	101,252	104,188	107,507
CTA	271,850	279,734	288,644
Metra	229,294	235,943	243,458
Pace	72,617	74,722	77,102
Total Part I Sales Tax [1]	**675,012**	**694,588**	**716,711**
RTA - 100% of Part I PTF	168,753	173,647	179,178
Grand Total Part I Sales Tax & PTF	**843,765**	**868,235**	**895,889**
Part II Allocation (Sales Tax, PTF and RETT)			
RTA Total for ADA Paratransit Service	92,921	95,616	98,662
RTA Innovation, Coordination & Enhancement (ICE)	9,292	9,562	9,866
RTA Suburban Community Mobility Funding to Pace	18,585	19,124	19,733
COC RETT to CTA[2]	24,000	26,000	26,832
PTF - 25% of RETT to CTA	6,000	6,500	6,708
Total Part II Allocation before Service Board Distribution	**150,798**	**156,802**	**161,801**
Remaining Balance to Service Boards			
CTA - 48%	109,356	112,559	116,144
Metra - 39%	88,852	91,454	94,367
Pace - 13%	29,617	30,485	31,456
Total Part II Funds to Service Boards	**227,826**	**234,498**	**241,967**
Total Part II Funds Allocated (Sales Tax, PTF and RETT)	**378,624**	**391,299**	**403,768**
Total Distribution of Funds	**1,222,390**	**1,259,534**	**1,299,657**

Part I Sales Tax - Service Board Allocation Formula [1]	**City of Chicago**	**Suburban Cook**	**Collar Counties**
CTA	100%	30%	-
Metra	-	55%	70%
Pace	-	15%	30%
Total	**100%**	**100%**	**100%**

(1) The RTA Act directs 85% of these sales tax revenues to the Service Boards based on the allocation formula shown on this schedule. (2) The City of Chicago disburses RETT funds directly to the CTA; therefore these funds are excluded from RTA Revenues on Schedule I-A.

Schedule I-E: **RTA Monthly Cash Flow Projection of 2011 Operations, General and Agency Funds (1)** (dollars in thousands)

	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
Cash Receipts						
RTA Sales Tax (Part I)	-	-	-	$54,001	$54,001	$54,001
RTA Sales Tax (Part II)	-	-	-	19,303	19,303	19,303
RTA Public Transportation Fund (PTF - Part I)	-	-	-	-	-	-
RTA PTF (Part II)	-	-	-	-	-	-
State Financial Assistance (ASA/AFA)	-	-	-	10,250	10,250	10,250
State Funding for ADA per MOU	-	-	-	-	-	-
State Funding for Debt Service per MOU	-	-	-	-	-	-
RTA Other Revenue	1,467	1,467	1,467	1,467	1,467	1,467
Total Cash Receipts	**$1,467**	**$1,467**	**$1,467**	**$85,021**	**$85,021**	**$85,021**
Cash Disbursements						
CTA						
RTA Sales Tax (Part I)	-	-	-	$21,748	$21,748	$21,748
RTA Sales Tax (Part II)	-	-	-	2,823	2,823	2,823
RTA PTF (Part II)	-	-	-	-	-	-
RTA PTF from RETT (Part II)	-	-	-	-	-	-
RTA Discretionary Funds (Sales Tax, PTF & Preventive Maintenance)	-	-	-	-	-	-
RTA Total CTA Disbursements	-	-	-	**$24,571**	**$24,571**	**$24,571**
Metra						
RTA Sales Tax (Part I)	-	-	-	$18,343	$18,343	$18,343
RTA Sales Tax (Part II)	-	-	-	2,294	2,294	2,294
RTA PTF (Part II)	-	-	-	-	-	-
RTA Total for Metra Disbursements	-	-	-	**$20,637**	**$20,637**	**$20,637**
Pace Suburban Service						
RTA Sales Tax (Part I)	-	-	-	$5,809	$5,809	$5,809
RTA Sales Tax (Part II)	-	-	-	765	765	765
RTA PTF (Part II)	-	-	-	-	-	-
RTA Discretionary Funds (Sales Tax, PTF & Preventive Maintenance)	-	-	-	-	-	-
RTA Suburban Community Mobility Funds	-	-	-	2,065	2,065	2,065
RTA South Suburban Community Job Access Funds	-	-	-	-	-	-
Total Pace Suburban Service Disbursements	-	-	-	**$8,639**	**$8,639**	**$8,639**
Pace ADA Paratransit Service						
RTA Sales Tax and PTF (Part II)	$7,743	$7,743	$7,743	$7,743	$7,743	$7,743
Additional State Funding - IDOT for ADA (per MOU)	-	-	-	4,250	-	-
Total Pace ADA Paratransit Disbursements	**$7,743**	**$7,743**	**$7,743**	**$11,993**	**$7,743**	**$7,743**
RTA Operations, Debt Service and Capital						
Principal and Interest for Service Board Capital Programs	$18,838	$18,838	$18,838	$18,838	$18,838	$18,838
Agency Operations (2)	2,810	2,810	2,810	2,810	2,810	2,810
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	-	-	-	1,032	1,032	1,032
Total RTA Disbursements	**$21,649**	**$21,649**	**$21,649**	**$22,681**	**$22,681**	**$22,681**
Joint Self Insurance Fund	-	-	-	-	-	-
Total Cash Disbursements	**$29,392**	**$29,392**	**$29,392**	**$88,521**	**$84,271**	**$84,271**
Cash Balance (3)						
Beginning		-	($27,925)	($55,851)	($83,776)	($87,277)	($86,527)
Ending		($27,925)	($55,851)	($83,776)	($87,277)	($86,527)	($85,778)

(1) Cash disbursements are subject to actual cash availability. (2) Agency Administration, Regional Services and Programs, Regional Technology and Agency Capital. (3) Restricted and unrestricted cash.

Schedule I-E: **RTA Monthly Cash Flow Projection of 2011 Operations, General and Agency Funds (1)** (dollars in thousands)

July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	2011 Operations
$56,251	$56,251	$56,251	$56,251	$56,251	$56,251	$58,501	$58,501	$58,501	$675,012
20,107	20,107	20,107	20,107	20,107	20,107	20,912	20,912	20,912	241,287
82,689	-	-	-	-	-	86,064	-	-	168,753
55,535	-	-	-	-	-	57,802	-	-	113,337
10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	10,250	123,000
4,250	-	-	-	-	-	4,250	-	-	8,500
5,100	-	-	-	-	-	5,100	-	-	10,200
1,467	1,467	1,467	1,467	1,467	1,467	-	-	-	17,600
$235,649	**$88,075**	**$88,075**	**$88,075**	**$88,075**	**$88,075**	**$242,878**	**$89,663**	**$89,663**	**$1,357,689**
$22,654	$22,654	$22,654	$22,654	$22,654	$22,654	$23,560	$23,560	$23,560	$271,850
3,209	3,209	3,209	3,209	3,209	3,209	10,038	10,038	10,038	57,835
25,246	-	-	-	-	-	26,276	-	-	51,522
2,940	-	-	-	-	-	3,060	-	-	6,000
62,843	-	-	-	-	-	65,408	-	-	128,251
$116,892	$25,863	$25,863	$25,863	$25,863	$25,863	$128,342	$33,598	$33,598	$515,458
$19,108	$19,108	$19,108	$19,108	$19,108	$19,108	$19,872	$19,872	$19,872	$229,294
2,607	2,607	2,607	2,607	2,607	2,607	8,156	8,156	8,156	46,991
20,512	-	-	-	-	-	21,349	-	-	41,861
$42,227	$21,715	$21,715	$21,715	$21,715	$21,715	$49,377	$28,028	$28,028	$318,146
$6,051	$6,051	$6,051	$6,051	$6,051	$6,051	$6,293	$6,293	$6,293	$72,617
869	869	869	869	869	869	2,719	2,719	2,719	15,664
6,837	-	-	-	-	-	7,116	-	-	13,954
262	-	-	-	-	-	273	-	-	535
2,065	2,065	2,065	2,065	2,065	2,065	-	-	-	18,585
-	-	-	-	-	7,500	-	-	-	7,500
$16,085	$8,985	$8,985	$8,985	$8,985	$16,485	$16,401	$9,012	$9,012	$128,854
$7,743	$7,743	$7,743	$7,743	$7,743	$7,743	-	-	-	$92,921
4,250	-	-	-	-	-	-	-	-	8,500
$11,993	**$7,743**	**$7,743**	**$7,743**	**$7,743**	**$7,743**	**-**	**-**	**-**	**$101,421**
$18,838	$18,838	$18,838	$18,838	$18,838	$18,838	-	-	-	$226,058
2,810	2,810	2,810	2,810	2,810	2,810	-	-	-	33,725
1,032	1,032	1,032	1,032	1,032	1,032	-	-	-	9,292
$22,681	**$22,681**	**$22,681**	**$22,681**	**$22,681**	**$22,681**	**-**	**-**	**-**	**$269,075**
-	-	-	-	-	$5,380				$5,380
$209,878	**$86,988**	**$86,988**	**$86,988**	**$86,988**	**$99,868**	**$194,120**	**$70,637**	**$70,637**	**$1,338,334**
($85,778)	($60,007)	($58,921)	($57,834)	($56,747)	($55,660)	($67,453)	($18,695)	$330	-
($60,007)	($58,921)	($57,834)	($56,747)	($55,660)	($67,453)	($18,695)	$330	$19,356	-

(1) Cash disbursements are subject to actual cash availability. (2) Agency Administration, Regional Services and Programs, Regional Technology and Agency Capital. (3) Restricted and unrestricted cash.

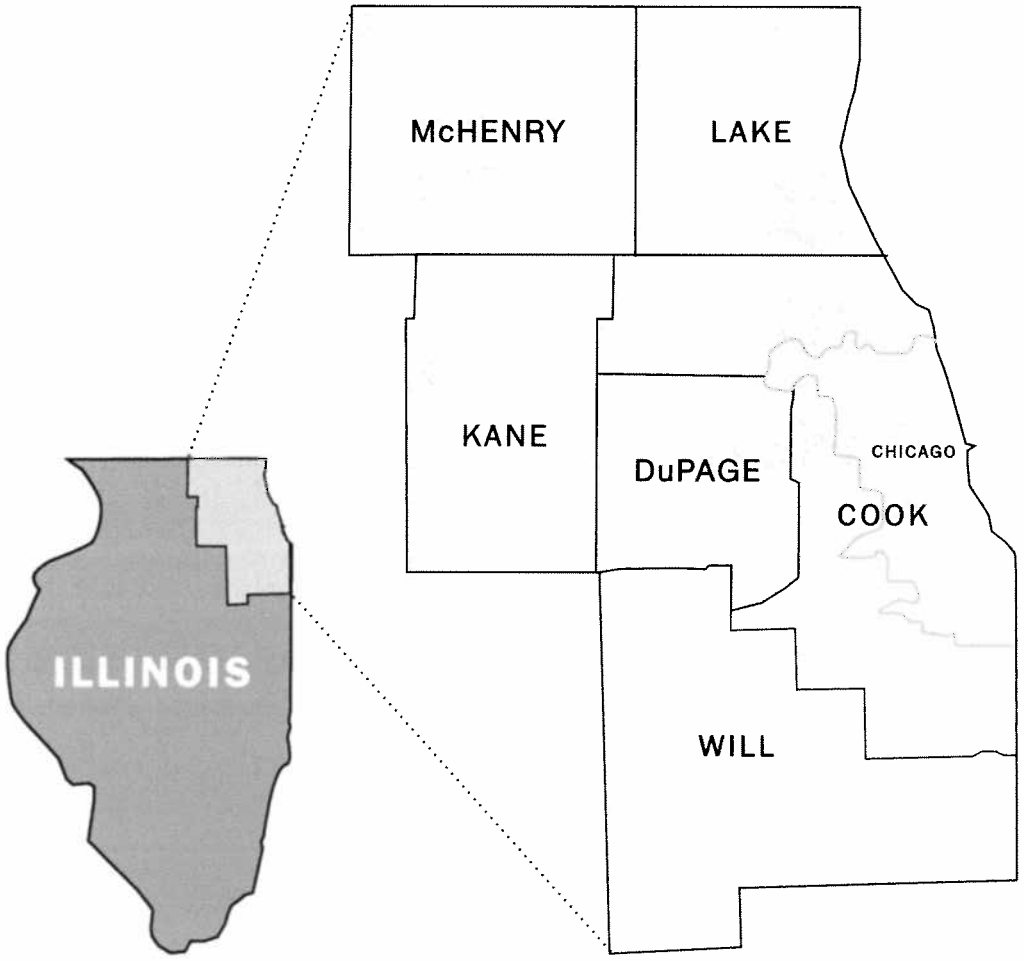
The GFOA Distinguished Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) present an award of Distinguished Presentation to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2010.

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.

2 Budget in Brief



System Overview

The Regional Transportation Authority (RTA/ Agency) provides funding, planning and fiscal oversight for regional bus and rail operations in the six-county northeastern Illinois region as set forth by the RTA Act. The Act designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail and Pace bus, have operational responsibility for public transportation within the six-county region and are governed by their own separate boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service in the suburbs and between the suburbs and the City of Chicago, and Pace provides ADA Paratransit service for the entire region (Exhibit 2-1).

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.

Exhibit 2-1: **RTA Organization Structure**

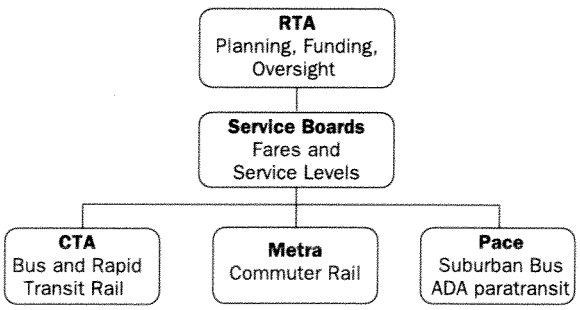
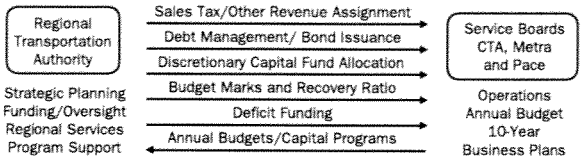


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**



The marks guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that is to conform 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 releases this document for public hearing and comment before adoption in December.

Exhibit 2-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Service Characteristics

There are more than 8 million residents in the six-county northeastern Illinois region, an area that covers 3,749 square miles. The RTA system includes more than 6,000 buses, rail cars and locomotives, plus over 860 vanpool vehicles serving customers on more than 350 routes through approximately 380 stations. In 2009, the regional public transportation system provided nearly 640 million trips including close to 3 million ADA Paratransit trips.

The system has a replacement value of over $42 billion (i.e. the asset value of the system's existing infrastructures excluding the CTA tunnels).

Exhibit 2-3: **RTA Statement of Revenues and Expenditures - General and Agency Funds** (dollars in thousands)

	2010 Estimate	2011 Budget
System-Generated Revenue		
RTA Sales Tax (Part I)	649,600	675,012
RTA Sales Tax (Part II)	240,875	241,287
State Public Transportation Funds - Part I (PTF)	162,400	168,753
RTA PTF (Part II)	111,343	113,337
State Financial Assistance (SFA)	123,000	123,000
State Reduced Fare & Free Ride Reimbursement	33,570	33,570
State Funding for ADA & Debt Service per MOU	13,599	18,700
RTA Agency Revenue	17,600	17,600
Total Revenue	**1,351,987**	**1,391,259**
Operating Expenditures		
RTA Total for CTA Operations	474,839	515,458
RTA Total for Metra Operations	292,100	318,146
RTA Total for Pace Suburban Service Operations	125,256	128,854
RTA Total for ADA Paratransit Service Operations	98,803	101,421
Funding for Innovation, Coordination, and Enhancement (ICE)	9,030	9,292
State Reduced Fare/Free Ride Reimbursement and Sales Tax Interest	35,270	35,270
Agency Administration, Regional Services & Programs	30,687	31,770
Total Operating Expenditures	**1,065,985**	**1,140,211**
Debt Service & Capital Expenditures		
Principal and Interest	211,165	226,058
Regional Technology and Agency Capital	3,038	1,955
Transfer Capital - Metra	17,997	-
Transfer Capital - CTA	20,353	10,200
Total Debt Service and Capital Expenditures	**252,553**	**238,213**
Total Expenditures	**1,318,538**	**1,378,424**
Fund Balance (undesignated/unreserved)		
Beginning Balance	(27,893)	5,656
Change in Fund Balance	33,449	12,835
Change in Funds Reserved	5,480	-
Use of RTA Funds for JSIF	(5,380)	(5,380)
Ending Unreserved/Undesignated Fund Balance	**5,656**	**13,111**
% of Total Operating Expenditures	0.5%	1.1%
System-Generated Revenue Recovery Ratio %	**52.1%**	**53.4%**
ADA Paratransit Recovery Ratio	10.0%	10.0%

With an average asset life of over 25 years, the RTA system needs more than $1 billion in capital funds each year just to keep the existing infrastructure in good repair.

Operating Budget

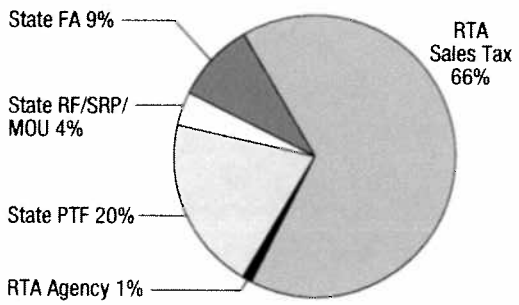
A statement of revenues and expenditures for the 2010 estimate and the 2011 budget is presented in Exhibit 2-3, and subsequent paragraphs summarize line item information. The statement of RTA revenues and expenditures from 2009 through 2013 is shown in the Region section.

Total Revenues

In 2011, total RTA revenues are projected at $1,391 million. This represents an increase of $39 million or 2.9% over the 2010 estimate of $1,352

million. RTA Sales Tax (Part I and Part II) of $916 million, account for 66% of these revenues, with receipts provided by the State's matching Public Transportation Fund (PTF) totaling $282 million or 20% of total revenues. The remaining 14% includes $123 million or 9% from a State Financial Assistance initiative to pay the debt service on RTA Strategic Capital Investment Program (SCIP) bonds issued for Service Board capital investment. The State also provides partial reimbursement for reduced fare and free ride programs (RF/FR) of over $33 million, and the State, by means of a Memorandum of Understanding (MOU) between the Illinois Department of Transportation (IDOT), the RTA, and the three Service Boards (CTA, Metra, and Pace), is providing funds for ADA Paratransit Service ($9 million), and the debt service ($10 million) on bonds issued by the RTA sufficient to provide $83 million of capital funding to the CTA. This $19 million combined with the $33 million for RF/FR totals $52 million or 4% of total RTA revenues. The remaining balance of $18 million or 1% is RTA/ Agency revenues which include receipts for sales tax interest, investment income, and grant funds for agency sponsored initiatives. Exhibit 2-4 illustrates this distribution.

Exhibit 2-4: **2011 RTA Revenue - $1,391 million**



Sales Tax and Public Transportation Funds

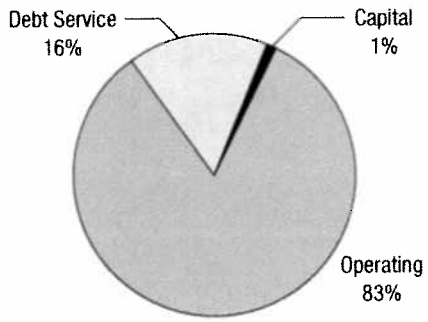
Sales Tax is the primary source of revenue for the RTA. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region of northeast Illinois and collected by the state; receipts are disbursed by formulas detailed in the statue. Eighty-five percent of the sales tax (RTA Sales Tax – Part I) collected in the region, and sanctioned by statue prior to amendatory legislation in 2008, is allocated to the service boards; the RTA receives the remaining 15 percent. All receipts (RTA Sales Tax – Part II) authorized by legislation passed in 2008 are allocated for service operations and/or distinctive initiatives. The 2010 sales tax estimate and the 2011 budget year sales tax projections provided on Exhibit 2-3 were developed in August 2010, and were established after assessing state and regional economic data and national forecasts.

In accordance with the RTA ACT, the State Treasurer is authorized and required to transfer from the State of Illinois General Revenue Fund revenue identified in this document as Public Transportation Funds (PTF – Part I and Part II). PTF Part I receipts transferred are equal to 25 percent of net revenues realized from Part I Sales Tax, which flow directly to the RTA and are allocated at the discretion of the RTA Board for service and/ or capital program initiatives. PTF Part II receipts, from the amendatory legislation passed in 2008, are realized on: Part I sales Tax (5 percent), Part II sales tax (30 percent), a Chicago real estate transfer tax (RETT) 30 percent. Revenue provided by the 2008 legislation, by statute, is designated for certain operations and programs before formula distribution to the Service Boards; complete details regarding sales tax, public transportation funds, and RETT are provided in the Region Section of this document.

RTA Sales Tax (Part I) and Public Transportation Funds

The traditional RTA sales tax (identified in this document as RTA Sales Tax – Part I) has been the major source of funding for public transportation in northeastern Illinois for nearly three decades. As previously identified 85 percent of these RTA sales tax receipts are apportioned to the Service Boards by statutory formula; budgeted receipts for 2011 are $675 million.

Exhibit 2-5: **2011 RTA Expenditures** - $1,378 million



State Public Transportation Funds (PTF Part I) from Part I sales taxes are based on a formula tied to Part I sales tax results. The fund provides the RTA with a 25% match of its sales tax proceeds, which means that for every four dollars collected in Part I sales tax the RTA receives an additional dollar in PTF Part I; budgeted receipts for 2011 are $169 million.

RTA Sales Tax, PTF and Real Estate Transfer Tax – (Part II)

In 2008, State legislation increased the RTA sales tax rate throughout the region, raised the portion of RTA sales tax revenues matched by PTF, and increased the real estate transfer tax (RETT) in the City of Chicago. The revenue from RETT, which is collected by the City of Chicago, flows directly to the CTA and is not included in the RTA schedule of revenues and expenditures (Exhibit 2-3). However, PTF funds associated with RETT, by statute, flow through the RTA and are included in the RTA schedule of revenues and expenditures. The 2011 budget for Part II sales tax and PTF is $241 million and $113 million respectively.

State Financial Assistance

This revenue source is state-authorized assistance to reimburse 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 2010 and 2011 are $123 million.

Reduced Fare and Free Ride Reimbursement

This operating assistance is partial reimbursement from the State to the Service Boards for discounts and free ride programs mandated by law. This includes discounts to students, elderly, and disabled riders as well as free ride programs for seniors 65 and older, and any disabled person who qualifies for the State's Circuit Breaker Program. The funds are distributed by the state through the RTA and then to the Service Boards. The budget for 2011 is close to $34 million; remaining unchanged from receipts expected in 2010.

RTA/Agency Revenue

This RTA revenue category includes sales tax interest, investment income, transit benefit program revenue, and grant funds from state and local agencies for regional coordination and technology initiatives which help defray the cost of these Agency sponsored programs. Total receipts are budgeted at $18 million for 2011; on par the 2010 estimate.

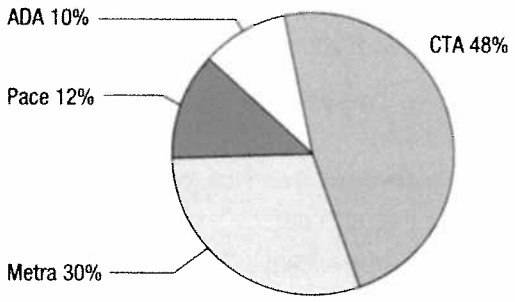
Total Expenditures

Total RTA expenditures (operating, debt service and capital) for 2011 are budgeted at $1,378 million. This amount is $59 million or 4.5 percent higher than the 2010 estimate of $1,319 million. Operating expenses of $1,140 million account for 83% of the expenditures, 16% or $226 million is used to cover the debt service on RTA bonds issued on behalf of the service boards for their capital programs and working cash borrowing needs, and $12 million or 1% is used to funds capital and technology programs (Exhibit 2-5 illustrates this distribution).

Operations Funding

The RTA's primary expenditure is the funding of Service Board operating deficits.

Exhibit 2-6: **2011 Funds for Service Operations - $1,073 million**



The RTA Board establishes "marks" for each Service Board to use in its proposed budget and program. The marks are set in September for the next fiscal (calendar year) period. Operating marks include a recovery ratio for the next budget year and operating funds for the budget and following two-year financial planning period. Operating deficits are primarily sourced from RTA sales tax, the State's PTF, and the City of Chicago's RETT. Other sources include federal funds, local program funds and intermittent use of fund balances.

RTA funds for operations are budgeted at $1,073 million in 2011. The CTA will use 48%, Metra 30%, and Pace 22% (12% for suburban bus service and 10% for regional ADA Paratransit service (Exhibit 2-6). The source of all funds and the amount of funds (Exhibit 2-7) used to balance each Service Board's 2011 operation deficit are identified in more detail in subsequent paragraphs.

CTA

The CTA's 2011 operating (deficit) funding need calls for public funding totaling almost $736 million. This figure includes statutory Part I and Part II sales tax (sales tax based on formulas set by state law) totaling nearly 382 million, $128 million from discretionary RTA funds (Part I sales tax and PTF funds the RTA receives for operating and capital expenditures as set forth by state law), $24 million from the City of Chicago RETT and the corresponding 25% or $6 million statutory Part II PTF, and $196 million from Federal 5307 Preventive Maintenance Funds. (Note: City of Chicago RETT funds flow directly from the City to the CTA and therefore are not included in the revenue or funding figures on Exhibit 2-3).

Metra

Metra's deficit funding for operations in 2011 is budgeted at $337 million. Metra will transfer $60 million of Federal capital Funds to operations

Exhibit 2-7 **2011 Service Board Deficit Funding** (dollars in thousands)

	2011				
			Pace		
Service Board	**CTA**	**Metra**	**Suburban Service**	**ADA**	**Total**
Operating Revenue	602,097	297,300	49,802	9,994	959,193
Operating Expense	1,337,755	634,202	183,320	120,656	2,275,933
Operating Deficit	**735,658**	**336,902**	**133,518**	**110,662**	**1,316,740**
Funding					
RTA Sales Tax (Part I)	271,850	229,294	72,617	-	573,761
RTA Sales Tax (Part II)	109,356	88,852	29,617	92,921	320,746
RTA Discretionary Funds	128,252	-	535	-	128,787
RETT/PTF	30,000	-	-	-	30,000
RTA Community Mobility and Job Access	-	-	26,085	-	26,085
Federal Funds	196,200	60,000	2,000	-	258,200
Additional State Funds - IDOT MOU	-	-	-	8,500	8,500
Other (1)	-	(41,244)	2,664	9,241	(29,339)
Total Funding for Operations	**735,658**	**336,902**	**133,518**	**110,662**	**1,316,740**

(1) Other: Metra's plan to fund operations provides a balance of $41.244 million available for capital investment, on-going programs and continuing operations commitments. Pace's suburban service amount includes CMAQ and JARC grant funds of $1.935 million, 235 thousand of unspent ICE funds, and prior service board funds (PBV) totaling $493 thousand. The ADA Paratransit amount is ICE funds used to balance the deficit as specified in Ordinance 2010-121.

for preventive maintenance and receive $318 million in statutory RTA funds set by formula, which include Sales Tax and PTF receipts. These combined Federal and RTA statutory funds total $378 million; exceeding the operating deficit of $337 million by $41 million. From this remaining balance $10 million will be transferred to the capital program for Metra's capital farebox initiative with the remaining balance of funds, $31 million, available to pay for ongoing operating expenditures or continuing capital project commitments as cash balances have been dawn down extensively due to the economic downturn over the past three years, and current delays in receiving State funds.

Pace Suburban Service

Pace's funding to cover its suburban service operating deficit in 2011 is budgeted at $134 million. Pace will receive statutory funds totaling nearly $129 million including $103 million from sales tax and PTF, and $26 million for Suburban Community and South Suburban Community Job Access initiatives. The remaining $5 million will be sourced by federal funds for preventive maintenance, CMAQ, and JARC initiatives totaling $4 million, and $1 million provided from Pace funds and RTA discretionary funds.

Pace ADA Paratransit Service

Funding for ADA Paratransit service in 2011 is budgeted at $111 million. RTA Part II sales tax and PTF funds are statutorily provided by 2008 legislation, and increase or decrease each year, from the base level of $100 million set by statute in 2008, by the percentage change in sales tax revenue. The economic decline, since the base was established, has reduced statutory funding with the amount provided in 2011 reaching just $93 million. The remaining funding need totaling $18 million will be split between funds drawn from the State based on a Memorandum of Understanding between the Illinois Department of Transportation, the RTA, and each Service Board, and actions taken by Pace, which conditions may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds including estimated 2011 ICE funds totaling $9 million.

Innovation, Coordination and Enhancement (ICE) Funding

The Innovation, Coordination, and Enhancement (ICE) program, established as part of the 2008 Mass Transit Reform Legislation, offers operating and/or capital funding for projects that provide cost-effective ways to enhance the coordination and integration of public transportation, and develop and implement innovations to improve the quality and delivery of public transportation. However in 2011, given the adverse economic conditions in recent years, and the shortfall in ADA Paratransit funding, an emergency was declared with respect to 2011 ICE funds, and such funds have been reserved for potential allocation to Pace for use in 2011 ADA Paratransit operations, subject to the conditions identified above for Pace's ADA Paratransit service.

Reduced Fare/Free Ride Programs and Sales Tax Interest

State reduced fare and free ride reimbursements are received as revenue by the RTA, as previously described, and flow directly to the Service Boards to help defray program costs. The 2011 projected reimbursement level of $34 million remains unchanged from expected 2010 receipts.

There is a lag in time between when the State collects RTA sales tax and when it distributes the funds to the RTA. The RTA receives interest on this sales tax, and then disburses earnings on Part I sales tax to the Service Boards using the same formula as the Part I sales tax distribution formula. Payments in 2010 and 2011 are budgeted above $1 million.

Agency Administration, Regional Services & Programs

Agency administration represents on-going RTA functions to execute its funding and financial

oversight responsibilities. Budgeted 2011 administrative expenses totaling $8 million are significantly below the 2011 statutory cap of almost $18 million permitted by the RTA Act.

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), ADA certification, Reduced Fare, and the Customer Service Center. In addition, the RTA supports continued demands for technical assistance initiatives and coordination programs that encourage transit oriented improvements in the region. Programs supported include various community planning and sub-regional programs. The budget for these 2011 initiatives totals $24 million.

Debt Service and Capital Expenditures

Total expenditures in this category are projected to decrease from $253 million in 2010 to $238 million in 2011, a decrease of 6%. This change basically reflects the decrease of statutory funds Metra has available for capital expenditure, and the RTA's transfer of funds for CTA operations instead of funding for capital investment as outlined earlier in the CTA discussion.

Principal and Interest

Principal and interest (debt service) expenditures in the 2011 budget total $226 million. Payments cover the debt incurred on bonds (authorized by the state), which help pay for Service Board capital projects, and pay for the occasional issuance of working cash notes to cover extended accounts receivable cycles from the State. The State's financial assistance for SCIP bond programs in 2011 covers roughly 54% of the RTA's debt service costs with the remaining balance paid from RTA funds.

Regional Technology and Agency Capital

The 2011 budget continues the RTA's commitment to fund region-wide capital and/or technology driven initiatives and Agency programs. The 2011 Agency budget of $2 million includes the start of a virtual and disaster recovery project (Cloud), some necessary hardware (switch replacements), business intelligent (BI) solutions and reporting tools for the new integrated management system, and various technology planning programs, such as regional travel information (goroo), bus arrival information project, and the green transit plan.

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. Funding in recent years has been over $20 million; the same amount of funding provided in 2010. However, in 2011 the State of Illinois (per MOU), will make available funding for debt service on bonds issued by the RTA, which provide approximately $83 million in capital funding to the CTA for the year. Also, in 2011 the RTA increased its discretionary funds for CTA operations by $10 million; resulting in an overall funding assistance to the CTA totaling $20 million.

Additionally, the statutory apportionment of sales tax to a Service Board can exceed its operating needs. When this occurs, the Service Board retains the funds for their capital program. Over the years Metra has been the only Service Board that has been able to retain such funds for capital investment. However, Metra's budget for 2011 does not call for such funds to be available for its 2011 capital program.

Fund Balance

In 1998, the RTA Board adopted an ordinance establishing a 5 percent minimum level in the unreserved and undesignated fund balance. If the amount is below 5 percent the financial plan

must show full replenishment by the end of the current three-year planning cycle. The percentage is based on total operating expenditures for the year (as shown on Exhibit 2-3). The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods. The policy proved its value as sluggish economic conditions over the past several years' limited growth of sales tax receipts.

However, continued unfavorable economic conditions created the need to waive, the provision for the 2009-2011 planning period, and the continued uncertainty in the economic environment necessitated the continuance of this waiver during the 2010-2012 planning cycle. With the economy beginning to post recovery signs in 2010, the RTA Board reinstated the fund balance policy for the 2011-2013 financial planning periods; the fund balance in 2011 is projected to reach $13 million.

Beginning Balance

The beginning fund balance is the amount of funds in the undesignated and unreserved (General Fund) fund balance after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2009 actual results for the 2010 beginning balance.

Change in Fund Balance

Total RTA revenues less total RTA expenses produce an annual change to the fund balance. When revenue exceeds expense, the remainder is added to the fund balance. If expenses exceed revenues, the fund balance is reduced by the deficit amount. Estimates indicate that revenues will exceed expenditures in 2011 by $13 million before using $5 million to fund the regions Joint Self Insurance Fund (JSIF).

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% (apart from ADA Paratransit service) of the system operating cost. The RTA's system-generated revenue recovery ratio for 2011 is over 53%. A breakdown of this calculation is provided in the Region section.

In meeting the 50% 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% 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 Act further requires a recovery ratio for ADA Paratransit service of 10%, the 2010 budget for this service meets this stipulation.

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% (apart from ADA Paratransit that requires a recovery ratio of 10%); and the RTA's (Agency's) administrative expenses do not exceed an established statutory cap (CAP). The CAP is approximately $18 million, and the Agency's administrative expenses of $8 million are well below the statutory 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 that comply with these stipulations.

Source and Use of Funds

Each section of the 2011 Program and Budget Book presents the source of funds (public funding and/or operating revenues) and the use (expenditure) of funds for the respective operation.

Exhibit 2-8: **2011 Source and Use of Funds** (dollars in millions)

Source of Funds	**Total**
RTA Sales Tax	916
State Funds	457
Service Board Operations	926
Federal Capital Funds	217
Chicago RETT	24
Other	19
Total Source	**2,559**

Use of Funds	**Total**
Service Board Operations	2,276
RTA Agency	34
Debt Service	226
Capital	10
JSIF & Fund Balance	13
Total Use	**2,559**

Exhibit 2-9: **2011 Source of Funds - $2,559 million**

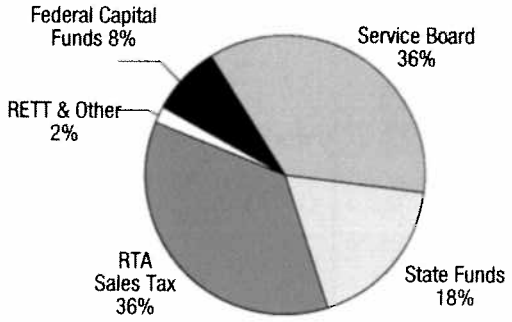
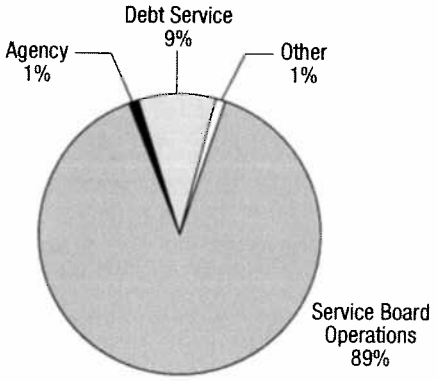


Exhibit 2-10: **2011 Use of Funds - $2,559 million**



The subsequent paragraphs and exhibits (Exhibits 2-8 though 2-11) summarize the source and use of these funds for the 2011 budget.

In 2011, total revenue estimates of $2,559 million include: $916 million in receipts from RTA sales tax; State funding totaling $457 million, Service Board operating revenues of $926 million, the use for federal capital funds for preventive maintenance totaling $217 million, and Other totaling $43 million ($24 million from RETT, and RTA and miscellaneous revenue equaling $19 million).

The use of $2,559 million in funds includes $2,276 million for service operations including ADA Paratransit, 34 million for Agency operations and initiatives, $226 million for debt service; and $23 million for: capital programs ($10 million), JSIF funding ($5 million), and a remainder that increases the RTA fund balance by almost $8 million.

Capital Program

2011 capital program funds adopted by the RTA Board on December 16, 2010 total $859. Federal Grants are $443 million; less $251 million transferred for operating needs with $217 million used in 2011. State funds total $575, and RTA and Service Board funds (with program de-obligations) totaling $159 million. Also lowering the funds available for asset investment in 2011 (e.g. rolling stock, track and structure, facilities, other) are funds to pay the debt service on bonds issued for capital programs by the CTA, an amount for the year totaling of $67 million.

Capital funding for the 2011-2015 five-year program totals $4,355 million (Exhibit 2-12). The planned use of these funds includes $2,293 or 53 percent for rolling stock, $820 million and 19% for track and structure, $409 million for facilities and equipment equaling 9 percent, $385 for signals and communications or 9 percent, $247 million for stations and passenger facilities using 6 percent of the funds, and $201 million or 4 percent for Other (contingencies, administration and miscellaneous programs). Please reference the capital Section for program details and the capital program impact on region-wide operations.

Exhibit 2-11: **2011 Source and Use Funds - $2,559 million**

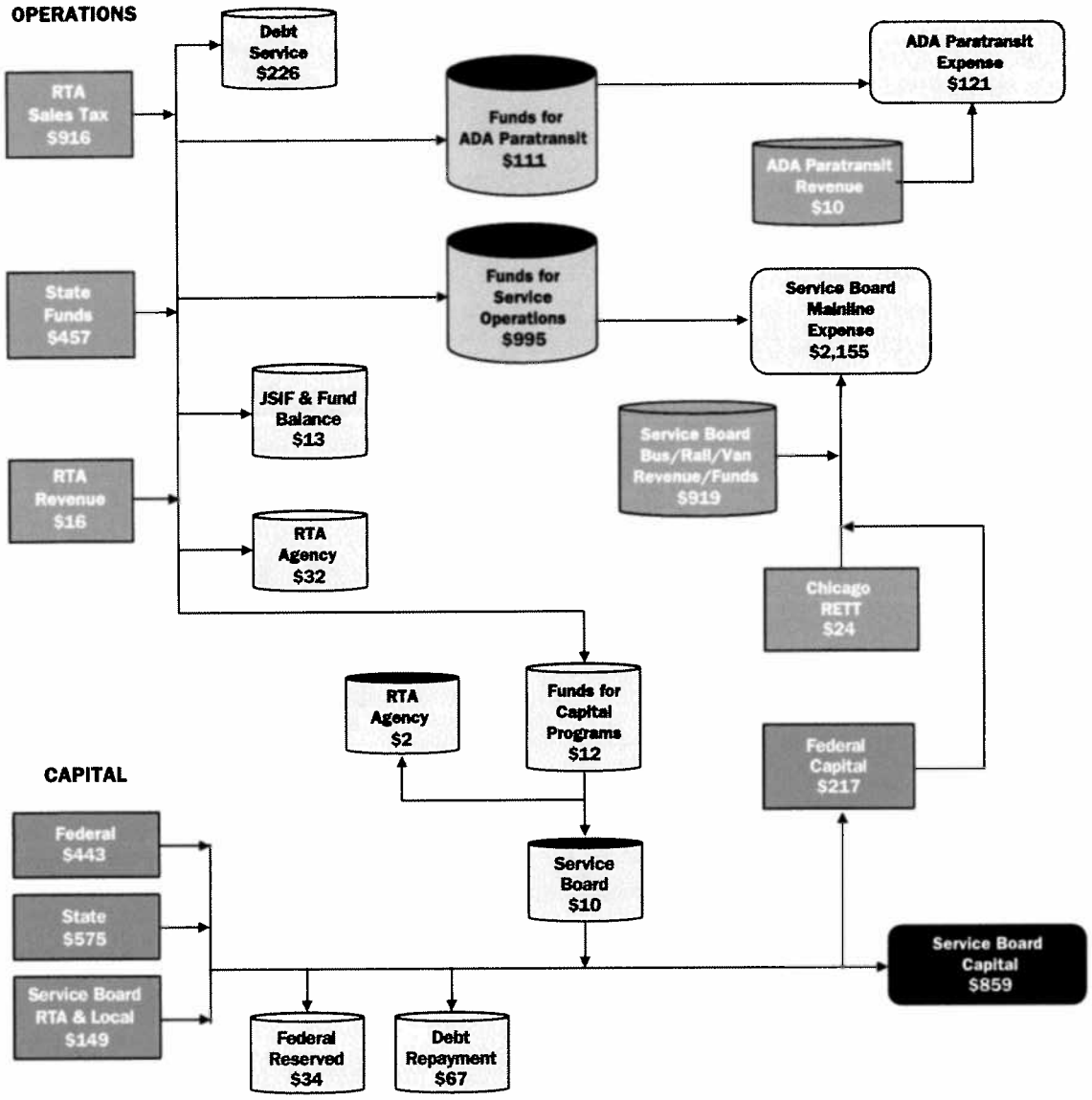
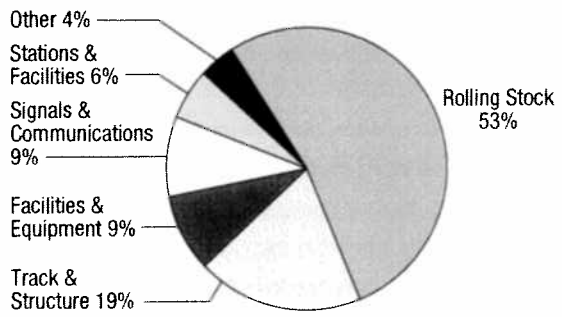


Exhibit 2-12: **2011-2015 Service Board Capital Program – $4,355 million**



3 RTA

Region Operating Plan

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 plan, and a five-year capital program that meets specific statutory requirements. This document fulfills this responsibility. Exhibit 3-1 provides a summary of the RTA's statement of revenue and expenditures for 2009-2013. Throughout this document, 2009 is actual data, 2010 is an estimate of year-end results, 2011 is the operating budget, and 2012-2013 represent the two-year financial plan.

Revenue

Total operating revenue for the region is projected to decline $19.1 million or 1.4 percent from to $1,386.8 million in 2009 to $1,352.0 million in 2010. The State agreed in a Memo of Understanding to provide additional funding for ADA and Debt Service, a total amount of $13.6 million in 2010, $18.7 million in 2011, and $11.2 million in 2012 and 2013. However, from 2009 to 2010 sales tax, PTF, and State reimbursement for free and reduced fares are expected to decline by $3.8 million, $8.8 million, and $5.2 million, respectively. In 2013, total revenue is expected to reach $1,458.4 million, an increase of $103.2 million, a compound annual growth rate of 2.5% from 2010 (Exhibit 3-1).

The RTA Sales Tax (Part I and II) is the primary source of revenue totaling $894.2 million or 64.5 percent of total revenue in 2009. The Public Transportation Fund (PTF-Part I and PTF-Part II) totaling $282.5 million comprised 20.4 percent of total revenue. State Financial Assistance (ASA/AFA), State reimbursement for free and reduced fares, and other revenue provided the balance of RTA revenue totaling $210.1 million or 15.1 percent (Exhibit 3-2).

Sales Tax (Part I and Part II)

The RTA Sales Tax (Part I and II) is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA monthly, without appropriation, by the State Treasury on the order of the State Comptroller.

Part I of the RTA sales tax (Sales Tax I) is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in DuPage, Kane, Lake, McHenry and Will counties (the collar counties). Sales Tax I in Cook County is 1 percent on food and drugs and 0.75 percent on general merchandise, with the State of Illinois then providing a "replacement" amount to the RTA equivalent to 0.25 percent of general merchandise sales. The RTA retains 15 percent of sales tax I and distributes the remaining 85 percent to the Service Boards according to the formula specified in the RTA Act (Exhibit 3-3).

Public Act 95-0708 (P.A. 95-0708) enacted in January 2008 established RTA Sales Tax Part II (Sales Tax II). The legislation increased the RTA sales tax from 1 percent in Cook County to 1.25 percent and the sales tax in the collar counties from .25 percent to .75 percent. The collar county tax increase is divided evenly between the RTA and the county where the tax is collected. Thus, the rate of the sales tax that the RTA receives from the collar counties doubled (from 0.25 percent to 0.50 percent).

Total sales tax revenues are projected to decline from $894.2 million in 2009 to $890.5 million in 2010. In 2011, 2012, and 2013, total sales tax revenues are estimated to increase 2.9%, 2.9%, and 3.2%, respectively, reaching $972.9 million in 2013 (Exhibit 3-4).

Sales tax projections are made by examining economic trends at a national, state and regional level. From a geographic standpoint, the City of Chicago accounted for 29.6 percent of sales tax collected in 2009, suburban Cook 47.3 percent,

Exhibit 3-1: **RTA Statement of Revenue and Expenditures - General and Agency Funds** (dollars in thousands)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
System-Generated Revenue					
RTA Sales Tax (Part I)	$ 660,183	$649,600	675,012	694,588	716,711
RTA Sales Tax (Part II)	234,055	240,875	241,287	248,285	256,193
RTA Public Transportation Fund (PTF - Part I)	169,353	162,400	168,753	173,647	179,178
RTA PTF (Part II) (1)	113,188	111,343	113,337	117,015	120,743
State Financial Assistance (ASA/AFA)	123,008	123,000	123,000	123,000	123,000
State Free Rides/Reduced Fare Reimbursement	41,970	33,570	33,570	33,570	33,570
State Funding for ADA per MOU	-	8,500	8,500	-	-
State Funding for Debt Service per MOU	-	5,099	10,200	11,207	11,204
RTA Other Revenue	45,089	17,600	17,600	17,600	17,780
Total Revenue	**$ 1,386,846**	**1,351,986**	**1,391,259**	**1,418,911**	**1,458,378**
Operating Expenditures					
RTA Total Funds for CTA Operations (2)	$ 475,432	$474,839	515,458	530,827	526,361
RTA Funds available for Metra Operations	278,313	292,100	318,146	327,397	332,300
RTA Total Funds for Pace Suburban Service Operations (3)	128,964	125,256	128,854	132,578	135,791
RTA Total Funds for Pace ADA Paratransit Service (4)	97,212	98,803	101,421	95,616	98,662
RTA Funding for Innovation, Coordination, and Enhancement (ICE) (5)	-	9,030	9,292	9,562	9,866
State Free Rides/Reduced Fare Reimbursement/Sales Tax Interest	42,441	35,270	35,270	35,270	35,270
Agency Administration	11,440	8,024	8,032	8,193	8,356
RTA Regional Services and Programs	20,691	22,663	23,738	24,213	24,697
Total Operating Expenditures	**$1,054,493**	**1,065,985**	**1,140,211**	**1,163,656**	**1,171,303**
Debt Service & Capital Expenditures					
Principal and Interest	$ 201,950	211,165	226,058	226,703	227,737
Regional Technology and Agency Capital	2,526	3,038	1,955	1,994	2,034
Transfer Capital - Metra Funds	31,021	17,997	-	-	5,525
Transfer Capital - State Funds to CTA per MOU (6)	18,965	20,353	10,200	11,207	11,204
Total Debt Service and Capital Expenditures	**$ 254,462**	**252,553**	**238,213**	**239,904**	**246,500**
Total Expenditures	**$ 1,308,955**	**1,318,538**	**1,378,424**	**1,403,560**	**1,417,802**
Fund Balance					
Beginning Balance (unreserved/undesignated)	($53,481)	(27,893)	5,655	13,109	23,080
Change in Fund Balance	77,891	33,448	12,836	15,351	40,576
RTA Joint Self Insurance Fund (JSIF) Funding (7)	(3,575)	(5,380)	(5,380)	(5,380)	(5,380)
Other Funding & Reserves	(48,728)	5,479	-	-	-
Ending Unreserved/Undesignated Fund Balance	**($27,893)**	**5,655**	**13,109**	**23,080**	**58,276**
% of Total Operating Expenditures	-2.6%	0.5%	1.1%	2.0%	5.0%
Total System-Generated Revenue Recovery Ratio %	55.8%	53.0%	53.4%	56.8%	55.5%
ADA Paratransit Recovery Ratio %	10.0%	10.0%	10%	10%	10%

(1) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT). (2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT) and RTA discretionary funds available for region-wide capital or operating initiatives transferred to the CTA for preventive maintenance in the operating budget. (3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds. (4) 2011 includes additional IDOT funding of $8.5 million per MOU. (5) Further actions are required to balance the ADA Paratransit budget, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2011 funds from the ICE Fund that may be allocated pursuant to Paragraph 8 of Ordinance 2010-92. (6) Funding from the State (IDOT) for Debt Service per MOU. (7) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

Exhibit 3-2: **2009 RTA Revenue** - $1,387 million

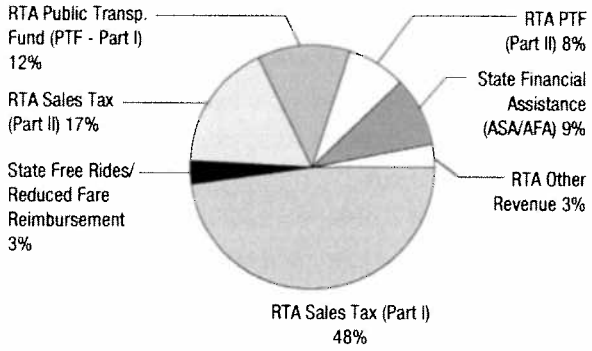


Exhibit 3-3: **Distribution of RTA Sales Tax (Part I)** (in percent)

	CTA	Metra	Pace	Total
Chicago	100	0	0	100
Suburban Cook	30	55	15	100
Collar Counties	0	70	30	100

Exhibit 3-4: **RTA Sales Tax** (dollars in millions)

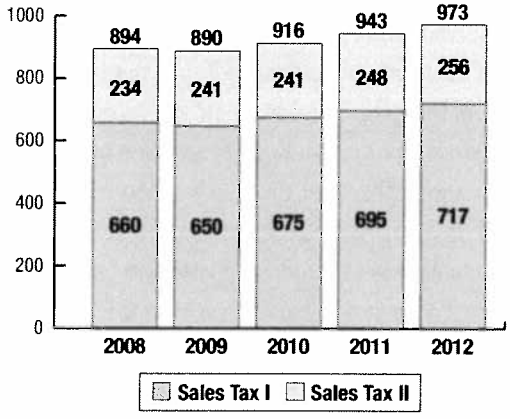
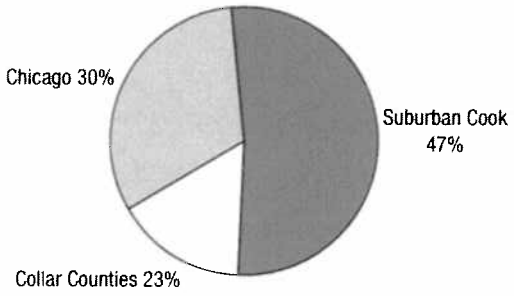


Exhibit 3-5: **2009 Part I Sales Tax by Sub-Region** - $894 million



and the collar counties 23.1 percent (Exhibit 3-5). RTA Ordinance 2010-121 Schedule I-D (Introduction Section) illustrates the source and distribution of funds provided by the new legislation.

Exhibit 3-6 illustrates the distribution of 2009 RTA sales tax to the transit agencies. In 2009, the $894.2 million in sales tax was distributed as follows: the CTA 38.6 percent, Metra 31.5 percent, Pace Suburban Service 12.3 percent, Pace ADA Paratransit Service 7.3% and the RTA 10.2 percent.

Public Transportation Funds (PTF I and PTF II)

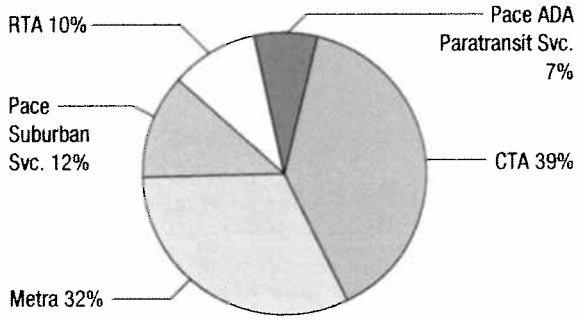
PTF revenues are paid to the RTA upon State appropriation. In accordance with the *RTA Act*, the State Treasurer is authorized and required to transfer from the State of Illinois' General Revenue Fund an amount equal to 30 percent of net revenue realized from the RTA sales tax and 30% of the net revenue realized by the RTA Real Estate transfer tax (RETT) in the City of Chicago. These receipts are projected to increase or decrease at a rate equal to growth or decline of the sales tax and RETT.

P.A. 95-0708 also increased the real estate transfer tax (RETT) in the City of Chicago by 0.3 percent, which yields $3 in public funding for the CTA for every $1,000 paid for the property. This funding flows directly from the City of Chicago to the CTA and is not included in the RTA schedule of revenues and expenditures (Exhibit 3-1). However, PTF funds associated with RETT (i.e. 30 percent of RETT) flow through the RTA and by statute become part of Service Board funding.

PTF I is the equivalent of 25% of Sales Tax I. The 2011 projected amount is $168.8 million (Exhibit 3-1). PTF I is allocated at the discretion of the RTA Board upon the review and approval of each Service Board's annual or revised budget.

PTF II is the equivalent of 5% of Sales Tax I, 30% of Sales Tax II and 30% of the RETT. The 2011 projected amount is $113.3 million (Exhibit 3-1). By statute, the CTA receives five sixths of the 30% PTF on the RETT. The remaining PTF II revenues are combined with Part II sales tax and designated for certain operations and programs before formula allocation to the Service Boards.

Exhibit 3-6: **RTA Sales Tax Distribution** - $894 million



Money set aside before allocations include funding for ADA Paratransit operations, Suburban Community Mobility (SCMF), and Innovation, Coordination and Enhancement (ICE) initiatives. As set by statute, funding for these three initiatives increases or decreases with the annual change in sales tax collections, with 2008 set as the base year. The 2011 appropriation for the ADA Paratransit Fund is $92.9 million, SCMF $18.6 million, and ICE $9.3 million. The remaining balance is allocated as follows: CTA 48 percent, Metra 39 percent and Pace suburban service 13 percent.

None of the PTF revenue is payable to the RTA until the Agency certifies to the Governor, State Comptroller and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the *RTA Act*.

State Financial Assistance (SFA)

This revenue source is a state-authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds. SFA has two components: ASA for SCIP I bonds and AFA for SCIP II bonds. Subject to the appropriation of funds by the State of Illinois, the RTA will continue to be eligible to receive State Financial Assistance (SFA) payments. The RTA received $123.0 million in 2009 and estimates that it will receive the same amount each year from 2010 to 2013.

State Free Rides/Reduced Fare Reimbursement

This operating assistance program is a partial reimbursement from the State of Illinois to the Service Boards for discounts mandated by law. This includes discounts to students, elderly, and disabled individuals.

The free ride/reduced fare funds are distributed by the State of Illinois through the RTA and then to the Service Boards. Funding received from that State in 2009 was $42.0 million and is estimated at $33.6 million annually from 2010 through 2013.

State Funding for ADA per MOU and State Funding for Debt Service per MOU

In November 2009, RTA, the Service Boards, and the Illinois Department of Transportation (IDOT) executed a Memorandum of Understanding (MOU) concerning CTA fares, Pace ADA paratransit fares, and funding for the CTA and ADA paratransit service. The MOU prescribed that the RTA issue general obligation bonds to provide approximately $83 million of capital funding to the CTA in both 2010 and 2011; that the RTA provide funding to the CTA in amounts equal to the debt service payable for these bonds in these two years; and that in future years the RTA provide funding to the CTA in amounts equal to the debt service payable for these bonds in those years provided sales tax and RETT funding to the CTA does not exceed then current projections by more than the debt service payable in that year. The MOU also prescribed that IDOT enter into a grant agreement with the RTA to fund Pace ADA Paratransit service in the amount of $8.5 million in State fiscal years 2010 and 2011.

Other Revenue

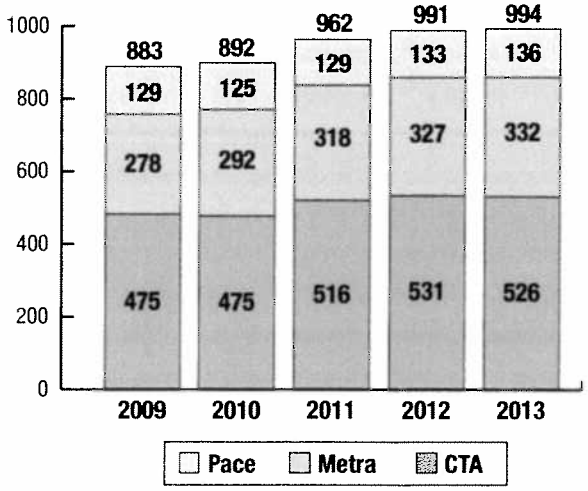
The Other revenue category generally consists of sales tax interest, investment income, and Agency revenue. In 2009, Other revenue of $45.1 million included $3.0 million of an advance repayment and non-cash financial transaction gains of $20.6 million.

Illinois 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 the interest on Part I sales tax receipts to the Service Boards based on the same formula used to allocate the Part I sales tax receipts. In 2010, sales tax interest is estimated at $1.7 million. RTA investment income is dependent on available cash balances and prevailing market rates. The RTA's cash balance comprises funds reserved in prior years for various Service Board capital projects and associated RTA financial transaction proceeds. Other revenue also includes fees charged to employers for RTA Fare Checks that help offset the costs of administering the program, as well as matching funds obtained under federal, state and local programs for RTA regional planning, development and new technology efforts. Other revenue of $17.6 million to $17.8 million is expected annually during the 2011-2013 planning cycle.

Operating Expenditures

Exhibit 3-1 provides a summary of the RTA's operating expenditures from 2009 through 2013. Total operating expenditures are projected to increase from $1,054.5 million in 2009 to $1,171.3 million in 2013. This increase of $116.8 million over the four-year period represents a compounded annual growth rate of 2.7% percent.

Exhibit 3-7: **RTA Operations Funding** - Excludes ADA
(dollars in millions)



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 revenue (farebox and other revenue) and system operating expenditures. Exhibit 3-7 presents the RTA operations funding level for the three Service Boards apart from ADA Paratransit. Excluding ADA Paratransit Service, the Service Board operations funding from the RTA was $882.7 million in 2009 and is expected to reach $994.5 million in 2013. This $111.7 million increase represents to a compound annual growth rate of 3.0%. Exhibit 3-8 presents the RTA operations funding level for ADA Paratransit service. Funding from the RTA was $97.2 million (including $4.2 million of ICE funds) in 2009 and is expected to reach $101.4 million in 2011 with the inclusion of 8.5 million of Additional state funding. RTA funding of $95.6 million and $98.7 million are projected for 2012 and 2013, respectively.

Projected growth from 2009 to 2013 of RTA operations funding to the Service Boards (with the exception of ADA paratransit service) is as follows: The CTA's funding (including PTF from RETT) is estimated to increase from $475.4 million to $526.4 million at a compound annual growth rate of 2.6%. Metra's combined operations and transfer capital funding level is expected to increase from $309.3 million in 2009 to $337.8 million in 2013 at a compound annual growth rate of 2.2%. Pace's suburban bus service funding (including Suburban Community Mobility Funds and South Suburban Job Access funds) are expected to increase from $129.0 million in 2009 to $135.8 million in 2013 at a compound annual growth rate of 1.3% (Exhibit 3-1).

Total funding for the 2011 through 2013 financial plan is provided in the Introduction Section (Ordinance 2010-121, Schedule I-B). A detailed discussion of each Service Board's revenues and

expenditures is provided in the CTA, Metra and Pace sections of this document.

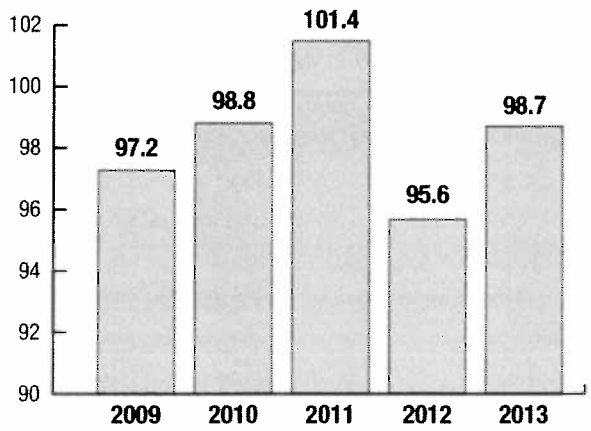
Suburban Community Mobility Fund

As provided by P.A. 95-0708, the Suburban Community Mobility Fund (SCMF), including interest and earnings, shall be used by the RTA to provide grants to Pace for operating transit services that enhance suburban mobility, including, but not limited to, demand-response services, ride sharing, van pooling, service coordination, centralized dispatching, call taking, reverse commuting, service restructuring, and bus rapid transit (BRT). Each year, the RTA shall deposit into this fund an amount that increases or decreases with the percentage change in sales tax receipts. This change is indexed from the 2008 statutory base year amount of $20 million. The SCMF, included in funding for Pace Suburban Service operations, declines to $18.1 million in 2010. Funding increases from $18.6 million in 2011 to $19.7 million 2013.

South Suburban Job Access Fund

Another provision of P.A. 95-0708 is the establishment of the South Suburban Job Access Fund (SCMF) to provide financial resources to Pace, in cooperation with the RTA, for the development of operating programs that enhance access to job markets for residence in south suburban Cook County. SCMF funding was set at $3.75 million in 2008 increasing to $7.5 million annually thereafter.

Exhibit 3-8: **ADA Paratransit Funding** (dollars in millions)



ADA Paratransit Service

The State of Illinois appropriated additional funds to the RTA in the amount of $54.3 million for ADA Paratransit service and other costs and services in 2005, 2006, and 2007. In 2005, the CTA received the full appropriation. In 2006 the CTA and Pace shared the appropriation because Pace acquired responsibility for all ADA Paratransit service in the RTA region effective July 1, 2006. In 2007, Pace received the full appropriation from the State of Illinois. Because of growing service demands and increased operating costs, Pace also received $21.8 million of RTA Discretionary Funds producing a total funding for ADA Paratransit in 2007 of $76.1 million.

In 2008, the additional state funding for ADA Paratransit service ($54.3 million) was terminated with the passage of P.A. 95-0708. Provisions in the RTA Act set aside a base amount of $100 million for 2008 ADA Paratransit operations that change annually in conjunction with the annual percentage change in sales tax receipts. Funding from this source is estimated to decrease to $89 million in 2009 and then increase to 95.6 million in 2012 (Exhibit 3-9), a compound annual growth rate of 1.8 percent. The additional $8.5 million from the state increases total funding to $98.8 million in 2010 and $101.4 million in 2011. Consult the section titled Pace ADA Paratransit for further information on Pace ADA revenues and expenditures.

Innovation, Coordination and Enhancement (ICE) Fund

P.A. 05-0708 also established the ICE fund for innovation, coordination, and enhancement. The $10 million base amount of the ICE fund changes at the same rate as regional sales tax collection changes. ICE Fund are appropriated with the affirmative vote of 12 RTA directors for operating or capital grants or loans to the Service Boards, transportation agencies, or units of local government that advance the goals and objectives of the RTA's Strategic Plan. However, if the RTA Board determines that an emergency exists, then by

an affirmative vote of 12 members funds may then be used for urgent operating or capital needs.

In 2009, the ICE fund was used to fund CTA and ADA paratransit operations. In 2010, the ICE fund has again been reserved to fund ADA paratransit operations. The amount of the ICE fund is expected to increase from $9.0 million in 2010 to $9.9 million in 2013.

Reduced Fare/Free Ride Programs and Sales Tax Interest

State reimbursement for reduced fare/free ride programs is received as revenue by the RTA and flows directly to the Service Boards to help defray a portion of the revenue lost from providing free and reduced fare service. Reimbursement in the amount of $33.6 million is expected annually from 2010 through 2013.

There is a lag between when the State of Illinois collects the RTA Sales Tax and when the State of Illinois transfers it to the RTA. The RTA receives interest on the sales tax, and then disburses 85 percent of the interest on Sales Tax Part I to the Service Boards according to the same formula used for the distribution of Sales Tax Part I. From 2010 through 2013 the annual amount is projected to hold at $1.7 million.

Agency Administration, Regional Services and Programs

Spending for Agency administration, regional services and regional programs are discussed further in the Agency portion of this section. Expenditures in 2009 were $32.1 million and estimated to decline at $30.7 million in 2010. The expenditures are expected to increase annually from $31.8 million in 2011 to $33.1 million in 2013, corresponding to a compound annual growth rate of 2.0 percent.

Debt Service and Capital Expenditures

Exhibit 3-1 provides a summary of the RTA's debt service and capital expenditures from 2009 to 2013. Total debt service and capital expenditures of $254.5 million in 2009 are expected to decline in 2010 and remain below the 2010 level through 2013 with the absence and decline of Metra transfer capital. Debt service and capital expenditures are expected to increase from $238.2 million in 2011 to $246.5 million in 2013. This represents an increase of $8.3 million corresponding to a compound annual growth rate of 1.7%.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures for debt service on RTA SCIP and non-SCIP bonds that finance Service Board capital projects. The amount also reflects debt service costs for RTA working cash notes required because of delays in receipts from the State which are running six months in arrears. In 2009, principal and interest payments totaled $202.0 million. Expenditures of $226.1 million, $226.7 million, and $227.7 million are expected in 2010, 2011, and 2012, respectively. Additional bond information is provided at the end of this section.

Regional Technology & Agency Capital

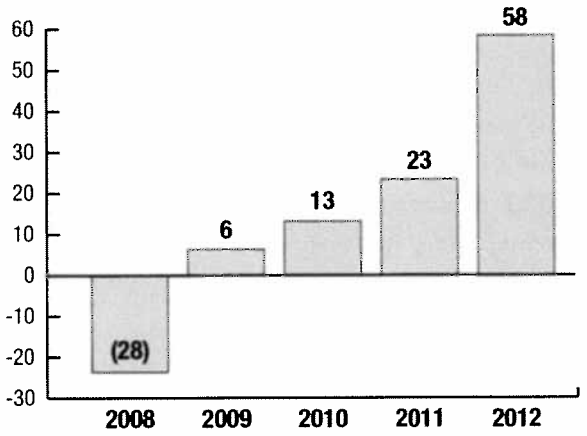
The 2010 budget continues to fund region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies, reducing RTA funding. At the end of the year, any funds that have not been spent are reserved. Included in this category are expenditures for the Agency's capital needs. The funds are used to enhance various information technology programs and preserve the office environment.

The budget for 2011 totals $2.0 million, remaining level though the planning period. More details are spelled out in the Agency's share of this section.

Transfer Capital

Two funding sources cover this category of expenditure, statutory and RTA discretionary. The

Exhibit 3-9: **Ending Fund Balance** (dollars in millions)



statutory apportionment of sales tax to a Service Board can exceed its operating deficit, when this occurs, a Service Board can transfer these funds to its capital program. During the planning period Metra continues to be the only Service Board that can assign funds that could be used for operating purposes to its capital program. In 2009, Metra transferred $31.0 million. In 2010, Metra expects to transfer $18.0 million. Metra projects that it will not transfer additional funds until 2013 in the amount of $5.5 million.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. The CTA transfer capital program was funded at $19.0 million in 2009 and $20.4 million in 2010. This amount falls to $10.2 million in 2011 and $11.2 million in 2012 and 2013, with the remainder of the annual $20.4 million in each year added to the RTA's discretionary funding to the CTA in the respective amounts of $10.2 million, $9.2 million and $9.2 million.

Total Expenditures

Total RTA expenditures include all operating, debt service and capital program costs. In 2009, these expenses totaled $1,309.0 million and are expected to be $1,318.5 million in 2010. Total expenditures of $1,378.4 million, $1,403.6 million, and $1,417.8 million are projected for 2011 through 2013. This $108.8 million increase from 2009 to 2013 corresponds to an annual growth rate of 2.0 percent.

Fund Balance

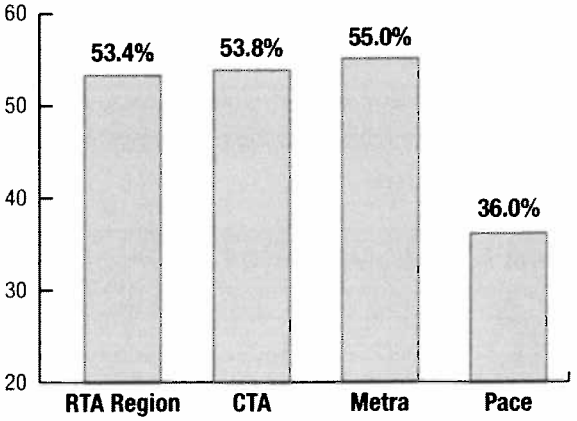
In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5 percent of total operating expenditures. Fund balance policy details are outlined in the Introduction Section. The purpose of the ordinance was to formalize a practice of maintaining a level of financial resources available for funding during unfavorable economic periods. However, unfavorable economic conditions created the need to waive the provision for the 2010 budget and 2011-2012 financial plan, but the provision has been reinstated for the 2011 budget and 2012-2013 financial plan.

The 2009 undesignated/unreserved ending fund balance was negative $53.5 million. The estimated ending balance for 2011 is $5.7 million. An ending balance of $58.3 million is projected for the 2013 financial plan (Exhibit 3-9).

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 2009 actual

Exhibit 3-10: **RTA and Service Board Recovery Ratios** (excluding ADA Paratransit)



results of negative $53.5 million as the 2009 beginning balance.

Change In Fund Balance/Ending Fund Balance

Total RTA revenue less total RTA expenditures produces a change in fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. In 2009, total revenues exceeded total expenditures on a budgetary basis by $77.9 million.

Premium payments for the Joint Self Insurance Fund (JSIF) are expended from RTA's fund balance. The amount reserved in 2009 was $3.6 million. The RTA provides excess liability insurance to protect the self-insurance programs maintained by the Service Boards. The Service Boards are obligated to reimburse the fund for any damages paid plus interest. The 2011-2013 Budget and Financial Plan provides for an annual pension payment of approximately $5.4 million.

Exhibit 3-11: **RTA Statement of Revenues and Expenditures - General & Agency Fund** (dollars in thousands)

	2010 Budget	2010 Estimate	Change
System-Generated Revenue			
RTA Sales Tax (Part I)	$649,600	$649,600	-
RTA Sales Tax (Part II)	240,875	240,875	-
RTA Public Transportation Fund (PTF - Part I)	162,400	162,400	-
RTA PTF (Part II) (1)	111,343	111,343	-
State Financial Assistance (ASA/AFA)	122,000	123,000	1,000
State Free Rides/Reduced Fare Reimbursement	36,800	33,570	(3,230)
State Funding for ADA per MOU	8,500	8,500	-
State Funding for Debt Service per MOU	5,400	5,099	(301)
RTA Other Revenue	17,600	17,600	-
Total Revenue	**$1,354,518**	**1,351,986**	**(2,532)**
Operating Expenditures			
RTA Total Funds for CTA Operations (2)	$474,839	$474,839	-
RTA Funds Available for Metra Operations	292,100	292,100	-
RTA Total Funds for Pace Suburban Service Operations (3)	125,256	125,256	-
RTA Total Funds for Pace ADA Paratransit Service (4)	98,803	98,803	-
RTA Funding for Innovation, Coordination, and Enhancement (ICE) (5)	9030	9,030	-
State Free Rides/Reduced Fare Reimbursement/Sales Tax Interest	38,500	35,270	3,230
Agency Administration	8,024	8,024	-
RTA Regional Services and Programs	23,321	22,663	658
Total Operating Expenditures	**$1,069,873**	**$1,065,985**	**$3,888**
Debt Service & Capital Expenditures			
Principal and Interest	$207,020	$211,165	(4,145)
Regional Technology and Agency Capital	2,379	3,038	(659)
Transfer Capital - Metra Funds	17,997	17,997	-
Transfer Capital - State Funds to CTA per MOU (6)	20,353	20,353	-
Total Debt Service and Capital Expenditures	**$247,749**	**$252,553**	**($4,804)**
Fund Balance			
Beginning Balance (unreserved/undesignated)	($17,682)	($27,893)	(10,211)
Change in Fund Balance	36,895	33,448	(3,447)
RTA Joint Self Insurance Fund (JSIF) Funding (7)	(4,100)	(5,380)	(1,280)
Other Funding & Reserves	-	5,479	5,479
Ending Unreserved/Undesignated Fund Balance	**$15,113**	**$5,654**	**(9,459)**
% of Total Operating Expenditures	1.4%	0.5%	(0)
Total System-Generated Revenue Recovery Ratio %	53.0%	53.0%	-
ADA Paratransit Recovery Ratio %	10.0%	10.0%	-

1) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT). (2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT) and RTA discretionary funds available for region-wide capital or operating initiatives transferred to the CTA for preventive maintenance in the operating budget. (3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds. (4) Includes additional IDOT funding of $8.5 million per MOU. (5) Further actions are required to balance the ADA Paratransit budget, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2010 funds from the ICE Fund that may be allocated pursuant to Paragraph 7 of Ordinance 2010-74. (6) Funding from the State (IDOT) for Debt Service per MOU. (7) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

At year end changes in revenues over expenditures (change in fund balance) and changes in other funding and reserves, which includes capital grant budget versus actual reimbursement and non-cash financial transaction gains or losses, are reconciled on a GAAP versus budgetary basis with the balance in the general fund then reflecting a GAAP based undesignated/unreserved balance. The year-end unreserved/undesignated fund balance in 2009 was negative $27.9 million (Exhibit 3-1).

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 revenue from RTA operations cover at least 50 percent of the system operating cost apart from ADA paratransit Service. The RTA's system-generated revenue recovery ratio in 2011 is 53.4 percent or 3.4 percentage points above the mandated 50.0 percent. This calculation is based on the CTA, Metra and Pace achieving their respective marks of 53.8 percent, 55.0 percent and 36 percent, respectively (Exhibit 3-10).

In meeting the 50.0 percent recovery ratio, the RTA Act requires that the revenue figures include all receipts consistent with generally accepted accounting principles with certain specified exceptions. A breakout of this calculation is provided in Exhibit 3-34 at the end of this section.

2010 Budget Versus 2010 Estimate

Total estimated revenue $1,352.0 million is unfavorable to budget by $2.5 million. Varying from budget are State financial assistance, $1.0 million favorable, State Free Rides/Reduced Fare Reimbursement, $3.2 million unfavorable, and State Funding for Debt Service, $0.3 million unfavorable.

Total estimated operating expenditures of $1,066.0 million are favorable to the budget by $3.9 million, reflecting favorable State Free Rides/Reduced Fare Reimbursement, $3.2 million, and favorable expenditures for RTA regional services and programs, $0.7 million. Total estimated debt service and capital expenditures is $4.8 million unfavorable to budget, as a result of Principal and Interest, $4.1 million unfavorable, and Regional Technology and Agency Capital expenditures, $0.7 million unfavorable. Thus, total estimated expenditures of $1,318.5 million are expected to be $0.9 million unfavorable to budget and the Change in the fund balance (total revenues less total expenses) $3.4 million unfavorable (Exhibit 3-11).

Capital Program

When the budget was approved, the 2011-2015 capital program funding marks totaled $4.355 billion. When federal, state or local appropriation figures change, the Service Boards' capital programs may not match the program marks.

When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital Section of this publication.

Agency Staffing and Departments

Agency Overview

As previously discussed, the lingering economic downturn in recent years has continued to pose a significant impact on transit funding over the last three years.

However, while the downturn has very much affected the RTA Agency important progress has been made as we have worked to hold the line on expenses by freezing salaries and increasing employee contributions for benefits such as health care, and recognizing that the immediate future continues to pose significant financial challenges for the region's public transit system, the agency is doing its part to hold the line on costs. For example, the budget of $33.7 million for 2011 holds expenditures flat with the level of spending over the past two years by such actions as salary freezes and reducing outside professional fees, but please note that the cost of legislative actions regarding the senior ride free program and the Office of Inspector General, that may have a significant impact on the 2011 Agency budget, are not part of the $33.7 million.

Despite the affects of the economic downward spiral our progress will not be held back, and in 2011 the Agency will continue to build on key initiatives that are closely aligned with the RTA's mission, goals and objectives of its strategic plan as illustrated in the sections that follow, which include discussions by department and expense type.

Agency Staffing and Departments

The agency's 2011 budget includes a staffing plan of 114 positions, an increase of four positions over the 2010 staffing plan (Exhibit 3-12). This change will make available in-house resources that take on initiatives previously carried out by contract, offsetting those costs with more effective services. This includes activities such as travel training, to increase mainline service usage and decrease ADA Paratransit service dependency, ADA certification, and customer services; additional information is provided in subsequent sections.

Exhibit 3-13 shows the 2011 staffing plan by department. The RTA organization chart – Exhibit 3-14 – illustrates the agency departments and their divisions of functional units.

Exhibits 3-15 and 3-16 show the agency expenses by each department. 37% of the agency budget is dedicated for various regional services that are mandated by law, such as the ADA paratransit certification program, reduced fare, senior and disabled ride free programs, as well as Travel Information Center and customer service. 18% of our budget covers different regional planning programs and studies. 19% of our efforts are spent for finance and administrative services, while 12% of our budget is for oversight, research, analysis and policy development. The remaining 14% is dedicated for various management services, such as executive services, legal, governmental affairs, and communications.

Executive Office

This department includes the RTA Board of Directors and organizations that support the RTA Chairman and Board of Directors, and administers day-to-day agency activities.

The RTA Board of Directors consists of 15 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 public transit system. The RTA Board and its committees set policy, consider matters relating to RTA operations and compliance with the ADA Act, 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.

The Executive Director executes the policy decisions of the RTA Board and staffs the agency to administer its statutory mission and implement

Exhibit 3-12: **Agency Budget Staffing by Department**

	2009	2010	2011	2010 vs. 2011
Executive Office	3	3	3	-
Communications	6	5	5	-
Legal	-	4	4	-
Governmental Affairs	6	2	3	1
Administrative Services	15	14	15	1
Finance	19	19	19	-
Planning	49	21	21	-
Regional Services	-	28	31	3
Total RTA Staffing Plan	**109**	**110**	**114**	**4**
Metra	4,201	4,201	4,201	-
CTA	10,502	9,479	9,377	**(102)**
Pace	1,449	1,464	1,452	**(12)**
Grand Total	**16,261**	**15,254**	**15,144**	**(110)**

Board policy. The Executive Director informs and assists the RTA Chairman and the Board in the development of policy, and is the principal contact with executive staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities.

The Secretary to the Authority provides Board support functions by assisting with the information, documentation, and logistical needs of the RTA Board. The Secretary works with staff to supply Board members with the information and documentation needed to fulfill their statutory role and to obtain quorums for meetings of the Board and its six standing committees.

Exhibit 3-13: **2011 Agency Budget Staffing by Department**

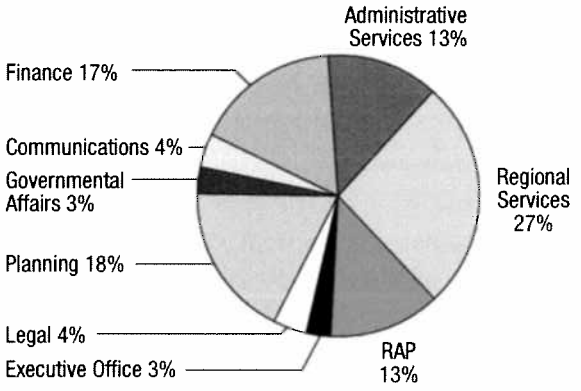


Exhibit 3-14: **RTA Organization Chart**

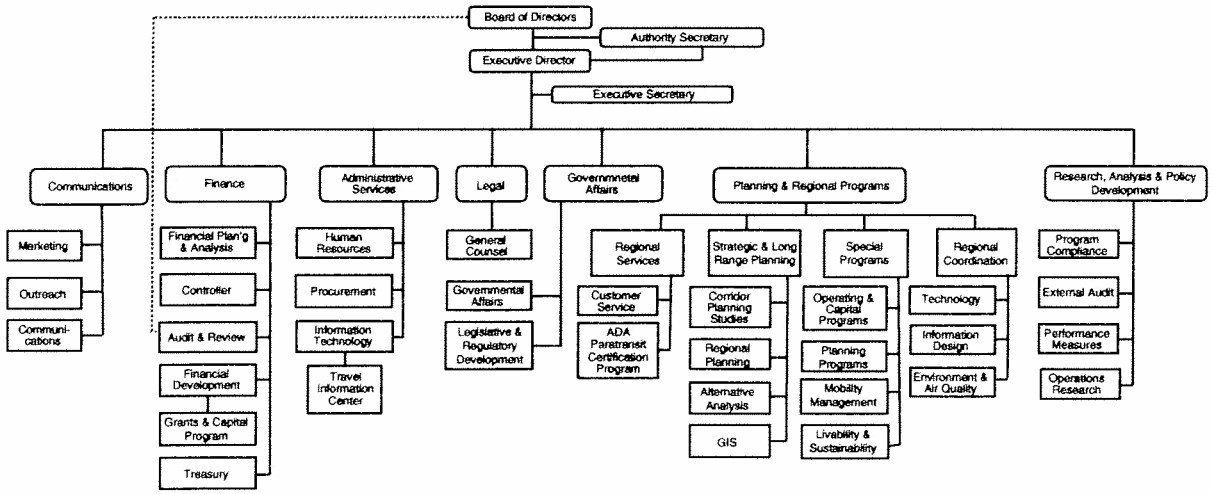
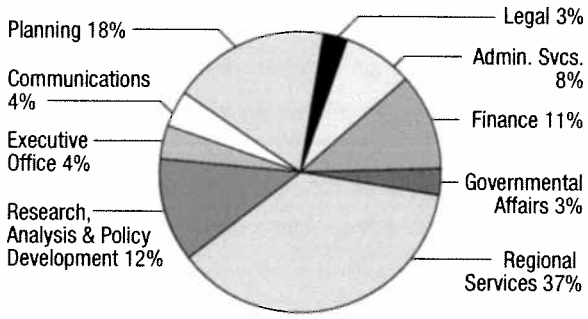


Exhibit 3-15: **Agency Expense by Department** (in dollars)

	2009 Actual	2010 Budget	2010 Forecast	2011 Budget
Executive Office	1,416,058	1,439,182	1,404,750	1,483,697
Communications	1,418,934	1,364,460	1,159,205	1,205,640
Legal	1,294,291	1,251,382	1,260,480	1,081,513
Governmental Affairs	912,208	890,308	903,139	898,856
Administrative Services	2,108,874	3,078,034	3,234,928	2,690,767
Finance	4,095,823	3,680,683	3,187,917	3,610,122
Planning	8,699,309	7,474,034	7,604,163	6,135,244
Regional Services	12,173,069	11,600,005	12,116,413	12,595,250
Research, Analysis & Policy Development	1,606,095	2,946,574	2,853,667	4,023,573
TOTAL AGENCY	**$ 33,724,662**	**$ 33,724,662**	**$ 33,724,662**	**$ 33,724,662**

Exhibit 3-16: **Agency Expense by Department** ($33.7 million)



Program priorities:

- Manages the department's continued implementation of the RTA Act mandates and Illinois Auditor General Recommendations
- Oversees the department's achievement of their 2011 program goals
- Works closely with the RTA Board to obtain the necessary Board direction for the achievement of the overall 2011 program

2011 expenditures of $1.5 million represent 4% of the total agency budget, which include personnel related expenses for the board and the executive area. The 2011 budget reflects a 3.1% increase over 2010 primarily due to higher health insurance and pension expenses.

Communications

The Communications department leads management in three key areas: communications, marketing and public outreach to communicate market, publicize and obtain input for each RTA department's programs and initiatives. The department also collaborates with the Service Boards to promote their services and programs.

Program priorities:

- **Transit Vision**
  Implement "Envisioning the Future of Chicagoland" campaign -- a communications and outreach strategy to re-engage key stakeholders, agencies, and the public to advocate for greater state and federal coordinated investment in our region's transit infrastructure. Transit must receive its fair share of transportation dollars and needs a dedicated revenue source to fuel the future of our region's economy.
- **Clean Air Commuter Challenge**
  Partner with the Active Transportation Alliance on a marketing campaign funded by an FTA grant that seeks to shift commute trips away from individual vehicle use and toward sustainable transportation modes (transit, bicycles, walking, car/vanpool).
- **BRT**
  Conduct outreach, education and marketing in partnership with Pace for the region's inaugural Bus on Shoulder pilot project to occur on I-55. Promote the project as a congestion mitigation initiative.
- **Capital Prioritization Tool**
  Publicize this unprecedented initiative that is being managed by the RTA in conjunction

with the service boards and also involves the FTA. The tool seeks to improve transit project coordination and prioritization from a regional perspective.

- **Technology Coordination**
  goroo: Continue to promote goroo as the region's preferred travel resource that offers multi-modal trip planning. Reinstate marketing campaigns to publicize goroo and new enhancements to conclude a CMAQ grant.
  Signage project rollout: Support this transit information project that will be utilized in four locations by publicizing the debut of signage that reflects international standards and facilitates intermodal connections.

The department's 2011 expenses of $1.2 million are 4% of the total agency budget. It shows a 12% decrease over the 2010 budget level. Projected new web site advertising revenue has contributed to a net decrease in 2011 expenses.

Legal

The Legal Department provides legal advice and counsel to the RTA Board, Executive Director, and staff regarding the statutory and regulatory provisions governing the Authority, as well as overseeing all RTA transactions and litigation.

Program priorities:

- **Overhaul Procurement & Contracting Policies/ Procedures**
  RTA's procurement and contracting policies and procedures need to be updated to improve agency efficiency. This overhaul will include preparing a new procurement handbook, rewriting our form contracts and other documents, addressing how RTA Board approval fits into the process (where required) and training staff. RTA's DBE program will also be updated and integrated into the revised procurement process. RTA's Procurement Manager has already taken the first step of preparing an initial draft of an updated procurement handbook, which is under review.
- **Records Management**
  RTA has not updated its record retention policy in several years. Development and implementation of a new records management policy will improve agency efficiency by reducing search times for information, save money by reducing offsite storage costs, and result in the creation of a meaningful archive of information that has long term value.

The department's expenses represent 3% of the total agency budget. 2011 expenses of $1.1 million show a 14% decrease over the 2010 budget reflecting lower legal fees as more services are provided internally.

Governmental Affairs

The Governmental Affairs Department develops and promotes the RTA's federal, state and local government affairs agenda, in coordination with the Service Boards.

Program priorities:

- **Promote Increases in Federal Funding for Transit State of Good Repair Needs**
  The region has suffered from many years of deferred maintenance, at the same time the system has withstood historic ridership increases. The RTA will continue within the industry and advocate directly with state and federal legislators to promote increased in

state and federal funding for state of good repair needs. As part of this initiative, the RTA will identify and pursue opportunities for state and federal legislative and policy changes that will protect and increase transit capital and operating funding and transit-oriented development.

- **Advocate for increased ADA paratransit coordination and financial support**
  Title II of the Americans with Disabilities Act of 1990 (ADA) requires that public entities operating non-commuter fixed route transportation services also provide complementary paratransit service for individuals unable to use the fixed route system. However, the federal government does not provide funding specifically to support the provision of these services. The federal government does allow flexibility in the use of Section 5307 Urbanized Area Formula funding to support paratransit operations, but this draws federal dollars away from vital capital projects. Paratransit services are an effective way to provide specialized transportation for the most vulnerable citizens, and they are also a civil right under federal law. However, paratransit services are also very expensive to operate, costing 7 to 10 times more than the costs for fixed-route service per trip provided. As these costs have continued to rise, transit agencies have struggled to find ways to contain costs and continue to provide service without putting the regular fixed-route services at risk. As Congress and the Obama Administration continue to work on authorizing a new six-year surface transportation program, we will continue to advocate for paratransit support at the federal level.
- **Advocate for Stable State Funding**
  As the State of Illinois faces challenges with its budget, the RTA will need to advocate forcefully on the important role that transit plays in our region's economy and that not only should transit funding not be reduced, but that it be provided to the transit agencies in a reliable and consistent manner to allow the transit agencies to make long term plans.
- **Continue to Implement State Capital Bill**
  In 2009 the Legislature and Governor enacted two capital bills that together provide $2.7 billion in funding for northeastern Illinois mass transit. In 2010 the transit agencies were awarded with $443 million, and in 2011 the RTA will continue to work cooperatively with the Service Boards and with the State (Governor's Office, Office of Management and Budget, and the Illinois Department of Transportation) to continue to implement the capital program. This will include seeking the timely sale of bonds to fund additional capital projects, as well as build on the development of a capital administrative process that allows for an efficient implementation of the program.

The department's expenses represent 2.7% of the total agency budget. The 2011 expenses of $0.9 million are budgeted at the 2010 expense level.

Administrative Services

The Administrative Services department includes Human Resources, Procurement, and Information Technology. These areas are responsible for compensation and benefits, purchasing, and information systems management.

Program priorities:

- **Information Strategic Plan**
  In 2011, Administrative services will formalize and begin implementation of the Information Strategic Plan. This will incorporate Virtual Servers/Virtual Desktop and DR (disaster recovery) which will improve the efficiency and availability of IT resources and applications through virtualization. The V/DR software will allow us to get more out of our existing resources, reduce data-center costs by reducing our physical

infrastructure and improve our server to admin ratio, increase availability of hardware and applications for improved business continuity, increase operational flexibility, and improve desktop manageability and security. The 2011 budget includes $381,000 to start the virtual and disaster recovery project.

- **Revise Procurement Regulations**
  This initiative will seek to revise and implement agency procurement regulations, and issue an updated procurement handbook to agency staff.

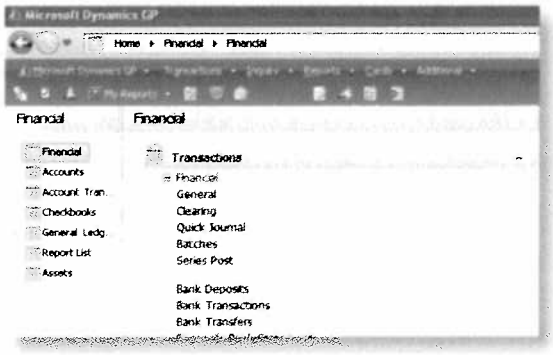
The department's 2011 expenditures of $2.7 million represent 8% of the overall Agency budget. This reflects a 13% decrease over the 2010 budget mainly due to lower budgeted expense for the integrated management system.

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 and the Service Boards execute their statutory requirements for fiscal responsibility. The Finance department includes the following divisions: Controller, Financial Planning and Analysis, Audit and Review, Financial Development/ Grants and Capital Program, and Treasury.

Program priorities:

- **New State Capital Program**
  Implement a new program for the award and administration of capital grants associated with the new State Capital Program. As part of this effort, the Financial Development and Capital Grants will process Service Board applications and submit applications to the Illinois Department of Transportation (IDOT) within one month, and execute grant contracts and/or grant amendments with IDOT and the Service Boards by processing budget revisions, requisitions, and concurrences as necessary for existing grants.
- **Business Transformation**
  This effort looks for opportunities to change current operating practices which reduce costs including public private partnerships (PPP) and improved interagency coordination. In 2011, Finance will continue interagency partnering and coordination with the Service Boards to provide economic assessments of PPP opportunities and alternatives. Additionally, the department will partner with other agency departments and provide economic assessments of alternative operating scenarios aimed to reduce costs and provide additional funds for capital investment.
- **Microsoft Integrated Management System**
  Activity in 2011 will focus on final development of business intelligence ("dashboard") information, as well as any effort necessary to ensure the overall system environment is working properly. The system enhances our ability to perform more robust analysis of agency revenues and expenditures and provides information to agency management and the Board, as well as improving agency process efficiencies. The 2011 budgeted amount for these support consulting activities is $128,700, which is included in the Administrative Services budget.



The department's 2011 expenditures of $3.6 million represent 11% of the overall Agency budget. This reflects a 2.0% decrease over the 2010 budget mainly due to lower consulting services and financial charges.

Planning and Regional Programs

The department consists of four principal organizational areas. Three areas, Strategic & Long Range Planning, Special Programs, and Regional Coordination provide strategic, regional, subregional and corridor planning, and coordination between Service Boards. The fourth area, Regional Services is responsible for the following RTA-operated regional services and programs: the RTA Travel Information Center, Accessibility, ADA Paratransit Certification program, RTA reduced fare program, senior and disabled ride free program, and the RTA Customer Service Center.

Program priorities:

STRATEGIC AND LONG RANGE PLANNING

- **Corridor/Sub-Regional Studies**
  The projects under this key initiative include the implementation of the I-55 Bus On Shoulder (BOS) Pilot as well as 2 major IDOT projects - the Elgin O'Hare-Western Bypass study Tier 2 Environmental Impact Statement (EIS) and the I-290 Phase I. Advancing the I-55 BOS pilot is in accordance with RTA's legislative mandate to explore Bus Rapid Transit on the Stevenson. The 2011 budget includes $300,000 for these initiatives.
- **Data Services (RTAMS/GIS Enterprise)**
  The Regional Transit Asset Management System (RTAMS) is a data warehouse for planning and financial information on the transit system in the northeastern Illinois area surrounding Chicago. RTAMS uses Geographic Information System (GIS) technologies by allowing users to access transit and other related data through an interactive map. Work in 2011 will upgrade and streamline features making this tool more useful and efficient. Data service initiatives under RTAMS and the umbrella of GIS activities support analysis needs in many departments internal to RTA, and are heavily used by the Service Boards and other industry professionals throughout the region (e.g., local & county planning staff, consultants, real estate professionals, etc.). RTAMS is an initiative under which RTA has been successful in developing and maintaining a process by which all the Service Boards regularly provide data. As technology progresses to automate data sharing and updating, 2011 work allows RTA to keep pace with these industry trends, streamline data sharing and ensure that the published data is accurate and most current. The 2011 budget includes $107,500 for GIS and RTAMS enhancements.

SPECIAL PROGRAMS

- **Oversight of RTA Funding Programs**
  The RTA Funding Programs administered by the Special Programs Division provide value to the region by offering planning, operating, and capital grant opportunities for a variety of projects. The programs provide a unique opportunity for the RTA and its Service Boards to coordinate at the local level to not only create plans, implement services, or pursue capital improvements, but to facilitate intergovernmental cooperation and relationship building. Staff will continue to provide program and project management support, conduct compliance activities, outreach, and coordinate activities with the Service Boards and CMAP. The 2011 budget includes $1,620,000 to complete planning studies previously approved by the RTA Board.
- **Transit-Oriented Development (TOD)**
  The RTA will continue to lead the Regional TOD Working Group consisting of planning partners throughout the region, including the Service Boards and CMAP. The Working Group will support and advise RTA's activities in 2011, including the development of additional education materials, research, and investigating concepts such as land acquisition funds and value capture strategies. The RTA will

also continue to advance transit-oriented development concepts as part of previously approved planning studies through the Funding Programs. The 2011 budget includes $150,000 for these initiatives.

- **Implementation**
  The RTA has invested in past planning studies, and it is the RTA's responsibility to identify ways to achieve a return on this investment through successful Transit-Oriented Developments (TOD), service coordination efforts, and improved service which ultimately would increase ridership and promote public transportation in the RTA's service area. Staff will reach out to each of the RTA's past grant funding recipients, meet to discuss their progress, and identify barriers to implementation. Once the barriers are identified, staff will provide advice, technical support and guidance to implement the recommendations. The RTA will work closely with CMAP to coordinate implementation efforts by participating in each other's activities in support of the RTA's Strategic Plan and the GOTO 2040 regional plan. The 2011 budget includes $250,000 for this initiative.
- **Mobility Management**
  This activity includes continued oversight and expansion of the RTA Travel Training program, staffing the RTA ADA Advisory Committee, oversight/support for coordinated Paratransit and Human Service Agency Transportation systems and initiatives, and inventorying the region's existing and potential future mobility management activities. Staff will expand the Travel Training program through the introduction of classroom and peer travel programs. The 2011 budget includes $70,000 for this initiative.

REGIONAL COORDINATION

- **Fare Coordination**
  The RTA's goal is promoting seamless regional mobility, by making it easier for transit customers to pay for travel on different segments of the RTA system with a simple, single form of payment. As part of this initiative, alternative regional fare policy options will be explored. CTA's open payment project is moving forward and RTA must ensure interoperability and future scalability. Additionally, the Planning Department is working towards reducing the operating costs for our Service Boards and maximizing the potential for passenger revenues. The work with the Service Boards will leverage their investments to provide a seamless regional fare payment system that provides the most value for our customers and service operators.
- **Technology Coordination**
  The RTA will work to implement real-time transit information functionality from CTA Bus Tracker, Pace WebWatch and the expected CTA Train Tracker for a one stop website for regional customers as is currently done with the goroo trip planner. The Regional Coordination Division will work to update goroo and ensure that the RTA Transit Hub contains the latest updates from data providers. This will include automated updates of schedule data from CTA, Metra, and Pace. The 2011 budget includes $850,000 for these goroo website enhancements.
- **Environmental Coordination**
  Regional Coordination will work with the Service Boards and local municipalities to complete the Regional Green Transit Plan (RGTP) inventory and displacement analysis with 2009 data. Staff will work with the Service Boards to look at implementation of RGTP recommendations and work to find funding opportunities for it. Part of this outreach will be the promotion of the results and findings of RGTP around the region and across the country.

  One project to help promote transit as a green alternative is the initiation of the Clean Air Commuter Challenge. The Challenge,

overseen by the Planning and Communications Departments, will co-brand the RTA's goroo and Drive Less Live More websites, to provide social networking capabilities between challenge participants and sophisticated personal and competitive trip tracking system (mileage, comparative team progress, carbon and calorie calculators). The Environmental Coordination initiatives are $209,572 in the 2011 budget.

- **Information Coordination**
  During the budget year the Regional Coordination Division will supervise the installation of Interagency Transit Passenger Information signs at four pilot locations throughout the region, (Van Buren, Davis-Evanston, Joliet, and 95th and Western). After installation of the four pilot locations, these prototype interagency information products will be thoroughly evaluated to ensure that they meet customer needs and all functional requirements. Regional Coordination will assess the signage for durability while overseeing maintenance of the signs. In addition, a final standards manual for regional interagency signage will be produced based on the results of the testing of the prototype products.

REGIONAL SERVICES

- **Customer Service and Travel Information Center**
  The RTA interacts with the public through the Travel Information Center (TIC) which provides travel information for the CTA, Metra, and Pace via outsourced call center personnel located in the Metra building. This service is a valuable resource for residents and visitors to this region for their travel needs on public transportation. For 2010, the center is projected to answer over 5 million calls. Additionally, the RTA Customer Service Center assists senior citizens and people with disabilities with reduced fare and ride free permits. Our center sees an average of 100 walk-in customers per day, and answers an average of 300 phone calls per day with questions regarding replacements for lost or stolen permits, how to obtain and use them on buses and trains, and general questions about our programs. The customer service center, transit benefit, reduced fare, and ride free programs direct cost total $1.4 million in 2011. The direct cost for the TIC operation in 2011 is budgeted at $4.0 million.
- **ADA Paratransit Certification**
  Staff will manage and oversee all aspects of the ADA paratransit certification program, including ongoing and time limited initiatives such as: phone screens, scheduling, transportation, interviews, and make certification decisions for a projected 12,000 in-person certification and recertification applicants in 2011. Additionally, staff will process approximately 1,000 mail-in recertification applicants. This reflects a 30% increase in total application volume over the prior 2 years. Staff will continue to meet standards of notifying applicants of certification decision with 65% of decisions made within 15 calendar days of completed application submission and an additional 33% of decisions made within 21 days. No more than 2% are to be placed on interim service until certification decision can be made.

The 2011 budget includes $4.1 million in direct costs for program operating expenses such as: interviews, assessments, certification site operating costs, Pace transportation costs, printing, and mailing house expenses. This amount does not include RTA staff compensation or allocated office expenses.

Planning programs and studies of $6.1 million represent 18% of the total agency budget. This is an 18% reduction over the 2010 budget as more work is brought "in-house" and conducted by staff.

Regional Services of $12.6 million represent 37% of the total agency budget. This is a 9%

increase over the 2010 budget, due mostly to an increasing application volume for ADA paratransit certification.

Research, Analysis and Policy Development (RAP)

The RAP Department was created in 2007 to better meet the RTA's oversight responsibilities and address the recommendations of the Illinois Auditor General. Departmental divisions include Program Compliance, External Audit, Performance Measures and Standards, and Operations Research. The primary function of the department is to strengthen the RTA's oversight of the Service Boards and ensure that RTA has adequate finance, administration, and operations information and resources to develop policies for a more effective and efficient regional mass transit system. The department is also responsible for the CTA Rail Safety Oversight, which assures compliance with Federal State Safety Oversight Rules for Rail Fixed Guideway Systems.

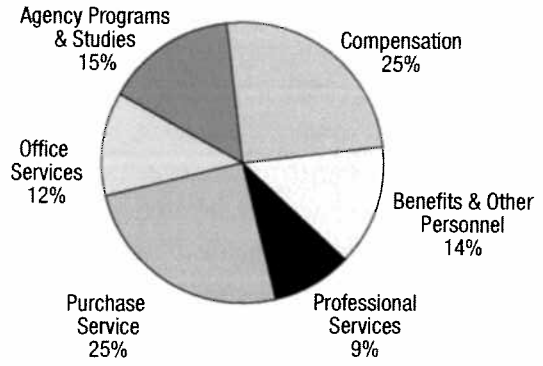
Program priorities:

- **Performance Measurement**
  Implement methodologies to measure and monitor key performance elements of the transit system at the regional, sub-regional and strategic levels that are consistent with the agency's strategic plan. Specifically, 2011 resources will focus on the development of strategic measures as well as the implementation of standards and targets. These efforts will compliment recent accomplishments relative to an overall performance management process as required by the RTA Act.
- **ADA Paratransit Oversight**
  Manage ADA paratransit oversight through the continuation of the development and execution of a plan for oversight of regional paratransit operations as required by Illinois HB1663 (2008) and the FTA. The major initiative for 2011 is completing a review of the ADA paratransit certification process, which includes a cost/benefit analysis to assist in administrative and operational policy making, for which the Agency is planning to spend $117,765 in 2011.
- **Customer Satisfaction Survey**
  Implement a regional customer satisfaction survey as outlined by the performance measurement system and as required by the RTA Act. The development of a regional survey instrument that coordinates and consolidates various aspects of the individual Service Board surveys, as well as reflects specific regional interests, will continue in 2011. Furthermore, it is planned that RTA will work with the Service Boards to administer, tabulate and analyze the regional surveys as part of the overall customer satisfaction program of each Service Board. The 2011 budget includes $450,000 for this initiative.
- **Project Management Oversight (PMO)**
  Improve the execution of the capital program to reflect RTA reform legislation mandates and OAG recommendations. It is anticipated that the development and implementation of an enhanced PMO program for the monitoring and reporting of overall capital project performance that includes both fiscal and planning/engineering aspects will be completed in 2011, allowing for the actual reporting to begin in the first quarter. Due to the increased number of Service Board capital projects as a result of the issuance of $443 million in state bonds, the RTA is responsible for ensuring that the Service Boards are managing their capital funds effectively and efficiently. To assist the RTA staff in fulfilling its project management oversight function, consultant services are necessary. The 2011 budget includes $400,000 for these professional services.
- **Rail Safety Oversight**
  Administer the Rail Safety Oversight (RSO) Program for the CTA's rapid transit system

Exhibit 3-17: **Agency Summary by Expense Type** (in dollars)

	2009 Actual	2010 Budget	2010 Forecast	2011 Budget
Compensation	8,144,913	8,089,187	8,192,524	8,573,345
Benefits and Other Personnel	3,718,124	4,322,549	4,203,829	4,918,583
Professional Services	1,477,373	3,298,221	2,779,628	3,000,015
Purchase Service	7,025,120	7,670,000	8,378,769	8,356,012
Office Services	4,080,463	4,040,360	3,756,898	3,929,681
Agency Programs & Studies	9,278,669	6,304,345	6,413,014	4,947,026
Total Agency	**$ 33,724,662**	**$ 33,724,662**	**$ 33,724,662**	**$ 33,724,662**

Exhibit 3-18: **Agency Expense by Type** ($33.7 million)



as required by the FTA and State. RTA will continue its State Safety Oversight (SSO) responsibilities including responding to and investigating accidents and management of hazards. Significant efforts will also be placed on assuring the implementation of the Corrective Action Plans (CAPs) identified in the 2010 triennial reviews of the CTA and RTA. $50,000 is budgeted for external resources for Rail Safety Oversight in 2011.

- **Capital Asset Evaluation and Programming**
  Assure assets are in a state of good repair as reflected in the RTA reform legislation mandates, Office of the Auditor General's recommendations and FTA requirements; and, implement a mechanism to facilitate the execution of the capital program selection process. To this end, 2011 will see the continuation of efforts begun in 2010, including the development and deployment of the capital prioritization tool and the maintenance and update of the current capital asset condition assessment. The Agency is planning to spend $612,935 on professional services and software towards these efforts in 2011.
- **Audit of Service Boards**
  Design and implement a five-year audit program of the Service Boards as required by the RTA Act. The RTA is responsible for the review and audit of the management control processes of the Service Boards, which includes management and performance audits, operational audits, financial audits, and program specific audits. The estimated annual amount to execute the five-year audit program, with an emphasis on a risk assessment and special audits of the Service Boards, is $350,000 in 2011.

2011 expenses of $4.0 million represent 12% of the total agency budget. This amount is a 36% increase over the 2010 RAP Department budget reflecting initiatives required by the RTA Act such as the capital asset condition assessment and the development of a capital program prioritization tool; customer satisfaction survey development as part of performance measurement; audit of Service Boards; rail safety oversight and an improved and increased program management oversight due to the new State Capital Program.

Agency Expenses by Expense Type

Exhibit 3-17 shows an Agency summary by major expense type from 2009 through 2011. The 2011 budget of $33.7 million remains flat over the 2009 actual expenses and no increase over the

Exhibit 3-19: **2011 Statutory Cap** (in dollars)

	2009 Actual	2010 Budget	2010 Forecast	2011 Budget
Administration Expenses	7,818,229	8,084,978	7,774,689	7,997,244
Regional Expenses	23,380,406	23,360,884	23,562,503	23,772,828
Capital Expenses	2,526,027	2,278,800	2,387,470	1,954,590
Total RTA	**$ 33,724,662**	**$ 33,724,662**	**$ 33,724,662**	**$ 33,724,662**
2011 Agency Statutory Cap				
Administrative Expenses	$ 7,997,244			
Statutory Cap	$ 17,778,221			
Percent under Cap	**55.0%**			

2010 budget. The 2010 expenses of $33.7 million are expected to be on budget.

Exhibit 3-18 shows that Compensation is $8.6 million or 25% of the total expenses. This represents a 6% increase over the 2010 budget primarily due to the full year impact of new hires in 2010. By hiring some new employees, the agency eliminated certain professional consulting services discussed below.

Benefits and other personnel costs of $4.9 million represent 14% of the total budget and show a 14% increase over the 2010 budget reflecting higher health insurance and pension contribution expenses.

Professional services of $3.0 million represents 9% of the overall expenses and reflect a 9% decrease over the 2010 budget. Although this category includes some new initiatives required by the RTA Act, such as the five-year service boards audit program, customer satisfaction survey for performance measurement, and new project management oversight program development, which require increased funding sources; lower budgeted legal fees and other outside consulting services are able to offset or lower the overall category.

Purchase Service is the biggest expense category and represents 25% of the total Agency expenses. This category includes the operation of the Travel Information Center, the ADA paratransit certification program, ADA Accessibility program, the senior and disabled ride free programs, and the transit benefit program. The 2011 budgeted expense of $8.4 million reflects an increase for the ADA paratransit certification program over the 2010 budget due to a higher number of applicants.

Office services of $3.9 million represent 12% of the overall Agency budget and reflects a 3% decrease over the 2010 budget. Projected new web site advertising revenue has contributed to a net decrease in 2011 expenses.

Agency programs and studies of $4.9 million represent 15% of the total Agency expenses. This category includes all the agency planning programs/projects and studies such as community and subregional planning programs, regional coordination programs, and strategic & long range planning programs as well as the agency capital program initiatives such as the integrated management system. This category shows a 22% decrease over the 2010 budget due to the completion of the integrated management system implementation and fewer budgeted new planning programs and studies.

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5 percent per year. The proposed 2011 administrative expenditures of $8.0 million are 55% below the cap allowance of $17.8 million as it shown on Exhibit 3-19.

Background on Goals and Performance Measures

In February 2007, the Regional Transportation Authority released its five-year strategic plan entitled Moving Beyond Congestion (MBC). This joint planning process between the RTA and the three service boards achieved several important milestones, including the establishment of a shared vision and goals for the region, a detailed analysis of the current status of the transit network, and a long-term evaluation and assessment of the infrastructure and operational needs of the system.

In January 2008, the Illinois General Assembly enacted significant amendments to the RTA Act, which mandated an ongoing strategic planning process, the establishment of goals, and measurement of performance. In response to the new legislation, the RTA joined in partnership with each of the Service Boards to enact a resolution in February 2009 that would revise the goals and objectives of the MBC Strategic Plan in order to satisfy all requirements of the amended RTA Act.

Vision

The RTA, CTA, Metra, and Pace share a common vision for the region: That the RTA system is a world-class public transportation system that is affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air, and livable communities.

Goals and Objectives

The below table identifies the current regional goals and objectives. The Goals explain what the RTA Region needs to accomplish in order to realize its vision, the Focus identifies the stakeholders of each goal, and the Objectives identify how the RTA region will meet its goals.

The executive director and staff of the RTA are committed to working with the Service Board's, their staffs, and local and state elected officials in order to achieve the objectives in the Plan, promote investment in the region's transit system, and ensure that the system operates efficiently and in a coordinated fashion throughout the region

To achieve the objectives of the Strategic Plan and as part of the RTA's oversight function to support the evaluation and management of the region's public transit system, the RTA has identified five major areas for performance analysis: Service Coverage, Service Efficiency and Effectiveness, Service Delivery, Service Maintenance and Capital Investment, and Service Level Solvency. Each major area has several corresponding performance measures.

- **Service Coverage** - monitors both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.
- **Service Efficiency and Effectiveness** - evaluates the level of resources spent for delivering service as well as the extent to which passengers are using public transit.
- **Service Delivery** - reflects the quality of the service delivered.
- **Service Maintenance and Capital Investment** - indicates the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.

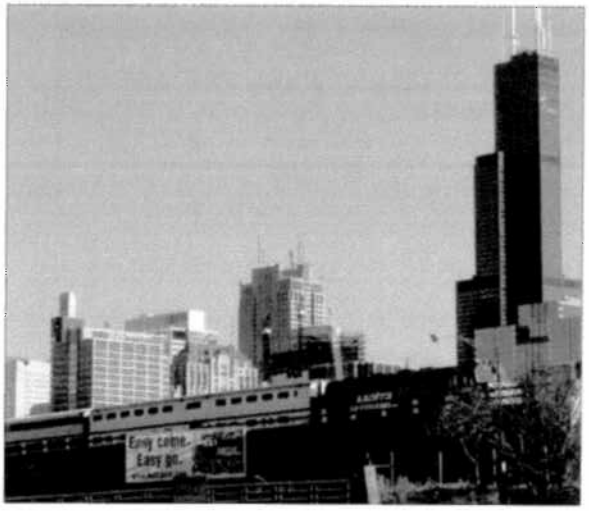


Exhibit 3-20: **RTA Goals and Objectives**

MBC Goal	Focus	Objectives
Provide Transportation Options and Mobility		
Provide attractive, high-quality, innovative transit choices that link people to jobs and facilitate the use of transit for other trips. Transit use in our region is the broadest measure of the success of the transit system.	Customer / external	· Increase the use of public transportation for commuting · Increase the use of public transportation for other purposes · Increase the amount of transit service provided and serve more of the region's travel markets using innovative approaches, as appropriate · Take advantage of highway pricing strategies and promote preferential treatment of transit · Provide quality transit service that is fast, clean, safe and reliable · Provide affordable transit service · Increase the ease of connection between different transit providers by coordinating service, fares, information and physical connections · Ensure appropriate consideration of regional equity principles
Ensure Financial Viability		
The sustained financial viability of public transportation is essential to the region's effective multi-modal transportation system. The transit agencies need to manage operating costs, make sound investment decisions and implement the capital program in a timely manner.	Internal to transit agencies	· Manage the growth of operation costs · Select investments which maximize returns to the region · Progress towards achieving a state of good repair while making appropriate investments to enhance and expand the transit system · Implement the capital program in a timely manner · Ensure a fair allocation of passenger revenue from interagency trips across service providers · Where appropriate, engage in joint efforts with private interests that contribute resources and add value to the transit system
Enhance Livability and Economic Vitality		
An effective transit system makes many contributions to an economically vibrant and livable region. Though transit's role is secondary, not primary, in achieving this goal.	External: transit is a secondary contributor but does not have direct control	· Mitigate the growth in highway congestion · Improve our environment by reducing total transportation emissions and energy consumption · Coordinate transit with development to encourage concentrated growth near transit services · Provide mobility for aging populations and people with disabilities · Provide employers with access to a broader workforce
Demonstrate Value		
In order to fulfill its valuable role in our region, transit requires the support of key constituencies and the public at large.	External: Taxpayers and key stakeholders	· Realize additional operations support through legislative action · Achieve adequate capital funding to move the system towards a state of good repair and undertake selective expansions · Manage transit operations so that they are cost and service effective · Create and sustain public understanding of the benefits of public transportation

- **Service Level Solvency** - assesses financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

Performance Measures

In 2010, the RTA continued its work on the development of a performance measurement reporting and analysis system. In 2009 the RTA began reporting performance at a region-wide level by aggregating data from each of the service boards – CTA, Metra, and Pace – to arrive at an assessment of regional performance. In 2010, the RTA continued reporting at a regional level and introduced a new sub-regional performance report that analyzes performance at the service board and mode level. For both the regional and sub-regional reports, performance is analyzed over a five year period using data from the Federal Transit Administration's National Transit Database (NTD), RTA financial reports, and operating reports from the three service boards. The sub-regional report provides a more detailed level of analysis that helps interpret trends observed at the regional level and provides a means of assessing areas of strength and weakness in the delivery of specific services. Regional and sub-regional performance reports are posted on the RTA website and presented to the RTA Board of Directors. The most recent reports cover the period 2005-2009 using NTD data published in November 2010.

The RTA has also developed a set of companion reports to the regional and sub-regional reports that are based on an analysis of peer groups. At the regional level, the peers selected represent the transit systems that serve the ten largest metropolitan regions in the country. Regional peer reporting began in 2009. At the sub-regional level the peer analysis is being conducted at the mode level with five peers selected for each mode in the RTA system – urban bus, heavy rail, commuter rail, suburban bus, vanpool, and ADA paratransit. In 2010, the selection of modal peers was completed and work began on development of the sub-regional peer report.

Also in 2010, the RTA began to develop a set of strategic measures. The purpose of the strategic level measures is to focus on broader societal outcomes in the economy, environment, and social/political community to assess how transit is positively impacting the quality of life for members of the region. The measures will necessarily involve factors that are out of the direct control of the RTA and service boards because of their broader scope, but are ones for which public transportation plays a significant contributing role. The strategic measures also become a way to link RTA goals with those of other regional stakeholders including planning organizations, other transportation departments, and units of local and state government. The strategic measures will be used to monitor progress in the goals and objectives of the Moving Beyond Congestion Strategic Plan.

In 2010, the RTA also worked with the service boards to develop preliminary estimates of a subset of the performance measures for the 2010 fiscal year just completed, and for the 2011 budget year. 2009 figures were provided by the service boards, 2010 data were based on forecasted information, and 2011 data were based on targets established in each of the service board's budgets. A full report of the performance measures at the regional and sub-regional level can be found on the RTA website at http://rtachicago.com/initiatives/performance-measures.html (these reports cover the period of 2005 to 2009 and are based on NTD data.) The following are highlights from these reports, as well as projected measures for 2010 and 2011 for several of the service delivery and cost efficiency measures.

Service Coverage

These performance measures monitor both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.

Exhibit 3-21: **Regional Vehicle Revenue Miles** (millions)

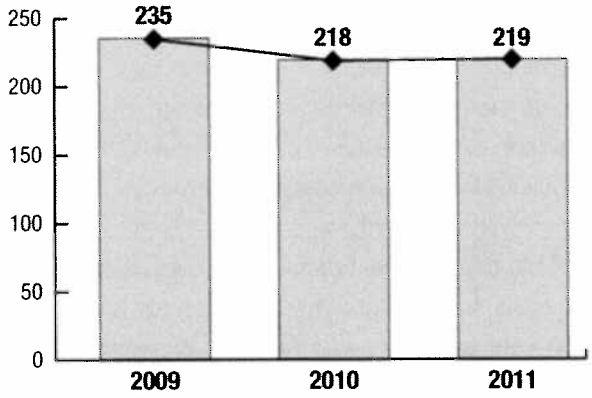


Exhibit 3-22: **In millions**

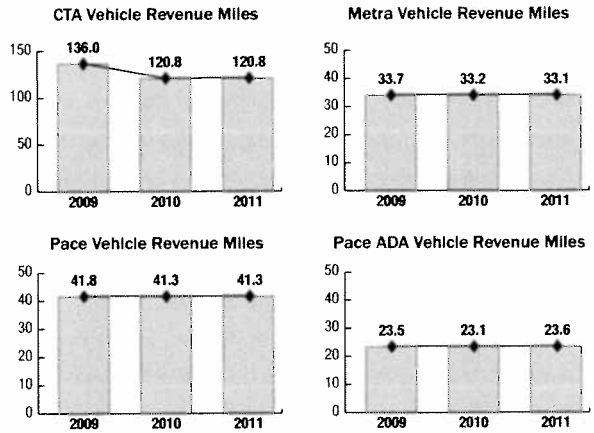


Exhibit 3-23: **Regional Unlinked Passenger Trips** (millions)

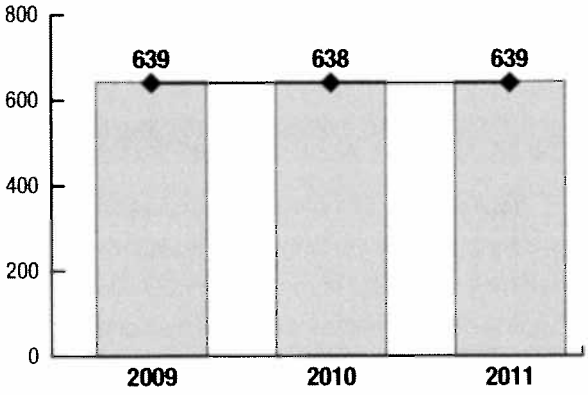
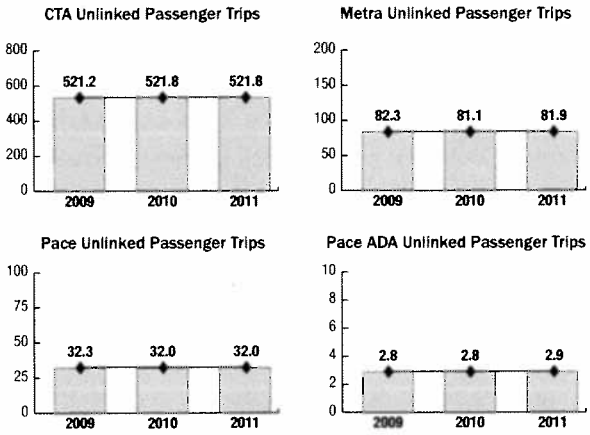


Exhibit 3-24: **In millions**



Vehicle Revenue Miles

Vehicle Revenue miles are the amount of service provided as measured in miles driven by vehicles while in service. At the regional level the system experienced a 7.2 percent decline in revenue vehicle miles provided between 2009 and 2010 as the service boards were forced to reduce service due to the recent economic conditions. In 2011 the service boards have projected stable vehicle revenue miles as economic conditions stabilize. (Exhibit 3-21 and 3-22)

Unlinked Passenger Trips

Unlinked Passenger Trips or Ridership, provides the number of times passengers board busses and trains including transfers from one bus or train to another in order to complete their trips. As demonstrated in the projected data below, Ridership in between 2009 and 2010 remained fairly stable. In 2011, passenger trips are anticipated to rise slightly higher than in 2010. The relative stability of ridership at the CTA and Pace despite a reduction in service between the years 2009 and 2010 indicates the service boards' capacity to strategically reduce service without significantly affecting ridership. (Exhibit 3-23 and 3-24)

Service Efficiency and Effectiveness

These performance measures evaluate the level of resources spent for delivering services as well as the extent to which passengers are using public transit.

Operating Cost per Passenger Trip

Operating cost per passenger trip illustrates both the cost of providing a trip and demonstrates the gap between the established fare and the cost of providing an individual trip. The projected performance figures provided in Exhibit 3-25 and 3-26 indicate that the cost of providing one unlinked trip is expected to increase 15 cents between 2010 and 2011. The increase is slightly higher than the expected CPI change and demonstrates that some efficiencies could be further achieved in this category.

Operating Cost per Passenger Mile

Operating cost per passenger mile takes total operating costs and divides it by the cumulative sum of the distance ridden by all passengers.

Projected values for this performance measure are shown in Exhibits 3-27 and 3-28. At the regional level it costs about 54 cents to take one passenger one mile. In 2010 that value is expected to increase approximately 2 cents or 3.7 percent, higher than the projected rise in the CPI of 1.6 percent. Rail tends to be more efficient than buses with a lower operating cost per passenger mile. Metra had the lowest costs per passenger mile; CTA rail had the next lowest. Operating cost for CTA bus and rail combined declined in 2010 as CTA reduced bus service more than rail service. All of the Service Boards are anticipating an increase that is greater than the CPI in the operating Cost per passenger mile for 2011.

Exhibit 3-25: **Regional Operating Cost per Unlinked Passenger Trip** (in dollars)

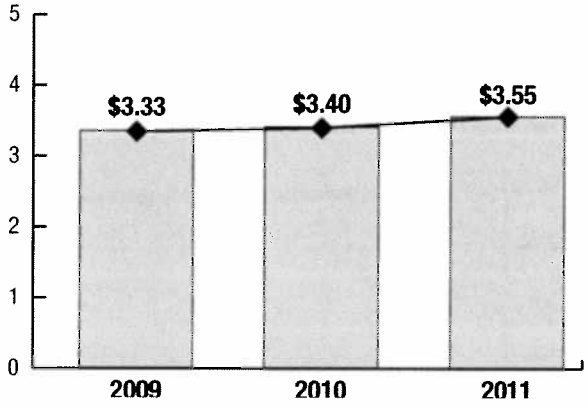


Exhibit 3-26: **In dollars**

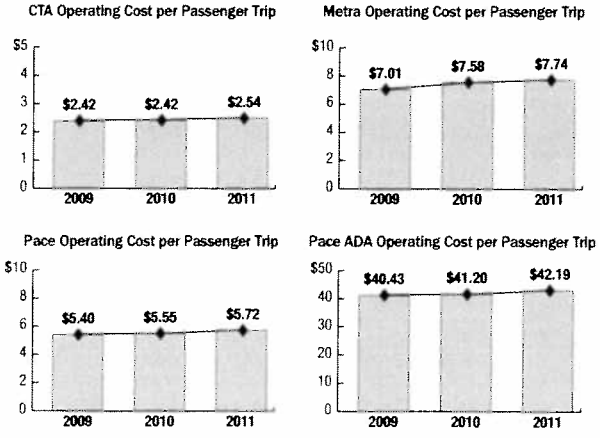


Exhibit 3-27: **Regional Operating Cost per Unlinked Passenger Mile** (in dollars)

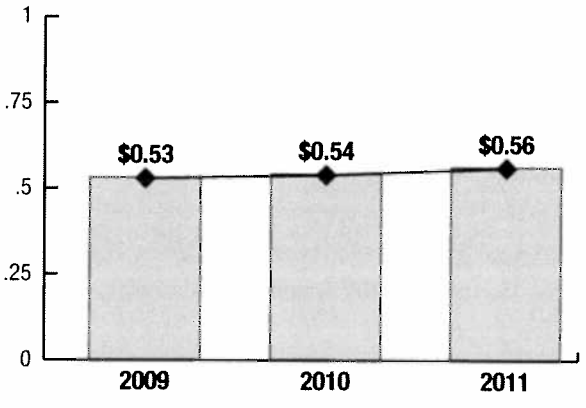
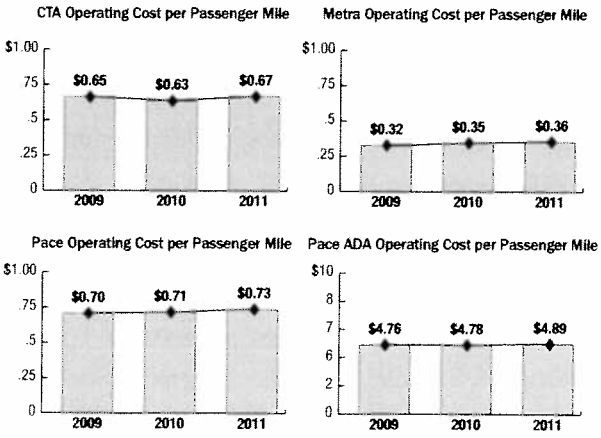


Exhibit 3-28: **In dollars**



Service Delivery

This objective reflects the quality of the service delivered and focuses on customer service and safety.

On-Time Performance

Each of the Service Boards define on-time performance differently but it is generally understood to represent the percentage of times a transit vehicle departs from and/or arrives at a location within a certain number of minutes after or before the scheduled time. As demonstrated in the actual reported data in exhibits 3-29 to 3-32, since 2007 the on-time performance for the region has steadily increased, improving nearly 8 percent between 2007 and 2009. Exhibits 3-29 to 3-32 show the Service boards reported numbers from 2005 to 2009. The CTA has increased on time performance percentages for bus and rail for each reported year (rail data began in May 2007). Metra's on-time performance has remained very stable over the five years reported, varying between 95.4 percent and 96.3 percent. Pace fixed route service also has experienced very stable on-time performance except for a slight downward tick in 2008. Pace ADA paratransit has seen increased on-time performance for each year except 2007, when the transition to full regional Paratransit coverage was completed.

Major Safety and Security Incidents per 100,000 Passenger Trips

This Performance Measure demonstrates the rate of reportable safety and security incidents per 100,000 unlinked passenger trips. In 2008, the NTD made extensive changes to this reporting standard. The new standards include hazardous material events, acts of God, and suicide incidents which had previously been excluded. Overall for the region, the incident rate is very low and there were approximately 8.5 percent fewer reportable safety and security incidents in 2009 than in 2008. Exhibit 3-33 indicates actual performance data.

Exhibit 3-29: **Regional On-Time Performance**

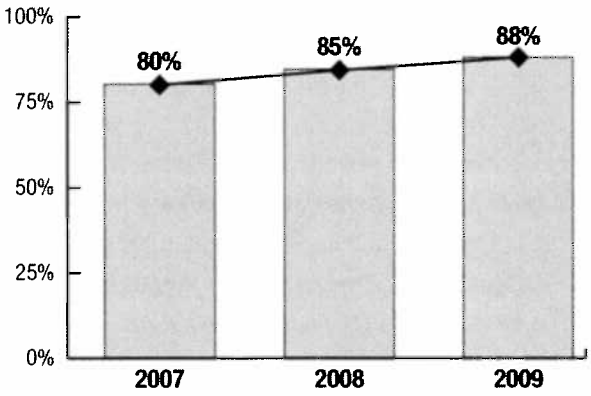


Exhibit 3-30: **CTA On-Time Performance**

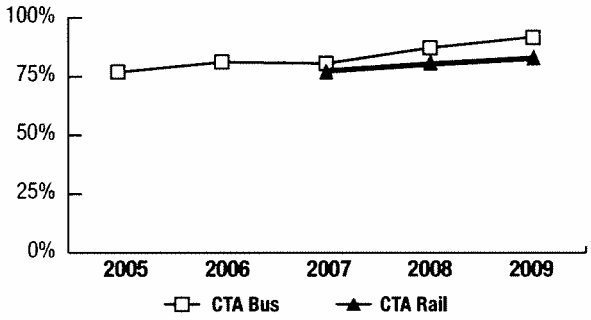


Exhibit 3-31: **Metra On-Time Performance**

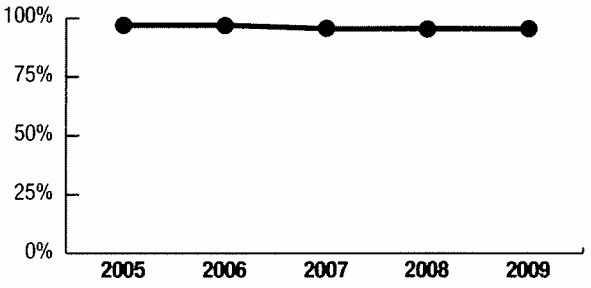


Exhibit 3-32: **Pace On-Time Performance**

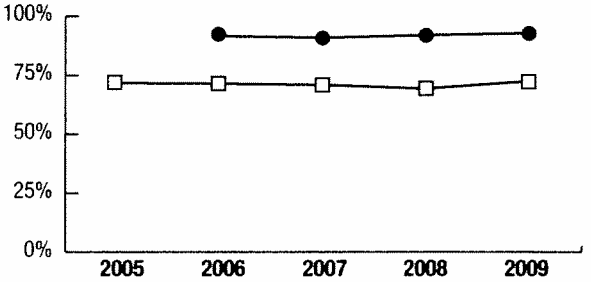


Exhibit 3-33: **Major Safety and Security Incidents** (per 100,000 passenger trips)

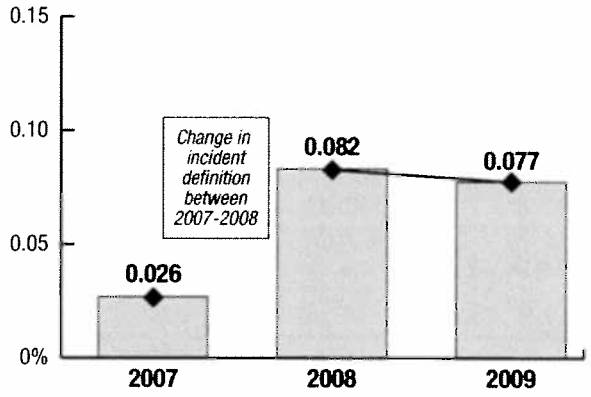
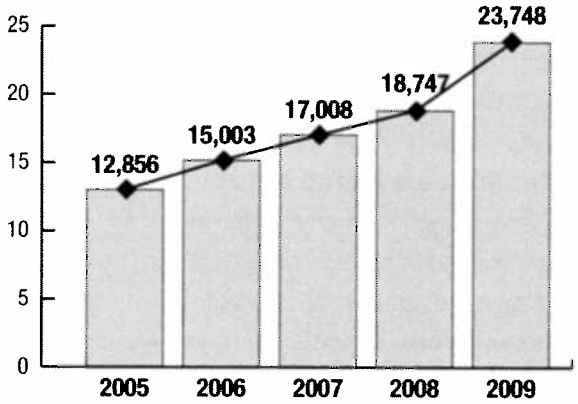


Exhibit 3-34: **Miles Between Major Mechanical Failures**



Service Maintenance and Capital Investment

The measures associated with this objective demonstrate the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.

Miles Between Major Mechanical Failures

This measure takes the average distance that vehicles travel in revenue service uninterrupted by mechanical failures that prevent them from completing a scheduled trip or from starting the next scheduled trip (Exhibit 3-34 to 3-37). At the Regional level miles between failures has shown steady improvement through 2009. CTA rail service showed a significant 31% improvement in 2009. CTA bus has shown steady improvement in distance traveled between failures with investment in new buses and a decrease in the age of the fleet starting in 2006. Metra's average distance between major mechanical failures has declined by 41 percent from its high in 2006 as a result of the aging fleet and an increasing time between scheduled overhauls. Pace bus showed a significant (39 percent) improvement in the measure in 2009, aided by the introduction of new busses since 2006.

Exhibit 3-35: **CTA - Miles Between Major Mechanical Failures** (thousands)

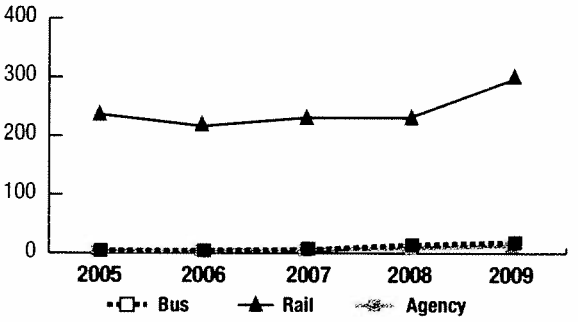


Exhibit 3-36: **Metra - Miles Between Major Mechanical Failures** (thousands)

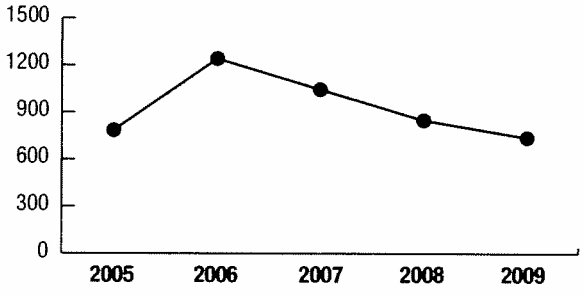
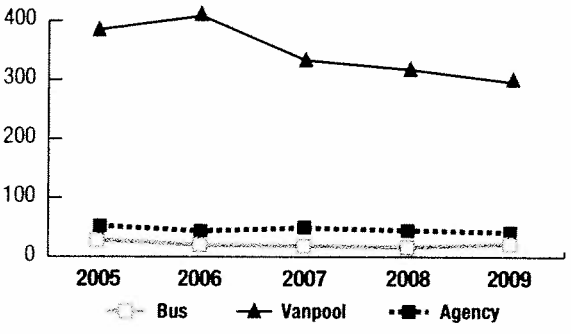


Exhibit 3-37: **Pace - Miles Between Major Mechanical Failures** (thousands)



Percent of Vehicles Beyond Useful Life

This measure shows the percentage of vehicles in the total active vehicle fleet beyond their minimum useful life, as defined by the Federal Transit Administration (FTA). The FTA defines useful life as 4 years for automobiles or vans, 12 years for buses, and 25 years for rail cars. Due to limited capital funding, vehicles usually exceed their useful life before actually being retired. After a steady decline through 2008 in the percentage of vehicles beyond useful life, there was a slight increase for the region in 2009 from 28 percent to 29 percent. CTA bus shows improvement in this measure from the purchase of new busses delivered between 2006 and 2009. The CTA's goal is to retire busses and rail cars at the FTA guidelines. Metra is experiencing a steady decline which went from 55 percent to 60 percent beyond useful life over the five year period with an average useful life of 26.9 years. However, Metra undertakes extensive maintenance programs to keep its locomotives and cars in service and operating safely longer than the FTA guidelines. Pace bus shows improvement in this measure reflecting new bus purchases, while the vanpool fleet is aging. The average age of Pace buses, vans and Paratransit vehicles are 6.8 years, 3.3 years and 2.0 years, respectively. Exhibits 3-38 to 3-41 represent actual performance measure data.

Exhibit 3-38: **Region - Percent of Vehicles Beyond Useful Life**

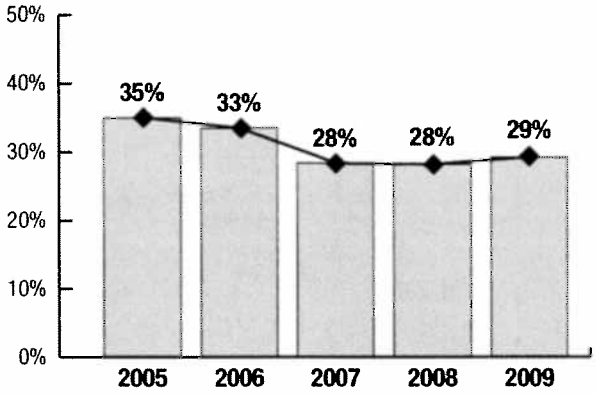


Exhibit 3-39: **CTA - Percent of Vehicles Beyond Useful Life**

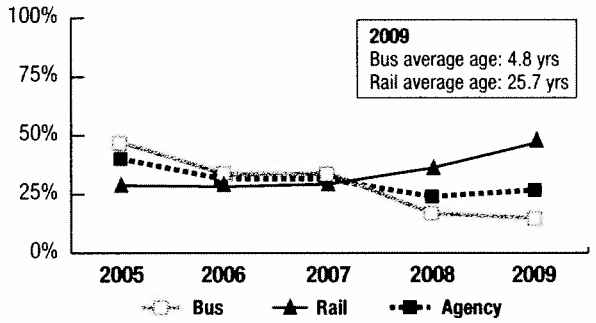


Exhibit 3-40: **Metra - Percent of Vehicles Beyond Useful Life**

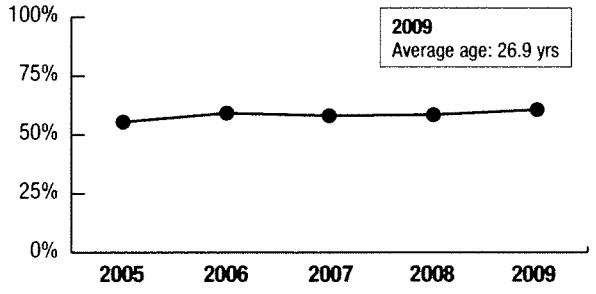
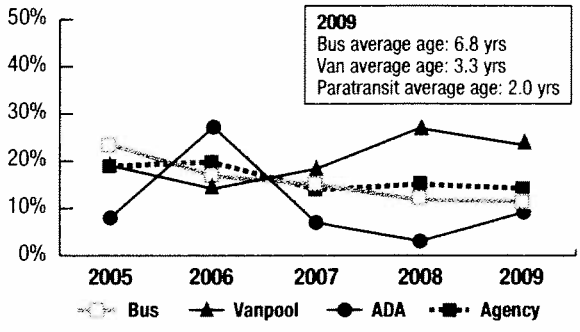


Exhibit 3-41: **Pace - Percent of Vehicles Beyond Useful Life**



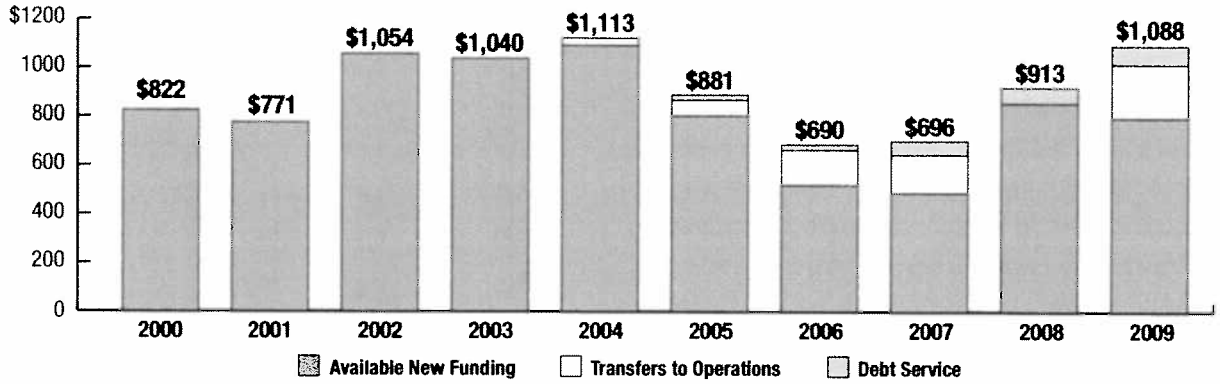
Service Level Solvency

These measures assess financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

Capital Program Funding

This indicator demonstrates the amount of capital funds available to finance maintenance enhancement, and expansion of the transit system infrastructure. This figure represents actual data of the new funding available to Service Boards for the past five years and does not include de-obligated

Exhibit 3-42: **Region - Capital Program Funding** (dollars in millions)



or re-appropriated funds that become available. (Exhibit 3-42 to 3-45)

Capital Funding, net of transfers to operations and payment of debt services decreased by nearly 7 percent in the region. In 2009, CTA had 39 percent less funding available than in 2008 as a result of having to divert over $200 million to operations and $80 million to debt service. Metra and Pace saw increases of 74 percent and 73 percent in available new funding, respectively. The recently completed Capital Asset Condition Report indicates that projected funding needs will total $24.6 billion over the next ten years, which is more than three times higher than the projected funding to be awarded during that time.

Fare Revenue per Passenger Trip

Fare Revenue per Passenger Trip is the total fare revenue divided by the total number of passenger trips providing the average fare that a passenger pays. The projected Performance measures below indicate that in 2010 regional Fare revenue per trip is estimated to increase by about 2.4 percent and in 2011 Fare revenue per Trip is budgeted to stay almost flat, increasing less than 0.8 percent from 2010. The CTA anticipates a slight increase in fare revenue per trip of about 1 cent or 1 percent in 2011 and Metra anticipates a slight increase of 0.3 percent. Pace does not anticipate any increases in the Fare pre Revenue Trip and none of the Service boards are budgeting for any increases in fares.

Exhibit 3-43: **CTA - Capital Program Funding** (dollars in millions)

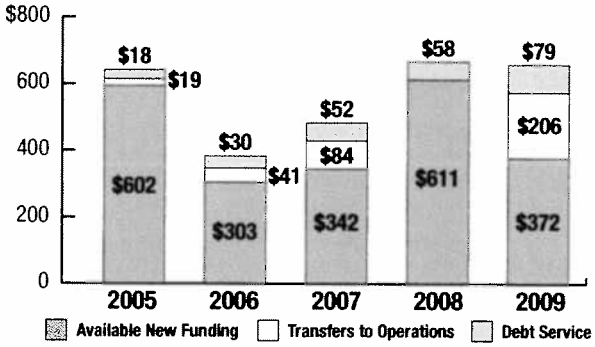


Exhibit 3-44: **Metra - Capital Program Funding** (dollars in millions)

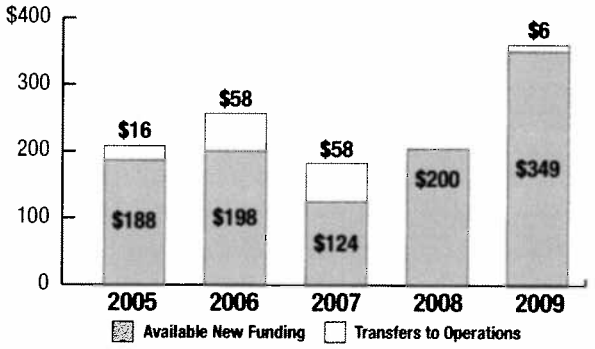
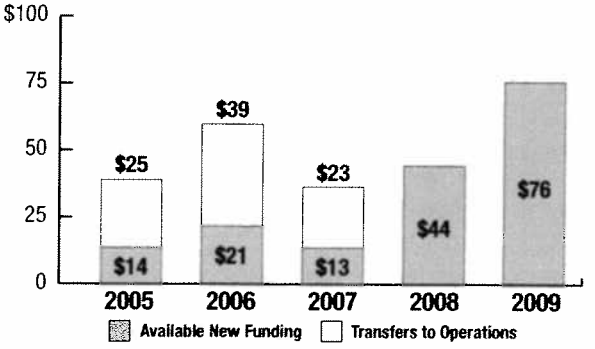


Exhibit 3-45: **Pace - Capital Program Funding** (dollars in millions)



A Commitment to Performance Measurement

The RTA is committed to the use and development of performance measurement, and recognizes that these measures increase overall accountability, and can explain where the system is doing well and where it can make improvements. In conjunction with the service boards the RTA will be working to develop targets for the adopted set of performance measures that will help define areas of improvement. Through the continued use of Performance Measurement the RTA recognizes that trends will emerge which will help the region as a whole make informed planning, operating, capital and financial decisions.

Exhibit 3-46: **Regional Fare Revenue Per Trip** (in dollars)

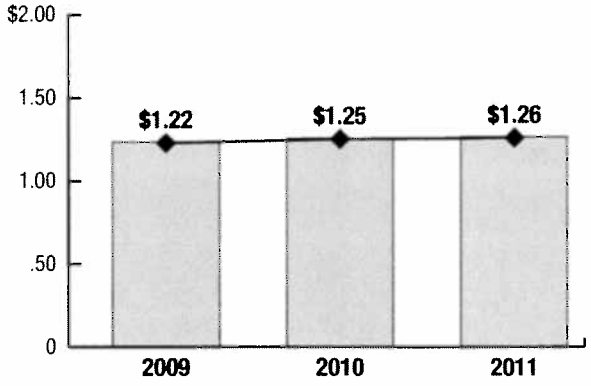
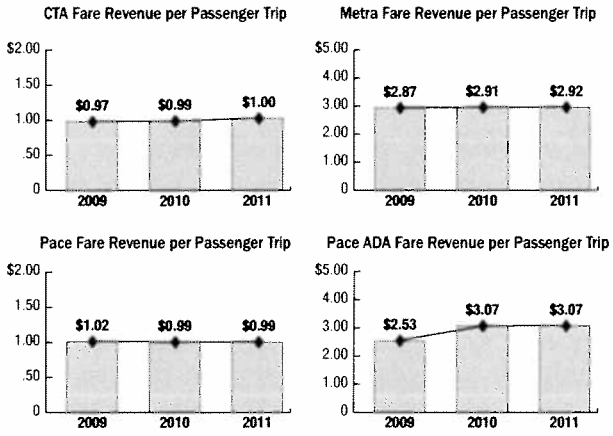


Exhibit 3-47: **Regional Fare Revenue Per Trip by Agency**



Reference

RTA Bonds

The bonds issued by the RTA carry a rating of "AA+" from Standard & Poor's, AA- Fitch IBCA and "Aa3" from Moody's Investors Service, Inc. 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 $2,419.1 million as of December 31, 2009, are divided into two types: $1,538.3 million in Strategic Capital Improvement Program (SCIP) bonds and $620.8 million in RTA bonds (Exhibit 3-48 and Exhibit 3-49).

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 financial statements.

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 financial statements.

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

Exhibit 3-48: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	January 1, 2009	New Issues	Retirements	December 31, 2009
1990A	60,795	-	-	60,795
1991A	55,745	-	-	55,745
1992A* and 1992B	33,345	-	7,480	25,865
1994A* and 1994B	24,395	-	-	24,395
1994C* and 1994D	57,785	-	1,500	56,285
1997 Refunding	65,955	-	5,155	60,800
1999 Refunding*	274,445	-	7,670	266,775
2000A*	230,065	-	5,275	224,790
2001A*	88,630	-	1,980	86,650
2001B Refunding*	29,800	-	-	29,800
2002A*	144,925	-	2,985	141,940
2002B	144,085	-	10,450	133,635
2003A*	242,420	-	4,790	237,630
2003B	139,990	-	2,810	137,180
2003C Refunding	3,565	-	3,565	-
2004A	246,410	-	4,635	241,775
2005B Refunding	139,305	-	6,535	132,770
2006A*	245,915	-	3,625	242,290
Total	**$2,227,575**	**-**	**$68,455**	**$2,159,120**

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

Exhibit 3-49: **RTA Long-term Debt (1)** (dollars in thousands)

	As of December 31, 2009	As of December 31, 2010
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized But Unissued RTA Debt	179,195	179,195
Total Non-SCIP (RTA) Principal Outstanding	620,805	763,005
Total SCIP Principal Outstanding	1,538,315	1,497,155
Total Debt Outstanding	**$2,159,120**	**$2,260,160**

(1) Excludes Bank Borrowing and Short-term Notes

Exhibit 3-50: **1999-2009 Debt Service Requirement Test** (dollars in thousands)

	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Serv. Req.
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
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840
2006	746,829	178,086	445,215
2007	752,922	188,551	471,378
2008	949,617	192,555	481,388
2009	894,238	196,845	492,112

Exhibit 3-51: **RTA Debt Service Requirements** (dollars in thousands)

Year	Principal	Interest	Total
1999	16,988	60,878	77,866
2000	22,949	58,727	81,676
2001	19,805	75,382	95,187
2002	27,262	86,264	113,526
2003	37,940	102,667	140,607
2004	40,430	119,272	159,702
2005	49,570	129,966	179,536
2006	55,110	122,976	178,086
2007	59,135	129,416	188,551
2008	64,685	127,870	192,555
2009	68,455	128,390	196,845

refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

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 financial statements. 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.

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 generating resources for all future debt service payments. The second issue was a $260 million SCIP bond offering on April 1. On the same day, RTA currently 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 from the financial statements. 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.

On October 13, 2004, the RTA issued one bond offering (Series 2004A) for $260 million in SCIP bonds. The Series 2004A Bonds are also secured by the Series 2004A debt service reserve account.

Exhibit 3-52 **Recent Bond Projects with Project-to-Date Expenditures** (dollars in thousands)

2003 B	CTA	Repair Track and Structure	$298
2003 B	CTA	Replace/Upgrade Power Distribution and Signal Systems	126
2003 B	CTA	Implement Communication Upgrades	113
2003 B	Pace	Improve Garages and Facilities	252
		Total	**$789**
2006 A	CTA	Replace/Upgrade Escalators and Elevators	$3,688
2006 A	CTA	Replace Financial System	2,576
2006 A	CTA	Purchase Equipment and Non-Revenue Vehicles	2,512
2006 A	CTA	Upgrade Communication Systems	2,411
2006 A	CTA	Replace/Upgrade Power Distribution and Signal Systems	1,497
2006 A	Metra	Rebuild/Enhance Locomotives and Commuter Cars	8,199
2006 A	Metra	Renew Bridges	1,068
2006 A	Metra	Improve Station Platforms and Ramps	1,368
2006 A	Pace	Improve Garages and Facilities	249
		Total	**$23,568**
2010 A	CTA	Implement Security and Communication Projects	$2,528
		Total	**$2,528**
2010 B	CTA	Replace/Upgrade Power Distribution and Signal Systems	$11,320
		Total	**$11,320**

On May 2,2005, the RTA issued $148,110,000 of general obligation bonds (2005B) to defease the remaining balance of the 1996 refunding. As a result, the 1996 refunding bonds have been removed from the financial statement.

On September 13, 2006, the RTA issued a general obligation bond for $250,350,000 (2006A) to be used to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

RTA Sales Tax must be 2.5 times greater than the debt service requirement. As shown over the last ten years (Exhibit 3-50 and 3-51), 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 3-52 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.

Governmental Fund Types

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 3-53).

General Fund

The General Fund is the general operating fund of the RTA. It is used to account for all financial

Exhibit 3-53: **RTA 2009 Combined Fund Statement of Revenues & Expenditures by Fund** (dollars in millions)

	General	Agency	Debt	Capital	JSIF	Pension	Combined
Revenues							
Sales Tax	$99.0	$561.2	-	-	-	-	$660.2
New Sales Tax	-	225.0	-	-	-	-	$225.0
Interest on Sales Taxes	0.3	0.5	-		-	-	$0.8
Public Transportation Fund	169.4	-	-	-	-	-	$169.4
Pace Loan PTF Advance Recovery	3.0	-	-	-	-	-	$3.0
CTA Loan PTF Advance Recovery	-	-	56.1	-	-	-	$56.1
PTF (New Sales Tax/RETT)	-	113.2	-	-	-	-	$113.2
Innovation, Coordination & Enhancement (ICE)	9.1	-	-	-	-	-	$9.1
Operating Assistance - CTA/PACE ADA Paratransit	-	-	-	-	-	-	$0.0
State Assistance	123.0	-	-	-	-	-	$123.0
Reduced Fare Reimbursement	-	42.0	-	-	-	-	$42.0
Investment Income	37.0	-	1.5	0.7	-	-	$39.2
Other Revenues	4.3	-	-	-	0.5	21.1	$25.9
Advance from State	-	11.3	-	-	-	-	$11.3
Pension Contribution	-	-	-	-	-	10.8	$10.8
Total Revenues	**$445.1**	**$953.1**	**$57.6**	**$0.7**	**$0.5**	**$31.9**	**$1,488.9**
Expenditures							
Financial Assistance to Service Boards	$93.5	$676.9	-	-	-	-	$970.5
Capital Grants–Discretionary	19.2	-	-	-	-	-	$19.2
South Suburban Job Access Program- (PACE)	7.5	-	-	-	-	-	$7.5
Capital Projects - Working Cash Notes	-	-	56.1	-	-	-	$56.1
Paratransit Funding (PACE)	-	-	-	-	-	-	$0.0
Suburban Community Mobility Fund	-	18.2	-	-	-	-	$18.2
Paratransit Funding -PACE	-	91.0	-	-	-	-	$91.0
Innovation, Coordination, & Enhancement (ICE)	9.1	-	-	-	-	-	$9.1
PACE (PTF) Expenditures	1.4	-	-	-	-	-	$1.4
PTF (New Sales Tax/RETT)	-	113.2	-	-	-	-	$113.2
Capital Grants–Bonds	-	-	-	48.0	-	-	$48.0
Reduced Fare Reimbursement	-	42.0	-	-	-	-	$42.0
Advance to Service Board	-	11.3	-	-	-	-	$11.3
Debt Service Operating Transfer	198.8	-	(195.3)	-	(3.6)	-	($0.0)
Administrative	11.4	-	-	-	3.8	9.5	$24.7
Regional	22.1	-	-	-	-	-	$22.1
Capital Outlay	1.1	-	-	-	-	-	$1.1
Interest on Sales Taxes to Service Board	-	0.5	-	-	-	-	$0.5
Debt Service							$0.0
Principal	-	-	68.5	-	-	-	$68.5
Interest	6.3	-	129.1	-	-	-	$135.4
Debt Related Costs	0.4	-	2.6	-	-	-	$3.0
Debt Proceeds	-	-	(260.0)	-	-	-	($260.0)
Total Expenditures	**$370.8**	**$953.1**	**($199.0)**	**$48.0**	**$0.2**	**$9.5**	**$1,182.5**
Revenues less Expenses (1)	**$74.3**	**-**	**$256.7**	**($47.2)**	**$0.3**	**$22.4**	**$306.4**
Fund Balance beginning of the year	**$53.3**	**-**	**$80.0**	**$179.2**	**$28.9**	**$97.5**	**$438.8**
Fund Balance end of the year (2)	**$127.7**	**-**	**$336.6**	**$132.0**	**$29.1**	**$119.9**	**$745.3**

(1) Reconciliation of Budgetary basis to GAAP basis.

(2) Before reserves and designations. General Fund reserves and designation totalled $155.6 in 2009 leaving a negative unreserved/undesignated fund balance of $27.9 million.

Exhibit 3-54: **RTA Statement of Revenues and Expenditures 2011 Budget by Fund - General and Agency Fund** (dollars in thousands)

	General Fund	Agency Fund	Total Budget
System-Generated Revenue			
RTA Sales Tax (Part I)	101,252	573,760	675,012
RTA Public Transportation Fund (Part I)	168,753	-	168,753
RTA Sales Tax and PTF (Part II)	9,292	345,332	354,624
State Financial Assistance	123,000	-	123,000
State Free Rides & Reduced Fare Reimbursement (1)	-	33,570	33,570
State Funding for ADA & Debt Service	18,700	-	18,700
Other Revenue	15,899	1,701	17,600
Total Revenue	**436,896**	**954,363**	**1,391,259**
Operating Expenditures			
RTA Operations Funding - CTA (Includes RETT PTF)	128,251	387,207	515,458
RTA Operations Funding - Metra	-	318,146	318,146
RTA Operations Funding - Pace Suburban Service	535	102,234	102,769
RTA Suburban Community Mobility Funding for Pace	-	18,585	18,585
RTA South Suburban Job Access Funding for Pace	7,500	-	7,500
RTA Total for ADA Paratransit Service	8,500	92,921	101,421
RTA Funding for Innovation, Coordination, and Enhancement	9,292	-	9,292
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	-	35,270	35,270
Agency Administration	8,032	-	8,032
RTA Regional Services and Programs	23,738	-	23,738
Total Operating Expenditures	**185,848**	**954,363**	**1,140,211**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	226,058	-	226,058
Regional Technology and Agency Capital (3)	1,955	-	1,955
Transfer Capital - Metra Funds	-	-	-
Transfer Capital - Discretionary RTA Funds to CTA	10,200	-	10,200
Total Debt Service and Capital Expenditures	**238,213**	**-**	**238,213**
Total Expenditures	**424,061**	**954,363**	**1,378,424**
Fund Balance (undesignated/unreserved)			
Beginning Balance	**5,655**	-	**5,655**
Change in Fund Balance	**12,836**	-	**12,836**
RTA Funds Reserved	-		-
RTA JSIF Funding	**(5,380)**	-	**(5,380)**
Ending Unreserved/Undesignated Fund Balance	**13,111**	**-**	**13,111**

transactions that are not specifically required to be accounted for in another fund such as the Agency Fund. Exhibit 3-1 shows the balance in the General Fund from 2009 through 2013. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 3-54 highlights the 2011 budget for these funds.

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

Exhibit 3-55: **2009 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of expenditures over revenues and other financing use-budgetary basis	**72,162**
Adjustment	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(4,506)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	5,894
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	767
Budgetary basis to GAAP basis adjustment	**2,155**
Net Change in Fund Balance - GAAP basis	74,317
Net Changes in Reserves	(102,210)
Net Change in Unreserved, Undesignated Fund Balance	**(27,893)**

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. These amounts have been issued.

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.

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.

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

Exhibit 3-56: **RTA 2009 Statement of Revenues and Expenditures General and Agency Fund** (dollars in thousands)

	2009 Budget	2009 Actual	Change
Revenue			
Sales Tax (Part I)	640,000	660,183	20,183
Public Transportation Fund (PART I)	160,000	169,353	9,353
Sales Tax and PTF (Part II)	346,510	347,243	733
State Financial Assistance	122,000	123,008	1,008
Reduced Fare Reimbursement	33,570	41,970	8,400
Other Revenue	17,600	45,089	27,489
Total Revenue	**1,319,680**	**1,386,846**	**67,166**
Operating Expenditures			
RTA Operations Funding - CTA (includes RETT PTF)	465,244	475,432	(10,188)
RTA Operations Funding - Metra	268,660	278,313	(9,653)
RTA Operations Funding - Pace Suburban Service	125,772	128,964	(3,192)
RTA Total for ADA Paratransit Service	105,968	97,212	8,756
State Reduced Fare/Free Ride Programs and Sales Tax Interest	35,120	42,441	(7,321)
Agency Administration, Regional Services & Programs	30,158	32,130	(1,972)
Total Operating Expenditures	**1,030,922**	**1,054,492**	**(23,570)**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	201,617	201,950	333
Regional Technology and Agency Capital	3,566	2,526	(1,040)
Transfer Capital - Metra Funds	36,822	31,021	(5,801)
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	-
Total Debt Service and Capital Expenditures	**262,358**	**255,850**	**(6,508)**
Total Expenditures	**1,293,280**	**1,310,342**	**17,062**
Fund Balance (undesignated/unreserved)			
Beginning Balance	(53,481)	(53,481)	-
Change in Fund Balance	26,400	76,504	50,104
Other Funding & Reserves	(3,900)	(50,916)	(47,016)
Ending Balance	**(30,981)**	**(27,893)**	**3,088**
% of Total Operating Expenditures	(3.0)%	(2.6)%	0.4%

payments are budgeted as transfers from the General Fund.

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 has been the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the Budget Ordinance. However, due to the unfavorable economic conditions in recent years and the depletion of funds in the undesignated / unreserved fund balance to preserve operating stability, the RTA waived its fund to budget policy for the 2011 fiscal year.

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 (Exhibit 3-55 and 3-56).

Exhibit 3-57: **Recovery Ratio** (1) (dollars in thousands)

	2011 Budget
CTA	**Budget**
Operating Revenue	602,097
Adjustments (2)	39,500
Total Revenue	**641,597**
Operating Expenses	1,337,755
Adjustments (2)	(144,113)
Total Expenses	**1,193,642**
CTA Recovery Ratio	**53.8%**
Metra	
Operation Revenue	**297,300**
Adjustments	9,000
Total Revenue (3)	**306,300**
Operating Expenses	634,202
Adjustments (3)	(77,700)
Total Expenses	**556,502**
Metra Recovery Ratio	**55.0%**
Pace	
Operating Revenue	49,802
Adjustments (4)	19,028
Total Revenue	**68,830**
Operating Expenses	183,320
Adjustments (4)	7,810
Total Expenses	**191,130**
Pace Recovery Ratio	**36.0%**
System-Generated Revenue Recovery Ratio Revenue	
Total Service Board Revenue	1,016,727
Agency	15,900
Adjustments (5)	(18,800)
Total Revenue	**1,013,827**
Expense	
Total Service Board Expenses	1,941,274
Less Regional Exemption (statutory)	(80,000)
Agency & JSIF	36,725
Total Expenses	**1,897,999**
Recovery Ratio (apart from ADA Paratransit)	**53.4%**
ADA Paratransit	
Operating Revenue	9,994
Operating Expense	120,656
Adjustments (6)	(20,718)
Total Expense	**99,938**
Recovery Ratio	**10.0%**

(1) The RTA Act permits certain revenue and expense adjustment for the recovery ratio calculation. The RTA, by means of ordinance, allows supplementary adjustments for service board calculations, but such adjustments are reversed to determine the system-generated revenue recovery ratio for the region, which by statute must be at least 50%. Service board adjustments include amounts that result in calculations that equal the "marks" set by the RTA. (2) CTA adjustments to revenue include credits for seniors who ride free and in-kind revenue for security services provided by the Chicago Police Department (CPD). Expense adjustments include in-kind costs for the CPD equal to the revenue credit, and credit for security, pension obligation debt service and some grant revenues. (3) Metra revenue reflects senior ride free credits; expense adjustment credits include security, depreciation and transportation facility leases. (4) Pace revenue adjustments include in-kind ADvAntage program, free ride credits and credits for capital costs incurred in providing contracted services (capital cost of contracting). Expense adjustments include in-kind ADvAntage program charges and credits for ICE project operating expenses. (5) Regional revenue adjustments include a debit for service board senior ride free credits, and a credit for a CTA lease transaction. (6) Expense adjustments include reductions for budget balancing actions, and credits for capital costs incurred in providing contracted services (capital cost of contracting).

4 CTA Operating Plan

Overview

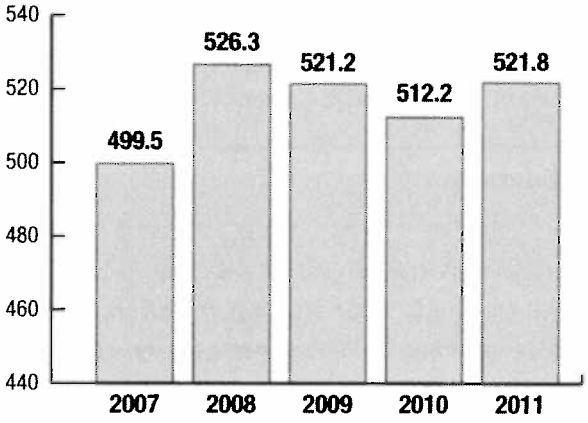
The Chicago Transit Authority (CTA) was created by the Illinois State legislature in 1945 and began operations in 1947. It became the sole operator of Chicago transit in 1952 when it purchased the Chicago Motor Coach System. The CTA is the region's largest transit operator and is governed by a seven-member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

A new State funding package ratified by state legislation in 2008 increased the percentage of State sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. Unfortunately, the economic recession has had a significant impact on these funds, revenues from sales tax and the RETT have been hit hard by the effect of reduced consumer spending. Additionally, the recession has impacted the rate at which the State of Illinois has made payment to the RTA and subsequently the rate at which the RTA can make payments to the CTA.

In order to balance its 2010 budget the CTA reduced bus service 18 percent and rail service nine percent. A borrowing agreement that the RTA reached with the State of Illinois in 2009 enabled the CTA to avoid even further service reductions but stipulated that the CTA not raise fares. As a testament to CTA staff, service reductions were made carefully and had a limited impact on ridership, and cost savings were achieved through responsible and efficient management.

Building on its success in 2010 the CTA will continue to hold the line on costs in 2011 without the need for increases in fares or further reductions in service. Unfortunately, the CTA is faced with the difficult decision of having to transfer funding from Capital to Operations. In 2011, the CTA has budgeted for the transfer of over $196 million in capital funds to operations. While the CTA has over $6.8 billion in unfunded capital needs, the use of capital funds for operations remains a necessary measure that allows the CTA to minimize the negative impact of the recession on its customers.

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



Service Characteristics

The CTA operates the second largest public transportation system in the United States with average weekday ridership on its bus and rail system of 1.6 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

Bus operations provide 1,782 buses traveling over 141 routes covering 2,517 miles, with approximately 11,577 bus stops. Rail service on eight routes has 1,190 train cars traveling over 224 miles of track.

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

	2007	2008	2009	2010	2011
Bus	309.3	328.2	318.6	304.3	306.7
Rail	190.3	198.1	202.6	207.9	215.0
Total Ridership	**499.6**	**526.3**	**521.2**	**512.2**	**521.8**

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

	2007	2008	2009	2010	2011
Weekday	1,606	1,679	1,658	1,633	1,660
Saturday	977	1,048	1,058	1,049	1,059
Sunday	675	725	748	732	750

Ridership

Total ridership for 2011 is estimated at 521.8 million trips in 2010 (Exhibit 4-1). This is 1.9 percent or 9.6 million trips higher than projected 2010 ridership. Bus ridership is estimated at 306.7 million trips in 2011. This is 0.8 percent or 2.4 million trips higher than estimated 2010 ridership. Rail ridership is budgeted at 215.0 million trips in 2011, 3.4 percent or 7.1 million trips more than estimated 2010 ridership (Exhibit 4-2).

Average weekday ridership in 2010 was about 1.7 million, while Saturday and Sunday average ridership was nearly 1.1 million and 750 thousand, respectively (Exhibit 4-3). Total vehicle miles are expected to decline from 122.7 million in 2010 to 120.8 in 2011. This 1.5 percent decline in vehicle miles is largely due to the service reductions implemented in 2010 (Exhibit 4-4).

Service Quality

The CTA has continued to work on improving the core components of its business that impact its customers directly. Some of its efforts include the implementation of performance management initiatives that ensure the delivery of safe, clean, on-time, courteous and efficient service; the restructuring and consolidating of customer service and customer communications providing timely and accurate information to the riders; and

concrete repairs made to improve the safety of bus turnarounds and rail stations.

As part of its effort to improve service quality, the CTA has implemented a variety of performance measures. These measures support a significant effort by the CTA to improve service quality. Grouped by quality service objective, the CTA provides for each performance measure the average monthly 2009 result, a 2010 monthly target, 2010 monthly results, a definition of the performance measure and when it is applicable the performance measure is associated with a specific department. The quality objectives include Ridership, On-Time, Efficient, Safe, Clean, and Courteous. When performance for a month exceeds the monthly target, the measurement is highlighted in green. If performance for the month falls below but within 10% of the target, the measurement is highlighted in yellow. When performance falls below 10 percent

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

	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Budget
Ridership (1)	499,544	526,336	521,242	512,180	521,745
Vehicle Miles	135,244	136,190	136,034	122,679	120,827
Passengers Per Mile	3.7	3.9	3.8	4.2	4.3

(1) Ridership in annual inlinked trips.

of the target, the measurement is highlighted in red. Performance measure targets yet to be established are highlighted in gray. The monthly performance measures published on the CTA's website through November 2010 can be found at the end of this section. (Exhibit 4-20)

Business units and departments are responsible for certain performance measures. For instance, the Bus Operations unit is responsible for the "% of Big Gaps interval" measurement which measure, the number of bus intervals that are double the scheduled interval. In 2010, the bus operations department enhanced its 2010 on-time performance by communicating goals and performance to everyone from managers to operators while providing a platform for reporting issues and brainstorming solutions. As indicated in Exhibit 4-20 the CTA was able to keep "% of Big Gaps Interval" performance measure at or below the 5% target every month of the year of 2010 through the month of November.

The use of performance measures ensures high levels of service quality and increases accountability to the public. By creating these performance targets and striving to meet or exceed them and delegating responsibility for the performance measures to specific departments and units, the CTA has shown that it values customer opinion and that it is working toward improved service quality, and greater accountability.

Challenges

Although there are signs in the broader economy that the nation may be pulling out of the deep recession that began in 2008, the outlook for 2011 continues to be pessimistic. The CTA's primary revenue sources are very sensitive to the health of the economy. In addition to significantly lower public funding, the CTA is also faced with higher costs in several areas. Labor costs make up the largest portion of the CTA's budget. In 2011, the CTA's unionized employees will receive contractual wage increases resulting in an over $23.7 million increase in labor expense compared to prior year. The CTA is partially mitigating these increases by eliminating vacancies, controlling hiring and strictly managing overtime. Required employer contributions to the CTA's employee pension fund will add an additional $22 million and the cost of providing benefits is also expected to rise approximately $17.8 million in 2011 over the 2010 budget.

Capital Investments

The CTA spent $672 million on its capital program in 2009 a 28.6 percent decrease from the amount spent in 2008. The CTA is expected to spend a total of $1.2 billion on capital projects in 2010 and 2011. (Exhibit 4-5) Combined 2010 and 2011 capital expenditures constitute a 27.1 percent increase over what was spent in the single year of 2009.

The Brown Line Capacity Expansion, which began in the late 1990's, was completed in January of 2010. Following the capacity expansion, the Brown Line accommodates eight-car trains and provides greater accessibility to customers with disabilities in accordance with the Americans with Disabilities Act.

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2007	2008	2009	2010	2011
CTA Total Capital Expenditures	$730,819	$940,749	$671,952	$605,692	$589,824
CTA Bus Vehicles	2,175	2,093	2,053	1,782	1,782
Average Age of Buses (in years)	9.3	5.6	4.7	4.3	5.3
CTA Rail Cars	1,190	1,190	1,190	1,190	1,240
Average Age of Rail Cars (in years)	24.0	25.0	26.0	27.0	26.0
Bus Routes Offering Lift Service	154	154	154	150	141
ADA Accessible Stations	82	85	85	85	88

In late 2010 the CTA requested that the RTA suspend a financial policy that requires a service board to use less than 50% of capital funding for debt service. The CTA wished to issue bonds in 2012 totaling $430 million and use the funding to exercise one of two options in their contract to purchase approximately 706 rail cars. The RTA Board recognized that this represented a unique opportunity for the CTA to purchase rail cars at a dramatically reduced price and suspended the financial policy which was created in a previous ordinance. The action taken by the RTA board temporarily redacted the policy that limited the use of capital funds for debt service to 50% in favor of one that increased that limit to 60%. Thanks to these actions, the CTA will be able to purchase these cars at the current price of approximately $1.4 million per car versus an estimated price of $2.5 million per car if the CTA had to rebid the contract. Further, if the CTA did not replace the existing cars in a timely fashion, they would need to perform a life extending rehabilitation at approximately $1.2 million per car. The current estimate is that the temporary increase in the debt limit would run through 2019.

Bus System

In 2010, the CTA operated a fleet of approximately 1,782 buses, which made 19,741 weekday trips on 140 routes, providing almost 993 thousand rides on a typical weekday. Between 2006 and 2009 the CTA purchased 1,293 new busses. All busses delivered since 2007 have clean diesel engines and particulate filters that meet EPA emissions standards, and the entire bus fleet is ADA accessible and air-conditioned. The continued investment in the bus fleet has reduced the average age of the bus fleet from 9.4 years to 4.3 years.

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. In 2011, bus mid-life overhaul activities are programmed for $25.1 million, and total $151.1 million during the period from 2012-2015. With overhauls, the fleet will demonstrate increased reliability and fewer instances of expensive breakdown-based repair.

In 2010 the CTA implemented the Bus tracker project which improved data communication between buses, the Control Center and on-street supervision. The project tracks CTA buses in real time and provides customers estimated bus arrival times via Global positioning satellite (GPS) technology and a dedicated web site (www.ctabustracker.com). In November of 2010 the CTA's bus tracker was the recipient of the 2010 Chicago Innovation Award for bringing valuable and timely bus service information to customers.

Rail System

The CTA has committed to an aggressive slow zone rehabilitation schedule. As of June 2010, slow zones on CTA's rail system have been reduced to 7.3 percent of track from a peak of 22.3 percent in 2008.

The proposed Capital Improvement Plan (CIP) schedules $137.3 million in FY 2011 to fix right-of-ways, ties, rail and structure, to reduce slow zone imposition and therefore maintain operating speeds. An additional $329.9 million is budgeted from 2012-2015 to continue systematic rehabilitation of the CTA right of way.

The CTA has 406 railcars currently on order, and is currently performing testing on 10 prototype cars. The remaining 396 cars will be delivered once the prototypes have gone through the complete testing phases. These railcars will replace the aging 2200-Series and 2400-Series fleet placed into service in 1969 and which have already exceeded their expected service lives of 25 years.

System-Wide Improvements

The CTA continues to invest in new technology to further improve service and safety. The CTA operates over 1,500 desktop computers that link into local area networks for efficient data transfer and team analysis and CTA's proposed Capital Improvement Program allocates 1.1 million in FY 2011 for computers and associated components. Recently, the CTA provided $10 million to enhance its security and surveillance network by expanding camera coverage at its rail stations. The new system integrates sate-of-the-art high-definition digital cameras, which are capable of capturing facial recognition and displaying six times the detail of analog cameras in real time. Other system improvements include better lighting, rehabilitation of station escalators and elevators, replacement of station roofs, canopies, and upgraded passenger public address systems.

Exhibit 4-6: **CTA 2011 Budget and 2012-2013 Financial Plan** (dollars in thousands)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
System-Generated Revenues:					
Passenger Revenue	$505,713	$518,660	$523,660	$622,133	$622,133
State Free Rides & Reduced Fare Reimbursment	28,239	28,000	28,000	28,000	28,000
Other Revenue	67,680	43,150	50,437	53,986	57,789
Total Revenues	**601,632**	**589,810**	**602,097**	**704,119**	**707,922**
Operating Expenses:					
Labor	$856,468	$834,974	$931,178	$937,242	$951,320
Material	87,900	82,276	72,762	74,217	75,702
Fuel	100,539	58,121	54,487	56,122	57,805
Power	37,645	36,226	30,070	30,671	31,285
Insurance & Claims	15,397	43,000	15,000	30,600	31,212
Purchase of Security Services	32,300	33,185	34,109	34,791	35,487
All Other	131,348	172,367	200,149	205,103	211,304
Total Operating Expenses	**$1,261,597**	**$1,260,149**	**$1,337,755**	**$1,368,746**	**$1,394,115**
Operating Deficit	$659,965	$670,339	$735,658	$664,627	$686,193
Deficit Funding					
RTA Sales Tax I	268,279	261,616	271,850	279,734	288,644
Sales Tax II and PTF II	106,951	110,075	109,356	112,559	116,144
25% PTF II on RETT	6,115	5,500	6,000	6,500	6,708
RTA ICE Funds	5,000	-	-	-	-
RTA Discretionary Funds	89,086	97,648	128,251	132,034	114,865
Total RTA Funding	**475,431**	**474,839**	**515,458**	**530,827**	**526,361**
City of Chicago RETT	25,144	22,500	24,000	26,000	26,832
Federal Funds	128,920	173,000	196,200	57,800	70,000
Working Cash Borrowing	56,147	-	-	-	-
To Be Determined Revenues	-	-	-	50,000	63,000
Total Deficit Funding	**$685,642**	**$670,339**	**$735,658**	**$664,627**	**$686,193**
Recovery Ratio % (1)	**53.1%**	**55.2%**	**53.8%**	**61.2%**	**61.1%**

(1) Recovery Ratio is calculated by dividing System Generated Revenues over Operating Expense. The calculation includes in-kind revenues and expenses for security services provided by the City of Chicago, excludes security expense, grant revenues. PO debt service and includes some grant revenues.

Budget and Financial Plan

The 2011 budget and 2012 and 2013 financial plan approved by the RTA Board on December 16, 2010, conform to the 2010 marks set by the RTA on September 15, 2010. The CTA's operating funding marks were set at $515.5 million for 2011, $530.8 million for 2012, and $526.4 million for 2013. The CTA's recovery ratio mark was set at 54.0 percent in 2010. The CTA's statement of revenue and expenditures, which includes the recovery ratio, is presented in Exhibit 4-6. The following portrays the outlook for the 2011-2013 planning period.

System-Generated Revenue

Total system-generated revenue is expected to increase from $601.6 million in 2009 to $707.9 million in 2013, an increase of $106.3 million over the four-year period, or a compound annual growth rate of 4.2 percent (Exhibit 4-7). System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue. In 2011, passenger revenue comprises 87.0 percent of the CTA's total operating revenue. The reduced fare subsidy and other revenue account for the remaining 13.0 percent (Exhibit 4-8). In 2012 the CTA anticipates a $102.0 million increase in total revenues over the 2011 budget, and in 2013 revenues are expected to increase an additional $3.8 million over 2012, a 0.5% increase.

Passenger Revenue

Passenger revenue is estimated to increase from $505.7 million in 2009 to $518.7 million in 2010, an increase of $12.9 million or 2.6 percent as ridership increased due to a modest economic recovery (Exhibit 4-9).

Exhibit 4-7: **CTA System-Generated Revenue** (dollars in millions)

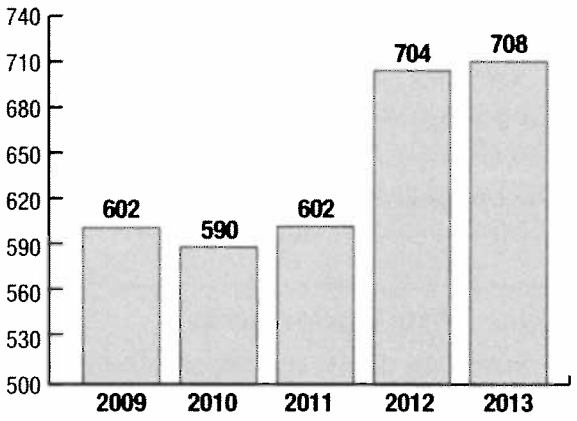
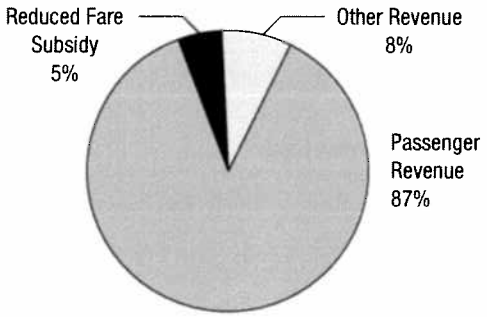


Exhibit 4-8: **CTA Revenues** - $1,338 million



Passenger revenue is budgeted at $523.6 million in 2011, $5.0 million higher than the 2010 estimate, reflecting continued modest economic recoveries. 2012 passenger revenues are anticipated to increase $98.4 million in 2012 or 18.8 percent, and remain at that level in 2013. The revenue increase is expected to come from a combination of increases in fares and ridership. The CTA fare structure is shown in Exhibit 4-10.

State Free Rides & Reduced Fare Reimbursements

The Illinois General Assembly passed legislation in 1989 that provided funds to

Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2007	2008	2009	2010	2011
Passenger Revenue	$457,299	$471,099	$505,713	$518,660	$523,660
System Ridership	499,544	526,336	521,241	512,180	521,745
Average Fare	$0.92	$0.90	$0.97	$1.01	$1.00

reimburse the CTA for the cost of providing reduced fares for the elderly, students, and the disabled. Fare reimbursement is included as revenue and became available in July 1989. However, in 2009 the State eliminated a portion of the funding for this program thereby providing only $28.2 million. For 2010-2013, CTA assumes that the program will continue to be funded at $28.0 million.

Other Revenue

This category includes advertising, charters, concessions, contributions from local governments, investment income, and other revenue (Exhibit 4-11). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3.0 million, and the County contributes an additional $2.0 million. Other revenue was $67.7 million in 2009 and is expected to fall to $57.8 million by 2013. The economic recession has impacted the CTA's efforts to increase Advertising, Charters and Concessions revenues, as corporations have been forced to reduce their spending in these activities. Accordingly the 2011-2013 plan shows increases

Exhibit 4-10: **CTA Fare Structure**

	Full	Reduced(1)	Comments
Basic Cash Fare (Bus)	**$2.25**	**$1.00**	**No transfers allowed**
Transit Card (Rail)	$2.25	$0.85	
Chicago Card (Rail)	$2.25	None	
Chicago Card (Bus)	$2.00	None	
Transit Card (Bus)	$2.00	$0.85	
University Pass	$0.84	None	20% increase; price change effective 2009 Fall term
First Transfer w/Fare Card	$0.25	$0.15	Allow two add'l rides within two hours of issue. Transfers are not valid for travel in reverse direction on the route of issue
Passes			
1-day	$5.75	None	
7-day (CTA only)	$23.00	None	
7-day (CTA/Pace)	$28.00	None	7-Day CTA/Pace Pass valid on CTA and Pace non-premium/ subscription routes.
30-day	$86.00	$35.00	
Visitor Passes			
1-day	$5.75	None	
3-day	$14.00	None	
Link-up Pass	$39.00	None	Sold by Metra; use with Metra monthly ticket.
Express Surcharge	$0.25	$0.25	Downtown on bus routes 2, 6, 14, and 147.
Rush Shuttle Fares	$1.00	None	To/from downtown Metra stations during rush hour.
128 Soldier Field Express	$1.00	$0.50	
154 Wrigley Field Express	$6.00		Per carload.

Note: (1) Reduced fares are for children 7 through 11 years old. Grade and high school students with CTA riding permit.

Exhibit 4-11: **All Other Revenue** (dollars in thousands)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
All Other Revenues:					
Advertising, Charter, & Concessions	$30,215	$18,900	$18,924	$21,552	$24,984
Investment Income	1,259	850	850	867	884
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	31,206	18,400	25,663	26,567	26,921
Total All Other Revenues	**$67,680**	**$43,150**	**$50,437**	**$53,986**	**$57,789**

of 7.0 percent in both 2012 and 2013 over the preceding years as the economy begins to recover.

Operating Expenditures

Total operating expenditures are forecasted to increase from $1,261.6 million in 2009 to $1,394.1 million in 2013. This $132.5 million increase represents a 2.5 percent compound growth rate (Exhibit 4-12).

For 2011, operating expenditures are estimated at $1,337.8 million, or $76.2 million greater over 2009 actual expenditures of $1,261.6 million, a 6.0 percent increase. The increase is due mainly to higher labor pension, fuel, security and all other costs.

Budgeted 2011 expenditures of $1,337.8 million are expected to increase $77.7 million or 6.2 percent over 2010 expenditure. Financial projections for the years 2012 and 2013 show increased operating expenditures at $1,368.7 million and $1,394.1 million, respectively. The 2012 financial projection represents an increase of 2.3 percent over the 2011 budget, and the 2012 financial projection represents an increase of 1.9 percent over the 2012 financial plan.

Expenditure Elements

2011 operating expenditure elements include labor, material, fuel, power, insurance & claims, security, and other costs. Labor expenditures, including fringe benefits, represent 69.6 percent of the CTA's total expenditures. 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 5.4 percent of total expenditures. Fuel and power represent 6.3 percent of the CTA's expenditures. Security and insurance & claims represent 3.6 percent of total spending. Other expenditures comprise the remaining 15.0 percent. The other expenditure category includes items such as leases, utilities, and contractual services (Exhibit 4-13).

Exhibit 4-12: **CTA Total Operating Expenses** (dollars in millions)

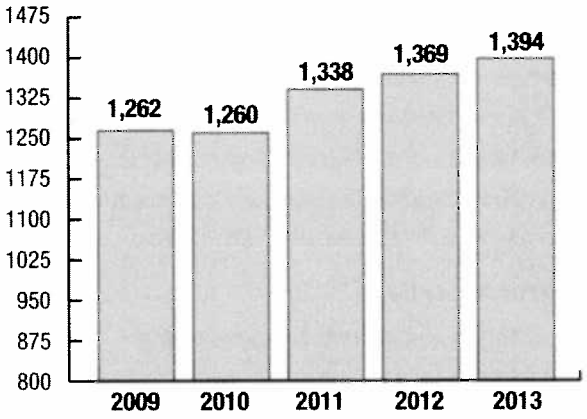
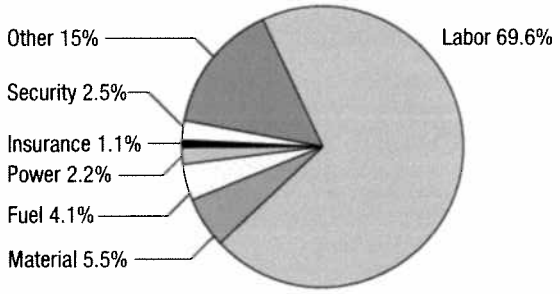


Exhibit 4-13: **2010 CTA Operating Expenditures - $1,271 million**



Labor Costs

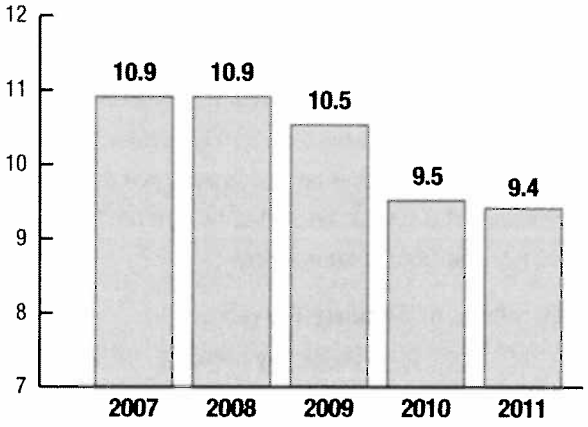
Labor expenditures are expected to increase from $856.5 million in 2009 to $951.3 million in 2013. This $94.8 million increase represents a compound annual growth rate of 2.7 percent (Exhibit 4-14). Labor expenditures for 2010 are estimated at $835.0 million or $21.5 million less than prior year. The lower labor expense is a result of administrative layoffs effective January 1,

Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2008	2009	2010	2011	2012	2013
Labor Expense	$873,636	$856,468	$834,974	$931,178	$937,242	$951,320
% Change from Prior Year	11.3%	(2.0%)	(2.5%)	11.5%	0.7%	1.5%

2009. The number of budgeted positions in 2011 is lower than in 2009 (Exhibit 4-15). Budgeted labor expenditures of $931.2 million in 2011, are projected to increase by 0.7 percent to $937.2 million in 2012 and increase another 1.5 percent to $951.3 million in 2013.

Exhibit 4-15: **CTA Budgeted Positions** (in thousands)



Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are estimated at $82.3 million in 2010, $72.8 million in 2011, $74.2 million in 2012, and $75.7 million in 2013. The decline in material expenses from 2010 to 2011 reflect the CTA's on-going supply chain improvements and close scrutiny of all material purchases. Additionally, the material expenditures have decreased as increases in Capital funds from preventative maintenance offset regular material costs. Modest increases in 2012 and 2013 represent the CTA's continued efforts to reign in material costs through supply chain improvements and close scrutiny of material purchases.

Fuel

In 2008, CTA fuel expenditures were $91.8 million for 24.1 million gallons a price per gallon of $3.81 (Exhibit 4-16). 2009 actual results show Fuel expenses of $100.5 million for 22.1 million gallons at a cost of $4.55 per gallon. In 2010, the cost per gallon is estimated at $3.16, a $1.39 decline. Additionally, consumption is anticipated to decline by 3.7 million gallons. The decrease in consumption is primarily due to service adjustments, while Strategic Fuel hedging contributed considerably to the reduction in the cost per gallon. Combined, these efforts have reduced the estimated cost for fuel in 2010 by $42.4 million. In 2011 the cost per fuel is estimated at $3.07 per gallon. Through the Strategic fuel hedging program the CTA has already secured 18 percent of its 2011 projected fuel consumption at a price of $2.82 per gallon, with a more fuel efficient bus fleet, and a reduction in service the CTA has budgeted for a $3.6 million dollar reduction in fuel costs in 2011.

Power

Electric power expenditures for the rail system are projected to decrease from $37.6 million in 2009 to $36.2 million in 2010 due to an actively managed block purchase approach that has reduced power costs through hedging. Expenditures for power are budgeted to decrease an additional $6.2 million in 2011, and then are estimated to increase by $0.6 million each year thereafter in 2012 and 2013.

Insurance and Claims

The insurance and claims expense category represents the expenditures for claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles.

Exhibit 4-16: **CTA Fuel Cost per Gallon** (cost and gallons in thousands)

	2008	2009	2010	2011
Fuel Cost	$91,834	$100,500	$58,100	$54,500
Gallons	24,100	22,100	18,400	17,750
Cost Per Gallon	$3.81	$4.55	$3.16	$3.07

The CTA 2010 estimate of $43.0 million is $27.6 million higher than the actual 2009 amount, reflecting additional deposits made possible by savings generated in other areas. The amount of injury and damages provision is determined by actuaries and based on actual claims history. Expenses for Insurance and claims are $15.0 million, 30.6 million and 31.2 million for 2011, 2012, and 2013 respectively.

Purchase of Security Services

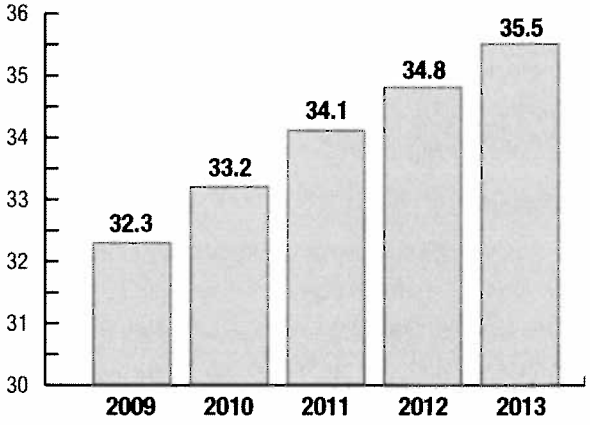
Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by the City of Chicago, Evanston and the Oak Park Police departments, and contracts with private security firms for guard and canine security.

Expenditures are estimated to be $33.2 million in 2010, which is a 2.8 percent increase from 2009 (Exhibit 4-17). The 2011 budget is $34.1 million. In 2012 and 2013, security expenditures are expected to increase each year by $0.7 million. These increases represent investments made in new surveillance cameras and sensors for the rail system.

All Other Expenditures

All other expenditures include utilities, rents, maintenance & repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2010, $172.4 million is estimated, which is $41.0 million more or

Exhibit 4-17: **CTA Purchase of Security Service** (dollars in millions)



31.2 percent higher than the prior year. The 2011 all other expenditures budget is projected to be $200.1 million, which is higher than the 2010 budget by $27.8 million. Expenditures are forecasted to continue to increase to $205.1 million in 2012 and to $211.3 million in 2013. All other expenditures include interest on Pension Obligation Bond (POB) required by the 2008 legislation which enabled the CTA to regain long-term solvency in its pension funds.

Deficit

System-generated revenue (fares and other revenue) cover much of the CTA's operating expense budget, with the remainder of the operating deficit covered by public funding. The operating deficits are derived from total system generated revenue minus total operating expenditures. The deficits for the 2011 budget and 2012-2013 financial plans are $735.7 million, $664.6 million and $686.2 million, respectively (Exhibit 4-6).

Funding

Public funding, available for CTA operations, is determined by and based on the RTA's revenue projection for the year. Public funding from the RTA consists of the RTA Sales Tax (RTA Sales Tax-I and II), the Public Transportation Fund (PTF-II),

the RTA Real Estate Transfer Tax (RETT), and RTA discretionary funding. Illinois Public Act 95-0708, increased the rates of the RTA sales tax rate, the PTF match, and the City of Chicago RETT, creating RTA Sales Tax II, PTF-II and RETT.

CTA funding from RTA Sales Tax-I is expected to increase from $271.9 million in 2011 to $288.6 million in 2013. RTA Sales Tax-II and PTF-II are expected to increase from $109.4 million in 2011 to $116.1 million in 2013. The RETT and the 25 percent PTF-II match on RETT combined are expected to decrease from $30.0 million in 2011 to 33.5 million in 2013. RTA discretionary funds for the CTA are expected to increase from $128.3 million in 2011 to $114.9 in 2013. Apportionments from the RTA's 15 percent share of the sales tax (Sales Tax-I) revenue and the State's public transportation fund (PTF-I) are the sources of the RTA's discretionary funds. The CTA will use $196.2 million of Federal Funds for Preventative Maintenance in 2011 with plans to use $57.8 million and $70.0 million in 2012 and 2013, respectively. CTA anticipates the need for To Be Determined Revenues of $50.0 million and $63.0 million in 2012 and 2013, respectively. Through To Be Determined Revenues and the transfer of Federal Funds to Preventative Maintenance, CTA funding will meet the budgeted operating deficit for the 2011 to 2013 financial planning years. A more detailed description of how public funds are allocated among the service boards can be found in the Region Section of this book.

Recovery Ratio

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2011, the CTA's recovery ratio is expected to meet the mark of 54% set by the RTA Board. The Region Section provides the detailed recovery ratio calculation.

The following factors affect the CTA recovery ratio calculation. First, in-kind security services provided by the Chicago Police Department in the amount of $22 million are included as both revenue and expenditure in the recovery ratio calculation. Second, additional security expenditures are excluded from the recovery ratio calculation. The CTA's recovery ratio was 53.1 percent in 2009 and is estimated to be 55.2 percent in 2010. In 2011, the CTA has budgeted for a 53.8% Recovery Ratio and has planned for a 61.2% and 61.1% Recovery Ratio in 2012 and 2013 respectively (Exhibit 4-6).

Exhibit 4-18: **CTA 2010 Amended Budget versus 2010 Estimate** (dollars in thousands)

	2010 Amended Budget	2010 Estimate	Variance
System-Generated Revenues			
Passenger Revenues	$521,417	$518,660	($2,757)
Reduced Fare Subsidy	32,200	28,000	(4,200)
Other Revenue	47,089	43,150	(3,939)
Total Revenues	**$600,706**	**$589,810**	**($10,896)**
Operating Expenditures			
Labor	$852,081	$834,974	$17,107
Material	77,724	82,276	(4,552)
Fuel	63,879	58,121	5,758
Power	38,176	36,226	1,950
Insurance & Claims	28,000	43,000	(15,000)
Purchase of Security Services	33,181	33,185	(4)
All Other	178,004	172,367	5,637
Total Operating Expenditures	**$1,271,045**	**$1,260,149**	**$10,896**
Operating Deficit	**$670,339**	**$670,339**	**$0**
Recovery Ratio %	51.0%	55.2%	4.2pts

2010 Budget versus 2010 Estimate

The CTA expects a balanced budget in 2010 (Exhibit 4-18).

Revenue

Calendar year 2010 operating revenues are estimated at $589.8 million and are projected to be $10.9 million or 1.8% below budget. Revenue from fares is estimated at $518.6 million which is lower than budget by $2.8 million, or 0.5 percent.

The reduced fare subsidy is the State's reimbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. Revenue from the reduced fare subsidy is estimated at $28.0 million which is lower than budget by $4.2 million or 13.0 percent.

All other revenue is estimated at $43.2 million which is lower than budget by $3.9 million or 8.4 percent. Contributions from local governments of $5 million are on par with budget. The RTA Act requires the City of Chicago to contribute $3 million and Cook County to contribute $2 million annually to the operations of CTA. Revenue from Advertising, Charter, & Concessions is estimated at $18.9 million which is lower than budget by $4.0 million or 17.5 percent. Investment income is estimated at $850 thousand.

Other revenues including parking fees, sale of real estate, rentals and sale of CTA merchandise are projected to be $18.4 million which is favorable to budget by $1.0 million or 5.4 percent.

Expenditures

Calendar year 2010 operating expenditures are estimated at $1,260.1 million and are projected to be favorable to budget by $10.9 million. Expenditures for materials, insurance and claims and security services, are over budget for the year while labor, fuel, power, and other services are estimated to finish under budget due to cost containment strategies implemented to ensure that the CTA balances its budget in 2010.

Labor expenditures are projected at $835.0 million, which is $17.1 million or 2.0 percent under budget. The CTA achieved savings in this category by limiting hiring in 2010, and managing overtime.

Material expenditures in 2010 are estimated at $82.3 million, which is higher than budget by $4.6 million but $5.6 million lower than 2009 actual expenses. In 2011 material expenses will be reduced as the CTA has invested in its bus fleet and lowered its average age. The CTA's Material expenses were high this year due to charges for inventory obsolescence.

Fuel expenditures for revenue equipment are expected to be $58.1 million at the end of 2010. This is $5.8 million or 9.0 percent lower than budget. The CTA reduced fuel consumption in 2010 by reducing service. Further reductions in consumption have resulted in the closing of the Archer Garage and the use of a more fuel efficient fleet. In addition to decreasing consumption the CTA has also actively decreased the price it pays for fuel through its Fuel hedging program. Fuel Prices are projected to end the year at a net average price of $3.16 which is $1.39 per gallon less than the average price in 2009.

Electric power expenditures for the rail system are estimated to be $36.2 million, below budget by $2.0 million or 5.1 percent. At the start of 2010 the CTA's new Electric power contract began. This new Contract allowed the CTA to purchase wholesale power for its base load electricity supply in advance. This approach has yielded a blended

rate of approximately $0.087 per kilowatt hour in 2010 slightly less than what the CTA was charged on average in 2009.

Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are estimated at $43.0 million for 2010, $15.0 million or 53.6 percent greater than budgeted. Additional deposits were made possible by savings generated in other areas.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and contracts with private security firms. Full year expenditures are estimated at $33.2 million. This is nearly even to budget. In addition to the services contracted by CTA, the Mass Transit Unit of Chicago Police Department (CPD) continues to provide services to CTA at an estimated cost of $22 million.

Statutory Compliance

The RTA Act requires that each Service Board meet special criterion, detailed in the Region Section, for their budgets to be approved. The CTA budget, as submitted, substantially meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-19 and consists of the following departments and business units.

CTA Board

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

The Citizens Advisory Board, the CTA Board Members, the Chief of Staff to the Chairman, the Secretary of the CTA Board, the President of the CTA and the Office of Inspector General report directly to the Chairman of the Board. Functionally, the General Counsel of the CTA and the Chief Financial Office both report to the Chairmen of the Board.

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 office is also responsible for financial and general investigations.

The Office of the Inspector General reports directly to the Chairmen of the Board, and the Office of the President falls under its scope of potential investigative responsibilities.

Office of the President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board. The Chief of Staff of the President, and Chief Safety and Security Office Report directly to the President, and the President reports directly to the Chairmen of the Board.

General Counsel

General Counsel handles appellate matters, legislative affairs, corporate law, claims and tort litigation, and workers compensation matters. General Counsel functionally reports to the Chairmen of the Board and administratively reports to the Office of the President.

Chief Financial Office

Finance is responsible for Budgeting and Capital Planning, general accounting, investment support, cash management, program development, and the management and control of property, grants, investments and funding.

The Chief Financial Office functionally reports to the Chairmen of the Board, and administratively reports to the Office of the President.

Chief Technology Office

The Chief Technology Office consists of the business units of Technology and Project Management Office (PMO) & Revenue Technology, which maintain and upgrade all CTA technology infrastructure including computer hardware, application software, and communications equipment. This office is also responsible for the maintenance of fare equipment for both Bus and Rail, and for all communication system infrastructures.

The Chief Technology Office reports directly to the Office of the President.

Chief Infrastructure Office

The Chief infrastructure office includes the operating units of Chief Engineer, Power & Way and Facilities. Engineering is responsible for creation and maintenance of construction documents for CTA facilities, and reviewing and answering design requests. Power and Way inspects and maintains the rail track, including rail track circuits, switches, and vital signal relays. Power and Way is also responsible for power substations in the CTA system. The Facilities unit performs maintenance and construction of, rail stations, terminals, rail yards and other CTA facilities.

The Chief Infrastructure Office reports directly to the Office of the President.

Chief Administrative Office

The Chief Administrative Office includes, Human Resources, Employee Relations, Purchasing, Supply Chain & Business Development, Communications, and Planning. The Human Resources department is responsible for recruiting, hiring, benefit services, medical services, and program compliance. The Purchasing/Warehousing department performs inventory management. Communications is responsible for marketing, media relations, identity development, and publications. Additionally, Communications is responsible for providing customer service such as travel information, Chicago Card account maintenance, maps, brochures, fare updates, refunds, and support for onsite public forums. The planning department is responsible for developing routes and schedules that best synchronize CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

The Chief Administrative Office reports directly to the Office of the President.

Chief Operating Office

The Chief Operating Office consists of the Control Center. Bus and Rail Operations, and Bus and Rail Maintenance. The Control Center monitors passenger and facility security and maintains accident statistics and monitors environmental affairs. The Control Center operates 24 hours per day, 7 days a week. Bus and Rail Operations manage a fleet of 2,053 buses and 1,190 rail cars, respectively that cover an average of 185,000 bus miles and 188,000 rail miles every day. They employ approximately 3,700 full-time equivalent bus operators and 1,100 rail operators that provide service to the customers. Bus maintenance includes both the maintenance and regular cleaning of bus interiors and exteriors. Rail Maintenance is responsible for the maintaining the safe mechanical functioning of the CTA's trains as well as regular cleaning, heavy maintenance repairs and rebuilds of train systems

The Chief Operating Office reports directly to the Office of the President

Exhibit 4-19: **CTA Organization Chart**

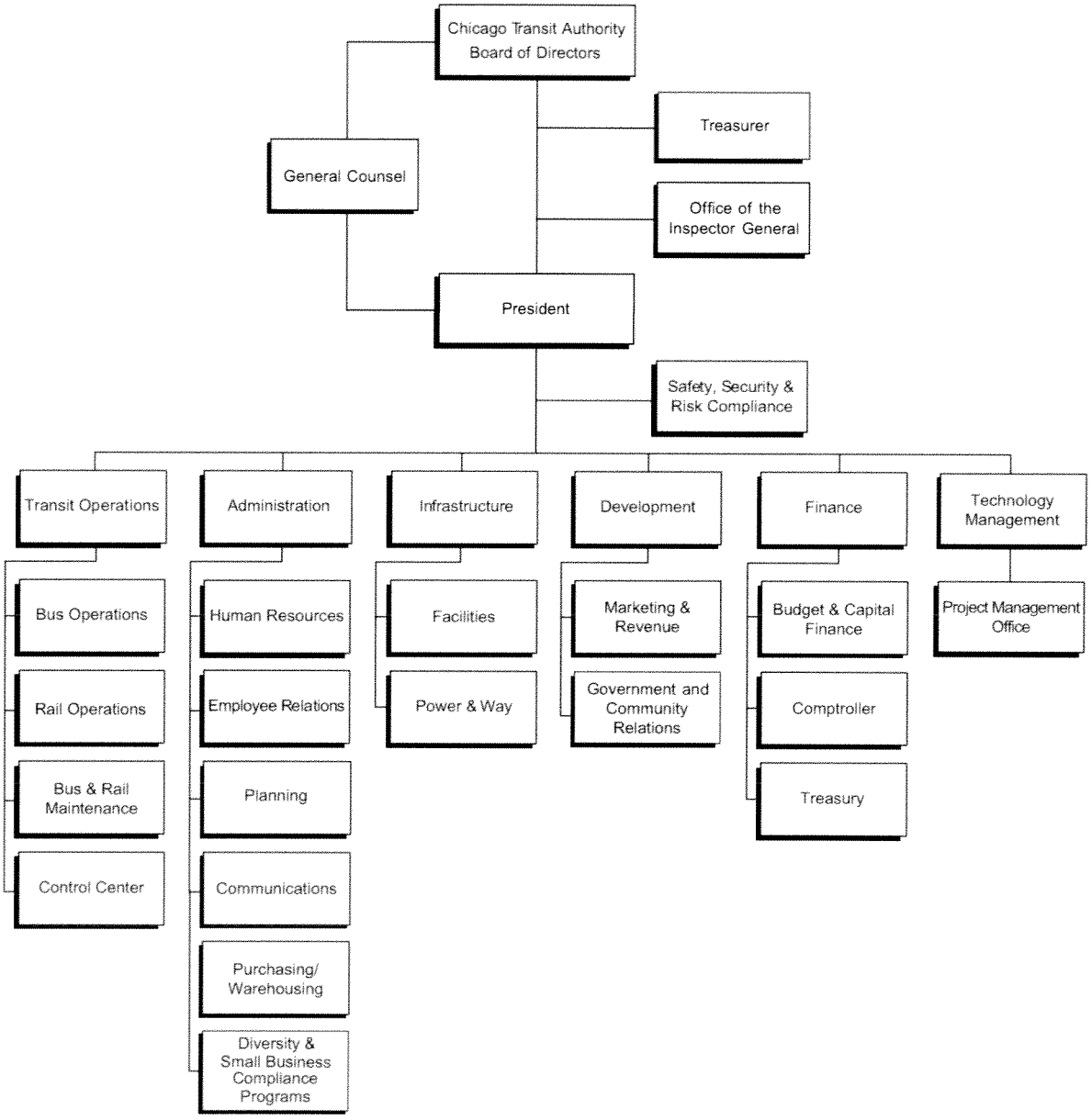


Exhibit 4-20

	CTA Monthly Performance	2010 Monthly Target	2009 Monthly Average	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sept 2010	Oct 2010	Nov 2010	Definition
	Total Ridership (in millions)	40.7	43.4	40.5	39.6	44.5	43.7	43.2	43.8	43.6	44.3	45.8	46.6	42.7	Number of rides registered on the bus and rail systems. Rail ridership includes rail-to-rail transfers.
	Rail Ridership (in millions)	16.4	16.9	15.4	15.5	17.6	17.7	17.5	18.4	18.5	18.6	19.0	19.4	17.5	Number of rides registered on the rail system including rail-to-rail transfers.
	Bus Ridership (in millions)	24.3	26.6	25.1	24.1	26.9	25.9	25.7	25.4	25.1	25.7	26.8	27.2	25.2	Number of rides registered on the bus system.
	Total (Year to Date, in millions)	476.0	43.4	40.5	80.0	124.5	168.2	211.4	255.2	298.9	343.2	389.1	435.6	478.3	Number of rides registered on the bus and rail systems year-to-date. Includes rail-to-rail transfers.
	% Change Over Prior Year (Year to Date)	4.6%	1.4%	2.8%	0.8%	-0.2%	0.8%	-0.5%	-0.5%	-0.9%	-0.6%	-0.6%	-0.7%	-0.6%	Number of rides registered on the bus and rail systems year-to-date (including rail-to-rail transfers) divided by the number of rides registered on the bus and rail systems previous year, year-to-date.
ON-TIME	Rail Delays of 10 Minutes or More	78	67	82	57	50	58	76	80	71	77	79	64	52	Rail Delays of 10 minutes or more reported to the Control Center by an Operator, a Controller or a Supervisor.
ON-TIME	% of Slow Zone Mileage	N/A	8.4%	5.9%	5.7%	5.8%	11.4%	10.3%	8.5%	9.4%	10.3%	12.8%	13.2%	12.2%	Miles of revenue track that have slow zones. Slow zones range from 6 mph to 35 mph.
ON-TIME	% of Big Gap Intervals, Bus	5%	3.6%	2.6%	3.6%	3.0%	3.3%	3.6%	4.2%	3.9%	4.0%	5.0%	3.8%	3.4%	Number of bus intervals (time between two buses at a bus stop) that are double the scheduled interval or greater than 15 minutes, divided by the total number of weekday bus intervals traveled during the month.
ON-TIME	% of Bunched Intervals, Bus	3%	2.3%	1.6%	2.3%	1.9%	2.3%	2.5%	2.8%	2.4%	2.4%	2.9%	2.7%	2.4%	Number of bus intervals (time between two buses at a bus stop) that are 60 seconds or less divided by the total number of weekday bus intervals traveled during the month.
ON-TIME	Mean Miles Between Reported Rail Vehicle Defects	4350	4200	3802	3862	4348	4077	3964	3918		3866		4389	4237	Miles traveled during the month divided by the number of reported defects for the month.
ON-TIME	Miles Between Reported Bus Service Disruptions Due to Equipment	3830	4313	3985	5743	5634	5475	4991	4704	4651	5004	5438	5343	5834	Miles traveled during the month divided by number of reported service disruptions due to equipment for the month.
ON-TIME	Average Daily Percent of Bus Fleet Unavailable for Service	13%	11%	13%	12%	10%	12%	11%	12%	14%		12%	12%	12%	Daily average number of buses unavailable for service for any reason divided by the total number of buses in the fleet.
ON-TIME	Average Daily Percent of Rail Fleet Unavailable for Service	10%	9%	8%	7%	7%	9%	10%	10%	11%	11%	11%	10%	11%	Daily average number of rail cars unavailable for service for any reason divided by the total number of rail cars in the fleet.
SAFE	Bus NTD Security-Related Incidents per 100,000 miles	N/A	0.72	0.76	1.07	0.97	0.92	0.87	0.83	0.80	0.82	0.70	0.90	0.89	Number of occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism, and assault on the bus system divided by traveled miles divided by 100,000.
SAFE	Rail NTD Security-Related Incidents per 100,000 miles	N/A	2.2	2.4	1.8	2.0	2.2	1.9	3.4	2.4	2.3	2.9	3.5	2.4	Number of occurrences of bomb threats, robbery, larceny, burglary or arrests/citations for fare evasion, trespassing, vandalism, and assault on the rail system divided by traveled miles divided by 100,000.
SAFE	Bus NTD Safety-Related Incidents per 100,000 Miles	N/A	0.43	0.27	0.34	0.45	0.40	0.28	0.51	0.37	0.40	0.49	0.47	0.39	Any event where one or more of the following occurs on the system: individual dies at the time or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of $25,000.
SAFE	Rail NTD Safety-Related Incidents per 100,000 Miles	N/A	0.04	0.03	0.08	0.02	0.04	0.04	0.04	0.07	0.09	0.02	0.09	0.10	Any event where one or more of the following occurs on the system: individual dies either at the time or within 30 days of the event; one or more persons suffer bodily damage as a result of the event requiring immediate medical attention away from the scene; property damage in excess of $25,000.
CLEAN	Average Interior Rail Clean Inspection Score	90%	94%	93.8%	92.8%	92.5%	93.5%	94.1%	94.3%	93.7%	94.5%	95.8%	95.0%	96.9%	Monthly average Quality Inspection audit scores for the execution of Interior Cleans.
CLEAN	Average Interior Bus Clean Inspection Score	85%	88%	87.0%	84.1%	N/A	N/A		83.9%	88.3%	85.2%	86.8%	86.8%	79.3%	Monthly average Quality Inspection audit scores for the execution of Interior Cleans.
COURTEOUS	% of Customer Complaints Not Closed Out Within 14 Days	3%	2%	1%	1%	1%	1%	2%	3%	2%	2%	2%		1%	Number of open and overdue complaints (complaints not closed out by a department within 14 days) as of the last day of the month divided by the total number of complaints received during that month.
COURTEOUS	CTA Customer Service Hotline Average Wait-time (*)	0:02:00	0:01:52	0:01:54	0:01:18	0:00:52	0:01:27	0:01:43	0:01:44	0:01:30	0:02:16	0:02:28	0:01:42	0:01:56	Average number of minutes a customer waits on the CTA hotline before his/her call is answered.
COURTEOUS	Reported Ramp Defects (Service Disruptions)	N/A	121	162	84	95	79	56	87	84	57	53	58	44	Number of reported lift and ramp defects that resulted in a disruption of service.
COURTEOUS	% Buses with Defective AVAS	2%	1.7%	0.6%	0.4%	0.5%	0.6%	0.8%	0.6%	0.6%	0.7%	0.6%	0.5%	0.6%	The percent of buses that are experiencing navigation issues (not calling out stops for at least part of the day), broken operator log on screens, odometers reporting zero distance and Bus Link issues, meaning no data will be received from the bus. This does not measure defective destination signs.
COURTEOUS	Reported ADA Complaints	N/A	37	37	43	76	55	35	95	68	58	65	79	54	Number of reported complaints to Customer Service identified as ADA-related.

Legend
- Meeting or exceeding target:
- Within 10% of target:
- Missing target by more than 10%:
- Measure does not have a target:

Footnotes
(*) Shading for Customer Service Average Wait time is green if meeting or exceeding target, yellow if within 60 seconds of target and red if exceeding target by 60 seconds.

5 Metra Operating Plan

Overview

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra is responsible for the day-to-day operations of the region's commuter rail system including fare collection, 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 an eleven-member board of directors. Four of the directors are appointed by the suburban members of the Cook County Board. The chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry, and Will counties each appoint one director, and the Mayor of the City of Chicago also appoints one director. The Chairman of Metra's board of directors must be one of the eleven-directors, and is appointed by the concurrence of eight directors.

In 2011, Metra will continue its efforts to contain costs by leaving positions unfilled, holding the line on cost wherever possible, reducing overtime expenses and trimming material costs. Additionally, as part of an effort to combat reduced revenues and higher expenses related to the continuing economic crisis Metra will be forced to transfer a total of $60.0 million in Federal Capital funds to the 2011 Operating Budget under Preventative Maintenance.

Service Characteristics

The Metra rail system is comprised of eleven separate lines, which run north, west, and south of the Chicago central business district. The system extends 488 route-miles to the limits of the six-county area and serves 239 local rail stations in more than 100 communities. The network itself is made up of 1,149 pieces of rolling stock, 821 bridges, more than 2,000 signals, 18 rail storage yards, and seven major maintenance facilities.

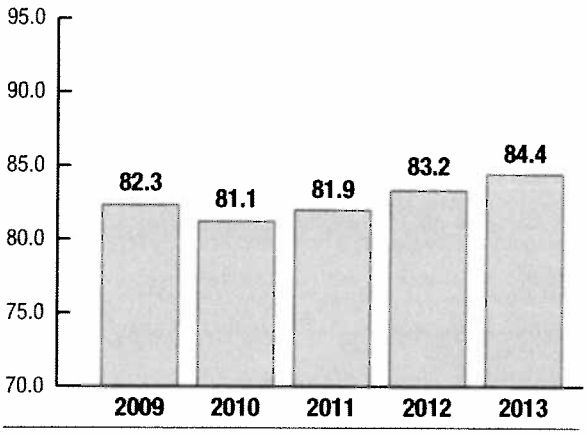
Metra's operational interface with extensive freight networks makes it one of the nation's most complex. A system of such magnitude requires continual maintenance and renewal in order to preserve operational performance, safety, and service efficiency.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, two of the largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana.

Metra provides safe, reliable commuter rail service with an average weekday ridership of 307,300. Peak period ridership represents 74.8 percent of the total average weekday trips. Average scheduling speeds are 5.4 percent higher during weekday peak periods than during off-peak hours and weekend/holiday periods.

Metra's hub is located in the downtown Chicago business district. Four downtown terminals serve Metra's eleven lines. Approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra.

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



(1) Based on ticket sales. Includes free senior rides. Excludes South Shore (NICTD) service.

Exhibit 5-2: **Riders and Miles** (in millions) (1)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
Ridership (2)	82.3	81.1	81.9	83.2	84.4
Revenue Car Miles	33.7	33.2	33.1	33.2	33.1
Passenger Miles (3)	1,797.0	1,759.8	1,777.4	1,804.0	1,831.1

(1) Ridership, Revenue Car Miles, and Passenger Miles exclude South Shore (NICTD) service.
(2) Based on ticket sales. Includes free Senior rides.
(3) Based on ticket sales. Excludes Senior free rides.

Ridership

Metra's primary customer base is suburban residents who work in downtown Chicago. According to Metra's 2006 Origin-Destination Survey, 77 percent of weekday morning riders board in the suburbs and alight in downtown Chicago, and more than 90 percent of all Metra trips are for business and work purposes.

In 2009, Metra's total ridership, excluding South Shore service, totaled 82.3 million passenger trips (Exhibit 5-1), representing a 5.1 percent decrease from 2008. Metra's total ridership is projected to decline in 2010 to 81.1 million passenger trips. An increase of 3.3 million passenger trips is expected over the following three years, with an estimated total ridership of 84.4 million passenger trips in 2013. This represents a compound annual growth rate of 1.3 percent from 2010 to 2013. (Exhibit 5-2)

Over the years Metra has made concerted efforts to market off-peak and reverse commute trips. Compared to five years earlier, reverse peak travel has increased 54.6 percent, while midday and evening travel has increased 15.6 percent and 21.4 percent, respectively (Exhibit 5-3). These gains are attributable to Metra's efforts to broaden its ridership base, including the weekend ticket, enhanced off-peak service, targeted promotion of service to suburban employers, marketing travel to cultural and entertainment attractions, and Metra's Bikes on Train program. In 2011, Metra will look to improve their riders experience through the implementation of a Quiet Car Program, with a pilot program on the Rock Island Line scheduled to begin on January 10th, 2011.

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

	July 2005-June 2006 (1)	July 2009-June 2010 (1)	Change	% Change
Peak Direction	237.5	230.0	(7.5)	(3.2)
Reverse Peak	14.1	21.8	7.7	54.6
Midday	31.4	36.3	4.9	15.6
Evening	15.9	19.3	3.4	21.4
Total Weekday	298.9	307.4	8.5	2.8
Saturday	60.0	72.4	12.4	20.7
Sunday	35.0	50.2	15.2	43.4

(1) Excludes South Shore (NICTD) service.

Service Quality

Metra has identified improved service quality as one of its objectives to insuring customer satisfaction. Metra periodically conducts on-board surveys to measure various service attributes. Beyond general rider satisfaction, Metra also collects information on the service attributes that are most effective at 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 derived directly from the most important service characteristics identified through these customer surveys. In response to the changing needs of customers, Metra continuously looks for ways to expand and improve its service within financial constraints. In order to ensure customer satisfaction and efficiency Metra has implemented a number of metrics to measure efficiency and customer satisfaction.

For instance, Metra measures service reliability using on-time performance. When measuring on-time performance Metra records a delay if the train arrives at its final destination more than five minutes later than scheduled. Metra's on-time performance in 2009 was 95.7 percent (Exhibit 5-4).

Matching the supply of service to demand is another means of maintaining system efficiency. Metra measures capacity utilization train-by-train, which allows it to track daily passenger loads by service period and line in order to analyze trends. Metra monitors and reports trains with occupancy rates exceeding 95.0 percent, and uses this information to make service change decisions.

One measurement of system-wide effectiveness relates the number of passengers to the number of car miles of service, thereby calculating passengers per revenue car mile. Metra's ratio of passengers per revenue car mile is projected to increase from 2.44 in 2009 to 2.55 in 2013 (Exhibit 5-5). This 0.11 increase represents a compound annual growth rate of 1.1 percent. In the case of a new service, the number of car miles initially increases faster than the number of passengers, thereby decreasing the passenger per mile ratio. An increase in passengers per revenue car mile indicates increasingly efficient transportation practices.

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

Year	% On-Time
2005	96.3
2006	96.3
2007	95.7
2008	95.4
2009	95.7

Exhibit 5-5: **Passengers Per Revenue Car Mile** (in millions)

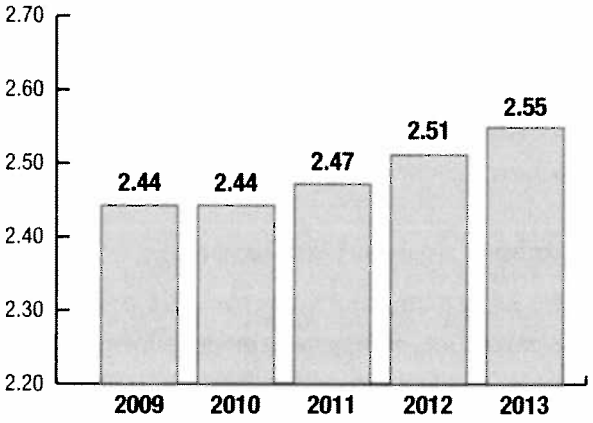
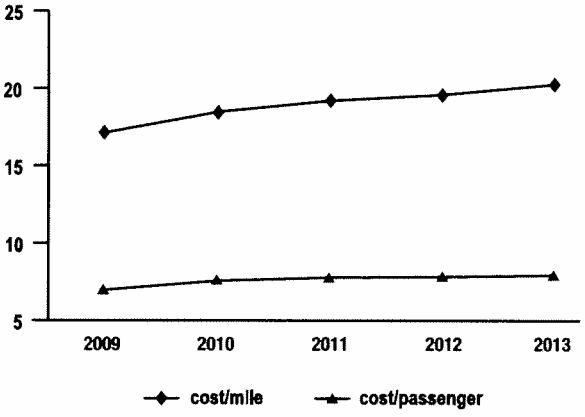


Exhibit 5-6: **Metra Cost Efficiency**



Another measurement used to evaluate whether costs are being contained and efficiency maintained is cost per revenue car mile. This measure recognizes that costs tend to vary with the amount of service provided. Metra expects that its cost per revenue car mile will increase from $17.11 in 2009 to $20.24 in 2013. This $3.29 increase represents a compound annual growth rate of 4.3 percent (Exhibit 5-6).

The cost per passenger ratio measures cost effectiveness and is designed to examine how

well vehicles are deployed to serve riders. Metra projects that its cost per passenger will increase slightly each year from 2009 to 2013. The cost per passenger ratio was $7.01 in 2009 and is projected to be $7.94 in 2013. This $0.93 increase represents a compound annual growth rate of 2.1 percent (Exhibit 5-6).

Maintenance and Modernization

Since Metra was formed in 1984, Metra has overseen a comprehensive program to improve and grow the regional commuter rail network in support of the twin objectives of core system maintenance and strategic service expansion. For the past several years Metra's budget has discussed the need for new capital funding sources.

In 2010, Metra worked with available funding to maintain the high quality of service passengers have come to know and expect. Metra has initiated the replacement of 160 Highliner cars used on the Metra Electric District with funding available from the 2010 State of Illinois Bond program. The Metra Highliner purchase will cost $585 million, and the remainder of the state capital program will be used to address a backlog of rolling stock and infrastructure projects across the region.

American Recovery and Rehabilitation Act funds (ARRA) allowed Metra to utilize $71 million toward remanufacturing its locomotives. The cost of remanufacturing a locomotive is $1.4 million compared to the $4 million cost of purchasing a new one. Metra's remanufacturing program

represents a significant costs savings program that extends the life of the equipment for 25 years. Without new sources of funding for capital in 2011 Metra riders will see reduced customer service and a decline in on time performance. Rail cars will be rehabbed less frequently and station renewal projects will be delayed. Metra is working with legislatures at the State and Federal level to insure that funding is available for the modernization and maintenance of its fleet and other assets.

Safety and Security

In an effort to provide a safe and secure environment for both customers and employees, Metra provides employee incentives to those regularly meeting safety and security goals. Key among these goals is workplace safety. A safe workplace means a safe environment for Metra passengers.

Metra's investments in staff training programs and incentive plans have resulted in substantial dividends, including higher commuter satisfaction and industry recognition. In 2010, Metra received a Bronze Harriman Award from the E.H Harriman Memorial Awards Institute for outstanding achievements in maintaining employee safety. This marks the 12th time that Metra has been so recognized for its safety record.

In 2011, Metra will continue its safety outreach programs. This year will mark the fifth year of Metra's Poster Contest, where students from throughout the region compete to create the winning designs to be displayed on Metra's

safety calendar, and distributed to over 2,000 schools. The winning design will also be displayed on Metra's monthly passes. This year's theme is "Safety First: Look, Listen and Live".

Budget And Financial Plan

The Metra budget and financial plan presented in Exhibit 5-7 meets the 2011, 2012, and 2013 funding marks and the 2011 recovery ratio mark of 55 percent set by the RTA Board. Metra was able to meet the funding level requirement set by the RTA through use of Federal Funds in the Capital Program for Preventative Maintenance in Operations. The RTA Board adopted Metra's 2011 budget and 2012-2013 financial plan on December 18, 2010.

System-Generated Revenue

Total system-generated revenue is estimated at $295.6 million in 2010, a decrease of $3.0 million from 2009. Total system-generated revenue is expected to increase to $338.2 million in 2013. The increase of $39.6 million represents a compound annual growth rate of 3.2 percent from 2010 to 2013. (Exhibits 5-7 and 5-8).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. In 2011,

Exhibit 5-7: **Metra 2011 Budget and 2012-2013 Financial Plan** (dollars in thousands)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
System-Generated Revenue					
Passenger Revenue	$236,100	$238,000	$238,900	$257,000	$277,600
Reduced Fare Subsidy	3,400	3,400	3,400	3,400	3,400
Other Revenue	59,100	54,180	55,000	56,100	57,200
Total Revenues	**$298,600**	**$295,580**	**$297,300**	**$316,500**	**$338,200**
Operating Expenditures					
Transportation and Maintenance	$360,200	$364,300	$371,200	$380,300	$393,500
Administration and Regional Services	52,700	51,400	51,500	52,600	53,800
Pension	4,734	5,652	5,802	5,900	6,000
Diesel Fuel	42,200	54,700	58,800	58,200	59,200
Electricity	18,300	17,500	17,600	17,900	18,400
Security	15,300	16,300	16,900	17,300	18,100
Health Insurance	60,000	67,900	75,400	78,700	81,800
All Other Expenditures					
Risk Mgmt. & Claims	8,100	14,800	15,000	15,400	15,700
Downtown Stations	13,500	13,600	14,000	14,400	14,900
Credit Cards	200	2,900	4,500	5,200	5,300
Office of Inspector General	-	600	1,400	1,500	1,500
Apprentice Training Program	1,700	1,800	2,100	2,200	2,300
Total Expenditures	**$576,934**	**$611,452**	**$634,202**	**$649,600**	**$670,500**
Operating Deficit	**$278,334**	**$315,872**	**$336,902**	**$333,100**	**$332,300**
Federal Funds	-	28,000	60,000	25,000	25,000
Remaining Deficit Balance	**278,334**	**287,872**	**276,902**	**308,100**	**307,300**
RTA Sales Tax I	222,437	220,661	229,294	235,943	243,458
RTA Sales Tax II and PTF II	86,897	89,436	88,852	91,454	94,367
Total RTA Funding	**$309,334**	**$310,097**	**$318,146**	**$327,397**	**$337,825**
Funds Available	**$31,000**	**$22,225**	**$41,244**	**$19,297**	**$30,525**
Less Metra Capital Farebox Funds	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Balance of Funds	**21,000**	**12,225**	**31,244**	**9,297**	**20,525**
Recovery Ratio % (1) (2)	**56.4%**	**52.7%**	**55.0%**	**55.0%**	**55.0%**

(1) Recovery ratio revenue includes credits for Senior free rides in 2008 - 2013, half year of reduced fare reimbursement not funded by the State of Illinois in 2009, and $10 million of capital farebox revenue in 2009 - 2013. Recovery ratio expenditures exclude costs related to the acquisition and use of transportation facilities, security and depreciation.

(2) In 2011 Metra's Recovery Ratio is 55 percent, meeting the mark set by the RTA.

passenger revenue of $238.9 million comprises 81.0 percent of the total revenue budget with other revenue and the reduced fare subsidy representing 18.0 percent and 1.0 percent respectively. (Exhibit 5-9)

Passenger Revenue

Passenger revenue is estimated at $238.0 in 2010, an increase of $1.9 million from 2009. Passenger revenue is expected to increase to $277.6 million by 2013. This increase of $41.5 million represents a compound annual growth rate of 4.1 percent from 2010 to 2013.

The increase in projected passenger revenues is largely due to projected ridership growth. On February 1, 2010 Metra implemented a targeted fare increase which raised one way fares 6.0 percent across all fare zones, increased the weekend fare from $5 to $7, and increased the penalty for on board ticket purchases from $2 to $3. The programs intention was to increase advanced ticket purchases of discounted 10 ride tickets and monthly tickets. (Exhibit 5-10). Metra's fare structure is presented at the end of this section (Exhibit 5-14).

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 providing funds to reimburse the CTA, Metra, and Pace for the cost of providing reduced fares for the elderly, students, and persons with disabilities. The fare reimbursement is included in revenue 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. Metra anticipates that the state will continue to provide $3.4 million in reimbursement throughout the financial planning period.

Exhibit 5-8: **Metra System-Generated Revenue** (dollars in millions)

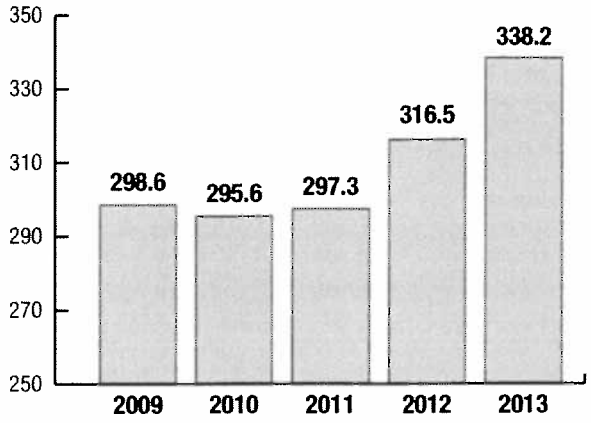


Exhibit 5-9: **2011 Metra Revenues** - $297 million

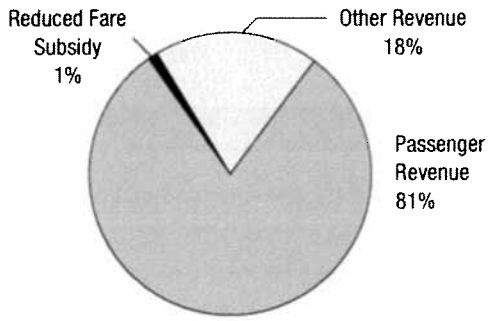


Exhibit 5-10: **Ticket Sales by Ticket Type*** (in thousands)

	July 2008-June 2009	July 2009-June 2010	Change	% Change
Monthly	1,147.9	1,088.3	(59.6)	(5.19)
Ten-Ride	1,785.1	1,740.1	(45.0)	(2.52)
Regular One-Way	5,551.0	5,484.1	(66.9)	(1.21)
Conductor	4,208.1	4,046.6	(161.5)	(3.84)
Weekend	1,926.1	1,688.0	(238.1)	(12.36)
Link-Up	99.6	89.7	(9.9)	(9.94)
PlusBus	16.0	16.1	0.1	0.63

*Excludes South Shore (NICTD) service.

Other Revenue

The other revenue category represents 18.0 percent of Metra's total revenue for 2011. The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non fare-generated income. Other revenue is expected to increase $0.8 million from 2010 to $55.0 million in 2011. In 2013, other revenue is estimated at $57.2 million. The $1.9 million decrease between 2009 and 2013

represents a 0.8 percent compound annual rate of decline. After 2010 Metra anticipates that a moderate economic recovery will increase Other Revenues from $55.0 million in 2011 to $57.2 million in 2013.

Operating Expenditures

Total operating expenditures are estimated to increase $34.5 million from 2009 to $611.5 million in 2010. Total operating expenditures are expected to be $670.5 million in 2013. This $93.6 million increase represents an annual compound growth rate of 3.8 percent from 2009 to 2013 (Exhibit 5-11).

Metra's 2011 total operating expenditures of $634.2 million are projected to grow by $22.7 million or 3.7 percent from the 2010 estimate. In 2012 and 2013, total expenditures will increase by 2.4 percent and 3.2 percent respectively producing total expenses of $670.5 million in 2013 (Exhibit 5-7). These increases are consistent with the terms and conditions of contracts and agreements, as well as projections of market indices as applicable.

Exhibit 5-11: **Metra Operating Expenditures** (dollars in millions)

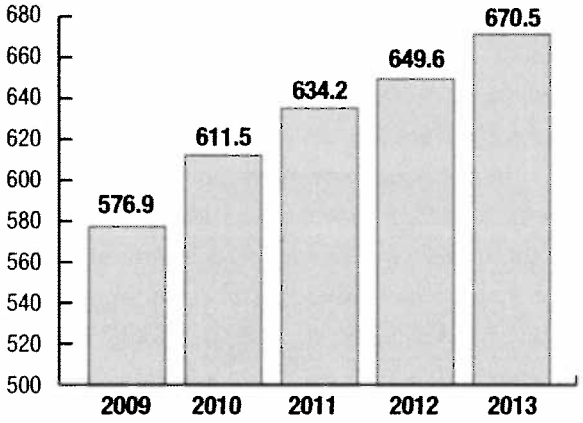
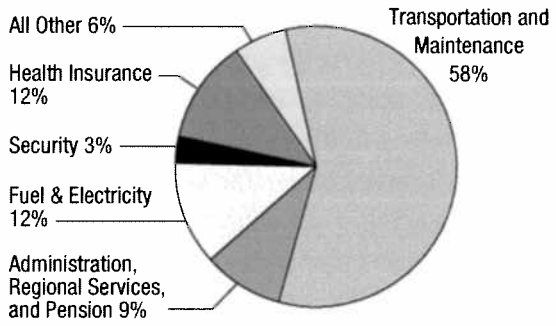


Exhibit 5-12: **Metra Operating Expenditures** - $634.2 million



Expenditure Elements

The components of operating expenditures include transportation and maintenance, administration & regional services, pension, diesel fuel and electricity, security, health insurance and all other, which includes risk management & claims, downtown stations, credit cards, and the apprentice training program. Of total 2011 expenditures, transportation and maintenance represent 58.5 percent; administration, regional services, and pension are 9.0 percent; fuel and electricity 12.0 percent; security 2.7 percent; health insurance 11.9 percent; and all others are 5.8 percent (Exhibit 5-12).

Transportation and Maintenance

Transportation includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations.

Maintenance includes two types of activities: maintenance of way and maintenance of equipment. Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions.

Maintenance of equipment activities include regular repairs, inspection and preventive maintenance of passenger train equipment to ensure that equipment is safe and in good working order to meet train schedules and passenger demand for seating.

Transportation and maintenance expenditures are estimated to increase $4.1 million from 2009 to $364.3 million in 2010. Transportation and maintenance expenditures are expected to reach $393.5 million in 2013. This $33.3 million increase represents a compound annual growth rate of 2.2 percent from 2009 to 2013. (Exhibit 5-7)

Administration and Regional Services

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Management of Metra owned and operated rail services are also included in this category.

Metra has adopted a variety of cost-containment measures that save on administrative costs in 2011. The cost-cutting actions include, leaving positions unfilled, reducing overtime and trimming material cost whenever possible. Administration and regional services are estimated

to be $51.4 million in 2010, a decrease of $1.3 million from 2009. Administration and regional services are projected to remain almost even increasing by only $100 thousand in 2011 to $51.5 million. Then, an increase of 2.1 percent and 2.3 percent is anticipated for 2012 and 2013, respectively. For a total of $53.8 million in 2013. (Exhibit 5-7)

Pension

Metra's annual contribution to the RTA Pension Plan is determined by a third-party actuary. The pension expenditure is expected to increase 19.4% from 2009 to $5.7 million in 2010. In 2013, The pension expenditure is expected to reach $6.0 million in 2013. This $1.3 million increase represents an annual compound growth rate of 6.1 percent from 2009 to 2013.

Diesel Fuel and Electricity

Diesel fuel and electrical power are two of the most volatile components of the operating expenditures. In 2010, diesel fuel is expected to average $2.19 per gallon for a total of $54.7 million, an increase of $12.5 million or 29.6 percent from 2009. The 2011 budget based on $2.35 a gallon totals $58.8 million for the year, an increase of $4.1 million or 7.5 percent from 2010. The projected average price per gallon for diesel fuel in 2012 and 2013 are $2.33 and $2.37, respectively. In 2004 diesel fuel represented only 4.0 percent of total operating costs. In 2010, diesel fuel is estimated to represent 8.4 percent

of total operating expenses, more than double the share of 2004.

For 2011, Metra has budgeted motive power and electric utility costs to increase by $4.2 million or 5.8 percent from 2009. In 2013, combined fuel and electric power costs are projected to reach $77.6 million. This $17.1 million increase represents a compound annual growth rate of 6.4 percent from 2009 to 2013 (Exhibit 5-7)

Security

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expense category includes police and contract security services as well as planning, coordination, and training with other agencies. The budget of $16.9 million in 2011 represents an increase of $0.6 million or 3.7 percent from 2010. Security expenses are budgeted to increase $0.4 million in 2012 and $0.8 million in 2013, representing a sustainable commitment to provide a secure environment to the customers and employees of Metra (Exhibit 5-7).

Health Insurance

Health insurance costs for 2011 of $75.4 million are budgeted to increase by 11.1 percent over the 2010 estimate of $67.9 million, with annual growth rates of 4.4 percent and 3.9 percent in 2012 and 2013, respectively. (Exhibit 5-7).

All Other

This expenditure category includes risk management & claims, downtown stations, credit cards, expense related to the Office of Inspector General and the Apprentice Training Program. Expenditures in this category are expected to increase from $33.7 million in 2010 to $39.7 million by 2013. This $6.0 million increase represents a compound annual growth rate of 5.6 percent (Exhibit 5-7).

Of the $6.0 million increase, risk management and claims comprise 15.0 percent rising from $14.8 million in 2010 to $15.7 million in 2013. Expenses related to Metra's Downtown stations constitute 21.7% as related expenses are anticipated to increase from $13.6 million in 2010 to $14.9 million in 2011.

On September 9, 2009 Metra inaugurated a new web site that included the acceptance of credit and debit cards for the purchase of 10-ride and monthly tickets. Expenses for credit cards are for systems and related support costs. Metra expects that credit card and related expenses will grow from $2.9 million in 2010 to $5.3 million in 2013. This $2.4 million increase represents 40.0 percent of the $6.0 million increase for all other expense from 2010 to 2013 and reflects increased expenses in response to increased customer demand for credit card transactions. In 2011, Metra has budgeted funds for an Office of Inspector General, in 2010 Metra provided $0.6 million to an outside firm to perform these duties in light of financial improprieties performed by Metra's former Executive Director. By 2013 Metra has plans to spend $1.5 million a year for this function, the $0.8 million increase represents 15.0% of the $6.0 million of all other expenses. The apprentice training program increase represents 8.3 percent of the $6.0 million increase for all other expenses, as expenses for this program are expected to increase from $1.8 million in 2010 to $2.3 million in 2013. The apprenticeship training program represents a strategic investment in human capital planning to compensate for the upcoming wave of retirement that Metra is currently facing.

Deficit

The operating deficit is calculated by subtracting total operating expenditures from total system-generated revenue. Metra's 2011 budget deficit is $336.9 million. The remaining deficit balance after a transfer of $60.0 million dollars in Federal Capital Funds to Operations is $276.9 million. This deficit is offset with statutorily allocated public funding in 2011 totaling $318.1 million to reach a balanced budget, leaving an

additional $41.2 million in Funds Available. $10.0 million of this total will be transferred to Metra's capital program (Capital farebox funds) with the balance of funds totaling $31.2 million available to pay ongoing operating costs, and continuing project commitments requiring local match and/or 100% service board funds, conditions resulting from the past three years economic downturn and state payment delays.

Funding

Public funding, available for Metra, is determined by and based on the RTA's revenue projection for the year. From the RTA, Metra receives statutorily allocated RTA Sales Tax (RTA Sales Tax-I and II) and, the Public Transportation Funds (PTF-II)

Metra funding from RTA Sales Tax-I is expected to increase from $220.7 million in 2010 to $243.5 million in 2013. RTA Sales Tax-II and PTF-II are expected to increase from $89.4 million in 2010 to $94.4 million in 2013. Metra projects that with the use of federal funds for preventative maintenance sales tax and PTF funding will exceed the amount of funds needed for operations by $22.2 million in 2010, $41.2 million in 2011, $19.3 million in 2012 and 30.5 million in 2013. As previously discussed, each year Metra will transfer $10 million of the balance remaining to its capital program with the amounts not used available to

Exhibit 5-13: **Metra 2010 Budget vs. 2010 Estimate** (dollars in thousands)

	2010 Budget (2)	2010 Estimate	Variance
System-Generated Revenue			
Passenger Revenue	$250,700	$238,000	($12,700)
Reduced Fare Subsidy	3,400	3,400	-
Investment Income	500	180	(320)
Capital Credits, Leases, etc...	56,400	54,000	(2,400)
Total Revenue	**$311,000**	**$295,580**	**($15,420)**
Operating Expenditures			
Transportation and Maintenance	$357,400	$364,300	($6,900)
Administration & Regional Services	49,400	51,400	(2,000)
Risk Mgmt. & Claims	14,900	14,800	100
Downtown Stations	14,000	13,600	400
Diesel Fuel	53,800	54,700	(900)
Security	16,700	16,300	400
Health Insurance	62,700	67,900	(5,200)
Credit Cards	4,200	2,900	1,300
Office of Inspector General	-	600	(600)
Pension	5,700	5,652	48
Electricity	19,300	17,500	1,800
Apprentice Training Program	5,000	1,800	3,200
Total Expenditures	**603,100**	**611,452**	**($8,352)**
Operating Deficit	**$292,100**	**315,872**	**($23,772)**
Funding			
RTA Sales Tax I	$220,661	$220,661	-
RTA Sales Tax II and PTF II	89,436	89,436	-
Federal Funds	-	28,000	($28,000)
Total Funding	**$310,097**	**$338,097**	**($28,000)**
Service Board Funds Available	**$17,997**	**$22,225**	**$4,228**
Recovery Ratio % (1)	**55.0%**	**52.7%**	**-2.3%**

(1) The RTA Act requires the RTA Board to set a recovery ratio for each service board. Metra's 2010 estimate is significantly in compliance with the 55.0% mark established by the RTA.

(2) Reflects Metra's budget adopted in December 2009 by Ordinance 2009-93.

pay off pre-obligated bills or transferred to the capital program.

A more detailed description of how public funds are allocated among the service boards can be found in the Region Section of this book.

Recovery Ratio

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2011 Metra's recovery ratio is 55.0 percent, matching the mark set by the RTA. The RTA Region section provides a detailed recovery ratio calculation.

Statutory Compliance

The RTA Act requires that each Service Board meet specific criteria, which are detailed in the RTA Region section, for Board approval of its budget. The Metra budget substantially meets each of these criteria.

2010 Budget Versus 2010 Estimate

Metra has estimated that their estimate will be significantly in compliance with their budget set in December 2009 at the beginning of the fiscal year. In 2010, Metra budgeted for a 55.0 percent Recovery Ratio. Due to shortfalls in revenues and unanticipated expenses during the financial year Metra estimates that its recovery ratio will be 52.7%, 2.3 points below budget. (Exhibit 5-13)

Revenue

Calendar year 2010 operating revenues are estimated at $295.6 million and are projected to be $15.4 million or 5.0 percent lower than budget. Passenger revenues are estimated to fall $12.7 million, or 5.1 percent below budget. Metra estimates that Reduced Fare Subsidy will end up even to budget by the end of the calendar year. Additionally, investment income is estimated to be 64.0 percent below budget and Capital Credits, Leases, and other revenues are estimated to be unfavorable to budget by $2.4 million or 4.3 percent.

Exhibit 5-14: **Full Fare Schedule**

	Effective Feb. 1, 2010			
Zone (1)	**One-Way (3)**	**Ten-Ride**	**Monthly**	**Weekend (2)**
A	$2.25	$18.30	$58.05	$7.00
B	$2.50	$20.00	$63.45	$7.00
C	$3.50	$28.50	$90.45	$7.00
D	$4.00	$32.30	$102.60	$7.00
E	$4.50	$36.55	$116.10	$7.00
F	$5.00	$40.40	$128.25	$7.00
G	$5.50	$43.80	$139.05	$7.00
H	$6.00	$48.05	$152.55	$7.00
I	$6.50	$51.85	$164.70	$7.00
L	$7.00	$56.10	$178.20	$7.00
K	$7.50	$56.95	$190.35	$7.00
M	$8.50	$68.45	$217.35	$7.00

(1) Fares based on traveling to/from Zone A (downtown stations).
(2) The weekend pass was raised from $5.00 to $7.00 in 2010
(3) The on-board surcharge increased from $2.00 to $3.00 in 2010.

Expenditures

Total 2010 operating expenditures are estimated at $611.5 million and are projected to be $8.4 million greater than budget resulting in an unfavorable variance of 1.4 percent.

Savings achieved in the Apprentice Training Program, Electricity, Credit Card Expenses, Security, at Downtown Stations, Risk Management & Claims, and in Pension costs, did not offset increased expenses in Transportation & Maintenance, Health Insurance, Administration & Regional Services, and Diesel Fuel.

Transportation and Maintenance expenses were unfavorable to budget by $6.9 million or 1.9 percent. Administration and Regional Services were also unfavorable to budget costing Metra $2.0 million more than budgeted or 4.0 percent. Expenses related to Risk Management and Claims were favorable to budget by $0.1 million or 0.7 percent and costs related to Downtown Stations were favorable to budget by $0.4 million or

2.9 percent favorable to what was budgeted. Diesel Fuel expenses are estimated to be $0.9 million higher than budgeted, an unfavorable variance of 1.7 percent, but security cost are expected to be 0.4 million lower than budgeted, a favorable result of 2.4 percent. Health Insurance Costs were higher than anticipated and are estimated to be 8.3 percent unfavorable to budget, a difference of $5.2 million. Credit card expenses were favorable, costing $1.3 million less than budgeted, a 31.0 percent favorable difference. Metra did not anticipate any expenses related to the Office of Inspector General when they originally created their budget in December 2009 and have incurred $0.6 million in expenses since the beginning of the year. Pension costs were very near budget with only a 0.8 percent favorable variance. Electricity costs were $1.8 million favorable or 9.3 percent, and costs associated with the Apprentice Training Program were $3.2 million less than budgeted, a 64.0 percent difference. These compensating variances resulted in an unfavorable variance in total expenses of $8.4 million, 1.4 percent unfavorable to budget.

Funding

Unfavorable results in both the revenues and expenditure categories at Metra have resulted in a net operating deficit of $315.9 million, $23.8 million unfavorable to budget. The RTA marks set at the beginning of the fiscal year allocated a total of $310.1 million to Metra. Accordingly Metra anticipated $18.0 million in funds available at the end of the year. In October of 2010, the RTA passed an ordinance that allowed Metra to transfer $28.0 million of Federal Capital Funds to Preventative Maintenance for Operations. Due to this transfer, end of the year available service board funds are estimated to be $22.2 million, $4.2 million more than budgeted.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones. These zones 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 set by the Northern Indiana Commuter Transportation District (NICTD).

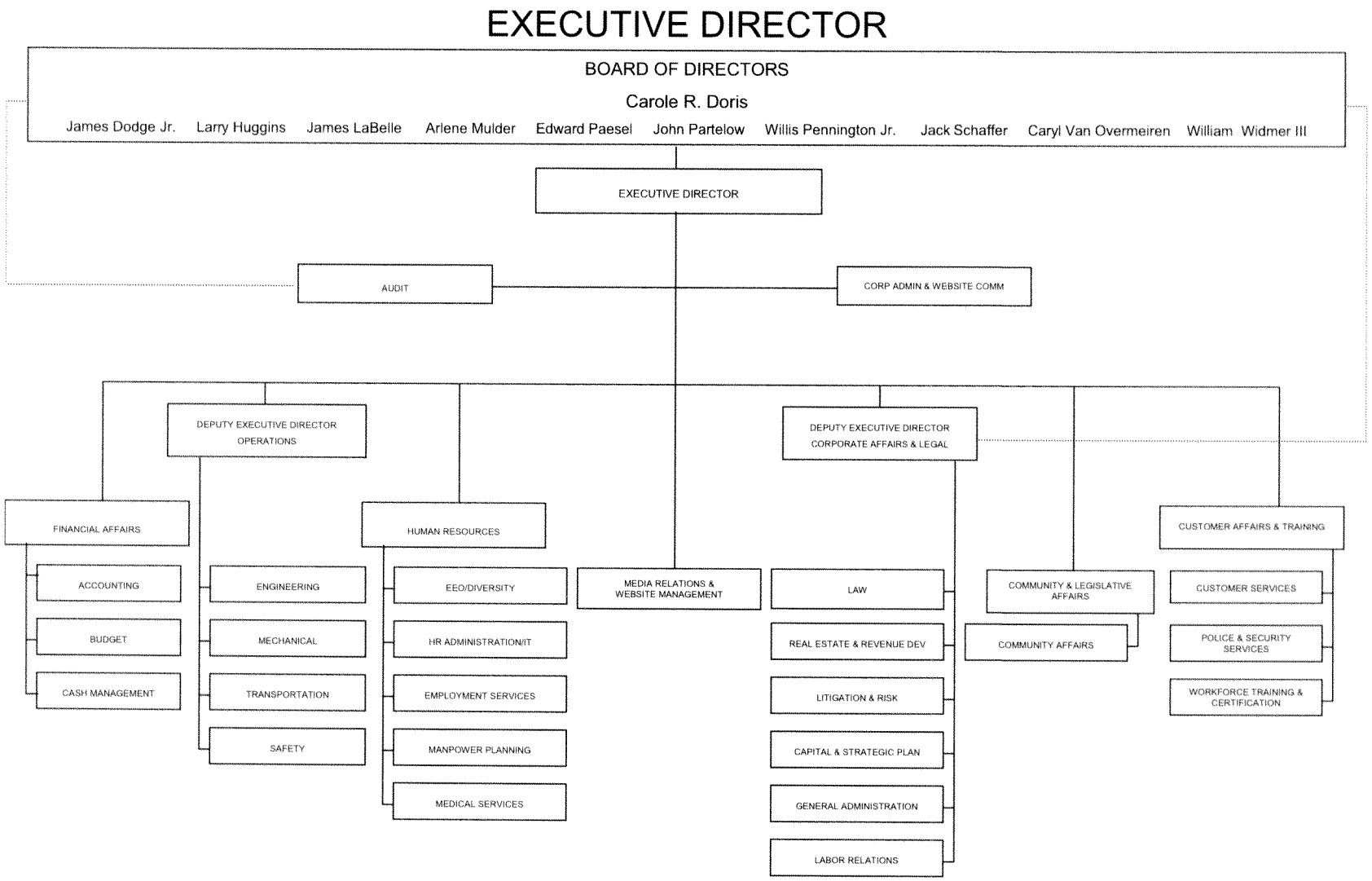
A uniform base fare is charged for travel within a zone and increments are added to this base fare as fare zone boundaries are crossed.

On February 1, 2010, Metra's increased one-way fares by $0.10 to $0.45 or about 6.0 percent (Exhibit 5-14). Despite these one-way increases, the prices of 10-ride tickets and monthly passes did not change. Accordingly, the 10-Ride ticket provides a 20 percent discount in comparison to the purchase of individual one-way fares. The cost of a weekend pass increased from $5 to $7 dollars, the first increase since the launch of this fare 18 years ago. Additionally, passengers who pay for their ticket on the train when a Metra agent is available at their boarding station pay a $3 surcharge instead of the $2 surcharge charged in 2009. These fare increases have encouraged customers to utilize Metra's multiple ticket options. In 2011 Metra does not anticipate raising fares on any of its lines.

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-15.

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



------ Indicates a dual reporting relationship

December 3, 2009

6 Pace Operating Plan

Suburban Service

Overview

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority (RTA), and began service in 1984. A 13-member board of directors made up of current and former village presidents and mayors governs Pace.

Beginning July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace's regional ADA paratransit service is discussed separately, later in this section.

Service Characteristics

Pace's mission is to provide efficient well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility comprises line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. To achieve this mission Pace must introduce transit options suitable for the 21st century suburban environment.

Pace covers 3,500 square miles and is the one of the largest bus services in North America. The suburban area is divided among the six counties and serves 210 communities that span walkable suburban neighborhoods, satellite cities, and rural communities. Pace service includes approximately 135 regular routes, 38 feeder routes, 16 shuttle routes, 588 van pool vehicles, and 367 paratransit and dial-a-ride buses.

In April 2002, Pace unveiled a long range comprehensive operating plan called Vision 2020 that outlines the goals and overall direction for Pace in the 21st century. The plan included "core routes," including Arterial Rapid Transit (ART) and express buses that will provide faster and more reliable service between suburban employment and residential areas, as well as high quality connections serving the suburb to city market and strengthened city to suburb job-related transportation. ART will provide premium quality, fast, frequent, and reliable service operating in mixed traffic on arterial streets with short sections of bus-only and queue by-pass lanes for congested road sections. The ART network will feature limited stops, enhanced passenger amenities, new fare payment technology, new passenger information technology, distinctive vehicles, and transit signal priority (TSP) to improve schedule adherence. The ART Feasibility Study selected six of the 24 arterial corridors identified in Vision 2020 for implementation in the next ten years: 95th Street, Dempster Street, Halsted Street, Harlem Avenue, Milwaukee Avenue, and Oak Brook/Cermak. In 2011, Pace will begin the implementation of its ART Network on Milwaukee Avenue and Dempster Street.

ART will be supported by connectors and collectors serving compact older suburban communities and newer suburban communities that comprise low density residential areas and corporate campuses. To support Pace's arterial route network as well as the local mobility of its customers, Pace is developing and implementing in selected markets community-based transit services to provide the first and last mile of a passenger trip. Pace provides a full array of community transit services: call-n-rides, flexible routes, circulators, vanpools, rideshare, municipal dial-a-rides, and shuttles. Pace will explore partnerships with existing local providers to achieve peak-hour coverage and to provide cross-boundary service in low-density areas.

Pace will enhance its partnerships with the Illinois Tollway, Metra, the RTA, and the CTA. Pace is studying corridor development, the understanding of land use patterns and market conditions, to provide congestion relief, improved regional mobility, sustainable employment access, economic development, and expanded transit

options to initiate and expanded service along the I-55, I-355, and I-90 corridors. Pace has already worked with the Tollway to develop express bus service on I-294 and expects to continue working with the Tollway as part of its managed lane program. Pace is partnering with the Southwest Conference of Mayors to study the south Harlem Corridor and plans a similar study of Cicero Avenue in 2011.

Pace will consider expanding service between remote park-and-ride facilities with improved amenities and train stations via express service on wider streets rather than meandering routes through suburban neighborhoods. Partnership with the RTA includes both collaboration on the IDOT I-55 corridor bus-on-shoulder demonstration project and applying the results of the RTA market and analysis and systems analysis work.

Pace has developed a collaborative cross-functional methodology that identifies demand in existing corridors by time of day and direction to evaluate service changes in the form of pruning underperforming route segments or time periods rather than the eliminating entire routes. This pruning process helps align legacy routes with travel demand, provide a more realistic level of service with the smallest negative impact on Pace passengers, and serves as an initial step prior to more extensive route restructuring efforts. Pace began route-restructuring initiatives in 2000 to better match service levels with demand and to improve on-time performance. To date these initiatives include Elgin, Aurora, Joliet, the North Shore, South and Southwest Cook County, and Will County. Pace is now working on initiatives in West Cook County and Lake County.

Pace's implementation of the RideShare Program in 2011 through 2013 will continue though the website www.PaceRideShare.com to match users who can share their commute by carpooling and to track the region's carpools. The website also facilitates the formation of new Pace vanpools and supports the retention of existing vanpools.

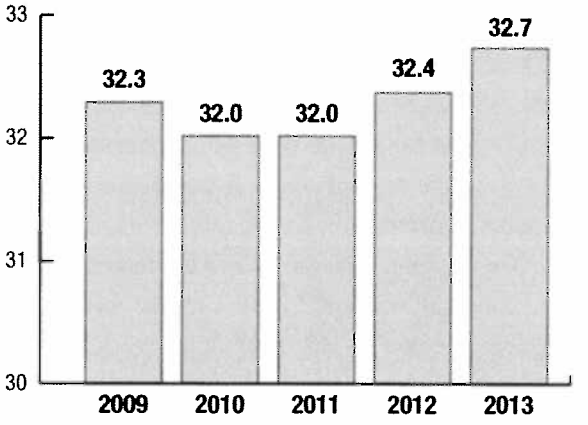
Pace's market research and analysis efforts will focus on supporting the planning and implementation of ART and express bus services. Through user and non-user surveys and analysis of market data, Pace will identify service planning opportunities that meet the needs of both commuters seeking faster and more reliable service and riders seeking local, community-based, or special-needs service. Pace's will complete its 2010 Customer Satisfaction Index (CSI) studies of fixed route, vanpool, rideshare, and paratransit service over the next two years. The objective is to evaluate service performance from the rider perspective so that transportation needs can be better met, loyalty strengthened, and ridership increased. To assist Pace in understanding demographics and travel patterns, Pace will conduct a market analysis of the Harlem corridor between Glenview and Tinley Park, studies in the West Cook and North Cook regions, and, in partnership with Lake County, an analysis of transit markets and services in that county.

Ridership

In 2009, Pace suburban service ridership was 32.3 million. Pace estimates that suburban service ridership will level off at 32.0 million in 2010 and 2011, resulting from continued high unemployment levels, the prolonged economic recession, and service reductions. Effective February 7, 2010,

Pace eliminated 15 bus routes, cut weekend service on nine, and reduced service on nine others. Pace projects suburban service ridership to increase approximately 1.1 percent annually to 32.4 million in 2012 and 32.7 million in 2013, reflecting the continued expansion of the vanpool program (Exhibit 6-1)

Exhibit 6-1: **Pace Suburban Service Ridership** (in millions)



Service Quality

As part of its effort to improve service quality, Pace has implemented a variety of performance measures. Pace provides for each performance measure the 2009 result, an estimate for 2010, a goal for 2011, and a Performance Standard. The performance measures are grouped by quality service goal: Safety, Reliability, Courtesy, Efficiency, and Effectiveness. When performance for a year exceeds the performance standard, the measurement is highlighted in green. If performance for the year falls below but within 10% of the standard, the measurement is highlighted in yellow. When performance falls below 10% of the standard, the measurement is highlighted in red. The performance measures for 2011 can be found at the end of this section (Exhibit 6-21).

Pace compares its performance to that of peer transit agencies selected by the RTA based similar service characteristics: operating in suburban areas; providing comparable amounts of service levels; and contracting with private providers for some of the service. Peer transit agencies include Long Island Bus (MTA-NY), Orange County Transportation Authority (OCTA-CA), San Mateo County Transit District SamTrans-CA), Alameda-Contra Costa Transit District (AC Transit-CA). Performance measures included operating expense per revenue hour and revenue mile (service efficiency), operating expense per passenger and passenger-mile (cost effectiveness), and passengers per revenue-hour and revenue-mile (service effectiveness), as reported by Pace and peer agencies to the Federal Transit Administration and compiled in the National Transit Database (NTD). Pace outperformed its peers in both measures of service efficiency and in operating expense per passenger-mile. Pace's operating expense per passenger ranked third lowest among its peers, while its passengers per revenue-hour was fourth highest. Pace ranked lowest in passengers per revenue-mile. Pace has a larger service area with lower population density than that of its peers.

Performance measurements and peer comparisons represent important steps toward improving service quality and increasing accountability to the public. By striving to meet or exceed performance goals and peer performance, Pace has shown that it values customer opinion and that it is working toward improved service quality.

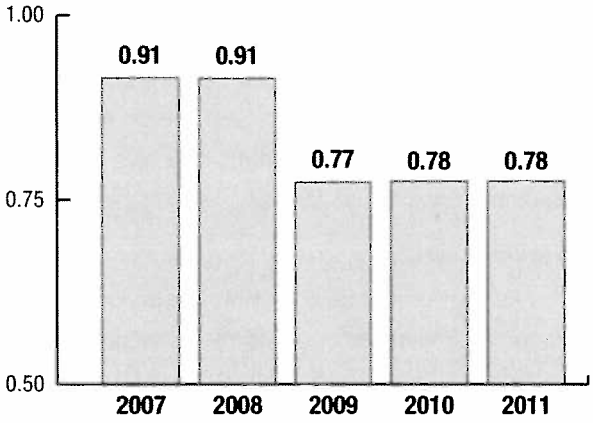
Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to

relate the number of passengers to the number of miles served. Pace's passengers per mile ratio for suburban service is projected to increase from 0.77 in 2009 to 0.78 in 2010 and 2011 (Exhibit 6-2). This weak increase results from very small increases in fixed route ridership accompanied by slightly greater increases in Dial-A-Ride and Vanpool services.

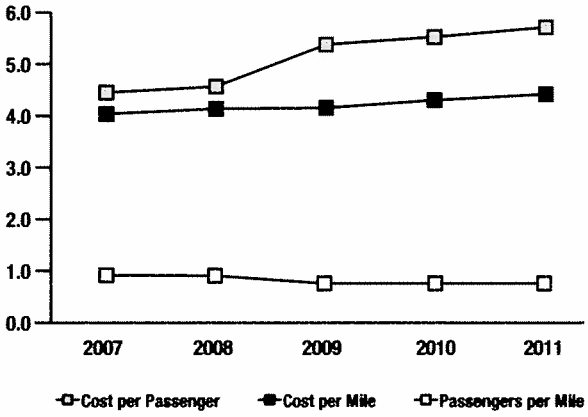
The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Suburban service cost per mile is expected to increase from $4.18 in 2009 to $4.44 in 2011. This $0.26 increase corresponds to a compound annual growth rate of 3.1 percent.

Exhibit 6-2: **Pace Suburban Service Passengers Per Mile** (1)



(1) Effective January 1, 2009, Pace no longer accepts the CTA 7-Day pass, U-Pass and Visitor/Fun passes.

Exhibit 6-3: **Pace Suburban Service Cost Efficiency**



(1) Effective January 1, 2009, Pace no longer accepts the CTA 7-Day pass, U-Pass and Visitor/Fun passes.

Capital Investment

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management. Nearly the entire 2011 Suburban Service capital program comprises projects needed for Pace to reach a "State of Good Repair."

Rolling Stock

In 2011, Pace intends to purchase 96 fixed route buses, of which 36 will replace buses which have exceeded their useful life and 60 will replace vehicles which have met their useful life. The latter are "Green" (hybrid electric) buses. Pace will also replace seven suburban Dial-A-Ride paratransit buses and 143 vanpool vans that have exceed their useful life. In total, these rolling stock replacements are expected to cost $61.5 million. Pace will also spend $2.0 million on bus overhaul maintenance and $5.15 million on associated capital (engines, transmissions, and other bus components assemblies), as well as $2.0 million to cover suburban service capital cost of contracting expenses.

Support Facilities & Equipment

Pace intends to spend $3.6 million on computer hardware, software, and systems, including Ride Check Plus. This software computes ridership by individual route and tracks other performance indicators. Pace will also make improvements to garages and facilities, including the HVAC at Pace South Division, renovation of Pace Heritage Division, and required site upgrades of Pace Headquarters.

Miscellaneous/Project Administration

Pace expects to receive funding to perform an alternative analysis for a "J Route" Bus Rapid Transit corridor linking Naperville, Oak Brook,

Exhibit 6-4: **Pace Suburban Service 2011 Budget and 2012-2013 Financial Plan** (dollars in thousands)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
System-Generated Revenues					
Passenger Revenue (1)	32,833	31,788	31,820	32,183	32,590
Local Share/Other	12,603	13,060	13,603	14,892	15,120
State Free Rides & Reduced Fare Reimbursement	2,351	1,257	2,000	2,000	2,000
Advertising	2,630	2,040	2,316	4,442	4,543
Investment Income	214	62	63	177	176
Total Revenues (2)	**$ 50,631**	**$ 48,207**	**$ 49,802**	**$ 53,694**	**$ 54,429**
Operating Expenditures					
Labor/Fringes	87,414	88,237	90,681	92,779	94,813
Health Insurance	13,994	15,100	16,758	18,266	19,910
Parts/Supplies	6,256	6,303	6,360	6,526	6,650
Purchased Transportation	25,985	24,589	24,736	25,397	26,027
Fuel	12,081	15,006	15,874	16,613	16,746
Utilities	2,038	2,014	2,048	2,073	2,096
Insurance	13,596	12,560	12,613	13,244	13,906
Other	16,700	17,828	18,395	18,717	19,045
Regional ADA Support Credit	(3,649)	(3,873)	(4,145)	(4,229)	(4,308)
Total Expenses (2)	**$ 174,415**	**$ 177,765**	**$ 183,320**	**$ 189,384**	**$ 194,884**
Operating Deficit	**$ 123,783**	**$ 129,558**	**$ 133,518**	**$ 135,690**	**$140,455**
Funding					
Sales Tax I	70,439	69,883	72,617	74,722	77,102
Sales Tax II and PTF II	28,966	29,812	29,617	30,485	31,456
Suburban Community Mobility Funds	18,202	18,061	18,585	19,124	19,733
South Suburban Job Access Funds	7,500	7,500	7,500	7,500	7,500
RTA Discretionary	2,267	-	535	747	-
Federal Funds (3)	3,342	4,569	3,935	3,112	4,664
RTA ICE Funds	36	250	236	-	-
Pace Funds	-	-	493	-	-
Total Funding	**$ 130,752**	**$ 130,075**	**$ 133,518**	**$ 135,690**	**$ 140,455**
Recovery Ratio % (4)	*33.3%*	*36.0%*	*36.0%*	*36.0%*	*36.0%*

(1) Passenger revenue includes fixed route, vanpool, Dial-A-Ride, Ride DuPage, Ride in Kane, and other services.

(2) Excludes Advantage Program--in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation.

(3) Includes Federal CMAQ/JARC/New Freedom funds of $3.3 million, $2.3 million, and $1.9 million in 2009, 2010, and 2011, respectively.

(4) The recovery ratio includes Advantage program--in-kind revenue and expense credits (of equal amount), as well as statutory and approved adjustments. The recovery ratio in 2011 meets the 36% mark set for Pace by the RTA Board on September 15, 2010.

Exhibit 6-5: **Pace Suburban Service System-Generated Revenue**
(dollars in millions)

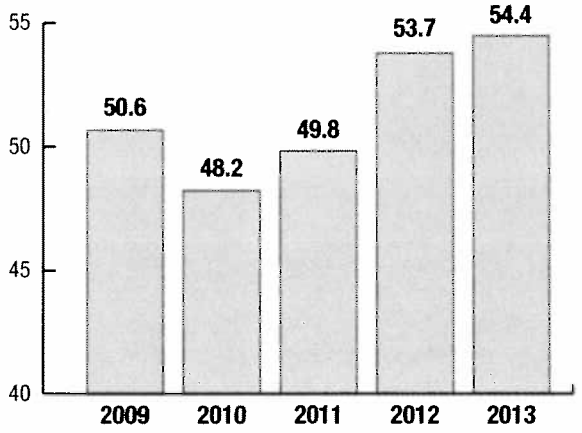


Exhibit 6-6: **2011 Pace Suburban Service Revenue**
$49.8 million

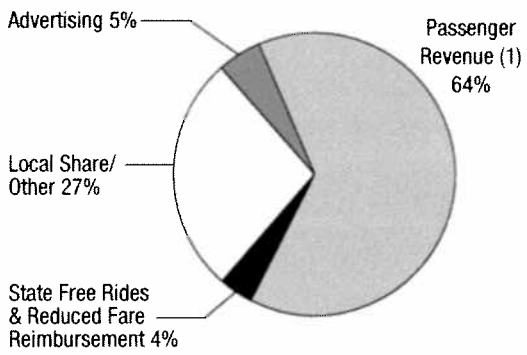
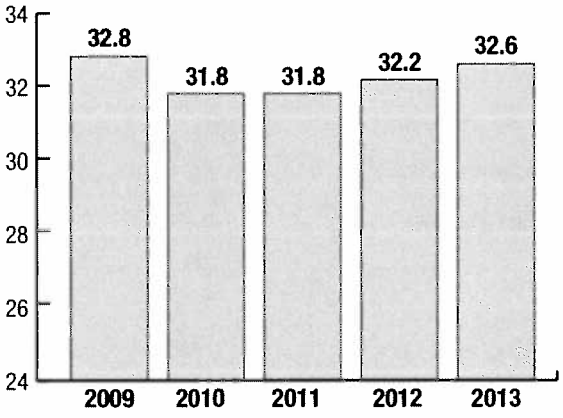


Exhibit 6-7: **Pace Suburban Service Farebox Revenue**
(dollar in millions)



O'Hare, and Schaumburg. Pace will also use capital funds to match existing federal grants prior to closeout and for urgent capital items not anticipated during budget preparation.

Budget and Financial Plan

The Pace suburban service budget and financial plan presented in Exhibit 6-4 meets the funding marks set by the RTA Board on September 15, 2010. Pace's 2011 budget reflects a recovery ratio of 36.0 percent for suburban service operations, meeting the mark of 36.0 percent adopted by the RTA Board on September 15, 2010.

System-Generated Revenue

In 2009, Pace's system-generated revenue from suburban service operations totaled $50.6 million. Pace projects suburban service system-generated revenue of $48.2 million in 2010, $49.8 million in 2011, $53.7 million in 2012, and $54.4 million in 2013 corresponding to a compound annual growth rate of 4.1 percent from 2010 through 2013 (Exhibit 6-5). In 2011, passenger revenue is projected to account for 63.9 percent, local share/other 27.4 percent, advertising revenue 4.7 percent, and reduced fare reimbursement 4.0 percent (Exhibit 6-6).

Passenger Revenue and Local Share

In 2009, Pace suburban service passenger revenue totaled $32.8 million. Pace expects that in 2010 suburban service will result in passenger revenue of $31.8 million. Pace projects suburban service passenger revenue of $31.8 million in 2011 will grow to $32.6 million in 2013, a $0.8 million increase corresponding to a compound annual growth rate of 1.2 percent (Exhibit 6-7). Passenger revenue includes fixed route farebox deposits (using cash, passes, and cards) and payments for Van Pool, dial-a-ride, and other services.

In 2009, Pace's local share contributions and other revenue totaled $12.6 million. Pace expects local share contributions and other revenue of

$13.1 million in 2010. Suburban service local share contributions and other revenue are projected to grow from $13.6 million in 2011 to $15.1 million in 2013, a $1.5 million increase that corresponds to a 5.4 percent compound annual growth rate.

Pace's suburban service fare structure (effective January 2009) is presented at the end of this section (Exhibit 6-10). No fare increases are scheduled for 2011. Effective January 2009, Pace raised the base fare from $1.50 to $1.75, monthly pass from $75.00 to $86.00, and Van Pool fares by 10 percent. At that time, Pace also raised the price of its other full-fare and reduced fare single-ride fares, ten-ride tickets, and passes.

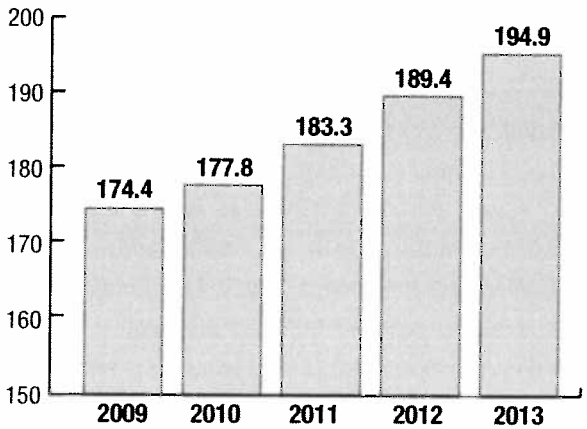
State Free Rides & Reduced Fare Reimbursement

Reimbursement from the State for free and reduced fare rides is expected to decrease from $2.4 million in 2009 to $1.3 million in 2010. The reimbursement is expected to remain at $2.0 million from 2011 through 2013.

Advertising

Advertising revenue is expected to decrease from $2.6 million in 2009 to $2.0 million in 2010. Pace projects that advertising revenue will increase from $2.3 million in 2011 to $4.5 million in 2013, a $2.2 million increase that corresponds to a 40.1 percent compound annual growth rate.

Exhibit 6-8: **Pace Suburban Service Operating Expenditures** (dollars in millions)



Investment

Investment income is expected to decrease from $0.2 million in 2009 to $0.1 million in 2010 and 2011 resulting from smaller cash balances and declining interest rates. Pace projects that investment revenue will return to $0.2 million in 2012 and 2013.

Operating Expenditures

Pace suburban service operating expenditures totaled $174.4 million in 2009. In 2010, Pace estimates suburban service operating expenditures will be $177.8 million. Pace projects suburban service operating expenditures of $183.3 million in 2011 to reach $194.9 million in 2013, an increase of $11.6 million corresponding to a compound annual growth rate of 3.1 percent from 2011 to 2013 (Exhibit 6-8). These expenditure totals include a regional ADA support credit that reflects many of the administrative and overhead costs incurred throughout Pace in support of ADA paratransit. Growth of labor/fringe benefits, health care, and fuel costs is the primary factor behind the increases in suburban service operating expenditures.

Expenditure Elements

Operating expenditure elements include labor/fringe benefits, health insurance, parts/supplies, purchased transportation, fuel, utilities, insurance/claims, other, and regional ADA support credit (Exhibit 6-4).

Labor/Fringe Benefits and Health Insurance Costs

Labor/fringe and health insurance expenditures are projected to account for 58.6 percent of total suburban service operating expenditures in 2011. Combined labor/fringe benefits and health insurance expenditures for suburban service are projected to grow from $107.4 million in 2011 to $114.7 million in 2013, a $7.3 million increase that corresponds to a 3.3 percent compound annual growth rate.

Parts/Supplies

Parts/supplies expenditures are projected to account for 1.9 percent and of total suburban service operating expenditures in 2011. These expenditures are projected to grow from $6.4 million in 2011 to $6.7 million in 2013, a $0.3 million increase that corresponds to a 2.3 percent compound annual growth rate.

Purchased Transportation

Expenditures for purchased transportation are projected to account for 13.5 percent of total suburban service operating expenditures in 2011. These expenditures are projected to grow from $24.7 million in 2011 to $26.0 million in 2013, a $1.3 million increase that corresponds to a 2.6 percent compound annual growth rate.

Fuel

In 2010, fuel expenditures are estimated to rise substantially to $15.0 million from $12.1 million in 2009, due to rising motor fuel prices. In 2011, fuel expenditures are projected to account for 8.7 percent of total suburban service expenditures. Fuel expenditures are projected to grow from $15.9 million in 2011 to $16.7 million in 2013, a $0.9 million increase that corresponds to a 2.7 percent compound annual growth rate. The 2011 budget assumes an average price of $2.18 per gallon, a $0.15 increase from estimated 2010 levels. Fuel is one of the most volatile components of Pace's budget.

Utilities

Utilities expenditures are projected to account for 1.1 percent of total suburban service operating expenditures in 2011. These expenditures are projected to remain between $2.0 million and $2.1 million through 2013.

Insurance/Claims

Insurance/claims expenditures are projected to account for 6.9 percent of total suburban service operating expenditures in 2011. These expenditures are projected to grow from $12.6 million in 2011 to $13.9 million in 2013, a $1.3 million increase that corresponds to a 5.0 percent compound annual growth rate this is consistent with national trends.

Other

Other expenditures are projected to account for 7.8 percent of total suburban service operating expenditures in 2011. These expenditures are projected to grow from $18.4 million in 2011 to $19.0 million in 2013, a $0.7 million increase corresponding to a 1.8 percent compound annual growth rate.

Regional ADA Support Credit

In 2009, Pace charged $3.6 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.9 million in 2010. Pace projects that regional ADA support credit will increase from $4.1 million in 2011 to $4.3 million in 2013.

Deficit

The operating deficits are derived from total system-generated revenue minus total operating expenditures. Pace estimates that its deficit will rise 4.7% from $123.8 million in 2009 to $129.6 million in 2010. Pace projects deficits of $133.5 million, $135.7 million, and $140.4 million in 2011, 2012, and 2013, respectively, a $6.9 million increase with a compound annual growth rate of 2.6%.

Funding

Public funding for Pace operations includes portions of the RTA Sales Tax (RTA Sales Tax-I and II) and the Public Transportation Fund (PTF-I and PTF-II), as well as federal sources.

Pace's portion of RTA Sales Tax I is expected to decrease 0.8 percent from $70.4 million in 2009 to $69.9 million in 2010. This funding is projected to increase from $72.6 million in 2011 to $77.1 million in 2013 at a compound annual growth rate of 3.0% (Exhibit 6-4). RTA Sales Tax

II & PTF II (PA95-0708) is projected to increase from $29.0 million in 2009 to $29.6 million in 2011. This funding is projected to increase from $29.6 million in 2011 to $31.5 million in 2013 at a compound annual growth rate of 3.1 percent. RTA Suburban Community Mobility Funds of approximately $18 million to $20 million are projected for 2010 through 2012. The RTA also provides South Suburban Job Access Funds in the amount of $7.5 million annually.

The RTA will provide Pace with discretionary funds at an estimated amount of $0.5 million in 2011 and $0.7 million in 2012. The RTA does not expect to provide discretionary funding for Pace in 2010 and does not plan to do so in 2013.

In addition to funds from the RTA, Pace also receives federal funds. Pace received combined Congestion Mitigation Air Quality (CMAQ), Job Access Reverse Commute (JARC), and New Freedom funds of $3.3 million in 2009 and expects to receive $2.3 million and $1.9 million in 2010 and 2011, respectively. Pace also expects to use Federal 5307 funds for operations in the amounts of $2.3 million, $2.0 million, $3.1 million, and $4.7 million from 2010 through 2013.

A more detailed description of how public funds are allocated among the service boards can be found in the Region Section of this book.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments, including Advantage Program in-kind revenue and expense credit. Pace expects to achieve a recovery ratio of 36.0 percent in 2010 and to maintain this level through 2013, meeting the 36.0 percent recovery ratio mark of 36 percent set by the RTA Board on September 15, 2010.

2010 Budget Versus 2010 Estimate

Pace expects 2010 operating revenue for suburban service to finish the year $4.8 million or 9.0 percent unfavorable to budget. Passenger revenue is expected to finish the year $2.9 million or 8.4 percent below budget. High unemployment and the struggling economy have reduced ridership, while the number of free rides for seniors and people with disabilities has grown. Local share/other revenues are expected to be $1.3 million or 9.1 percent unfavorable. Financially strapped municipal governments face challenges in providing subsidies for Dial-A-Ride services. Advertising revenue is expected to finish the year $0.4 million or 16.7 percent below budget because of the economic situation, while Investment income is expected to be $0.1 million or 71.7% unfavorable because of lower than expected cash balances and continued low interest rates.

Total expenditures are expected to finish the year $4.9 million or 2.7 percent favorable to budget. Expenditures for Purchased Transportation are expected to be $3.6 million or 12.6 percent favorable because of service reductions. In February, Pace eliminated 15 bus routes, cut weekend service on nine, and reduced service on nine others. Lower than budgeted per gallon fuel prices earlier in the year and favorable fuel consumption and are expected to result in a $1.3 million or 8.0 percent favorable fuel expense. Expenditures for Insurance/Claims are expected to be $2.4 million or 24.0% unfavorable to budget because of several large claims. Expenditures for labor/fringe benefits, health insurance, parts/supplies, and utilities are each expected to be $0.5, $0.7, $0.7, and $0.2 million favorable to budget, respectively.

Pace expects a favorable funding variance of $0.4 million in 2010 primarily because of higher than budget federal CMAQ & JARC funding. This favorable funding variance combined with a favorable operating deficit of $0.1 million are

Exhibit 6-9: **Pace Suburban Service 2010 Budget vs. 2010 Estimate** (dollars in thousands)

System-Generated Revenue	**2010 Budget (1)**	**2010 Estimate**	**Variance**
Passenger Revenue (2)	$ 34,693	$ 31,788	$ (2,905)
Local Share/Other	14,373	13,060	(1,313)
State Free Rides & Reduced Fare Reimbursement	1,257	1,257	-
Advertising	2,450	2,040	(410)
Investment Income	219	62	(157)
Total Revenues (3)	**$ 52,992**	**$ 48,207**	**$ (4,785)**
Operating Expenditures			
Labor/Fringes	$ 88,763	$ 88,237	$ 526
Health Insurance	15,783	15,100	683
Parts/Supplies	6,977	6,303	674
Purchased Transportation	28,149	24,589	3,560
Fuel	16,306	15,006	1,300
Utilities	2,206	2,014	192
Insurance	10,127	12,560	(2,433)
Other	18,225	17,828	397
Regional ADA Support Credit	(3,873)	(3,873)	-
Total Expenditures (3)	**$ 182,662**	**$ 177,765**	**$ 4,897**
Operating Deficit	$ 129,671	$ 129,558	$ 113
Funding			
Sales Tax I	$ 69,883	$ 69,883	-
Sales Tax II and PTF II	29,812	29,812	-
Suburban Community Mobility Funds	18,061	18,061	-
South Suburban Job Access Funds	7,500	7,500	-
RTA Discretionary	-	-	-
Federal Funds (4)	4,265	4,569	304
RTA ICE Funds	150	250	100
Total Funding	**$ 129,671**	**$ 130,075**	**$ 404**
Funding Surplus/(Deficit)		$ 517	$ 517
Advantage Program - In-Kind (5)	$ 8,572	$ 8,572	-
Recovery Ratio (5)	*36.0%*	*36.0%*	*0.0%*

(1) Pace Suburban Service 2010 Budget approved by the RTA Board on December 17, 2009.

(2) Passenger revenue includes Fixed Route, Van Pool, Dial-A-Ride, Ride DuPage, Ride in Kane, and Other Services.

(3) Excludes Advantage Program-in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation.

(4) Includes Federal CMAQ/JARC/New Freedom funds of $2.3 million.

(5) The recovery ratio calculation includes Advantage program-in-kind revenue and expense credits (of equal amount), as well as statutory and approved adjustments.

expected to result in a funding surplus of $0.5 million (Exhibit 6-9).

Statutory Compliance

Pace's proposed 2011 budget, 2012-2013 plan, and 2011 recovery ratio submitted to the RTA comply with the operations funding marks (sales tax, Public Transportation Funds, Suburban Community Mobility Funds, and South Suburban Job Access Funds provided by statute formulas, and (in 2011 and 2012) RTA discretionary funds) set by the RTA Board on September 15, 2010. These marks set the total RTA funding levels at $128.9 million in 2011, $132.6 million in 2012, and $135.8 million in 2013, and 2011 recovery ratio at 36%.

Organizational Structure

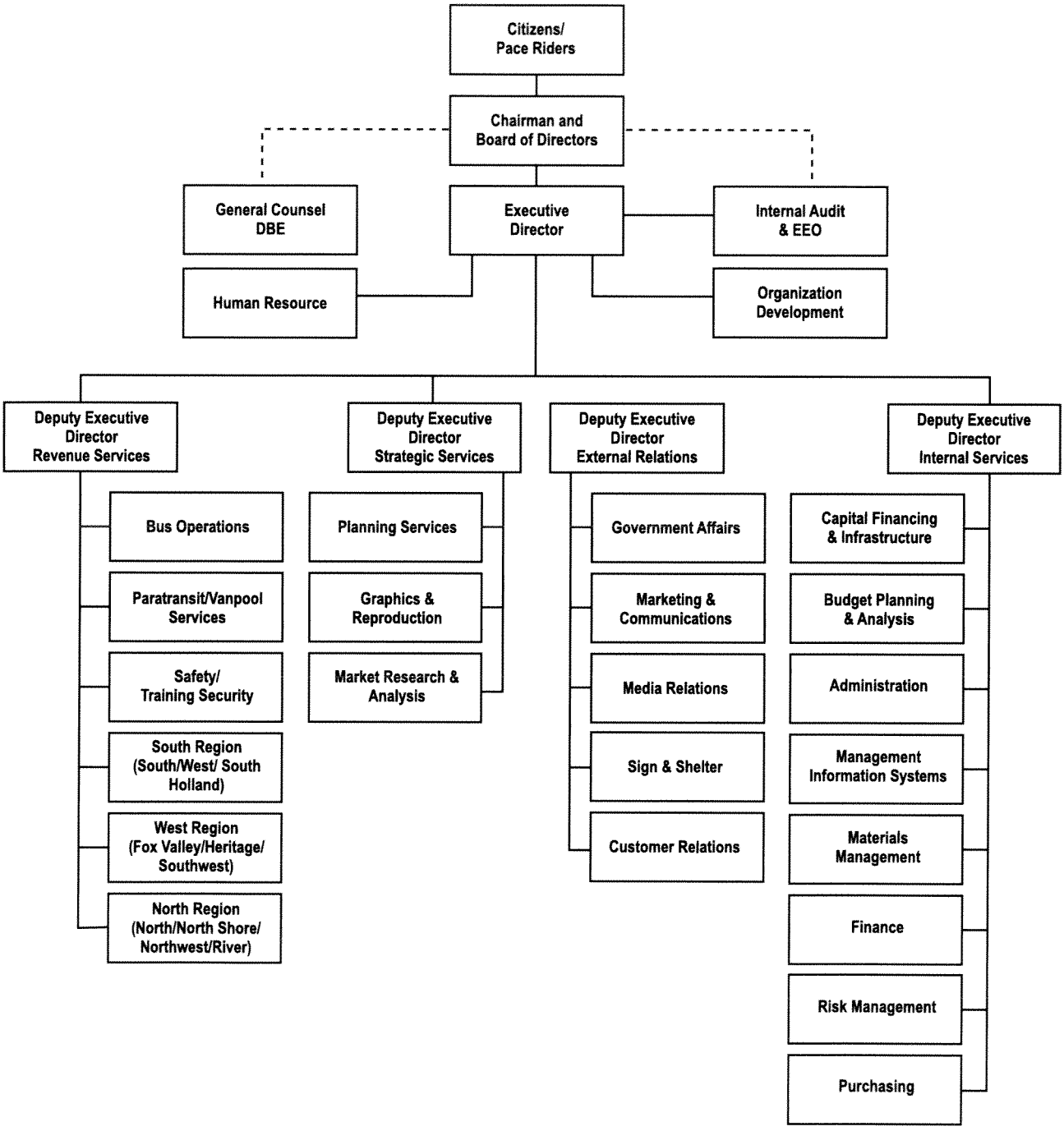
Pace is organized into four main areas: Revenue Services, Strategic Services, External Relations, and Internal Services (Exhibit 6-11). Pace's organizational structure comprises four primary elements: administration, central support, Pace-owned divisions, and regional ADA paratransit services. Within each element, employees are classified into four areas: operations, maintenance, non-vehicle maintenance and administration. These activity areas are defined by the National Transit Database reporting requirements, which apply to all public transit operators.

Exhibit 6-10: **Pace Suburban Service Fare Structure**

	Current Fares	
	Full Fare	**Reduced Fare**
Regular Fares		
Full Fare	$1.75	$0.85
Transfer to Pace/CTA*	0.25	0.15
Local Transfer	Free Local Transfer	
Passes		
Pace/CTA (30-Day)	$86.00	$35.00
Pace/CTA (7-Day)	28.00	
Commuter Club Card (CCC)(Pace Only)	60.00	30.00
Link-Up Ticket	39.00	
Plus Bus	30.00	
Regular 10 Ride Plus Ticket	17.50	8.50
Student (Haul Pass)		30.00
Student Summer Pass		45.00
Subscription Bus (Monthly)	125.00	
Pace Campus Connection (College Student Pass)		$175.00
Valid for one semester. Discounted if purchased after August/January.		
Express Fares/Other Fares		
Premium Routes	$ 4.00	$ 2.00
Premium 10 Ride Plus Ticket (855)	40.00	20.00
Dial-a-Ride	2.00	1.00
Vanpool		
Monthly VIP and other van pool services fares range from $73 to $174 depending on the daily round trip van miles and the number of passengers.		

*Effective January 1, 2006, the CTA discontinued issuing or accepting cash transfers.

Exhibit 6-11: **Pace Organization Chart**



ADA Paratransit

Overview

Effective July 1, 2006, Pace has provided all ADA paratransit service in the RTA region.

Service Characteristics

The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA rail stations, as described in the Americans with Disabilities Act (ADA).

In the suburban area where Pace provides fixed route service, Pace contracts with private operators to provide ADA paratransit service. These operators drive Pace-owned lift-equipped vehicles to provide curb-to-curb service to ADA-certified passengers a month.

In the CTA service area, Pace contracts with private operators to provide ADA paratransit service in the entire city of Chicago and most of the suburbs serviced by the CTA. The operators use 566 contractor-owned vehicles to provide service to ADA-certified passengers. Pace also administers two subsidized taxi programs in the City of Chicago (the Taxi Access Program (TAP) and the Mobility Direct program) for ADA-certified passengers, although these programs are not required by the Americans with Disabilities Act.

The CTA and Pace fixed route services are described earlier in this book.

Ridership

Pace estimates that ridership will decline 1.2 percent from 2.838 million in 2009 to 2.804 million in 2010 as a result of the November 2009 fare increase (Exhibit 6-20). Pace projects that ADA paratransit ridership will increase by 2.0 percent, 3.0 percent, and 4.0 percent in 2011, 2012, and 2013, respectively, in both the CTA service area and the suburban service area (Exhibit 6-12).

Cost Efficiency

The cost per passenger measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-13). Cost per passenger for Regional ADA paratransit service is projected to increase by a compound annual growth rate of 2.0 percent from $40.43 in 2009 to $43.70 in 2013. Pace projects that from 2010 to 2013 contractor costs in the CTA service area and suburban service area will grow at compound annual growth rates of 2.2 percent and 2.4 percent, respectively.

Exhibit 6-12: **Pace Regional ADA Paratransit Ridership**
(in millions)

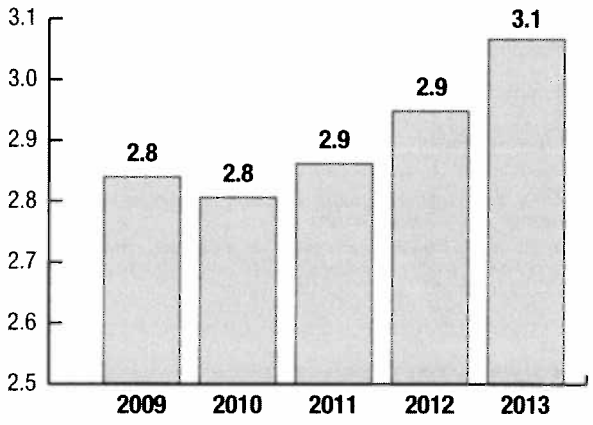


Exhibit 6-13: **Pace ADA Paratransit Cost Efficiency**

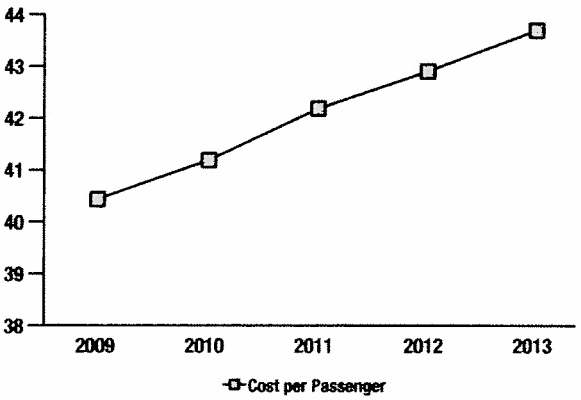


Exhibit 6-14: **Pace Regional ADA Paratransit Service 2011 Budget and 2012-2013 Financial Plan** (dollars in thousands)

	2009 Actual	2010 Estimate	2011 Budget	2012 Plan	2013 Plan
System-Generated Revenues					
Passenger Revenue	7,178	8,601	8,773	9,036	9,397
Other Revenue	1,365	1,197	1,221	1,246	1,271
Total Revenues	**$ 7,935**	**$ 7,882**	**$ 9,994**	**$ 10,282**	**$ 10,668**
Operating Expenditures					
Labor/Fringes	2,492	2,486	2,523	2,574	2,622
Health Insurance	458	407	454	495	540
Admin Exp	2,377	2,206	2,348	2,377	2,403
Fuel	1,481	1,835	1,957	2,053	2,064
Insurance	510	482	496	519	543
RTA certification trips	965	1,197	1,221	1,246	1,271
Purchased Transportation	102,821	103,038	107,512	112,966	120,154
Regional ADA Support Allocation	3,649	3,873	4,145	4,229	4,308
Total Expenses	**$ 114,754**	**$ 115,524**	**$ 120,656**	**$ 126,459**	**$ 133,905**
Operating Deficit	***106,211***	***105,726***	***110,662***	***116,178***	***123,237***
Deficit Funding					
Sales Tax II and PTF II	91,010	90,303	92,921	95,616	98,662
RTA ICE Funds (1)	4,101	6,923	-	-	-
RTA Discretionary Funds	2,100	-	-	-	-
Federal Funds	9,000	-	-	-	-
Additonal State Funding	-	8,500	8,500	-	-
Total RTA Funding for Operations	**$ 106,211**	**$ 105,726**	**$ 101,421**	**$ 95,616**	**$ 98,662**
Budget/Plan Balancing Actions (2)	-	-	9,241	20,562	24,575
Total Funding	106,211	105,726	110,662	116,178	123,237
Recovery Ratio %	***10.0%***	***10.0%***	***10.0%***	***10.0%***	***10.0%***

(1) This figure represents the funding described in Paragraph 7 of Ordinance 2009-74 which authorizes that the ICE funds be transferred to fund ADA paratransit operations in 2010.

(2) Actions required to balance the ADA Paratransit budget. These actions may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2011 funds from the ICE Fund (Paragraph 8 of Ordinance 2010-92). In 2012 and 2013, these actions may also include adjusting fares.

Budget And Financial Plan

The Pace ADA paratransit service budget and financial plan presented in Exhibit 6-14 meets the 2010 recovery ratio mark set by the RTA on September 15, 2010. In compliance with the RTA Act, the RTA set the ADA paratransit recovery ratio for 2010 at 10.0 percent. The RTA set the funding for ADA paratransit at $101.4 million for 2011 and set aside ICE funds that can be allocated based on Pace's certification of a funding shortfall. Funding for the following two-year planning period was set at $95.6 million for 2012 and $98.7 million for 2013. To meet these funding levels, Pace will need to implement budget/plan balancing actions that will increase revenues and/or decrease expenditures by, $9.2 million in 2010, $20.6 million in 2011, and $24.6 million in 2012.

System-Generated Revenue

In 2009, regional ADA paratransit system-generated revenue of $8.5 million comprised of passenger revenue of $7.2 million and reimbursements from the RTA for transporting paratransit applicants to assessment sites of $1.4 million (Exhibit 6-15 and Exhibit 6-16). In 2010, Pace expects regional ADA paratransit passenger revenue to increase by $1.4 million as a result of

Exhibit 6-15: **Pace ADA Paratransit Service System-Generated Revenue** (dollars in millions)

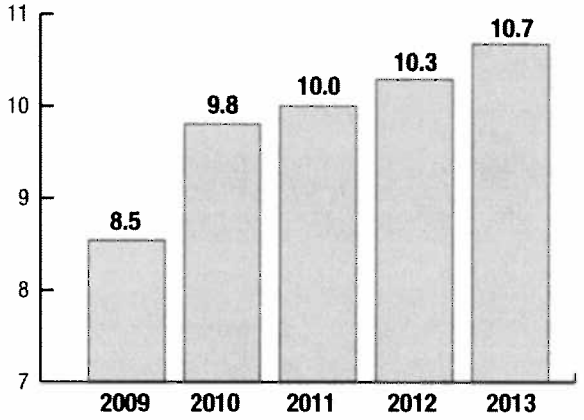
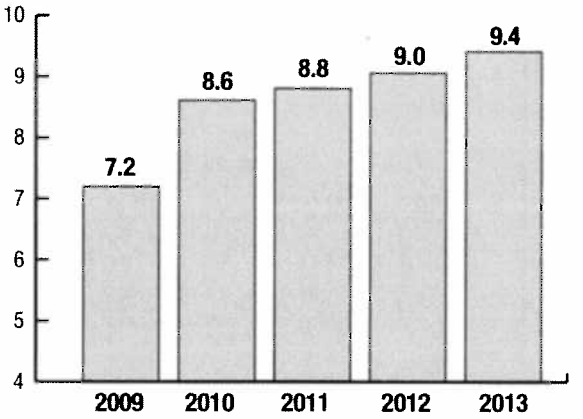


Exhibit 6-16: **Pace ADA Paratransit Farebox Revenue** (dollars in millions)

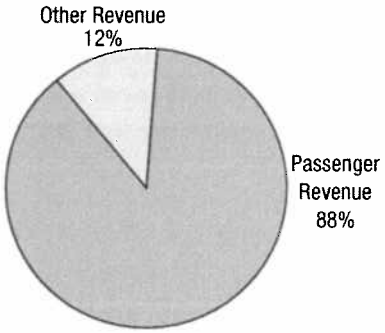


the November 2009 fare increase (Exhibit 6-20). Pace projects that passenger revenue will account for 87.8 percent of total system-generated revenue in 2011 (Exhibit 6-17). Pace projects total ADA paratransit system-generated revenue of $10.0 million in 2011, $10.3 million in 2012, and $10.7 million in 2013, corresponding to a compound annual growth rate of 3.3 percent from 2011 to 2013. These revenue figures do not incorporate required deficit reduction actions. Pace's November 2009 regional ADA paratransit fare revisions are presented at the end of this section (Exhibit 6-20).

Operating Expenditures

In 2009, regional ADA paratransit service operating expenditures totaled $114.8 million. In 2010, Pace expects total regional ADA paratransit operating expenditures to rise only 0.7 percent to $115.5 million. Pace projects total operating expenditures of $120.7 million in 2011, $126.5 million in 2012, and $133.9 million in 2013. This $19.2 million increase in operating expenditures from 2011 to 2013 represents a compound annual growth rate of 5.3 percent. Growth in purchased transportation costs, which accounts for approximately 90 percent of total expenses, is the primary factor behind these increases in operating expenditures (Exhibit 6-18).

Exhibit 6-17: **2011 Pace ADA Paratransit Revenue**–$10.0 million



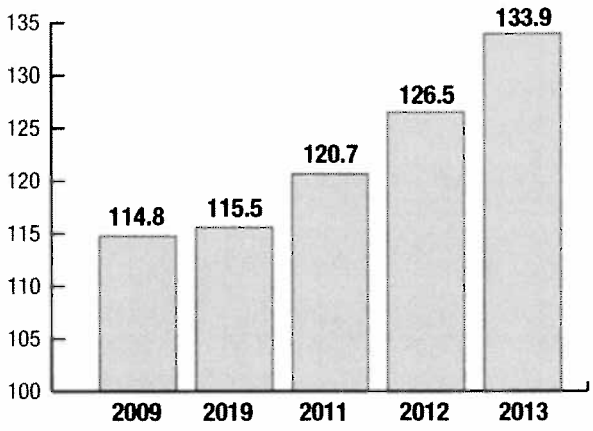
Expenditure Elements

Operating expenditure elements include labor/fringe benefits, health insurance, administrative expense, fuel, liability insurance, RTA certification, purchased transportation, and regional ADA support allocation (Exhibit 6-14). Figures for individual expenditure elements do not incorporate required budget/plan balancing actions in 2011 through 2013.

Labor/Fringe Benefits and Health Insurance Costs

Combined labor/fringe benefits and health insurance expenditures of $3.0 million are expected to account for 2.5 percent of regional ADA paratransit service operating expenditures in 2011. Labor/fringe expenses of $2.5 million

Exhibit 6-18: **Pace Total Operating Expenditures**
(dollars in millions)



in 2011 are projected to increase at a compound annual growth rate of 1.9% from 2011 to 2013. Health insurance expenditures of $0.5 million in 2011 are projected to increase at a 9.1 percent compound annual growth rate from 2011 to 2013.

Administration

Pace leases its operations center for ADA paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. Administration expenditures of $2.3 million are projected to account for 1.9 percent of regional ADA paratransit service operating expenditures in 2011. Administrative expenditures in 2011 are projected to grow 6.4% over 2010 estimated results followed by increases of 1.2% and 1.1% in 2012 and 2013, respectively.

Fuel

Pace purchases fuel for the private operators who provide ADA paratransit service using Pace-owned vehicles in Pace's suburban service area. Fuel expenditures of $2.0 million are projected to account for 1.6 percent of regional ADA paratransit service operating expenditures in 2011. Fuel expenditures are expected to increase 23.9% in 2010, followed by increases of 6.6%, 4.9%, and 0.5% in subsequent years.

Liability Insurance

Liability insurance expenditures of $0.5 million are projected to account for 0.4 percent of regional ADA paratransit service operating expenditures in 2011. Liability insurance expenditures are projected to increase 4.6% in 2012 and 2013.

RTA Certification

RTA certification expenditures comprise the cost of transporting applicants for ADA certification to and from assessment centers. These expenditures of $1.2 million are projected to account for 1.0 percent of regional ADA paratransit service operating expenditures in 2011. RTA certification expenditures are projected to increase 2.0% in 2011 and 2012.

Purchased Transportation

Purchased transportation expenditures are projected to account for 89.1 percent of regional ADA paratransit service operating expenditures in 2011. These expenditures are projected to increase from $107.5 million in 2011 to $120.2 million in 2013, a $12.6 million increase that corresponds to a 5.7 percent compound annual

growth rate. Pace assumes that demand for both suburban and CTA service area ADA paratransit service will increase 2.0 percent in 2011, 3.0 percent in 2012 and 4.0 percent in 2013. Pace projects that from 2010 to 2013 contractor costs in the CTA service area and suburban service area will grow at compound annual growth rates of 2.2 percent and 2.4 percent, respectively.

Regional ADA Support Allocation

In 2009 Pace charged $3.6 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.9million in 2010. Pace projects that this amount will increase from $4.1 million in 2011 to $4.3 million in 2013 at a 1.9 percent compound annual growth rate.

Deficit and Funding

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2008, Illinois Public Act 95-0708 allocated to the funding of ADA paratransit service $100 million of the revenue from the increase in the RTA sales tax rate and the increase in the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). According to the legislation, this amount will vary in future years in proportion to annual RTA sales tax collections, and funding not required for the current year deficit will be applied to regional ADA paratransit operating deficits in future years. In 2009, only $91.0 million was allocated to ADA paratransit because of the decline in sales tax revenues from 2008. In addition, $4.1 million of ICE funds, $2.1 million of RTA discretionary funds, and $9.0 million of federal funds were used to fund ADA paratransit in 2009. Based on the projections of sales tax collections in 2010, 2011, 2012, and 2013, the ADA paratransit allocations are $90.3 million, $92.9 million, and $95.6 million, and $98.7 million, respectively. In 2010, $6.9 million of RTA ICE funds are expected to fund ADA paratransit. In 2010 and 2011, additional State funding of 8.5 million per year has also been allocated for ADA paratransit operations.

The ADA paratransit funding requirement is projected to rise from $110.7 million in 2011 to $123.2 million in 2013, an increase of $12.6 million corresponding to a compound annual growth rate of 5.5 percent. In 2010, the funding level is projected to match the corresponding operating deficit without balancing actions. However, in 2011, 2012, and 2013 budget/plan balancing actions of $9.4 million, $20.6 million, and $24.6 million are assumed.

Recovery Ratio

The recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The RTA Act requires that regional ADA paratransit service meet a recovery ratio of 10 percent. In 2009 through 2013, Pace's projected recovery ratio for regional ADA paratransit service is 10 percent. These recovery ratios are reached by exempting from the recovery ratio calculation a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

2010 Budget Versus 2010 Estimate

Pace expects that 2010 regional ADA paratransit service operating revenue will be on par with the budget. Greater than budget Other revenue is expected to compensate for a shortfall in passenger revenue. (Exhibit 6-19)

Total expenditures for 2010 are expected to be favorable to budget even after taking into account the balancing actions of $5.6 million assumed in the 2010 budget. Expenditures for purchased transportation are expected to be favorable to budget by $8.3 million (7.5 percent) as a result of reduced ridership. Health insurance, Fuel, Insurance, and Other expenditures are expected to be unfavorable by $0.1 million (32.6 percent), $0.2

Exhibit 6-19: **Pace Regional ADA Paratransit Service 2010 Budget vs. 2010 Estimate** (dollars in thousands)

	2010 Budget	2010 Estimate	Variance
System Generated Revenue			
Passenger Revenue	$ 9,095	$ 8,601	$ (494)
Other Revenue	661	1,197	536
Total Revenue	**$ 9,756**	**$ 9,798**	**$ 42**
Operating Expenditures			
Labor/Fringes	$ 2,500	$ 2,486	$ 14
Health Insurance	307	407	(100)
Fuel	1,682	1,835	(153)
Insurance	386	482	(96)
Purchased Transportation	111,366	103,038	8,328
Regional ADA Support Allocation	3,873	3,873	-
Other	2,698	3,403	(705)
Total Expenditures	**$ 122,812**	**$ 115,524**	**$ 7,288**
Budget Balancing Actions (1)	$ (5,556)	-	(5,556)
Operating Deficit	**$ 107,500**	**$ 105,726**	**$ 1,774**
Deficit Funding			
Sales Tax II and PTF II	$ 90,303	$ 90,303	-
RTA ICE Funds (2)	8,697	6,923	(1,774)
Additonal State Funding	8,500	8,500	-
Total Deficit Funding	**$ 107,500**	**$ 105,726**	**$ (1,774)**
Recovery Ratio	*10.0%*	*10.0%*	-

(1) Actions required to balance the ADA Paratransit budget. These actions may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues.

(2) This figure represents the funding described in Paragraph 7 of Ordinance 2009-74 which authorizes that the ICE funds be transferred to fund ADA paratransit operations.

million (9.1 percent), $0.1 million (24.9 percent), and $0.7 million (26.1 percent).

Total funding for 2009 is expected to be $1.8 million (1.7 percent) less than budget, reducing the contribution of RTA ICE funds. Funding from RTA sales tax II and PTF II, and State Funding are expected to match budget.

Statutory Compliance

Pace's 2011 budget and 2012 and 2013 plans meet the regional ADA paratransit operating funding marks (sales tax, Public Transportation Funds, and, in 2011, Additional State funding) set by the RTA Board on September 16, 2010. These marks set the total level of RTA funding at $110.6 million in 2011, $116.2 million in 2012 and $123.2 million in 2013. However, in each year funding the deficit requires budget balancing actions, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues. In 2011, budget balancing actions may include an allocation of the ICE Fund pursuant to paragraph 8 of RTA Ordinance 2010-92. In 2012 and 2013, budget balancing actions may also include adjusting fares. Pace's ADA paratransit projected recovery ratio of 10.0 percent in 2011 complies with the recovery ratio marks set by the RTA Board on September 16, 2010.

Exhibit 6-20: **Fare Structure**

	2009 Fare	Current Fare (1)
CTA Service Area		
ADA Paratransit	$2.25	$3.00
Taxi Access Program and Mobility Direct	$5.00	$5.00
Pace Service Area		
Regular Route analog	$3.00	$3.00
Local Route analog	$2.50	$3.00

(1) Effective November 15, 2009

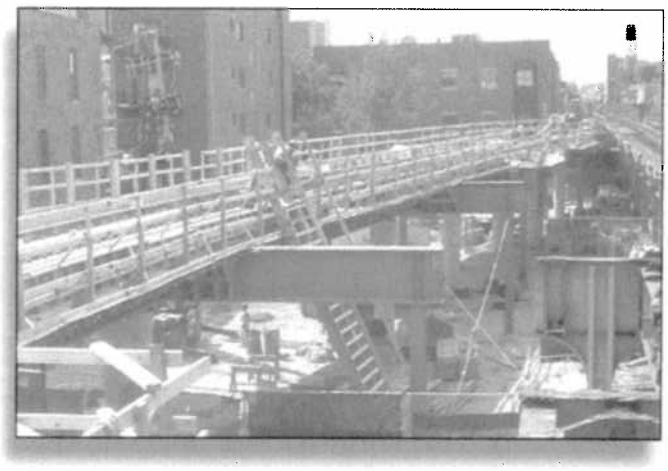
Exhibit 6-21: **Pace Suburban Service Goals and Performance Measures**

		2009 Actual	2010 Estimate	2011 Projected
Safety				
Goal: Provide Safe Public Transportation Services				
Measure(s):	*Performance Standard*			
Accidents per 100,000 Revenue Miles	Less than 5	3.27	4.36	4.36
Reliability				
Goal: Provide Reliable Public Transportation Services				
Measure(s):	*Performance Standard*			
On-Time Performance	Greater than 85%	71.50%	72.50%	85.00%
Actual Vehicle Miles per Road Call	Greater than 14,000	12,363	14,275	14,275
Percent Missed Trips per Total Trip Miles	Less than .5%	0.14%	0.13%	0.13%
Courtesy				
Goal: Provide Courteous Public Transportation Services				
Measure(s):	*Performance Standard*			
Complaints per 100,000 Passenger Miles	Less than 4	2.75	2.33	2.33
Website Hits on Web Watch Site (000's)	Increase over prior period	9,765	15,118	16,000
Efficiency				
Goal: Provide Efficient Public Transportation Services				
Measure(s):	*Performance Standard*			
Revenue Miles per Revenue Hour	Greater than 17	16.76	16.81	17.00
Revenue Miles per Total Operator Pay Hours	Greater than 10*	10.17	9.57	10.00
Expense per Revenue Mile	Less than $6.50*	$ 6.04	$ 5.64	$ 5.64
Expense per Revenue Hour	Less than $125.00*	$101.20	$ 94.93	$ 94.93
Recovery Ratio	Greater than 18%	25.9%	25.9%	25.9%
Subsidy per Passenger	Less than $4.00	$ 2.99	$ 2.90	$ 2.90
Effectiveness				
Goal: Provide Effective Public Transportation Services				
Measure(s):	*Performance Standard*			
Ridership	Increase from prior period	-11.0%	-1.1%	0.0%
Passenger Miles per Revenue Miles	Greater than 9*	9.94	9.44	9.44
Productivity (Passengers per Revenue Hour)	Greater than 24*	23.9	24.0	24.0
Ridership per Revenue Mile	Greater than 1.5*	1.43	1.42	1.42
Vanpool Units in Service	Increase from prior period	605	601	601

** Performance Standard Under Evaluation*

Below performance standard Within 10% of performance standard Meets/exceeds performance standard

7 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 RTA's capital development plans.

The RTA emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's $42.1 billion in assets to a state of good repair and extending or expanding service when demand is justified and funding available. This translates into a need of over $1.4 billion per year just to maintain and preserve the existing system.

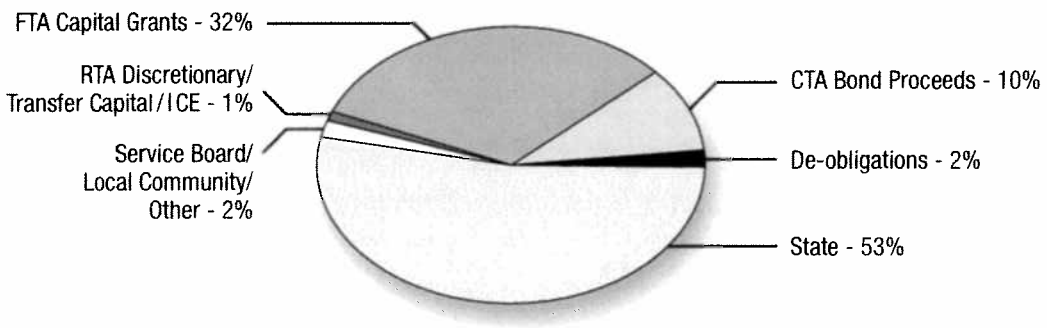
Source of Funds

On September 15, 2010, the RTA adopted preliminary capital funding marks for 2011-2015. Since then, the RTA received proposals for funds controlled by the Service Boards, then adopted the budget on December 16, 2010. The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards. Of the estimated $4,355 million of new funding sources for 2011-2015, State funds account for $2,312 million or 53 percent, federal funding accounts for $1,385 million or 32 percent, CTA bond proceeds account for $430 million or 10 percent,

Exhibit 7-1: **RTA 2011-2015 Capital Program Marks** (dollars in millions)

Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**Pace ADA**	**Total**
FTA Capital Grants	1,376	817	211	1	2,404
RTA Discretionary/ Transfer Capital/ ICE	52	1	-	-	53
State	1,197	944	140	31	2,312
Service Board/ Local Community/ Other	34	61	2	-	97
Total New Service Board Capital Funding	**2,659**	**1,822**	**353**	**32**	**4,866**
De-obligations	42	35	-	-	77
Carryover	-	-	-	-	-
CTA Principal and Interest (Federal)	(600)	-	-	-	(600)
Transfer to Operations (Federal)	(288)	(110)	(20)	-	(418)
CTA Bond Proceeds	430	-	-	-	430
Total Service Board Available	**2,243**	**1,747**	**333**	**32**	**4,355**

Exhibit 7-2: **RTA 2011-2015 Capital Program Marks** - $4,355 million



Service Board and other funds account for $97 million or 2 percent, de-obligations from 2010 account for $77 million or 2 percent and RTA funds account for $53 million or 1 percent (Exhibits 7-1 and 7-2).

The total estimated capital funds available for capital projects in 2011 are $859.2 million. This amount reflects a $250.6 million transfer of federal funds to operations for CTA, Metra and Pace and $67.2 million transfer of federal funds for CTA debt repayment. At this time, the final federal appropriation figures for 2011 have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding. Of the estimated $859.2 million of new funding sources for 2011, State funds account for $574.5 million or 67 percent, federal funding accounts for $125.5 million or 15 percent, de-obligations from 2010 account for $77.2 million or 9 percent, RTA funds account for $53.1 million or 6 percent and Service Board and other funds account for $28.9 million or 3 percent (Exhibits 7-3 and 7-4).

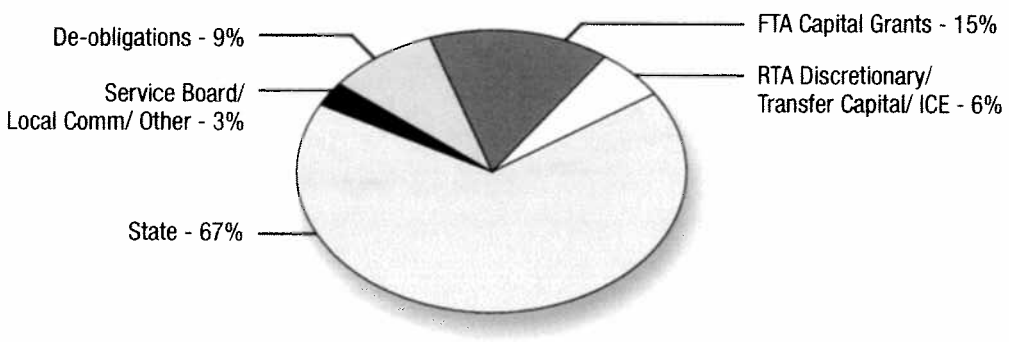
Despite the challenging economic times, critical progress was made in 2010 on our capital investment needs.

The State of Illinois actually approved two measures – a "jump start" capital plan in April 2009 and a full Five-Year Capital Plan in May 2009. Combined, these two programs provided the RTA system with $2.7 billion in capital funds. Encouraged by the release of State Bond funds in 2010, the balance of the full $2.7 billion State Bond program is distributed equally over the next four years from 2011 to 2014. These funds will allow us to reduce the capital maintenance backlog that and replace aging trains, buses, track, stations and other infrastructure to improve the reliability of the system.

Exhibit 7-3: **Capital Funding in 2011** (dollars in thousands)

Service Board Capital Funding	**CTA**	**Metra**	**Pace**	**Pace ADA**	**Total**
FTA Capital Grants	251,600	150,840	40,100	700	443,240
RTA Discretionary/ Transfer Capital/ ICE	52,216	883	-	-	53,099
State	295,745	235,925	38,850	4,000	574,520
Service Board/ Local Community/ Other	6,718	20,881	1,350	-	28,949
Total New Service Board Capital Funding	**606,279**	**408,529**	**80,300**	**4,700**	**1,099,808**
De-obligations	42,205	35,000	-	-	77,205
Carryover	-	-	-	-	-
CTA Principal and Interest (Federal)	(67,167)	-	-	-	(67,167)
Transfer to Operations (Federal)	(188,621)	(60,000)	(2,000)	-	(250,621)
CTA Bond Proceeds	-	-	-	-	-
Total Service Board Available	**392,697**	**383,529**	**78,300**	**4,700**	**859,226**

Exhibit 7-4: **Capital Funding in 2011** - $859.2 million



On July 21, 2010, Governor Pat Quinn announced the State's intention to award more than $500 million of the Illinois Jobs Now funds towards mass transit infrastructure statewide. This funding included $442.7 million for the RTA for capital projects to be implemented by the CTA, Metra and Pace and is included in the 2010 Capital Program.

Use of Funds

The primary emphasis of the 2011 Capital Program is to continue efforts to bring the system's assets to a state of good repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionalities of equipment, facilities and rolling stock. In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system expansion. For the 2011 Capital Program, 97 percent of the budget is allocated to capital projects that maintain the existing infrastructure. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

Investments in the capital program can also be broken down by various asset categories. Exhibits 7-5 and 7-6 show that $2.2 billion or 53 percent of the program is spent on rolling stock and $820 million or 19 percent for track and structure 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.

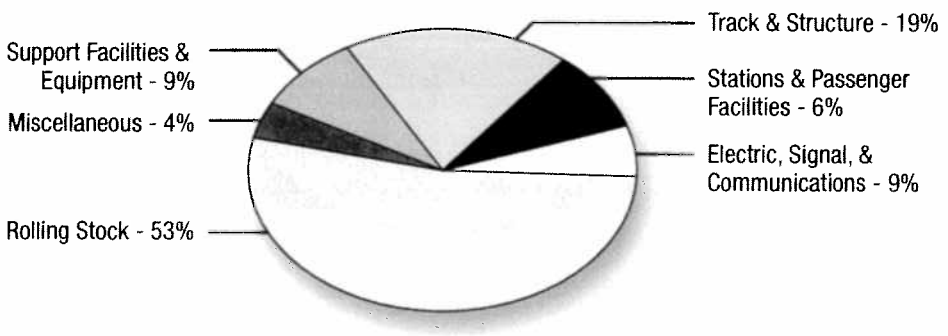
CTA Overview

The proposed projects in the CTA's portion of the 2011-2015 Capital Program total $2.2 billion. The CTA's portion of the Capital Program continues the rehabilitation and replacement of their capital assets. The percentage for the general categories of capital improvements of the total program are: 56 percent for rolling stock,

Exhibit 7-5: **2011-2015 Capital Program Uses** (dollars in millions)

Asset Category	CTA	Metra	Pace	Pace ADA	Total
Rolling Stock	1,261	763	238	32	2,293
Track & Structure	454	367	-	-	820
Electric, Signal, & Communications	173	199	14	-	385
Support Facilities & Equipment	178	159	71	-	409
Stations & Passenger Facilities	105	138	4	-	247
Miscellaneous	73	112	3	-	187
Acquisitions & Extensions	-	-	-	-	-
Contingencies & Administration	-	10	4	-	14
Totals	**2,243**	**1,747**	**333**	**32**	**4,355**

Exhibit 7-6: **2011-2015 Capital Program Uses** - $4,355 million

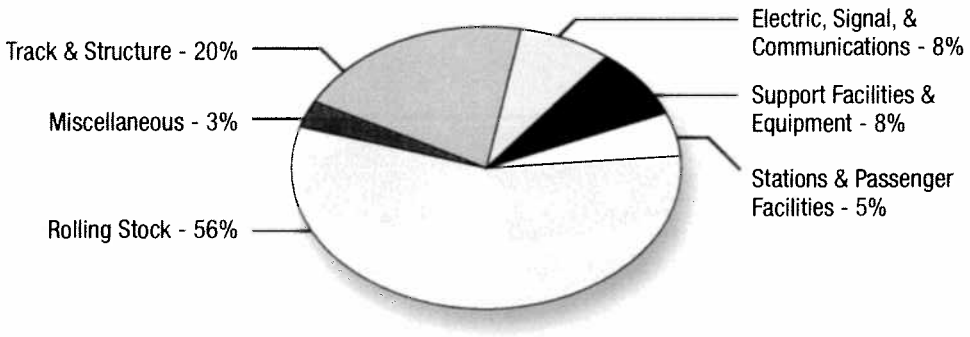


20 percent for track and structure, 8 percent for electric, signal and communications, 8 percent for support facilities and equipment, 5 percent for stations and passenger facilities and 3 percent for miscellaneous. The general categories of capital improvements comprising the CTA's portion of the Capital Program are illustrated in Exhibit 7-7.

Highlights of projects included in the CTA's proposed 2011-2015 Capital Program:

- $464 million for the repair of track and structure
- $430 million for the purchase of 300 rail cars
- $320 million for the purchase of a minimum of 150 buses
- $246.3 million for the rehabilitation and overhaul of rail cars
- $190 million for the rehabilitation and overhaul of buses
- $172.4 million for the improvement of facilities
- $104.8 million for the rehabilitation of rail stations
- $103.1 million to complete the purchase of 406 rail cars

Exhibit 7-7: **CTA Five-Year Assets by Category** - $2.2 billion



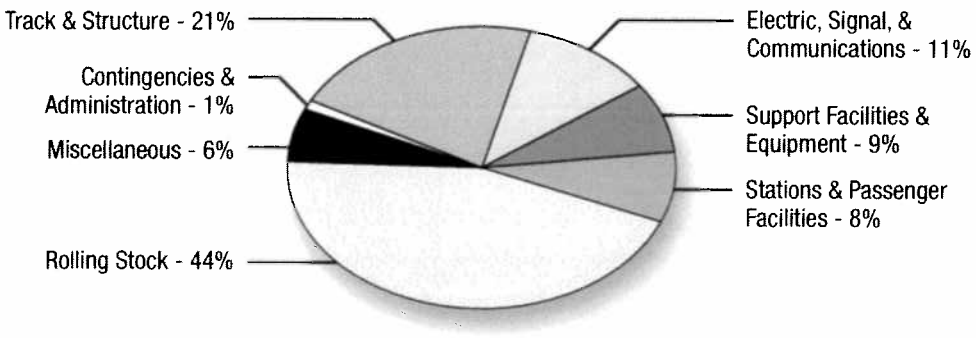
Metra Overview

Metra's portion of the proposed 2011-2015 Capital Program totals $1.7 billion. During this five-year period, Metra will continue to renew its extensive commuter rail infrastructure and replace aging rolling stock. The percentage for the general categories of capital improvements of the total program are: 44 percent for rolling stock, 21 percent for track and structure, 11 percent for electric, signal, and communications, 9 percent for support facilities and equipment, 8 percent for stations and passenger facilities and 7 percent for miscellaneous, contingencies and administration. The general categories of capital improvements comprising Metra's portion of the Capital Program are illustrated in Exhibit 7-8.

Highlights of projects included in Metra's proposed 2011-2015 Capital Program are:

- $466.3 million to purchase 160 bi-level cars for the Electric District
- $230.6 million for bridge rehabilitation and renewal
- $191.3 million for the rehabilitation of commuter rail cars
- $122.8 million for the construction and renewal of yards, shops and facilities
- $121.1 million for station rehabilitation and improvement
- $102 million for the installation of Positive Train Control (PTC) system
- $66.9 million for the rehabilitation and improvement of locomotives

Exhibit 7-8: **Metra Five-Year Assets by Category** - $1.7 billion



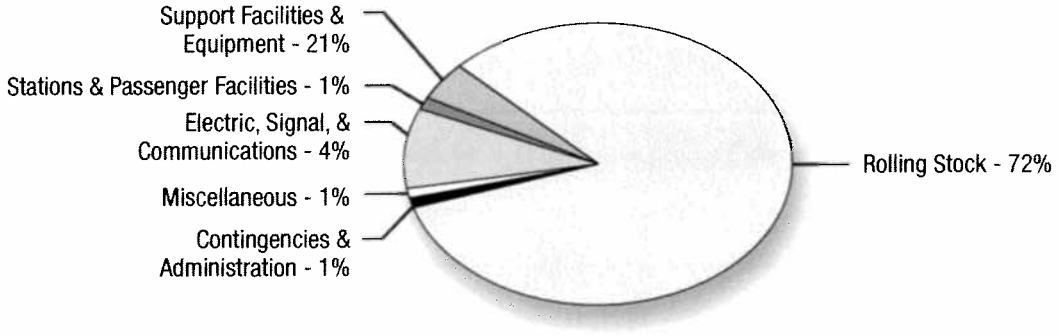
Pace Overview

Pace's portion of the proposed 2011-2015 Capital Program totals $333.5 million. A majority of the funding is provided for the replacement of rolling stock. The percentage for the general categories of capital improvements of the total program are: 72 percent for rolling stock, 4 percent for electric, signal and communications, 21 percent for support facilities and equipment, 1 percent for stations and passenger facilities and 2 percent for miscellaneous, contingencies and administration. The general categories of capital improvements comprising Pace's portion of the Capital Program are illustrated in Exhibit 7-9.

Highlights of projects included in Pace's proposed 2011-2015 Capital Program are:

- $158.8 million for the purchase of 284 fixed route buses
- $31.6 million for improvements to garages and facilities
- $27.9 million for the purchase of vans and community vehicles
- $20 million for the purchase of a replacement farebox system
- $19.2 million for the purchase of 238 paratransit vehicles
- $16 million for the purchase of computer hardware and software systems
- $10 million for bus overhaul

Exhibit 7-9: **Pace Five-Year Assets by Category** - $333 million



Pace ADA Overview

Pace ADA's portion of the proposed 2011-2015 Capital Program totals $31.7 million. All of the funding is provided for the purchase of 276 Paratransit vehicles.

Exhibit 7-10: **CTA Five-Year Capital Program** (dollars in thousands)

Project & Title	Classification	2011	2012-2015	Total
Rolling Stock – Bus				
Perform Bus Overhaul and Maintenance Activities – Systemwide	Maintain	2,550	11,206	13,756
Perform Mid-Life Bus Overhaul – Systemwide	Maintain	25,116	121,160	146,276
Purchase a Minimum of 150 Hybrid Articulated Buses (Partial $) – Systemwide	Maintain	21,907	298,129	320,036
Provide for Diesel Particulate Filter Bus Retrofit – Systemwide	Enhance	960	0	960
Subtotal Rolling Stock		**50,533**	**430,496**	**481,029**
Bus Total		**50,533**	**430,496**	**481,029**
Rolling Stock – Rail				
Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial $) – Systemwide	Maintain	68,992	161,247	230,238
Perform Rail Car Overhaul Activities – Systemwide	Maintain	2,987	13,123	16,109
Replace Approximately 300 Rail Cars (2600 Series) – Systemwide	Maintain	0	430,000	430,000
Replace a Minimum of 406 Rail Cars (2200 & 2400 Series, Partial $) – Systemwide	Maintain	0	103,139	103,139
Subtotal Rolling Stock		**71,978**	**707,508**	**779,486**
Track & Structure – Rail				
Repair Track and Structure Defects – Systemwide	Maintain	2,707	11,894	14,601
Repair Track and Structure – Systemwide	Maintain	124,377	307,878	432,256
Rehabilitate North Mainline – Red Line	Maintain	2,778	4,222	7,000
Subtotal Track and Structure		**129,862**	**323,995**	**453,856**
Electrical, Signal, & Communications – Rail				
Replace/Upgrade Power Distribution and Signals – Systemwide	Maintain	0	104,225	104,225
Implement Security & Communication Projects – Systemwide	Maintain	11,437	0	11,437
Subtotal Electrical, Signal, & Communications		**11,437**	**104,225**	**115,661**
Stations & Passenger Facilities – Rail				
Rehabilitate Rail Stations – Systemwide	Maintain	17,098	87,669	104,768
Subtotal Stations & Passenger Facilities		**17,098**	**87,669**	**104,768**
Rail Total		**230,375**	**1,223,397**	**1,453,772**
Electrical, Signal, & Communications – System				
Implement Security & Communication Projects – Systemwide	Maintain	31,279	26,000	57,279
Subtotal Electrical, Signal, & Communications		**31,279**	**26,000**	**57,279**
Support Facilities & Equipment – System				
Implement Computer Systems – Systemwide	Maintain	1,100	4,400	5,500
Improve Facilities – Systemwide	Maintain	52,746	119,663	172,409
Subtotal Support Facilities & Equipment		**53,846**	**124,063**	**177,909**
Miscellaneous – System				
Provide for Contingencies	Maintain	20,573	0	20,573
Provide for Program Management – Systemwide	Maintain	6,090	26,737	32,827
Implement CMAQ Projects	Maintain	0	19,120	19,120
Subtotal Miscellaneous		**26,663**	**45,857**	**72,520**
System Total		**111,789**	**195,920**	**307,709**
CTA Total		**392,697**	**1,849,813**	**2,242,509**

Exhibit 7-10: **Metra Five-Year Capital Program** (dollars in thousands)

Project & Title	Classification	2011	2012-2015	Total
Rolling Stock – Rail				
Provide Locomotive Improvements – MET	Maintain	4,700	62,190	66,890
Rehabilitate Bi-level Commuter Cars – MET	Maintain	24,050	167,220	191,270
Rehabilitate and Improve MU Electric Cars – MED	Maintain	750	3,000	3,750
Overhaul Rolling Stock Fleet Components – MET	Maintain	2,500	11,900	14,400
Purchase a Bi-Level Commuter Cars – MET	Maintain	0	20,700	20,700
Purchase a Minimum of 160 Accessible Bi-Level Electric Multi-Unit Commuter Cars (Repl., Partial $) – MED	Maintain	171,900	294,400	466,300
Subtotal Rolling Stock		**203,900**	**559,410**	**763,310**
Track & Structure – Rail				
Provide for Ties, Ballast & Track Surfacing – BNSF, MED, MWD, UPR, MET	Maintain	7,420	48,475	55,895
Upgrade Crossings (Road and Track) – MWD, MET	Maintain	2,275	10,760	13,035
Provide for Rail Renewal – BNSF, MED, MWD, RID, NCS, UPR, MET	Maintain	3,390	25,875	29,265
Rehabilitate or Replace Bridges – BNSF, MWD, UPR, MET	Maintain	38,575	191,975	230,550
Perform Engineering and Construction for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project – MET	Enhance	2,000	0	2,000
Provide for Structural Improvements – BNSF, MET	Maintain	370	23,590	23,960
Provide for Structural Upgrades – MET	Maintain	0	11,845	11,845
Subtotal Track and Structure		**54,030**	**312,520**	**366,550**
Electrical, Signal, & Communications – Rail				
Upgrade Signal System – BNSF, MED, MWD, UPR, MET	Maintain	17,150	14,105	31,255
Upgrade Interlockers and Crossovers – UPR, MET	Maintain	2,700	18,875	21,575
Improve Electrical Systems – MED, UPR, MET	Maintain	7,800	29,245	37,045
Provide for Communication Equipment – MET	Maintain	1,604	5,500	7,104
Install Positive Train Control (PTC) System – MET	Enhance	12,000	90,000	102,000
Subtotal Electrical, Signal, & Communications		**41,254**	**157,725**	**198,979**
Support Facilities & Equipment – Rail				
Improve Yards, Shops and Facilities – MED, MWD, RID, UPR, MET	Maintain	13,500	109,260	122,760
Upgrade Buildings – MED, MET	Maintain	1,700	5,680	7,380
Purchase Equipment and Vehicles – MET	Maintain	2,600	21,070	23,670
Upgrade Revenue Accounting System – MET	Maintain	2,500	3,050	5,550
Subtotal Support Facilities & Equipment		**20,300**	**139,060**	**159,360**
Stations & Passenger Facilities – Rail				
Rehabilitate and Improve Stations – UPR, MET	Maintain	37,000	84,050	121,050
Expand Commuter Parking – MET	Maintain	3,300	13,200	16,500
Subtotal Stations & Passenger Facilities		**40,300**	**97,250**	**137,550**
Miscellaneous – Rail				
Provide for Material Handling – MET	Maintain	1,550	7,600	9,150
Improve Metra System Security – MET	Maintain	5,000	20,000	25,000
Provide for Program Support Engineering – MET	Maintain	15,600	61,780	77,380
Subtotal Miscellaneous		**22,150**	**89,380**	**111,530**
Contingencies & Administration – Rail				
Provide for Project Administration & Contingencies – MET	Maintain	1,595	8,230	9,825
Subtotal Contingencies & Administration		**1,595**	**8,230**	**9,825**
Rail Total		**383,529**	**1,363,575**	**1,747,104**
Metra Total		**383,529**	**1,363,575**	**1,747,104**

Exhibit 7-10: **Pace Five-Year Capital Program** (dollars in thousands)

Project & Title	Classification	2011	2012-2015	Total
Rolling Stock – Bus				
Purchase a Minimum of 284 Fixed Route Accessible Buses – Systemwide	Maintain	55,350	103,400	158,750
Purchase a Minimum of 238 Dial-A-Ride Paratransit Vehicles (Replacement) – Systemwide	Maintain	700	18,480	19,180
Purchase a Minimum of 50 Paratransit Vehicles (Replacement) – Systemwide	Maintain	0	4,000	4,000
Purchase a Minimum of 53 Community Vehicles (Replacement) – Systemwide	Maintain	0	5,300	5,300
Purchase a Minimum of 572 Vanpool Vans (Replacement) – Systemwide	Maintain	5,400	17,160	22,560
Provide for Bus Overhaul – Systemwide	Maintain	2,000	8,000	10,000
Provide for Associated Capital Items – Systemwide	Maintain	5,150	13,000	18,150
Subtotal Rolling Stock		**68,600**	**169,340**	**237,940**
Electrical, Signal, & Communications – Bus				
Replace Intelligent Bus System (IBS) and Mobile Data Terminals (MDT) – Systemwide	Maintain	0	13,500	13,500
Subtotal Electrical, Signal, & Communications		**0**	**13,500**	**13,500**
Support Facilities & Equipment – Bus				
Purchase Maintenance/ Support Equipment and Vehicles – Systemwide	Maintain	250	3,000	3,250
Purchase Office Equipment – Systemwide	Maintain	100	400	500
Purchase Computer Hardware and Software Systems – Systemwide	Maintain	3,600	12,384	15,984
Construct/Improve/Renovate Garages & Facilities – Systemwide	Maintain	3,300	24,050	27,350
Construct/Improve/Renovate Garages & Facilities – Systemwide	Maintain	0	4,200	4,200
Purchase Replacement Farebox System – Systemwide	Maintain	0	20,000	20,000
Subtotal Support Facilities & Equipment		**7,250**	**64,034**	**71,284**
Stations & Passenger Facilities – Bus				
Reconstruct Passenger Facilities – Systemwide	Maintain	0	3,000	3,000
Install Shelters/ Signs/ Passenger Amenities – Systemwide	Maintain	0	1,200	1,200
Subtotal Stations & Passenger Facilities		**0**	**4,200**	**4,200**
Miscellaneous – Bus				
Provide for Alternative Analysis – J Route Bus Rapid Transit	Expand	300	0	300
Provide for Unanticipated Capital – Systemwide	Maintain	1,350	1,000	2,350
Subtotal Miscellaneous		**1,650**	**1,000**	**2,650**
Contingencies & Administration – Bus				
Provide for Project Administration	Maintain	800	3,100	3,900
Subtotal Contingencies & Administration		**800**	**3,100**	**3,900**
Bus Total		**78,300**	**255,174**	**333,474**
Pace Total		**78,300**	**255,174**	**333,474**

Exhibit 7-10: **Pace ADA Five-Year Capital Program** (dollars in thousands)

Project & Title	Classification	2011	2012-2015	Total
Rolling Stock – Bus				
Purchase a Minimum of 276 Paratransit Vehicles – Systemwide	Maintain	4,700	27,000	31,700
Subtotal Rolling Stock		**4,700**	**27,000**	**31,700**
Bus Total		**4,700**	**27,000**	**31,700**
Pace ADA Total		**4,700**	**27,000**	**31,700**
All Service Board Grand Total		**859,226**	**3,495,562**	**4,354,787**

Capital Impact on Operations

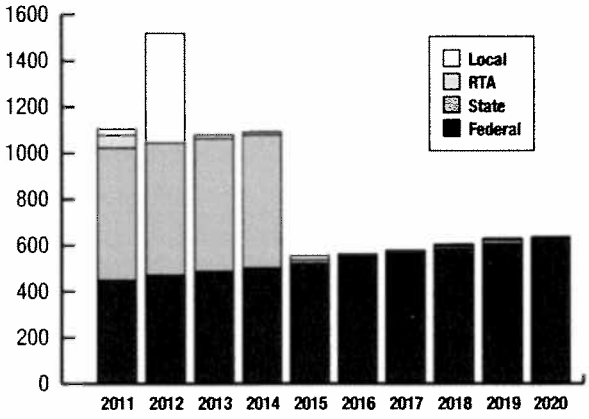
As part of its oversight function the RTA is charged with providing assessments of the Service Board's Capital Projects and Plans as well as an assessment of the condition of the Service Board's Capital Assets. Pursuant to Ordinance 2009-92 the RTA, after consultation with the Service Boards must annually prepare and adopt a Five-Year Capital Program that includes each capital improvement undertaken by or on behalf of a Service Board. In addition, to the Five Year Plan, PA 95-0708 established the need for the development of a Ten Year Capital Plan.

The estimated value of transit capital assets in Northeastern Illinois is $42.1 billion. With an average useful life of 25 years, over $1.4 billion in constant dollars should be spent annually just to maintain the system in a state of good repair. Between 2011 and 2020 when inflation is considered, the total costs of maintaining the regions system in a state of good repair will be $18.7 billion. Currently, $8.3 billion has been budgeted to Capital Programs for the 2011-2020 Ten Year Plan. $1.4 billion of Capital funds have already been committed to debt service for bonds issued by the CTA, and $398.1 million is programmed to be transferred out for operating expenses between 2011 and 2015. The current Ten-Year Capital Program leaves approximately $6.4 billion in funds available for the 2011-2020 period, 34.5 percent of the total replacement need.

Capital Funds Available for Ten Year Plan

As Exhibit 7-10 indicates there are four sources of funding that are dedicated to capital program expenditures in the region, Federal, State, RTA and Local. In the RTA's Ten Year plan $443.2 million in Federal Capital Grants are expected to be made available to the RTA in 2011. By 2020 Federal Capital Grants are planned to increase to $623.8 million a compound annual growth rate of 3.5 percent, reflecting long term historic trends.

Exhibit 7-11: **Capital Program Funds Available** (in millions)



State funding includes the $2.3 billion available in the State's bond program, appropriated in 2009 and allocated through 2014. An additional $112.5 million of State funds are allocated through the ten year planning period via Illinois Department of Transportation (IDOT). RTA funds include discretionary bonds issued by the agency totaling $53.1 million in 2011. Local funds total $566.8 between the years 2011 and 2020. $136.8 million of local funds consists of Service Board money that Metra allocates to Capital Programs from farebox revenues each year, capital funding provided to the region from local communities and additional funds by the other service boards. In 2012, the CTA will issue a $430.0 million dollar bond of which the proceeds will be used for the purchase of new 5000 series rail-cars.

Exhibit 7-12: **Capital Funding vs. Annual Replacement Needs** (in millions)

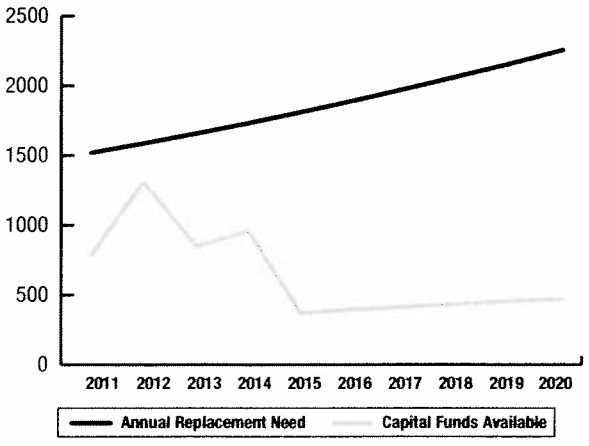
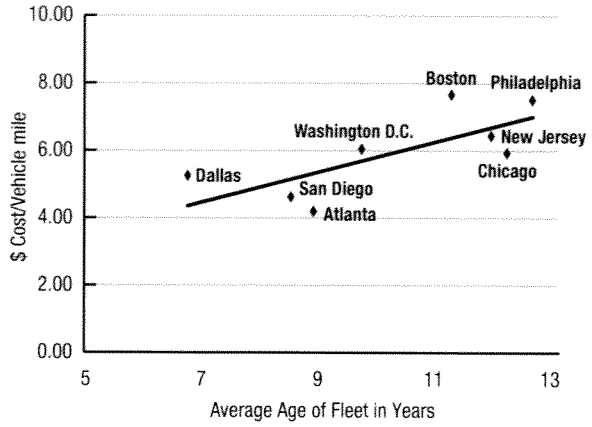


Exhibit 7-13: **Cost/Vehicle Mile and Average Age of Fleet**



The total available funds in 2011 for capital projects are approximately $1.1 billion, short of the annual replacement need for a state of good repair. In 2011, $67.2 million of Capital funds are dedicated to debt service and an additional $250.6 million is programmed for transfers to operations. After these deductions from the capital programs the total amount of undesignated capital funds available in 2011 equals $782.0 million, a $740.9 million shortfall of the actual replacement need for a state of good repair for the year 2011 (not including de-obligations). In August 2010, a Capital Asset Condition Assessment was completed that showed the regions total backlog at $13.8 billion dollars. After 2011 the total backlog will be approximately $14.6 billion. In 2012, nearly $1.5 billion is available for Capital Programs which is only $105.1 million short of the annual replacement need, but with $115.5 million designated for debt service, and an additional $57.8 million programmed for transfers to operations, the undesignated capital funds available fall to $1.3 billion, $278.5 million less than the amount needed to meet the annual replacement need for a state of good repair. By the end of 2012 the region anticipates a total backlog of over $14.8 billion.

As demonstrated in Exhibit 7-11, funding available from State and local sources in the years 2011 through 2014 are critical to funding the capital program. In 2012, a bond issued by the CTA for the purchase of new 5000 series rail cars, will increase capital funding for the region to $278.5 million less than the annual replacement need. In 2013 the amount of funding available for Capital is below the annual replacement need by $812.7 million, and $776.3 million in 2014. In 2015, when funding from the state bonding program is no longer available, capital money is almost exclusively provided from the federal level, with an average of 96.4 percent of all capital funding coming from the federal government between the years of 2014 and 2020.

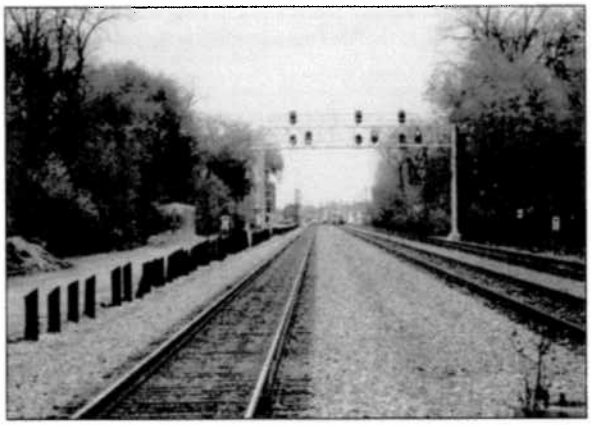
As Exhibit 7-12 shows, during the 2011 to 2020 period the region never quite meets its annual replacement need. In 2012 with the anticipated bond issuance by the CTA of $430 million, capital funding is sufficient to pay for 82.5% of the annual replacement need. With the absence of locally generated borrowing in 2013 and 2014, the region can only meet 51.1 percent, and 55.3 percent of its annual replacement need, respectively. When State funding is no longer projected in 2015, the situation becomes critical, as the amount of funding available would only meet 20.4 percent of the regions annual replacement need.

Lack of funding for Capital Improvements is further exacerbated by two factors, capital transfers to the operating budget, and increased operating costs associated with an aging vehicle fleet.

In recent years increasing amounts of capital funds have been diverted to operating budgets. In the past ten years $794.7 million has been diverted from capital funding to the operating budget. An additional $408.1 million has been budgeted for the 2011-2013 period. Allowing additional transfers of scarce resources will only exacerbate the capital shortfalls. As the region continues to transfer funds from its Capital Programs Budget to its Operating Budget it further delays needed replacement expenditures. Delaying

replacement, results in increased operating expenditures.

By examining the average life of a fleet across peer groups we can see that as the average life of a region's fleet increases the Operating and Maintenance Costs increase as well (Exhibit 7-13). Conversely, if the average age of a fleet decreases, we can expect to see significant savings in operating and maintenance.



Ballast, track, and signal upgrade at Metra's Milwaukee West line

Capital Impact on Maintenance Operations

By investing in Capital and rolling stock the Service Boards save money on their operating budget, evidence would also indicate that as the fleet ages it becomes increasingly expensive to maintain. By meeting its annual replacement need,

Exhibit 7-14: **CTA Capital Impact on Operations** (includes only some of the major programs)

Bus Projects Mid-life Overhaul of Buses ($25.1 million)	· Improve service reliability · Increase customer satisfaction · Enhance safety
Rail Projects Railcar Overhaul & Mid Life Rehabilitation and replacement ($71.9 million)	· Increase fleet reliability · Potential reductions in maintenance and operating costs · Reduce average age of fleet from 26 to 25 years
Repair Track and Structures ($124.4 million)	· Raise travel speeds by reducing slow zone restrictions · Enhance safety · Improve on-time performance · Increase customer satisfaction
System Wide Improvements Implement Security & Communication Projects ($31.3 million)	· Enhance safety and customer satisfaction · Improve communications and efficiencies · Deter theft on trains and platforms

Exhibit 7-15: **Metra Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock Replace Bi-Level Electric Commuter Rail Cars ($171.9 million)	· Maintain on-time performance · Reduce maintenance cost · Enhance safety · Increase customer satisfaction
Track and Structure Rehabilitation of Bridges ($38.6 million)	· Preserve uninterrupted service – higher on-time performance · Improve vertical clearances · Improve traffic flow and pedestrian safety
Electrical Signal & Communication Signal system upgrade ($17.1 million)	· Improve travel times resulting in higher on-time performance · Enhance safety
Stations and Passenger Facilities Rehabilitate/improve/construct stations ($37.0 million)	· Increase other revenue by providing more commercial and retail space

the region could save money on their operating expenditures. Ultimately though, if the region continues to use capital expenditures to fund its operating budget, and fails to meet both vehicular and non-vehicular Capital annual replacement needs, operating costs will continue to rise making it difficult to continue to provide service at current levels.

Impact of Capital Expenditures on the 2011 Operating Budget

CTA

The proposed 2011 Capital Program for CTA totals $392.7 million divided among the following: Bus Projects $50.5 million; Rail Projects $230.4 million; System Wide Projects of $111.8. Additionally, the CTA in 2011 will perform Rail Car Overhauls & Mid-life rehabilitations in total of $71.9 million dollars, combined with the receipt of 30 new rail cars in 2011, the average age of the fleet will be reduced from 26 to 25 years, potentially reducing maintenance and operating costs.

Metra

The proposed 2011 Capital Program for Metra totals $383.5 million divided among the following: Rolling Stock $203.9 million; Track & Structure $54.0 million; Electrical, Signal & Communications $41.3 million; Support Facilities and Equipment $20.3 million; Stations and Passenger Facilities $40.3 million; and Miscellaneous $23.7 million.

NABI bus - Pace Rapid Transit project

Pace

The proposed 2011 Capital Program for Pace totals $78.3 million divided among the following: Rolling Stock $68.6 million; Support Facilities & Equipment $7.3 million; Miscellaneous, Contingencies & Administration $2.5 million. In 2010, Pace spent $55.4 million to purchase 96 fixed route buses which could potentially reduce the average age of their fixed buses from 7.5 to 6.5 years resulting in potential savings in operating and maintenance costs for 2011.

The RTA will continue to work more cooperatively with the service boards to identify the impact of capital expenditures on their operating budgets. As it attempts to mitigate the effects of an aging fleet and meet its annual replacement need.

Exhibit 7-16: **Pace Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock Purchase of 96 fixed route accessible buses ($55.4 million)	· Potential reductions in maintenance and operating costs · Improved travel time · Enhance safety · Lower fuel consumption · Reduce average age of buses from 7.5 to 6.5 years
Support Facilities and Equipment Improvement to Garages/Facilities ($3.3 million	· Savings in the operating budget associated with lower building maintenance costs
Miscellaneous/Project Administration Project Administration ($0.8 million)	· Provides capital fund for staff time spent on the administration of grants · Reduces operating expenses by equal amount

8 Appendices

Exhibit 8-1: **2011 Business Plan Calendar (dates listed are in 2010)**

2011 Business Plan Calendar

DATE	REQUIREMENTS
20-May	RTA Finance Committee and Board meet to discuss and consider the release of the Business Plan Call for the 2011 Annual Budget and Two-Year (2012-2013) Financial Plan.
25-Jun	RTA staff provides economic indicators and preliminary public funding estimates to the Service Boards.
17-Jul	RTA holds Community and County outreach meetings to review legislative actions and collect suggestions for consideration in business plan development.
Aug	Service Boards submit initial Budget, Two-Year Financial Plans, and Five-Year Capital Programs proposals to the RTA
2 - 3-Aug	During the August RTA Board meeting the RTA Executive Director reports on the status of the Service Boards' Budget and Financial Plan submittals for the upcoming year.
Aug-Sep	The RTA Executive Director prepares the finance and ordinance information required to: (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, (3) set the preliminary capital program amounts for the upcoming five years.
15-Sep	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the preliminary capital program amounts for the upcoming five years.
Sep-Oct	RTA evaluates the Service Boards' current year performance for consistency with the adopted budget and provides guidance to the Service Boards to use in completing their proposed Annual Budget and Two-Year Financial Plan.
Sep-Oct	Service Boards release their proposed Budget and Two-Year Financial Plan to the RTA, the public, and present to the Counties in the region.
Oct-Nov	RTA Executive Director reviews the Service Boards' proposed Budget and Two-Year Financial Plan and provides comments to the Service Boards.
21-Oct	RTA Board Committees and the RTA Board review the proposed RTA Agency Budget.
15-Oct	Service Board budget proposals, adopted by their Board, are submitted to the RTA not later than November 15.
16 - 30-Nov	RTA staff prepares consolidated Budgets and Two-Year Financial Plans for public review and comment.
18-Nov	During the RTA Board Meeting the Chairman of the RTA Board and/or the Chairman of the RTA Board Finance Committee approve the release of the proposed Budget and Two-Year Financial Plan.
Nov-Dec	RTA presents operating and capital program information to the Counties in the region.
1-Dec	RTA proposed Budget, Two-Year Financial Plan, and Five-Year Capital Program is made available for public review and comment.
Dec	RTA holds public hearings in December on the proposed RTA Budget and Two-Year Financial Plan.
17-Dec	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the capital program amounts for the upcoming five years. The RTA Finance Committee and Board also meet to discuss and consider the release of the Business Plan Call for the longer-term Ten-Year (2011- 2020) Financial Condition assessment. The RTA Executive Director reports to the RTA Board the adequacy of the Service Boards' Part II Business Plan submittals for its review and discussion at the December 17, 2009 RTA Board meeting.

Exhibit 8-2.1: **RTA Community Meetings/Budget Hearings Schedule**

The RTA sought public input regarding the 2011 budget and provided updates on state and federal capital funding while reviewing recommended projects for RTA funding programs. RTA Board members offered opening remarks followed by RTA senior staff who conducted presentations on the Budget. Attendees had the opportunity to make public comment.

CHICAGO
Central - Monday, August 23rd
9:00 am
University Center (Private Dining Room)
525 S. State St., Chicago

South - Tuesday, August 24th
6:00 pm
Carter G. Woodson Public Library (Auditorium)
9625 S. Halsted, Chicago

North - Wednesday, August 25th
6:00 pm
Loyola University (Bremner Lounge - 1st Floor)
1125 W. Loyola Avenue, Chicago

West - Thursday, August 26th
6:00 pm
Wilbur Wright College (Theatre)
4300 N. Narragansett Avenue, Chicago

Southwest - Tuesday, August 31st
6:00 pm
National Museum of Mexican Art (Main Room)
1852 W. 19th Street, Chicago

SUBURBAN COOK COUNTY
West - Monday, August 30th
6:00 pm
Forest Park Library
(Josephine Austin Meeting Room)
7555 Jackson Boulevard, Forest Park

South - Monday, August 30th
6:00 pm
South Suburban Mayors & Managers
(Conference Room C)
1906 W. 174th St., East Hazel Crest

North - Tuesday, August 31st
6:00 pm
Pace Headquarters (Board Room)
550 W. Algonquin Rd., Arlington Heights

KANE COUNTY
Monday, August 23rd
6:00 pm
The Centre of Elgin (West Conference Room)
100 Symphony Way, Elgin

WILL COUNTY
Tuesday August 24th
6:00 pm
Southland Senior Services (Main Room)
25864 S. Chestnut Road, Monee

DuPAGE COUNTY
Wednesday, August 25th
6:00 pm
DuPage Co. Building (Auditorium)
421 N. County Farm Rd., Wheaton

LAKE COUNTY
Thursday, August 26th
6:00 pm
University Ctr. of Lake County (G - room 132)
1200 University Center Dr., Grayslake

McHENRY COUNTY
Wednesday, September 1st
6:00 pm
Woodstock Admin. Bldg. (Conference Room A)
667 Ware Rd., Woodstock

Meetings are open to the general public and are ADA accessible.

Exhibit 8-2.2: **RTA 2011 Budget hearing and Webinars**

The Regional Transportation Authority (RTA) hosted its final public budget hearing and two webinars for the 2011 budget in December of 2010. The budgets for the CTA Metra and Pace were reviewed and a general outlook for the transit system and key agency initiatives were presented. Attendees had the opportunity to participate in a Q&A session where RTA staff received comment and responded to questions.

Budget Hearing
Monday, December 6th
6:00 pm
RTA Headquarters Bldg.
175 W. Jackson Blvd., Chicago
Suite 2200

The RTA Board Room is ADA accessible and attendees requiring reasonable accommodation were asked to call 312-913-3153.

Budget Hearing Webinar
Tuesday, December 7th
12:00 pm to 1:00 pm

Wednesday, December 8th
2:00pm to 3:00 pm

Webinar attendees could reserve a seat at www.RTAchicago.com and after registration they would receive a confirmation email containing instructions about joining the webinar.

Public Hearing 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 thirteen public hearings from August 23rd through September 1st and one on December 6th. It also hosted two webinars in December. The hearings in August took place as follows: five in the City of Chicago (north, east, south, west and central), three in suburban Cook (north, south and west), and one each in Lake, Will, DuPage, Kane and McHenry counties. The hearing in December took place at the RTA headquarters in downtown Chicago. The meetings were publicized in press releases issued to the media, paid ads in newspapers across the region, e-mails and calls to Partners for Transit, the RTA's InTransit newsletter, a special communication to elected officials, as well as through the Service Boards, at reduced fare presentations, and on RTA, all service boards and many Partners For Transit websites. The hearing schedules are detailed in Exhibit 8.2.1 and 8.2.2

At these meetings, the RTA briefed the public on the proposed RTA 2011 Budget, the proposed Program of Projects, the Illinois Jobs Now projects, a review of the 2010 budget and a current assessment of the economic conditions and status as it relates to the RTA.

Presenters included Executive Director Joseph G. Costello and RTA senior management who were joined by RTA board members at all the hearings. Presentations were also given to all County Boards in the service area.

The main category of the public hearing comments centered around expand/enhance (more/new services) with two close seconds: infrastructure (repair/replace) and coordination. Expand/enhance received 22 comments with infrastructure and coordination receiving 13 and 12 respectively. Webinar questions centered on streams of revenue (e.g. State's nonpayment, impact of Seniors Ride Free Program, federal reauthorization, strategies for more funding, vehicle-miles-traveled tax, etc. Court reporters were present to take testimony at all public hearings. Transcripts are on file with RTA.

In addition to the hearings, the budget documents and actual presentation were posted on RTA websites and announced through RTA's social media network as well as other methods in order to broaden public access. The RTA Board voted to approve the 2011 transit system budget at its December 16th meeting.

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 transit vehicles, operations and facilities to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit.

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 Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. (Of the four types

of fiduciary funds [Agency funds, pension (and other employee benefit] funds, investment trust funds, and private-purpose funds), the RTA uses only the first two.)

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 Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

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 estimated to be available for the next three years. 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.

Capital—Funds that finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car Mile or Vehicle Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

Circuit Breaker Program—The Illinois Department on Aging's Circuit Breaker program provides assistance to low income senior citizens and persons with disabilities. Illinois residents with a qualifying disability who meet the income eligibility requirements of the Circuit Breaker program are eligible for free rides on regularly scheduled fixed-route public transit service.

CMAP (The Chicago Metropolitan Agency for Planning)—Formed in 2005, CMAP integrates planning for land use and transportation in northeastern Illinois. The new organization combined the region's two previously separate transportation and land-use planning organizations -- Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) -- into a single agency.

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.

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.

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.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers and other fare subsidies except the state reduced fare subsidy program. Also referred to as "system-generated" revenue.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes that serve Metra stations.

Financial Plan—In addition to an annual budget, the RTA 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 Expenditures)—Pay or expenditures 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 that helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and 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 prove 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-time work schedule for one year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund. 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.

Funding Formula—A specific formula used to determine a subsidy level.

General Long Term Debt Account Group (GLTDAG)—This account group 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 Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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 group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board.

For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

Innovation, Coordination and Enhancement (ICE) Fund—A fund created to award grants to the Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements.

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.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (Intermodel 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.

Joint Self Insurance Fund (JSIF)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The service boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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 Expenditure—Expenditures for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

Metra—The Commuter Rail Division of the RTA responsible for all rail public transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

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 revenue and other financial resource increments (e.g., bond issue proceeds) is 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.

Moving Beyond Congestion—Jointly with the Chicago Transit Authority, Metra and Pace, the Regional Transportation Authority is leading a strategic planning effort to maintain, enhance and expand the northwestern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

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.

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 revenue and expenditures 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. On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including 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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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 expenditure 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 an amount equal to 25 percent of the RTA Part I Sales Tax collected in the previous month. All funds deposited in the RTA's General Fund are used at its discretion for the benefit of the Service Boards.

Public Funding—Funding received from the RTA. Generally refers to funding for Service Board operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the ADA paratransit Service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures as allowed by the RTA Act. 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 attain an annual recovery ratio of at least 50 percent for mainline service. For ADA paratransit service, the Act requires a 10% recovery ratio in 2008 and 12% thereafter.

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 (PART I)—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. Fifteen 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.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

SCIP (Strategic Capital Improvement Program) 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). 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.

State Financial Assistance (SFA)—Subject to appropriation by the State, this assistance reimburses the debt service expenses of the RTA's Strategic Capital Improvement Program (SCIP) bonds.

Statutory Funds Designated for Capital or Transfer Capital—The difference between a Service Board's statutory Funding 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 the only Service Board that has generated by statute funds for capital in more than a decade.

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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program (TAP)—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50, at a reduced price to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998, this legislation 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.

TOD (Transit-Oriented Development or Transit-Oriented Design)— Mixed use development of residential, office and retail uses within walking distance of a transit station or bus route.

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.

Supplemental Data

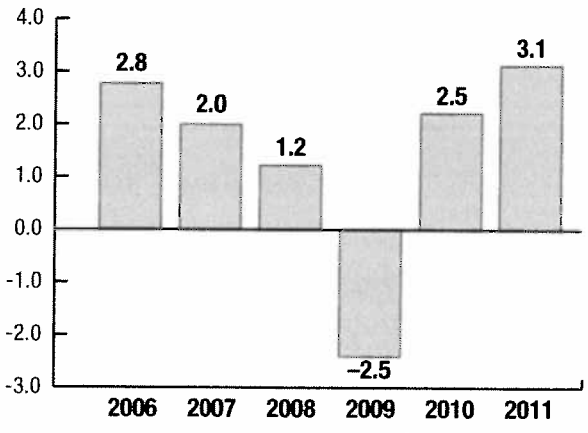
National Economic Projections

The Gross Domestic Product (GDP) is the value of the output of goods and services produced by labor and property located in the United States. Exhibit 8-3 highlights the annual real GDP growth from 2006 through 2011. The GDP growth steadily declined from 2.8 percent in 2006 to negative 2.5 percent in 2009. The Congressional Budget Office expects that GDP will rebound and increase 2.5 percent in 2010 and increase an additional 3.1 percent in 2011.

Exhibit 8-4 shows the U.S. annual unemployment rate from 2006 through 2011. The annual average unemployment rate remained stable at 4.6 percent in 2006 and 2007, and then increased to 5.7 percent in 2008. The national unemployment rate climbed to 9.3 percent in 2009 and reached a high of 9.6 percent in 2010. The unemployment rate is expected to fall just below 2009 levels to 9.2 percent in 2011.

Exhibit 8-5 shows the annual growth of the U.S. Consumer Price Index (CPI) from 2006 through 2011. The CPI annual growth rate decreased from 3.2 percent in 2006 to 2.8 percent in 2007. CPI annual growth jumped to 4.1 percent in 2008. It is expected that the growth will drop to 1.6 percent in 2010 and hold steadily at 1.6 percent in 2011.

Exhibit 8-3: **U.S. Real Gross Domestic Product** (percent change)



Source: US Department of Commerce, Congressional Budget Office

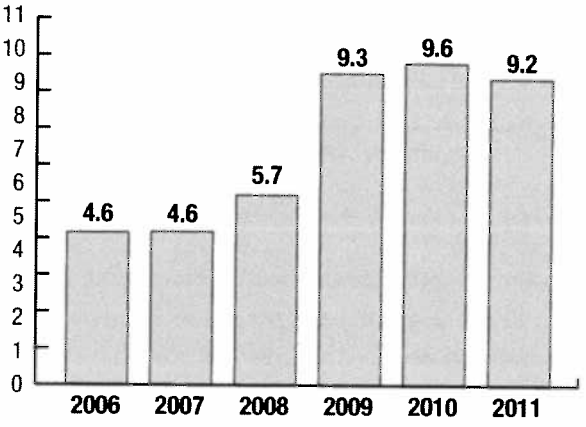
RTA Region

The following sections summarize 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

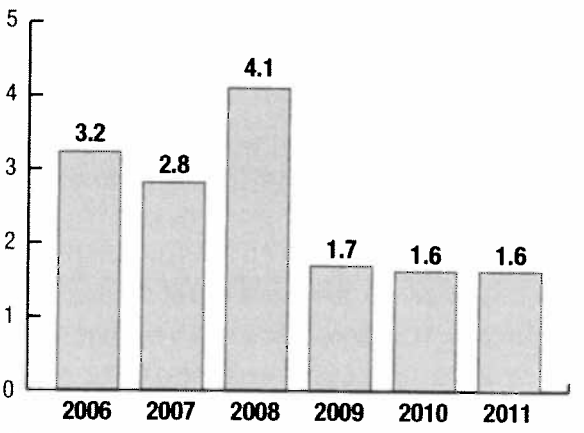
As shown in Exhibit 8-6, the population of the RTA region grew by 4.4 percent (from 8.1 million to 8.4 million) between 2000 and 2009. Population growth in the RTA region grew at a slower pace than the overall population of the United States, which

Exhibit 8-4: **U.S. Unemployment Rate** (in percent)



Source: US Department of Commerce, Congressional Budget Office

Exhibit 8-5: **U.S. Consumer Price Index** (percent change)



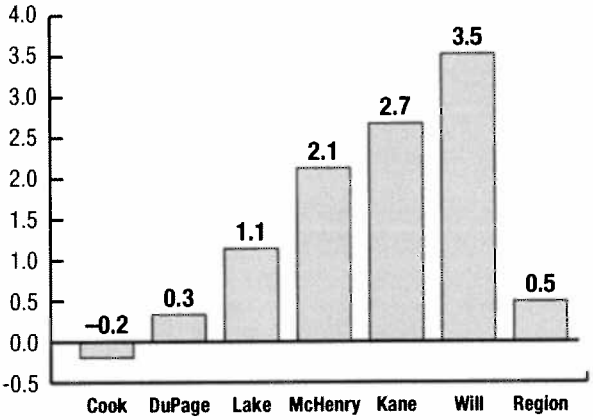
Source: US Department of Commerce, Congressional Budget Office

Exhibit 8-6: **Population Trend by County** (in thousands)

	2000	2009	% Change
Cook	5,377	5,287	-1.7%
DuPage	904	933	3.2%
Kane	404	512	26.7%
Lake	644	713	10.7%
McHenry	260	314	20.7%
Will	502	685	36.4%
Total	**8,092**	**8,444**	**4.4%**

Source: United States Census Bureau

Exhibit 8-7: **RTA Region Population Annualized Growth Rates 2000-2009** (in percent)



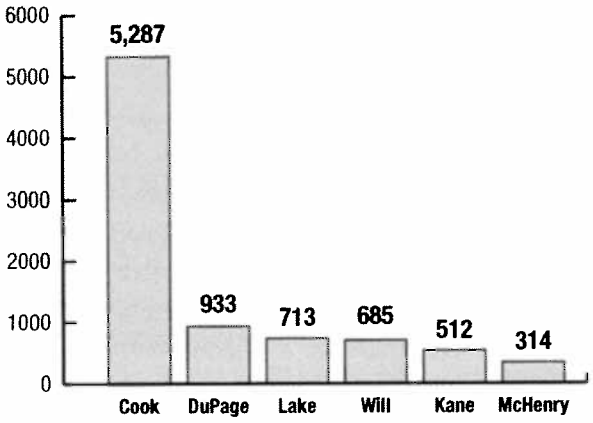
Source: United States Census Bureau

increased by 9.1 percent during this period.

Since 2000, most of the region's population growth has occurred in the collar counties. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties between 2000 and 2008. The highest growth rate occurred in Will County, where the population has increased at an annual rate of 3.5 percent. The population of Kane and McHenry counties grew at annual rates of 2.7 percent and 2.1 percent, respectively, while the population of Lake and DuPage counties increased at annual rates of 1.1 percent and 0.3 percent, respectively. Cook County experienced a population decline at an annual rate of 0.2 percent. During the 10-year period, the population of the entire RTA region grew at an annual rate of 0.5 percent.

In 2009, Cook County accounted for 63 percent of the 8.4 million people living in the RTA region. DuPage County's population comprised 11 percent

Exhibit 8-8: **RTA Region Population Distribution by County - 2009** (in thousands)



Source: United States Census Bureau

of the region, followed by Lake County and Will County (8 percent each), Kane County (6 percent), and McHenry County (4 percent). The population distribution for 2009 is illustrated in Exhibit 8-8.

Employment

Exhibit 8-9 provides a comparison of 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 from 2006 to 2010. Between 2006 and 2010, the unemployment rate in Illinois increased from 4.5 percent to 9.2 percent. In 2009, the unemployment rate reached 10.1 percent in Illinois, 0.8 percentage points higher than the national unemployment rate of 9.3 percent. Illinois is beginning to show some signs of a modest recovery, in November of 2010 the unemployment rate of 9.2 percent was 0.9

Exhibit 8-9: **Unemployment Rates** (in percent)

	2006	2007	2008	2009	Nov. 2010*
United States	4.6	4.6	5.8	9.3	9.3
Illinois	4.5	5.0	6.5	10.1	9.2
County					
Cook	4.7	5.1	6.5	10.3	9.4
DuPage	3.4	3.8	5.0	8.4	7.1
Kane	4.3	4.8	6.3	10.3	8.7
Lake	4.2	5.0	6.7	9.8	9.5
McHenry	3.7	4.3	5.8	9.7	8.1
Will	4.3	4.7	6.1	10.1	8.9

*Nov. 2010 county rates not seasonally adjusted.

Exhibit 8-10: **Labor Force by County** (in thousands)

Area	2000	% of Total	2009	% of Total
Cook	2,728	64.2	2,602	60.5
DuPage	530	12.5	524	12.2
Kane	222	5.2	269	6.2
Lake	338	8.0	363	8.4
McHenry	151	3.6	180	4.2
Will	279	6.6	364	8.5
Total	**4,248**	**100.0**	**4,301**	**100.0**

Source: Illinois Department of Employment Security

Exhibit 8-11: **Employment Distribution by Industry**

	1990	2000	2009
Natural Resources & Mining	0.4%	0.2%	0.2%
Construction	5.1%	5.4%	5.6%
Manufacturing	17.8%	17.6%	16.4%
Trade, Transportation, & Utilities	26.2%	25.2%	24.8%
Information	3.0%	3.0%	3.0%
Professional & Business Services	20.9%	17.6%	16.4%
Leisure & Hospitality	9.0%	9.8%	9.9%
Other Services	4.7%	4.9%	5.1%
Government	17.5%	16.9%	17.1%

Source: U.S. Department of Commerce-Bureau of Economic Analysis

percent lower than the Illinois average last year, and 0.1 percent lower than the national average in 2010.

In 2010, the Illinois state-wide unemployment rate exceeded those of most of the counties of the RTA region except Cook and Lake. Among the six counties in the RTA region, DuPage County's November 2010 unemployment rate of 7.1 percent was the lowest in the region, while Lake County's rate of 9.5 percent was the highest in the region.

Suburban jurisdictions have led the region in Labor Force growth since 1990. In 2000 employment in the five collar counties accounted for 35.8 percent of the RTA regions total. Cook County, which in 2000 accounted for 64.2 percent of the region's employment, accounted for 60.5 percent of employment in 2009. Regional employment has increased from 4.2 million in 2000 to 4.3 million in 2009 a 1.2 percent increase (Exhibit 8-10).

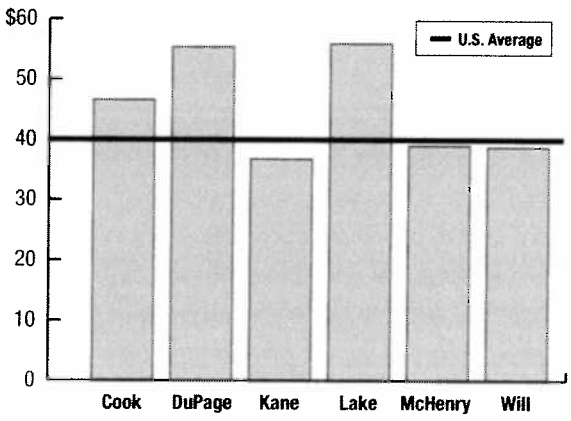
The trends in employment by economic sector in the RTA region are illustrated in Exhibit 8-11. The Professional and Business Services sectors experienced the greatest loss during the 2000 to 2009 period. In 2009, Professional and Business Services comprised 16.4 percent of employment, Trade, Transportation and Utilities were 24.8 percent, manufacturing 16.4 percent, Government 17.1 percent, and Leisure and Hospitality were 9.9 percent. Combined, Natural Resources and Mining, Construction, Information, and Other Services comprised the remaining 13.8 percent.

The RTA region has experienced steady growth in per capita personal income. Within the region, per capita personal income was higher than the US average in Cook, DuPage, and Lake Counties with Lake and Dupage having the highest level in the six county region in 2008 and Kane and Will counties having the lowest, as illustrated in Exhibit 8-12.

Sales Tax Trends

In April 2008, the RTA sales tax increased from the equivalent of one percent on retail sales in Cook County and one quarter percent on retail sales in the collar counties to the equivalent of one and one quarter percent on retail sales in Cook County and one half percent on retail sales in the collar counties. Also in 2008, a real estate transfer tax of three tenths of one percent was imposed in the City of Chicago to fund the CTA. Sales tax collections grew from $650 million in 2000 to $894 million in 2009. Between 2000 and 2003, sales tax collections fluctuated between $650 and $655

Exhibit 8-12: **Region Per Capita Income** (dollars in thousands)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exhibit 8-13: **Sales Tax Collections by County** (dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008(1)	2009
Chicago	$199	$197	$195	$198	$205	$214	$231	$237	$272	$268
Suburban Cook	354	358	354	356	364	373	396	395	447	419
Total Cook	**$553**	**$555**	**$549**	**$555**	**$569**	**$587**	**$627**	**$632**	**$720**	**$686**
DuPage	$43	$42	$41	$41	$43	$44	$47	$47	$77	$79
Kane	12	12	12	13	14	15	16	16	26	27
Lake	24	25	25	25	26	27	29	29	48	50
McHenry	7	7	7	8	8	9	9	9	16	17
Will	12	12	13	14	15	17	19	20	34	35
Total Collar	**$97**	**$99**	**$98**	**$100**	**$106**	**$113**	**$120**	**$121**	**$202**	**$208**
Total RTA Region	**$650**	**$654**	**$648**	**$655**	**$676**	**$700**	**$747**	**$753**	**$921**	**$894**
Percent Change	**6.0%**	**0.5%**	**(0.9%)**	**1.1%**	**3.2%**	**3.7%**	**6.6%**	**0.8%**	**22.4%**	**(3.0%)**

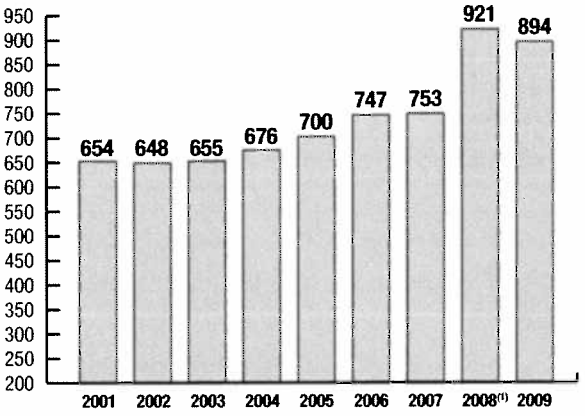
(1) In April 2008 legislation was enacted that modified and increased the percentage of sales tax collected in the region.

million. From 2004 to 2006, sales tax collections increased from $676 million to $747 million. In 2008, sales tax collections increased 22.4 percent from $753 million to $921 million, due to the April 2008 sales tax increase. In 2009, largely due to the economic recession, the sales tax collections decrease 3.0 percent from 2008. The percentage of sales tax collected by Cook County decreased from 84 percent in 2007 to 77 percent in 2009 a 7.0 percent decrease from before the 2008 legislation was enacted. (Exhibit 8-13 and 8-14)

Ridership Trends

Total RTA ridership increased each year in 2000 and 2001 despite a decline in Pace ridership during this period. Reflecting the overall downturn in the economy, total RTA ridership declined in both 2002 and 2003. Metra and Pace lost riders in 2002, while all three Service Boards lost riders in 2003 versus prior year. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, all three Service Boards achieved significant ridership gains as the economy rebounded and gas prices climbed. Regional ridership continued to grow in 2006 and 2007. In 2008 ridership grew 4.9 percent representing the largest percentage of growth in

Exhibit 8-14: **Sales Tax Collections** (dollars in millions)



(1) In April 2008 legislation was enacted that modified and increased the percentage of sales tax collected in the region.

Exhibit 8-15: **RTA Ridership** (in millions)

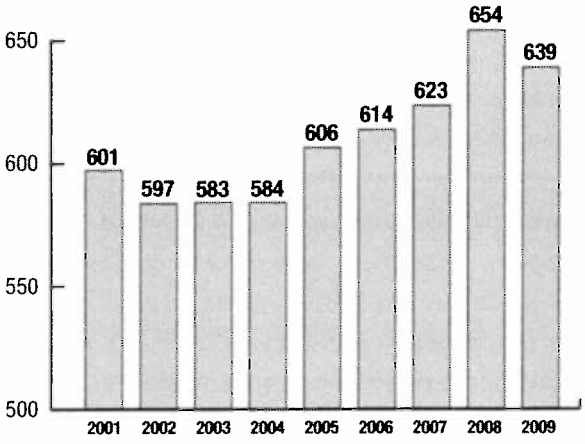


Exhibit 8-16: **Service Board Ridership 2000-2009** (millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CTA Bus	303.3	303.1	304.8	293.7	296.2	305.6	299.6	309.3	328.2	318.7
CTA Rail[1]	176.2	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1	202.6
Total CTA	**479.5**	**484.8**	**485.2**	**474.8**	**474.9**	**492.4**	**494.8**	**499.5**	**526.3**	**521.3**
Metra	78.8	79.2	76.8	74.8	74.6	77.0	80.8	84.3	86.8	82.3
Pace	38.6	37.0	34.8	33.7	34.1	36.9	38.0	36.6	37.8	32.3
Regional ADA Paratransit[2]								2.5	2.7	2.8
Total RTA	**596.9**	**601.0**	**596.8**	**583.3**	**583.6**	**606.3**	**613.6**	**622.9**	**653.6**	**638.7**
% Increase	**2.3%**	**0.7%**	**(0.7%)**	**(2.3%)**	**0.1%**	**3.9%**	**1.2%**	**1.5%**	**4.9%**	**(2.3%)**

[1] CTA rail ridership includes cross-platform transfers.
[2] Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

Exhibit 8-17: **Service Board Operating Expenditures** (dollars in millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CTA	$851	$884	$920	$897	$938	$1,021	$1,076	$1,094	$1,214	$1,262
Metra	416	431	445	455	466	504	525	548	595	577
Pace	122	127	131	139	147	160	199	163	172	174
Regional ADA Paratransit[1]								84	108	115
Total	**$1,389**	**$1,442**	**$1,496**	**$1,491**	**$1,552**	**$1,685**	**$1,801**	**$1,890**	**$2,090**	**$2,129**
% Change	5.6%	3.8%	3.7%	(0.3%)	4.1%	8.6%	6.9%	4.9%	10.6%	1.9%

[1] Prior to 2007, ADA Paratransit expenditures are included in CTA Bus and Pace figures.

the past ten years. In 2009, Ridership decreased 2.3 percent the most in the past ten years, as each service board experienced a decline in ridership. (Exhibit 8-15 and 8-16)

Other Trends

Service Board Expenditures (Exhibit 8-17 and 8-18) show a steady increase each year from 2000 to 2009. Expenditures increased at a compound annual growth rate of 4.4% during this period. Service Board Fare Box Revenues increased at a compound annual growth rate of 2.7% between 2000 and 2009. (Exhibits 8-19 and 8-20)

System Characteristics

Exhibit 8-21 provides some basic system characteristics, including Asset Value, Regional system statistics, and Vehicle and route statistics.

Exhibit 8-18: **Service Board Operating Expenditures** (dollars in millions)

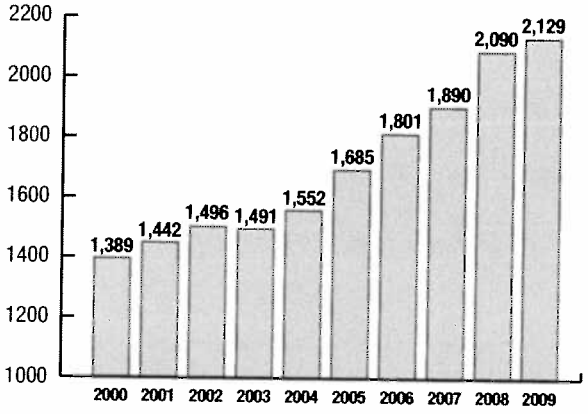


Exhibit 8-19: **Service Board Farebox Revenue** (dollars in millions)

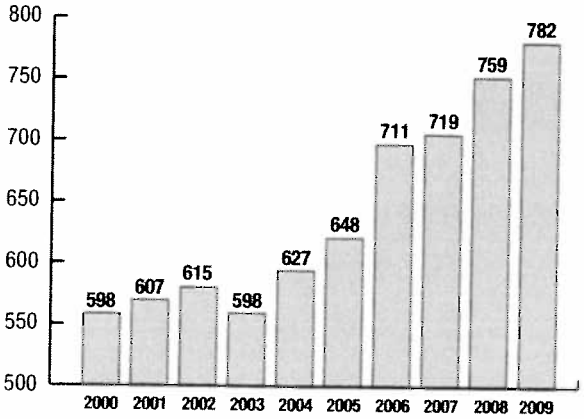


Exhibit 8-20: **Service Board Farebox Revenue** (dollars in millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CTA	$369	$374	$384	$368	$403	$417	$462	$457	$471	$506
Metra	192	192	190	191	192	198	218	227	252	236
Pace	37	41	41	39	32	32	31	28	28	33
Regional ADA Paratransit[1]								6	7	7
Total	**$598**	**$607**	**$615**	**$598**	**$627**	**$648**	**$711**	**$719**	**$759**	**$782**
% Change	1.8%	1.4%	1.4%	(2.7%)	4.8%	3.3%	9.8%	1.1%	5.5%	3.1%

[1] Prior to 2007, ADA Paratransit farebox revenue is included in CTA Bus and Pace figures.

Exhibit 8-21: **System Characteristics**

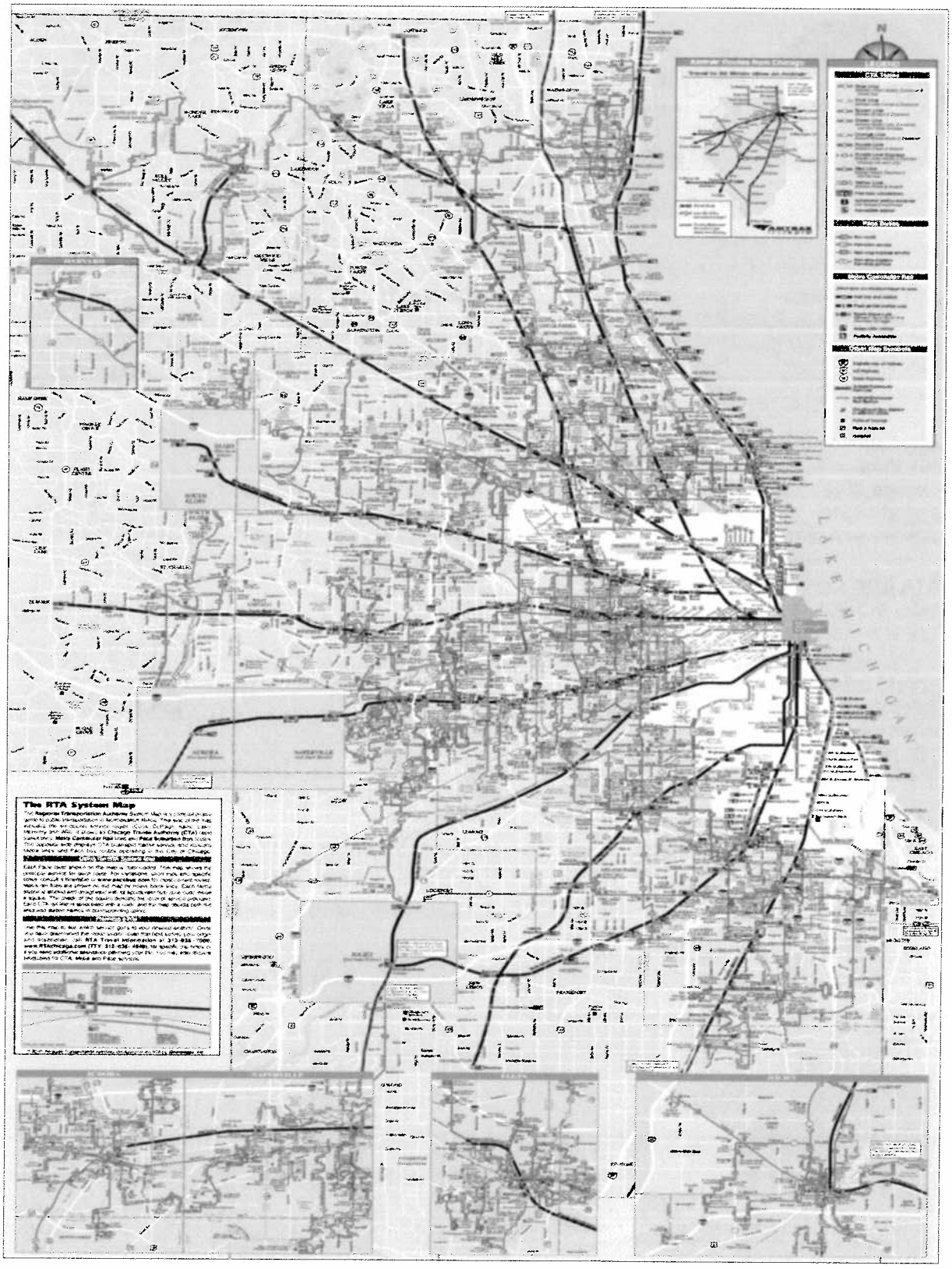
Asset Value (2010)	
CTA	21.8 billion
Metra	19.1 billion
Pace	1.2 billion
Total Asset Value	**42.1 billion**

Regional Statistics	
Regional Population	8.4 million
Service Area	3,749 sq. miles
Revenue Car Miles	235.0 million
Stations Served	381.0

Vehicles & Routes	
Buses	3,684
Cars & Locomotives	2,371
Vanpools Operated	861
Rail Routes	20
Bus Routes	337

All data excludes NICTD South Shore. Asset Value Excludes CTA Tunnels.

RTA System Map



Regional Transportation Authority

RTAChicago.com

RTA Main Office
175 West Jackson Boulevard, Suite 1650
Chicago, Illinois 60604
312-913-3200
www.rtachicago.com

RTA Customer Service
165 North Jefferson Street
Chicago, Illinois 60661
312-913-3110
TTY 312-913-3111

RTA ADA Certification Helpline
Voice 312-663-4357
TTY 312-913-3122

Travel Information Center
Call 836-7000 from any local area code
in the six-county region
TTY 312-836-4949
www.goroo.com

RTA Transit Benefit Fare Program
800-531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
312-322-6777
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
847-364-7223
www.pacebus.com

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Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

2012

Operating Budget, Two-Year Financial Plan and Five-Year Capital Program

Department of Finance & Performance Management
April 2012

Regional Transportation Authority

RTA Board of Directors

Chairman
John S. Gates, Jr.,
Appointing Authority:
RTA Board of Directors

Patrick J Durante
Appointing Authority:
DuPage County

André Rice
Appointing Authority:
City of Chicago

Carole L. Brown
Appointing Authority:
City of Chicago

John V. Frega
Appointing Authority:
Suburban Cook County

J.D. Ross
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Jan Carlson
Appointing Authority:
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Appointing Authority:
Suburban Cook County

William R Coulson
Appointing Authority:
Suburban Cook County

Dwight A. Magalis
Appointing Authority:
Lake County

Joseph G. Costello
Executive Director

L. Tyrone Crider, Sr.
Appointing Authority:
Cook County President

Samuel M. Mencoff
Appointing Authority:
City of Chicago

Letter from the Executive Director

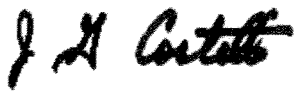
A vibrant and reliable public transit system provides vast economic, environmental, and quality of life benefits to the region and the state. The RTA system, like many private businesses and public agencies, has been struggling to deal with the declining economy since the 2008 financial crisis began. Therefore, the RTA's role as the fiscal oversight manager of the three operating agencies is more critical than ever.

As we deal with budget shortfalls, it is important to retain our focus on our customers and their needs. The RTA works to develop coordination among public transit services in the region that optimize our capital investments, increase operational efficiencies, and enhance the customers' experience. We have partnered with the Service Boards - - CTA, Metra, and Pace - - on a variety of initiatives that require collaborative efforts. In cooperation with the Service Boards, we advanced the development of a regional asset condition assessment that documents the funding needed to bring our infrastructure into a state of good repair over the next ten years. With funding from the Federal Transit Administration, we are developing a capital prioritization tool to assist in the programming of strategic capital investments. We are working with the Service Boards to implement a five-year plan for traffic corridor optimization, improve transit technologies that can provide riders with regional real-time travel information and trip planning, and improve signage in downtown locations to help customers navigate the transition between commuter rail and other transit services. Development of a regional open fare payment system is underway that will make the system easier to access for both regular and occasional users of our service. And, we are currently administering a region-wide customer satisfaction survey that will assist in the development of action plans that respond to customers' priorities.

The RTA operating and capital budgets represent the difficult balance between funding realities and operating needs. We are pleased that the budgets submitted from each of the Service Boards do not rely on the fiscally unsustainable use of capital funds for operations. While the operating budgets include cost saving measures, they also depend on a significant fare increase at Metra and potential union concessions to a new labor contract to be negotiated at the CTA. The capital program emphasizes state of good repair investments, but cannot address the full needs outlined by the asset condition report. As a region, we must continue to work for additional sources of funding to support the tremendously valuable regional resource we have -- one that has been built over a century of vision, planning, and investment.

The RTA and Service Boards remain committed to provide our customers with the best possible service.

Sincerely,



Joseph G. Costello

Executive Director, Regional Transportation Authority

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1 Introduction

Regional Transportation Authority

Guide

The outline below is presented as a guide to the organization of the RTA 2012 Budget, Two-Year (2013-2014) Financial Plan, and Five-Year (2012-2016) Capital Program. In reading this document it is important to note that the information provided reflects the Region's funding and service conditions when the RTA Board adopted Ordinance 2011-79 on December 15, 2011, which approved the 2012 budgets and 2013-2014 financial plans of the Service Boards, the Agency, and the Region as a whole. It is also important to note that the funding marks (public funds to cover operating deficits) for each Service Board were set on September 14, 2011. The Service Boards include the Chicago Transit Authority (CTA), Metra commuter rail, Pace suburban bus, and Pace regional ADA paratransit service. The book is divided into the following nine chapters.

1. **Introduction** provides a guide to the overall structure of this document, a regional economic outlook, RTA's strategic plan, vision and goals, key budget issues, governance including the budget process and the 2012 budget ordinance (2011-79), and the 2011 GFOA Distinguished Budget Presentation Award.

2. **Budget in Brief** provides a snapshot of the RTA's role and summarizes the key elements of the 2012 budget.

3. **RTA** is divided into four major categories: Region Operating Plan (RTA, CTA, Metra, and Pace Suburban Service and ADA Paratransit Service consolidated budget and plan); Agency Operating Plan (budget and financial plan); Goals and Performance Measures; and Reference (RTA bonds and fund types).

4. **CTA** includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

5. **Metra** includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

6. **Pace Suburban Service** includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

7. **Pace Regional ADA** includes service characteristics, operating plans, budget and financial plan details, and organizational structure.

8. **Capital** provides an overview and details of the capital program of each of the Service Boards (CTA, Metra, and Pace) and the capital impact on operations.

9. **Appendices** include the budget call calendar, budget hearing schedule, glossary, the schedules of the 2012 budget ordinance (2011-79), and supplemental ridership, sales tax, and demographic data.

Regional Economic Outlook

Like most organizations, the RTA has been struggling in the wake of the 2008 financial crisis. More recent economic trends have provided some indication of a slowly improving economy, and the RTA remains cautiously optimistic about 2012.

Unemployment in the region remains high but trended downward in the last couple months of 2011. The seasonally adjusted regional unemployment rate in December 2011 was 10.2%, a decrease of 0.3 percentage points from the end of the third quarter. Compared to prior year, regional unemployment was 1.0 percentage point higher. Nationally, the Congressional Budget Office (CBO) estimates that the 2011 unemployment rate of 9.2% will drop 1.0 percentage point to 8.2% by the end of 2012.

The RTA has further defined its strategic priorities and identified the values that define our purpose and mission.

Real US Gross Domestic Product (GDP) is expected to increase by 3.1% by the end of 2011 and in 2012 it is expected to increase another 2.8%. An analysis of National Gross Domestic Product and Regional Income Growth can be found in the appendix of this document.

The price of fuel also has a significant impact on the region's ridership. In December 2011 the average cost for a gallon of gas in the region was $3.37, about $0.49 lower than at the end of the previous quarter, but $0.25 higher than in December of 2010.

In 2008, when gasoline prices were at an all time high and before the economic recession took hold in the latter part of that year, the RTA system provided 657 million rides. In 2009 the system saw a 2.5% decrease in ridership followed by a further 0.9% decline in 2010. There have been encouraging signs of ridership growth in 2011 with an expected region-wide 1.3% increase over 2010 levels. In 2012, the Service Boards have budgeted for 647 million rides, a 0.7% increase in ridership over the 2011 estimate of 642 million.

Strategic Plan, Vision Statement, and Goals

In 2012, the Regional Transportation Authority will release its five-year 2012-2016 strategic plan, "The Way Forward" (http://rtachicago.com/index.php?Itemid=455).

While the vision for the region has stayed the same, the RTA has further defined its strategic priorities and identified the values that define our purpose and mission.

OUR MISSION

The RTA will ensure financially sound, comprehensive, coordinated public transportation for the Northeastern Illinois region.

OUR VISION

The Northeastern Illinois region will have a world-class public transportation system that is safe, reliable, sustainable, convenient, affordable, and is the keystone of the region's growing business opportunities, thriving job market, clean air, and livable communities.

OUR VALUES

Core values help us define our purpose and mission:

- **Accountability** – We will protect the public interest by ensuring financially sound, quality public transportation.
- **Transparency** – We will communicate openly and honestly.
- **Innovation** – We will seek out and implement innovative solutions.
- **Collaboration** – We will engage our stakeholders and partners on a regular basis to advance common goals.
- **Integrity** – We carry out our mission in a manner that is fair, ethical and honest.

STRATEGIC PRIORITIES

With limited resources and dire needs, all the region's efforts must be both strategic and focused. The RTA and Service Boards laid out the following strategic priorities in 2011.

- **Strategic Capital Investment:** Reduce operating costs by identifying capital projects that reduce operating expenditures.
- **Economies of Scale:** Identify coordinated purchasing efforts with the Service Boards and other government agencies that achieve cost savings and improve efficiency.
- **Maximize Use of System:** Maximize the use of the existing system by better tapping travel markets that have potential to use transit by streamlining and coordinating services when and where the system is not functioning at capacity.
- **Enhanced Customer Experience:** Focus on targeted capital- and technology-related projects in a coordinated fashion to modernize and enhance the customer experience through improved service performance and customer connections.
- **Coordinated Government Affairs, Marketing and Outreach:** Coordinate customer information and increase coordination and leveraging of partners and other stakeholders.

The Service Boards maintain separate management and, exercise control over all operations including the passenger fare structure.

Critical Developments and Key Budget Issues

The RTA has identified several critical developments in the 2012 Budget, 2013-2014 Financial Plan and Five-Year Capital Program.

OPERATIONS FUNDING WITHOUT CAPITAL TRANSFERS

In the 2011 Budget, the RTA planned to transfer more than $175 million from the capital program to operations in order to sustain fares and service at current levels. The CTA's 2011 amended budget included $113.2 million in transfers from capital to operations. To meet its operations funding needs, Metra budgeted $60.0 million of transfers in 2011, and planned for additional transfers of $25.0 million in 2012 and 2013. Pace projected that Suburban Service operations would require $2.0 million, $3.1 million, and $4.7 million of federal capital funds in 2011, 2012, and 2013, respectively. For the 2012 budget, the RTA is pleased to report that the budgets submitted by each of the Service Boards do not rely on the fiscally unsustainable practice of using capital funds for operations.

METRA FARE INCREASES

The Metra budget includes a proposed fare increase, effective February 1, 2012, that will average 25.1%. This increase in the price of fares may result in the loss of some ridership at Metra. A detailed account of the Metra fare increase can be found in the Metra chapter of this document.

CTA LABOR

A key assumption in the CTA's 2012 budget is anticipated savings from work rule relief as the CTA undertakes labor negotiations with its unionized employees. Labor is by far the CTA's largest expense, representing about 70% of total costs. A half-year credit of $80.0 million for work rule changes is applied in 2012 in anticipation of successful labor negotiations, resulting in a 2.0% decrease in labor expense for the year. In 2013 and 2014, the CTA has planned for savings of $160.0 million each year. Fare increases and/or service reductions may become necessary if these labor savings are not realized.

ADA LEGISLATION

In 2011, the RTA Act was amended to ensure full funding of the ADA paratransit deficit, which is estimated at $115.0 million in 2012. This legislation further stipulated that the ADA paratransit deficit would be fully funded in future years. The 2012 Pace ADA paratransit funding budget is based on a number of

assumptions critical in order to stay within the $115.0 million public funding level established. First, ridership growth is estimated to grow at a rate of about 5%, when the experience over the last few years has been somewhat higher. Demand for the service contributes heavily to the program cost. It will be challenging for Pace to achieve the productivity improvements necessary to meet their budgeted expense level. A defining factor in their success will be achieving increases in the rate of shared rides. In accordance with the 2011 legislation, future available funding for Pace ADA should increase at a rate that is more consistent with historical trends.

SALES TAX DIVERSION

The RTA system relies on sales tax for almost 40% of its total revenue. In an attempt to ensure it receives all sales tax it is due, the RTA filed a lawsuit against the villages of Channahon and Kankakee in August 2011 claiming the towns are acting as tax shelters for local retailers thereby diverting sales taxes from the six-county area where a portion goes to the RTA. These businesses operate retail services in the six-county region and benefit from services provided by local governments including police, fire, public works and transit.

The RTA will also be working diligently this year to pass legislation that clarifies the tax code and permanently ends these tax schemes in a manner that preserves the right of municipalities to engage in legitimate economic development activities.

IMPACT OF THE RECESSION ON PUBLIC FUNDING GROWTH

In 2008, before the start of the financial crisis, funding and reform legislation enacted in P.A. 95-0708 increased RTA public funding from sales tax, the state public transportation fund (PTF), and the City of Chicago's Real Estate Transfer Tax (RETT). For 2012, sales tax revenue is expected to increase 2.8% from 2011. Combined public funding from sales tax, PTF and RETT of $1,334.1 million in 2012 is $323.3 million or 19.5% lower than what was projected in 2008 before the economic downturn. Between 2008 and 2011, the RTA projected that the region would receive a total of approximately $6.1 billion dollars from these various sources. Including the 2011 estimate, the RTA has received about $1.2 billion or about 20% less than what was projected in 2008. The RTA and the Service Boards have had to adjust their strategic priorities in accordance with economic realities.

EXPENSE GROWTH

From 2010 to 2014, the combined operating expense for the region is projected to increase at a compound annual growth rate of 2.2%. In 2012, expenses are budgeted to remain relatively flat from prior year, decreasing about 0.3% to $2.539 billion. In 2010 total operating expense for the region was $2.436 billion. Total expenses are estimated to increase by 4.5% in 2011 to $2.546 billion. By 2014 total expenses are anticipated to reach $2.660 billion.

INSUFFICIENT CAPITAL FUNDING

With capital assets valued at $142.2 billion (as measured in terms of replacement value), the RTA system requires constant investment of capital dollars to both maintain and improve the region's transit infrastructure and rolling stock. In 2010, a Capital Asset Condition Assessment was completed. It placed the RTA region's 10-year capital need at $24.6 billion, comprised of $13.8 billion of backlog costs, $6.9 billion of normal replacement costs, and $3.9 billion of capital maintenance costs.

Current 10-year projections of capital funding sources total $7.8 billion or only 32% of the documented capital need over the same period. The current State of Illinois capital funding programs extend only through 2014 and are not yet fully appropriated. With no State follow-up program identified, capital funding for the RTA region drops to dangerously low levels after 2014. The RTA system is in need of a dedicated source of capital funding. In addition, the RTA's capital funding projections assume steady growth of federal capital funding, an outcome with considerable uncertainty due to the vagaries of future Congressional support and action.

In the 2012 to 2016 Five-Year Capital Program, the total amount of funding available is $3.9 billion. When the $750.8 million of debt service for the repayment of principal and interest on bonds issued for capital purposes is included, total capital funds are equal to $4.6 billion dollars. Of this $4.6 billion, $520.0 million was provided by the CTA from bond proceeds for the purchase of its new Bombardier 5000 series rail cars. The repayment of principal and interest on debt constitutes 16.2% of the $4.6 billion in available capital funding.

TRANSIT ASSET MANAGEMENT

The RTA has been at the forefront of Asset Management and State of Good Repair research for almost four years. In 2011, the FTA awarded the RTA $800,000 towards the development of its Transit Asset Management (TAM) Project with the intent that it be used as a national model. The development of this program will allow the RTA to better allocate limited funding for the region's transportation assets; integrate the Service Boards' asset needs with the region's five-year capital planning and annual budgeting processes; enhance the asset inventory and prioritization processes; and use the Capital Decision Support Tool to create a more robust TAM system.

Governance

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 with its own independent board of directors. These divisions conduct operations and purchase service from private carriers. The RTA became exclusively responsible for funding, financial oversight, and regional planning and programs.

In reviewing this document it is important to note that the Service Boards operate within the RTA region, but are separate legal entities. The Board of Directors of each Service Board is completely independent of the RTA Board. The RTA Board controls neither the selection nor the appointment of any Service Board director or its management. Furthermore, directors of the CTA, Metra, and Pace are prohibited from serving on more than one entity's board of directors, including that of the RTA.

The corporate authority and governing body of the RTA is the 16-member RTA Board of Directors. Fifteen directors are appointed from within the six-county region: five directors by the Mayor of the City of Chicago, one director by the president of the Cook County Board; four directors by the suburban members of the Cook County Board; and one director each from DuPage, Kane, Lake, McHenry and Will appointed by the Chairman or Executive of each County Board. The chairman of the RTA Board, its 16th member, is elected by at least 12 of the 15 appointed members.

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.

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 (apart from ADA Paratransit service) achieves an annual "system-generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of the operation of transportation services other than ADA Paratransit service. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required percentage of their proposed expenditures. By statute, the

recovery ratio for ADA Paratransit service has been set at 10%. 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 40 nearby 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 service area for bus, dial-a-ride, and vanpool service is the suburbs of the six-county region, with some service to areas within the City of Chicago. Pace also operates region-wide ADA paratransit service.

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, each year the RTA is required to prepare and adopt a five-year 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

As previously discussed, 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 budget amendment requirements govern this process. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 9-1).

BUDGET CALENDAR

By July 1 of each year, the State Office of Management and Budget (OMB) is to submit to the RTA an estimate of revenue to be collected from taxes for the next fiscal year.

Between May and September of each year the RTA and the Service Boards execute a "business plan call process" that includes RTA estimates of revenue to be collected from taxes and other sources and the Service Boards' own preliminary estimates for the capital plan and operating revenues and expenditures during the planning period.

Based on this information and its own economic assessments, the RTA estimates tax receipts and revenue 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 and 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 RTA Act requires that the budgets submitted by each Service Board not project or assume receipt of revenue greater than that set in the estimates provided by the RTA.

The RTA 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. The public hearing schedule for the 2012 budget may be reviewed in the Appendices chapter (Exhibits 9-2.1 and 9-2.2).

After conducting these hearings and taking into consideration public comment, the RTA Board must adopt (with 12 votes) a budget that meets the statutory criteria. 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 seven statutory criteria for Board approval of the budget and financial plan of each Service Board. These seven criteria are as follows:

Balanced Budget

Such budget and plan shall show a balance between (a) anticipated revenue 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 expenditures 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.

Strategic Plan

Such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

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.

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 the 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 "it's 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 seven statutory budget criteria necessary to pass an annual budget. If not, the RTA does not release any funds 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 that 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 are then monitored against the amended budget.

OPERATIONS FUNDING

The RTA provides operating funds to each Service Board equivalent to its 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. However, the depletion of the RTA's fund balance due to the economic downturn, prevents the RTA from providing additional funding to the Service Boards in the event that revenues decline below estimated levels, and therefore the practice of funding at budget has been suspended for the 2012 fiscal year.

FUND BALANCE

In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated fund balance. The ordinance affirms that 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% of the RTA's total operating expenditures for that year. If actual sales tax receipts or other RTA revenue falls 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 three-year planning period.

The RTA established this policy 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. In the 2012 and 2013-2014 planning period, due to the difficult economic environment, the RTA Board deferred this policy in favor of a policy that slowly builds a 5% fund balance over a longer period of time.

Financial Policies

CAPITAL EXPENDITURE POLICIES

The RTA Five-Year Capital Program is adopted by the RTA after affirmative vote of at least 12 RTA Directors, after consultation with the Service Boards, and after holding a minimum of three public hearings in Cook County and one public hearing in each of the other counties in the metropolitan region. Preparation of the RTA's capital budget is guided by the following policies found in the RTA Act.

A five-year program for capital improvements is updated annually. Each capital improvement to be undertaken by or on behalf of a Service Board should meet the criteria set in the Strategic Plan and be consistent with any sub-regional or corridor plan adopted by the RTA.

In reviewing proposals for improvements to be included in a Five Year Capital Program, the RTA may give priority to improvements that are intended to bring public transportation facilities into a state of good repair.

The Five-Year Capital Program shall also identify capital improvements to be undertaken by a Service Board, a transportation agency, or a unit of local government and funded by the Authority from amounts in the Innovation, Coordination, and Enhancement Fund.

FIXED ASSETS POLICIES

The RTA sets a fixed asset capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation.

Description	Useful life
Furniture and Equipment	5 years
Computer Equipment	5 years
Leasehold improvements	Life of the lease

GENERAL OBLIGATION BOND POLICIES

The RTA's policy states that bonds should be payable from all revenue 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 (JSIF) 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. In addition, RTA Sales Tax must be 2.5 times greater than the debt service requirement. 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 Act, the CTA, Metra and Pace fare box receipts and funds on hand will not be used for payment of debt service.

INVESTMENT POLICIES

The RTA's policy complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, public trust, and Investments in Local and Disadvantaged Institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

The RTA policy establishes the following objectives:

- **Safety of Principal** – Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall en-

sure that loss of capital, whether from credit or market risk, is minimized.

- **Liquidity** - Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA.

- **Rate of Return** - A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.

- **Public Trust** - The RTA and its officers should avoid any investment transaction or practice which in appearance may impair public confidence in its stewardship of public funds.

- **Investments in Local and Disadvantaged Institutions** - Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

OPERATING BUDGET POLICIES

The RTA operating budget and two-year financial plan approval process is based on the following guidelines:

- Adoption requires an affirmative vote of at least 12 RTA Directors following at least one public hearing in the metropolitan region and meetings with the county board or its designee of each of the several counties in the metropolitan region.

- The Service Boards (CTA, Metra, and Pace) prepare and publish, for public hearing and comment, a comprehensive budget document that is to conform to the RTA "marks." RTA 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.

- All funds are required to balance. The total budgeted revenues must equal the sum of budgeted expenditures for each fund. Revenue sources include sales tax, state funds (e.g. Public Transportation Funds, State Financial Assistance, and Free Rides/Reduced Fare Reimbursement) and other revenue.

- The adopted budget should reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than 5% of the RTA's total operating expenditures for the year. If the amount is below 5%, the financial plan must show full replenishment by the end of the current planning cycle. This financial policy was deferred in the 2012 budget and in the 2013-2014 financial planning years becuase of the economic downturn.

- The combined revenue from RTA operations should cover at least 50% of the system operating costs. ADA Paratransit service revenues should cover at least 10% of the operating costs.

PENSION FUNDING POLICIES

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

RTA ORDINANCE NO. 2011-79

APPROVING THE 2012 BUDGETS AND 2013-2014 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2012 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2012 BUDGETS, ALLOCATING CERTAIN REVENUES OF THE RTA TO THE SERVICE BOARDS, ADOPTING THE FIVE-YEAR CAPITAL PROGRAM, AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT TO THE BUDGET AND PROGRAM FOR FISCAL YEAR 2012

WHEREAS, Section 4.01 of the Regional Transportation Authority Act (the "Act") directs the Board of Directors of the Regional Transportation Authority (the "RTA Board") to (i) appropriate money to perform the purposes of the Regional Transportation Authority (the "RTA" or the "Authority") and provide for payment of debts and expenses of the RTA, (ii) take action with respect to the budget and two-year financial plan of each of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division of the Regional Transportation Authority ("Metra"), the Suburban Bus Division of the Regional Transportation Authority ("Pace", and, together with the CTA and Metra, collectively, the "Service Boards" and each, individually, a "Service Board"), as provided for in Section 4.11 of the Act, and (iii) adopt an Annual Budget and Two-Year Financial Plan for the RTA that includes the annual budget and two-year financial plan of each Service Board that has been approved by the RTA;

WHEREAS, pursuant to Section 4.11 of the Act, the RTA Board adopted Ordinance 2011-58 on September 14, 2011, identifying the amounts of funds estimated to be available to each Service Board for operations during fiscal year 2012 and the two following fiscal years;

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has submitted its proposed fiscal year 2012 budget and proposed 2013-2014 financial plan to the RTA for its review;

WHEREAS, pursuant to Section 4.01(a) of the Act, the RTA has held at least one public hearing in the metropolitan region, and met with the county board or its designee of each of the several counties in the metropolitan region, with respect to its proposed annual budget and two-year financial plan, and considered the proposed budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans;

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards for approval;

WHEREAS, pursuant to Sections 4.01(a) and 4.11(d) of the Act, the budgets and financial plans of the Service Boards shall contain estimated expenses for contributions to be made with respect to pension and other employee benefits, and the Service Boards are required to present to the RTA budgets prepared in such detail as prescribed by the Board, which have been prepared on both an accrual and a cash flow basis, and that fairly present the condition of any pension plan or trust for health care benefits with respect to retirees established by the Service Board and describes the plans of the Service Boards to meet the requirements of Sections 4.02a and 4.02b;

WHEREAS, pursuant to Sections 4.02a and 4.02b of the Act, the RTA shall continually review the payment of the required employer contributions to affected pension plans and if at any time the RTA determines that a Service Board's payment of any portion of the required contributions to an affected pension plan is more than one month overdue, it shall as soon as possible pay the amount of those overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of moneys otherwise payable to that Service Board under Section 4.03.3, and the RTA shall thereafter have no liability to the Service Board for amounts paid to the trustee of the affected pension plan, and if the RTA's payment of such contributions is similarly overdue it shall pay such overdue amount out of its administrative expenses;

WHEREAS, Section 4.10 of the Act prohibits the RTA from releasing funds, other than those allocated by statute, to the CTA in any fiscal year unless a unit or units of local government in Cook County (other than the CTA) enters or enter into an Agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation;

WHEREAS, pursuant to Section 4.03.3 of the Act, the RTA has established public funding levels in 2012 through 2014 for the Suburban Community Mobility Fund and the Innovation, Coordination, and Enhancement Fund (the "ICE Fund") that change proportionately with the percentage change in RTA estimated sales tax receipts;

WHEREAS, pursuant to Section 2.01d of the Act, the RTA has established public funding levels in 2012 through 2013 for the ADA Paratransit Fund;

WHEREAS, pursuant to Section 4.11(a) of the Act, the RTA Board shall review the interim 2012 results for the provision of Regional ADA Paratransit service operations, and the written report of the Executive Director related thereto, no later than September 15, 2012, and shall amend the 2012 budgets of the Authority and the Service Boards to provide for additional funding for the provision of ADA Paratransit services, if needed;

WHEREAS, the RTA will reimburse the purchase of excess liability and terrorism insurance by the RTA system's Loss Financing Plan to provide system protection against catastrophic loss;

WHEREAS, pursuant to Section 2.01b of the Act, the Authority shall each year adopt a Five-Year Capital Program that shall include each capital improvement to be undertaken by or on behalf of a Service Board; provided that the Authority finds that the improvement meets any criteria for capital improvements contained in the Strategic Plan, is not inconsistent with any subregional or corridor plan adopted by the Authority, and can be funded within amounts available with respect to the capital and operating costs of such improvement;

WHEREAS, pursuant to Section 2.01b of the Act, the RTA has conducted public hearings with respect to proposed Five-Year Capital Program and considered comments resulting from such hearings;

WHEREAS, the Five-Year Capital Program included with this Ordinance is based on capital program submittals from the Service Boards, and if the RTA Board makes any amendments to the estimates of capital funding available based on subsequent federal or state actions, the Service Boards will be required to adjust their capital programs to reflect such revised estimates;

WHEREAS, shortfalls in transit operating funding have necessitated the transfer of federal capital funds to cover operating costs, but such transfers are unsustainable over the long term and the priority need to maintain the existing system and bring it towards a state of good repair, as identified in the RTA Moving Beyond Congestion Strategic Plan and the Illinois Auditor General Management and Performance Audit;

WHEREAS, the RTA has previously authorized the use of federal capital funds by the Service Boards to pay preventive maintenance expenses in 2012 and 2013, and under the 2012 budgets and 2013-2014 financial plans submitted by the Service Boards such transfers are not included;

WHEREAS, unfavorable economic conditions have required the RTA to deplete its fund balance to provide funds to the Service Boards, and to allocate, rather than reserve, financial resources in an effort to preserve operating stability in prior years;

WHEREAS, unfavorable economic conditions have created the need to waive, for purposes of the adoption of the 2012 Budget and 2013-2014 Financial Plan, the provision of the RTA Funding Policy adopted by Ordinance No. 98-15 that requires that the RTA Annual Budget and Two-Year Financial Plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund expenditures by no later than the end of the three-year planning period ("the Fund Balance Policy");

WHEREAS, the waiver of the Fund Balance Policy and the depletion of the RTA's fund balance prevents the RTA from providing additional operating funding to the Service Boards in the event that revenues decline below estimated levels, and therefore the RTA funding policy adopted by Ordinance 91-9 (the "Fund to Budget Policy") must be waived for the 2012 fiscal year;

WHEREAS, the RTA held a special Finance Committee meeting on December 5th, 2011 to review the details of the Service Boards' budgets and were given commitments from the Service Boards that they will maintain balanced budgets despite the fiscal challenges outlined in the budgets they submitted to the RTA; 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:

ARTICLE I - INCORPORATION OF PREAMBLES

The preambles of this ordinance are hereby incorporated into this text as if set out herein in full.

ARTICLE II - APPROVAL OF BUDGETS AND FINANCIAL PLANS

Section One:
Service Board Budgets and Financial Plans

1.1 In compliance with the Act, the RTA has received and reviewed the proposed budgets for 2012 and financial plans for 2013 and 2014, of each of the Service Boards.

1.2 With respect to the proposed budget and financial plan submitted by the CTA (as summarized in Schedule I-B), based on the commitment provided by the CTA President that the CTA will prepare and execute an alternate plan to balance its budget if the full amount of the projected labor concessions presented in its budget are not achieved by July 1,2012, without resorting to transfers of funding from its capital program to preventive maintenance, issuing debt instruments, or seeking additional funds from the RTA, and subject to the CTA either (i) achieving labor concessions by July 1, 2012 that will result in the projected "Savings from Labor Reform and Work Rule Changes" in 2012, 2013 and 2014 as reflected in CTA's "Total Operating Expenses" on Schedule I-B, or (ii) submitting a revised budget to the RTA for review and approval by July 1, 2012, that reflects savings from labor concessions included in a collective bargaining agreement executed in 2012 and/or the implementation of fare increases, service cuts, or other measures to reduce operating costs or increase system-generated revenues, as may be necessary to establish a balance between anticipated revenues from all sources and the costs of providing services for fiscal years 2012, 2013 and 2014, the RTA finds as follows:

(a) the CTA budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the CTA 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) the CTA 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 CTA sufficient to allow CTA to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the CTA budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the CTA budget and plan has been prepared in accordance with sound financial practices;

(f) the CTA budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) the CTA budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.3 With respect to the proposed budget and financial plan submitted by Metra (as summarized in Schedule I-B), the RTA finds as follows:

(a) the Metra budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the Metra 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) the Metra 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 Metra sufficient to allow Metra to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the Metra budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the Metra budget and plan has been prepared in accordance with sound financial practices;

(f) the Metra budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established;

(g) the Metra budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.4 With respect to the proposed budget and financial plan submitted by Pace for Suburban Service (as summarized in Schedule I-B), and subject to Pace taking budget balancing actions in 2014 as noted in Schedule I-B, the RTA finds as follows:

(a) the Pace Suburban Service budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the Pace Suburban Service 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) the Pace Suburban Service 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the Pace Suburban Service budget and plan is based upon and employs assumptions and

projections which are reasonable and prudent;

(e) the Pace Suburban Service budget and plan has been prepared in accordance with sound financial practices;

(f) the Pace Suburban Service budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) the Pace Suburban Service budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.5 With respect to the proposed budget and financial plan submitted by Pace for ADA Paratransit service (as summarized in Schedule I-B), and subject to Pace taking budget balancing actions in 2013 and 2014 as reflected in Schedule I-B, the RTA finds as follows:

(a) the Pace ADA Paratransit service budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the Pace ADA Paratransit service 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) the Pace ADA Paratransit service 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the Pace ADA Paratransit service budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the Pace ADA Paratransit service budget and plan has been prepared in accordance with sound financial practices;

(f) the Pace ADA Paratransit service budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) the Pace ADA Paratransit service budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.6 Pursuant to Section 4.11 of the Act, the 2012 budgets and 2013-2014 financial plans for Metra and Pace, as presented in the attached Schedule I-B, are hereby approved. The 2012 budget and 2013-2014 financial plan for the CTA as presented in the attached Schedule I-B are conditionally approved, based on the commitment provided by the CTA President that the CTA will prepare and execute an alternate plan to balance its budget if the full amount of the projected labor concessions presented in its budget are not achieved by July 1 without resorting to transfers of funding from its capital program to preventive maintenance, issuing debt instruments, or seeking additional funds from the RTA, and subject to the CTA either (i) achieving labor concessions by July 1, 2012 that will result in the projected "Savings from Labor Reform and Work Rule Changes" in 2012, 2013 and 2014 as reflected in CTA's "Total Operating Expenses" on Schedule I-B, or (ii) submitting a revised budget to the RTA for review and approval by July 1, 2012, that reflects savings from labor concessions included in a collective bargaining agreement executed in 2012 and/or the implementation of fare increases, service cuts, or other measures to reduce operating costs or increase system-generated revenues, as may be necessary

to establish a balance between anticipated revenues from all sources and the costs of providing services for fiscal years 2012, 2013 and 2014.

1.7 As authorized by Section 4.11 of the Act, the RTA Board hereby directs that, no more than 30 days after each fiscal quarter, each Service Board is directed to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period. CTA is further directed to include in its first quarter report an update regarding the status of its labor negotiations, as well as a detailed plan to balance its 2012 budget and 2013-2014 financial plan, including any projected fare increases or service cuts, in the event that it does not achieve the projected "Savings from Labor Reform and Work Rule Changes" in 2012, 2013 and 2014 as reflected in Schedule I-B. CTA is further directed to include in its second quarter report an update on its labor negotiations and, in the event it has not achieved concessions sufficient to meet the projected "Savings from Labor Reform and Work Rule Changes" in 2012, 2013 and 2014 as reflected in Schedule I-B, an affirmation that it has implemented the cost savings and/or revenue enhancing measures outlined in the plan submitted with its first quarter report, along with a description of any deviations therefrom.

Section Two:

RTA Budget and Financial Plan

The RTA Board has received and reviewed the 2012 Budget and Financial Plan of the Authority as summarized in Schedule I-A. The 2012 Budget and Financial Plan are hereby approved and the RTA Board finds as follows:

(a) The 2012 budget and financial plan shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2012 budget and financial plan shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-E.

(c) The 2012 budget and financial plan 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 system-generated revenues from such fares and charges received in 2012, apart from ADA Paratransit services, to equal at least fifty percent (50%) of the aggregate cost of providing such public transportation in 2012, and at least ten percent (10%) for ADA Paratransit service in 2012, as required by the Act, and as summarized in Schedule I-C.

(d) The 2012 budget and financial plan are based on and employ assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2012, as defined in Section 4.01(c) of the Act, do not exceed the maximum administrative expenses permitted for 2012.

(f) The 2012 budget and financial plan are consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

ARTICLE III - ADOPTION OF THE FIVE-YEAR CAPITAL PROGRAM

Section One:

Adoption of the Five-Year Capital Program

The RTA Board hereby adopts the Five-Year Capital Program Revenues and Expenditures attached as

Schedule II-A and Schedule II-B, subject to continuing review by the RTA.

Section Two:

Prohibition on Capital Projects Not Included in the Program

Pursuant to Section 4.01(h) of the Act, no Service Board shall undertake any capital improvement which is not identified in the Five-Year Capital Program.

Section Three:

Applications for Federal and State Capital Grants, Loans and Other Funds

In accordance with Section 4.02(b) of the Act, each Service Board is directed to provide notice to the RTA of its intent to file any application for federal or state capital grants, loans or other funds prior to making any such application, and to file a copy of any such application with the RTA. No Service Board shall apply for or receive any capital grant or loan unless it is identified in the RTA Five-Year Program and is consistent with the RTA Strategic Plan.

Section Four:

Prohibition on Use of Federal Capital Funds for Preventive Maintenance

Federal capital funds shall not be used by a Service Board to fund preventive maintenance expenses in its operating budget unless the RTA Board determines, based on adequate information supplied by the Service Board, that such use will not have a materially adverse impact on the state of good repair of such Service Board's capital assets.

ARTICLE IV - APPROPRIATION OF FUNDS AND CERTAIN OTHER ACTIONS

Section One:

Appropriation for Each Service Board

The following amounts for 2012 are appropriated for payment to each Service Board from the enumerated sources of funds and for the specified objects and purposes.

1.1 Statutory RTA Taxes

There is appropriated from the taxes collected under Section 4.03, to each Service Board for expenditure pursuant to the 2012 budget approved for such Service Board in Article II, the amount required by Sections 4.03.3(a) and 4.03.3(b) of the Act. The estimated amount of each appropriation is specified as Part I Sales Tax Allocation on Schedule I-D.

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 appropriation.

1.2 Statutory RTA Sales Taxes and Public Transportation Funds

(a) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act, to Pace for expenditure for ADA Paratransit Services, the amount required by Section 4.03.3(c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Total for ADA Paratransit Service on Schedule I-D.

(b) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act to Pace for expenditure for Suburban Community Mobility, the amount required by Section 4.03.3(c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Suburban Community Mobility Funding to Pace on Schedule I-D.

(c) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act, to the Innovation, Coordination and Enhancement (ICE) Fund the amount required by Section

4.03.3(c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Innovation, Coordination & Enhancement on Schedule I-D. Pursuant to Ordinance 2011-58, 2012 funds in the ICE Fund shall be reserved for potential expenditure by Pace for ADA Paratransit service.

The RTA Board directs Pace to provide to the RTA any information requested by the Executive Director that is, in the judgment of the Executive Director, necessary to estimate the difference between (i) the projected final 2012 operating deficit of ADA Paratransit service and (ii) the total amount of funding from all sources estimated to be available for 2012 operations of ADA Paratransit service (such difference, the "Shortfall Amount"). The Shortfall Amount shall be established by the Executive Director after reviewing the 2012 ADA Paratransit service operating deficit estimate included in Pace's budget submission in September 2012, and, after being approved by the Chairman of the RTA Board and the Chairman of the Finance Committee of the RTA Board, shall be submitted to the RTA Board together with a certification from Pace that additional funds equal to the Shortfall Amount are necessary for 2012 ADA Paratransit service operations. Such certification shall be accompanied by a report describing Pace's efforts to implement reasonable and appropriate cost savings and revenue raising measures related to ADA Paratransit service.

(d) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and public transportation fund receipts received pursuant to Section 4.09 of the Act to each Service Board for expenditure pursuant to the Budget approved for such Service Board in Article II, the amount required by Section 4.03.3(c). The estimated amount of each appropriation is specified as Part II Allocation; Remaining Balance to Service Boards in Schedule I-D.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, and Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director of the RTA shall provide for the payment to each Service Board the specified appropriation.

1.3 Free and Reduced Fare Reimbursement

There is appropriated, for expenditure by each Service Board pursuant to the 2012 Budget approved in Article II, amounts received from the State of Illinois for reimbursement of revenues lost from providing free or reduced fare rides.

After receipt by the RTA of such funds from the State of Illinois, the Executive Director shall provide for the payment to each Service Board its proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A; provided that such funds shall not be distributed to the CTA unless and until a unit or units of local government in Cook County (other than the CTA) enters or enter into an agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation.

1.4 Discretionary Funds of the RTA – Public Transportation Fund, 15% Sales Tax, Other RTA Revenues

(a) There is appropriated, for expenditure by each Service Board pursuant to the 2012 Budget approved in Article II, the lesser of (i) the amounts specified as "RTA Discretionary Funds" and any amounts specified on Schedule I-B from other receipts and revenues of the RTA, and (ii) so much as may be necessary that the actual amounts appropriated for each Service Board under paragraphs 1.1 and 1.2 of this section equal the amounts specified as "Total RTA Funding for Operations" on Schedule I-B; provided that such appropriation to the CTA is conditioned upon the CTA either (i) achieving labor concessions by July 1, 2012 that will result in the

projected "Savings from Labor Reform and Work Rule Changes" in 2012, 2013 and 2014 as reflected in CTA's "Total Operating Expenses" on Schedule I-B, or (ii) submitting a revised budget to the RTA by July 1, 2012, that reflects savings from labor concessions included in a collective bargaining agreement executed in 2012 and/or the implementation of fare increases, service cuts, or other measures to reduce operating costs or increase system generated revenues as may be necessary to establish a balance between anticipated revenues from all sources and the costs of providing services for fiscal years 2012, 2013 and 2014.

(b) There is appropriated, for expenditure by Pace pursuant to the amount specified as RTA South Suburban Community Job Access Funds on Schedule I-B from other receipts and revenues of the RTA.

(c) There is appropriated, for expenditure by Metra for projects, as specified on Schedule II-B, and pursuant to the first year of the Five-Year Capital Program approved in Article II, the amounts specified as "Transfer Capital RTA Capital Reserve Funds to Metra" on Schedule I-A from other receipts and revenues of the RTA.

Subject to receipt by the RTA of sufficient proceeds of taxes imposed pursuant to Section 4.03 of the Act, and from the Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director is hereby directed to provide for the payment of such funds described in paragraphs (a), (b) and (c) 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; provided that, no such funds shall be distributed to the CTA unless and until a unit or units of local government in Cook County (other than the CTA) enters or enter into an agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation; provided further, that, no such funds shall be paid to the CTA on or after June 1, 2012, unless the CTA has either (i) achieved labor concessions that will result in the projected "Savings from Labor Reform and Work Rule Changes" in 2012, 2013 and 2014 as reflected in CTA's "Total Operating Expenses" on Schedule I-B, or (ii) held public hearings with respect to such service cuts and fare increases as are necessary to establish a balance between anticipated revenues from all sources and the costs of providing services for fiscal years 2012, 2013 and 2014.

Section Two:

Appropriation to the Regional Transportation Authority

In 2012 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency") the amounts specified on Schedule I-A as "Agency Administration and Other", "RTA Regional Services and Programs", and "RTA Agency Regional Capital Program", pursuant to the 2012 Budget approved in Article II, from other receipts and revenues of the RTA.

In 2012 there is appropriated for transfer from the RTA's Fund Balance to the Joint Self Insurance Fund (JSIF), funds to reimburse the insurance premium and associated fees for liability and terrorism insurance for the RTA System's Loss Financing Plan the amount specified on Schedule I-A as "RTA Joint Self-Insurance Fund (JSIF) Funding".

The Executive Director is authorized to transfer up to 10% from and among each of the items shown in Schedule I-A for 2012 as "Agency Administration and Other", "RTA Regional Services and Programs", and "Regional Technology and Agency Capital".

ARTICLE V - GENERAL

Section One:

Implementation and Dissemination

The Executive Director is authorized and directed to take appropriate action to implement and enforce this

Ordinance and to prepare and disseminate the 2012 Annual Budget and Program of the RTA in accordance with the Act and the policies established herein.

Section Two:
Organization of the RTA

The Executive Director shall organize the staff of the Authority, shall allocate their functions and duties, and shall fix compensation and conditions of employment. The Executive Director shall develop, and modify as may be necessary, Agency policies regarding travel, business and relocation expenses.

Section Three:
Fund Balance Policy

The provisions of the Fund Balance Policy adopted by Ordinance 98-15 are hereby waived for the 2012 budget and 2013-2014 Financial Plans.

Section Four:
Fund to Budget Policy

The provisions of the Fund to Budget Policy are hereby waived for the 2012 fiscal year.

Section Five:
Non-Waiver of RTA Authority

Nothing in this Ordinance is intended to or shall have the effect of (i) creating an obligation on the part of the RTA to provide funding to the Service Boards in excess of their respective statutorily allocated portions of the proceeds from taxes and State funds actually received by the RTA, nor (ii) waiving any discretion the RTA may have under law to amend the amounts appropriated to the Service Boards under the Ordinance, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, nothing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing exclusions or inclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

Section Six:
Executive Director's Authority to Apply for Additional Funds

The Executive Director, and his or her designee, is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation ("USDOT"), Federal Transit Administration ("FTA"), the Illinois Department of Transportation ("IDOT"), and any other funding agency (collectively the "Funding Agencies") for any monies available for funding of the RTA Annual Budget. The Executive Director, and his or her designee, is authorized to furnish such additional information, assurances, certifications and amendments as the funding agencies may require in connection with such applications or the projects. The Executive Director, and his or her designee, 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 funding agencies. Further, the Executive Director, and his or her designee, is authorized and directed to take such action as the he or she deems necessary or appropriate to implement, administer, and enforce said agreements and all subsequent amendments thereto on behalf of the RTA.

Section Seven:
Direction to File this Ordinance with Public Officials.

The Executive Director is authorized and directed to file the 2012 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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 appropr ate certification that this budget and program meet the requirements of the Act.

Schedules to Ordinance 2011-79 can be found in the Appendices under Exhibit 9-24.

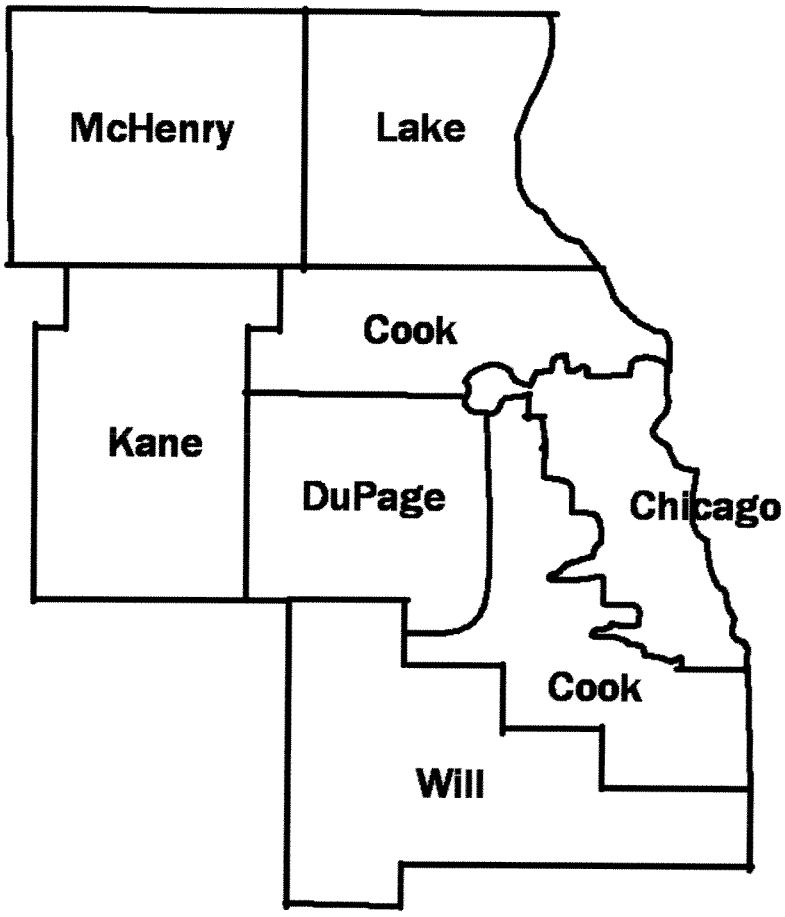
The GFOA Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation award to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2011.

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 communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

2 Budget in Brief



Overview

The Regional Transportation Authority (RTA or "Agency") provides funding, planning, and fiscal oversight for regional bus and rail operations in the six-county Northeastern Illinois region as set forth by the RTA Act. The Act designates the Agency as the primary public body in the region to secure funds for public transportation. The Agency is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state, and local funds to finance both the operating and capital needs of public transportation in the region.

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 public transportation within the six-county region and are governed by their own separate boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service within the suburbs and between the suburbs and the City of Chicago, and also provides ADA Paratransit service for the entire region (Exhibit 2-1).

Each year, 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 required recovery ratio for the annual budget and projected operations funding levels for the annual budget, two-year financial plan, and the five-year capital program. The marks guide the Service Boards' budgetary process. Each Service Board prepares and publishes, for public hearing and comment, a comprehensive budget document that is to conform 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 releases this document for public hearing and comment before adoption in December.

Exhibit 2-1: **RTA Organization Structure**

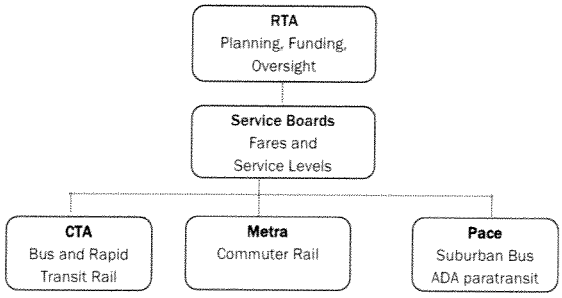


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**

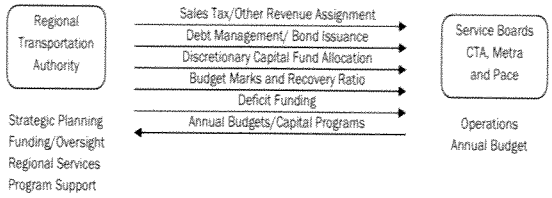


Exhibit 2-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Service Characteristics

There are more than 8 million residents in the six-county Northeastern Illinois region, an area that covers 3,749 square miles. The RTA system includes more than 6,000 buses, rail cars, and locomotives, plus over 700 vanpool vehicles serving customers on more than 350 routes through approximately 380 stations. In 2011, the regional public transportation system provided nearly 652 million rides including close to 3.5 million ADA paratransit trips.

The combined assets of the RTA system have a replacement value of $142.2 billion. With an average asset life of over 25 years, the RTA system needs more than $1 billion in capital funds each year just to keep the existing infrastructure in good repair.

Exhibit 2-3: **RTA Statement of Revenues and Expenditures** - General and Agency Funds (dollars in thousands)

	2011 Estimate	2012 Budget
Public Funding		
RTA Sales Tax (Part I)	717,007	737,060
RTA Sales Tax (Part II)	254,044	261,158
State Public Transportation Funds - Part I (PTF)	179,246	184,265
State PTF (Part II)	123,294	123,609
State Financial Assistance (ASA/AFA)	123,000	130,071
State Funding for ADA & Debt Service per MOU	18,700	-
State Reduced Fare Reimbursement	33,570	33,570
RTA Capital Project Reserves	-	15,690
RTA Agency Revenue	17,600	18,220
Total Revenue	**$ 1,466,461**	**$ 1,503,643**
Operating Expenditures		
RTA Total Funds for CTA Operations	546,144	588,581
RTA Total Funds for Metra Operations	333,328	337,478
RTA Total Funds for Pace Suburban Service Operations	134,413	139,250
RTA Total Funds for ADA Paratransit Service Operations	115,149	115,000
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	2,011	10,159
State Reduced Fare Reimbursement	33,570	33,570
Agency Administration, Regional Services/Programs	33,651	35,204
Total Operating Expenditures	**$ 1,198,266**	**$ 1,259,242**
Debt Service & Capital Expenses		
Principal and Interest	226,058	224,000
Regional Technology and Agency Capital	-	10,990
Transfer Capital RTA Capital Reserve Funds to Metra	-	4,700
Transfer Capital - CTA	10,200	-
Total Debt Service and Capital Expenses	**$ 236,258**	**$ 239,690**
Total Expenses	**$ 1,434,524**	**$ 1,498,932**
Fund Balance (undesignated/unreserved)		
Beginning Balance	7,318	26,375
Change in Fund Balance	31,937	4,711
Change in Funds Reserved	(7,500)	
Use of RTA Funds for JSIF	(5,380)	(5,000)
Ending Unreserved/Undesignated Fund Balance	**$ 26,375**	**$ 26,086**
% of Total Operating Expenditures	2.2%	2.1%
System-Generated Revenue Recovery Ratio	**53.4%**	**51.0%**
ADA Paratransit Recovery Ratio	10.0%	10.0%

Operating Budget

A statement of agency revenues and expenses for 2011 and the 2012 budget is presented in Exhibit 2-3, and subsequent paragraphs summarize line item information. A combined statement of RTA system revenues and expenses from 2010 through 2014 is contained in the Region section.

OPERATING REVENUES

In 2012, total RTA revenues are projected at $1.504 billion. This represents an increase of $37.2 million or 2.5% over the 2011 estimate of $1.466 billion. RTA Sales Tax (Part I and Part II) of $998.2 million accounts for 66% of total revenue, with receipts provided by the State's matching Public Transportation Fund (PTF) totaling $307.9 million or 21% of total revenues. The remaining 13% includes $130 million or 9% from a State Financial Assistance initiative to pay

the debt service on RTA Strategic Capital Investment Program (SCIP) bonds issued for Service Board Capital investment. The State also is expected to provide partial reimbursement for reduced fare and free ride programs of nearly $34 million or 2%. In 2011, the State, by means of a Memorandum of Understanding (MOU) between the Illinois Department of Transportation (IDOT), the RTA, and the three Service Boards (CTA, Metra, and Pace), provided $19 million of funding for ADA paratransit service and the debt service on bonds issued by the RTA in order to provide capital funding to the CTA. In 2012 the funds provided by the MOU are no longer available. The remaining balance of $34 million or 2% is RTA Agency revenues which include receipts for sales tax interest, investment income, and grant funds for agency sponsored initiatives. RTA Agency revenues also include RTA Capital Project Reserves which will be transferred to Metra's Capital Reserve Fund and to the Agency's Regional Capital Program. Exhibit 2-4 illustrates the share of agency revenue by funding source.

PUBLIC FUNDING

Sales Tax is the primary source of revenue for the RTA. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region of Northeastern Illinois, and collected by the State. Receipts are disbursed by formulas detailed in the RTA Act. 85% of the RTA sales tax (Part I) collected in the region, established by statute prior to amendatory legislation in 2008, is allocated to the Service Boards. The RTA receives the remaining 15%. All receipts of RTA sales tax (Part II) authorized by legislation passed in 2008 are allocated for Service Board operations after the funding of distinct initiatives such as the ADA Paratransit fund, the RTA Innovation, Coordination, and Enhancement (ICE) Fund, and the Suburban Community and Mobility Fund (SCMF). The 2011 sales tax estimate and the 2012 budget year sales tax projections provided in Exhibit 2-3 were developed in August 2011 after assessing state and regional economic data and national forecasts.

In accordance with the RTA Act, the State Treasurer is authorized and required to transfer from the State

Exhibit 2-4: **2012 RTA Revenue** - $1,504 million

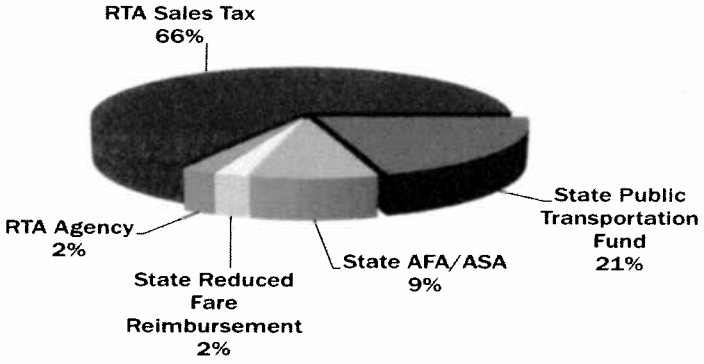
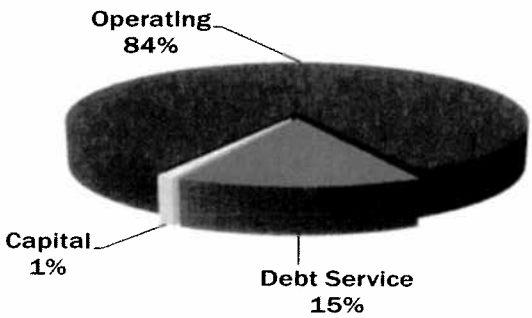


Exhibit 2-5: **2012 RTA Expenditures** - $1,499 million



of Illinois General Revenue Fund revenue identified in this document as Public Transportation Funds (PTF – Part I and Part II). PTF Part I receipts are equal to 25% of net revenues realized from Part I Sales Tax, and flow directly to the RTA. These funds are allocated at the discretion of the RTA Board for Service Board operations and/or capital program initiatives. PTF Part II receipts, from the amendatory legislation passed in 2008, are matched as follows: Part I sales tax (5%), Part II sales tax (30%), and Chicago real estate transfer tax (RETT) (30%). PTF revenue provided by the 2008 legislation is designated for certain operations and programs before formulaic distribution to the Service Boards; complete details regarding sales tax, public transportation funds, and RETT are provided in the RTA chapter of this document.

RTA Sales Tax (Part I) and Public Transportation Funds (Part I)

The traditional RTA sales tax (identified in this document as RTA Sales Tax – Part I) has been the major source of funding for public transportation in Northeastern Illinois for nearly three decades. As previously discussed, 85% of these RTA sales tax receipts are apportioned to the Service Boards by statutory formula. Budgeted receipts for 2012 are $737 million.

State Public Transportation Funds (PTF Part I) from Part I sales taxes are based on a formula tied to Part I sales tax results. The fund provides the RTA with a 25% match of Part I sales tax proceeds, which means that for every four dollars collected in Part I sales tax the RTA receives an additional dollar in PTF Part I. Budgeted receipts for 2012 are $184 million.

RTA Sales Tax (Part II), PTF (Part II), and Real Estate Transfer Tax

In 2008, State legislation increased the RTA sales tax rate throughout the region, increased the portion of RTA sales tax revenues matched by PTF, and increased the real estate transfer tax (RETT) in the City of Chicago. The revenue from RETT, which is collected by the City of Chicago, flows directly to the CTA and thus is not included in the RTA statement of revenues and expenditures (Exhibit 2-3). However, PTF II funds associated with RETT, by statute, flow through the RTA and are included in the RTA statement of revenues and expenditures. The 2012 budget for Part II sales tax and PTF Part II are $261 million and $124 million, respectively.

State Financial Assistance

This revenue source is state-authorized assistance to reimburse the debt service expenses for RTA Strategic Capital Improvement Program (SCIP) bonds. Subject to the appropriation of funds, the RTA will continue to be eligible to receive State Financial Assistance (ASA and AFA) payments. Projected receipts for 2011 and 2012 are $123 million and $130 million, respectively.

Reduced Fare and Free Ride Reimbursement

This operating assistance is partial reimbursement from the State to the Service Boards for the fare discounts and free ride programs they provide which are mandated by law. This includes discounts to students, elderly, and disabled riders as well as free ride programs for seniors and disabled persons who qualify under the State's Circuit Breaker Program. The funds are distributed by the State through the RTA and then to the Service Boards. The budget for 2012 is close to $34 million, remaining unchanged from receipts expected in 2011.

RTA Capital Project Reserves

The 2012 RTA regional capital program budget includes strategic priority initiatives which reflect collaborative work with the Service Boards to increase ridership, reduce costs, and increase revenues, while simultaneously focusing on improving customer service. The total regional capital program funding needs are $11 million, which include items such as regional transit signal priority, regional integration of real time travel information and trip planning, interagency signage expansion, and downtown connection improvements. Another $5 million from the RTA Capital Project Reserves has been allocated to capital programs at Metra for 2012.

RTA Agency Revenue

This RTA revenue category includes sales tax interest, investment income, transit benefit program revenue, and grant funds from state and local agencies for regional coordination and technology initiatives which help defray the cost of these Agency sponsored programs. Total receipts are budgeted at $18.2 million for 2012, 3.5% higher than the 2011 estimate.

TOTAL EXPENDITURES

Total RTA expenditures (operating, debt service and capital) for 2012 are budgeted at $1.499 billion. This amount is $64.4 million or 4.5% higher than the 2011 estimate of $1.434 billion. Operating expenses of $1.259 billion account for 84% of the expenditures, 15% or $224 million is used to cover the debt service on RTA bonds issued on behalf of the Service Boards for their capital programs and working cash borrowing needs, and $16 million or 1% is used to fund capital programs (see Exhibit 2-5).

OPERATIONS FUNDING

The RTA's primary expense is the funding of Service Board operating deficits.

The RTA Board establishes "marks" for each Service Board to use in its proposed budget and program. The marks are established in September for the next fiscal (calendar year) period. Operating marks include a recovery ratio and operating fund projections for the upcoming budget year and subsequent two-year financial planning period. Operating deficits are primarily funded by RTA sales tax, the State's PTF, and the City of Chicago's RETT. Other sources include federal

Exhibit 2-6: **RTA Funding of Service Board Operations** - $1,190 million

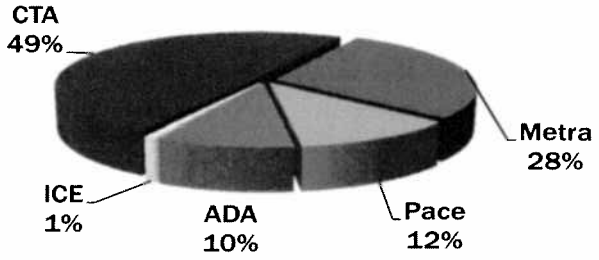


Exhibit 2-7: **2012 Service Board Operating Deficit Funding** (dollars in thousands)

	CTA	Metra	Pace Suburban Service	Pace ADA	Total
Operating Deficit					
Operating Revenue	623,682	353,600	54,469	11,576	1,043,327
Operating Expense	1,240,291	686,800	195,017	126,576	2,248,684
Operating Deficit	$ 616,609	$ 333,200	$ 140,548	$ 115,000	$ 1,205,357
Funding					
RTA Sales Tax Part (I and II)	301,379	246,888	78,234	-	626,501
PTF	111,495	90,590	30,197	115,000	347,282
RTA Discretionary Funds	168,700	-	3,000		171,700
RETT/PTF on RETT	35,035	-	-	-	35,035
RTA Community Mobility and Job Access	-	-	27,819	-	27,819
Other (1)	-	1,200	1,298	-	2,498
Total Funding for Operations	$ 616,609	$ 338,678	$ 140,548	$ 115,000	$ 1,210,835

(1) Metra will receive $1.2 million in Homeland Security Operating Grants in 2012 and Pace will receive approximately $1.3 million operating grants related to the CMAQ/JARC/New Freedom Federal Programs.

funds, local program funds, and judicious use of fund balances.

RTA funds for operations are budgeted at $1.190 billion in 2012. Of this total amount, CTA will require 49%, Metra 28%, Pace Suburban Service 12%, and Pace regional ADA paratransit service 10%. Another 1% will be used for Innovation, Coordination, and Enhancement (ICE) projects across the region (see Exhibit 2-6). The source of all funds and the amount of funds used to balance each Service Board's 2012 operating deficit (see Exhibit 2-7) are discussed in more detail in subsequent paragraphs.

CTA

The CTA's 2012 operating deficit funding plan calls for public funding totaling $616.6 million. This figure includes statutory Part I and Part II sales tax (sales tax based on formulas set by state law) totaling $412.9 million, $168.7 million from RTA discretionary funds (Part I sales tax and PTF funds the RTA receives for operating and capital expenditures as set forth by state law), $28 million from the City of Chicago RETT, and the corresponding 25% or $7 million statutory Part II PTF from the RETT. (Note: City of Chicago RETT funds flow directly from the City to the CTA and therefore are not included in the revenue or funding figures in Exhibit 2-3).

Metra

Metra's 2012 operating deficit funding is budgeted at $333.2 million. Metra will receive $338.7 million in funding which include Sales Tax and PTF receipts of $246.9 and $90.6 million, respectively. Metra will also receive $1.2 million in Homeland Security grants for security purposes. The combined Federal and RTA statutory funds total $338.7 million, exceeding the operating deficit of $333.2 million by $5.5 million. Of this remaining balance, $5 million will be transferred to the capital program under Metra's capital farebox initiative. The rest will be available to pay for ongoing operating expenditures or continuing capital project commitments.

Pace Suburban Service

Pace's funding to cover its Suburban Service operating deficit in 2012 is budgeted at $140.5 million. Pace will receive statutory funds totaling nearly $136.3 million including $108.4 million from sales tax and PTF and $27.8 million for Suburban Community Mobility and South Suburban Job Access initiatives. Another $3.0 million will be funded from RTA Discretionary Funds. The remaining $1.3 million will be sourced from Federal funds for the New Freedom, Congestion Mitigation / Air Quality (CMAQ), and Job Access Reverse Commute (JARC) initiatives.

Pace ADA Paratransit Service

Beginning in 2008, the annual funding for ADA Paratransit service was established at $100 million and indexed to the annual change in sales tax receipts. The subsequent decrease in sales tax receipts during the financial crisis, combined with increased demand for ADA paratransit service, resulted in chronic funding problems. In 2011, legislation recognized this shortfall and re-established ADA paratransit funding at $115 million for 2012. Furthermore, the legislation provided that tha ADA paratransit operating deficit would be fully funded in future years by the RTA, within the context of the budget process. In order to achieve a balanced budget with $115 million of public funding, Pace has made two critical 2012 budget assumptions: ridership growth will be modest at only 5%, and operating efficiency will need to increases significantly. These efficiencies are expected to be achieved through implementation of an Individual Voice Response (IVR) system which will notify customers by phone prior to pick up. This is expected to significantly reduce vehicle dwell time. In addition, planners will be provided more time to solve the next day's scheduling problem because of an earlier cutoff of reservations hours, contributing to more effective daily scheduling solutions.

Innovation, Coordination, and Enhancement (ICE) Funding

The Innovation, Coordination, and Enhancement (ICE) program, established as part of the 2008 Mass Tran-

sit Reform Legislation, offers operating and/or capital funding for projects that provide cost-effective ways to enhance the coordination and integration of public transportation. The ICE fund was also to be used to develop and implement innovations to improve the quality and delivery of public transportation. In 2011, given the adverse economic conditions in recent years and the shortfall in ADA Paratransit funding, an emergency was declared by the RTA Board with respect to the ICE funds, some of which have been reserved for allocation to Pace for funding ADA Paratransit operations. Due to the legislation which increased ADA paratransit funding, 2012 ICE funds budgeted at $10.2 million are expected to again be available for their intended use.

Reduced Fare / Free Ride Programs

State reduced fare and free ride reimbursements are received as revenue by the RTA, as previously described, and flow to the Service Boards to help defray the cost of reduced fare and free ride programs. The 2012 projected reimbursement level of $34 million remains unchanged from expected 2011 receipts.

Agency Administration, Regional Services & Programs

Agency administration expense is comprised of on-going RTA expenditures in the execution of its funding and financial oversight responsibilities. Budgeted 2012 expenses total $35.2 million and are $1.6 million higher than the 2011 estimate. This is due solely to expenses associated with new RTA federally funded projects; there is no RTA salary increase included in the 2012 budget.

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services.

The RTA coordinates and funds several region-wide initiatives that bring together public transportation services. These programs include system maps, local advertising, the transit benefit program, the Travel Information Center (TIC), ADA certification, reduced fare permit programs, and the Customer Service Center. In addition, the RTA supports continued demand for technical assistance initiatives and coordination programs that encourage transit oriented improvements in the region. Programs supported include various community planning and sub-regional programs.

DEBT SERVICE AND CAPITAL EXPENDITURES

Total expenditures in this category are projected to increase from $236.3 million in 2011 to $239.7 million in 2012, an increase of 1.5%. This is largely due to an increase in regional technology and capital spending on behalf of the RTA and the transfer of $4.7 million of RTA capital reserve funds to Metra's capital reserve fund.

PRINCIPAL AND INTEREST

Principal and interest (debt service) expenditures in the 2012 budget total $224 million. Payments cover the debt incurred on bonds (authorized by the State) which help pay for Service Board capital projects, and pay for the occasional issuance of working cash notes to cover extended accounts receivable cycles from the State.

Regional Technology and Agency Programs

The 2012 regional capital budget of $11.0 million continues the RTA's commitment to fund region-wide capital and technology driven initiatives. These funds will be used to pay for the implementation of transit signal priority projects, interagency signage expansion to improve way finding between Service Boards, and initiatives to increase regional integration of real-time information and trip planning.

Transfer Capital

Since 1995, the RTA has transferred a portion of its reserve funds to region-wide capital or operating initiatives. In 2012 the RTA is allocating $4.7 million of its reserve funds for Metra capital purposes. Additionally, the statutory apportionment of sales tax to a Service Board can exceed its operating needs. When this occurs, the Service Board retains the funds for their capital program. Over the years, Metra has been the only Service Board that has been able to retain such funds for capital investment.

In 2007, the RTA also provided funds to Pace to purchase additional ADA paratransit vehicles.

FUND BALANCE

In 1998, the RTA Board adopted an ordinance establishing a 5% minimum level in the unreserved and undesignated fund balance, as a percent of total operating expenditures for the year. If the amount is below 5%, the financial plan must achieve replenishment by the end of the current three-year planning cycle. The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods. The policy proved its value as sluggish economic conditions over the past several years limited growth of sales tax receipts.

However, continued uncertainty in the economic environment necessitated the continuance of a waiver of this requirement during the 2012-2014 planning cycle. With the economy beginning to shows signs of recovery, the RTA Board hopes to reinstate the fund balance policy for the 2013-2015 financial planning periods. The fund balance in 2012 is projected to remain nearly unchanged at about $26 million which is 2.1% of total operating expenditures.

Beginning Balance

The beginning fund balance is the amount of funds in the undesignated and unreserved General Fund after the previous year's results have been audited and the accounting records are closed. All statements in this document reflect 2010 actual results for the 2011 beginning balance.

Change in Fund Balance

Total RTA revenues less total RTA expenses produce an annual change to the fund balance. When revenues exceed expenses, the difference is added to the fund balance. If expenses exceed revenues, the fund balance is reduced by the deficit amount. Estimates indicate that revenues will exceed expenses in 2012 by $4.7 million before allocating $5 million to fund the region's Joint Self Insurance Fund (JSIF). This will result in a slight decrease in the fund balance to $26.1 million at the end of 2012.

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% of the system's operating cost (excluding ADA paratransit service). The RTA's system revenue recovery ratio for 2011 is estimated at over 53%, and is projected at 51% for 2012. A breakdown of this calculation is provided at the end of the RTA chapter.

In meeting the 50% recovery ratio, the RTA Act requires that the revenue figures include all receipts consistent with generally accepted accounting principles with certain specific exceptions. Therefore, the revenue figure used to determine whether the RTA system meets this 50% 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 and leaseback transactions. The Act further requires a recovery ratio for ADA paratransit service of 10% and the 2012 budget meets this stipulation.

Exhibit 2-8: **2012 Sources and Uses of Funds**
(dollars in millions)

Sources of Funds	Total
RTA Sales Tax	998
State Funds	438
Service Board Operations	1,043
Federal Grants (CMAQ/ JARC/DHS)	3
Chicago RETT	28
Other	34
Total Sources	**$ 2,544**

Uses of Funds	Total
Service Board Operations	2,249
RTA Agency	35
Debt Service	224
Capital	16
ICE/JSIF & Fund Balance	20
Total Uses	**$ 2,544**

Source and Use of Funds

Each chapter of this 2012 budget book presents the sources of funds (public funding and/or operating revenues) and the uses (expenditure) of funds for the individual Service Board operations. The following paragraphs and Exhibits 2-8 through 2-11 summarize the sources and uses of these funds in the 2012 budget.

In 2012, total revenue estimates of $2.544 billion include $998 million in receipts from RTA sales tax, State funding totaling $438 million, Service Board operating revenues of $1.043 billion, and other revenue totaling $64 million ($2 million from Federal Grants, $28 million from RETT, and miscellaneous RTA revenue of $34 million).

The uses of $2.544 billion in funds include $2.249 billion for Service Board operations, $35 million for RTA operations and initiatives, $224 million for debt service, $16 million for capital programs, and $19 million for ICE and JSIF funding.

Capital Program

2012 capital program funds adopted by the RTA Board on December 15, 2011 total $1.352 billion comprised of Federal grants of $477 million, State funds of $505 million, and RTA and Service Board funds of $575 million. The CTA issued bonds in 2011 for the purchase of new rail cars and should receive proceeds for this program in 2012 equal to $520 million. Lowering the funds available for asset investment in 2012 are funds to pay the debt service on bonds issued for capital programs, an amount for the year which totals $205 million.

Capital funding for the 2012-2016 five-year program totals $3.887 billion (see Exhibit 2-12). The planned use of these funds includes $1.491 billion or 38% for rolling stock, $988 million or 26% for track and structure, $529 million or 14% for signals and communications, $361 million or 9% for support facilities and equipment, $387 million or 10% for stations and passenger facilities, and $132 million or 3% for other (contingencies, administration and miscellaneous programs). Please reference the Capital chapter for program details and the capital program impact on region-wide operations.

Exhibit 2-9: **2012 Sources of Funds** - $2,544 million

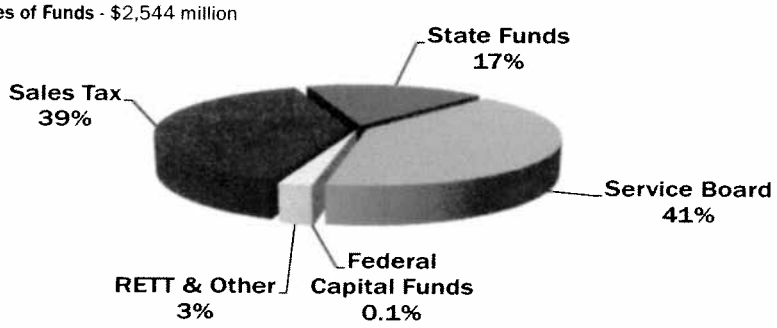


Exhibit 2-10: **2012 uses of Funds** - $2,544 million

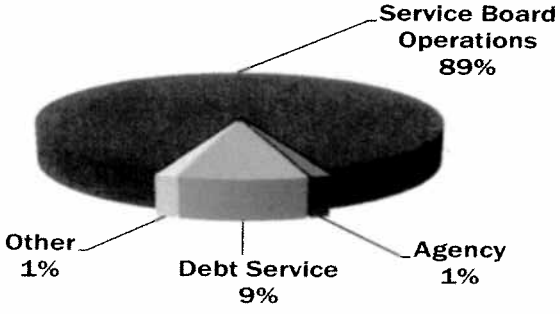


Exhibit 2-11: **2012 Source and Use of Regional Transportation Funds** - $2,544 million

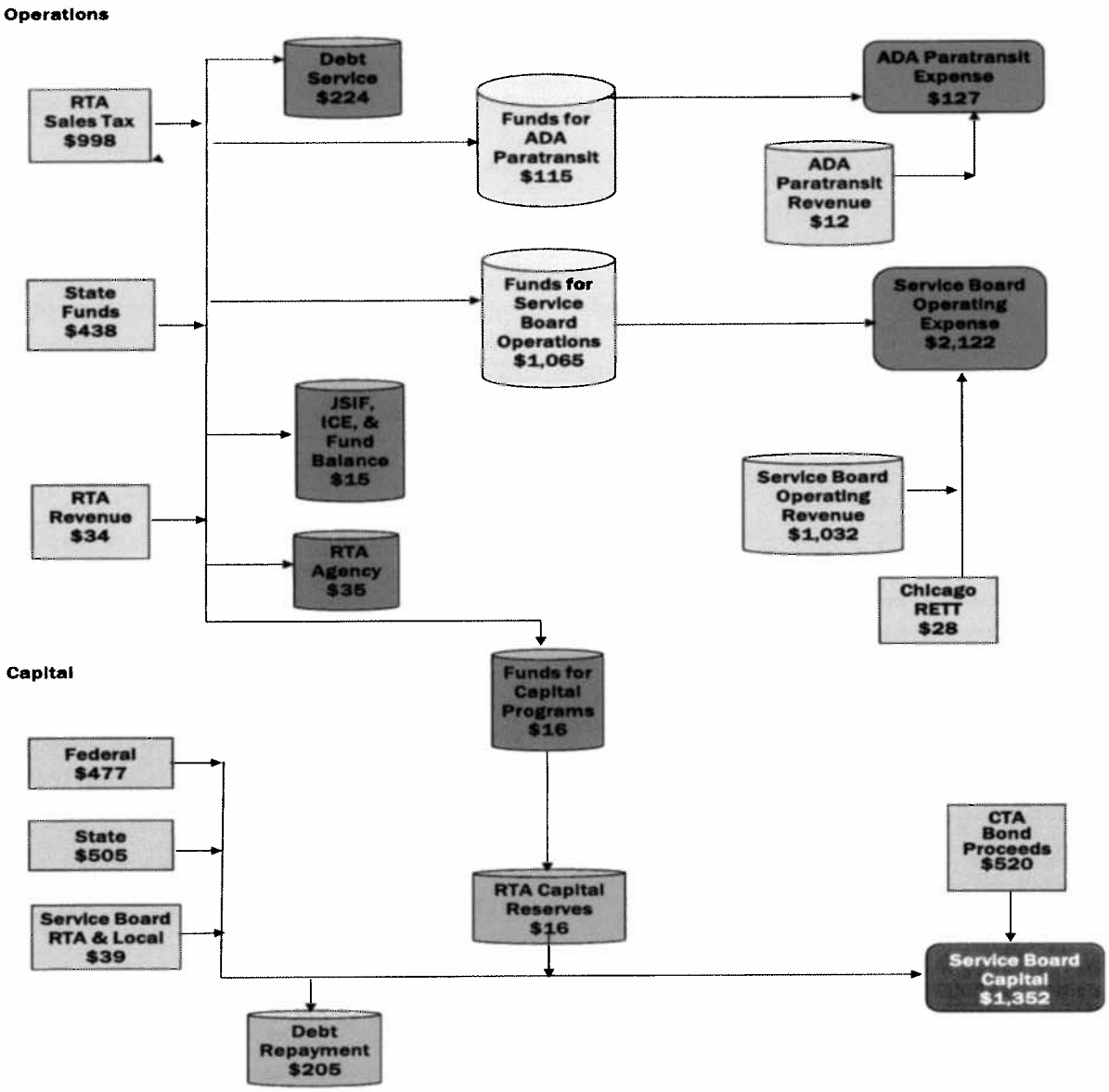
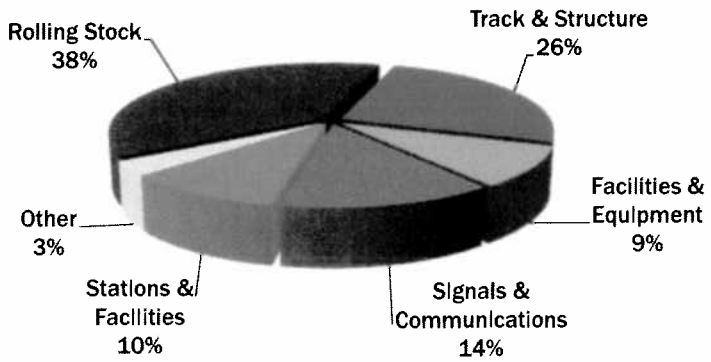


Exhibit 2-12: **2012-2016 Capital Program Uses** - $3,887 million



3 RTA

Region Operating Plan

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 plan, and a five-year capital program that meet specific statutory requirements. This document fulfills this responsibility. Exhibit 3-1 provides the RTA region's statement of revenue and expenditures for 2010-2014. Throughout this document, 2010 is actual data, 2011 is an estimate of year-end results, 2012 is the operating budget, and 2013-2014 represent the two-year financial plan.

RIDERSHIP

As shown in Exhibit 3-2, regional transit ridership is projected to increase by 0.7% in 2012, to 646.6 million trips. The regional 2012 ridership increase is modest due to weakness in the job market, a reduction in senior trips due to modification of the free-ride program, and some loss in Metra ridership attributable to the fare increase. CTA and Pace Suburban Service both project ridership gains of 0.9%, and Pace ADA paratransit anticipates continued ridership growth of 5.0% in 2012.

40% of the RTA's system revenues come from a regional sales tax. For 2012, sales tax revenue is expected to increase 2.8%.

REVENUE

As shown in Exhibit 3-1, total revenue for the RTA region is expected to decrease by 2.8% in 2012 to $2.543 billion. An increase in operating revenue will be more than offset by a decrease in public funding. Total revenue is then projected to increase to $2.601 billion in 2013 and $2.668 billion in 2014.

Operating Revenue

As shown in Exhibit 3-3, Service Board operating revenue is the largest revenue source for the RTA region, comprising over 40% of all revenue. In 2012, the RTA system expects an operating revenue increase of $82.0 million or 8.5%, to $1.043 billion, followed by increases of 3.0% and 2.2% in 2013 and 2014, respectively. Operating revenues consist of system-generated revenue such as passenger fares, concessions, advertising, etc. and also include the state reimbursement for reduced fares. This operating assistance program is a partial reimbursement from the State of Illinois to the Service Boards for discounts mandated by law such as those for students, elderly, and disabled individuals. This State funding source is estimated at $33.6 million annually from 2012 through 2014.

The 2012 increase in operating revenue is driven by Metra's proposed fare increase, modest growth in ridership at the other Service Boards, and the annualized impact of the modification of the senior ride free program implemented in September 2011. While about 85% of operating revenue comes from passenger fares, the Service Boards will continue to grow other operating revenue sources such as the sale of advertising space and branding opportunities.

Public Funding

Exhibit 3-3 also shows that almost 40% of the RTA's system revenues come from a regional sales tax, and its projection is a critical part of the budget process. As the economy slowly recovered in 2011, sales tax collections exceeded budget projections and are estimated to finish the year with a 4.2% increase over 2010. For 2012, sales tax revenue is expected to increase 2.8% to $998.2 million, followed by 2.8% increases in both 2013 and 2014.

Although growth in sales tax receipts is projected, overall public funding will decrease by $156 million to $1.500 billion in 2012. This decrease is due to both the expiration of temporary state funding agreements, and more significantly, the Service Boards' suspension of the unsustainable practice of transferring capital funds to cover operating expenses. The decrease in public funding more than offsets the aforementioned increase in operating revenues, resulting in a net decrease in total revenues available to fund RTA system operations in 2012 of $73.7 million or 2.8%, to $2.544 billion.

Exhibit 3-1: **2012 Region Statement of Revenues and Expenses** (dollars in thousands)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Service Board Revenues (1)					
CTA	594,058	601,107	623,682	631,142	638,714
Metra	296,400	296,400	353,600	376,000	390,700
Pace	51,578	52,580	54,469	55,280	56,145
ADA Paratransit	10,542	11,214	11,576	11,827	12,346
Total Operating Revenues	**$ 952,578**	**$ 961,301**	**$ 1,043,327**	**$ 1,074,249**	**$ 1,097,905**
Public Funding (1)					
RTA Sales Tax	931,435	971,051	998,218	1,026,169	1,054,901
Public Transporatation Fund (PTF)	287,404	302,540	307,874	316,427	325,218
Real Estate Transfer Tax (RETT)	32,438	28,000	28,028	28,588	29,160
State Financial Assistance (ASA/AFA)	130,116	123,000	130,071	130,167	130,283
Other State Funding	96,900	101,700	-	-	-
Federal Funds	123,038	112,411	2,498	4,615	5,885
RTA Capital Project Reserves	-	-	15,690	-	-
Other RTA Revenue (2)	19,571	17,199	17,819	17,819	17,819
Total Public Funding	**$ 1,620,902**	**$ 1,655,901**	**$ 1,500,198**	**$ 1,523,785**	**$ 1,563,266**
ADA Paratransit Service Budget Balancing Actions (3)	-	-	-	2,550	6,797
Total Revenues	$ 2,573,480	$ 2,617,202	$ 2,543,525	$ 2,600,584	$ 2,667,968
Service Board Expenses					
CTA	1,239,050	1,306,451	1,240,291	1,263,515	1,287,227
Metra	615,800	649,802	686,800	718,100	741,400
Pace	176,249	185,624	195,017	201,304	208,628
ADA Paratransit	115,063	126,363	126,576	135,127	145,931
Total Service Board Expenses	**$ 2,146,162**	**$ 2,268,240**	**$ 2,248,684**	**$ 2,318,046**	**$ 2,383,186**
Region/Agency Expenses					
Principal & Interest	223,361	226,058	224,000	224,000	224,000
Agency Expenses	32,731	33,651	35,203	35,907	36,626
Transfer Capital/Agency Regional Capital Program	20,859	10,200	15,690	-	-
ICE and JSIF	12,680	7,391	15,159	15,444	15,736
Total Region/Agency Expenses	$ 289,631	$ 277,299	$ 290,053	$ 275,351	$ 276,362
Total Expenses	$ 2,435,793	$ 2,545,539	$ 2,538,737	$ 2,593,397	$ 2,659,548
Total Revenues less Total Expenses	**$ 137,687**	**$ 71,663**	**$ 4,788**	**$ 7,187**	**$ 8,420**

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

(2) Adjusted in 2011 through 2014 to reflect the total of the Service Board estimates of annual Reduced Fare Reimbursement which exceeded the RTA annual estimate by $401 thousand. Other RTA Revenue includes income from financial transactions and investments, sales tax interest, and revenues from RTA programs and projects.

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

Sales Tax (Part I and Part II)

The RTA Sales Tax (Part I and II) is authorized by Illinois statute and imposed by the RTA in the six-county Northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois, and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA monthly, without appropriation, by the State Treasurer on the order of the State Comptroller.

Part I of the RTA sales tax (Sales Tax I) is the equivalent of 1% on sales in Cook County and 0.25% on sales in DuPage, Kane, Lake, McHenry, and Will Counties (the collar counties). Sales Tax I in Cook County is 1% on

Exhibit 3-2: **RTA Regional Ridership By Service Board** (in millions)

	2010 Actual	2011 Estimate	2012 Budget
CTA	516.8	524.4	529.2
Metra	81.4	81.7	80.8
Pace	32.3	32.6	32.9
ADA	3.3	3.5	3.7
Region	633.8	642.2	646.6

Exhibit 3-3: **2012 RTA System Revenues ($2,543.5 million)**

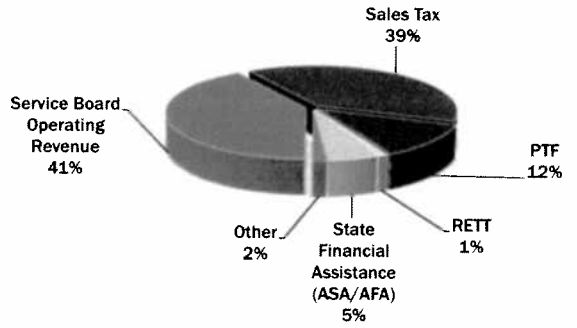


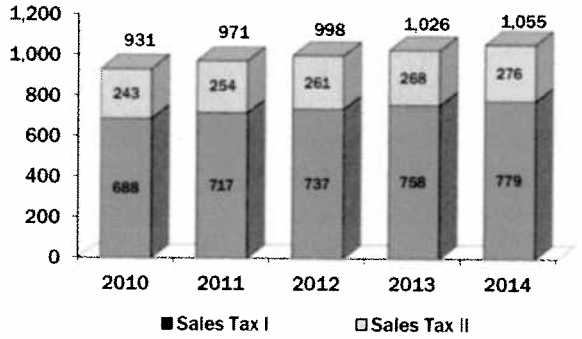
Exhibit 3-4: **Distribution of RTA Part I Sales Tax**

	Distributed to			
Collected In	CTA	Metra	Pace	Total
Chicago	100%	0%	0%	100%
Suburban Cook	30%	55%	15%	100%
Collar Counties	0%	70%	30%	100%

food and drugs and 0.75% on general merchandise, with the State of Illinois then providing a "replacement" amount to the RTA equivalent to 0.25% of general merchandise sales. The RTA retains 15% of Sales Tax I and distributes the remaining 85% to the Service Boards according to the formula specified in the RTA Act (Exhibit 3-4).

Public Act 95-0708 (P.A. 95-0708) was enacted in January 2008 and established RTA Sales Tax Part II (Sales Tax II). This legislation increased the RTA sales tax from 1% in Cook County to 1.25% and the sales tax in the collar counties from 0.25% to 0.75%. The collar county tax increase is divided evenly between the RTA and the county where the tax is collected. Thus, the rate of the sales tax that the RTA receives from the collar counties doubled (from 0.25% to 0.50%).

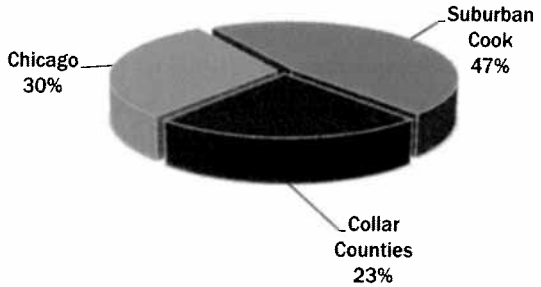
Exhibit 3-5: **RTA Sales Tax** (dollars in millions)



As shown in Exhibit 3-5, total sales tax revenues are projected to increase from $931 million in 2010 to $971 million in 2011. In 2012, 2013, and 2014, total sales tax revenues are estimated to increase by 2.8% annually, reaching $1.055 billion in 2014.

Sales tax projections are made by examining economic trends at a national, state and regional level. From a geographic standpoint, the City of Chicago is expected to account for 30% of sales tax collected in 2012, suburban Cook 47%, and the collar counties 23% (Exhibit 3-6). RTA Ordinance 2011-079 Schedule I-D (in the Appendix) contains a detailed accounting of the source and distribution of funds provided by the new legislation. Exhibit 3-7 shows the resulting distribution of the 2012 RTA sales tax to the transit agencies. In 2012, the $998.2 million in RTA sales tax will be distributed as follows: the CTA 38%, Metra 31%, Pace Suburban Service 12%, Pace ADA Paratransit Service 8%, and the RTA 11%.

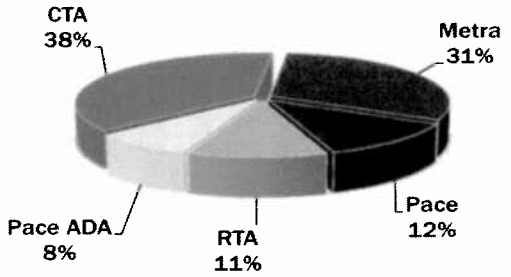
Exhibit 3-6: **2012 RTA Sales Tax By Source Region ($998 million)**



Public Transportation Fund (PTF I and II) and Real Estate Transfer Tax (RETT)

PTF revenues are paid to the RTA upon State appropriation. In accordance with the RTA Act, the State

Exhibit 3-7: **2012 RTA Sales Tax Distribution ($998 million)**



P.A. 95-0708 also increased the real estate transfer tax (RETT) in the City of Chicago by 0.3%, which yields $3 in public funding for the CTA for every $1,000 paid for a property. This funding flows directly from the City of Chicago to the CTA. However, PTF funds associated with the RETT (i.e., 30% of the RETT) flow through the RTA and by statute become part of Service Board funding. PTF I is the equivalent of 25% of Sales Tax I, which for 2012 is projected to be $184.3 million.

PTF II is the equivalent of 5% of Sales Tax I, 30% of Sales Tax II, and 30% of the RETT. The 2012 projected amount is $123.6 million. By statute, the CTA receives five sixths of the 30% PTF on the RETT. The remaining PTF II revenues are combined with Part II sales tax revenues and designated for certain operations and programs before formulaic allocation to the Service Boards. Money set aside before Service Board allocations comprises funding for the Suburban Community Mobility Fund (SCMF), Innovation, Coordination, and Enhancement (ICE) initiatives, and ADA Paratransit operations. By statute, SCMF and ICE funding increases or decreases by the annual change in sales tax collections, with 2008 set as the base year. For 2012, SCMF is projected at $20.3 million and ICE at $10.2 million. Due to new legislation in 2012, the ADA Paratransit Fund will be stepped up to $115.0 million for 2012 and adequately funded to meet ADA paratransit funding requirements in future years. After these three allocations, the remaining balance of the combined Sales Tax II and PTF II revenue is allocated as follows: CTA 48%, Metra 39%, and Pace Suburban Service 13%.

None of the PTF revenue is payable to the RTA until the Agency certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the RTA Act.

State Financial Assistance (SFA)

This revenue source is a state-authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds. SFA has two components: Additional State Assistance (ASA) for SCIP I bonds and Additional Financial Assistance (AFA) for SCIP II bonds. Subject to the appropriation of funds by the State of Illinois, the RTA will continue to be eligible to receive these State Financial Assistance (SFA) payments. In 2012, the RTA expects to receive $130.1 million of this funding from the State of Illinois.

State Funding for Debt Service and ADA per MOU

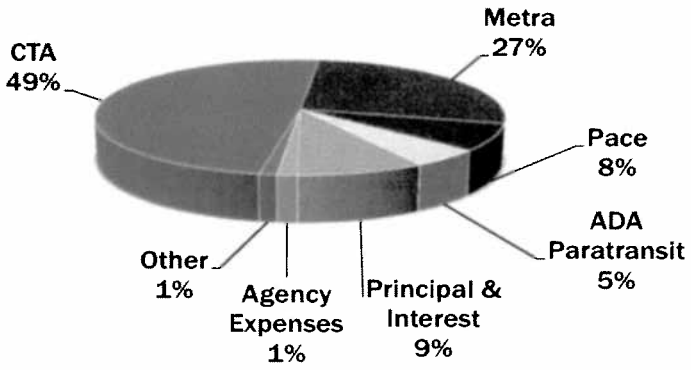
In November 2009, the RTA, the Service Boards, and the Illinois Department of Transportation (IDOT) executed a Memorandum of Understanding (MOU) in order to prevent a passenger fare increase. The MOU prescribed that the RTA issue general obligation bonds to provide approximately $83 million of capital funding to the CTA in both 2010 and 2011. The MOU also prescribed that IDOT enter into a grant agreement with the RTA to fund Pace ADA Paratransit service in the amount of $8.5 million in State fiscal years 2010 and 2011. This State funding did not extend beyond 2011, resulting in a decrease in public funding of over $100 million in 2012.

Federal Funds and Other RTA Revenue

For 2012 and beyond, the Service Boards have committed to discontinuing the practice of transferring money from federal capital funds to support their operating needs. As a result, in 2012 there is a decrease in public funding of over $100 million relative to prior years leaving federal funding in support of operating expenses at $2.5 million. A $1.2 million Homeland Security Grant for Metra and $1.3 million in CMAQ/JARC/New Freedom funding for Pace comprise the federal funding total.

The RTA maintains an assigned Capital Reserve Fund within the RTA general fund. In 2012, $15.7 million of the RTA Capital Reserve Fund will be allocated to fund capital projects.

Exhibit 3-8: **2012 Regional Expenses ($2,538.7 million)**



The Other RTA Revenue category generally consists of sales tax interest, investment income, and Agency revenue. Illinois 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 the interest on Part I sales tax receipts to the Service Boards based on the same formula used to allocate the Part I sales tax receipts. RTA investment income is dependent on available cash balances and prevailing market rates. Other revenue also includes fees charged to employers for RTA Fare Checks that help offset the costs of administering the program, as well as matching funds obtained under federal, state and local programs for RTA regional planning, development, and new technology efforts. In total, other RTA revenue of $18.2 million is expected annually during the 2012-2014 planning cycle.

EXPENSES

As shown in Exhibit 3-1, total expenses for the RTA region are expected to decrease by 0.3% in 2012 to $2.539 billion, followed by increases of 2.2% and 2.6% in 2013 and 2014, respectively.

Service Board Operating Expenses

Expenses for Service Board operations, which comprise 89% of total expenses, are projected to decrease by 0.9% in 2012 and then increase by 3.1% and 2.8% in 2013 and 2014, respectively. The CTA has projected a 5.1% decrease in 2012 operating expenses, which included $80 million of anticipated work rule relief and a $71.7 million decrease in other expenses. This decrease reflects the substitution of the Pension Obligation Bond (POB) debt service reserve fund with a bond insurance policy. Proceeds from the liquidated reserve fund were applied as a credit to expenses. Metra and Pace Suburban Service expenses will increase by 5.7% and 5.1%, respectively and Pace ADA paratransit expenses are projected to be flat.

Agency and regional expenses, including debt service and capital project funding, are expected to increase by 4.6% in 2012, decrease by 5.1% in 2013, and increase by 0.4% in 2014. Exhibit 3-8 shows the distribution of total RTA expenditures for 2012.

Service Board 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 operating revenue (farebox and other revenue sources such as advertising) and operating expenditures. It may also be referred to as the funding requirement. Exhibit 3-9 displays the RTA expenditures for Service Board operations excluding ADA paratransit (discussed later in this section) for 2010 to 2014. Total Service Board operations funding by the RTA for 2012 will be $1.065 billion and is expected to reach $1.120 billion in 2014. Projected growth from 2010 to 2014 of RTA operations funding to the Service Boards (excluding ADA paratransit) follows. RTA funding for CTA (including PTF from RETT) is expected to increase from $496.2 million in 2010 to $619.4 million in 2014, a compound

annual growth rate of 5.7%. RTA funding for Metra is expected to increase from $319.4 million in 2010 to $354.6 million in 2014, a compound annual growth rate of 2.6%. RTA funding for Pace's Suburban Service (including Suburban Community Mobility Funds and South Suburban Job Access funds) is expected to increase from $129.3 million in 2010 to $146.0 million in 2014, a compound annual growth rate of 3.1%.

Exhibit 3-10 shows the 2010 to 2014 RTA funding levels for ADA Paratransit service. Funding from the RTA was $104.5 million in 2010 and $115.1 million in 2011, which included $7.9 million of ICE funds. As mentioned earlier, legislation in 2011 stepped up the ADA Paratransit Fund level to $115.0 million for 2012 and ensured adequate funding of all ADA paratransit requirements in future years. As a result, RTA funding levels of $120.8 million and $126.8 million are projected for 2013 and 2014, respectively.

Total funding for the 2012 through 2014 financial plan is provided in Schedule I-B of Ordinance 2011-079 (see Appendix Exhibit 9-24). A detailed discussion of each Service Board's revenues and expenditures is provided in the CTA, Metra, Pace, and Pace ADA sections of this document.

Suburban Community Mobility Fund

As provided by P.A. 95-0708, the Suburban Community Mobility Fund (SCMF), including interest and earnings, shall be used by the RTA to provide grants to Pace for operating transit services that enhance suburban mobility including, but not limited to, demand-response services, ride sharing, vanpooling, service

Exhibit 3-10: **ADA Paratransit Funding** (dollars in millions)

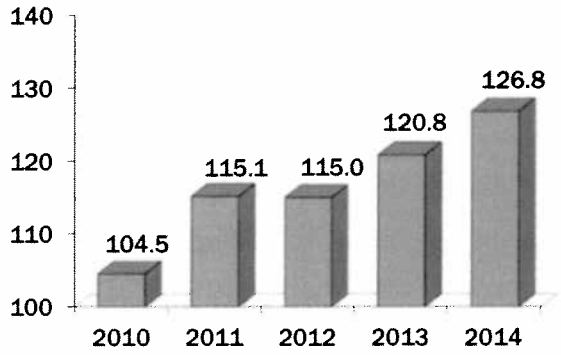
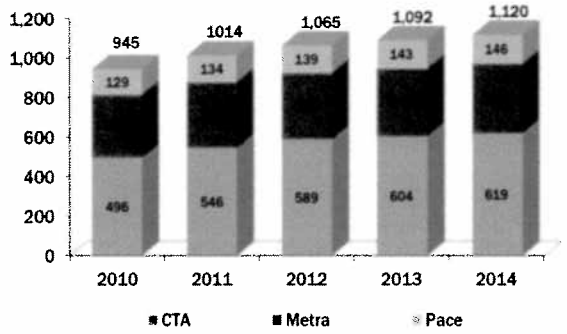


Exhibit 3-9: **RTA Operations Funding (dollars in millions)**



coordination, centralized dispatching, call taking, reverse commuting, service restructuring, and bus rapid transit (BRT). Each year, the RTA shall deposit into this fund an amount that increases or decreases with the percentage change in sales tax receipts. This change is indexed from the 2008 statutory base year amount of $20 million. The SCMF included in RTA funding for Pace Suburban Service operations will increase by 2.8% in 2012 to $20.3 million. SSJA funding then increases to $20.9 million in 2013 and $21.5 million in 2014, proportional to the projected 2.8% increase in sales tax for those years.

South Suburban Job Access Fund

Another provision of P.A. 95-0708 is the establishment of the South Suburban Job Access Fund (SSJA) to provide financial resources to Pace, in cooperation with the RTA, for the development of operating programs that enhance access to job markets for residents in south suburban Cook County. SCMF funding was set at $3.75 million in 2008, increasing to $7.5 million annually thereafter.

Reduced Fare / Free Ride Program Reimbursement

State reimbursement for reduced fare and free ride programs is received as revenue by the RTA and flows directly to the Service Boards to help defray a portion of the revenue lost in providing mandated free and reduced fare service. Reimbursement in the amount of $33.6 million is expected annually from 2012 through 2014.

Region and RTA Agency Expenses

Comprising 11% of total expenses, Region and Agency Expense is expected to increase by 4.6% in 2012 to $290.1 million, before decreasing in 2013 to $275.4 million. Debt service is by far the largest component of this category.

Principal and Interest

Principal and interest payments reflect the RTA's expenditures and projected expenditures for debt service on RTA SCIP and non-SCIP bonds that finance Service Board capital projects. The amount also reflects debt service costs for RTA working cash notes required because of delays in receipts from the State, which are several months in arrears. In 2012, principal and interest payments are expected to total $224.0 million comprised of $84.3 million towards principal and $139.7 million of interest. That amount is projected to stay constant in 2013 and 2014. Additional bond information is provided in the reference section at the end of this chapter.

Agency Administration, Regional Services and Programs

Spending for Agency administration, regional services, and regional programs is discussed further in the Agency section of this chapter. Expenditures for 2012 are expected to be $35.2 million, increasing at an annual growth rate of 2.0% to $35.9 million in 2013 and $36.6 million in 2014.

Agency Capital and Transfer Capital

For 2012, Agency Capital and Transfer Capital is expected to increase 54% to $15.7 million. This amount is comprised of two components - the transfer of capital funds to the Service Boards - and the RTA Agency Regional Capital Program. For 2012, $4.7 million of RTA Capital Reserve Funds will be transferred to Metra for capital uses. The remaining $11.0 million in this category is associated with the Regional Capital program and is used to fund region-wide capital-driven technology enhancements. Like regional technical assistance programs, the regional technology programs are coordinated efforts with other state and local agencies, reducing RTA funding requirements. At the end of the year, any funds that have not been spent are reserved.

ICE Fund and JSIF

P.A. 05-0708 also established the ICE fund for Innovation, Coordination, and Enhancement. Like the $20 million SCMF, the $10 million base amount of the ICE fund changes at the same rate as regional sales tax collection changes. ICE funds are appropriated with the affirmative vote of 12 RTA directors for operating or capital grants or loans to the Service Boards, transportation agencies, or units of local government that advance the goals and objectives of the RTA's Strategic Plan. However, if the RTA Board determines that an emergency exists, then by an affirmative vote of 12 members, funds may be used for urgent operating or capital needs.

In 2011, the majority of the ICE fund was used to fund ADA paratransit operations. For the 2012 budget, the ICE fund has been set at $10.2 million and is expected to increase to $10.4 million in 2013 and $10.7 million in 2014.

Premium payments for the Joint Self Insurance Fund (JSIF) are also a regional expense of the RTA agency. The amount reserved for this in 2012 is $5.0 million. The RTA provides excess liability insurance to protect the self-insurance programs maintained by the Service Boards. The Service Boards are obligated to reimburse the fund for any damages paid plus interest.

FUND BALANCE

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5% of total operating expenditures. Fund balance policy details are outlined in the Introduction Chapter. The purpose of the ordinance was to formalize a practice of maintaining a minimum level of financial resources available for funding during unfavorable economic periods. Exhibit 3-11 shows the projected ending fund balances for 2010 through 2014.

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 negative $27.9 million as the 2010 beginning balance.

Change In Fund Balance / Ending Fund Balance

Total RTA revenue less total RTA expenditures represents the annual change in fund balance. When revenue exceeds expenditures, the gain is added to the fund balance. If expenditures exceed revenue, the deficit reduces the fund balance. Premium payments for the Joint Self Insurance Fund (JSIF) are deducted from RTA's fund balance. Positive changes in fund balance for 2010 and 2011 produced higher ending fund balances for those years. In 2012, the JSIF premium payment of $5.0 million will be slightly more than the positive change in fund balance of $4.7 million, resulting in a decrease in ending fund balance to $26.1 million. Continued positive changes in fund balances are projected for 2013 and 2014, resulting in a steady increase in the projected ending balance to $34.1 million in 2014. However, this equates to only 2.6% of total operating expenditures, falling short of the 5% requirement. The RTA Board voted to suspend the fund balance policy in 2012 in favor of a plan to build the fund balance over a longer period, due to the difficult economic environment.

Exhibit 3-11: **Ending Fund Balance** (dollars in millions)

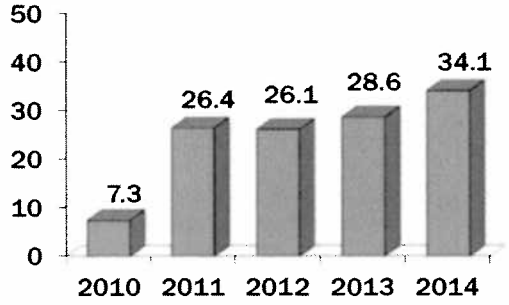
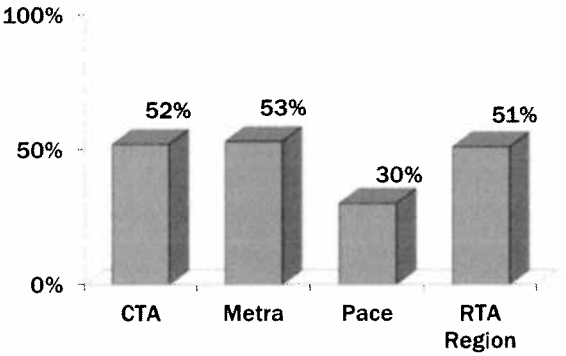


Exhibit 3-12: **2012 RTA and Service Board Recovery Ratio Marks**



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 revenue from RTA operations cover at least 50% of the system operating cost excluding ADA paratransit service. The RTA's operating revenue recovery ratio in 2012 is projected to be 51% or 1 percentage point above the mandated 50%. This result is contingent upon the CTA, Metra, and Pace achieving their recovery ratio marks of 52%, 53% and 30%, respectively (Exhibit 3-12).

In meeting the 50% recovery ratio, the RTA Act requires that the revenue figures include all receipts consistent with generally accepted accounting principles, with certain specified exceptions. Detail of this calculation is provided in Exhibit 3-64 at the end of this section. In their adopted budgets, the Service Boards were able to exceed the recovery ratio marks set by the RTA, resulting in a regional recovery ratio which is higher than the 51% projection.

2011 Budget versus 2011 Estimate

Total RTA estimated revenue of $1.466 billion is favorable to budget by $75.2 million. Sales tax and Public Transportation Fund receipts are expected to exceed budget by more than 6% due to a slowly improving local economy.

Total RTA estimated operating expenditures of $1.435 billion are above budget by $56.1 million, reflecting combined increased distribution of sales tax revenue to Service Boards of $65.2 million due to higher sales tax receipts mentioned above. Offsetting this are 2011 RTA ICE fund expenditures which are expected

Exhibit 3-13: **RTA Statement of Revenues and Expenditures - General & Agency Fund** (dollars in thousands)

	2011 Budget	2011 Estimate	Variance
System-Generated Revenue			
RTA Sales Tax (Part I)	675,012	717,007	41,995
RTA Sales Tax (Part II)	241,287	254,044	12,757
RTA Public Transportation Fund (PTF - Part I)	168,753	179,246	10,493
RTA PTF (Part II) (1)	113,337	123,294	9,957
State Financial Assistance (ASA/AFA)	123,000	123,000	-
State Free Rides/Reduced Fare Reimbursement	33,570	33,570	-
State Funding for ADA per MOU	8,500	8,500	-
State Funding for Debt Service per MOU	10,200	10,200	-
RTA Other Revenue	17,600	17,600	-
Total Revenue	$ 1,391,259	$ 1,466,461	$ 75,202
Operating Expenditures			
RTA Total Funds for CTA Operations (2)	515,458	546,144	(30,686)
RTA Total Funds for Metra Operations	318,146	333,328	(15,182)
RTA Total Funds for Pace Suburban Service Operations (3)	128,854	134,413	(5,559)
RTA Total Funds for Pace ADA Paratransit Service (4)	101,421	115,149	(13,728)
RTA Funding for Innovation, Coordination, and Enhancement (ICE) (5)	9,292	2,011	7,281
State Free Rides/Reduced Fare Reimbursement/Sales Tax Interest	35,270	33,570	1,700
Agency Expense (6)	33,725	33,651	74
Total Operating Expenditures	**$ 1,142,166**	**$ 1,198,266**	**($ 56,100)**
Debt Service & Capital Expenditures			
Principal and Interest	226,058	226,058	-
Transfer Capital - State Funds to CTA per MOU (7)	10,200	10,200	-
Total Debt Service and Capital Expenditures	**$ 236,258**	**$ 236,258**	**-**
Total Expenditures	$ 1,378,424	$ 1,434,524	($ 56,100)
Fund Balance			
Beginning Balance (unreserved/undesignated)	5,654	7,318	1,664
Change in Fund Balance	12,836	31,937	19,101
RTA Joint Self Insurance Fund (JSIF) Funding (8)	(5,380)	(5,380)	-
Other Funding & Reserves	-	(7,500)	(7,500)
Ending Unreserved/Undesignated Fund Balance	$ 13,109	$ 26,375	$ 13,266
% of Total Operating Expenditures	1.1%	2.2%	-
Total System-Generated Revenue Recovery Ratio %	**53.4%**	**53.4%**	**-**
ADA Paratransit Recovery Ratio %	10.0%	10.0%	-

(1) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT). (2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT) and RTA discretionary funds available for region-wide capital or operating initiatives transferred to the CTA for preventive maintenance in the operating budget. (3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds. (4) Includes additional IDOT funding of $8.5 million per MOU. (5) Further actions are required to balance the ADA Paratransit budget, which may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including 2011 funds from the ICE Fund that may be allocated pursuant to Paragraph 7 of Ordinance 2010-74. (6) The 2011 budget amount reflects regional services expenses budgeted as a net number. (7) Funding from the State (IDOT) for Debt Service per MOU. (8) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

to be $7.3 million less than in the 2011 budget. State reduced fare reimbursements are also expected to be $1.7 million favorable to budget. RTA Agency expense will closely match budget.

The net of these results is a positive change in fund balance of $31.9 million, which exceeds the budget by $19.1 million. However, additional funding and reserve requirements of $7.5 million relative to budget will result in the projected 2011 ending fund balance to be $26.4 million, favorable to budget by $13.3 million (Exhibit 3-13).

Capital Program

When the budget was approved, the 2012-2016 capital program funding marks totaled $3.887 billion. When federal, state or local appropriation figures change, the resulting Service Boards' capital programs may not match the program marks. When this occurs, the RTA Board considers ordinances that incorporate all changes and bring the Service Board programs in balance with the marks. Detailed Service Board program information is provided in the Capital Section of this document.

Agency Operating Plan

Budget and Financial Plan

The RTA Agency budget was developed within the same parameters as those of the Service Boards. RTA staff utilized the budget calendar and guidelines in the Business Plan Call adopted by the Board in June, as well as the marks set in September. Staff focused on ensuring that the budget included sufficient resources for it to carry out its mission as the funding, planning, and oversight agency for transit in Northeastern Illinois, while at the same time doing so in the most cost-effective manner.

The RTA Agency used a priority based budgeting approach that concentrated on the "Regional Priorities Initiative" in the process of developing the 2012 budget.

The RTA Agency used a priority based budgeting approach that concentrated on the "Regional Priorities Initiative" in the process of developing the 2012 budget. The RTA has launched a series of five key priority initiatives intended to advance a collective vision for the region's transit system. The 2012 budget uses these priorities as a foundation.

- **Strategic Capital Investment** - Develop a strategic capital approach focused on identifying capital projects that could result in reductions in operating expenditures.
- **Economies of Scale** - Harness the RTA's and Service Boards' purchasing power to achieve cost savings and improved efficiency.
- **Maximize Use of the Transit System** - Provide a system-wide approach to improving coordination among services, access to reverse commute markets, and use of weekend and evening services.
- **Enhance the Customer Experience** - Focus on targeted capital and technology-related projects, interagency and way-finding signage, e-signage, service information, and fare payment coordination to best serve transit customers.
- **Coordinate Government Affairs, Marketing, and Outreach** - Create a unified marketing, outreach, and government affairs agenda among the RTA and Service Boards to improve customer communications and increase coordination and leveraging of partners and other stakeholders.

The RTA Agency budget and financial plan presented in Exhibit 3-14 meets the funding marks set by the RTA Board on September 14, 2011.

OPERATING REVENUE

The 2012 operating budget includes operating revenue of $3.4 million from the transit benefit program, reduced fare and free ride program, and RTA initiatives funded by federal grants. This amount is $1.6 million or 83% higher than the 2011 estimate due to successfully securing increased levels of FTA and CMAQ funding for various RTA initiatives, such as Transit Asset Management (TAM) and Chicagoland Commute Options Program. In 2013 and 2014, estimated revenues reflect 2% growth each year (Exhibit 3-15).

PUBLIC FUNDING

The 2012 Agency budget is a no growth budget. In 2012, the total budgeted public funding required for the RTA Agency is $31.8 million, the same level as the 2011 estimate based on year-to-date actual results, and is 1.9% lower than the 2011 budget. Public funding projections also increase by 2% in both 2013 and 2014 (Exhibit 3-16).

Public funding provides 90% of the total RTA Agency revenue with the remaining 10% generated from operating revenue (Exhibit 3-17).

OPERATING EXPENDITURES

In 2012, total expenses of $35.2 million are projected to be $1.6 million higher than the 2011 estimate, reflecting expenses associated with the new RTA federally funded grant projects. In 2012, net expenses (total expenses minus operating revenue) of $31.8 million are projected to be slightly lower than the 2011 estimate as the result of the strategic development of a no-growth budget. There is no salary increase in-

Exhibit 3-14: **Agency 2012 Budget and 2013-2014 Financial Plan** (dollars in thousands)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Operating Revenue					
Miscellaneous Revenue	426	110	150	153	156
Transit Benefit Revenue	1,572	1,421	1,322	1,348	1,375
Grants for Multi Year Projects	582	346	1,959	1,998	2,038
Total Operating Revenue	**$ 2,579**	**$ 1,877**	**$ 3,430**	**$ 3,499**	**$ 3,569**
Public Funding					
RTA Sales Tax I	30,152	31,774	31,773	32,409	33,057
Total Public Funding	**$ 30,152**	**$ 31,774**	**$ 31,773**	**$ 32,409**	**$ 33,057**
Total Revenues	$ 32,731	$ 33,651	$ 35,203	$ 35,907	$ 36,626
Expense					
Personnel	12,429	13,023	14,300	14,586	14,878
Professional Services	3,069	2,698	3,210	3,274	3,340
Purchase Services for Regional Programs	8,536	9,734	8,678	8,852	9,029
Office Services	3,961	3,438	3,742	3,817	3,893
Total Baseline Operating Expense	**$ 27,995**	**$ 28,893**	**$ 29,930**	**$ 30,529**	**$ 31,140**
Grant Funded and Multi Year Projects	3,414	2,799	3,853	3,930	4,009
Agency Programs	1,323	1,958	1,420	1,448	1,477
Total Programs and Projects	**$ 4,736**	**$ 4,757**	**$ 5,273**	**$ 5,379**	**$ 5,486**
Total Expenses	$ 32,731	$ 33,651	$ 35,203	$ 35,907	$ 36,626
Net Results	-	-	-	-	-

Exhibit 3-15: **RTA Agency Revenue** (in millions)

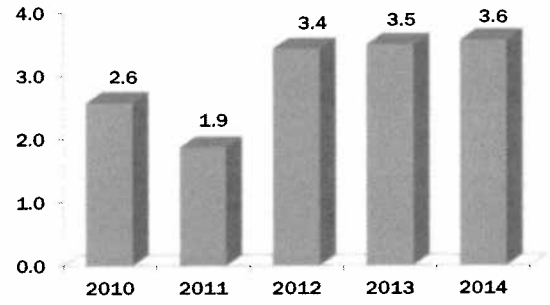


Exhibit 3-16: **RTA Agency Public Funding** (in millions)

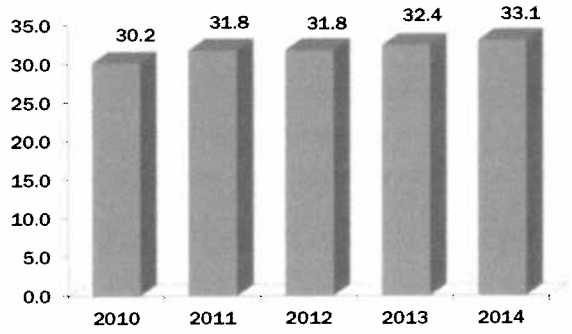
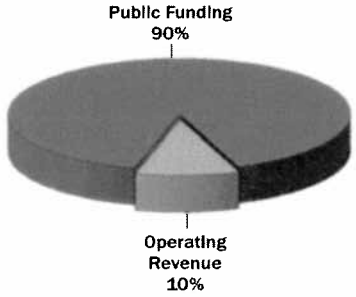


Exhibit 3-17: **2012 RTA Agency Revenue - $35.2 million**

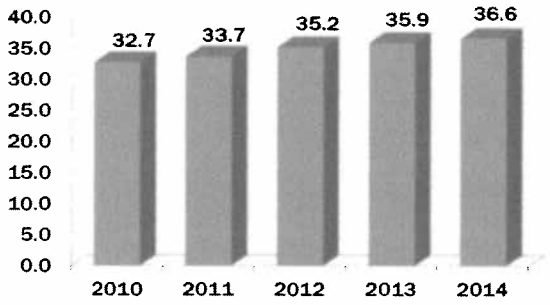


cluded in the 2012 budget. Estimated total 2013 and 2014 expenses reflect a 2% annual increase over the 2012 level consistent with inflation as well as revenue estimates (Exhibit 3-18).

Expenditure Elements

The Agency operating expense category includes administrative expenses required to operate the Agency, as well as regional programs focused on advancing public transit initiatives. Regional programs, which account for more than half of the Agency budget, include

Exhibit 3-18: **RTA Agency Operating Expense** (in millions)



the Travel Information Center (TIC), ADA Certification program, Reduced Fare and Free Ride Program, Customer Service Center, Transit Benefit program, Corridor and Community Planning programs, Transit Asset Management program, and various other initiatives.

Personnel

Personnel related costs, such as salaries, pension, health care, training, and other personnel items are projected to account for 40% or $14.3 million of total agency operating expenditures in 2012.

Professional Services

Professional services, which includes audit fees and consulting fees for Project Management Oversight (PMO), Rail Safety Oversight (RSO), Legal, and Government Affairs, represent 9% or $3.2 million of the total operating expense budget in 2012.

Purchased Service for Regional Programs

Direct operations costs of the TIC, ADA Certification program, ADA Travel Training program, Transit Benefit program, and Reduced Fare & Free Ride programs are projected to account for 25% or $8.7 million of the agency operating expenditures in 2012.

Office Services

Rent, utilities, maintenance, telephone and various office and computer supplies represent 11% or $3.7 million of the total operating expense budget in 2012.

Programs and Projects

The remaining 15% or $5.3 million of the agency operating expenditures are dedicated for various agency and grant funded projects, such as Chicagoland Commute Options, Capital Asset Condition Assessment, Transit Asset Management, Customer Market Research, I-90 Infrastructure Planning Support and Service Planning, various Community Planning Programs, Capital Program Prioritization Tool, and implementation of the IT Strategic Plan.

Exhibit 3-19 illustrates the Agency Operating Expense break down by category.

Agency Statutory Cap

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5% per year. The 2012 cap on Agency administrative expens-

Exhibit 3-19: 2012 **RTA Agency Operating Expenses by Category - $35.2 million**

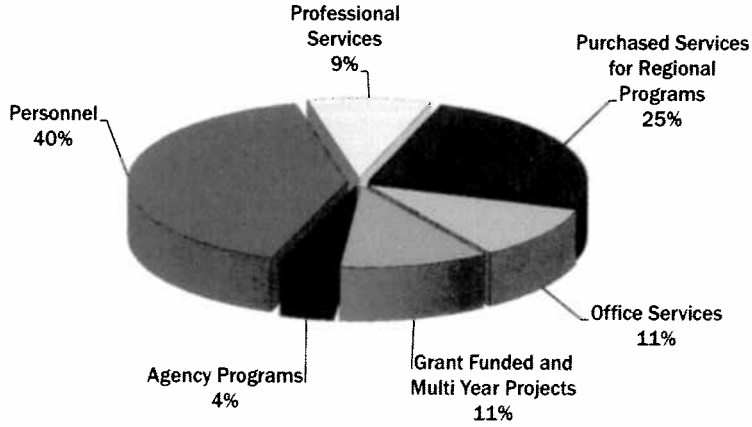


Exhibit 3-20: **RTA Agency 2011 Budget versus 2011 Estimate** (dollars in thousands)

	2011 Budget	2011 Estimate	Variance
Operating Revenue			
Miscellaneous Revenue	265	110	(155)
Transit Benefit Revenue	1,130	1,421	291
Grants for Multi Year Projects	-	346	346
Total Operating Revenue	**$ 1,395**	**$ 1,877**	**$ 482**
Public Funding			
RTA Sales Tax I	32,385	31,774	(611)
Total Public Funding	**$ 32,385**	**$ 31,774**	**($ 611)**
Total Revenues	$ 33,780	$ 33,651	($ 129)
Expense			
Personnel	13,469	13,023	445
Professional Services	3,066	2,698	367
Purchased Services for Regional Programs	8,496	9,734	(1,238)
Office Services	4,062	3,438	624
Total Baseline Operating Expense	**$ 29,093**	**$ 28,893**	**$ 199**
Grant Funded and Multi Year Projects	2,730	2,799	(70)
Agency Programs	1,958	1,958	-
Total Programs and Projects	**$ 4,687**	**$ 4,757**	**($ 70)**
Total Expenses	$ 33,780	$ 33,651	$ 129
Net Results	-	-	-

es is $18.7 million. The 2012 RTA Agency budget is below this cap with expenses for regional services and programs, including grant-funded projects, totaling $18.7 million thus leaving administrative expenses of less than $16.5 million. True administrative expenses are far lower, however, when adjusted for agency support of the regional programs.

NET RESULTS

RTA Agency net results are zero for 2012 through 2014 indicating revenues are equal to expenses (Exhibit 3-14).

2011 Budget versus 2011 Estimate

In 2011, Agency expenditures were budgeted at $33.8 million and are expected to be slightly under budget at year end (Exhibit 3-20).

Organization

The 2012 RTA Agency budget includes 122 positions with new staff requests, excluding the 16 paid RTA Board members. With Service Boards, the total 2012 budgeted regional staffing is 15,157 (Exhibit 3-21). Decreases in Service Board staffing levels over the three-year period are primarily related to service reductions implemented by CTA in 2010 and additional CTA staff reductions. The increase in Pace staffing in 2012 reflects initiatives to add a few new starts and pilot programs to its service.

RTA Agency Organizational Structure Changes

In order to further improve the Agency's efficiencies and better align functions as the Agency focuses on the Regional Priorities Initiative, the Agency made some organizational changes by restructuring some departments and management oversight effective November 11, 2011.

Exhibit 3-21: **Budgeted Positions** (2010 and 2011 departments' counts were adjusted to reflect 2012 reorganization)

	2010	2011	2012	2012 vs. 2011
Executive Office (excluding RTA Board)	3	3	3	-
Audit	3	3	4	1
Communications	12	12	11	(1)
Finance & Performance Management	23	27	30	3
Government & Community Affairs	2	4	5	1
Human Resources	2	3	3	-
Information Technology	8	8	8	-
Legal	8	9	9	-
Planning	49	47	49	2
Total RTA Staffing Plan	**110**	**116**	**122**	**6**
CTA	9,479	9,377	9,206	(171)
Metra	4,331	4,331	4,331	-
Pace	1,471	1,471	1,498	27
Total Service Boards Staffing Plan	**15,281**	**15,179**	**15,035**	**(144)**
Total Region Staffing Plan	**15,391**	**15,295**	**15,157**	**(138)**

The Agency's new functional organizational chart is presented in Exhibit 3-22.

- **Administrative Services Department** was eliminated with staff and functions consolidated into other departments.

- **Executive Office** includes the RTA Board of Directors, the Executive Director, the Secretary to the Authority, and a Project Specialist who serves different departments on various administrative tasks.

- **Audit Department** consisting of internal and external audit, reports to the Board functionally and administratively to the Executive Director. This department was strengthened with the addition of a Deputy Executive Director position to head the department.

- **Finance and Performance Management Department** has been restructured to better serve and oversee the Agency and the Service Boards' operating and capital financial functions. The Agency's Chief Financial Officer now oversees the Budget, Performance & Business Analysis; Programming, Oversight & Compliance; Controller; and Treasury divisions.

- **Communications Department** now also includes programs operated by the RTA that interface with our customers. These programs are Customer Service and Travel Information Center (TIC).

- **Government and Community Affairs Department** has been restructured with added responsibilities. The department is now also responsible for community relations and public outreach functions, which were transferred from Communications.

- **Human Resources Department**, which was part of the Administrative Services Department, now reports directly to the Executive Director.

- **Information Technology Department** now is a separate department, as a recommendation of the recently concluded Information Technology Strategic Plan (ITSP) by an outside expert, and will be led by a Chief Information Officer reporting directly to the Executive Director.

- **Legal Department** now includes Procurement and Contracting Division as well.

- **Planning Department** includes Strategic Planning & Policy; Local Planning & Programs; Regional Coordination; and Regional Accessibility. Regional Accessibility was created in early 2011 within

Exhibit 3-22: **RTA Organizational Chart**

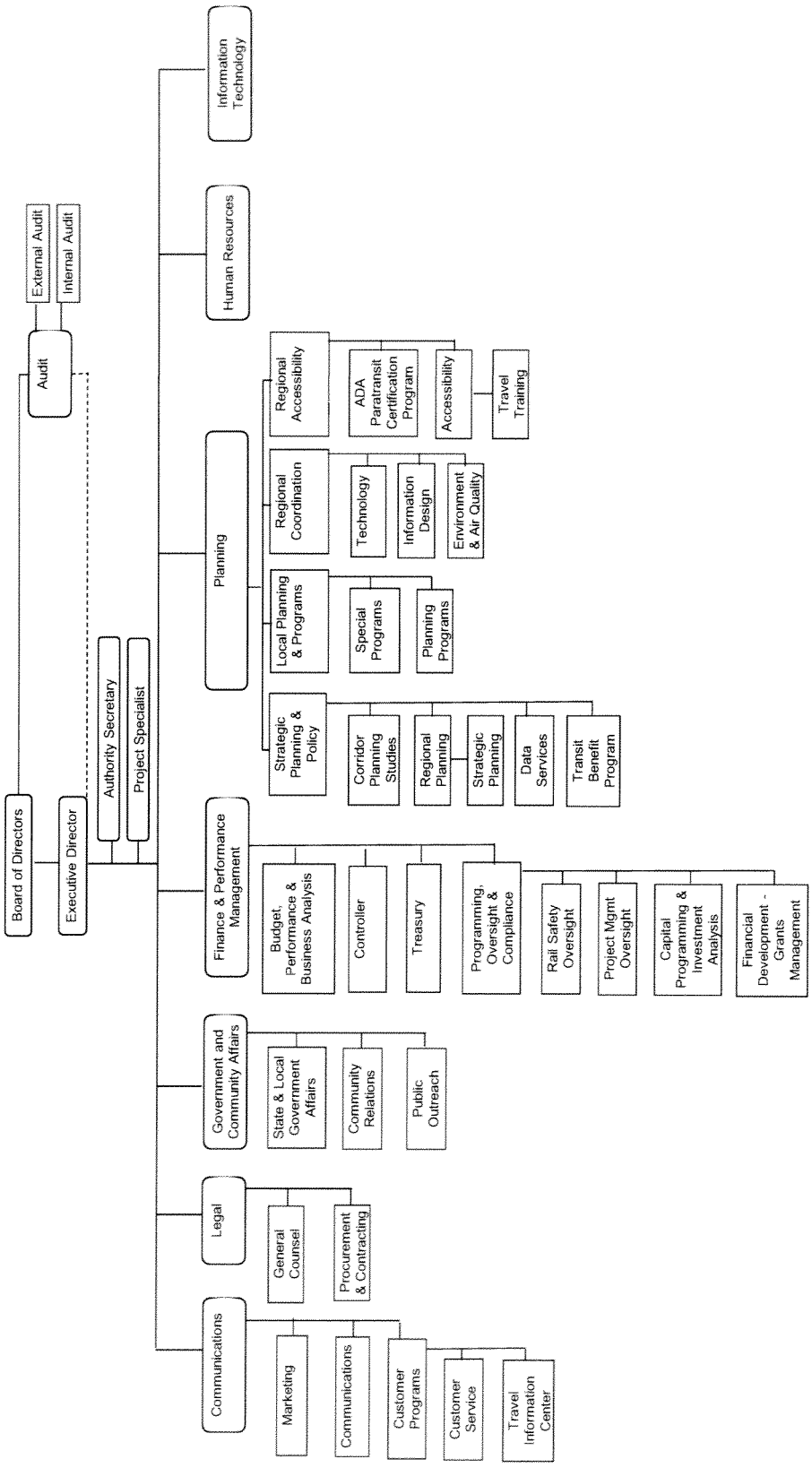


Exhibit 3-23: **2012 Agency Operating Expenses by Department** (in thousands)

	2012 Budget
Operating Revenue	
Miscellaneous Revenue	150
Transit Benefit Revenue	1,322
Grants for Multi Year Projects	1,959
TOTAL REVENUES	$ 3,430
Operating Expenses	
Executive Office	1,455
Audit	1,023
Communications	7,445
Finance & Performance Management	6,925
Government & Community Affairs	1,854
Human Resources	499
Information Technology	2,433
Legal	1,757
Planning	11,814
TOTAL EXPENSES	$ 35,203
PUBLIC FUNDING (Expenses - Revenues)	$ 31,773

the Planning Department and includes Travel Training and ADA Certification Programs. Transit Benefit Program has also been added to the department's function.

These changes did not affect the Agency's overall expense budget, but costs have been redirected to reflect the budget and goals of the new department structures. Available new in-house resources now take on initiatives previously carried out by contract, offsetting those costs with more effective services. This change includes activities such as travel training, to increase mainline service usage and decrease ADA Paratransit service dependency, ADA certification, and customer services.

Flexibility was included in the 2012 budget to hire additional positions. However, the RTA is committed to a no-growth budget and will add additional staff positions only when justified through other cost savings or to advance the Regional Priorities Initiative.

Exhibits 3-23 and 3-24 provide a breakdown of the Agency expenses by department. The next pages describe each department briefly and highlight its main initiatives in 2012.

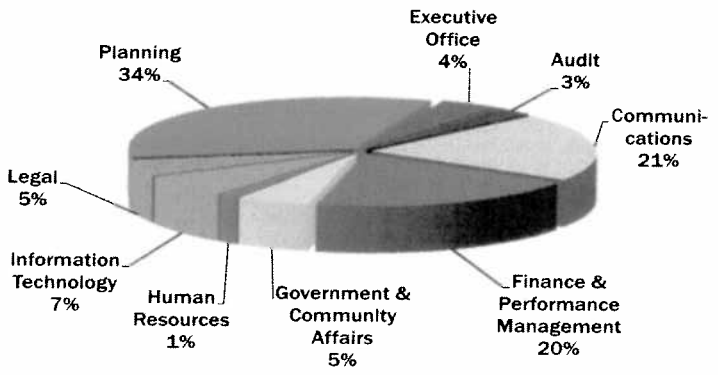
Executive Office

This department includes the RTA Board of Directors and organizations that support the RTA Chairman and Board of Directors, and it oversees and directs day-to-day agency activities.

The RTA Board of Directors consists of 15 members and a chairman. The RTA Board has the statutory authority to establish, by rule or regulation, the financial, budgetary, or fiscal requirements for the region's public transit system. The RTA Board and its committees set policy, authorize funding levels for the Service Boards, approve operating budgets and capital programs, consider matters relating to RTA operations and compliance with the ADA Act, supervise audits, and consider planning studies and capital program investments. The Board has four standing committees that review and recommend policy to the entire Board.

The Executive Director executes the policy decisions of the RTA Board and staffs the Agency to administer its statutory mission and implement Board policy. The Executive Director informs and assists the RTA Chair-

Exhibit 3-24: **2012 Agency Operating Expenses by Department - $35.2 million**



man and the Board in the development of policy, and is the principal contact with executive staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities. The Secretary to the Authority provides Board and executive support functions by assisting with the information, documentation, and logistical needs of the RTA Board and the Executive Director.

In 2012, the Executive Office is focused on advancing the Regional Priorities Initiative, through the work programs of each department.

The Regional Priorities Initiative includes the following five program areas:

- Strategic Capital Investment
- Economies of Scale
- Maximize Use of the Transit System
- Enhance the Customer Experience
- Coordinate Government Affairs, Marketing, and Outreach

Audit

This department consists of two functional areas, External Audit and Internal Audit, both of which report to the Board functionally and administratively to the Executive Director.

The RTA has certain audit authority over the CTA, Metra and Pace to ensure that they are operating efficiently and effectively. Over the past years, the exercise of this authority has included numerous audits (such as the CTA Rail System Safety Program and ADA Paratransit Service Changes). The RTA's authority was strengthened as part of the amendments to the RTA Act in 2008.

The department's internal review and audit mission is to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the RTA. The internal audit function shall be functionally independent of all RTA operations and should be regarded as an internal consulting service for the RTA. Independence is essential to enable the internal audit function to accomplish its purpose.

Departmental Priorities:

- **Oversight of RTA and Service Boards**
  - » Safeguard public funds, property, assets and resources against waste, loss and unauthorized use;
  - » Support the RTA's role of effectively and efficiently managing the agency and establishing an effective system of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and in compliance with applicable laws;
  - » Assist the RTA in its oversight responsibilities through conducting financial, management and compliance audits and reviews at the three Service Boards and RTA; and
  - » Provide management consulting services pertaining to specific programs and systems administered by the RTA.

- **Planned External Audit Activities**
  - » Complete audits that are in process including an Executive Compensation Review of CTA, Pace, and RTA and Triennial ADA Financial, Compliance, Performance Audit.
  - » Conduct planned audits on the reduced fare reimbursement program and capital grant close out process.
  - » Other planned projects include follow-up to the Metra executive compensation review and work with the Circuit Ride Free/Reduced Fare Program Task Force.

- **Five-Year Service Board Audit Program**
  Complete the development of a Five-Year Service Board Audit Program. This new program came about as a result of the 2008 RTA Reform Legislation which requires the RTA to audit the three Service Boards at least once every five years. The primary components of this effort include developing a risk assessment model, conducting a risk assessment, and then developing a five year audit plan, the results of which will be used to develop subsequent RTA External Audit Work plans. A majority of the resources in the 2012 RTA Budget allocated for External Audit activities will be dedicated to priority audits identified as a result of the risk

assessment process and will be included in the 2012 RTA External Audit Work plan.

- **Planned Internal Audit Activities**
  Fulfill duties related to the Inspector General, RTA Ethics Officer, and Whistleblower Hotline. Additional audit activities include conducting close-out audits of major third party service providers and Consolidated Technical Assistance Program (CTAP) grants, providing assessment of internal controls, and reviewing expenditures.

Communications

As a result of restructuring some departments, the Communications Department now provides management in communications and marketing for each of the RTA's programs and initiatives. The Communications Department is also responsible for the management and operation of programs that directly serve regional customers including Customer Service, Travel Information Center (TIC), and Free Ride programs. The Communications Department has key responsibilities in the Regional Priorities Initiative work programs related to the Coordinate Government Affairs, Marketing, and Outreach; Maximize Use of the System; and Enhance the Customer Experience strategies. The department also collaborates with the Service Boards to promote their services and programs.

Departmental Priorities:

- **Maximize Use of the System / Coordinate Government Affairs, Marketing and Outreach**
  - » Coordinate marketing efforts with the Service Boards for programs that help increase transit ridership, such as Clean Air Commuter Challenge, Green Transit Plan as well as those that will enhance the customer experience such as multi-modal trip planning, real-time information, Bus on Shoulder, and maps and way-finding.
  - » Implement the Chicagoland Commute Options Program to develop Transit Demand Management (TDM) strategies that reduce traffic congestion by providing incentives for sustainable travel choices and increased use of public transportation services. The 2012 budget includes $1.2 million for the program's expense, funded in part with a $1.0 million CMAQ grant.

- **Enhance the Customer Experience**
  Centralize the Customer Service operations between the RTA, CTA, Metra and Pace. The initial goal identified is to create one unified Customer Service telephone number to be used when calling each of the four agencies. Having a single telephone number for our customers to call will eliminate the need to contact four different agencies regarding customer service related issues.

- **Conduct Management Review of Travel Information Center (TIC)**
  Develop a Task Force comprised of RTA staff members from each department to complete a business and management review of the entire TIC operation. This review will be comprehensive to determine how the TIC can be re-structured to create value and better serve RTA customers. The current operating cost of the center is $4.0 million.

- **Provide Effective Management of Reduced Fare Programs following Senior Ride Free Transition**
  Support the ongoing operation of both the Senior and People with Disabilities Circuit Ride Free programs following the successful transition, in September 2011, from the all-encompassing Senior Ride Free program to a program that is now means tested with the Department on Aging's Circuit Breaker program.

Finance and Performance Management

The Finance Department was consolidated with part of the Research, Analysis and Policy Development Department in January 2011 to form the Finance and Performance Management Department. In November 2011, the department was further restructured to better serve and oversee the Agency and the Service Boards' operating and capital financial functions. The department now includes the following divisions: Budget, Performance & Business Analysis; Programming, Oversight & Compliance; Controller, and Treasury Di-

visions. The Finance and Performance Management Department has key responsibilities in the Strategic Capital Investment area of the Regional Priorities Initiative.

Departmental Priorities:

- **Strategic Capital Investment**
  - » Develop a Capital Decision Prioritization Support Tool to evaluate and prioritize projects for inclusion in the Capital Program. The Decision Tool will use criteria necessary to focus capital efforts on improvements that will bring the region's infrastructure toward a State of Good Repair (SOGR).
  - » Undertake business transformation efforts aimed at reducing operating costs and leveraging funds for capital investment, including the development of a tool to assess the operating impacts of capital projects.
  - » Develop a comprehensive Transit Asset Management (TAM) system by leveraging RTA and Federal Transit Authority (FTA) resources. The FTA reviewed the Regional Transit Authority's Transit Asset Management procedures, and was impressed to such an extent that it awarded RTA with a grant of $850,000 to complete its efforts including its Asset Condition Assessment and its Asset Prioritization Decision Tool, and documenting such so that it may be utilized by other Transit Agencies across the nation.
  - » Develop creative financing solutions to support efforts to bring the region's transportation assets, including those of CTA, Metra, and Pace, into a State of Good Repair (SOGR). Financing options to be pursued, beyond traditional instruments, include public and private partnerships and TIFIA (Transportation Infrastructure Finance Innovation Act) loans that permit borrowing at rates available to the federal government.

- **Maximize Use of Transit System**
  Continue to examine the transit capacity utilization for the region as a whole and by service mode. Perform analysis that compares regional and sub-regional results, by peak and off-peak hours, to major peers and to prior years. Identify the impact of transit capacity utilization on farebox revenues.

- **Enhance the Annual Budget Process**
  Incorporate other planning, funding, and oversight processes into the budget process, such as estimated impacts from the Regional Priorities Initiative; operational impact related to capital projects in the RTA system capital program; cash flow and borrowing costs related to cash management requirements to address State funding delays; and RTA system performance measures. Continue to improve the quality of the Service Boards' ten-year business plans.

- **Continue Development of the Performance Measurement Program**
  - » Measure and monitor key performance elements of the transit system at the regional, sub-regional, and strategic levels that are consistent with the Agency's strategic plan. Continue the development of the Regional and Sub-regional Report Cards.
  - » Work with the Service Boards and other stakeholders to develop the performance measurement process further by establishing regional and sub-regional performance standards to ensure that the system operates efficiently and meets the demands of the public.

- **Conduct Customer Satisfaction Research**
  Coordinate a customer satisfaction survey involving CTA, Metra, and Pace with data that can be aggregated to provide a regional perspective on how the RTA system is meeting the mobility needs of the region's residents. Incorporate the results of customer satisfaction research into the regional and subregional performance measurement programs.

- **Manage the State Bond Capital Program**
  Continue improving the execution of the capital program to reflect RTA reform legislation mandates and Office of the Auditor General (OAG) recommendations with the objective of ensuring that the Service Boards are managing their capital

funds effectively and efficiently. To assist the RTA staff in fulfilling its project management oversight function, consultant services are necessary. The 2012 budget includes $400,000 for these professional services.

- **Continue to Provide Rail Safety Oversight of the CTA Rapid Transit System**
  Administer the Rail Safety Oversight (RSO) Program for the CTA's rapid transit system as required by the FTA and State. RTA will continue its State Safety Oversight (SSO) responsibilities including responding to and investigating accidents and management of hazards. $170,000 is budgeted for external resources for Rail Safety Oversight in 2012.

- **Provide Liquidity for the Service Boards and the RTA**
  The region's cash receipts from various State programs that provide funding for mass transit operations in the Chicago metropolitan area have been delayed as a result of the State's challenging financial situation. To improve the predictability of cash flows, a $400 million short-term borrowing facility is managed by the RTA to provide funding to the Service Boards and the RTA in the absence of State payments. RTA will need to pursue legislative and financial solutions as $300 million of this authority is set to expire in 2012.

- **Continue the Development of Reporting and Monitoring Tools for Service Board Financials**
  Improve upon the Monthly Financial Report and the "Dashboard" Presentation. Utilize quarterly performance measures, timely economic analysis, and feedback from the CTA, Pace, and Metra staff to both represent and monitor the financial condition of the Service Boards.

- **Enhance and Manage the Integrated Management System**
  Strengthening cost control and effective workflow management processes that assist RTA in building stronger oversight of the region's public transportation system continues to be a priority. The integrated management system enhancements include dashboards, Human Resource Management (HRM) self-service, robust business and financial analysis reporting, and future flexibility to interface electronically with the Service Boards for financial, operational, and capital project data.

Government and Community Affairs

This newly restructured department is responsible for developing and promoting the RTA's federal, state and local government affairs agenda and promoting transit within the community. Among these roles, the department has key responsibilities in the Regional Priorities Initiative work programs related to the Coordinate Government Affairs, Marketing, and Outreach area.

Departmental Priorities:

- **Coordinate Government Affairs, Marketing, and Outreach**
  - » Establish a national campaign to advocate directly with state and federal legislators to promote increases in state and federal funding for State of Good Repair needs. The need for capital funding to address State of Good Repair needs is critical. The region has suffered many years of deferred maintenance, while ridership has reached historical highs.
  - » Work with elected officials and civic leaders to strengthen RTA's connections within the six county region.

- **Advocate for Stable State Funding**
  Advocate forcefully on the important role that transit plays in our region's economy. Not only should transit funding not be reduced, but it should be provided to the transit agencies in a reliable and consistent manner from the State of Illinois to allow the transit agencies to make long term plans.

Human Resources

As a result of reorganization within the agency, the Human Resources Department now directly reports to the Executive Director.

The Human Resources staff works to fulfill its mission to deliver high-quality, responsive services to ensure the agency has the necessary talent and resources to achieve its strategic goals. The Human Resources Department provides a variety of consulting services to employees, board members, and retirees such as: recruitment and retention, performance management, benefits and compensation, employee relations, wellness and employee morale activities, and organizational development.

Departmental Priorities:

- Provide training to ensure awareness and education on sexual harassment and workplace violence prevention;
- Address ways to offer a competitive total compensation package to enhance the ability to recruit and retain qualified individuals while managing our salary and benefit costs;
- Identify methods to improve the recruitment and selection of qualified, diverse candidates in the midst of low turnover and a competitive job market;

Information Technology

In support of the Agency's mission and vision, the Information Technology (IT) Department has developed a 2011 Information Technology Strategic Plan (ITSP). The 2011 ITSP provides a high-level picture of the full range of current RTA business activities. It addresses the trends in public transportation business and technology practices. It outlines strategies for renewing and improving competitive business and technical practices. Finally, the plan provides a series of initiatives and organizational changes designed to expedite improvement and productivity gains.

As part of the recommendation of the ITSP, the IT Department now directly reports to the Executive Director and will be headed by a Chief Information Officer.

Departmental Priorities:

- **Implement the Five-Year IT Strategic Plan**
  - » Ensure that the Agency, Service Boards, and, most importantly, transit customers, receive the utmost benefit from technology tools. Information Technology has had a significant impact on society and business in recent history. As both the speed of information and the adoption of technology have increased, customers and employees look for IT driven solutions and answers. As a result, IT has become a powerful conduit for carrying out the mission of an organization and delivering value to the customer.
  - » Transform, over a five year period, the process, systems, networks, operations support, and governance of the information technology used to meet the current and future business needs of the RTA. The change must occur without disruption of existing business plans and schedules. Therefore, additional resources will be required to drive the transformation and align the changes to enhance planned strategic RTA priorities where possible. The transformation of the IT support organization and governance models are of the highest priority and should begin immediately with the approval of the IT Strategic Plan. The 2012 budget includes $1.0 million to implement the IT Strategic Plan.

Legal

The Legal Department provides legal advice and counsel to the RTA Board, Executive Director, and staff regarding the statutory and regulatory provisions governing the Authority. It also oversees all RTA transactions and litigation. In addition, as part of the RTA organizational changes, the Procurement and Contracting Division now reports to the General Counsel. In this new role the department has key responsibilities related to the Economies of Scale area of the Regional Priorities Initiative.

Departmental Priorities:

- **Economies of Scale**
  Play a lead role in the Economies of Scale initiative related to merging the service and supply needs of the RTA and the Service Boards. The RTA has developed an internet site to share information and coordinate procurement projects with the Service Boards. This forum promotes comparison methods and enables agencies to benchmark their results against their peers. Therefore, the four agencies are able to coordinate their procurement of commonly used supplies and services to attract greater competition.

- **Pursue Sales Tax Litigation and Legislation**
  Continue litigation against companies and municipalities who unlawfully divert sales tax revenues out of the RTA region through sham sales offices. These schemes cost the RTA system tens of millions of dollars each year, depriving transit of the resources needed to operate in a difficult economic environment. In addition to direct legal action in the courts, RTA's Legal Department and outside counsel are working closely with the Government and Community Affairs Department to draft and analyze various pieces of legislation that have been proposed to clarify sales tax sourcing rules and end the diversionary schemes. The proposed 2012 budget includes $0.5 million in legal fees for various litigation and legislation matters.

- **Review and Update Loss Financing Plan/Joint Self-Insurance Fund**
  Oversee the regional Loss Financing Plan/Joint Self-Insurance Fund (the "Fund"). In recent years, the Fund has expanded the level of insurance coverage it purchases on behalf of the Service Boards, but the Service Boards continue to purchase additional coverage above and below the level of protection provided by the Fund. Staff will investigate the possibility of further consolidating regional insurance programs within the Fund, and will propose a redrafting of the Fund agreement, to which all four regional transit agencies are party, in order to update and clarify the procedures for acquiring insurance coverage and borrowing monies from the Fund to cover large losses.

Planning

The Planning Department consists of four principal organizational areas. Three areas, Strategic Planning & Policy, Local Planning & Programs, and Regional Coordination provide strategic, regional, sub-regional, and corridor planning and coordination with the Service Boards. The fourth area, Regional Accessibility, is responsible for the ADA Paratransit Certification Program and Accessibility & Travel Training Program. The Planning Department has key responsibilities in the Maximize Use of System and Enhance Customer Experience areas of the Regional Priorities Initiative.

Departmental Priorities:

- **Strategic Capital Investment**
  Work with the Service Boards to implement a Regional Transit Signal Priority Network that allows buses to have longer, more frequent green lights resulting in improved efficiency and travel times. The 2012 Capital Program includes $8.0 million as the local match for a $32.0 million CMAQ grant.

- **Maximize Use of Transit System**
  - » Develop a "Mobility Management" approach to maximize use of the system and enhance the customer experience including communicating information and coordinating transportation services so that customers can readily identify and use appropriate and available transportation options. This initiative will include Interagency Signage Expansion at $800,000 and Downtown Connections Interagency Information Improvement at $100,000.
  - » Develop Regional Service Planning Guidelines and on-going market and service development work for specific corridors (e.g., I-90, I-290, Elgin O'Hare West Bypass, and I-55) centered on identifying the appropriate service strategy and level of transit investment for various markets in the region with the objective of ensuring that the region

is providing adequate and sustainable access to transit by rightsizing service.

- **Enhance Customer Experience**
  - » Develop a regional fare model that will assess the impacts of fare policy on revenue and ridership across all three service operators and use these outputs to inform policy-related discussions and decisions in an effort to develop a universal fare payment system. The RTA received a $340,000 United Work Program (UWP) FTA grant to undertake this work.
  - » Improve Regional Real-Time Travel Information by implementing "one-stop shopping" web and mobile phone applications, including integration of Bus Tracker, Train Tracker, and Pace travel information on a single web page. The 2012 budget includes $2.0 million for integration of real time trip planning information and $50,000 for a regional Real Time Transit web page.
  - » Redesign the Transit Benefit Program to simplify use, increase participation, and attract new riders.

- **Develop Technology Tools**
  Use technology to streamline processes, provide more information, and allow customers, the Service Boards, and RTA employees better tools to use the transit system and accomplish their needs. In addition to work on the Regional Priorities Initiative, work will also be done to upgrade the ADA certification database, Geographic Information System (GIS) for internal planning, and the Regional Transit Asset Management System.

- **Implement Recommendations of ADA Paratransit Certification Review**
  Expand the mail-in recertification program and implement other efficiencies recommended in the recently completed ADA Paratransit Certification program review. The 2012 budget includes $6.1 million for the entire ADA Paratransit Certification program.

- **Implement Local Transit Improvement and Transit Oriented Development Plans**
  Identify and fill service gaps and provide public transportation service that maximizes (appropriate) use of the system while enhancing the customer experience. We will fund new Community Planning Programs at $0.7 million that will also ensure access to the system by planning for more coordinated land use and development in and around the existing transit infrastructure.

- **Identify Appropriate Service Strategies for Regional Markets**
  - » Ensure that the region is providing adequate and sustainable access to transit by rightsizing service.
  - » Develop the Regional Service Planning Guidelines and on-going market and service development work for specific corridors (e.g., I-90, I-290, EOWB and I-55).
  - » Support infrastructure and service planning on the I-90 corridor. The 2012 budget includes $200,000 for this effort.

Goals and Performance Measures

Background

In February 2007, the Regional Transportation Authority released its five-year strategic plan entitled Moving Beyond Congestion (MBC). This joint planning process between the RTA and the three Service Boards achieved several important milestones, including the establishment of a shared vision and goals for the region, a detailed analysis of the current status of the transit network, and a long-term evaluation and assessment of the infrastructure and operational needs of the system.

In January 2008, the Illinois General Assembly enacted significant amendments to the RTA Act, which mandated an ongoing strategic planning process, the establishment of goals, and measurement of performance. In response to the new legislation, the RTA joined in partnership with each of the Service Boards to enact a resolution in February 2009 that would revise the goals and objectives of the MBC Strategic Plan in order to satisfy all requirements of the amended RTA Act.

Vision

The RTA, CTA, Metra, and Pace share a common vision for the region: That the RTA system is a world-class public transportation system that is affordable, reliable and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air, and livable communities.

Goals and Objectives

The table on next page identifies the current regional goals and objectives. The Goals explain what the RTA Region needs to accomplish in order to realize its vision and the Objectives identify how the RTA region will meet its goals.

The executive director and staff of the RTA are committed to working with the Service Boards, their staffs, and local and state elected officials in order to achieve the objectives in the Plan, promote investment in the region's transit system, and ensure that the system operates efficiently and in a coordinated fashion throughout the region.

The RTA has developed an update to the Strategic Plan for the years 2012 - 2016 entitled The Way Forward. It will be released in 2012 and is a continuation of the vision and goals identified in the Moving Beyond Congestion Plan. It outlines an implementation framework of strategic priorities that focus on our customers and their needs as the region also deals with difficult financial constraints.

To achieve the objectives of the Strategic Plan and as part of the RTA's oversight function to support the evaluation and management of the region's public transit system, the RTA has identified five major areas for performance analysis: Service Coverage, Service Efficiency and Effectiveness, Service Delivery, Service Maintenance and Capital Investment, and Service Level Solvency. Each major area has several corresponding performance measures.

- **Service Coverage** - monitors both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.

- **Service Efficiency and Effectiveness** - evaluates the level of resources spent on delivery service in relation to the level of service and the extent to which passengers are using that service.

- **Service Delivery** - reflects the quality of the service delivered.

- **Service Maintenance and Capital Investment** - indicates the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.

- **Service Level Solvency** - assesses financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

RTA Regional Goals and Objectives

MBC Goal	Objectives
Provide Transportation Options and Mobility Provide attractive, high-quality, innovative transit choices that link people to jobs and facilitate the use of transit for other trips. Transit use in our region is the broadest measure of the success of the transit system.	• Increase the use of public transportation for commuting • Increase the use of public transportation for other purposes • Increase the amount of transit service provided and serve more of the region's travel markets using innovative approaches, as appropriate • Take advantage of highway pricing strategies and promote preferential treatment of transit • Provide quality transit service that is fast, clean, safe and reliable • Provide affordable transit service • Increase the ease of connection between different transit providers by coordinating service, fares, information and physical connections • Ensure appropriate consideration of regional equity principles
Ensure Financial Viability The sustained financial viability of public transportation is essential to the region's effective multi-modal transportation system. The transit agencies need to manage operating costs, make sound investment decisions and implement the capital program in a timely manner.	• Manage the growth of operation costs • Select investments which maximize returns to the region • Progress towards achieving a state of good repair while making appropriate investments to enhance and expand the transit system • Implement the capital program in a timely manner • Ensure a fair allocation of passenger revenue from interagency trips across service providers • Where appropriate, engage in joint efforts with private interests that contribute resources and add value to the transit system
Enhance Livability and Economic Vitality An effective transit system makes many contributions to an economically vibrant and livable region. Though transit's role is secondary, not primary, in achieving this goal.	• Mitigate the growth in highway congestion • Improve our environment by reducing total transportation emissions and energy consumption • Coordinate transit with development to encourage concentrated growth near transit services • Provide mobility for aging populations and people with disabilities • Provide employers with access to a broader workforce
Demonstrate Value In order to fulfill its valuable role in our region, transit requires the support of key constituencies and the public at large.	• Realize additional operations support through legislative action • Achieve adequate capital funding to move the system towards a state of good repair and undertake selective expansions • Manage transit operations so that they are cost and service effective • Create and sustain public understanding of the benefits of public transportation

Regional and Sub-Regional Performance Measures

In 2009 the RTA began reporting performance at a region-wide level by aggregating data from each of the Service Boards – CTA, Metra, and Pace – to arrive at an assessment of regional performance. In 2010, the RTA continued reporting at a regional level and introduced a new sub-regional performance report that analyzes performance at the Service Board and mode level. For both the regional and sub-regional reports, performance is analyzed over a five-year period using data from the Federal Transit Administration's National Transit Database (NTD), RTA financial reports, and operating reports from the three Service Boards. The sub-regional report provides a more detailed level of analysis that helps interpret trends observed at the regional level and provides a means of assessing areas of strength and weakness in the delivery of specific services. Regional and sub-regional performance reports are posted on the RTA website and presented to the RTA Board of Directors. The most recent reports cover the period 2006-2010 using NTD data published in November 2011.

The RTA has also developed a set of companion reports to the regional and sub-regional reports that are based on an analysis of peer groups. At the regional level, the peers selected represent the transit systems that serve the ten largest metropolitan regions in the country. Regional peer reporting began in 2009. At the sub-regional level, the peer analysis is conducted at the mode level with five peers selected for each mode in the RTA system – urban bus, heavy

rail, commuter rail, suburban bus, vanpool, and ADA paratransit. In 2010, the selection of modal peers was completed and work began on the development of the sub-regional peer report, which was completed and reported to the RTA Board of Directors in Spring 2011.

A full report of the performance measures at the regional and sub-regional levels can be found on the RTA website at http://rtachicago.com/initiatives/performance-measures.html (these reports cover the period of 2006 to 2010 and are based on NTD data.) The following report contains highlights from these reports, as well as projected measures for 2011 and 2012.

In 2010, the RTA began to develop a set of strategic measures. The purpose of the strategic level measures is to focus on broader societal outcomes in the economy, environment, and social/political community to assess how transit is positively impacting the quality of life for members of the region. The measures will necessarily involve factors that are out of the direct control of the RTA and Service Boards because of their broader scope, but are ones for which public transportation plays a significant contributing role. The strategic measures also become a way to link RTA goals with those of other regional stakeholders including planning organizations, other transportation departments, and units of local and state government. The strategic measures will be used to monitor progress in the goals and objectives outlined in the *Moving Beyond Congestion Strategic Plan*. The first strategic performance measures report is scheduled to be released in 2012.

Service Coverage

These performance measures monitor both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.

Vehicle Revenue Miles

Vehicle Revenue Miles are the amount of service provided as measured in miles driven by vehicles while in service. At the regional level, the systemwide vehicle revenue miles were projected to increase 1.2% between 2010 and 2011 and another 1% in 2012 (Exhibit 3-25). CTA and Metra Vehicle miles are projected to remain stable in 2012 with no changes in service levels. Pace Suburban Service vehicle miles will increase by 1.9% in 2012 as Pace adds a few new starts and pilot programs to its service. Pace ADA is projected to increase by 5% following the 2012 increase in ridership (Exhibit 3-26).

Exhibit 3-25: **Systemwide Vehicle Revenue Miles** (millions)

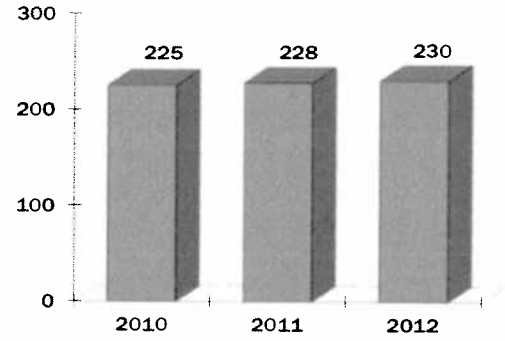
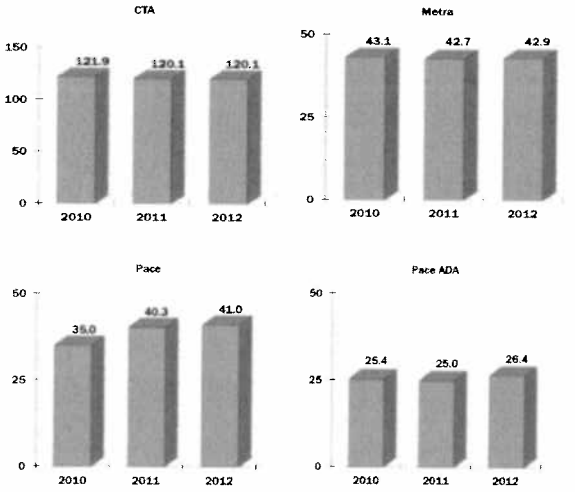


Exhibit 3-26: **Service Boards Vehicle Revenue Miles** (millions)



Unlinked Passenger Trips

Unlinked Passenger Trips, or Ridership, provides the number of times passengers board buses and trains including transfers from one bus or train to another in order to complete their trips. As demonstrated in the data below, Ridership was projected to grow 1.1% in 2011 and another 0.7% in 2012 as a result of stabilization occurring in the regional economy (Exhibit

3-27). CTA projects ridership to continue this modest level of growth with an increase of 0.9% in 2012. Metra is projecting a 1.1% decline in 2012 due to the proposed fare increase and the expiration of the senior's ride free program. Pace Suburban Service also projects less than 1% growth similar to CTA, while ADA trips are projected to continue their recent trend of higher growth and increase by 5% in 2012 (Exhibit 3-28).

Exhibit 3-27: **Systemwide Unlinked Passenger Trips** (millions)

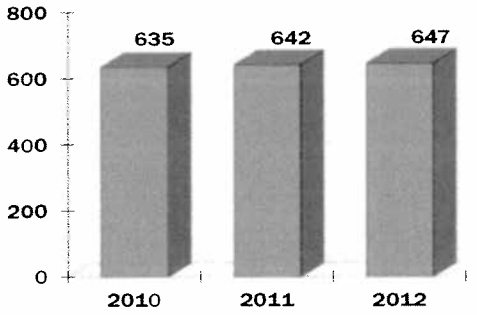
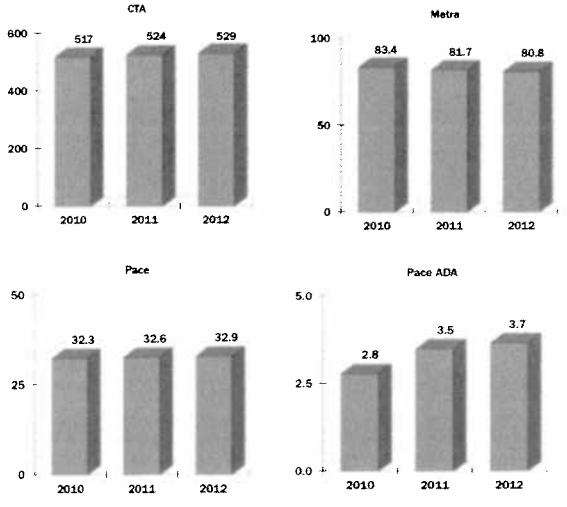


Exhibit 3-28: **Service Boards Unlinked Passenger Trips** (millions)



Service Efficiency and Effectiveness

These performance measures evaluate the level of resources spent for delivering services as well as the extent to which passengers are using public transit.

Operating Cost per Passenger Trip

Operating Cost per Passenger Trip illustrates both the cost of providing a trip and also the gap between the established fare and the cost of providing an individual trip. The projected performance figures provided in Exhibits 3-29 and 3-30 indicate that the cost of providing one unlinked passenger trip is expected to increase 36 cents or 11.4% between 2010 and 2011, an increase that exceeds the projected change in the CPI, which increased by 2% over the same period. In 2012, operating cost per trip is projected to decline 5 cents or 1.4% as a result of increased ridership and a small 0.3% decrease in expenses. The decrease in regional costs is led by a projected decrease in CTA expenses from labor union concessions on work rules and wages. Pace ADA has also budgeted a 2012 decrease in cost per trip as a result of initiatives to keep expense growth at a lower rate than ridership growth.

Exhibit 3-29: **Systemwide Operating Cost per Unlinked Passenger Trip**

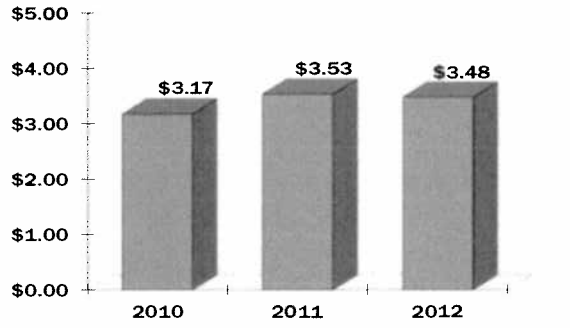


Exhibit 3-30: **Service Boards Operating Cost per Unlinked Passenger Trip**

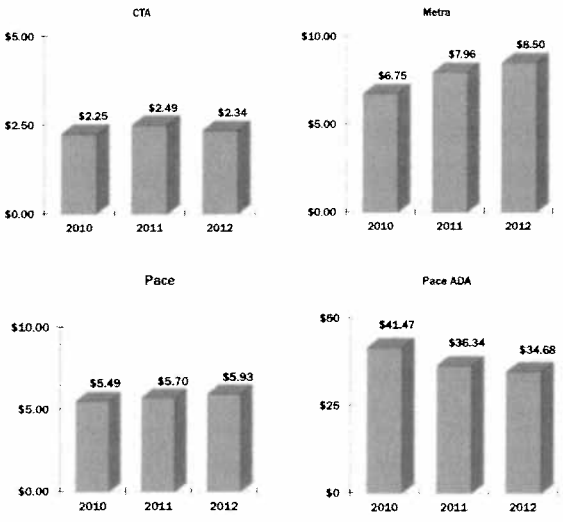


Exhibit 3-31: **Systemwide Operating Cost per Vehicle Revenue Mile**

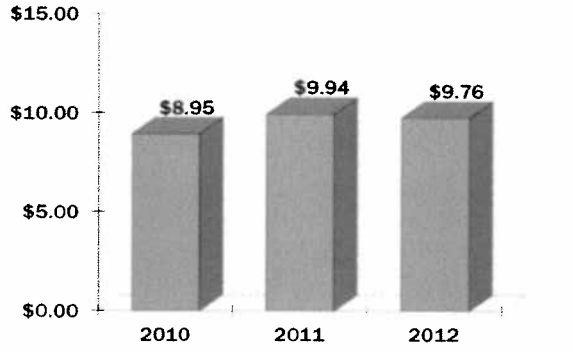
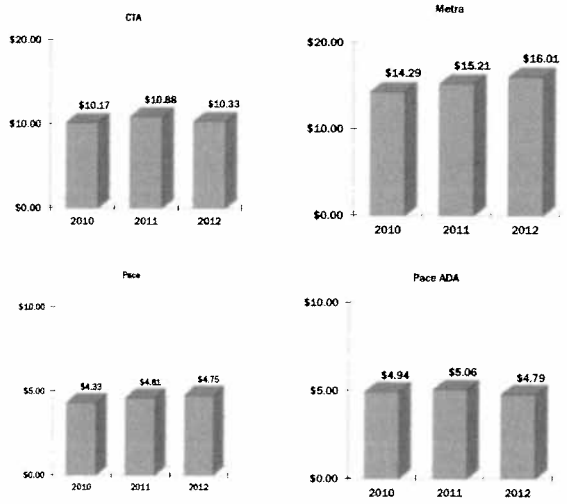


Exhibit 3-32: **Service Boards Operating Cost per Vehicle Revenue Mile**



Operating Cost per Vehicle Revenue Mile

Operating Cost per Vehicle Revenue Mile takes total operating costs and divides it by the cumulative sum of the miles traveled by transit vehicles while in revenue service. Projected values for this performance measure are shown in Exhibits 3-31 and 3-32. At the regional level, it cost about $8.95 to operate one transit vehicle one mile in 2010. This figure was estimated to increase 11.1% in 2011 to $9.94, coinciding with decreased vehicle service miles primarily at CTA, followed by a budgeted decrease of 1.8% in 2012 to end at $9.76 per mile. CTA's operating cost per vehicle revenue mile was $10.17 in 2010 and was expected to reach $10.88 by year-end 2011, resulting from the afore-mentioned service cuts. In 2012, cost per mile is projected to decline 5.1% to $10.33 proportionate to the budgeted 5% reduction in operating costs. Metra's operating cost per vehicle revenue mile was $14.29 in 2010 and was estimated to reach $15.21 in 2011, a 6.5% increase, and increase another 5.3% in 2012 to reach $16.01. Metra service levels are budgeted to remain stable in 2012. Pace, at $4.33 in 2010, projected a 6.5% increase for 2011 to end at $4.61 followed by a 2.8% gain in 2012 to end at $4.75 per vehicle revenue mile. Pace ADA, at $4.94 per mile in 2010, projected a 2.5% increase for 2011, to end at $5.06, followed by a 5.3% decrease for 2012, to end at $4.79 per mile, resulting from projected service demand increases as costs are kept under tighter control through productivity initiatives.

Service Delivery

This objective reflects the quality of the service delivered and focuses on customer service and safety.

On-Time Performance

Each Service Board defines on-time performance differently but it is generally understood to represent the percentage of times a transit vehicle departs from and/or arrives at a location within a certain number of minutes after or before the scheduled time. The data presented here is actual past performance rather than projected future year data. As demonstrated in the actual reported data in Exhibits 3-33 to 3-34 (on following page), there was a large gain in on-time performance in 2009 of four percentage points and a decrease of one percentage point in 2010. CTA Bus and Pace Bus have made significant improvements in on-time performance since 2007.

Major Safety and Security Incidents per 100,000 Passenger Trips

This performance measure demonstrates the rate of reportable safety and security incidents per 100,000 unlinked passenger trips. Overall for the region, the incident rate is very low and declined in both 2009 and 2010. For the three years reported, CTA incidents remained fairly stable, with an increase of one incident for bus and four fewer incidents on rail for 2010. Metra reported nine more incidents in 2010, but has a very low incident rate, second only to Pace's dial-a-ride service, which had no reportable incidents

Exhibit 3-33: **Systemwide On-Time Performance**

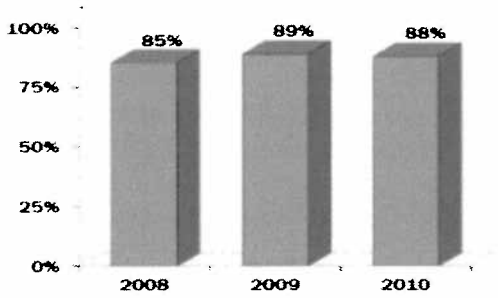
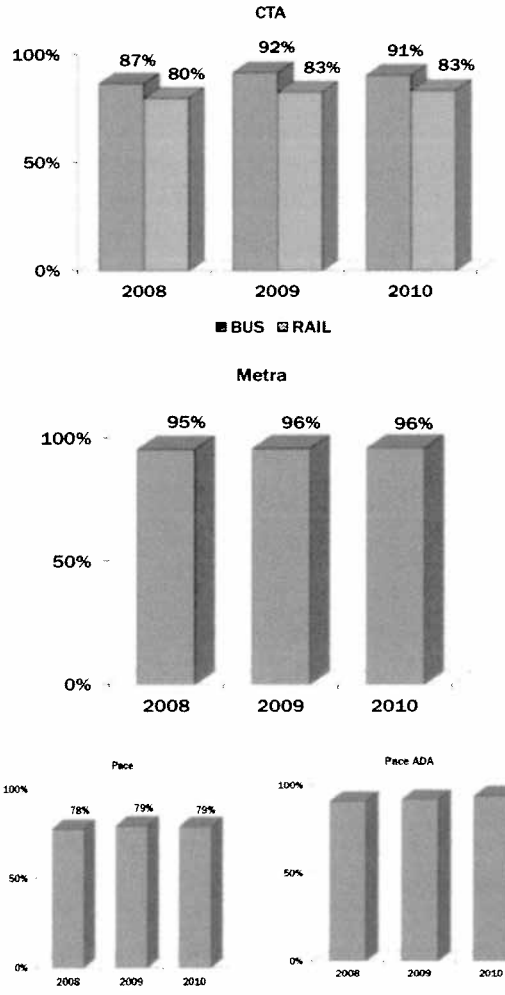


Exhibit 3-34: **Service Boards On-Time Performance**



in 2010. On an aggregated basis, Pace's reportable incidents have decreased each year and are 37% fewer than 2008. Pace ADA has also seen consistent decreases, with 2010 having 56% fewer reportable incidents than in 2008 (Exhibit 3-35 and 3-36).

Exhibit 3-35: **Systemwide Major Safety and Security Incidents per 100,000 Passenger Trips**

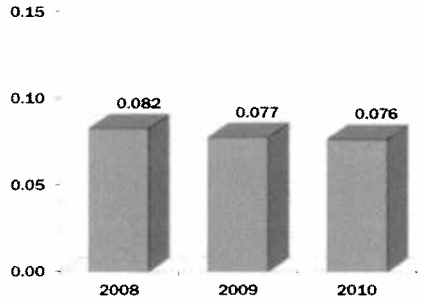
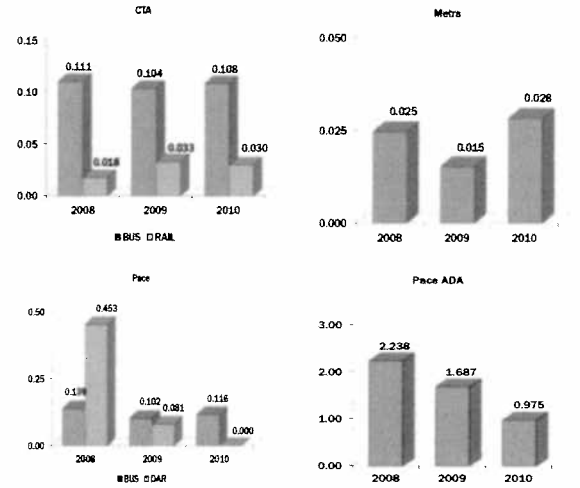


Exhibit 3-36: **Service Boards Major Safety and Security Incidents per 100,000 Passenger Trips**



Service Maintenance and Capital Investment

The measures associated with this objective demonstrate the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.

Miles Between Major Mechanical Failures

This measure takes the average distance that vehicles travel in revenue service uninterrupted by mechanical failures that prevent them from completing a scheduled trip or from starting the next scheduled trip. At the regional level, miles between failures have shown steady improvement through 2010. CTA bus leads this indicator with a 17.5% increase in 2010 and steady growth over the last three years resulting from their bus replacement program. CTA rail also saw improvement of 23% over the last five years, despite an 11% drop in 2010. Metra's performance has declined from

its high of 2006 as a result of the aging of the fleet. Pace Bus also experienced a decline in performance in 2010 for this measure (Exhibit 37-38).

Exhibit 3-37: **Systemwide Miles Between Major Mechanical Failures** (thousands)

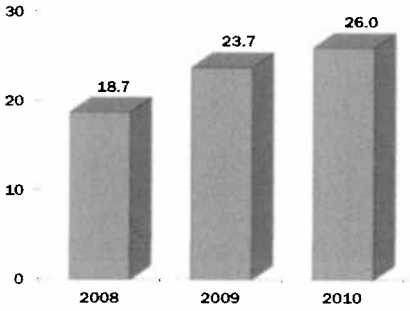
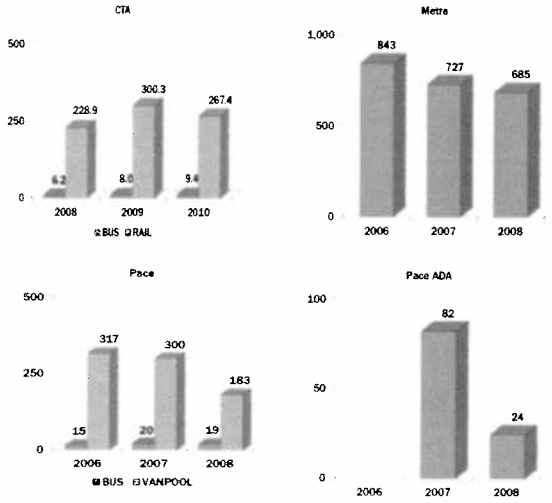


Exhibit 3-38: **Service Boards Miles Between Major Mechanical Failures** (thousands)



Percent of Vehicles Beyond Useful Life

This measure shows the percentage of vehicles in the total active vehicle fleet beyond their minimum useful life, as defined by the Federal Transit Administration (FTA). The FTA defines useful life as 4 years for automobiles or vans, 12 years for buses, and 25 years for rail cars. Due to limited capital funding, vehicles usually exceed their useful life before actually being retired. After a steady decline through 2008 in the percentage of vehicles beyond useful life, there was a slight increase for the region in 2009 from 28% to 29%, followed by a decrease to 26% as CTA eliminated nearly 300 of its older vehicles in 2010. Pace also retired 66 buses in 2010 decreasing the average

Exhibit 3-39: **Systemwide Percent of Vehicles Beyond Useful Life**

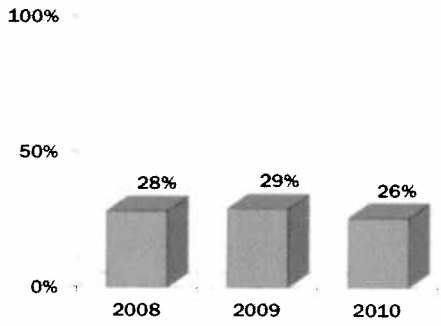
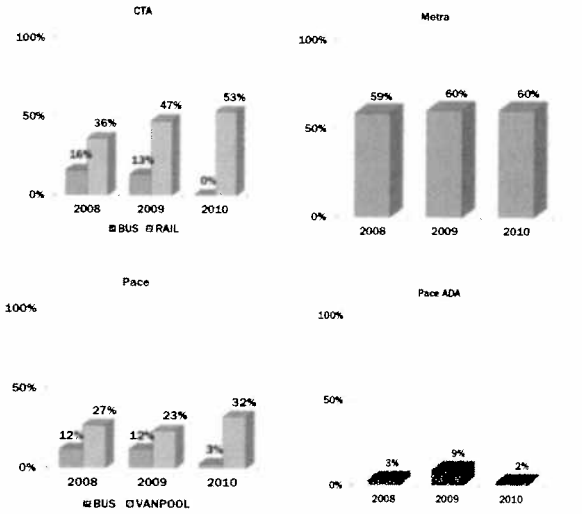


Exhibit 3-40: **Service Boards Percent of Vehicles Beyond Useful Life**



age of their fleet. Metra has not added vehicles to its fleet since 2005 contributing to its average fleet age of 27.9 years in 2010. Metra undertakes extensive maintenance programs to keep its locomotives and cars in service and operating safely longer than the FTA guidelines (Exhibit 3-39 and 3-40).

Service Level Solvency

These measures assess financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

Capital Program Funding

This indicator demonstrates the amount of capital funds available to finance maintenance, enhancement, and expansion of the transit system infrastructure. The systemwide figure represents actual data for the new funding available to Service Boards for the

Exhibit 3-41: **Systemwide Capital Program Funding** (millions)

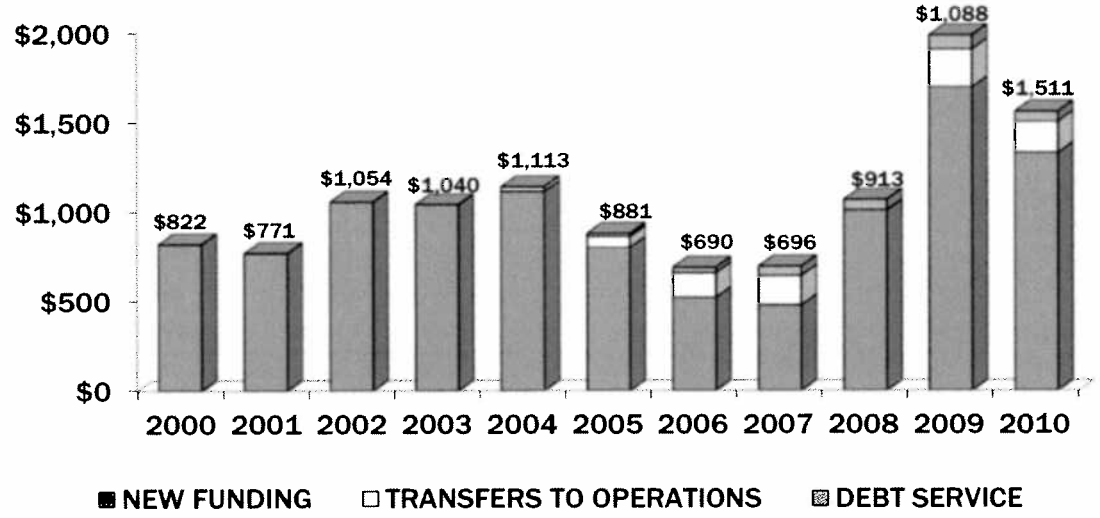
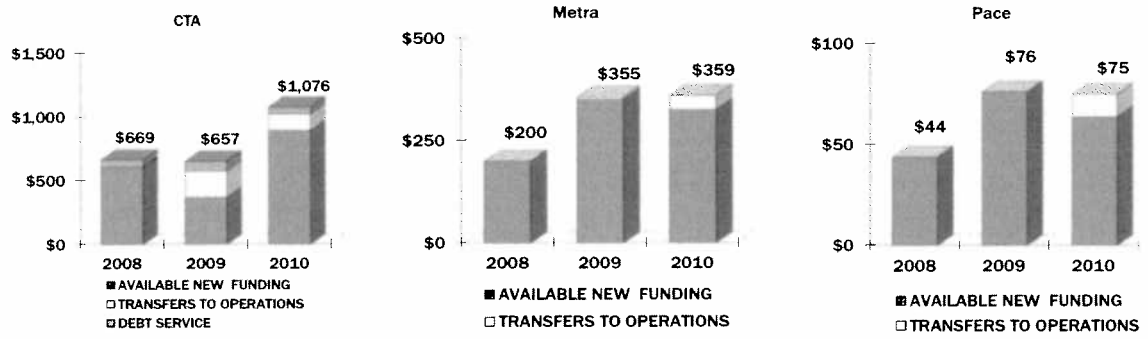


Exhibit 3-42: **Service Boards Capital Program Funding** (millions)



past ten years and does not include de-obligated or re-appropriated funds that become available. Funding levels for all three Service Boards benefited from the American Recovery and Reinvestment Act passed in February 2009. Total available new capital funding in 2010 was at its highest level of the past ten years, an increase of 61% as compared to 2009. CTA saw the largest gains in available new funding, with 2010 more than doubling the amount available in 2009, the result of a new bond issue that provided a $471 million gain for the agency, while Metra and Pace both saw decreases in funding levels. Both agencies saw significant increases in the amount of funding diverted to fund operations; Metra transferred almost six times the amount diverted in 2009, transferring $35 million in 2010. Pace, which had not had to transfer capital funds to operations since 2007, diverted $11 million in 2010, 15% of their new capital funding for the year (Exhibit 3-41 and 3-42).

Fare Revenue per Passenger Trip

Fare Revenue per Passenger Trip is the total fare revenue divided by the total number of passenger trips, providing the average fare that a passenger pays. The projected performance measures below indicate that fare revenue per trip was expected to rise $0.01 in 2011 and another $0.09 in 2012. The increase in 2012 is due to the planned Metra fare increase, primarily, and to the modification of the Seniors Ride Free Program to means test seniors for free-fare eligibility and require others to pay a reduced rather than free fare. The change in the senior fare program was implemented in September 2011. The CTA increase of $.02 per passenger trip in fare revenue is partially a result of the higher increase projected in rail ridership compared to bus ridership. The CTA's base fare for rail is $2.25 and for bus it is $2.00. Metra's fare revenue per trip is projected to increase by 25.9% in 2012 as a

result of the fare increase, with some revenue growth also due to an increase in senior revenue. Pace's fare revenue per trip is projected to increase by about 1% in 2012 related to the revenue gain from the change to the senior free-ride program (Exhibit 3-43 and 3-44).

Exhibit 3-43: **Systemwide Fare Revenue per Unlinked Passenger Trip**

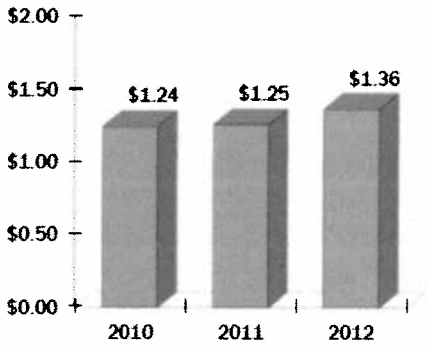
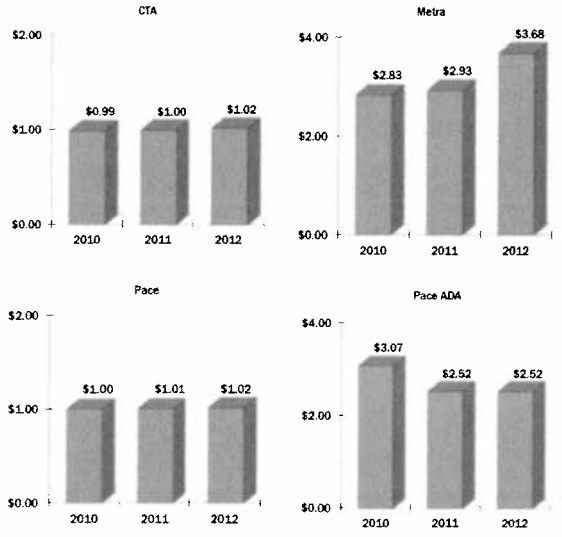


Exhibit 3-44: **Service Boards Fare Revenue per Unlinked Passenger Trip**



RTA Performance Measures

The Regional Transportation Authority (RTA), in addition to fiscal oversight responsibilities to its Service Boards, houses several customer service programs that are critical to promoting and facilitating the use of mass transit in the Chicago region.

- The Information Technology (IT) department actively manages RTA's website content and activity and has seen consistent growth in terms of total website visits, unique visitors to the sites, and page views.

- RTA's ADA Paratransit Certification Program determines an individual's functional abilities and limitations for using fixed route services; ADA Paratransit is provided for customers whose disability or health condition may prevent them from using the CTA and/or Pace fixed route services for some or all of their travel. Individuals who are interested in using ADA Paratransit service must apply and be found eligible according to ADA guidelines; demand for such services has increased dramatically and is expected to escalate into the near future.

- The RTA Travel Training Program aims to educate individuals and groups on the use of public transportation to encourage individual mobility and freedom while reducing the burden on regional paratransit services; this program has experienced significant growth, which is a win-win situation for individuals and service providers.

- The Travel Information Center provides Chicagoland residents with all types of customer assistance and information, both on the phone and in person at a walk-in location near CTA headquarters.

- The RTA/CTA Transit Benefit Fare Program helps companies and their employees take advantage of tax law changes to reduce commuting costs while supporting clean air and reducing traffic congestion. Employers can provide employees with up to $125 a month ($1,500 a year) for transit or vanpool commuting expenses as tax-free benefits in accordance with the Transportation Equity Act of the 21st Century (TEA-21) and Section 132(f) of the IRS Code. With this program, employers can purchase CTA Transit Cards, Chicago Cards and/or RTA Fare Checks that the RTA delivers to enrolled companies.

Information Technology

The general RTA website experienced 1.9 million page views in 2010 and 1.7 million page views in 2011 (Exhibit 3-45). In addition to the general website, IT manages the goroo trip planning site, which provides users with schedule, fare, and other pertinent information for CTA, Metra, and Pace and even offers driving and biking directions. The goroo site experienced nearly 8 million page views in 2010 and 12.6 million page views in 2011 (Exhibit 3-46). Visits to the Regional Transportation Authority Mapping and Statistics (RTAMS) site, a data warehouse for planning and financial information on the regional transit system, grew from 57,000 page views in 2010 to 103,000 in 2011 (Exhibit 3-47).

Exhibit 3-45: **RTA Website Visits**

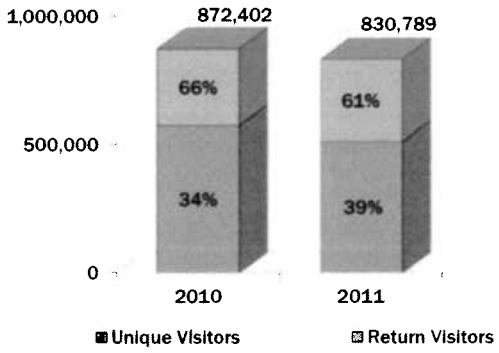


Exhibit 3-46: **goroo Website Visits**

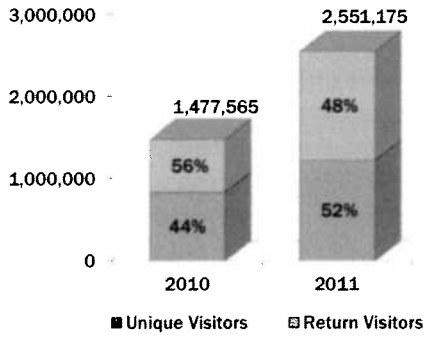
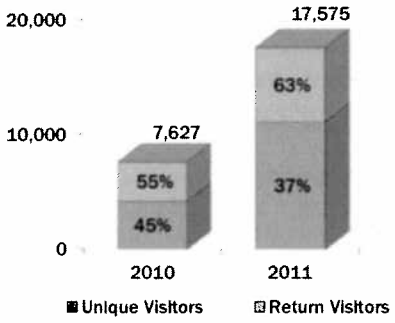


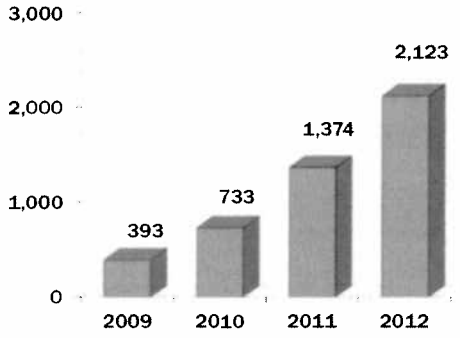
Exhibit 3-47: **RTAMS Website Visits**



RTA Travel Training Program

The RTA offers travel training to individuals who are eligible for ADA Paratransit and want to learn how to use fixed route or commuter rail services. Once travel training is requested, a Travel Trainer works with an individual one-on-one to develop a training plan tailored to the individual's unique travel needs. Trainers can practice specific trips, practice maneuvering on buses or trains with a wheelchair or other mobility device, or simply provide an orientation to the accessibility features offered on buses and trains. Travel Training requests and completions have steadily grown from 2009 levels and are anticipated to have more than quadrupled by year-end 2012 (Exhibit 3-48).

Exhibit 3-48: **RTA Travel Training Program: Total Individuals Served**



ADA Paratransit Certification Program

Residents with a disability that prevents them from using the fixed-route Pace bus or CTA bus or train services may be eligible for RTA ADA Paratransit service. ADA Paratransit is a shared ride, advanced reserva-

Exhibit 3-49: **ADA Paratransit Eligible Riders**

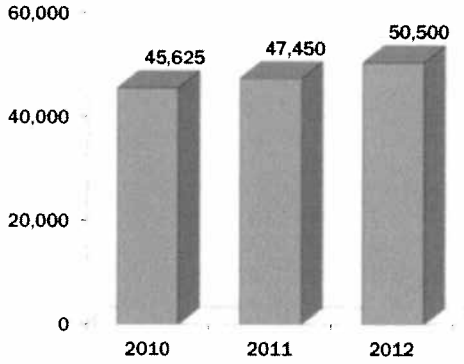


Exhibit 3-50: **ADA Paratransit Certification Applications**

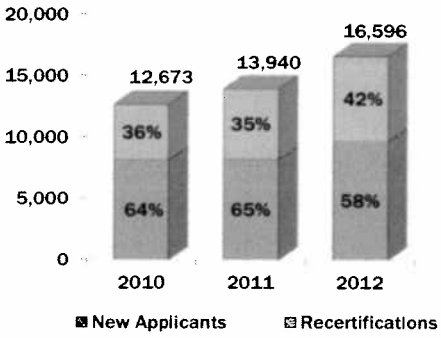


Exhibit 3-51: **Transit Benefit Fare Media Units Sold**

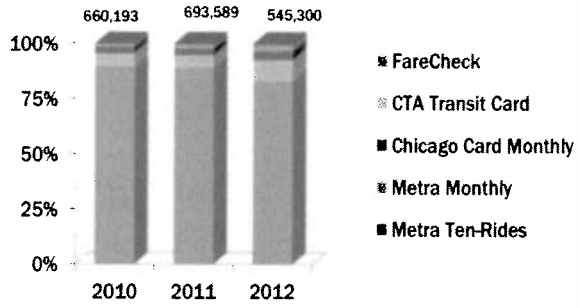
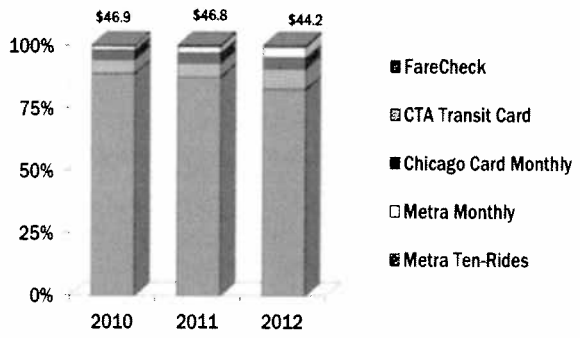


Exhibit 3-52: **Value of Transit Benefit Fare Media Sold**



tion, origin-to-destination service for persons with disabilities who are unable to use the regular fixed-route public transit service because of their disability. Eligibility is determined after a resident submits an application and undergoes an in-person interview which may include a mock transit trip to help the evaluator determine travel abilities and physical limitations. 2012 certification applications are projected to be nearly 24% higher than in 2010, with a 10% increase in riders determined to be eligible for ADA Paratransit services.

RTA Transit Benefit Fare Program

The RTA Transit Benefit Fare Program helps employees and employers save money on transit. IRS Section 132(f) allows for employees to have up to $125 a month (was $230 for 2010) deducted pre-tax to pay for transit or vanpool commuting expenses. Fare options include Chicago Card monthly pass reloads, CTA Transit Cards, Fare Checks, Metra monthly passes, and Metra 10-ride passes. 2012 estimates reflect reductions in the number and value of transit benefits from prior years as there are plans to discontinue some of the fare media offered in the program. In addition, Fare Check amounts will be down in 2012, despite the increase in Metra fares, due to the change in the federal maximum being reduced from $230 per month to $125 per month. Lastly, the increase in pre-paid debit cards being used for Transit Benefits, combined with an increase in Metra monthly sales, is expected to result in a decline in Fare Check sales for 2012 (Exhibit 3-51 and 3-52).

RTA Customer Service Programs

The RTA issues Reduced Fare Cards for elderly residents as well as persons with disabilities. Applicants undergo a screening process and possibly an interview to determine eligibility for a reduced fare card. With the elimination of the Seniors Ride Free Program in September 2011, applications for Reduced Fare Cards quadrupled in 2010; 2012 estimates are expected to be nearly double 2010 levels (Exhibit 3-53).

RTA's Customer Service Center experienced a significant increase in phone and walk-in activity due to the Seniors Ride Free transition, with a doubling of phone

Exhibit 3-53: **Reduced Fare Cards Issued**

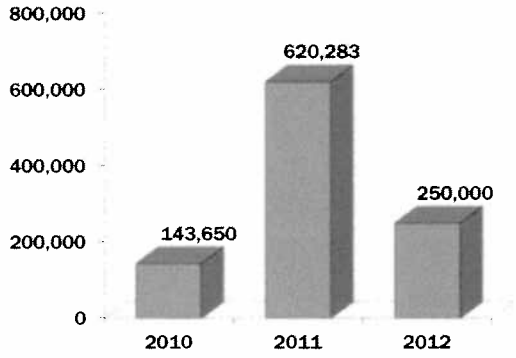
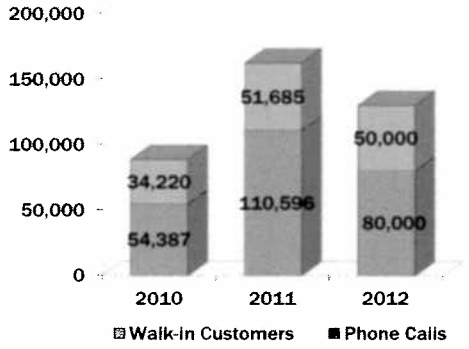


Exhibit 3-54: **Customer Service Center Volume**



calls in 2011. Walk-ins to the Customer Service Center were significantly higher during several weeks around the Seniors Ride Free transition, so much so that accurate numbers are not available for that time period. The Customer Service Center is expected to answer 80,000 phone calls and see approximately 50,000 people in 2012 (Exhibit 3-54).

Reference

RTA Bonds

Much of the information in this section is sourced from the RTA's Comprehensive Annual Financial Report (CAFR). Since the 2011 CAFR is not yet available, the most recent financial data, through 2010, is shown.

The bonds issued by the RTA carry a rating of "AA+" from Standard & Poor's, AA from Fitch IBCA, and "Aa3" from Moody's Investors Service, Inc. These represent solid 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 $2,260.2 million as of December 31, 2010, are divided into two types: $1,497.2 million in Strategic Capital Improvement Program (SCIP) bonds and $763.0 million in RTA bonds (Exhibits 3-55 and 3-56). The following paragraphs briefly discuss each outstanding bond issue.

In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also is-

Exhibit 3-55: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	January 1, 2010	New Issues	Retirements	December 31, 2010
1990A	60,795	-	3,810	56,985
1991A	55,745	-	-	55,745
1992A* and 1992B	25,865	-	8,075	17,790
1994A* and 1994B	24,395	-	-	24,395
1994C* and 1994D	56,285	-	1,620	54,665
1997 Refunding	60,800	-	5,445	55,355
1999 Refunding*	266,775	-	8,065	258,710
2000A*	224,790	-	5,575	219,215
2001A*	86,650	-	2,090	84,560
2001B Refunding*	29,800	-	-	29,800
2002A*	141,940	-	3,150	138,790
2002B	133,635	-	10,870	122,765
2003A*	237,630	-	5,045	232,585
2003B	137,180	-	2,955	134,225
2004A	241,775	-	4,870	236,905
2005B Refunding	132,770	-	6,850	125,920
2006A*	242,290	-	3,780	238,510
2010A	-	62,175	1,860	60,315
2010B	-	112,925	-	112,925
Total	$ 2,159,120	$ 175,100	$ 74,060	$ 2,260,160

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

Exhibit 3-56: **RTA Long-term Debt (1)** (dollars in thousands)

	As of December 31, 2009	As of December 31, 2010
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized But Unissued RTA Debt	179,195	36,995
Total Non-SCIP (RTA) Principal Outstanding	620,805	763,005
Total SCIP Principal Outstanding	1,538,315	1,497,155
Total Debt Outstanding	**$ 2,159,120**	**$ 2,260,160**

(1) Excludes Bank Borrowing and Short-term Notes

Exhibit 3-57: **2001-2010 RTA Debt Service Requirements** (dollars in thousands)

Year	Principal	Interest	Total
2001	19,805	75,382	95,187
2002	27,262	86,264	113,526
2003	37,940	102,667	140,607
2004	40,430	119,272	159,702
2005	49,570	129,966	179,536
2006	55,110	122,976	178,086
2007	59,135	129,416	188,551
2008	64,685	127,870	192,555
2009	68,455	129,074	197,529
2010	74,060	127,934	201,994

Exhibit 3-58: **2001-2010 Debt Service Requirement Test** (dollars in thousands)

Year	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Service
2001	653,522	95,187	237,968
2002	647,685	113,526	283,815
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840
2006	746,829	178,086	445,215
2007	752,922	188,551	471,378
2008	921,245	192,555	481,388
2009	894,238	197,529	493,823
2010	931,435	201,994	504,985

sued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of

Exhibit 3-59: **Recent Bond Projects with Project-to-Date Expenditures** (dollars in thousands)

2003 B	CTA	Repair Track and Structure	298
2003 B	CTA	Replace/Upgrade Power Distribution and Signal Systems	126
2003 B	CTA	Implement Communication Upgrades	113
2003 B	Pace	Improve Garages and Facilities	252
		Total	$ 789
2006 A	CTA	Replace/Upgrade Escalators and Elevators	3,688
2006 A	CTA	Replace Financial System	2,576
2006 A	CTA	Purchase Equipment and Non-Revenue Vehicles	2,512
2006 A	CTA	Upgrade Communication Systems	2,411
2006 A	CTA	Replace/Upgrade Power Distribution and Signal Systems	1,497
2006 A	Metra	Rebuild/Enhance Locomotives and Commuter Cars	8,199
2006 A	Metra	Renew Bridges	1,068
2006 A	Metra	Improve Station Platforms and Ramps	1,368
2006 A	Pace	Improve Garages and Facilities	249
		Total	$ 23,568
2010 A	CTA	Implement Security and Communication Projects	2,528
		Total	$ 2,528
2010 B	CTA	Replace/Upgrade Power Distribution and Signal Systems	11,320
		Total	$ 11,320

acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million.

In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

In January 2010, the RTA issued $62.2 million in General Obligation Bonds, Series 2010A, to finance a portion of the costs incurred in connection with the

construction, acquisition, repair and replacement of certain public transportation facilities.

In January 2010, the RTA issued $112.9 million in General Obligation Bonds, Series 2010B, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

To Issue additional bonds the projected RTA Sales Tax must be at least 2.5 times the projected total debt service requirement. As shown in Exhibit 3-57 and 3-58 over the last ten years, actual sales tax receipts have met 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 3-59 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.

GOVERNMENTAL FUND TYPES

The RTA's governmental fund types are the General Fund, Debt Service Fund and Capital Projects Fund (Exhibit 3-60).

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. The General and the Agency Funds are the only two funds that have annual budgets. Exhibit 3-61 shows the 2012 budget for these funds.

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

IIn 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. The 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. These amounts have been issued.

Exhibit 3-60: **RTA 2010 Combined Fund Statement of Revenues & Expenditures by Fund** (dollars in millions)

	General	Debt	Capital	JSIF	Agency	Pension	Combined
Revenues							
Sales Tax	103.2	-	-	-	818.8	-	922.0
Interest on Sales Taxes	0.1	-		-	0.2	-	0.3
Public Transportation Fund	171.2	-	-	-	-	-	171.2
General State Revenue	65.1	-	-	-	-	-	65.1
Innovation, Coordination & Enhancement (ICE)	9.5	-	-	-	-	-	9.5
Pace Loan PTF Advance Recovery	6.0	-	-	-	-	-	6.0
PTF (New Sales Tax/RETT)	-	-	-	-	116.2	-	116.2
State Assistance	130.1	-	-	-	-	-	130.1
Reduced Fare Reimbursement	-	-	-	-	33.6	-	33.6
Investment Income	16.3	0.4	0.1	-	-	-	16.8
Other Revenues	2.9	-	-	0.2	-	12.0	15.0
Pension Contribution	-	-	-	-	-	11.3	11.3
Total Revenues	$ 504.3	$ 0.4	$ 0.1	$ 0.2	$ 968.8	$ 23.3	$ 1,497.1
Expenditures							
Financial Assistance to Service Boards	97.6	-	-	-	705.0	-	970.5
Capital Grants--Discretionary	15.3	-	-	-	-	-	15.3
South Suburban Job Access Program- (PACE)	7.5	-	-	-	-	-	7.5
Paratransit Funding (PACE)	-	-	-	-	-	-	0.0
Suburban Community Mobility Fund	-	-	-	-	19.0	-	19.0
Paratransit Funding -PACE	-	-	-	-	94.8	-	94.8
Innovation, Coordination, & Enhancement (ICE)	9.5	-	-	-	-	-	9.5
PACE Expenditures (MOU and ADA)	10.3	-	-	-	-	-	10.3
PTF (New Sales Tax/RETT)	-	-	-	-	116.2	-	116.2
Capital Grants--Bonds	60.9	-	42.6	-	-	-	103.5
Reduced Fare Reimbursement	-	-	-	-	33.6	-	33.6
Debt Service Operating Transfer	217.2	(228.1)	15.3	(4.4)	-	-	-
Administrative	7.7	-	-	4.7	-	8.1	20.5
Regional	25.7	-	-	-	-	-	25.7
Capital Outlay	1.3	-	-	-	-	-	1.3
Interest on Sales Taxes to Service Board	-	-	-	-	0.2	-	0.2
Debt Service:							
Principal	-	74.1	-	-	-	-	74.1
Interest	6.2	127.9	-	-	-	-	134.1
Debt Related Costs	-	3.0	-	-	-	-	3.0
Debt Proceeds	-	(140.0)	(175.1)	-	-	-	(315.1)
Bond Premium	-	-	(6.8)	-	-	-	(6.8)
Total Expenditures	$ 459.1	($ 163.1)	($ 124.0)	$ 0.3	$ 968.8	$ 8.1	$ 1,149.2
Revenues Less Expenses (1)	**$ 45.2**	**$ 163.5**	**$ 124.2**	**($ 0.1)**	-	**$ 15.2**	**$ 347.9**
Fund Balance Beginning of the Year	$ 123.0	$ 336.6	$ 132.0	$ 29.1	-	$ 119.9	$ 740.6
Fund Balance End of the Year (2)	$ 168.2	$ 500.1	$ 256.1	$ 29.0	-	$ 135.1	$ 1,088.5

(1) Reconciliation of Budgetary basis to GAAP basis.

(2) Before reserves and designations.

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 only 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.

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

Exhibit 3-61: **RTA Statement of Revenues and Expenditures, 2012 Budget, General and Agency Fund** (dollars in thousands)

	General Fund	Agency Fund	Total Budget
RTA Funding Sources			
RTA Sales Tax (Part I)	110,559	626,501	737,060
RTA Public Transportation Fund (Part I)	184,265	-	184,265
RTA Sales Tax and PTF (Part II)	10,159	374,608	384,767
State Financial Assistance	130,071	-	130,071
State Free Rides & Reduced Fare Reimbursement (1)	-	33,570	33,570
RTA Capital Project Reserves	15,690	-	15,690
Other Revenue	18,220	-	18,220
Total Revenue	**$ 468,964**	**$ 1,034,679**	**$ 1,503,643**
Operating Expenditures			-
RTA Operations Funding - CTA (Includes PTF on RETT)	168,700	419,881	588,581
RTA Operations Funding - Metra	-	337,478	337,478
RTA Operations Funding - Pace Suburban Service	3,000	108,431	111,431
RTA Suburban Community Mobility Funding for Pace	-	20,319	20,319
RTA South Suburban Job Access Funding for Pace	7,500	-	7,500
RTA Total for ADA Paratransit Service	-	115,000	115,000
RTA Funding for Innovation, Coordination, and Enhancement	10,159	-	10,159
State Free Rides and Reduced Fare Reimbursement	-	33,570	33,570
Agency Administration	9,498	-	9,498
RTA Regional Services and Programs	25,706	-	25,706
Total Operating Expenditures	**$ 224,563**	**$ 1,034,679**	**$ 1,259,242**
Debt Service & Capital Expenditures			-
Principal and Interest for Service Board Capital Programs	224,000	-	224,000
Regional Technology and Agency Capital (3)	10,990	-	10,990
Transfer Capital - Metra Funds	4,700	-	4,700
Total Debt Service and Capital Expenditures	**$ 239,690**	**-**	**$ 239,690**
Total Expenditures	**$ 464,253**	**$ 1,034,679**	**$ 1,498,932**
Fund Balance (undesignated/unreserved)			
Beginning Balance	26,376	-	26,376
Change in Fund Balance	4,711	-	4,711
RTA JSIF Funding	(5,000)	-	(5,000)
Ending Unreserved/Undesignated Fund Balance	**$ 26,087**	**-**	**$ 26,087**

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.

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. Modified accrual basis is a type of accounting whereby revenue 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. 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.

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 has been the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the Budget Ordinance. However, due to the unfavorable economic conditions in recent years and the depletion of funds in the undesignated/unreserved fund balance to preserve operating stability, the RTA waived its fund to budget policy for the 2012 fiscal year.

Exhibit 3-62: **2010 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of expenditures over revenues and other financing use-budgetary basis	40,370
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(6,660)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	11,721
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	(210)
Budgetary basis to GAAP basis adjustment	**$ 4,851**
Net Change in Fund Balance - GAAP basis	45,221
Net Changes in Reserves	(37,903)
Net Change in Unreserved, Undesignated Fund Balance	**$ 7,318**

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 (Exhibit 3-62 and 3-63).

Exhibit 3-63: **RTA Statement of Revenues and Expenditures, 2010 Actual and Budget, General and Agency Funds**
(dollars in thousands)

	2010 Budget	2010 Actual	Variance
RTA Funding Sources			
Sales Tax (Part I)	649,600	687,785	38,185
Public Transportation Fund (Part I)	162,400	171,169	8,769
Sales Tax and PTF (Part II)	352,218	359,885	7,667
State Financial Assistance	122,000	130,116	8,116
Reduced Fare Reimbursement	36,800	34,061	(2,739)
Other Revenue	31,500	33,471	1,971
Total Revenue	**$ 1,354,518**	**$ 1,416,487**	**$ 61,969**
Operating Expenditures			
RTA Operations Funding - CTA (includes RETT PTF)	474,839	496,177	(21,338)
RTA Operations Funding - Metra	292,100	319,393	(27,293)
RTA Operations Funding - Pace Suburban Service	125,256	129,298	(4,042)
RTA Total for ADA Paratransit Service	98,803	104,521	(5,718)
RTA Funds for Innovation, Coordination, and Enhancement	9,030	8,255	775
State Reduced Fare/Free Ride Programs and Sales Tax Interest	38,500	34,061	4,439
Agency Administration, Regional Services & Programs	31,345	32,731	(1,386)
Total Operating Expenditures	**$ 1,069,873**	**$ 1,124,436**	**($ 54,563)**
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	207,020	223,361	(16,341)
Regional Technology and Agency Capital	2,379	-	2,379
Transfer Capital - Metra Funds	17,998	506	18,492
Transfer Capital - Discretionary RTA Funds to CTA	20,353	20,353	-
Total Debt Service and Capital Expenditures	**$ 247,750**	**$ 244,220**	**$ 3,530**
Total Expenditures	**$ 1,317,623**	**$ 1,368,657**	**($ 51,034)**
Fund Balance (undesignated/unreserved)			
Beginning Balance	(17,682)	(27,893)	(10,211)
Change in Fund Balance	36,895	47,830	10,935
Other Funding & Reserves	(4,100)	(12,619)	(8,519)
Ending Balance	**$ 15,113**	**$ 7,318**	**($ 7,795)**
% of Total Operating Expenditures	1.4%	0.7%	(0.8%)

Exhibit 3-64: **Recovery Ratio (1)** (dollars in thousands)

	2012 Budget
CTA	
Operating Revenue	623,682
Adjustments (2)	22,000
Total Revenue	**$ 645,682**
Operating Expenses	1,240,291
Adjustments (2)	(156,190)
Total Expenses	**$ 1,084,101**
CTA Recovery Ratio	59.6%
Metra	
Operating Revenue	353,600
Adjustments (3)	1,600
Total Revenue	**$ 355,200**
Operating Expenses	686,800
Adjustments (3)	(38,000)
Total Expenses	**$ 648,800**
Metra Recovery Ratio	54.7%
Pace Suburban Service	
Operating Revenue	54,469
Adjustments (4)	10,167
Total Revenue	**$ 64,636**
Operating Expenses	195,017
Adjustments (4)	10,167
Total Expenses	**$ 205,184**
Pace Recovery Ratio	31.5%
System-Generated Revenue Recovery Ratio	
Total Service Board Revenue	1,063,918
Agency	18,220
Adjustments (5)	4,262
Total Revenue	**$ 1,086,400**
Total Service Board Expenses	1,938,085
Less Regional Exemption (statutory) (6)	(40,000)
Agency & JSIF	35,203
Total Expenses	**$ 1,933,288**
System-Generated Budgetary Recovery Ratio (excluding ADA Paratransit)	56.2%
ADA Paratransit	
Operating Revenue	**11,576**
Operating Expenses	126,576
Adjustments (7)	(10,814)
Total Expenses	**$ 115,762**
Recovery Ratio	10.0%

(1) The RTA Act permits certain revenue and expense adjustment for the recovery ratio calculation. The RTA, by means of ordinance, allows supplementary adjustments for Service Board calculations, but such adjustments are reversed to determine the system-generated revenue recovery ratio for the region, which by statute must be at least 50%. Service Board adjustments include amounts that result in calculations that equal the "marks" set by the RTA. (2) CTA adjustments to revenue include in-kind revenue for security services provided by the Chicago Police Department (CPD). Expense adjustments include in-kind costs for the CPD equal to the revenue credit, and credit for security, pension obligation debt service and some grant revenues. (3) Metra revenue reflects circuit ride free credits; expense adjustment credits include security, depreciation and transportation facility leases. (4) Pace revenue adjustments include in-kind ADvAntage program charges; expense adjustments include in-kind ADvAntage program charges. (5) Regional revenue adjustments include a credit for a CTA lease transaction. (6) In 2008 the region was provided a $200 million expense exclusion toward the regional recovery ratio in an effort to accommodate the increased funding associated with state legislation that increased the percentage of sales tax collected by the RTA. The exclusion was set to decrease by $40 million dollars each year and expire completely in 2013. In 2012 the temporary statutory expense exclusion is $40.0 million (7) Expense adjustments include credits for capital costs incurred in providing contracted services (capital cost of contracting).

4 CTA 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 and is governed by a seven-member Chicago Transit Board.

A new State funding package, established by legislation in 2008, increased the percentage of State sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. Unfortunately, the economic recession has had a significant impact on these funds; revenues from sales tax and the RETT have been hit hard by the effect of reduced consumer spending. Additionally, the recession has impacted the rate at which the State of Illinois has made payments to the RTA and subsequently the rate at which the RTA can make payments to the CTA.

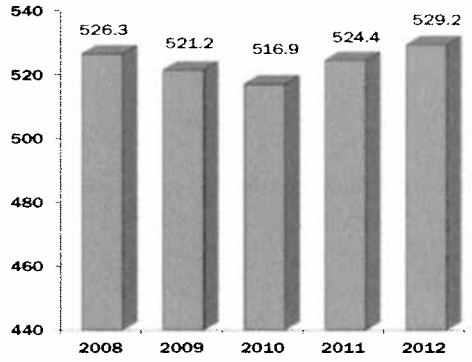
Building on its success in 2011, the CTA will continue to hold the line on costs in 2012 without the need for increases in fares or reductions in service.

In order to balance its 2011 budget, the CTA eliminated personnel and instituted hiring delays. The CTA also budgeted for the transfer of over $196.0 million in capital funds to operations. This allowed the CTA to avoid a fare increase and/or service reductions, having already reduced service in 2010. A borrowing agreement that the RTA reached with the State of Illinois in 2009 enabled the CTA to avoid fare increases in 2010 and 2011.

Building on its success in 2011, the CTA will continue to hold the line on costs in 2012 without the need for increases in fares or reductions in service. Unlike in 2011, the CTA does not plan to transfer any funding from capital to operations. However, the 2012 budget is built on the expectation of labor and work-rule reform. A fare increase or service reductions may become necessary during 2012 if successful labor negotiations do not occur.

CTA's total expenses rose in 2011 due to increases in labor, fuel, power and security expenses. In 2012, the CTA expects its total expenses to return to near 2010 levels. In the "other services" category, $71.7 million of the expense reduction occurs in 2012 only, as the CTA applies their liquidated debt service reserve fund toward the "other services" category. The CTA was able to substitute a bond insurance policy for the reserve fund, allowing them to liquidate the fund. A half-year credit of $80.0 million for work rule changes is applied in 2012 in anticipation of successful labor negotiations, which would result in a 2.0% decrease in labor expenses. If no contract savings are realized, the CTA projects a 6.8% increase in labor expenses for 2012. Other savings for 2012 include a $5.3 million decrease in electric power expenses due to a renegotiated contract. Net results for the 2012 budget and 2013 through 2014 plan show zero balances, with revenues equal to expenses.

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



Service Characteristics

The CTA operates the second largest public transportation system in the United States with average weekday ridership on its bus and rail system of 1.7 million. The CTA's service area encompasses 322 square miles in the City of Chicago and 40 surrounding suburbs.

Bus operations provide 1,781 buses traveling over 140 routes covering 1,959 miles, with approximately 11,493 bus stops. Rail service on eight lines is provided by 1,200 train cars traveling over 224 miles of track.

RIDERSHIP

Total ridership for 2012 is budgeted at 529.2 million trips (Exhibit 4-1). This is 0.9% or 4.8 million trips higher than estimated 2011 ridership. Bus ridership is budgeted at 306.3 million trips in 2012. This is 0.2% or 700,000 trips higher than estimated 2011 ridership. Rail ridership is budgeted at 222.9 million trips in 2012, 1.9% or 4.2 million trips more than estimated 2011 ridership (Exhibit 4-2).

Average weekday ridership in 2011 was about 1.7 million, while Saturday and Sunday average ridership was nearly 1.1 million and 760 thousand, respectively. In 2012, average weekday ridership is projected to grow slightly, but to remain around 1.7 million. Saturday average ridership is expected to remain around 1.1 million, while Sunday average ridership is budgeted to increase slightly to 766 thousand (Exhibit 4-3). Total vehicle miles are expected to remain stable in 2012 at 120.1 million (Exhibit 4-4).

SERVICE QUALITY

The CTA has continued to work on improving the core components of its business that impact its customers directly. Some of its efforts include the implementation of performance management initiatives that ensure the delivery of safe, clean, on-time, courteous, and efficient service; the restructuring and consolidation of customer service and customer communications providing timely and accurate information to the riders; and concrete repairs made to improve the safety of bus turnarounds and rail stations.

As part of its effort to improve service quality, the CTA has implemented a variety of performance measures. These measures support a significant effort by the CTA to improve service quality. Grouped by quality service objective, the CTA provides for each performance measure the average monthly 2010 result, a 2011 monthly target, 2011 monthly results, and a definition of the performance measure. When applicable, the performance measure is associated with a specific department. The quality objectives include Ridership, On-Time, Efficient, Safe, Clean, and Courteous service. When performance for a month exceeds the monthly target, the measurement is highlighted in green. If performance for the month falls below but within 10% of the target, the measurement is highlighted in yellow. When performance falls below 10% of the target, the measurement is highlighted in red. Performance measure targets yet to be established are highlighted in gray. The monthly performance measures published on the CTA's website through November 2011 can be found at the end of this section (Exhibit 4-20).

Business units and departments are responsible for certain performance measures. For instance, the Bus Operations unit is responsible for the "% of Big Gap Intervals" measurement which records the number of bus intervals that are double the scheduled interval. In 2010, the Bus Operations Department enhanced its 2010 on-time performance by communicating goals and performance to everyone from managers to operators, while providing a platform for reporting

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

	2008	2009	2010	2011	2012
Bus	328.2	318.6	306.0	305.7	306.3
Rail	198.1	202.6	210.8	218.7	222.9
Total Ridership	526.3	521.2	516.8	524.4	529.2

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

	2008	2009	2010	2011	2012
Weekday	1,679	1,658	1,633	1,665	1,676
Saturday	1,048	1,058	1,049	1,075	1,091
Sunday	725	748	732	758	766

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

	2008 Actual	2009 Actual	2010 Actual	2011 Estimate	2012 Budget
Ridership (1)	526,336	521,242	512,180	524,388	529,227
Vehicle Miles	136,190	136,034	122,679	120,131	120,081
Passengers Per Mile	3.9	3.8	4.2	4.4	4.4

(1) Ridership in annual inlinked trips.

issues and brainstorming solutions. As indicated in Exhibit 4-20, the CTA was able to keep "% of Big Gap Intervals" performance measure at or below the 5% target every month of the year of 2011.

The use of performance measures ensures high levels of service quality and increases accountability to the public. By creating these performance targets and striving to meet or exceed them and delegating responsibility for the performance measures to specific departments and units, the CTA has shown that it values customer opinion and that it is working toward improved service quality and greater accountability.

CHALLENGES

Despite signs that the nation may be pulling out of the deep recession that began in 2008, the economy is expected to remain sluggish in 2012. The CTA's primary revenue sources are very sensitive to the health of the economy. In addition to significantly lower public funding, the CTA is also faced with higher costs in several areas. Labor costs make up the largest portion of the CTA's budget. In 2011, the CTA's unionized employees received contractual wage increases resulting in an over $66.3 million increase in labor expenses compared to the prior year. The CTA worked to mitigate these increases in 2011 by eliminating vacancies, controlling hiring, and strictly managing overtime. In 2012, the CTA expects to re-negotiate its labor contracts and has budgeted $80 million less in operating expenses contingent on work-rule reforms.

CAPITAL INVESTMENTS

The CTA spent $429 million in capital expenditures in 2010 and $540 million in 2011. The CTA is expected to spend a total of $455 million on capital expendi

tures in 2012, a 15.8% decrease from 2011 (Exhibit 4-5).

Since 2008, the CTA has diverted $554 million in capital funds to operations in order to fill budget gaps. As a result, the CTA has severely underfunded its capital program. In 2012, the CTA has pledged to stop diverting capital funds and will use all available capital funds to reinvest in the system. In 2012, the CTA will begin modernizing northern portions of the Red and Purple Lines. These northern Red Line stations, in particular, are in vital need of improvements. They are among the oldest stations in the system and are not ADA accessible. Also in 2012, the CTA proposes to spend $47.7 million to improve security. Measures include doubling the number of security cameras across the rail system and inserting cameras on rail cars. Between 2012 and 2016, the CTA will perform mid-life bus overhaul, rail-car overhaul and mid-life rehabilitation, upgrade power distribution and signals on the Red, Brown, Orange and Green Lines, rehabilitate rail stations, improve information technology, and begin projects using CMAQ, JARQ, UWP and ICE funding.

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2008	2009	2010	2011	2012
CTA Total Capital Expenditures	**$ 940,749**	**$ 671,952**	**$ 428,500**	**$ 540,490**	**$ 455,305**
CTA Bus Vehicles	2,093	2,053	1,782	1,782	$1,782
Average Age of Buses (in years)	5.6	4.7	4.3	5.3	6.3
CTA Rail Cars	1,190	1,190	1,190	1,200	1,200
Average Age of Rail Cars (in years)	25.0	26.0	27.0	25.0	21.0
Bus Routes Offering Lift Service	154	154	150	141	141
ADA Accessible Stations	85	85	85	88	87

In late 2010, the CTA requested that the RTA suspend a financial policy that requires a Service Board to use less than 50.0% of capital funding for debt service. The CTA wished to issue bonds in 2012 totaling $430 million and use the funding to exercise one of two options in their contract to purchase approximately 706 rail cars. The RTA Board recognized that this represented a unique opportunity for the CTA to purchase rail cars at a dramatically reduced price and suspended the financial policy which was created in a previous ordinance. The action taken by the RTA Board temporarily redacted the policy that limited the use of capital funds for debt service to 50% in favor of one that increased that limit to 60%. Thanks to these actions, the CTA was able to purchase these cars at the current price of approximately $1.4 million per car versus an estimated price of $2.5 million per car if the CTA had to rebid the contract. Further, if the CTA did not replace the existing cars in a timely fashion, they would need to perform life extending rehabilitations at approximately $1.2 million per car. The current estimate is that the temporary increase in the debt limit will run through 2019. Starting in 2012, the CTA will purchase the remaining 300 rail cars in this contract.

Bus System

In 2011, the CTA operated a fleet of approximately 1,782 buses, which made 19,709 weekday trips on 140 routes, providing almost 960 thousand rides on a typical weekday. Between 2006 and 2009 the CTA purchased 1,293 new buses. All buses delivered since 2007 have clean diesel engines and particulate filters that meet EPA emissions standards, and the entire bus fleet is ADA accessible and air-conditioned. The continued investment in the bus fleet reduced the average age of the bus fleet from 9.4 years to 5.2 years in 2011.

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. In 2012, bus mid-life overhaul activities are programmed for $22.5 million, and total $54.4 million during the period from 2013-2016. With overhauls, the fleet will demonstrate increased reliability and fewer instances of expensive breakdown-based repair.

Also in 2012, the CTA plans to replace its Nova 40-foot buses that have reached the end of their useful service life. Between 2012 and 2016, the CTA will spend $166.2 million to purchase vehicles equipped with clean propulsion technologies such as low floor, hybrid diesel-electric buses which achieve 20% greater fuel efficiency than standard diesel buses.

Rail System

The CTA has committed to an aggressive slow zone rehabilitation schedule. In 2010, the monthly average for slow zones on CTA's rail system was 9.7% of track, down from the system's peak in 2008 when 22.3% of track was in a slow zone.

The proposed Capital Improvement Plan (CIP) schedules $207.0 million in 2012 to fix right-of-ways, ties, rail and structure, to reduce slow zone imposition and therefore maintain operating speeds. An additional $443.3 million is budgeted from 2013-2016 to continue systematic rehabilitation of the CTA right of way.

The CTA has funded and ordered 706 new rail cars from the Bombardier 5000-Series. Each rail car will be equipped with seven network security cameras. These rail cars also include glow-in-the-dark strips on floors and improved door sensors. Each car meets or exceeds ADA compliance standards. These railcars will replace the aging 2200-Series and 2400-Series fleet placed into service in 1969 and which have far exceeded their expected service lives of 25 years.

In 2011, the CTA implemented Train Tracker. The project tracks CTA trains in real time and provides customers estimated train arrival times for all 143 rail stations. The CTA implemented Bus Tracker in 2008 to much success.

System-Wide Improvements

The CTA continues to invest in new technology to further improve service and safety. The CTA operates over 1,500 desktop computers that link into local area networks for efficient data transfer and team analysis. The CTA's proposed Capital Improvement Program allocates $7.1 million in 2012 for software and hardware upgrades. In 2011, the CTA provided $10.0 million to enhance its security and surveillance network by expanding camera coverage and police presence at its rail stations; 3,500 security cameras were installed at 143 rail stations. The new system integrates state-of-the-art, high-definition digital cameras which are capable of capturing facial recognition and displaying six times the detail of analog cameras in real time.

In 2011, the CTA unveiled the first of 400 LED signs to be installed at select bus shelters. The project will be completed by September 2012. Also in 2012, 100 CTA rail stations will receive a comprehensive facelift which includes better lighting, rehabilitation of station escalators and elevators, replacement of station roofs and canopies, and upgraded passenger public address systems.

Exhibit 4-6: **CTA 2012 Budget and 2013-2014 Financial Plan** (dollars in thousands)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Operating Revenues					
Passenger Revenue	509,180	523,660	540,000	545,940	551,945
State Reduced Fare Reimbursment	28,245	28,000	28,000	28,000	28,000
Other Revenue	56,633	49,447	55,682	57,202	58,769
Total Operating Revenues	$ 594,058	$ 601,107	$ 623,682	$ 631,142	$ 638,714
Public Funding					
RTA Sales Tax I	281,020	293,170	301,379	309,816	318,492
Sales Tax II and PTF II	109,975	117,723	111,495	113,398	115,292
25% PTF II on RETT	7,534	7,000	7,007	7,147	7,290
RTA Discretionary Funds	97,648	128,251	168,700	173,424	178,279
City of Chicago RETT	32,438	28,000	28,028	28,588	29,160
Transfer from Capital	90,000	48,200	-	-	-
State Fare Agreement	83,000	83,000	-	-	-
Total Public Funding	$ 701,615	$ 705,344	$ 616,609	$ 632,373	$ 648,513
Total Revenues	$ 1,295,673	$ 1,306,451	$ 1,240,291	$ 1,263,515	$ 1,287,227
Expenses:					
Labor	835,143	901,392	883,075	804,406	808,406
Material	80,077	67,923	71,493	73,638	75,847
Fuel	52,063	58,166	66,707	65,230	64,776
Power	28,208	30,236	24,977	25,077	29,633
Insurance & Claims	43,000	15,000	31,200	31,824	32,460
Purchase of Security Services	33,319	35,988	36,803	37,907	39,423
All Other	167,240	197,746	126,036	225,433	236,682
Total Operating Expenses	$ 1,239,050	$ 1,306,451	$ 1,240,291	$ 1,263,515	$ 1,287,227
Net Results	**$ 56,623**	-	-	-	-
Recovery Ratio % (1)	**56.6%**	**55.2%**	**59.6%**	**59.9%**	**59.4%**

(1) Recovery Ratio is calculated by dividing Operating Revenues by Operating Expenses. The calulation includes in-kind revenues and expenses for security services provided by the City of Chicago and some grant revenues, it excludes security and POB debt service expneses.

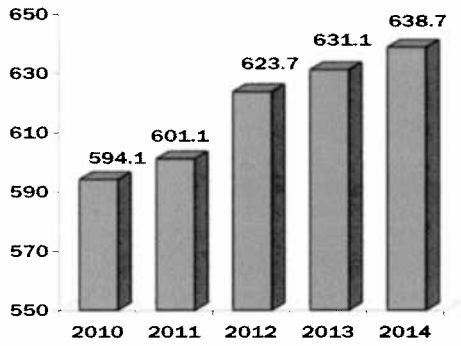
Budget and Financial Plan

The CTA's 2012 budget and 2013 and 2014 financial plan were approved by the RTA Board on December 15, 2011, in accordance with the 2012 marks set by the RTA on September 15, 2011. The CTA's operating funding marks were set at $588.6 million for 2012, $603.8 million for 2013, and $619.4 million for 2014. The CTA has budgeted for a recovery ratio of 59.6% in 2012, 7.6 percentage points above the RTA approved recovery ratio mark of 52.0% The CTA's Budget and Financial Plan, which includes the recovery ratio, is presented in Exhibit 4-6. The following section portrays the outlook for the 2012-2014 planning period.

OPERATING REVENUE

Operating revenue is expected to increase from $594.1 million in 2010 to $638.7 million in 2014, an increase of $44.6 million over the four-year period, or a compound annual growth rate of 1.8% (Exhibit 4-7). Operating revenue includes passenger revenue, reduced fare reimbursement, and other revenue. In 2012, passenger revenue comprises 44% of the CTA's total revenue, which includes public funding. The reduced fare subsidy and other revenue account for 2% and 4% of total revenue, respectively (Exhibit 4-8). In 2013, the CTA anticipates a $7.4 million increase in operating revenues over the 2012 budget, and in 2014 revenues are expected to increase an additional $7.6 million over 2013, a 1.2% increase.

Exhibit 4-7: **CTA Operating Revenue** (dollars in millions)

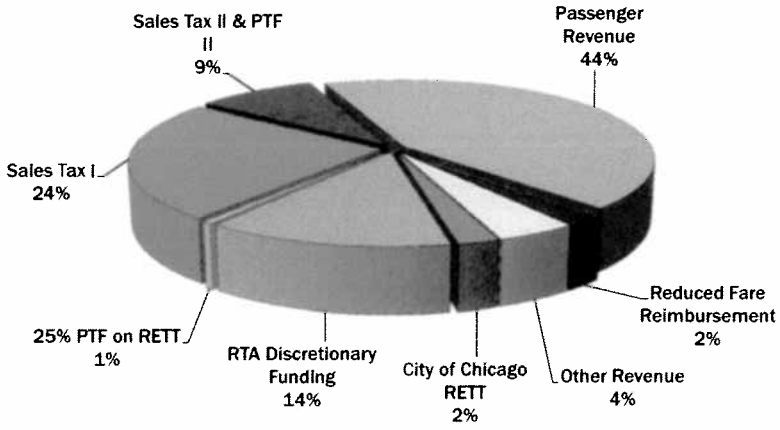


Passenger Revenue

Passenger revenue is estimated to increase from $509.2 million in 2010 to $523.7 million in 2011, an increase of $14.5 million or 3% as ridership increased due to a modest economic recovery (Exhibit 4-9).

Passenger revenue is budgeted at $540.0 million in 2012, $6.3 million or 3.1% higher than the 2011 estimate, reflecting continued modest economic recovery and the modification of the senior ride free program in September 2011. In 2013 and 2014, passenger revenue is anticipated to increase an additional 1.1% each year. The revenue increase is expected to come from increases in ridership. The CTA fare structure is shown in Exhibit 4-10.

Exhibit 4-8: **CTA 2012 Total Revenues ($1,240.3 million)**



State Free Rides & 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. Fare reimbursement is included as revenue and became available in July 1989. However, in 2009 the State eliminated a portion of the funding for this program thereby providing only $28.2 million. For 2011-2014, CTA assumes that the program will continue to be funded at $28.0 million.

Other Revenue

This category includes advertising, charters, concessions, contributions from local governments, investment income, and other revenue (Exhibit 4-11). Also included are essential contributions from the City of Chicago and Cook County. Annual funds provided by the City are $3.0 million, and the County contributes an additional $2.0 million. Other revenue was $56.6 million in 2010 and is expected to fall in 2011 and then increase to $58.8 million by 2014. The economic recession impacted the CTA's efforts to increase advertising, charters and concessions revenues, as corporations have been forced to reduce their spending in these activities. Accordingly, the 2012-2014 plan shows other revenues increasing 3.0% each year as the economy begins to recover.

Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	2008	2009	2010	2011	2012
Passenger Revenue	$ 471,099	$ 505,713	$ 509,180	$ 523,660	$ 540,000
System Ridership	526,336	521,241	516,872	524,388	529,227
Average Fare	$0.90	$0.97	$ 0.99	$ 1.00	$1.02

Exhibit 4-10: **CTA Fare Structure**

	Full	Reduced(1)	Comments
Basic Cash Fare (Bus)	**$2.25**	**$1.00**	**No transfers allowed**
Transit Card (Rail)	$2.25	$0.85	
Chicago Card (Rail)	$2.25	None	
Chicago Card (Bus)	$2.00	None	
Transit Card (Bus)	$2.00	$0.85	
First Transfer W/Fare Card	$0.25	$0.15	Allow two add'l rides within two hours of issue. Transfers are not valid for travel in reverse direction on the route of issue.
Passes			
1-day	$5.75	None	
7-day (CTA only)	$23.00	None	
7-day (CTA/Pace)	$28.00	None	7-Day CTA/Pace Pass valid on CTA and Pace non-premium/ subscription routes.
30-day	$86.00	$35.00	
Visitor Passes			
1-day	$5.75	None	
3-day	$14.00	None	
Link-up Pass	$39.00	None	Sold by Metra; use with Metra monthly ticket.
Express Surcharge	$0.25	$0.25	Downtown on bus routes 2, 6, 14, and 147.
Rush Shuttle Fares	$1.00	None	To/from downtown Metra stations during rush hour.
128 Soldier Field Express	$1.00	$0.50	
154 Wrigley Field Express	$6.00		Per carload.

(1) Reduced fares are for children 7 through 11 years old and students with CTA riding permits.

PUBLIC FUNDING

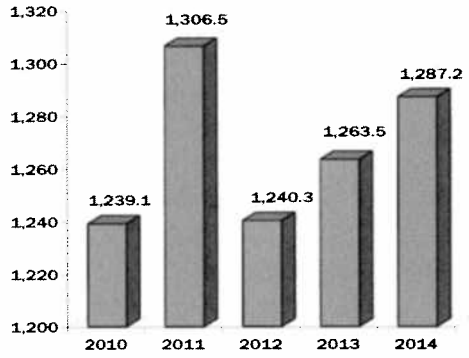
Public funding, available for CTA operations, is determined by and based on the RTA's revenue projection for the year. Public funding from the RTA consists of the RTA Sales Tax (RTA Sales Tax-I and II), the Public Transportation Fund (PTF-II), the City of Chicago Real Estate Transfer Tax (RETT), and RTA discretionary funding. Illinois Public Act 95-0708 increased the rates of the RTA sales tax, the PTF match, and the City of Chicago RETT, creating RTA Sales Tax II, PTF-II and RETT.

CTA funding from RTA Sales Tax-I is expected to increase from $301.4 million in 2012 to $318.5 million in 2014. RTA Sales Tax-II and PTF-II are expected to increase from $111.5 million in 2012 to $115.3 million in 2014. The RETT and the 25% PTF-II match on RETT combined are expected to increase from $35.0 million in 2011 to $36.4 million in 2014. RTA discretionary funds for the CTA are expected to increase from $168.7 million in 2012 to $178.3 in 2014. Apportionments from the RTA's 15% share of the sales tax (Sales Tax-I) revenue and the State's public transportation fund (PTF-I) are the sources of the RTA's discretionary funds. The CTA used $90.0 million of federal funds for preventative maintenance in 2010 and used a projected $48.2 million in 2011. The CTA did not budget the transfer of funds for preventative maintenance in 2012- 2014. Additionally, the CTA will no longer receive $83.0 million from the State in associated with the 2009 State Fare Agreement.

OPERATING EXPENDITURES

Total operating expenditures are forecasted to increase from $1,239.1 million in 2010 to $1,287.2 million in 2014. This $48.1 million increase represents a 1.0% compound annual growth rate (Exhibit 4-12).

Exhibit 4-12: **CTA Total Operating Expenditures** (dollars in millions)



For 2012, operating expenditures are estimated at $1,240.3 million. This is a $66.2 million, or 5.1%, reduction from 2011 estimates and is only $1.1 million greater than 2010 actual expenditures. The decrease in total expenses is largely due to the $80.0 million the CTA expects to save from labor reform and work rule changes and the $78.0 million the CTA received by liquidating their debt service reserve, shown in the "other services" category in 2012. These savings are expected to mitigate increased labor, fuel and insurance and claims costs.

Financial projections for the years 2013 and 2014 show increased operating expenditures at $1,263.5 million and $1,287.2 million, respectively. The 2013 financial projection represents an increase of 1.9% over the 2012 budget, and the 2014 financial projection represents an increase of 1.9% over the 2013 financial plan.

Expenditure Elements

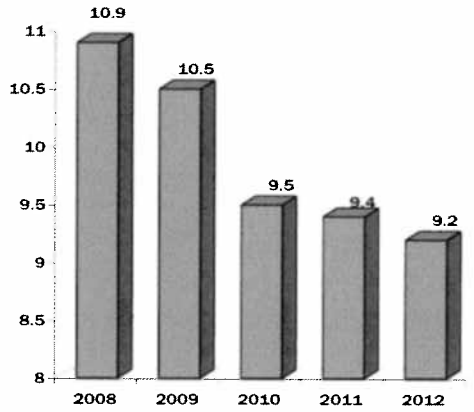
2012 operating expenditure elements include labor, material, fuel, power, insurance & claims, security, and other costs. Labor expenditures, including fringe benefits, represent 71.2% of the CTA's total expendi-

Exhibit 4-11: **All Other Revenue** (dollars in thousands)

	2010 Actual	2011 Forecast	2012 Budget	2013 Plan	2014 Plan
All Other Revenues:					
Advertising, Charter, & Concessions	22,609	19,436	22,802	23,486	24,191
Investment Income	627	394	867	893	920
Contribution from Local Govt. Units	5,000	5,000	5,000	5,000	5,000
All Other Revenue	28,397	24,619	27,013	27,823	28,658
Total All Other Revenues	$ 56,633	$ 49,449	$ 55,682	$ 57,202	$ 58,769

tures. This figure includes the $80.0 million savings from labor reform and work rule changes. 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 5.8% of total expenditures. Fuel and power represent 7.4% of the CTA's expenditures. Security and insurance & claims represent 5.5% of total spending. Other expenditures comprise the remaining 10.2%. The other expenditure category includes items such as leases, utilities, and contractual services (Exhibit 4-13).

Exhibit 4-15: **CTA Budgeted Positions** (in thousands)



The CTA continues to reduce the number of budgeted positions in 2012, eliminating 200 positions that were budgeted in 2011 (Exhibit 4-15).

Labor Costs

Labor expenditures are expected to decrease from $835.1 million in 2010 to $808.4 million in 2014, contingent on $160.0 million savings in 2013 and 2014 from the labor reform and work rule changes. This $26.7 million decrease represents a compound annual decline of -0.81% (Exhibit 4-14). Labor expenditures for 2011 are estimated at $901.4 million or $66.3 million more than prior year. The higher labor expense is a result of previously negotiated wage increases and higher fringe benefit costs. When savings from labor reform and work rule changes are factored in, labor expenses are budgeted to decrease by $18.3 million in 2012 over the 2011 estimate, and then decrease by an additional 8.9% in 2013.

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenditures are estimated at $67.9 million in 2011, $71.5 million in 2012, $73.6 million in 2013, and $75.8 million in 2014. Material expenses in 2011 are forecasted to be $4.8 million, or 6.7%, lower than budgeted. This reflects the CTA's increased investment in its bus fleet which lowered the average age of the fleet and lowered maintenance costs as a result.

Exhibit 4-13: **2012 CTA Operating Expenditures** - $1,240 million

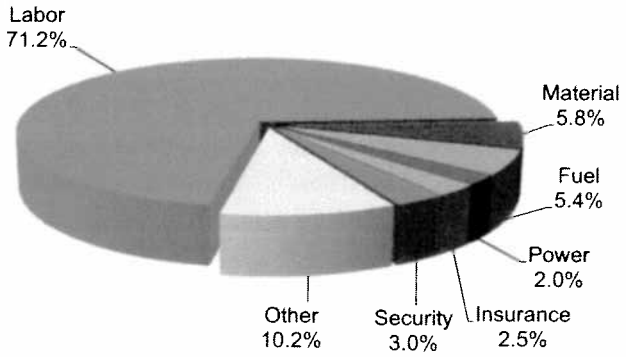


Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2010	2011	2012	2013	2014
Labor Expense	$ 835,143	$ 901,392	$ 883,075	$ 804,406	$ 808,406
% Change from Prior Year	(2.5%)	7.9%	(2.0%)	(8.9%)	0.5%

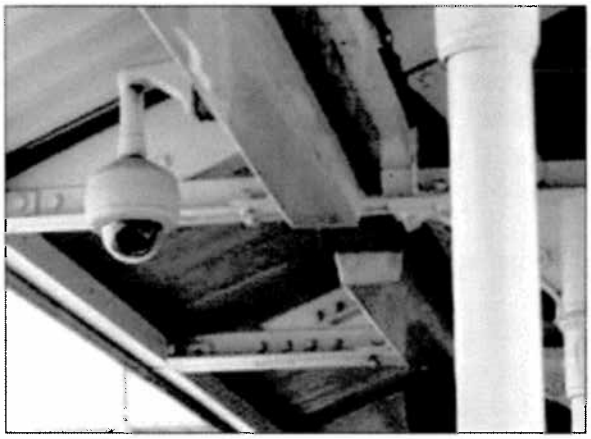
Modest increases in 2012, 2013 and 2014 represent the CTA's continued efforts to rein in material costs through supply chain improvements and close scrutiny of material purchases.

Fuel

In 2009, CTA fuel expenditures were $104.4 million for 22.9 million gallons, a price per gallon of $4.55 (Exhibit 4-16). 2010 actual results show fuel expenses of $52.1 million for 19.2 million gallons at a cost of $2.71 per gallon. In 2011, the cost per gallon is estimated at $3.18, a $0.47 increase from 2010 average costs but $0.26 less than the 2011 market price. At the same time, consumption is anticipated to decline in 2011 by 940 thousand gallons. The decrease in consumption is primarily due to service adjustments in 2010. In 2012, the cost of fuel is budgeted at $3.50 per gallon. As a result, fuel costs are budgeted at $66.7 million. This represents an increase of $8.5 million, or 14.7%, over the 2011 revised budget. Through the strategic fuel hedging program the CTA has already secured 26.3% of its 2012 projected fuel consumption.

Power

Electric power expenditures for the rail system increased from $28.2 million in 2010 to $30.2 million in 2011. This increase is largely due to higher power consumption as a result of severe storms and lower-than-usual temperatures in early 2011. Expenditures are budgeted at $25.0 million in 2012, a $5.3 million decrease from the 2011 estimate. This decrease is the result of a re-negotiated power contract effective January 1, 2012. Power expenditures are estimated to increase by $0.1 million in 2013. Expenditures are expected to increase by $4.5 million in 2014, following the end of the current power contract in 2013.



Insurance and Claims

The insurance and claims expense category represents the expenditures for claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles.

The amount of injury and damages provision is determined by actuaries and based on actual claims history. The CTA's estimate of $15.0 million in 2011 is $28.0 million less than 2010 actual expenditures for insurance and claims. Additional deposits in 2010 allowed for lower-than-normal expenditures in 2011. Proposed expenditures for 2012 are $31.2 million, a $16.2 million increase from 2011. Expenses for insurance and claims in 2013 and 2014 are $31.8 million and $32.5 million, respectively.

Purchase of Security Services

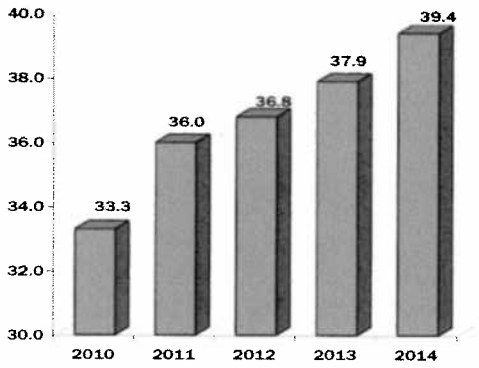
Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by the City of Chicago, Evanston and the Oak Park police departments, and contracts with private security firms for guard and canine security.

Exhibit 4-16: **CTA Fuel Cost per Gallon** (Cost and Gallons in thousands)

	2009	2010	2011	2012
Fuel Cost	$ 104,377	$ 52,063	$ 58,166	$ 66,707
Gallons	22,940	19,240	18,300	19,059
Cost Per Gallon	$4.55	$2.71	$3.18	$3.50

Expenditures are estimated to be $36.0 million in 2011, an 8.0% increase from 2010 (Exhibit 4-17). This increase is due to the expansion of security cameras and personnel at bus depots and across the rail system. The 2012 budget for security services is $36.8 million, a 2.3% increase over 2011. In 2013 and 2014, security expenditures are expected to increase by $1.1 million and $1.5 million, respectively.

Exhibit 4-17: **CTA Purchase of Security Service** (in millions)



All Other Expenditures

All other expenditures include utilities, rents, maintenance & repair, advertising, commissions, consulting, insurance, and other general expenditures. For 2011, $197.7 million is estimated for other services. This reflects an increase of $30.5 million, or 18.2%, from 2010. In 2012, these expenditures are projected to fall to $126.0 million—a 36.3% decrease. This sharp reduction of costs reflects the $78.0 million applied to "other services" in 2012 from the CTA's liquidated debt service fund. Expenditures are forecasted to once again increase in 2013 and 2014 to $225.4 million and $236.7 million, respectively.

NET RESULTS

System-generated revenue (fares and other revenue) cover much of the CTA's operating expense budget, with the remainder of the operating deficit covered by public funding. The operating deficits are derived from total system generated revenue minus total operating expenditures. The deficits for the 2012 budget and 2013-2014 financial plans are $616.6 million, $632.4 million and $648.5 million, respectively (Exhibit 4-6). For the 2012 budget and 2013 and 2014 plans, public funding is equal to the deficit. Net results for the 2012 budget and 2013 through 2014 plan show zero balances, with revenues equal to expenses. Any remaining funding in excess of the operating deficit is transferred from operations to capital at the CTA.

RECOVERY RATIO

The CTA's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2011, the CTA's recovery ratio is expected to meet the mark of 54.0% set by the RTA Board. The Region chapter provides the detailed recovery ratio calculation (Exhibit 3-57).

The following factors affect the CTA recovery ratio calculation. First, in-kind security services provided by the Chicago Police Department in the amount of $22.0 million are included as both revenue and expenditure in the recovery ratio calculation. Second, additional security expenditures are excluded from the recovery ratio calculation. The CTA's recovery ratio was 56.6% in 2010 and is estimated to be 55.2% in 2011. In 2012, the CTA has budgeted for a 59.6% recovery ratio and has planned for a 59.9% and 59.4% recovery ratio in 2013 and 2014, respectively (Exhibit 4-6).

2011 Budget versus 2011 Estimate

The CTA expects a balanced budget in 2011 (Exhibit 4-18).

OPERATING REVENUE

Calendar year 2011 operating revenues are estimated at $601.1 million and are projected to be $11.1 million, or 1.8%, below budget. Revenue from fares is estimated at $523.7 million, which is equal to budget.

The reduced fare subsidy is the State's reimbursement to the CTA for providing discounted fares to the disabled, the elderly, and students. Revenue from the reduced fare subsidy is estimated at $28.0 million, which is also equal to budget.

Total other revenues are estimated to be $49.5 million, $11.1 million or 18.4% unfavorable to budget. The RTA Act requires the City of Chicago to contribute $3.0 million and Cook County to contribute $2.0 million annually to the operations of CTA. Contributions from local governments of $5.0 million are on par with budget. Revenue from advertising, charter, & concessions are estimated at $19.4 million which is greater than budget by $0.5 million or 2.7%. Investment income is estimated at $394 thousand, which is unfavorable to budget by $456 thousand or 53.6%. All other revenue is estimated at $24.6 million which is lower than budget by $11.2 million or 31.3%. Other revenues include parking fees, sale of real estate, rentals and sale of CTA merchandise.

PUBLIC FUNDING

Calendar year 2011 public funding is estimated at $705.3 million and is projected to be less than budget by $30.3 million. Public funding available through the RTA is estimated at $574.1 million, exceeding budget by $30.7 million. This increase is largely due to greater than expected sales tax collections across the region. Increased funding from the RTA, together with lower than expected expenditures in 2011, allowed the CTA to transfer less funds than expected from capital for

Exhibit 4-18: **CTA 2011 Budget vs 2011 Estimate** (dollars in thousands)

	2011 Budget	2011 Estimate	Variance
Operating Revenues:			
Passenger Revenues	523,660	523,660	-
Reduced Fare Subsidy	28,000	28,000	-
Other Revenue	60,591	49,447	(11,144)
Total Operating Revenues	$ 612,251	$ 601,107	($ 11,144)
Public Funding			
RTA Sales Tax I	271,850	293,170	21,320
Sales Tax II and PTF II	109,356	117,723	8,367
25% PTF II on RETT	6,000	7,000	1,000
RTA Discretionary Funds	128,251	128,251	-
City of Chicago RETT	24,000	28,000	4,000
Transfer from Capital	113,200	48,200	(65,000)
State Fare Agreement	83,000	83,000	-
Total Public Funding	$ 735,657	$ 705,344	($ 30,313)
Total Revenues	$ 1,347,908	$ 1,306,451	($ 41,457)
Expenses			
Labor	931,179	901,392	29,787
Material	72,762	67,923	4,839
Fuel	54,487	58,166	(3,679)
Power	30,070	30,236	(166)
Insurance & Claims	15,000	15,000	-
Purchase of Security Services	34,109	35,988	(1,879)
All Other	200,149	197,746	2,403
Total Expenses	$ 1,337,756	$ 1,306,451	$ 31,305
Net Results	**$ 10,152**	-	**($ 10,152)**
Recovery Ratio %	**54.6%**	**55.2%**	**0.6 points**

preventive maintenance. Transfers from capital are estimated at $48.2 million, which is favorable to budget by $65.0 million.

EXPENDITURES

Calendar year 2011 operating expenditures are estimated at $1,306.5 million and are projected to be favorable to budget by $31.3 million. Expenditures for fuel, power and security services are over budget for the year while labor, material and other services are estimated to finish under budget due to cost containment strategies implemented to ensure that the CTA balances its budget in 2011.

Labor expenditures are projected at $901.4 million, which is $29.8 million or 3.2% under budget. The CTA achieved savings in this category by limiting hiring in 2011 and implementing mid-year personnel reductions.

Material expenditures in 2011 are estimated at $67.9 million, which is lower than budget by $4.8 million and $12.2 million lower than 2010 actual expenses. The CTA will continue to improve its supply chain processes to ensure that only required quantities are being purchased and that the CTA is getting the best price possible.

Fuel expenditures are expected to be $58.2 million at the end of 2011. This is $3.7 million or 6.8% higher than budget. While consumption levels went down in 2011, costs went up due to higher fuel prices. In addition to decreasing consumption levels, the CTA continues to actively work to decrease the price it pays for fuel through its fuel hedging program. Fuel prices are projected to end the year at a net average price of $3.18 per gallon, which is $0.47 higher than the average price in 2010.

Electric power expenditures for the rail system are estimated to be $30.2 million in 2011, over budget by $166 thousand or 0.6%. This increase is explained by higher consumption levels in early 2011 due to severe weather and storms. The CTA began a new electric power contract in early 2010. This contract allowed the CTA to purchase wholesale power for its

base load electricity supply in advance. This approach has yielded a blended rate of approximately $0.071 per kilowatt hour in 2011. The CTA negotiated a new electric power contract beginning January 1, 2012. In 2012, the CTA expects this block purchase approach to yield a blended rate of $0.064 per kilowatt hour in 2012.

Expenditures for insurance, claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles are estimated at $15.0 million for 2011, which is equal to budget.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park police departments and contracts with private security firms. Full year expenditures are estimated at nearly $36.0 million. This is $1.9 million, or 5.5% above budget. This increase in costs over budget is the result of an increase in security personnel stationed across the system. In addition to the services contracted by CTA, the Public Transportation Unit of Chicago Police Department (CPD) continues to provide services to CTA at an estimated cost of $22.0 million.

NET RESULTS

In 2011, the operating deficit is estimated to be $705.3 million. This is favorable to budget by $20.2 million. Net results for 2011 shows a zero balance with transfers from capital of $48.2 million (Exhibit 4-18). Having zero net results is preferable to having a positive balance and higher transfers from capital to

operations. It is the policy of the CTA that any available funding in excess of the operating deficit is transferred to its capital program at the end of the fiscal year. Estimated results show that the CTA will end 2011 with total revenues equal to expenses but with a $65.0 million reduction in transfers from capital to operations. In 2011, the CTA's recovery ratio is expected to be 55.2%, which is 0.6 points favorable to budget.

Statutory Compliance

The RTA Act requires that each Service Board meet the six criteria detailed in the Region Chapter for their budgets to be approved. The CTA budget, as submitted, substantially meets all criteria.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-19 and consists of the following divisions.

CTA Board

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

The Citizens Advisory Board, the CTA Board Members, the Chief of Staff to the Chairman, the Secretary of the CTA Board, the President of the CTA and the Office of Inspector General report directly to the Chairman of the Board. Functionally, the General Counsel of the CTA and the Chief Financial Officer both report to the Chairman of the Board.

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 office is also responsible for financial and general investigations.

The Office of the Inspector General reports directly to the Chairman of the Board, and the Office of the President falls under its scope of potential investigative responsibilities.

President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Service Board. The Chief of Staff of the President reports directly to the President, and the President reports directly to the Chairman of the Board.

Legislative Affairs

Legislative Affairs coordinates agency outreach and represents the CTA and its interests before local, state and national government.

Planning

The planning department is responsible for developing routes and schedules that best synchronize CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

Transit Operations

Transit Operations consists of Bus Operations, Rail Operations, and Bus and Rail Maintenance, the Control Center, and Scheduling & Service Planning. Bus and Rail Operations manage a fleet of 1,783 buses and 1,200 rail cars, respectively that cover an average of 185,000 bus miles and 188,000 rail miles every day. They employ approximately 3,700 full-time equivalent bus operators and 1,100 rail operators that provide service to the customers. Bus maintenance includes both the maintenance and regular cleaning of bus interiors and exteriors. Rail Maintenance is responsible for maintaining the safe mechanical functioning of the CTA's trains as well as regular cleaning, heavy maintenance repairs and rebuilds of train systems. The Control Center monitors passenger and facility security, maintains accident statistics, and monitors

environmental affairs. The Control Center operates 24 hours per day, 7 days a week.

Infrastructure

Infrastructure includes the operating units of Engineer, Power & Way and Facilities. Engineering is responsible for creation and maintenance of construction documents for CTA facilities, and reviewing and answering design requests. Power and Way inspects and maintains the rail track, including rail track circuits, switches, and vital signal relays. Power and Way is also responsible for power substations in the CTA system. The Facilities unit performs maintenance and construction of rail stations, terminals, rail yards and other CTA facilities.

Administration

Administration includes Human Resources & Employee Relations, Purchasing & Warehousing, Technology and DBE/EEO/ADA Compliance. The Human Resources department is responsible for recruiting, hiring, benefit services, medical services, and program compliance. The Purchasing/Warehousing department performs inventory management. Technology maintains and upgrades all CTA technology infrastructure including computer hardware, application software, and communications equipment. This office is also responsible for the maintenance of fare equipment for both Bus and Rail, and for all communication system infrastructures.

Finance

Finance is responsible for budgeting and capital planning, general accounting, investment support, cash management, program development, and the management and control of property, grants, investments and funding.

Finance functionally reports to the Chairman of the Board, and administratively reports to the President.

Law

Law handles appellate matters, corporate law, claims and tort litigation, and workers' compensation matters.

The law department functionally reports to the Chairman of the Board and administratively reports to the President.

Communications

Communications is responsible for marketing, media relations, identity development, and publications. Additionally, Communications is responsible for providing customer service such as travel information, Chicago Card account maintenance, maps, brochures, fare updates, refunds, and support for onsite public forums.

Security & Safety

Security & Safety administers the Destination Safety program with aims to reduce employee and third party accidents and injuries.

Exhibit 4-19: **CTA Organization Chart**

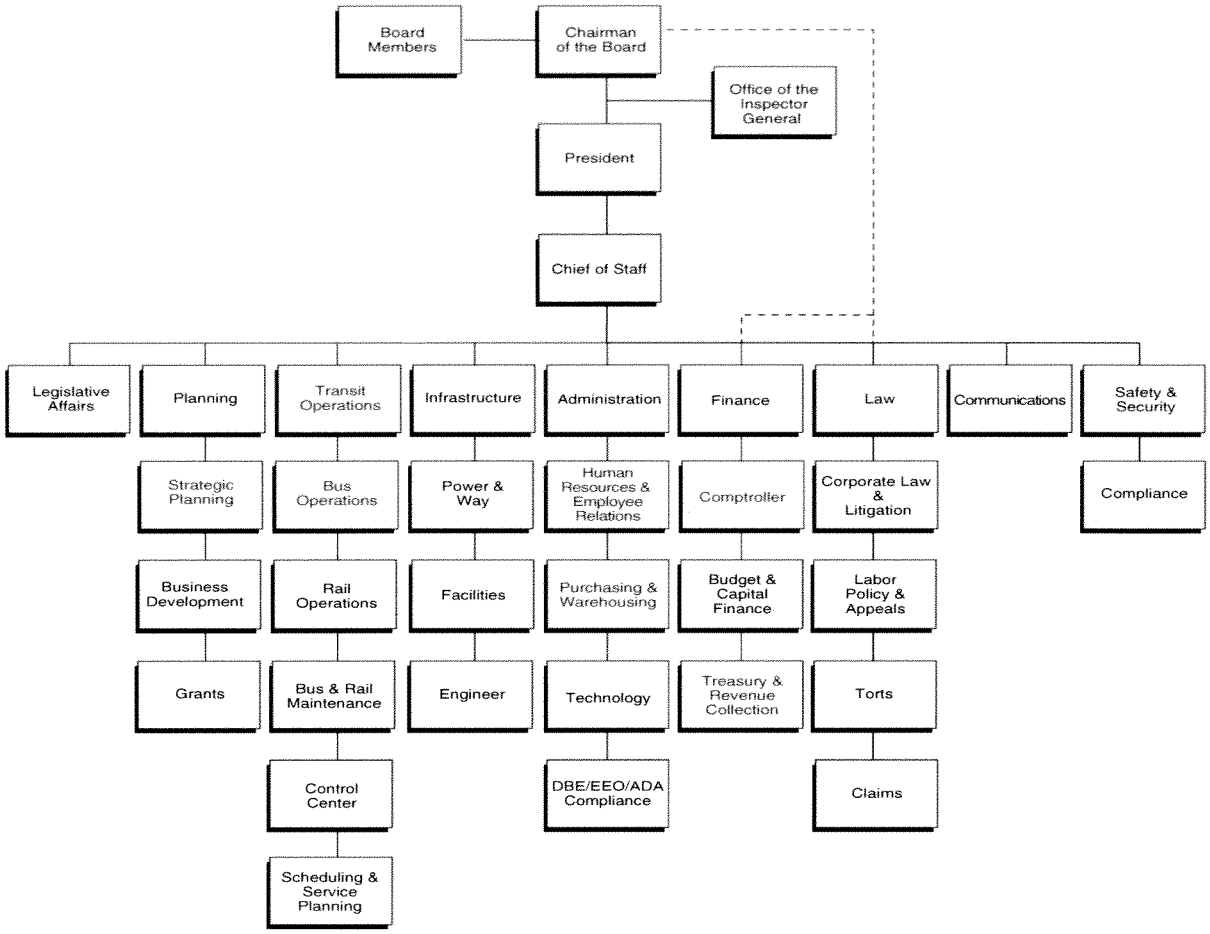


Exhibit 4-20: **CTA Performance Measurement**

	CTA Monthly Performance	2010 Monthly Average	2011 Monthly Target	Jul 2010	Aug 2010	Sept 2010	Oct 2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	June 2011
RIDERSHIP	Total Ridership (in millions)	43.8	43.1	43.6	44.3	45.8	46.6	42.7	38.5	40.7	38.7	46.2	43.6	44.9	45.6
	Rail Ridership (in millions)	15.4	18.4	18.5	18.6	19.0	19.4	17.5	15.6	16.3	15.8	18.7	18.1	18.5	19.5
	Bus Ridership (in millions)	24.8	25.6	25.1	25.7	26.8	27.2	25.2	22.8	24.4	22.8	27.5	25.5	26.4	26.1
	Total (Year to Date, in millions)	40.5	257.7	298.9	343.2	389.1	435.6	478.3	516.9	40.7	79.4	125.5	169.0	213.9	258.5
	% Change Over Prior Year (Year to Date)	2.8%	3.9%	-0.9%	-0.6%	-0.6%	-0.7%	-0.6%	-0.8%	0.5%	-0.9%	0.7%	0.4%	1.2%	1.7%
ON-TIME	Rail Delays of 10 Minutes or More	70	78	71	77	79	64	52		89	104	66	61	110	94
	% of Slow Zone Mileage	9.7%	N/A	9.4%	10.3%	12.8%	13.2%	12.2%	10.5%	9.6%	9.2%	10.9%	10.9%	10.8%	11.6%
	% of Big Gap Intervals, Bus	3.7%	4%	3.9%	4.0%	5.0%	3.8%	3.4%	3.5%	2.8%	5.0%	3.1%	3.0%	3.6%	4.0%
	% of Bunched Intervals, Bus	2.3%	3%	2.4%	2.4%	2.9%	2.7%	2.4%	1.9%	1.7%	3.0%	1.9%	1.9%	2.3%	2.6%
EFFICIENT	Mean Miles Between Reported Rail Vehicle Defects	3998	3650		3866		4389	4237	3514	3471	3204	4043	4184	3455	3244
	Miles Between Reported Bus Service Disruptions Due to Equipment	5113	4300	4651	5004	5438	5343	5834	4557	4932	4582	5791	4427	4515	4362
	Average Daily Percent of Bus Fleet Unavailable for Service	12%	13%	14%		12%	12%	12%	12%	13%	13%	12%	12%	12%	13%
	Average Daily Percent of Rail Fleet Unavailable for Service	10%	11%	11%	11%	11%	10%	11%	12%	11%	12%	12%	10%	11%	12%
SAFE	Bus NTD Security-Related Incidents per 100,000 miles	0.87	N/A	0.80	0.82	0.70	0.90	0.89	0.88	0.08	0.04	0.17	0.07	0.15	0.16
	Rail NTD Security-Related Incidents per 100,000 miles	2.5	N/A	2.38	2.28	2.86	3.52	2.37	2.50	0.02	0.0	0.1	0.1	0.0	0.1
	Bus NTD Safety-Related Incidents per 100,000 Miles	0.40	N/A	0.37	0.40	0.49	0.47	0.39	0.39	0.42	0.64	0.36	0.36	0.47	0.44
	Rail NTD Safety-Related Incidents per 100,000 Miles	0.05	N/A	0.07	0.09	0.02	0.09	0.10	0.05	0.07	0.04	0.06	0.06	0.00	0.02
CLEAN	Average Interior Rail Clean Inspection Score	95%	90%	93.7%	94.5%	95.8%	95.0%	96.9%	98.5%	96.0%	95.4%	98.9%	98.9%	97.1%	98.2%
	Average Interior Bus Clean Inspection Score	84%	85%	88.3%	85.2%	86.8%	86.8%	79.3%	89.9%	89.6%	88.2%	88.9%	84.7%	89.5%	90.8%
COURTEOUS	% of Customer Complaints Not Closed Out Within 14 Days	2%	3%	2%	2%	2%		1%	1%	1%	1%	0%	0%	2%	1%
	CTA Customer Service Hotline Average Wait-time (*)	0:01:43	0:03:30	0:01:30	0:02:16	0:02:28	0:01:42	0:01:56	0:01:50	0:02:46	0:02:05	0:01:34	0:00:50	0:00:56	0:01:44
	Reported Ramp Defects (Service Disruptions)	78	N/A	84	57	53	58	44	71	81	81	61	57	104	89
	% Buses with Defective AVAS	0.6%	2%	0.6%	0.7%	0.6%	0.5%	0.6%	1.0%	0.6%	1.2%	0.8%	0.7%	0.8%	0.7%
	Reported ADA Complaints	60	N/A	68	58	65	79	54	53	43	58	48	67	56	94

Legend

Meeting or exceeding target:

Within 10% of target:

Missing target by more than 10%:

Measure does not have a target:

5 Metra Operating Plan

Overview

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra is responsible for the day-to-day operations of the region's commuter rail system including fare collection, 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 an eleven member Board of Directors. Four of the directors are appointed by the suburban members of the Cook County Board. The chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry, and Will counties each appoint one director, and the Mayor of the City of Chicago also appoints one director. The Chairman of Metra's board of directors must be one of the eleven directors, and is appointed by the concurrence of eight directors.

The network itself is made up of 1,434 pieces of rolling stock, 821 bridges, more than 2,000 signals, 24 rail yards and seven major maintenance facilities.

In 2012, Metra will continue its efforts to contain costs by cutting professional service contracts, reducing printing costs, changing the way signal crews are deployed, introducing a new warranty tracking system, and covering some expenses with new federal grants. In 2011, Metra was forced to transfer a total of $60.0 million in federal capital funds to the 2011 Operating Budget under preventive maintenance. In 2012, the Metra Board and staff agreed that the continued transfer of funds from capital to operations is not a sustainable practice, and that reliance on these transfers inhibits Metra's ability to maintain its fleet and infrastructure. After identifying a variety of expense cuts and new sources of revenue, Metra was still left with a $53.6 million gap between operating revenues and expenses for 2012. After careful deliberation with the Metra Board and its Citizen Advisory Board, executive staff made the decision to not decrease service but increase fares by an average of 25.1%.

Service Characteristics

The Metra rail system is comprised of eleven separate lines, which run north, west, and south of the Chicago central business district. The system extends 488 route-miles to the limits of the six-county area and serves 241 local rail stations in more than 100 communities. The network itself is made up of 1,434 pieces of rolling stock, 821 bridges, more than 2,000 signals, 24 rail yards, and seven major maintenance facilities. Metra's interface with extensive freight networks makes it one of the nation's most complex operations. A system of such magnitude requires continual maintenance and renewal in order to preserve operational performance, safety, and service efficiency.

Metra serves the region on routes owned by Metra or freight carriers and through purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, two of the largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana.

Metra provides safe, reliable commuter rail service with an average weekday ridership of over 300,000. Peak period ridership represents 75.0% of the total average weekday trips. Average scheduling speeds are 5.7% higher during weekday peak periods than during off-peak hours and weekend/holiday periods. Metra's hub is located in the downtown Chicago business district. Four downtown terminals serve Metra's eleven lines.

RIDERSHIP

Metra's primary customer base is suburban residents who work in downtown Chicago. According to Metra's

2006 Origin-Destination Survey, 77.0% of weekday morning riders board in the suburbs and alight in downtown Chicago, and more than 90.0% of all Metra trips are for business and work purposes.

In 2010, Metra's total ridership, excluding South Shore service, totaled 81.4 million passenger trips (Exhibit 5-1), representing a 1.1% decrease from 2009. Metra's total ridership is estimated to increase in 2011 to 81.7 million passenger trips. An increase of 1.6 million passenger trips is expected over the following three years, with an estimated total ridership of 83.2 million passenger trips in 2014. This represents a compound annual growth rate of 0.6% from 2010 to 2014 (Exhibit 5-2).

Over the years Metra has made concerted efforts to market off-peak and reverse commute trips. Compared to five years earlier, reverse peak travel has increased 17.6%, while midday and evening travel has decreased 1.4% and 5.1%, respectively (Exhibit 5-3). Reverse peak gains are attributable to Metra's efforts to broaden its ridership base, targeted promotion of service to suburban employers, marketing travel to cultural and entertainment attractions, and Metra's Bikes on Trains program. In 2012, Metra will continue to work with the RTA and Pace to identify potential areas for reverse commute focus. Elmhurst and Wheaton along the Union Pacific West Line are currently being evaluated as possible markets for service refinement as well as increased corporate outreach.

Metra is also working to improve the customer experience by collaborating with the RTA, CTA, and Pace to provide web-based, real-time arrival information by July 1st, 2012. Additionally, Metra is working with the RTA to improve coordinated interagency signage, service, and connection information at its downtown locations. Looking forward, Metra will be working with the RTA, CTA, and Pace to implement an "account-based" regional fare payment system to provide fare acceptance via personal credit, debit, and pre-paid cards on all fixed-route services in the region.

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

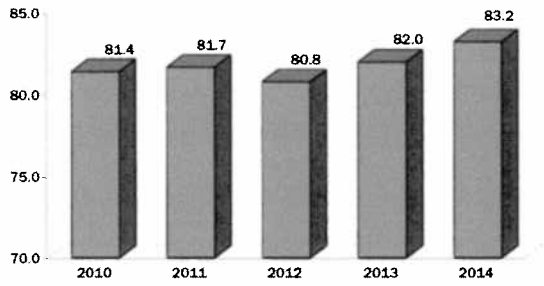


Exhibit 5-3: **Average Daily Passenger Loads by Service Period** (in thousands)

	July 2006-June 2007 (1)	July 2010-June 2011 (1)	Change	% Change
Peak Direction	245.7	225.4	(20.3)	(8.3)
Reverse Peak	17.6	20.7	3.1	17.6
Midday	36.0	35.5	(0.5)	(1.4)
Evening	19.8	18.8		(5.1)
Total Weekday	319.1	300.4	(18.7)	(5.9)
Saturday	72.3	70.2	(2.1)	(2.9)
Sunday	45.3	43.8	(1.5)	(3.3)

(1) Excludes South Shore (NICTD) service.

Exhibit 5-2: **Riders and Miles** (in millions) (1)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Ridership (2)	81.4	81.7	80.8	82.0	83.2
Revenue Car Miles	43.1	42.7	42.9	42.9	42.9
Passenger Miles (3)	1,762.5	1,758.2	1,739.2	1,765.3	1,791.8

(1) Ridership, Revenue Car Miles, and Passenger Miles exclude South Shore (NICTD) service.

(2) Based on ticket sales. Includes free Senior rides.

(3) Based on ticket sales. Excludes Senior free rides.

SERVICE QUALITY

Metra has identified improved service quality as one of its objectives to ensuring customer satisfaction. Metra periodically conducts on-board surveys to measure various service attributes. Beyond general rider satisfaction, Metra also collects information on the service attributes that are most effective at 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 derived directly from the most important service characteristics identified through customer surveys. In response to the changing needs of customers, Metra continuously looks for ways to expand and improve its service within financial constraints. In order to ensure customer satisfaction and efficiency, Metra has implemented a number of metrics to measure efficiency and customer satisfaction.

For instance, Metra measures service reliability using on-time performance. When measuring on-time performance Metra records a delay if the train arrives at its final destination six or more minutes later than scheduled. Metra's on-time performance in 2010 was 95.9% (Exhibit 5-4).

Matching the supply of service to demand is another means of maintaining system efficiency. Metra measures capacity utilization train-by-train, which allows it to track daily passenger loads by service period and line in order to analyze trends. Metra monitors and reports trains with occupancy rates exceeding 95.0%, and uses this information to make service change decisions.

One measurement of system-wide effectiveness relates the number of passengers to the number of car miles of service, thereby calculating passengers per revenue car mile. Metra's ratio of passengers per revenue car mile is projected to increase from 1.89 in 2010 to 1.94 in 2014 (Exhibit 5-5). This 0.05 increase represents a compound annual growth rate of 0.7%. In the case of a new service, the number of car miles initially increases faster than the number of passengers, thereby decreasing the passenger per mile ratio. An increase in passengers per revenue car mile indicates increasingly efficient transportation practices.

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

Year	% On-Time
2006	96.3
2007	95.7
2008	95.4
2009	95.7
2010	95.9

Exhibit 5-5: **Passengers per Revenue Car Mile** (in millions)

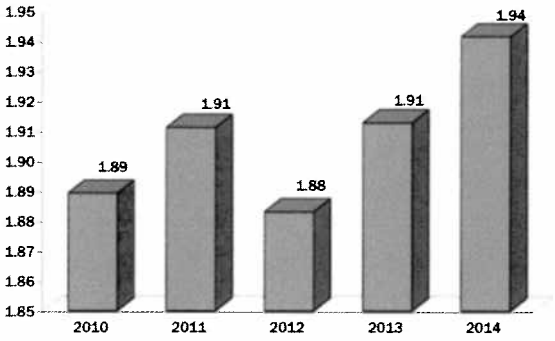
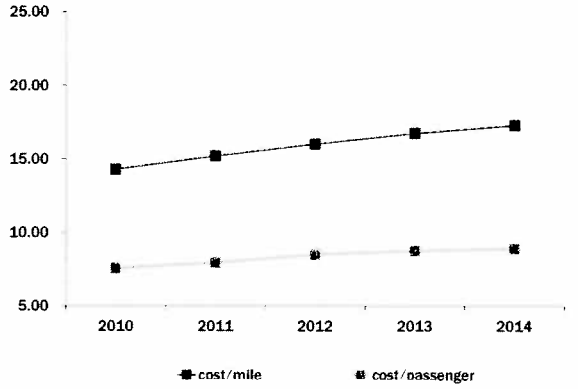


Exhibit 5-6: **Metra Cost Efficiency**



Cost per revenue car mile is another measurement used to evaluate whether costs are being contained and efficient. This measure recognizes that costs tend to vary with the amount of service provided. Metra expects that its cost per revenue car mile will increase from $14.29 in 2010 to $17.30 in 2014. This $3.01 increase represents a compound annual growth rate of 4.9% (Exhibit 5-6).

The cost per passenger ratio measures cost effectiveness and is designed to examine how well vehicles are deployed to serve riders. Metra projects that its cost per passenger will increase slightly each year

from 2010 to 2014. The cost per passenger ratio was $7.57 in 2010 and is projected to be $8.91 in 2014. This $1.34 increase represents a compound annual growth rate of 4.2% (Exhibit 5-6).

MAINTENANCE AND MODERNIZATION

Since its formation in 1983, Metra has overseen a comprehensive program to improve and grow the regional commuter rail network in support of the twin objectives of core system maintenance and strategic service expansion. For the past several years Metra's budget has discussed the need for new capital funding sources.

In 2010, Metra worked with available funding to maintain the high quality of service passengers have come to know and expect. Metra has initiated the replacement of 160 Highliner cars used on the Metra Electric District with funding available from the 2010 State of Illinois Bond program. The Metra Highliner purchase will cost $585.1 million, and the remainder of the state capital program will be used to address a backlog of rolling stock and infrastructure projects across the region.

American Recovery and Reinvestment Act funds (ARRA) allowed Metra to utilize $71.0 million toward remanufacturing its locomotives. The cost of remanufacturing a locomotive is $1.7 million compared to the $4.0 million cost of purchasing a new one. Metra's remanufacturing program represents a significant cost savings program that extends the life of the equipment an estimated 25 years. Without new sources of funding for capital, Metra riders will see reduced customer service and a decline in on time performance. Rail cars will be rehabbed less frequently and station renewal projects will be delayed. Metra is working with legislatures at the State and Federal level to ensure that funding is available for the modernization and maintenance of its fleet and other assets.

SAFETY AND SECURITY

In an effort to provide a safe and secure environment for both customers and employees, Metra provides employee incentives to those regularly meeting safety and security goals. Key among these goals is workplace safety. A safe workplace means a safe environment for Metra passengers.

In 2012, Metra will continue its safety outreach programs. This year will mark the sixth year of Metra's Poster Contest, where students from throughout the region compete to create the winning designs to be displayed on Metra's safety calendar which is distributed to over 2,000 schools. The winning design will also be displayed on Metra's monthly passes.

Budget and Financial Plan

The Metra budget and financial plan presented in Exhibit 5-7 meets the 2012, 2013, and 2014 funding marks and the 2012 recovery ratio mark of 53.0% set by the RTA Board. Metra was able to meet the funding level requirement set by the RTA by increasing fares, by an average of 25.1%. The RTA Board adopted Metra's 2012 budget and 2013-2014 financial plan on December 15, 2011.

REVENUES

Total revenues are composed of two major parts, operating revenues and public funding.

Total operating revenue was estimated at $296.4 million in 2011, equal to 2010 levels. Total operating revenue is expected to increase to $390.7 million in 2014. The increase of $94.3 million represents a compound annual growth rate of 7.1% from 2010 to 2014 (Exhibits 5-7 and 5-8).

Metra's operating revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. In 2012, passenger revenue of $297.6 million comprises 43% of the total revenue budget with other revenue and the reduced fare subsidy representing 7.6% and 0.5% respectively (Exhibit 5-9).

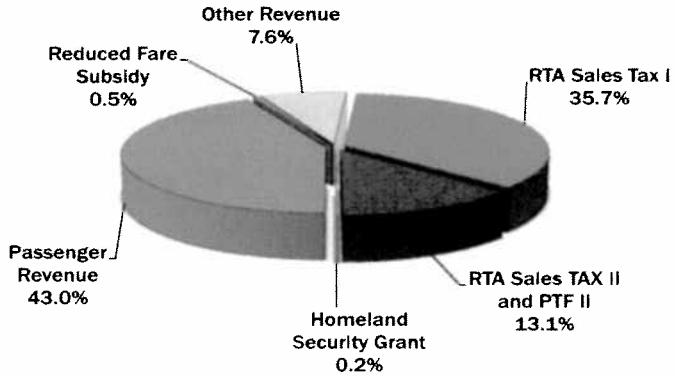
Metra's total public funding is expected to decrease by $54.6 million in 2012, largely due to Metra's decision to discontinue the unsustainable practice of transferring capital funds to operations. Total public funding is anticipated to increase by $7.9 million from 2010 to 2014, a compound annual growth rate of 0.6%. Public funding is composed of three main parts: RTA Sales Tax I, RTA Sales Tax II & PTF II, and funds made available to Metra by the Department of Homeland Security. In 2012, RTA Sales Tax I comprised 35.7% of total revenues. Combined Sales Tax II and PTF II were 13.1% of total revenues, and the $1.2 million grant from the Department of Homeland Security constituted 0.2% of total revenues.

Exhibit 5-7: **Metra 2012 Budget and 2013-2014 Financial Plan** (dollars in thousands)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Operating Revenues					
Passenger Revenue	239,500	239,000	297,600	319,000	332,600
Reduced Fare Subsidy	3,400	3,400	3,400	3,400	3,400
Other Revenue	53,500	54,000	52,600	53,600	54,700
Total Operating Revenues	$ 296,400	$ 296,400	$ 353,600	$ 376,000	$ 390,700
Public Funding					
RTA Sales Tax I	$230,544	$240,164	$246,888	$253,801	260,908
RTA Sales Tax II and PTF II	89,355	93,164	90,590	92,135	93,675
Transfers from Capital	28,000	60,000	-	-	-
Homeland Security Grant	-	-	1,200	1,200	1,200
Total Public Funding	$ 347,899	$ 393,328	$ 338,678	$ 347,136	$ 355,783
Total Revenues	$ 644,299	$ 689,728	$ 692,278	$ 723,136	$ 746,483
Expenses					
Transportation	158,000	162,900	170,500	177,000	182,000
Maintenance of Way	103,100	101,200	104,900	108,500	111,700
Maintenance of Equipment	105,759	109,200	113,500	117,300	120,000
Risk Mgmt., Insurance, Claims and Related	13,400	14,600	18,400	19,000	19,600
Administration and Regional Services	54,900	52,600	60,000	62,200	64,100
Downtown Stations	13,700	13,900	14,500	15,000	15,500
Diesel Fuel/Electricity	73,800	94,500	96,200	103,700	106,700
Pension/Health Insurance	72,300	78,302	83,500	89,200	94,600
Other	20,841	22,600	25,300	26,200	27,200
Total Expenses	$ 615,800	$ 649,802	$ 686,800	$ 718,100	$ 741,400
Net Results (1)	$ 28,499	$ 39,926	$ 5,478	$ 5,036	$ 5,083
Recovery Ratio %	52.3%	53.0%	54.7%	55.6%	55.9%

(1) Positive Net Results are either transferred to capital or added to cash reserves to help build a cash balance equal to six weeks of operational expenses, consistent with the Office of the Auditor General's Recommendation. In 2011, Metra anticipates transferring $10.0 million dollars to capital from operation. In 2012-2014, Metra anticipates transferring $5.0 million each year to capital form operations.

Exhibit 5-9: **2012 Metra Total Revenues** - $692.3 million



Passenger Revenue

Passenger revenue is estimated at $239.0 million in 2011, a decrease of $0.5 million from 2010. Passenger revenue is expected to increase to $332.6 million by 2014. This increase of $93.1 million represents a compound annual growth rate of 8.6% from 2010 to 2014.

The increase in projected passenger revenues is largely due to Metra's fare increase scheduled to take effect on February 1, 2012. A comparison of Metra's fare structure is presented at the end of this section (Exhibit 5-14). In preparation of its fare increase Metra developed a set of guiding principles:

- Consider regular fare adjustments that ensure a balanced budget, keep pace with inflation, and avoid significant, infrequent fare increases;
- No longer divert capital-eligible funds to the operating budget;

Exhibit 5-8: **Metra Operating Revenue** (dollars in millions)

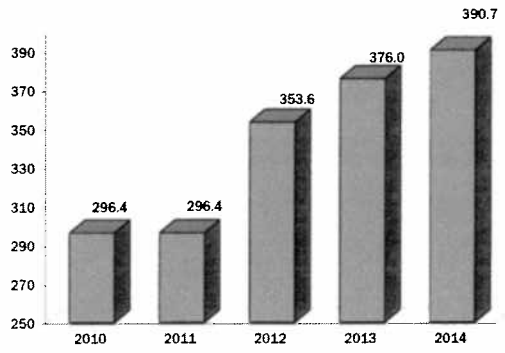


Exhibit 5-10: **Ticket Sales by Ticket Type*** (in thousands)

	July 2009-June 2010	July 2010-June 2011	Change	% Change
Monthly	1,088.3	1098.9	10.6	1.0
Ten-Ride	1,740.1	1786.1	46.0	2.6
Regular One-Way	5,484.1	5387.5	(96.6)	(1.8)
Conductor	4,046.6	4037.1	(9.5)	(0.2)
Weekend	1,688.0	1226.3	(461.7)	(27.4)
Link-Up	89.7	87.7	(2.0)	(2.2)
PlusBus	16.1	16.7	0.6	3.7

*Excludes South Shore (NICTD) service.

- Acknowledge the total cost and value of providing services;
- Maintain a fair pricing structure that maximizes revenues;
- Review fare media to improve fare collection and simplify overall collection activities and reconciliation;
- Minimize on-train and overall transaction costs;
- Recognize that convenience has a value;
- Equalize fare differentials by zone over time;
- Evaluate fare policies of sister agencies and peers.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 providing funds to reimburse the CTA, Metra, and Pace for the cost of providing reduced fares for the elderly, students, and persons with disabilities. The fare reimbursement is included in revenue and is contingent upon annual approval by the State. In 1999, the State Assembly passed new reduced fare legislation, which doubled the reimbursement level of

previous years. Metra anticipates that the State will continue to provide $3.4 million in reimbursement throughout the financial planning period.

Other Revenue

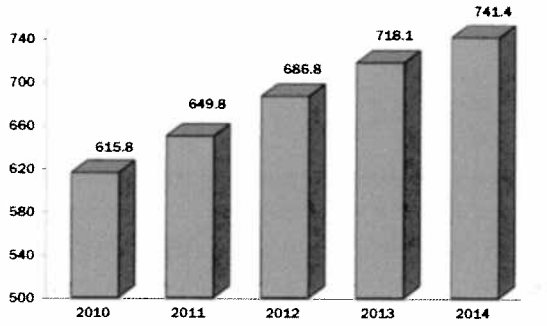
The other revenue category represents 7.6% of Metra's total revenue for 2012. The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non fare-generated income. Other revenue is expected to decrease $1.4 million from 2011 to $52.6 million in 2012. In 2014, other revenue is estimated at $54.7 million. The $1.2 million increase between 2010 and 2014 represents a compound annual growth rate of 0.6%.

Public Funding

Public funding available for Metra is determined by and based on the RTA's revenue projection for the year. From the RTA, Metra receives statutorily allocated RTA Sales Tax (RTA Sales Tax-I and II) and the Public Transportation Funds (PTF-II).

Metra funding from RTA Sales Tax-I is expected to increase from $230.5 million in 2010 to $260.9 million in 2014. RTA Sales Tax-II and PTF-II are expected to increase from $89.4 million in 2010 to $93.7 million in 2014. Although Metra used $28.0 million of federal funds for preventative maintenance in 2010 and estimates the use of an additional $60.0 million in 2011, Metra has budgeted to discontinue this unsustainable process in 2012 and in the 2013 and 2014 planning years. Additionally, Metra anticipates receiving $1.2 million in operating grants from the Department of Homeland Security each year between 2012 and 2014. A more detailed description of how public funds are allocated among the Service Boards can be found in the RTA chapter of this book.

Exhibit 5-11: **Metra Total Operating Expenses** ((dollars in millions)



OPERATING EXPENDITURES

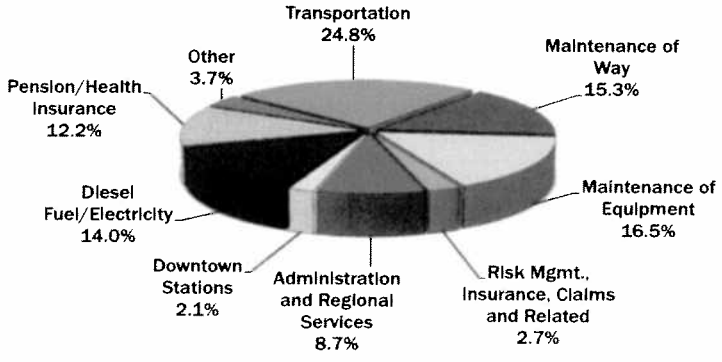
Total operating expenditures are estimated to increase $34.0 million from 2010 to $649.8 million in 2011. Total operating expenditures are expected to be $741.4 million in 2014. This $125.6 million increase represents an annual compound growth rate of 4.7% from 2010 to 2014 (Exhibit 5-11).

Metra's 2012 total operating expenditures of $686.8 million are projected to grow by $37.0 million or 5.7% from the 2011 estimate. In 2012 and 2013, total expenditures will increase by 4.6% and 3.2% respectively, producing total expenses of $741.4 million in 2014 (Exhibit 5-7).

Expenditure Elements

The components of operating expenditures include transportation, maintenance of way, maintenance of

Exhibit 5-12: **2012 Metra Expenses** - $686.8 million



equipment, risk management & claims, administration & regional services, downtown stations, diesel fuel and electricity, pension & health insurance, and all other, which includes security, credit cards and internet charges, Inspector General charges and the apprentice training program. Of total 2012 expenditures, transportation represents 24.8%; maintenance of way, 15.3%; maintenance of equipment, 16.5%; risk management insurance, claims and related are 2.7%; administration and regional services are 8.7%; downtown stations are 2.1%; fuel and electricity, 14%; pension/health insurance, 12.2%; and other is 3.7% (Exhibit 5-12).

Transportation

Transportation includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations. Transportation expenditures were estimated to increase $4.9 million from 2010 to $162.9 million in 2011. By 2014, transportation expenditures are expected to reach $182.0 million. This $24.0 million increase represents a compound annual growth rate of 3.6% from 2010 to 2014 (Exhibit 5-7).

Maintenance

Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions. Maintenance of way expenditures are estimated to decrease $1.9 million from 2010 to $101.2 million in 2011. Expenditures are expected to reach $111.7 million in 2014. This $8.6 million increase represents a compound annual growth rate of 2.0% from 2010 to 2014 (Exhibit 5-7).

Maintenance of equipment activities include regular repairs, inspection and preventive maintenance of passenger train equipment to ensure that this equipment is safe and in good working order to meet train schedules and passenger demand for seating. Maintenance of equipment is estimated to increase $3.4 million from 2010 to $109.2 million in 2011. Expenditures in this category are expected to reach $120.0 million in 2014. This $14.2 million increase represents a compound annual growth rate of 3.2% from 2010 to 2014 (Exhibit 5-7).

Risk Management, Insurance, Claims & Related

Risk management, insurance, claims & related costs for 2012 of $18.4 million was budgeted to increase by 9.0% over the 2011 estimate of $14.6 million, with annual growth rates of 3.3% and 2.3% in 2013 and 2014, respectively (Exhibit 5-7).

Administration and Regional Services

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Management of Metra owned and operated rail services are also included in this category.

Metra has adopted a variety of cost-containment measures for administration in 2012. The cost-cutting actions include leaving positions unfilled, reducing overtime, and trimming material cost whenever possible. Administration and regional services are estimated to

be $52.6 million in 2011, a decrease of $2.3 million from 2010. Administration and regional services are projected to increase by $7.4 million or 14.1% in 2012 to $60.0 million. Then, increases of 3.7% and 3.1% is anticipated for 2013 and 2014, respectively. Total administration and regional expenses are anticipated to reach $64.1 million in 2014 (Exhibit 5-7).

Downtown Stations

Expenditures related to Metra's downtown stations are expected to increase by 4.3% from 2011 to $14.5 million in 2012. In 2014, costs associated with operating Metra's Downtown Chicago stations are expected to reach $15.5 million. This $1.8 million increase represents an annual compound growth rate of 3.1% from 2010 to 2014.

Diesel Fuel and Electricity

Diesel fuel and electrical power are two of the most volatile components of Metra's operating expenditures. In December 2010, Metra budgeted its average fuel price for 2011 at $2.35. The estimated fuel price in 2011 is closer to $3.06, 29.9% higher than Metra's original budget. As a result of this higher fuel price Metra was forced to amend its budget. In 2012, diesel fuel is expected to average $3.12 per gallon for a total of $78.0 million, an increase of $1.6 million or 2.1% from the 2011 estimate. In an effort to reduce the volatility associated with rising fuel prices Metra was able to lock in a fuel rate with its vendor for 75% of their total gallons for the year at a cost of $3.06 per gallon. Using an estimated $3.22 per gallon for the remaining fuel, anticipated to be purchased at market price, Metra's budgeted fuel price for 2012 is $3.12. The 2014 budget based on $3.60 a gallon totals $90.1 million for the year, an increase of $33.4 million or 58.9% from 2010. The projected average price per gallon for diesel fuel in 2013 and 2014 are $3.40 and $3.60, respectively. In 2004 diesel fuel represented only 4% of total operating costs. In 2011, diesel fuel is estimated to represent 11.8% of total operating expenses, nearly triple the share of 2004.

For 2012, Metra has budgeted motive power and electric utility costs to increase by $0.1 million from 2011.

By 2014, combined fuel and electric power costs are projected to reach $106.7 million. This $32.9 million increase represents a compound annual growth rate of 9.7% from 2010 to 2014 (Exhibit 5-7).

Pension / Health Insurance

Pension and health insurance expenses combined are budgeted to increase 6.7% from 2011 to $83.5 million in 2012. In 2014, this combined category is budgeted at $94.6 million. Between 2010 and 2014 Metra anticipates a growth of $22.3 million, a compound annual growth rate of 7%. Metra's annual contribution to the RTA Pension Plan is determined by a third-party actuary. The pension expenditure is expected to increase 12.0% to $5.8 million in 2011. Pension expenditures will increase further to $6.5 million in 2012. In 2014, pension expenses are expected to reach $7.1 million. The $1.4 million increase between 2010 and 2014 represents an annual compound growth rate of 5.6%. Health insurance costs of $77.0 million for 2012 are budgeted to increase by 6.2% over the 2011 estimate of $72.5 million. Health insurance costs are expected to increase by 7.0% and 6.2% in 2013 and 2014, respectively (Exhibit 5-7).

All Other

This expenditure category includes expenses associated with security, credit cards and internet charges, Office of the Inspector General and the Apprentice Training Program. Expenditures in this category are expected to increase from $20.8 million in 2010 to $27.2 million by 2014. This $6.4 million increase

represents a compound annual growth rate of 6.9% (Exhibit 5-7).

Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expense category includes police and contract security services as well as planning, coordination, and training with other agencies. In 2012, security expenses represent 70.0% of the expenses in the other category. Expenses related to Metra's security expenses are anticipated to increase by 6.6% to $17.7 million in 2012 from the 2011 estimate. Between 2010 and 2014 Metra's security expense will increase from $16.3 million to $18.9 million, a compound annual growth rate of 3.8%, representing a sustainable commitment to provide a secure environment to the customers and employees of Metra. Part of Metra's security expense will be somewhat offset by grants received from the Department of Homeland Security between 2012 and 2014 (Exhibit 5-7).

On September 9, 2009, Metra inaugurated a new web site that included the acceptance of credit and debit cards for the purchase of 10-ride and monthly tickets. Credit card support costs related in 2012 represent about 20.9% of the other expense category. Metra expects that credit card and related expenses will grow from $2.3 million in 2010 to $5.6 million in 2014. This $3.3 million increase represents a compound annual growth rate of 24.9%.

In 2010, Metra created an Internal Office of Inspector General to investigate potential misuse of funds and hired the contractor of Hillard Heintze to assist them in this role. In 2010, Metra expended $0.7 million dollars in this function and in 2011 the State amended the State Officials and Employee Ethics Act, transferring the role of Inspector General at Metra to the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG). This transfer occurred on July 1st, 2011. As a result, Metra expended $0.4 million for this function and does not anticipate spending any further funds on this initiative in the 2012 budget or 2013-2014 financial plan.

The apprentice training program represents 9.1% of the other category expenses in 2012. Expenses for this program are expected to increase from $1.5 million in 2010 to $2.7 million in 2014. This $1.2 million increase represents a compound growth rate of 15.1%. The apprenticeship training program represents a strategic investment in human capital planning to compensate for the upcoming wave of retirement that Metra is currently facing.

NET RESULTS

Net results are calculated by adding total operating revenues and public funding together and subtracting total expenses. Metra's 2012 budgeted net results are $5.5 million. The remaining funds, after a transfer of $5.0 million dollars to their capital program, are $0.5 million. In 2010 and 2011, Metra used remaining funds to either transfer funds to capital or add to cash, consistent with the Office of the Auditor General's recommendation. In 2012-2014, Metra anticipates transferring $5.0 million each year to capital from operations.

RECOVERY RATIO

Metra's recovery ratio equals total system-generated revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2012, Metra's recovery ratio is 54.7%, 1.7% higher than what was required in the marks set by the RTA. The RTA chapter provides a detailed recovery ratio calculation (Exhibit 3-57).

Statutory Compliance

The RTA Act requires that each Service Board meet seven criteria, which are detailed in the RTA chapter, for Board approval of its budget. The Metra budget substantially meets each of these criteria.

2011 Budget versus 2011 Estimate

Due to unexpectedly high fuel prices throughout 2011, Metra amended its budget in November of 2011. The following information examines Metra's 2011 estimate against their 2011 Amended Budget. In 2011, Metra budgeted for a 55.0% Recovery Ratio. Due to shortfalls in revenues and unanticipated expenses

during the financial year Metra estimated that its recovery ratio would be 53.0%, 2.0 points below budget (Exhibit 5-13).

OPERATING REVENUE

Calendar year 2011 operating revenues are estimated at $296.4 million and are projected to be $0.9 million or 0.3% lower than budget. Passenger revenues are estimated to be $0.1 million higher than budget. Metra estimated that the reduced fare subsidy would end up even to budget by the end of the calendar year. Other revenues are estimated to be $1.0 million or 1.8% unfavorable to budget.

PUBLIC FUNDING

Metra's public funding figures were not impacted by the amended budget. The RTA marks set at the beginning of the fiscal year allocated a total of $318.1 million to Metra. Additionally, Metra used $60.0 million in federal transfers from capital to bridge its budget deficit. Sales tax revenues were higher than what was originally projected in the budget and Metra estimates a favorable variance in Sales Tax I, Sales Tax II and PTF II. Consistent with the RTA's estimates Metra has anticipated that Sales Tax I will come in $10.9 million or 4.5% higher than budget. Sales Tax II and PTF II are projected to come in $4.3 million or 4.6% higher than budget. In October of 2010, the RTA passed an

Exhibit 5-13: **Metra 2011 Budget vs. 2011 Estimate** (dollars in thousands)

	2011 Original Budget	2011 Amended Budget	2011 Estimate	Variance
Operating Revenues				
Passenger Revenue	238,900	238,900	239,000	100
Reduced Fare Subsidy	3,400	3,400	3,400	-
Other Revenue	55,000	55,000	54,000	(1,000)
Total Operating Revenues	$ 297,300	$ 297,300	$ 296,400	($ 900)
Public Funding				
RTA Sales Tax I	229,294	229,294	240,164	10,870
RTA Sales Tax II and PTF II	88,852	88,852	93,164	4,312
Transfers from Capital	60,000	60,000	60,000	-
Total Public Funding	$ 378,146	$ 378,146	$ 393,328	$ 15,182
Total Revenues	$ 675,446	$ 675,446	$ 689,728	$ 14,282
Expenses				
Transportation	160,600	159,700	162,900	(3,200)
Maintenance of Way	103,800	103,400	101,200	2,200
Maintenance of Equipment	106,800	107,751	109,200	(1,449)
Risk Mgmt., Insurance, Claims and Related	15,000	14,900	14,600	300
Administration and Regional Services	51,500	49,800	52,600	(2,800)
Downtown Stations	14,000	14,000	13,900	100
Diesel Fuel/Electricity	76,400	93,900	94,500	(600)
Pension/Health Insurance	81,202	81,202	78,302	2,900
Other	24,900	23,800	22,600	1,200
Total Expenses	$ 634,202	$ 648,453	$ 649,802	(1,349)
Net Results (1)	**$ 41,244**	**$ 26,993**	**$ 39,926**	**$ 12,933**
Recovery Ratio % (2)	**55.0%**	**55.0%**	**53.0%**	**-2.0%**

(1) Positive results in Net Results are either transferred to capital or added to cash reserves to help build a cash balance equivalent to six weeks of operating expenses, consistent with the Office of the Auditor General's recommendation. In 2011, Metra anticipates transferring $10.0 million to capital from operations.(2) The RTA Act requires the RTA Board to set a recovery ratio for each service board. Metra's 2011 estimate is 2.0 percentage points less than budget but due to higher than anticipated public funding results Metra's Revenues- Expenses are significantly higher than the amended budget and just 3.3 percent lower than the original budget. Metra's Recovery Ratio was not amended to reflect the amended budget.

ordinance that allowed Metra to transfer $60.0 million of Federal Capital Funds to Preventive Maintenance for Operations. Due to this transfer, end of the year available Service Board funds are estimated to be $39.9 million, $12.9 million more than budgeted but $1.3 million less than the original budget. End of the year available funds will either be transferred back to capital or used to help Metra build a cash balance equivalent to six weeks of operating expenses.

EXPENDITURES

Total 2011 operating expenditures are estimated at $649.8 million and are projected to be $1.3 million greater than budget, resulting in an unfavorable variance of 0.2%.

Savings achieved in the maintenance of way, risk management, insurance, claims & related, downtown stations, pension/health insurance, and other, did not offset increased expenses in transportation, maintenance of equipment, administration & regional services, and diesel fuel.

Transportation expenses were unfavorable to budget by $3.2 million or 2%. Maintenance of way expenses were favorable to budget by $2.2 million or 2.1%, but maintenance of equipment expenses were unfavorable to budget by $1.4 million or 1.3%. Risk management, insurance and claims were favorable to budget by $0.3 million or 2% but administration & regional services were unfavorable to budget by $2.8 million or 5.6%. Expenses related to downtown stations were favorable to budget by $0.1 million or 0.7%. Diesel fuel/electricity expenses were estimated to be $0.6 million higher than budgeted, an unfavorable variance of 0.6%. Pension/health insurance costs were lower than anticipated and are estimated to be 3.6% favorable to budget, a difference of $2.9 million. Other Expenses are anticipated to be $1.2 million or 5% favorable to budget.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones. These zones 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 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 fare zone boundaries are crossed.

On February 1, 2012, Metra will increase one-way fares by $0.50 on zones A and B and by $0.75 on Zones C-M (Exhibit 5-14). Under the prior fare structure, ten-ride tickets were equal to a little over eight one-way tickets and monthly passes were equal to less than 26 one-way tickets. Under the fare structure effective February 1, 2012, ten-ride tickets are equal to about nine one-way tickets and monthly passes are equal to about 28.5 one-way tickets. The cost of a weekend pass remained at $7.00, and passengers who pay for their ticket on the train when a Metra agent is available at their boarding station will continue to pay a $3.00 surcharge. Metra has also made some changes to its ticket policies which are provided below.

- The length of time a one-way ticket will be considered valid has changed from one year to 14 days;
- Refunds will no longer be given for one-way tickets;
- The ten-ride ticket discount was reduced from 20% to 10% and therefore refunds on this ticket will be given with up to nine rides used and will be refundable for up to 3 months from the date of purchase;
- The monthly ticket will only be valid through the end of the month;
- Refunds on ten-ride and monthly fare media will include handling fees, including $5.00 for ten-ride tickets and $10.00 for monthly tickets;
- Young adult fares (12-17 years old) on weekends and holidays will be eliminated;
- All ticket prices will be rounded to the nearest quarter.

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-15.

Exhibit 5-14: **New Fare Structure**

Full Fare Schedule

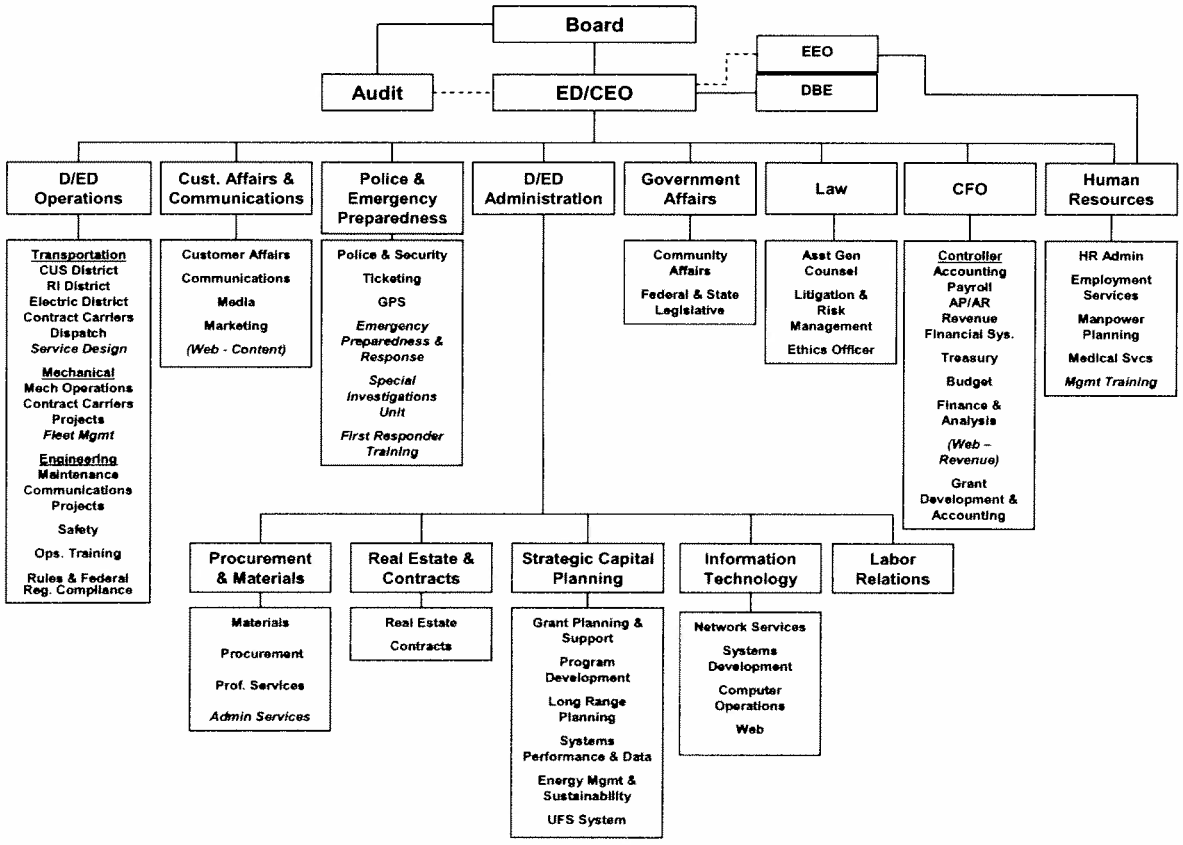
Effective February 1, 2010					Effective February 1, 2012				
Zone (1)	One-Way (3)	Ten-Ride	Monthly	Weekend (2)	Zone (1)	One-Way (3)	Ten-Ride	Monthly	Weekend (2)
A	$2.25	$18.30	$58.05	$7.00	A	$2.75	$24.75	$78.25	$7.00
B	$2.50	$20.00	$63.45	$7.00	B	$3.00	$27.00	$85.50	$7.00
C	$3.50	$28.50	$90.45	$7.00	C	$4.25	$38.25	$121.00	$7.00
D	$4.00	$32.30	$102.60	$7.00	D	$4.75	$42.75	$135.25	$7.00
E	$4.50	$36.55	$116.10	$7.00	E	$5.25	$47.25	$149.50	$7.00
F	$5.00	$40.40	$128.25	$7.00	F	$5.75	$51.75	$163.75	$7.00
G	$5.50	$43.80	$139.05	$7.00	G	$6.25	$56.25	$178.00	$7.00
H	$6.00	$48.05	$152.55	$7.00	H	$6.75	$60.75	$192.25	$7.00
I	$6.50	$51.85	$164.70	$7.00	I	$7.25	$65.25	$206.50	$7.00
J	$7.00	$56.10	$178.20	$7.00	L	$7.75	$69.75	$220.75	$7.00
K	$7.50	$56.95	$190.35	$7.00	K	$8.25	$74.25	$235.00	$7.00
M	$8.50	$68.45	$217.35	$7.00	M	$9.25	$83.25	$263.50	$7.00

(1) Fares based on traveling to/from Zone A (downtown stations).

(2) The weekend pass was raised from $5.00 to $7.00 in 2010

(3) The on-board surcharge increased from $2.00 to $3.00 in 2010

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



6 Pace Suburban Service 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 13-member Board of Directors made up of current and former village presidents and mayors governs Pace.

Beginning July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace's regional ADA paratransit service is discussed in a separate chapter.

Service Characteristics

Pace's mission is to provide efficient well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility comprises line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. To achieve this mission, Pace must introduce transit options suitable for the 21st century suburban environment.

Pace service includes approximately 139 regular routes, 38 feeder routes, 16 shuttle routes, 711 vanpool vehicles, and 372 paratransit vehicles.

Pace covers 3,688 square miles and is one of the largest bus services in North America. The suburban area is divided among six counties and serves 284 communities that span walkable suburban neighborhoods, satellite cities, and rural communities. Pace service includes approximately 139 regular routes, 38 feeder routes, 16 shuttle routes, 711 vanpool vehicles, and 372 paratransit vehicles.

In April 2002, Pace unveiled a long range comprehensive operating plan called Vision 2020 that outlines the goals and overall direction for Pace in the 21st century. The plan included "core routes," including Arterial Rapid Transit (ART) and express buses that will provide faster and more reliable service between suburban employment and residential areas, as well as high quality connections serving the suburb to city market and strengthened city to suburb job-related transportation. ART will provide premium quality, fast, frequent, and reliable service operating in mixed traffic on arterial streets with short sections of bus-only and queue by-pass lanes for congested road sections. The ART network will feature limited stops, enhanced passenger amenities, new fare payment technology, new passenger information technology, distinctive vehicles, and transit signal priority (TSP) to improve schedule adherence. The ART Feasibility Study selected six of the 24 arterial corridors identified in Vision 2020 for implementation in the next ten years: 95th Street, Dempster Street, Halsted Street, Harlem Avenue, Milwaukee Avenue, and Oak Brook/Cermak. In 2011, Pace began the implementation of its ART Network on Milwaukee Avenue and Dempster Street.

ART will be supported by connectors and collectors serving compact older suburban communities and newer suburban communities that comprise low density residential areas and corporate campuses. To support Pace's arterial route network as well as the local mobility of its customers, Pace is developing and implementing in selected markets community-based transit services to provide the first and last mile of a passenger trip. Pace provides a full array of community transit services: call-n-rides, flexible routes, circulators, vanpools, rideshare, municipal dial-a-rides, and shuttles. Pace will explore partnerships with existing local providers to achieve peak-hour coverage and to provide cross-boundary service in low-density areas.

Pace will enhance its partnerships with the Illinois Tollway, Metra, CTA, and the RTA. Pace is studying corridor development, land use patterns, market conditions, ways to provide congestion relief and improve regional mobility, sustainable employment access, economic development, and expanded transit options along the I-55, I-355, and I-90 corridors. Pace has already worked with the Tollway to develop express bus service on I-294 and expects to continue working with the Tollway as part of its managed lane program. Pace is partnering with the Southwest Conference of Mayors to study the south Harlem Corridor and plans a similar study of Cicero Avenue in 2012.

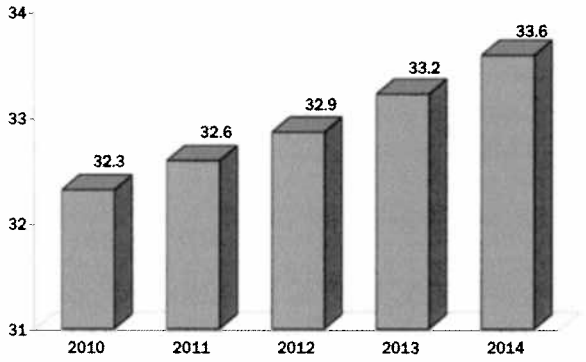
Pace will consider expanding service between remote park-and-ride facilities with improved amenities and train stations via express service on wider streets rather than meandering routes through suburban neighborhoods. Partnership with the RTA includes both collaboration on the IDOT I-55 corridor bus-on-shoulder demonstration project and applying the results of the RTA market analysis and systems analysis work.

Pace has developed a collaborative cross-functional methodology that identifies demand in existing corridors by time of day and direction to evaluate service changes in the form of pruning underperforming route segments or time periods rather than eliminating entire routes. This pruning process helps align legacy routes with travel demand, provides a more realistic level of service while minimizing the impact on Pace passengers, and serves as an initial step prior to more extensive route restructuring efforts. Pace began route-restructuring initiatives in 2000 to better match service levels with demand and to improve on-time performance. To date these initiatives include Elgin, Aurora, Joliet, the North Shore, South and Southwest Cook County, and Will County. Pace is now working on initiatives in West Cook County and Lake County.

Pace's implementation of the RideShare Program in 2011 through 2013 will continue via the website www.PaceRideShare.com which matches users who can share their commute by carpooling and also tracks the region's carpools. The website also facilitates the formation of new Pace vanpools and supports the retention of existing vanpools.

Pace's market research and analysis efforts will focus on supporting the planning and implementation of ART and express bus services. Through user and non-user surveys and analysis of market data, Pace will identify service planning opportunities that meet the needs of both commuters seeking faster and more reliable service and riders seeking local, community-based, or special-needs service. Pace will complete a Customer Satisfaction Survey (CSS) of fixed route, vanpool, rideshare, and paratransit service in 2012 and 2013. The objective is to evaluate service performance from the rider perspective so that transportation needs can be better met, loyalty strengthened, and ridership increased. To assist in understanding demographics and travel patterns, Pace will conduct a market analysis of the Harlem corridor between Glenview and Tinley Park, studies in the West Cook and North Cook regions, and, in partnership with Lake County, an analysis of transit markets and services in that county.

Exhibit 6-1: **Pace Suburban Service Ridership** (in millions)



RIDERSHIP

Effective February 7, 2010, Pace eliminated 15 bus routes and reduced service on 18 others. Pace Suburban Service ridership was 32.3 million in 2010 and is expected to finish 2011 at 32.6 million. Pace estimates that 2012 Suburban Service ridership will increase by only 0.9% to 32.9 million due to continued high unemployment levels, the prolonged economic recession, and previous service reductions. Pace projects that Suburban Service ridership will increase approximately 1.1% annually to 33.2 million in 2013 and 33.6 million in 2014, reflecting the continued expansion of the vanpool program (Exhibit 6-1).

Marketing Strategies

Pace's 2012 marketing strategy implementation will emphasize non-rider research, with the goal of better understanding why potential customers choose not to ride Pace. A renewed focus on reducing the barriers to riding may encourage non-riders to at least try Pace service. Other areas of marketing emphasis will include promotion of the newly operating bus-on-shoulder routes 755 and 855, new route 895 from the south suburbs to Schaumburg, and newly established

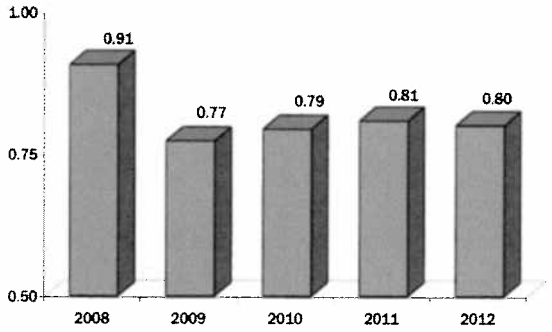
call-n-ride projects in Kane and DuPage counties. Previous marketing outreach efforts to disabled and student groups will also continue in 2012. The use of onboard audio advertisements, which were implemented on a trial basis in 2011, will be expanded system-wide in 2012 in order to boost advertising revenue.

Service Quality

As part of its effort to improve service quality, Pace has formulated a variety of performance measures. For each performance measure, Pace has provided a performance standard, the 2010 result, an estimate for 2011, and a projection for 2012. The performance measures are grouped by quality service area: Safety, Reliability, Courtesy, Efficiency, and Effectiveness. When performance for a year exceeds the performance standard, the measurement is highlighted in green. If performance for the year falls below but within 10% of the standard, the measurement is highlighted in yellow. When performance falls more than 10% below the standard, the measurement is highlighted in red. The performance measures for 2012 can be found at the end of this section (Exhibit 6-13).

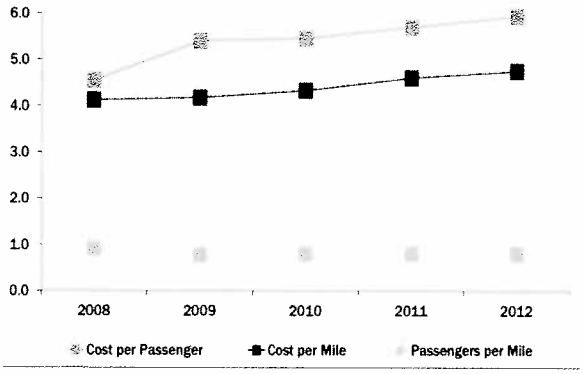
Pace compares its performance to that of peer transit agencies selected by the RTA based on similar service characteristics: operating in suburban areas, providing comparable amounts of service, and contracting with private providers for some of the service. Peer transit agencies include Long Island Bus (MTA-NY), Orange County Transportation Authority (OCTA-CA), San Mateo County Transit District (SamTrans-CA), and Alameda-Contra Costa Transit District (AC Transit-CA). Performance measures include operating expense per vehicle revenue hour (service efficiency), operating expense per passenger trip and per passenger mile (service effectiveness), and passenger trips per vehicle revenue hour and per vehicle revenue mile (service coverage), as reported by Pace and peer agencies to the Federal Transit Administration and compiled in the National Transit Database (NTD). Pace outperformed all of its peers in both operating expense per vehicle revenue hour and operating expense per passenger mile. Pace ranked fourth among its peers in operating expense per passenger trip. Pace ranked fifth in both measures of service coverage primarily because Pace has a very large service area with lower population density than that of its peers.

Exhibit 6-2: **Pace Suburban Service Passengers per Mile** (in millions) (1)



(1) Effective January 1, 2009, Pace no longer accepts the CTA 7-Day pass, U-Pass and Visitor/Fun passes.

Exhibit 6-3: **Pace Suburban Service Cost Efficiency** (1)



(1) Effective January 1, 2009, Pace no longer accepts the CTA 7-Day pass, U-Pass and Visitor/Fun passes.

Performance measurements and peer comparisons represent important steps toward improving service quality and increasing accountability to the public. By striving to meet or exceed performance goals and peer performance, Pace has shown that it is working toward improved service quality and higher customer satisfaction.

Cost Efficiency

Matching the service supply to demand is one means of achieving system effectiveness. One way to measure supply versus demand is to relate the number of passengers to the number of miles served. Pace's passengers per mile ratio for Suburban Service is pro-

jected to increase from 0.79 in 2010 to 0.81 in 2011 and then decrease to 0.80 in 2012 (Exhibit 6-2). This stagnant trend is due to a period of only slight ridership growth and relatively stable service levels.

The operating cost per vehicle revenue mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Suburban Service cost per mile is expected to increase from $4.33 in 2010 to $4.75 in 2012. This $0.42 increase corresponds to a compound annual growth rate of 4.7%, and is being driven by steady increases in labor, health care, and fuel expenses while vehicle revenue miles are projected to increase by only 0.9% over the same period.

CAPITAL INVESTMENT

The capital program funds the purchase and maintenance of rolling stock, support facilities and equipment (including new technologies), and project management. Nearly the entire 2012 Suburban Service capital program of $89.3 million comprises projects needed for Pace to reach a "State of Good Repair."

Rolling Stock

In 2012, Pace intends to purchase 137 fixed route buses which will replace buses which have reached or exceeded their useful life, which is generally accepted to be 12 years. In total, these rolling stock replacements are expected to cost $64.2 million. Pace will also spend $1.5 million on bus overhaul maintenance, $1.6 million on associated capital (engines, transmissions, and other bus components assemblies), and $3.1 million on diesel engine retrofits, bringing the total 2012 rolling stock-related capital program to $70.4 million.

Support Facilities & Equipment

Pace plans to spend $6.0 million on improvements to garages and facilities. Pace also intends to spend $3.8 million on computer hardware, software, and systems, including Ride Check Plus. This software computes ridership by individual route and tracks other performance indicators. Also in this category, Pace will spend $0.8 million on the purchase of maintenance equipment, non-revenue vehicles, and five ticket vending machines for use at UPS. Finally, $0.2 million has been allocated to purchase miscellaneous office equipment for the garages and headquarters, bringing the total 2012 support facilities capital program to $10.8 million.

Miscellaneous/Project Administration

Rounding out the Suburban Service 2012 capital program, Pace expects to receive funding of $0.8 million for the purchase of passenger shelters, $1.1 million for project administration, and a $0.2 million provision for unanticipated capital needs.

Budget and Financial Plan

The Pace Suburban Service budget and financial plan presented in Exhibit 6-4 meets the funding marks set by the RTA Board on September 14, 2011. Pace's 2012 budget reflects a recovery ratio of 30.0% for Suburban Service operations, meeting the mark adopted by the RTA Board on September 14, 2011.

OPERATING REVENUE

In 2010, Pace's system-generated revenue from Suburban Service operations totaled $51.6 million. Pace projects Suburban Service operating revenue of $52.6 million in 2011, $54.5 million in 2012, $55.3 million in 2013, and $56.1 million in 2014 corresponding to a compound annual growth rate of 2.1% from 2010 through 2014 (Exhibit 6-5). Pace projects

Exhibit 6-4: **Pace Suburban Service 2012 Budget and 2013-2014 Financial Plan** (dollars in thousands)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Operating Revenues					
Passenger Revenue (1)	32,262	32,770	33,436	33,827	34,222
Reduced Fare Reimbursement	2,416	2,571	2,571	2,571	2,571
Other Revenue	16,900	17,239	18,462	18,882	19,352
Total Operating Revenues (2)	$ 51,578	$ 52,580	$ 54,469	$ 55,280	$ 56,145
Public Funding					
RTA Sales Tax I	73,054	76,122	78,234	80,425	82,677
RTA Sales Tax II and PTF II	29,785	31,036	30,197	30,712	31,225
Suburban Community Mobility Funds	18,959	19,755	20,319	20,888	21,472
South Suburban Job Access Funds	7,500	7,500	7,500	7,500	7,500
RTA Discretionary	-	-	3,000	3,084	3,170
Capital Cost of Contracting	2,300	2,000	-	2,178	3,398
CMAQ/JARC/New Freedom	2,738	2,211	1,298	1,237	1,287
RTA ICE Funds	207	100	-	-	-
Total Public Funding	$ 134,543	$ 138,724	$ 140,548	$ 146,024	$ 150,729
Total Revenues	$ 186,121	$ 191,304	$ 195,017	$ 201,304	$ 206,874
Expenses					
Labor/Fringes	88,621	92,585	96,637	99,349	102,591
Health Insurance	15,474	16,922	17,920	19,533	21,291
Parts/Supplies	6,062	6,149	6,335	6,610	6,955
Purchased Transportation	28,201	27,537	29,250	30,265	31,499
Fuel	15,063	21,122	22,458	22,517	22,512
Utilities	1,939	1,910	1,937	2,015	2,107
Insurance	11,546	9,549	8,825	9,222	9,720
Other	9,338	9,851	11,657	11,792	11,954
Total Expenses (2)	$ 176,249	$ 185,624	$ 195,017	$ 201,304	$ 208,628
Net Results (3)	**$9,873**	**$5,681**	-	-	**($ 1,754)**
Recovery Ratio % (4)	**36.0%**	**36.0%**	**30.0%**	**30.0%**	**30.0%**

(1) Passenger revenue includes fixed route, vanpool, Dial-A-Ride, Ride DuPage, Ride in Kane, and other services.

(2) Excludes Advantage Program in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation.

(3) The negative net result in 2014 will be handled with budget balancing actions that may include service adjustments, a fare increase, cost efficiencies, or additional revenue.

(4) The recovery ratio includes Advantage program in-kind revenue and expense credits (of equal amount), as well as statutory and approved adjustments. The recovery ratio in 2012 meets the 30% mark set for Pace by the RTA Board on September 15, 2011.

that operating revenue will account for only 28.0% of total Suburban Service revenue in 2012 (Exhibit 6-6).

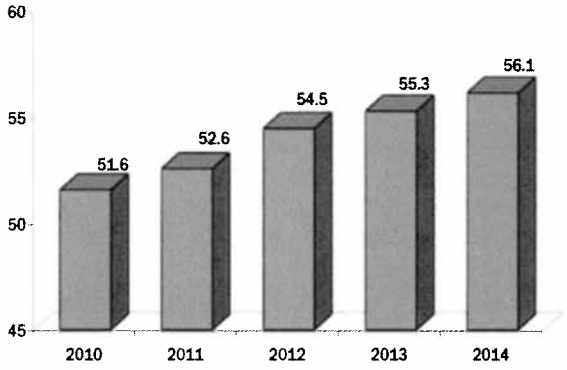
Passenger Revenue and Local Share

In 2010, Pace Suburban Service passenger revenue totaled $32.3 million. Pace expects that 2011 Suburban Service passenger revenue will total $32.8 million. Pace projects that Suburban Service passenger revenue of $33.4 million in 2012 will grow to $34.2 million in 2014, corresponding to a compound annual growth rate of 1.2% (Exhibit 6-7). Passenger revenue includes fixed route farebox deposits (using cash, passes, and cards) and payments for vanpool, Dial-a-Ride, and other services.

In 2010, Pace's local share contributions and other revenue totaled $16.9 million. Pace expects local share contributions and other revenue of $17.2 million in 2011. Suburban Service local share contributions and other revenue are projected to grow from $18.5 million in 2012 to $19.4 million in 2014, a $0.9 million increase that corresponds to a 2.4% compound annual growth rate.

Pace's Suburban Service fare structure (effective January 2009) is presented at the end of this section (Exhibit 6-11). No fare increases are scheduled for 2012. Effective January 2009, Pace raised the base fare from $1.50 to $1.75, monthly pass from $75.00 to $86.00, and vanpool fares by 10%. At that time, Pace also raised the price of its other full-fare and reduced fare single-ride tickets, ten-ride tickets, and passes.

Exhibit 6-5: **Pace Suburban Service System-Generated Revenue**
(dollars in millions)



State Free Rides & Reduced Fare Reimbursement

Reimbursement from the State for free and reduced fare rides is expected to increase from $2.4 million in 2010 to $2.6 million in 2011. The reduced fare reimbursement is expected to remain at $2.6 million from 2012 through 2014.

Advertising

Advertising revenue is expected to increase from $3.9 million in 2010 to $4.3 million in 2011. Pace projects that advertising revenue of $4.4 million in 2012 will remain at that same level in 2013 and 2014.

Investment

2010 investment income of $0.1 million is expected to remain nearly constant for 2011 and 2012, and

Exhibit 6-6: **2012 Pace Suburban Service Revenue - $195.0 million**

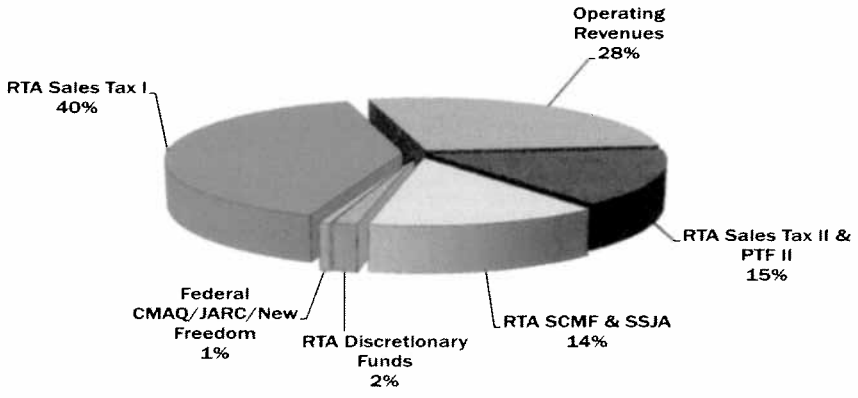


Exhibit 6-7: **Pace Suburban Service Passenger Revenue**
(dollars in millions)

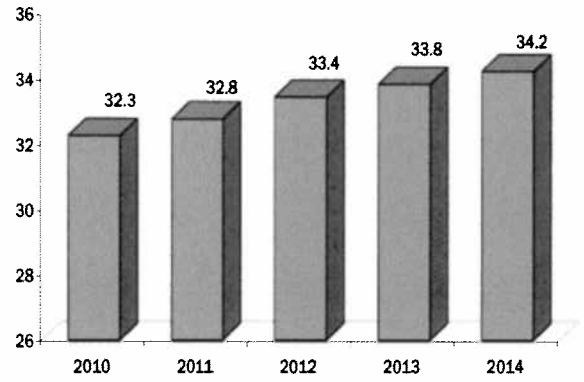
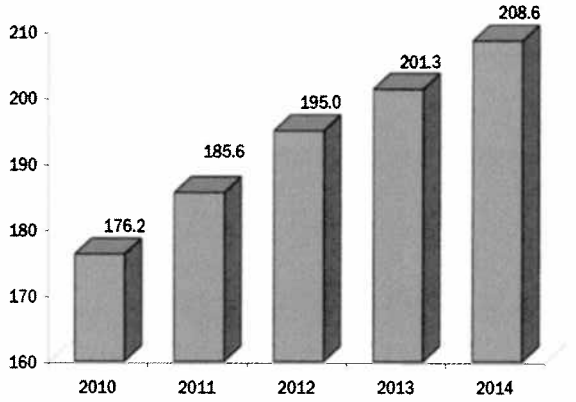


Exhibit 6-8: **Pace Suburban Service Operating Expenditures**
(dollars in millions)



then increase to $0.2 million in 2013 and $0.3 million in 2014.

PUBLIC FUNDING

Public funding for Pace operations includes portions of the RTA Sales Tax (RTA Sales Tax I and II) and the Public Transportation Fund (PTF I and PTF II), as well as federal sources.

Pace's portion of RTA Sales Tax I is expected to increase 4.2% from $73.1 million in 2010 to $76.1 million in 2011. This funding is projected to increase from $78.2 million in 2012 to $82.7 million in 2014 at a compound annual growth rate of 2.8% (Exhibit 6-4). RTA Sales Tax II & PTF II (PA95-0708) is projected to increase from $29.8 million in 2010 to $31.0 million in 2011. After decreasing to $30.2 million in 2012, this funding is projected to increase to $31.2 million in 2014 at a compound annual growth rate of 1.7%. RTA Suburban Community Mobility Funds of approximately $20.0 million to $21.0 million are projected for 2012 through 2014. The RTA also provides South Suburban Job Access Funds in the amount of $7.5 million annually.

The RTA did not provide discretionary funding to Pace in 2010 and 2011. The RTA will provide Pace with discretionary funds at an estimated amount of $3.0 million in 2012, $3.1 million in 2013, and $3.2 million in 2014. A more detailed description of how public funds are allocated among the Service Boards can be found in the Region section of this book.

In addition to funds from the RTA, Pace also receives federal funds. Pace received combined Congestion Mitigation Air Quality (CMAQ), Job Access Reverse Commute (JARC), and New Freedom funds of $2.7 million in 2010 and expects to receive $2.2 million, $1.3 million, $1.2 million, and $1.3 million in 2011 through 2014, respectively. Pace used $2.0 million in Federal 5307 funds for operations in 2010 and expects to use $2.0 million of these same type of funds in 2011. No such funds are projected to be used in 2012, and then Federal 5307 funds are again projected for operations in the amount of $2.2 million and $3.4 million in 2013 and 2014, respectively.

OPERATING EXPENDITURES

Operating expenditure elements include labor/fringe benefits, health insurance, parts/supplies, purchased transportation, fuel, utilities, insurance/claims, and other (Exhibit 6-9). The 'other' category includes the regional ADA support credit as an offset. Growth of labor/fringe benefits, health care, and purchased transportation is the primary factor behind the increase in Suburban Service operating expenditures.

Labor/Fringe Benefits and Health Insurance Costs

Labor/fringe and health insurance expenditures are projected to account for 58.7% of total Suburban Service operating expenditures in 2012. Combined labor/fringe benefits and health insurance expenditures for suburban service are projected to grow from $114.6 million in 2012 to $123.9 million in 2014, a $9.3 mil-

lion increase that corresponds to a 4.0% compound annual growth rate.

Parts/Supplies

Parts/supplies expenditures are projected to account for 3.2% of total suburban service operating expenditures in 2012. These expenditures are projected to grow from $6.3 million in 2012 to $7.0 million in 2014, a $0.7 million increase that corresponds to a 4.8% compound annual growth rate.

Purchased Transportation

Expenditures for purchased transportation are projected to account for 15% of total Suburban Service operating expenditures in 2012. These expenditures are projected to grow from $29.2 million in 2012 to $31.5 million in 2014, a $2.3 million increase that corresponds to a 3.8% compound annual growth rate.

Fuel

In 2011, fuel expenditures are estimated to rise substantially to $21.1 million from $15.1 million in 2010, due to rising fuel prices. In 2012, fuel expenditures are projected to account for 11.5% of total Suburban Service expenditures. Fuel expenditures are budgeted at $22.5 million in 2012 and are expected to remain flat through 2014. The 2012 budget assumes an increase in average fuel price per gallon of 6.7%. The price per gallon is then expected to remain constant through 2014 due to contract pricing.

Utilities

Utilities expenditures are projected to account for 1.0% of total Suburban Service operating expenditures in 2012. These expenditures are projected to remain between $1.9 million and $2.1 million through 2014.

Insurance/Claims

Insurance/claims expenditures are projected to account for 4.5% of total Suburban Service operating expenditures in 2012. These expenditures are projected to grow from $8.8 million in 2012 to $9.7 million in 2014, an increase of $0.9 million that corresponds to a 5% compound annual growth rate this is consistent with national trends.

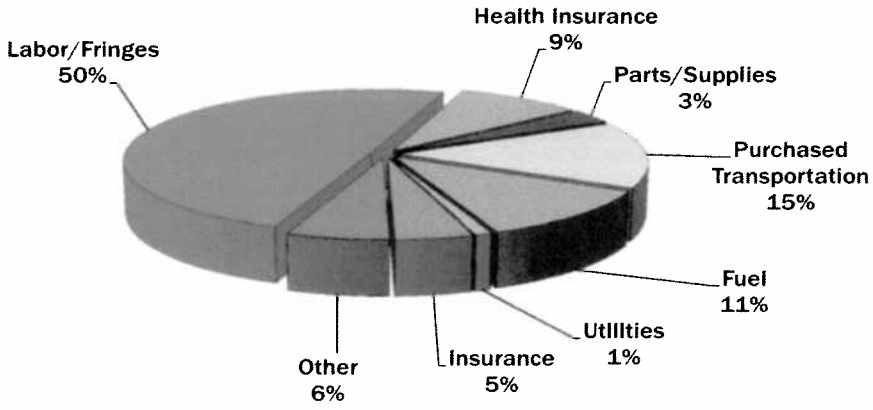
Other

Other expenditures are projected to account for 6% of total Suburban Service operating expenditures in 2012. These expenditures are projected to grow from $11.7 million in 2012 to $12.0 million in 2014, a $0.3 million increase corresponding to a 1.3% compound annual growth rate. The regional ADA support credit discussed below is included in the other expense category shown in Exhibit 6-4.

Regional ADA Support Credit

In 2010, Pace charged $2.9 million of administrative and overhead expenses to the regional ADA paratran-

Exhibit 6-9: **2012 Pace Suburban Service Expenses - $195.0 million**



sit budget and expects to charge $3.9 million in 2011. Pace projects that the regional ADA support credit will increase from $4.0 million in 2012 to $4.2 million in 2014.

NET RESULTS

Net results are calculated by adding total operating revenues and public funding together and subtracting total expenses. The operating deficits are derived from total operating revenue minus total operating expenditures. Pace estimates that its deficit will rise 6.7%, from $124.7 million in 2010 to $133.0 million in 2011. Pace projects deficits of $140.5 million, $146.0 million, and $152.5 million in 2012, 2013, and 2014, respectively, a $12.0 million increase with a compound annual growth rate of 4.2%. For 2012 and 2013 Pace anticipates a balanced budget with total revenues equal to total expenses. In 2014, Pace has identified a negative net result which they intend to fix with budget balancing actions. These action may include, but are not limited to, fare increases, cost efficiencies, service reductions, and/or additional revenues.

RECOVERY RATIO

The recovery ratio equals total operating revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments, including Advantage Program in-kind revenue and expense credit. Pace expects to achieve a recovery ratio of 36.0% in 2011 and to achieve a 30.0% recovery ratio mark for 2012 through 2014. This meets the recovery ratio mark set by the RTA Board on September 14, 2011.

2011 Budget versus 2011 Estimate

Pace expects 2011 operating revenue for Suburban Service to finish the year $2.8 million or 5.6% favorable to budget. Passenger revenue is expected to finish the year $0.9 million or 3.0% favorable to budget. Improved operational performance and a brightening employment picture have increased ridership above budgeted levels.

Local share and other revenues such as advertising and investment income are expected to be $1.3 million or 7.9% favorable to budget. The state reduced fare reimbursement is expected to be favorable to budget by $0.6 million.

Total expenditures are expected to finish the year $2.3 million or 1.3% unfavorable to budget. Expenditures for purchased transportation are expected to be $2.8 million or 11.3% favorable to budget. Despite favorable fuel consumption, per gallon fuel prices have been much higher than budgeted and are expected to result in a $5.2 million or 33.1% unfavorable fuel expense. Expenditures for labor/fringe benefits are expected to be $1.9 million or 2.1% unfavorable to budget, and health care expenses are also expected to be unfavorable, by $0.2 million or 1.0%. Expenditures for parts/supplies, utilities, insurance, and other expenses are expected to be $0.2, $0.1, $3.1, and $4.4 million favorable to budget, respectively.

Pace expects a favorable funding variance of $5.2 million in 2011 primarily because of higher RTA sales tax receipts. This favorable funding variance, combined with an operating deficit which is favorable to budget by $0.5 million, are expected to result in a funding surplus of $5.7 million (Exhibit 6-10).

Statutory Compliance

Pace's proposed 2012 budget, 2013-2014 plan, and 2011 recovery ratio submitted to the RTA comply with the operations funding marks set by the RTA Board on September 14, 2011. These marks include sales

tax, Public Transportation Fund, Suburban Community Mobility Funds, and South Suburban Job Access Funds provided by statutory formulas, and RTA discretionary funds. These marks set the total RTA funding levels at $139.3 million in 2012, $142.6 million in 2013, and $146.0 million in 2014, and set the 2012 recovery ratio at 30%.

Exhibit 6-10: **Pace Suburban Service 2011 Budget vs. 2011 Estimate** (dollars in thousands)

	2011 Budget (1)	2011 Estimate	Variance
Operating Revenues			
Passenger Revenue (2)	31,820	32,770	950
Reduced Fare Reimbursement	2,000	2,571	571
Other Revenue	15,982	17,239	1,257
Total Operating Revenues (3)	$ 49,802	$ 52,580	$ 2,778
Public Funding			
RTA Sales Tax I	72,617	76,122	3,505
RTA Sales Tax II and PTF II	29,617	31,036	1,419
Suburban Community Mobility Funds	18,585	19,755	1,170
South Suburban Job Access Funds	7,500	7,500	-
RTA Discretionary	535	-	(535)
Capital Cost of Contracting	2,000	2,000	-
CMAQ/JARC/New Freedom	1,935	2,211	276
RTA ICE Funds	236	100	(136)
Pace Funds	493	-	(493)
Total Public Funding	$ 133,518	$ 138,724	$ 5,206
Total Revenues	$ 183,320	$ 191,304	$ 7,984
Expenses			
Labor/Fringes	90,681	92,585	(1,904)
Health Insurance	16,758	16,922	(164)
Parts/Supplies	6,360	6,149	211
Purchased Transportation	24,736	27,537	(2,801)
Fuel	15,874	21,122	(5,248)
Utilities	2,048	1,910	138
Insurance	12,613	9,549	3,064
Other	14,250	9,851	4,399
Total Expenses (3)	$ 183,320	$ 185,624	($ 2,304)
Net Results	**-**	**5,681**	**5,681**
Advantage Program - In-Kind (4)	**8,282**	**8,282**	**-**
Recovery Ratio % (4)	**36.0%**	**36.0%**	**-**

(1) Pace Suburban Service 2011 Budget approved by the RTA Board on December 15, 2010.

(2) Passenger revenue includes Fixed Route, Vanpool, Dial-A-Ride, Ride DuPage, Ride in Kane, and Other Services.

(3) Excludes Advantage Program-in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation.

(4) The recovery ratio calculation includes Advantage program in-kind revenue and expense credits (of equal amount), as well as statutory and approved adjustments.

Exhibit 6-11: **Pace Suburban Service Fare Structure**

	Current Fares	
	Full Fare	**Reduced Fare**
REGULAR FARES		
Full Fare	$1.75	$0.85
Transfer to Pace/CTA*	$0.25	$0.15
Local Transfer		Free Local Transfer
PASSES		
Pace/CTA (30-Day)	$86.00	$35.00
Pace/CTA (7-Day)	$28.00	
Commuter Club Card (CCC)(Pace Only)	$60.00	$30.00
Link-Up Ticket	$39.00	
Plus Bus	$30.00	
Regular 10 Ride Plus Ticket	$17.50	$8.50
Student (Haul Pass)		$30.00
Student Summer Pass		$45.00
Subscription Bus (Monthly)	$125.00	
Pace Campus Connection (College Student Pass)	$175.00	
Valid for one semester. Discounted if purchased after August/January.		
EXPRESS/OTHER FARES		
Premium Routes	$4.00	$2.00
Premium 10 Ride Plus Ticket (855)	$40.00	$20.00
Dial-a-Ride	$1.75	$1.00
Call-N-Ride	$1.75	
VAN POOL		
Monthly VIP and other van pool services fares range from $73 to $174 depending on the daily round trip van miles and the number of passengers.		

*Effective January 1, 2006, the CTA discontinued issuing or accepting cash transfers.

Organizational Structure

Pace is organized into four main areas: Revenue Services, Strategic Services, External Relations, and Internal Services (Exhibit 6-12). Pace's organizational structure comprises four primary elements: administration, central support, Pace-owned divisions, and regional ADA paratransit services. Within each element, employees are classified into four areas: operations, vehicle maintenance, non-vehicle maintenance, and administration. These activity areas are defined by the National Transit Database reporting requirements, which apply to all public transit operators.

Exhibit 6-12: Pace Organizational Structure

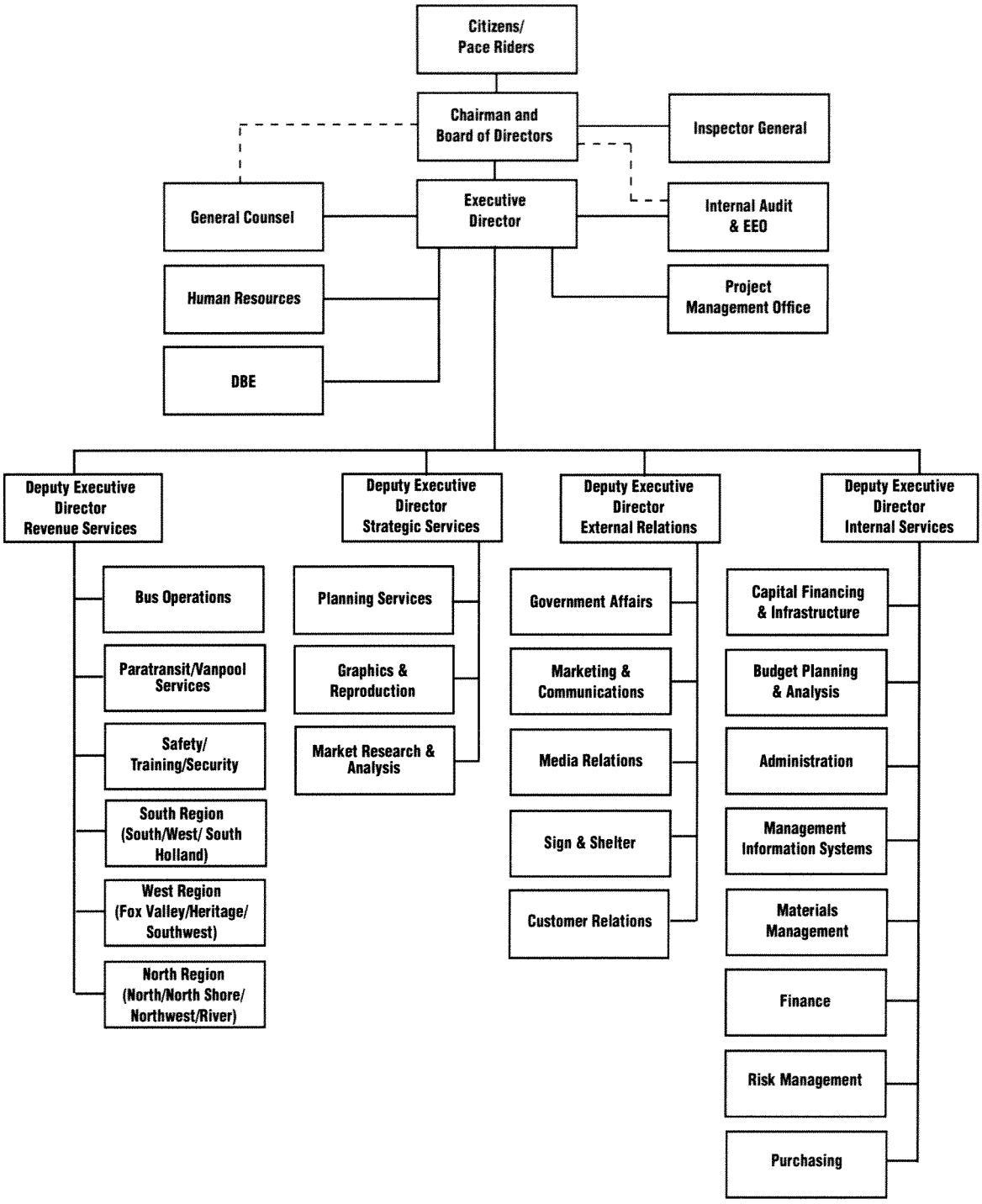


Exhibit 6-13: **Pace Goals and Performance Measures**

		2010 Actual	2011 Estimate	2012 Projected
Safety				
Goal: Provide Safe Public Transportation Services				
Measure(s):	Performance Standard			
Accidents per 100,000 Revenue Miles	Less than 5	5.35	5.87	5.60
Reliability				
Goal: Provide Reliable Public Transportation Services				
Measure(s):	Performance Standard			
On-Time Performance	Greater than 85%	70.90%	74.00%	75.00%
Actual Vehicle Miles per Road Call	Greater than 14,000	14,182	14,369	14,400
Percent Missed Trips per Total Trip Miles	Less than .5%	0.13%	0.17%	0.15%
Courtesy				
Goal: Provide Courteous Public Transportation Services				
Measure(s):	Performance Standard			
Complaints per 100,000 Passenger Miles	Less than 4	2.41	2.60	2.50
Website Hits on Web Watch Site (000's)	Increase over prior period	13,760	26,133	29,000
Efficiency				
Goal: Provide Efficient Public Transportation Services				
Measure(s):	Performance Standard			
Revenue Miles per Revenue Hour	Greater than 17	16.74	16.80	16.90
Revenue Miles per Total Operator Pay Hours	Greater than 10*	9.52	9.43	9.55
Expense per Revenue Mile	Less than $6.50*	$5.71	$6.06	$6.10
Expense per Revenue Hour	Less than $125.00*	$95.51	$101.68	$104.00
Recovery Ratio	Greater than 18%	26.30%	26.30%	26.30%
Subsidy per Passenger	Less than $4.00	$2.78	$2.96	$2.98
Effectiveness				
Goal: Provide Effective Public Transportation Services				
Measure(s):	Performance Standard			
Ridership	Increase from prior period	0.14%	1.50%	1.80%
Passenger Miles per Revenue Miles	Greater than 9*	10.10	9.18	10.00
Productivity (Passengers per Revenue Hour)	Greater than 24*	24.50	24.70	24.80
Ridership per Revenue Mile	Greater than 1.5*	1.46	1.47	1.48
Vanpool Units in Service	Increase from prior period	690	709	725

** Performance Standard Under Evaluation*

Below performance standard Within 10% of performance standard Meets/exceeds performance standard

7 Pace ADA Paratransit Service Operating Plan

Overview

Effective July 1, 2006, Pace began providing all ADA paratransit service in the RTA region.

Service Characteristics

The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA rail stations, as described in the Americans with Disabilities Act (ADA).

In the suburban area where Pace provides fixed route service, Pace contracts with private operators to provide ADA paratransit service. These operators drive Pace-owned lift-equipped vehicles to provide curb-to-curb service to ADA-certified passengers.

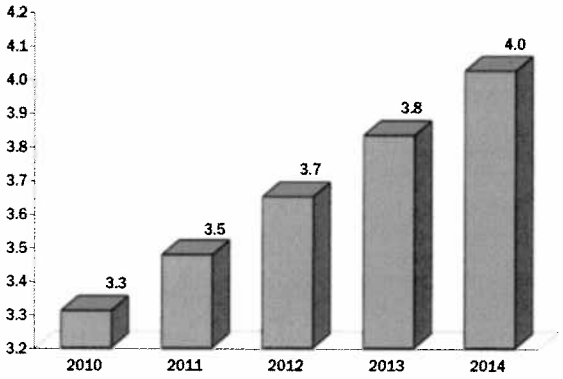
In the CTA service area, Pace contracts with private operators to provide ADA paratransit service in the entire City of Chicago and most of the suburbs serviced by the CTA. The operators use 614 contractor-owned vehicles to provide service to ADA-certified passengers. Pace also administers two subsidized taxi programs in the City of Chicago, the Taxi Access Program (TAP) and the Mobility Direct program, for ADA-certified passengers, although these programs are not required by the Americans with Disabilities Act.

The CTA and Pace fixed-route services are described earlier in this book.

Ridership

Pace estimates that ridership will increase 5.0% from 3.3 million in 2010 to 3.5 million in 2011. Pace projects that ADA paratransit ridership will increase by 5.0% per year in 2012 through 2014, in both the CTA service area and the suburban service area (Exhibit 7-1).

Exhibit 7-1: **Pace Regional ADA Paratransit Ridership** (in millions)



Cost Efficiency

The cost per passenger measurement recognizes that expenses tend to vary with the amount of service provided (Exhibit 7-2). Cost per passenger for Regional ADA paratransit service is projected to increase by 4.5% to $36.34 in 2011. Pace anticipates increased efficiency in 2012 due to several initiatives, including contract negotiations to freeze provider pricing, reduced reservations hours, and use of an Interactive Voice Response system to notify riders and reduce vehicle dwell times. As a result, the 2012 cost per passenger is expected to decrease by 4.6%, to $34.68, before increasing again by 1.7% and 2.8% in 2013 and 2014, respectively.

Budget and Financial Plan

The Pace ADA paratransit service 2012 budget and two-year financial plan presented in Exhibit 7-3 meets

Exhibit 7-2: **Pace ADA Paratransit Cost Efficiency** (dollars)

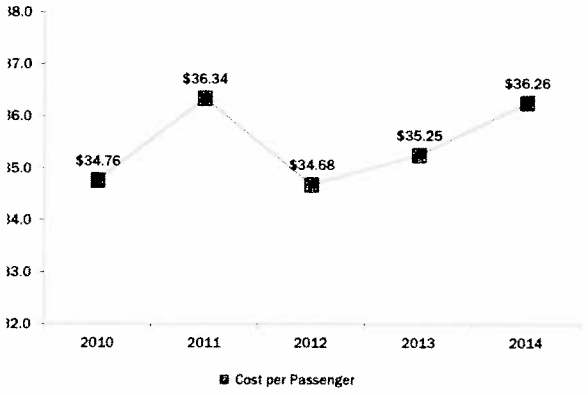


Exhibit 7-3: **Pace Regional ADA Paratransit Service 2012 Budget and 2013-2014 Financial Plan** (dollars in thousands)

	2010 Actual	2011 Estimate	2012 Budget	2013 Plan	2014 Plan
Operating Revenues					
Passenger Revenue	8,385	8,771	9,209	9,741	10,228
Other Revenue	2,157	2,443	2,367	2,086	2,118
Total Operating Revenues	$ 10,542	$ 11,214	$ 11,576	$ 11,827	$ 12,346
Public Funding					
Sales Tax II and PTF II	94,796	98,777	115,000	120,750	126,788
RTA ICE Funds	1,225	7,872	-	-	-
Additional State Funding	8,500	8,500	-	-	-
Budget Balancing Actions (1)	-	-	-	2,550	6,797
Total Public Funding	$ 104,521	$ 115,149	$ 115,000	$ 123,300	$ 133,585
Total Revenues	$ 115,063	$ 126,363	$ 126,576	$ 135,127	$ 145,931
Expenses					
Labor/Fringes	2,463	2,550	2,645	2,713	2,795
Health Insurance	336	291	307	335	365
Admin Expenses	1,870	1,797	1,981	2,011	2,049
Fuel	1,891	2,593	2,756	2,764	2,764
Insurance	114	337	345	360	380
RTA Certification Trips	1,282	1,315	1,354	1,374	1,399
Purchased Transportation	104,174	113,623	113,196	121,476	131,960
Regional ADA Support Allocation	2,933	3,857	3,992	4,094	4,219
Total Expenses	$ 115,063	$ 126,363	$ 126,576	$ 135,127	$ 145,931
Net Results	-	-	-	-	-
Recovery Ratio %	**10%**	**10%**	**10%**	**10%**	**10%**

(1) Actions required to balance the ADA Paratransit budget. These actions may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues. In 2013 and 2014, these actions may also include adjusting fares.

the funding marks set by the RTA Board on September 14, 2011. In compliance with the RTA Act, the RTA set the ADA paratransit recovery ratio for 2012 at 10.0%.

OPERATING REVENUE

In 2010, regional ADA paratransit operating revenue of $10.5 million included $8.4 million in passenger revenues and $2.2 million in other revenues (Exhibit 7-4 and 7-5). This other revenue includes reimbursements from the RTA for transporting paratransit applicants to assessment sites of $1.3 million and additional revenue such as Medicaid reimbursements. In 2011, Pace expects regional ADA paratransit passenger revenue to increase by 4.6% as ridership continues to grow and fares remain unchanged after the 2009 increase. Pace projects that operating revenue will account for only 9.0% of total ADA paratransit revenue in 2012 (Exhibit 7-6). Pace projects total ADA paratransit operating revenue of $11.6 million in 2012, $11.8 million in 2013, and $12.3 million in 2014, representing a compound annual growth rate of 3.3% from 2012 to 2014. These revenue figures do

Exhibit 7-4: **Pace ADA Paratransit Operating Revenue**
(dollars in millions)

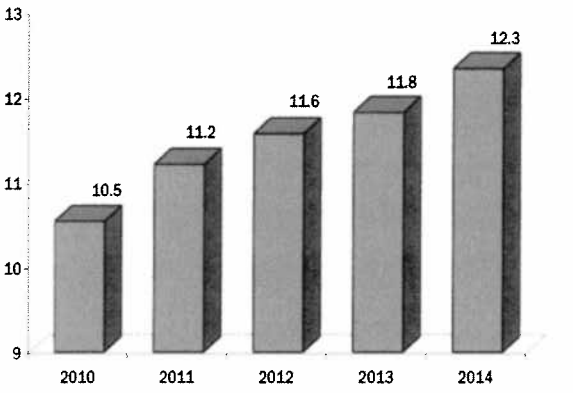


Exhibit 7-5: **Pace ADA Paratransit Farebox Revenue**
(dollars in millions)

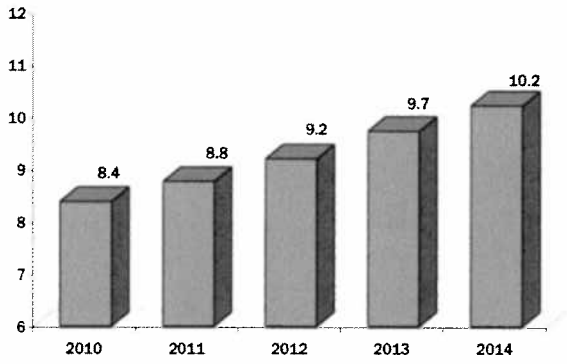
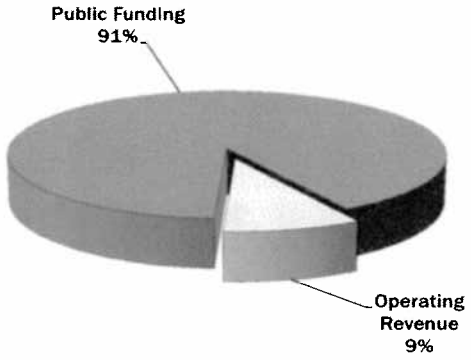


Exhibit 7-6: **Pace ADA Paratransit Revenue** - $126.6 million



not incorporate required budget balancing actions in 2013 and 2014. Pace's current regional ADA paratransit fare structure is shown in Exhibit 7-7.

OPERATING EXPENDITURES

In 2010, regional ADA paratransit service operating expenses totaled $115.1 million. In 2011, Pace expects total regional ADA paratransit operating expenses to increase by 9.8% to $126.4 million. Pace projects total operating expenses to remain nearly flat in 2012 at $126.6 million due to increased operating efficiency and contract re-negotiations, but then increase to $135.1 million in 2013, and $145.9 million in 2014. This $19.3 million increase in operating expensesfrom 2012 to 2014 represents a compound annual growth rate of 7.4%. Growth in purchased transportation costs, which accounts for approximately 90% of total expenses, is the primary factor behind these increases in operating expenses (Exhibit 7-8).

EXPENDITURE ELEMENTS

Operating expenses elements include labor/fringe benefits, health insurance, administrative expenses, fuel, liability insurance, RTA certification trip costs, purchased transportation, and regional ADA support allocation (Exhibit 7-3). Figures for individual expense elements do not incorporate required budget balancing actions in 2013 and 2014.

Labor/Fringe Benefits and Health Insurance Costs

Combined labor/fringe benefits and health insurance expenditures of $3.0 million are expected to account for 2.3% of regional ADA paratransit service operating expenditures in 2012. Labor/fringe expenses are projected to increase at a compound annual growth rate of 2.8% from 2012 to 2014. Health insurance expenses of $0.3 million in 2012 are projected to increase at a 9.0% compound annual growth rate from 2012 to 2014.

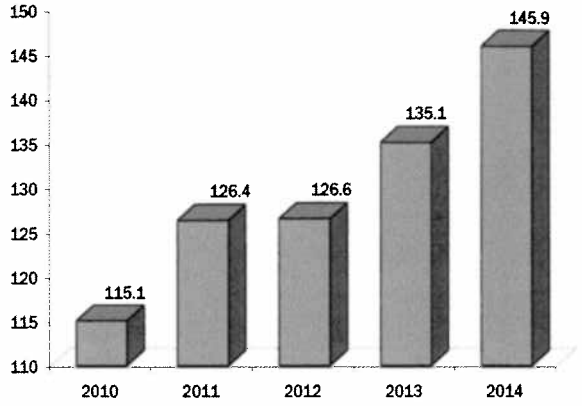
Administration

Pace leases its operations center for ADA paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. Administration expenses of $2.0 million are projected to account for 1.6% of regional ADA paratransit service operating expenses in 2012. Administrative expenses are projected to grow at a compound annual growth rate of 1.7% from 2012 to 2014.

Exhibit 7-7: **Fare Structure**

	Current Fare
CTA SERVICE AREA	
ADA Paratransit	$3.00
Taxi Access Program and Mobility Direct	$5.00
PACE SERVICE AREA	
ADA Paratransit	$3.00

Exhibit 7-8: **Pace ADA Paratransit Operating Expenditures**
(dollars in millions)



Fuel

Pace purchases fuel for the private operators who provide ADA paratransit service using Pace-owned vehicles in Pace's suburban service area only. After an increase of 37.1% for fuel expenditures in 2011, this expense is expected to increase by 6.3% in 2012 but then remain nearly flat in 2013 and 2014. Fuel expenditures of $2.8 million in 2012 are projected to account for 2.2% of regional ADA paratransit service operating expenditures.

Liability Insurance

Liability insurance expenses of $0.3 million are projected to account for 0.3% of regional ADA paratransit service operating expenditures in 2012. Liability insurance expenditures are projected to increase at a compound annual growth rate of 4.9% in 2013 and 2014.

RTA Certification

RTA certification expenses comprise the cost of transporting applicants for ADA certification to and from assessment centers. These expenses of $1.4 million are projected to account for 1.1% of regional ADA paratransit service operating expenditures in 2012. RTA certification expenditures are projected to increase at a compound annual growth rate of 1.6% in 2013 and 2014.

Purchased Transportation

Purchased transportation expenses are projected to account for 89.4% of regional ADA paratransit service's operating expenses in 2012. These expenses are projected to increase from $113.2 million in 2012 to $132.0 million in 2014, an $18.8 million increase that corresponds to an 8% compound annual growth rate. Pace assumes that demand for both suburban and CTA service area ADA paratransit service will increase 5.0% each year from 2012 through 2014. Pace projects that from 2012 to 2014 contractor rates in the CTA and Suburban Service areas will grow at compound annual growth rates of 1.9% and 3.1%, respectively.

Regional ADA Support Allocation

In 2010 Pace charged $2.9 million of administrative and overhead expenses to the regional ADA paratransit budget and expects to charge $3.9 million in 2011. Pace projects that this amount will continue to increase, from $4.0 million in 2012, to $4.2 million in 2014, representing a compound annual growth rate of 2.8%.

FUNDING AND OPERATING DEFICIT

In 2008, Illinois Public Act 95-0708 allocated $100.0 million to the funding of ADA paratransit service from the increase in the RTA sales tax rate and the increase in the portion of RTA tax revenues matched by the State Public Transportation Fund (PTF). According to the legislation, this amount was then indexed to the

annual change in RTA sales tax collections. Sales tax collections subsequently decreased with the economic recession while ADA ridership increased, resulting in chronic funding shortfalls.

In 2011, the RTA Act was again amended to increase funding for ADA paratransit to $115.0 million for 2012, and to guarantee full funding in subsequent years. Funding for the following two-year planning period was set at $120.8 million for 2013 and $126.8 million for 2014, an annual increase of 5.0% which is commensurate with Pace's assumed ADA paratransit ridership growth. To meet these funding levels, Pace will need to implement budget balancing actions which will increase revenues and/or decrease expenses by $2.6 million in 2013 and $6.8 million in 2014.

2011 Budget versus 2011 Estimate

Pace expects that 2011 regional ADA paratransit service operating revenue will be favorable to budget by $1.2 million, primarily due to increased Medicaid reimbursements (Exhibit 7-9). Passenger revenue is expected to be at budget despite an increase in ridership, due to decreased use of the higher-fare Taxi Access Program relative to budget projections.

Total expenditures for 2011 are expected to be unfavorable to budget by $5.7 million. Unfavorable variances are expected in purchased transportation and fuel, totaling $6.7 million. This is expected to be partially offset by favorable variances in health insurance, administrative expenses, liability insurance, and the regional ADA support allocation.

Total funding for 2011 is expected to be favorable to budget by $4.5 million, driven by a $5.9 million favorable variance in sales tax receipts. This positive variance results in an ICE fund requirement of $7.9 million to balance the 2011 budget, which is $1.4 million less than was anticipated.

NET RESULTS

Net results are calculated by adding total operating revenues and public funding together and subtracting total expenses. The operating deficit is calculated by subtracting total operating expenditures from total operating revenue. For 2012, the Pace ADA paratransit operating deficit is projected at $115.0 million, which matches the 2012 ADA paratransit funding level, producing a balanced budget, or a net result of zero, provided that previously mentioned operating efficiencies can be achieved as intended.

For 2012, the Pace ADA paratransit operating deficit is projected at $115.0 million, which matches the 2012 ADA paratransit funding level, producing a balanced budget.

RECOVERY RATIO

The recovery ratio equals total operating revenue, with statutory and approved adjustments, divided by total operating expenses, with statutory and approved adjustments. The RTA Act requires that regional ADA paratransit service meet a recovery ratio of 10%. For each year from 2010 through 2014, Pace's projected recovery ratio for regional ADA paratransit service is projected to meet this statutory requirement. These recovery ratios are reached by exempting from the recovery ratio calculation a portion of costs incurred in paying ADA paratransit contractors for their capital expenses.

Statutory Compliance

Pace's 2012 budget and 2013 and 2014 plans meet the regional ADA paratransit operating funding marks (sales tax, Public Transportation Funds) set by the RTA Board on September 14, 2011. These marks set the total level of RTA funding at $115.0 million in 2012, $120.8 million in 2013 and $126.8 million in 2014. However, meeting the 2012 funding mark will require improved operating efficiency as previously noted. In 2013 and 2014, funding the deficit requires budget balancing actions of $2.6 and $6.8 million respectively, which may include, but are not limited to, adjusting service, implementing further efficiencies, reducing operating costs, and identifying additional funds or revenues. Pace's ADA paratransit projected recovery ratio of 10.0% in 2012 complies with the recovery ratio marks set by the RTA Board on September 14, 2011.

Exhibit 7-9: **Pace Regional ADA Paratransit Service 2011 Budget vs. 2011 Estimate** (dollars in thousands)

	2011 Budget	2011 Estimate	Variance
Operating Revenues			
Passenger Revenue	8,773	8,771	(2)
Other Revenue	1,221	2,443	1,222
Total Operating Revenues	$ 9,994	$ 11,214	$ 1,220
Public Funding			
Sales Tax II and PTF II	92,921	98,777	5,856
RTA ICE Funds	-	7,872	7,872
Additional State Funding	8,500	8,500	-
Budget Balancing Actions (1)	9,241	-	(9,241)
Total Public Funding	$ 110,662	$ 115,149	$ 4,487
Total Revenues	$ 120,656	$ 126,363	$ 5,707
Expenses			
Labor/Fringes	2,523	2,550	(27)
Health Insurance	454	291	163
Admin Expenses	2,348	1,797	551
Fuel	1,957	2,593	(636)
Insurance	496	337	159
RTA Certification Trips	1,221	1,315	(94)
Purchased Transportation	107,512	113,623	(6,111)
Regional ADA Support Allocation	4,145	3,857	(288)
Total Expenses	$ 120,656	$ 126,363	($ 5,707)
Net Results	-	-	-
Recovery Ratio %	**10%**	**10%**	-

(1) Actions required to balance the ADA Paratransit budget. These actions may include, but are not limited to, adjusting service, implementing efficiencies, reducing operating costs, and identifying additional funds or revenues, including the 2011 ICE fund.

8 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 RTA's capital development plans.

The RTA emphasizes the need to preserve and enhance the RTA system's valuable infrastructure, which includes bringing the system's $142.2 billion in assets (as measured in terms of replacement value) to good condition and extending or expanding service where demand is present and funding available. The funding need is over $1 billion per year just to maintain and preserve the existing system without adressing the backlog.

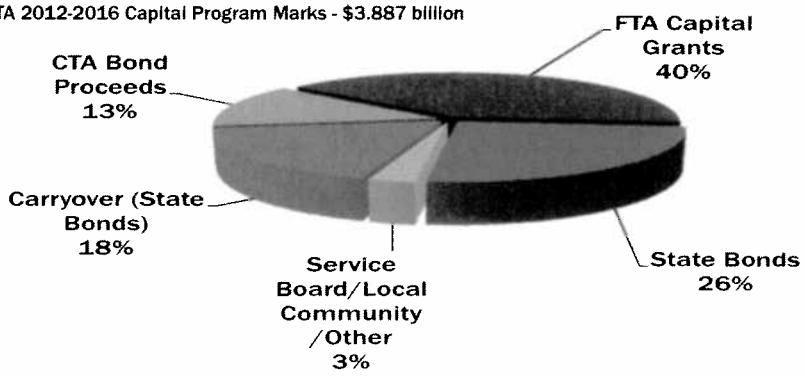
Source of Funds

On September 14, 2011, the RTA Board adopted preliminary federal and state capital funding marks for 2012-2016. Subsequently, the RTA received proposals for funds controlled by the Service Boards and then the RTA Board adopted the 2012 RTA system budget on December 15, 2011. The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards. Of the estimated $3.887 billion of available funding sources for 2012-2016, federal funding accounts for $1.571 billion or 40%, state funds account for $988.8 million or 26%, carryover funds from 2011 account for $695.3 million or 18%, CTA bond proceeds account for $520.0 million or 13%, Service Board and other funds account for $96.8 million or 3%, and RTA funds account for $15.7 million or less than 1% (Exhibits 8-1 and 8-2).

Exhibit 8-1: **RTA 2012-2016 Capital Program Marks** (dollars in thousands)

	CTA	Metra	Pace	Pace ADA	RTA	Total
Capital Funding						
FTA Capital Grants	1,284,207	752,238	249,723	-	35,360	2,321,528
RTA Capital Reserves	-	4,700	-	-	10,990	15,690
State Bonds	446,836	413,375	128,550	-	-	988,761
Service Board/Local Community /Other	60,592	35,000	1,250	-	-	96,842
Funding to be determined	-	-	-	75	-	75
Total New Capital Funding	**$ 1,791,635**	**$ 1,205,313**	**$ 379,523**	**$ 75**	**$ 46,350**	**$ 3,422,896**
Carryover (State Bonds)	695,345	-	-	-	-	695,345
CTA Principal and Interest (Federal)	(750,845)	-	-	-	-	(750,845)
CTA Bond Proceeds	520,000	-	-	-	-	520,000
Total Capital Funding Available	**$ 2,256,135**	**$ 1,205,313**	**$ 379,523**	**$ 75**	**$ 46,350**	**$ 3,887,396**

Exhibit 8-2: **RTA 2012-2016 Capital Program Marks - $3.887 billion**



The total estimated capital funds available for capital projects in 2012 are $1.352 billion. This amount reflects a $205.5 million transfer of federal funds for CTA debt repayment. At this time, the final federal appropriation figures for 2012 have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding. Of the estimated $1.352 billion of available funding sources for 2012, CTA bond proceeds account for $520.0 million or 39%, state funds account for $397.5 million or 29%, federal funding accounts for $271.8 million or 20%, carryover funds from 2011 account for $108.0 million or 8%, Service Board and other funds account for $39.0 million or 3%, and RTA funds account for $15.7 million or 1% (Exhibits 8-3 and 8-4).

Despite the challenging economic times, critical progress was made in 2011 on our capital investment needs.

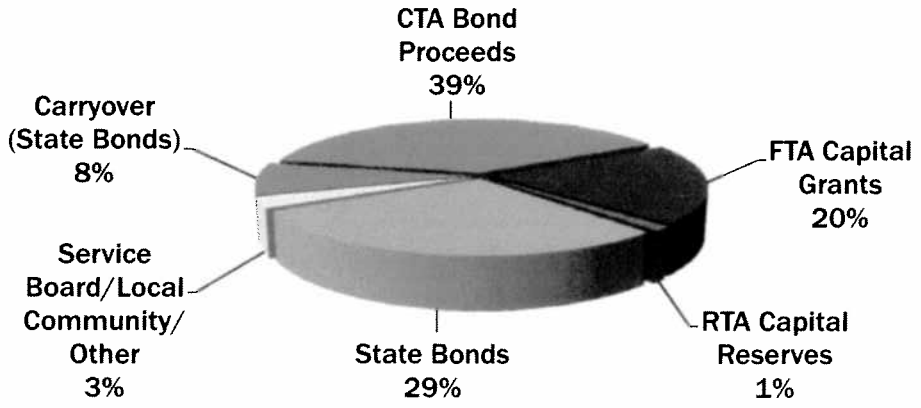
The State of Illinois approved two measures – the "Jump Start" capital bill in April 2009 and the "Illinois Jobs Now" capital bill in July 2009. Combined, these two programs provide the RTA system with $2.7 billion in capital funds. With these funds, the RTA will be able to replace aging trains, buses, track, stations and other infrastructure and improve the reliability of the system.

Later, in July of 2010, Governor Pat Quinn announced the state's intention to award $442.7 million of the "Illinois Jobs Now" funds towards mass transit infrastructure that specifically included funding for the RTA capital projects to be implemented by the CTA, Metra, and Pace. These funds were included in the 2010 Capital Program. In addition, $1.008 billion was awarded to the CTA and Metra in 2011. Nevertheless, there is uncertainty regarding the timing of the availability of the balance of the $2.7 billion originally appropriated for the program in 2009. A portion of these funds are dependent on bond authorizations that have yet to

Exhibit 8-3: **Capital Funding in 2012** (dollars in thousands)

	CTA	Metra	Pace	Pace ADA	RTA	Total
Capital Funding						
FTA Capital Grants	251,157	150,598	40,205	-	35,360	477,320
RTA Capital Reserves	-	4,700	-	-	10,990	15,690
State Bonds	265,545	89,125	42,850	-	-	397,520
Service Board/Local Community/Other	33,718	5,000	250	-	-	38,968
Funding to be determined	-	-	-	75	-	75
Total New Capital Funding	$ 550,420	$ 249,423	$ 83,305	$ 75	$ 46,350	$ 929,573
Carryover (State Bonds)	108,003	-	-	-	-	108,003
CTA Principal and Interest (Federal)	(205,484)	-	-	-	-	(205,484)
CTA Bond Proceeds	520,000	-	-	-	-	520,000
Total Capital Funding Available	$ 972,940	$ 249,423	$ 83,305	$ 75	$ 46,350	$ 1,352,093

Exhibit 8-4: **Capital Funding in 2012** - $1.352 billion



pass the General Assembly. In addition, sources for debt service on some of the bond funds depend on the new revenues for the State's General Revenue Fund. However, encouraged by the award of State Bond funds through this year, the balance of the full $2.7 billion State Bond program is distributed over the remaining three years, 2012-2014.

Use of Funds

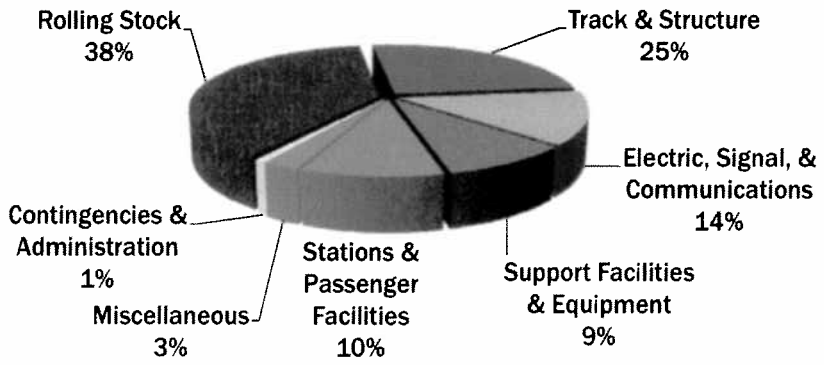
The primary emphasis of the 2012 Capital Program is to continue efforts to bring the system's assets to a State of Good Repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionality of equipment, facilities, and rolling stock. In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system expansion. For the 2012 Capital Program, 93% of the budget is allocated to capital projects that maintain the existing infrastructure. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

Investments in the 2012-2016 Capital Program can be broken down by various asset categories. Exhibits 8-5 and 8-6 show that $1.49 billion or 38% of the program is spent on rolling stock and $987 million or 25% for track and structure, 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.

Exhibit 8-5: **2012-2016 Capital Program Uses** (dollars in thousands)

	CTA	Metra	Pace	Pace ADA	RTA	Total
Asset Category						
Rolling Stock	1,039,985	200,138	250,646	-	-	1,490,769
Track & Structure	650,300	337,525	-	-	-	987,825
Electric, Signal, & Communications	161,716	323,585	2,000	-	42,150	529,451
Support Facilities & Equipment	119,957	127,405	113,287	75	-	360,724
Stations & Passenger Facilities	221,000	157,125	4,800	-	4,200	387,125
Miscellaneous	45,427	52,725	1,250	-	-	99,402
Acquisitions & Extensions	-	-	-	-	-	-
Contingencies & Administration	17,750	6,810	7,540	-	-	32,100
Totals	$ 2,256,135	$ 1,205,313	$ 379,523	$ 75	$ 46,350	$ 3,887,396

Exhibit 8-6: **2012-2016 Capital Program Uses** - $3.887 billion



CTA Overview

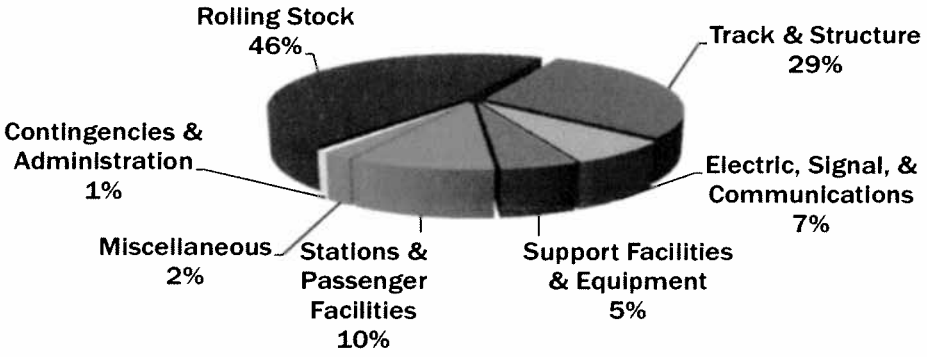
The proposed projects in the CTA's portion of the 2012-2016 Capital Program total $2.3 billion and continue the rehabilitation and replacement of their capital assets. The percentages for the general categories of capital improvements of the total program are: 46% for rolling stock, 29% for track and structure, 10% for stations and passenger facilities, 7% for electric, signal and communications, 5% for support facilities and equipment, and 3% for miscellaneous, contingencies and administration. The general categories of capital improvements comprising the CTA's portion of the Capital Program are illustrated in Exhibit 8-7.

A complete schedule of the CTA's Five-Year Capital Program can be found in the Appendices (Exhibit 9-24)

Highlights of projects included in the CTA's proposed 2012-2016 Capital Program are:

- $650.3 million for the repair of track and structure
- $508.1 million for the purchase of 706 rail cars
- $248.0 million for the rehabilitation and overhaul of rail cars
- $221.0 million for the rehabilitation of rail stations
- $199.7 million for the purchase of buses
- $103.4 million for the improvement of facilities
- $93.7 million to implement security and communication projects
- $76.9 million to perform mid-life bus overhauls
- $68.0 million to replace or upgrade power distribution and signals

Exhibit 8-7: **CTA 2012-2016 Program Uses - $2.256 billion**



Metra Overview

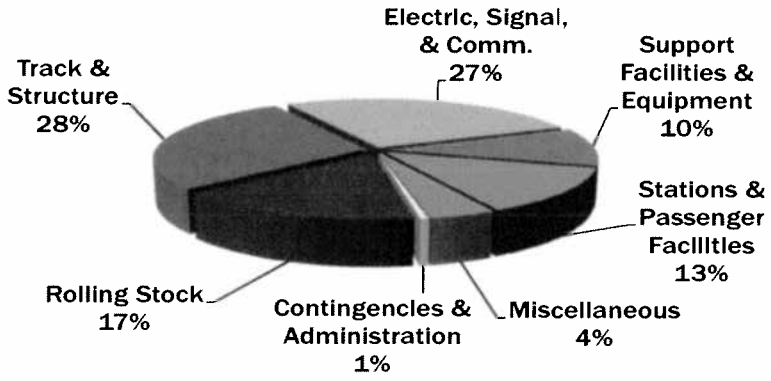
Metra's portion of the proposed 2012-2016 Capital Program totals $1.2 billion. During this five-year period, Metra will continue to renew its extensive commuter rail infrastructure and renew aging rolling stock. The percentage for the general categories of capital improvements of the total program are: 28% for track and structure, 27% for electric, signal, and communications, 17% for rolling stock, 13% for stations and passenger facilities, 10% for support facilities and equipment, and 5% for miscellaneous, contingencies, and administration. The general categories of capital improvements comprising Metra's portion of the Capital Program are illustrated in Exhibit 8-8.

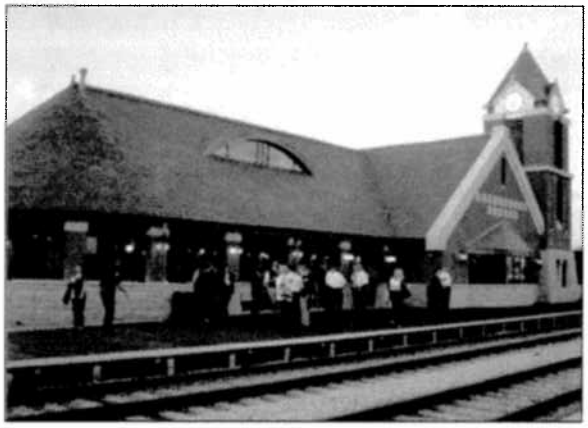
A complete schedule of Metra's Five-Year Capital Program can be found in the Appendices (Exhibit 9-24)

Highlights of projects included in Metra's proposed 2012-2016 Capital Program are:

- $252.9 million for bridge rehabilitation and renewal
- $222.4 million for the installation of Positive Train Control (PTC) system
- $140.1 million for station rehabilitation and improvement
- $85.6 million for the rehabilitation of commuter rail cars
- $65.1 million for locomotive improvements
- $60.5 million to improve yards, shops and facilities
- $59.2 million to upgrade the signal system
- $49.5 million to upgrade financial systems

Exhibit 8-8: **Metra 2012-2016 Program Uses - $1.205 billion**





Pace Overview

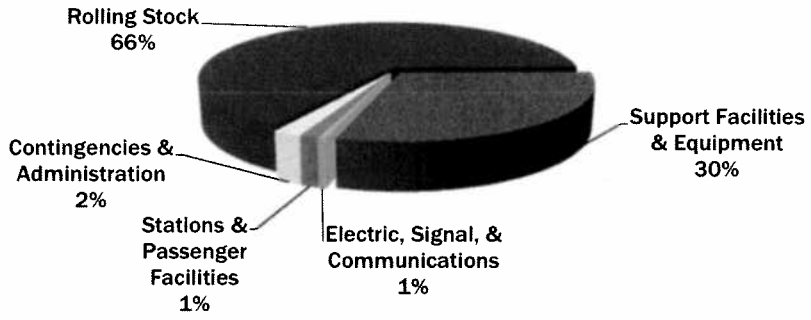
Pace's portion of the proposed 2012-2016 Capital Program totals $380 million. A majority of the funding is provided for the replacement of rolling stock. The percentage for the general categories of capital improvements of the total program are: 66% for rolling stock, 30% for support facilities and equipment, 2% for contingencies and administration, 1% for electric, signal and communications, and 1% for stations and passenger facilities. The general categories of capital improvements comprising Pace's portion of the Capital Program are illustrated in Exhibit 8-9.

A complete schedule of Pace's Five-Year Capital Program can be found in the Appendices (Exhibit 9-24)

Highlights of projects included in Pace's proposed 2012-2016 Capital Program are:

- $142.1 million for the purchase of 413 fixed route buses
- $58.0 million to construct Northwest Cook County bus garage
- $20.0 million for the purchase of a replacement farebox system
- $13.8 million for the purchase of computer hardware and software systems
- $13.4 million for diesel engine retrofits
- $11.8 million for the purchase of 148 paratransit vehicles
- $9.5 million for bus overhauls

Exhibit 8-9: **Pace 2012-2016 Capital Program Uses** - $380 million



Pace ADA Overview

Nearly all of the capital costs associated with the delivery of Pace ADA service relate to vehicles, which are provided by the contractor for most of the service areas. Thus, Pace ADA's portion of the proposed 2012-2016 Capital Program totals only $75 thousand provided for support facilities and equipment. The source of this funding is to be determined. The general categories of capital improvements comprising Pace ADA's portion of the Capital Program are illustrated in Exhibit 8-10.

A complete schedule of Pace ADA's and the RTAs Five-Year Capital Program can be found in the appendices (Exhibit 9-24)

Exhibit 8-10: **Pace ADA 2012-2016 Capital Program Uses** - $75 thousand

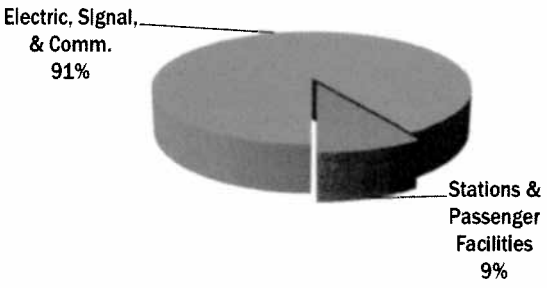
RTA Overview

The RTA's portion of the proposed 2012-2016 Capital Program totals $46.4 million. The largest expenditure relates to the implementation of transit signal priority projects where FTA capital grants represent 80% of funding or $32 million. The general categories of capital improvements comprising the RTA's portion of the Capital Program are illustrated in Exhibit 8-11.

Highlights of projects included in RTA's proposed 2012-2016 Capital Program are:

- $40 million to implement Transit Signal Priority (TSP) projects
- $4.2 million to provide for improvements at 19 priority transit transfer locations
- $2.0 million to provide for regional integration of real time information and trip planning
- $100 thousand to implement downtown Chicago interagency connection improvements
- $50 thousand to implement a regional real time transit web page

Exhibit 8-11: **RTA 2012-2016 Capital Program Uses** - $46 million



Capital Impact on Operations

As part of its oversight function, the RTA is charged with providing assessments of the Service Board's Capital projects and plans as well as an assessment of the condition of the Service Board's capital assets. Pursuant to Ordinance 2009-92, the RTA, after consultation with the Service Boards, must prepare and adopt a Five-Year Capital Program annually that includes each capital improvement undertaken by or on behalf of a Service Board. In addition to the Five-Year Plan, the RTA Act established the need for the development of a Ten-Year Capital Plan.

The estimated value of transit capital assets in northeastern Illinois is $142.2 billion, as measured in terms of replacement value..

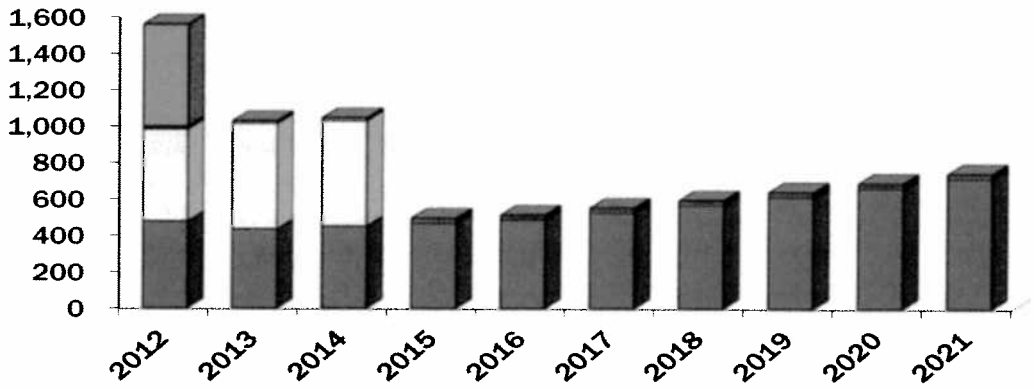
The estimated value of transit capital assets in northeastern Illinois is $142.2 billion, as measured in terms of replacement value. Achieving and maintaining a State of Good Repair will require $24.6 billion of capital investment over the next ten years. During this same time frame, however, total funding to support capital infrastructure is projected at $9.0 billion. Since $1.2 billion of capital funds have already been committed to debt service for bonds issued by the CTA, the current Ten-Year Capital Program leaves approximately $7.8 billion in net funding available for the 2012-2021 period, 31.7% of the total replacement need.

CAPITAL FUNDS AVAILABLE FOR THE TEN-YEAR PLAN

As Exhibit 8-12 indicates, there are four sources of funding that are dedicated to capital program expenditures in the region; federal, state, RTA and local. In the RTA's ten-year plan, $477.3 million in federal capital grants are expected to be made available to the RTA in 2012. By 2021 federal capital grants are planned to increase to $592.7 million, a compound annual growth rate of 2.5%, reflecting long term historic trends. State funding includes the $1.1 billion available in the State's bond program, appropriated in 2009 and allocated through 2014. RTA capital reserve funds total $15.7 million in 2012. Local funds total $689.3 million between the years 2012 and 2021. These local funds consist of Service Board money that Metra allocates to capital programs from farebox revenues each year, capital funding provided to the region by local communities, and additional funds from the other Service Boards. In 2011 the CTA issued $520 million in bonds, the proceeds of which are included in the 2012 Capital Plan and will be used for the purchase of new 5000 series rail-cars.

The total available funds in 2012 for capital projects are approximately $1.352 billion, a $1.767 billion shortfall from the annual replacement needed to achieve a State of Good Repair and address the backlog. It is important to note that in 2012 and beyond,

Exhibit 8-12: **Capital Program Funds Available** (in millions)



the Service Boards have discontinued their previous practice of diverting capital funds to cover operating expenses. In August 2010, a Capital Asset Condition Assessment was completed that placed the region's total capital backlog at $13.8 billion. By the end of 2012 the region anticipates a total backlog to achieve a State of Good Repair of over $14.8 billion.

As shown in Exhibit 8-12, the funding available from state and local sources in the years 2012 through 2016 is critical to executing the capital program. In 2012, a bond issued by the CTA for the purchase of new 5000 series rail cars will increase capital funding for the region. In 2013 and beyond, the amount of funding available for capital is below the annual replacement need, including back log, by $1.5 to $2.1 billion per year.

CAPITAL FUNDING VS. ANNUAL REPLACEMENT NEED

As Exhibit 8-13 shows, from 2012 to 2021 the region's projected capital funding falls far below the region's replacement need in each year of the period. In 2012, with the bond issuance by the CTA of $520 million, capital funding is sufficient to pay for about 67% of the annual replacement need. With the absence of locally generated borrowing in 2013 and beyond, that level falls to less than 30% of the replacement need.

Lack of funding for capital improvements is further exacerbated by the region's aging vehicle fleet. As the average life of a region's fleet increases, the fleet's operating and maintenance costs increase as well. Conversely, if the average age of a fleet decreases because of capital spending, one can expect to see

Exhibit 8-13: **Capital Funding vs. Annual Replacement Need** (in millions)

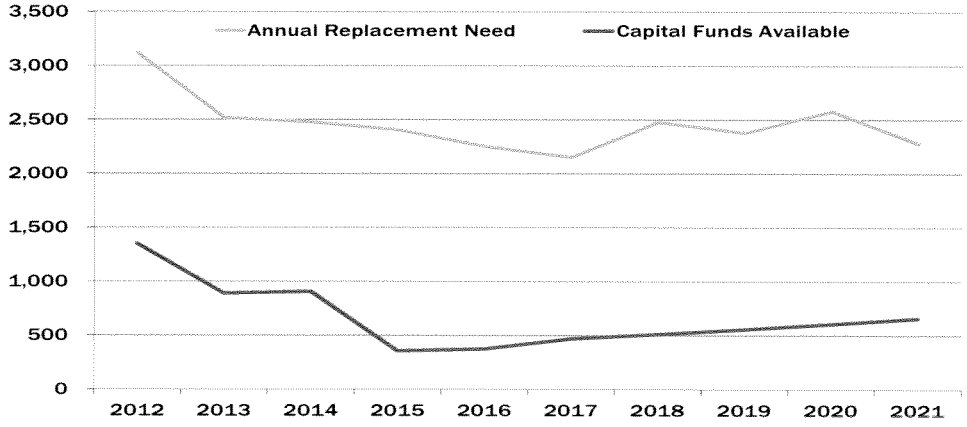


Exhibit 8-14: **CTA 2012 Capital Impact on Operations** (includes only some of the major programs)

Bus Projects	
Bus mid-life overhaul ($22.5 million) Purchase replacement buses ($21.9 million)	• Improve service reliability • Increase customer satisfaction • Enhance safety
Rail Projects	
Railcar mid-life overhaul ($82.4 million) Purchase replacement railcars ($470.1 million) Repair track and structures ($207.0 million)	• Increase fleet reliability • Reduce maintenance and operating costs • Raise travel speeds by reducing slow zone restrictions • Enhance safety • Improve on-time performance • Increase customer satisfaction
System-wide Improvements	
Implement security & communication projects ($47.7 million)	• Enhance safety and customer satisfaction • Improve communications and efficiencies

significant savings in operating and maintenance expense.

If the region fails to meet both vehicular and non-vehicular capital annual replacement needs, operating and maintenance costs will continue to rise, making it difficult to continue to provide service at current levels.

IMPACT OF CAPITAL EXPENDITURES ON THE 2012 OPERATING BUDGET

CTA

The proposed 2012 Capital Program for CTA totals $972.9 million divided among the following: bus projects $51.5 million; rail projects $836.0 million; system wide projects of $85.4 million. Specific capital projects in support of lower operating costs include rail car and bus mid-life overhauls. The capital program provides for the purchase of new rail cars and buses in 2012, which will decrease the average age of the vehicle fleet, significantly reducing maintenance and operating costs. Details on the CTA's Capital Program can be found in the appendices (Exhibit 9-24).

Metra

The proposed 2012 Capital Program for Metra totals $249.4 million divided among the following: rolling stock $43.1 million; track & structure $51.4 million; electrical, signal & communications $81.5 million; support facilities and equipment $18.6 million; stations and passenger facilities $43.0 million; and miscellaneous, contingencies & administration $11.8 million. Projects include locomotive improvements and railcar overhauls, which will extend service lines and reduce operating costs. Details on the Metra's Capital Program can be found in the appendices (Exhibit 9-24).

Pace

The proposed 2012 Capital Program for Pace totals $83.3 million divided among the following: rolling stock $70.4 million; support facilities & equipment $10.8 million; miscellaneous, contingencies & administration $1.3 million. Pace plans to continue the replacement of fixed-route buses in 2012, with a purchase of 137 buses during the year. This will lower the average age of their 688 bus fleet from 7.2 years to 5.8 years, significantly reducing annual operating expenses. Details on Pace's Capital Program can be found in the appendices (Exhibit 9-24).

Exhibit 8-15: **Metra 2012 Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock	
Provide locomotive improvements ($22.5 million) Rehabilitate bi-level commuter cars ($12.1 million)	• Maintain on-time performance • Reduce maintenance cost • Enhance safety • Increase customer satisfaction
Track & Structure	
Rehabilitation of bridges ($31.9 million)	• Preserve uninterrupted service – better on-time performance • Improve vertical clearances • Improve traffic flow and pedestrian safety
Electrical Signal & Communication	
Install positive train control system ($64.5 million)	• Improve travel times resulting in improved on-time performance • Enhance safety
Stations and Passenger Facilities	
Rehabilitate and improve stations ($38.0 million)	• Increase other revenue by providing improved commercial and retail space

Exhibit 8-16: **Pace 2012 Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock	
Purchase of fixed-route buses ($64.2 million)	• Reduced maintenance and operating costs • Improved travel time • Enhanced safety • Lower fuel consumption
Support Facilities and Equipment	
Improvement to garages/facilities ($6.0 million)	• Lower building maintenance costs

The RTA continues to work with the Service Boards to identify the impact of capital expenditures on their operating budgets as it attempts to mitigate the effects of an aging fleet and meet its annual replacement need. Currently, the RTA is developing a Decision Support Tool to set forth the process and establish criteria necessary to focus capital efforts on improvements that are intended to bring the region's infrastructure toward a State of Good Repair. The RTA is also undertaking a study to improve and standardize techniques to estimate the operating cost impact of capital projects. These efforts will ensure the allocation of available financial resources to yield the greatest return to RTA customers and taxpayers.

9 Appendices

Exhibit 9-1: **2012 Business Plan Calendar** (dates listed are in 2011)

2012 Business Plan Calendar

Date	Requirements
23-Jun	RTA Finance Committee and Board meet to discuss and consider the release of the 2012 Business Plan Call, which includes the preparatory funding estimates for the Service Boards' 2012 Annual Budget, Two-Year (2013-2014) Financial Plan, and Five-Year (2012-2016) Capital Program.
30-Jul	The RTA and Service Board Finance Departments reach consensus on the operating and capital funds to be recommended for RTA Board adoption in August which include: the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, the budget recovery ratio for the upcoming year for each Service Board, and the preliminary capital program amounts for the upcoming five years not later than July 30.
18-Aug	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the preliminary capital program amounts for the upcoming five years.
30-Sep	Service Boards release their proposed Budget, Two-Year Financial Plan, and Five-Year Capital Programs to the RTA and the public. Information requirements in the proposed Budget, Two-Year Financial Plan, and Five-Year Capital Program document shall be provided to the RTA on supplemental schedules not later than September 30.
Oct-Nov	The Service Boards hold public hearings on their proposed Budget, Two-Year Financial Plan, and Five-Year Capital Programs, and present these proposals to each of the six counties in the region.
20-Oct **17-Nov**	During the RTA Board Meeting in October and/or in November the Service Boards present their proposed Budget, Two-Year Financial Plan and Five-Year Capital Program to the RTA Board.
15-Nov	Service Board budgets, Two-Year Financial Plans, and Five-Year Capital Program proposals, adopted by their Boards, are submitted to the RTA not later than November 15.
16-30-Nov	RTA staff prepares consolidated Budgets, Two-Year Financial Plans, and Five-Year Capital Programs for public review and comment.
17-Nov	RTA Board Committees and the RTA Board review the proposed RTA 2012 Agency Budget. During the RTA Board Meeting the Chairman of the RTA Board and/or the Chairman of the RTA Board Finance Committee approve the release of the proposed RTA Budget, Two-Year Financial Plan, and Five-Year Capital Program.
Nov-Dec	RTA presents operating and capital program information to each of the six counties in the region.
1-Dec	RTA proposed Budget, Two-Year Financial Plan, and Five-Year Capital Program is made available for public review and comment.
Dec	RTA holds public hearings in December on the proposed RTA Budget, Two-Year Financial Plan, and Five-Year Capital Program.
15-Dec	RTA Finance Committee and Board meet to discuss and consider adoption of ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the budget recovery ratio for the upcoming year for each Service Board, and (3) set the capital program amounts for the upcoming five years.

Public Hearing 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, for the first time, the RTA participated in each of the public hearings held by the CTA, Metra, and Pace. These hearings gave the public a more unified presentation of the region's transit system and a clearer understanding of the respective roles of the Service Boards and the RTA. In 2011, the RTA participated in twenty-three hearings in total in October and November, and seven hearings in December. The RTA participated in twelve Pace hearings in October: three in the City of Chicago (north, south, southwest), four in suburban Cook (north, west, south and southwest), and one each in Lake, Will, DuPage, Kane and McHenry counties. The RTA participated in eight Metra hearings in November: one in the City of Chicago, two in suburban Cook (north, south), and one each in Lake, Will, DuPage, Kane and McHenry counties. The RTA participated in three CTA hearings in November: one on the South Side of the City of Chicago, one on the West Side, and one in the West Loop.

The RTA also held its own budget meetings in December: three in Cook County and one in each of the five other counties. The meetings were publicized in press releases issued to the media, paid ads in newspapers across the region, e-mails and calls to Partners for Transit, the RTA's InTransit newsletter, a special communication to elected officials, as well as through the Service Boards, at reduced fare presentations, and on RTA, all Service Boards and many Partners For Transit websites. The hearing schedules are detailed in Exhibits 9-2.1 and 9-2.2.

At these meetings, the RTA briefed the public on the proposed RTA 2012 Budget, the proposed Program of Capital Projects, the Illinois Jobs Now projects, a review of the 2011 budget and a current assessment of the economic conditions and status as it relates to the RTA. Presenters included Executive Director Joseph G. Costello, RTA senior management, and RTA Finance Department Staff, who were joined by RTA board members. Presentations were also given to all County Boards in the service area.

Public hearing comments were primarily focused on the need to expand and enhance service, changes to ADA paratransit reservation hours, the upcoming labor negotiations and the use of JARQ funds for service expansion. Court reporters were present to take testimony at all public hearings. Transcripts are on file with RTA.

In addition to the hearings, the budget documents and actual presentation were posted on RTA websites and announced through RTA's social media network as well as other methods in order to broaden public access. The RTA Board voted to approve the 2012 transit system budget at its December 15th meeting.

Exhibit 9-2.1: **RTA Community Meetings/Budget Hearings Schedule**

The RTA sought public input regarding the 2012 budget and provided updates on state and federal capital funding while reviewing recommended projects for RTA funding programs. RTA Board members offered opening remarks followed by RTA senior staff who conducted presentations on the Budget. Attendees had the opportunity to make public comment.

SCHEDULE OF PUBLIC HEARINGS

PACE

Cook County (North) - Monday, October 17th
4:00 - 6:00 pm
Pace Headquarters Board Room
550 W. Algonquin Rd., Arlington Heights

Lake County - Monday, October 17th
4:00 - 6:00 pm
Waukegan Public Library, Bradbury Room
128 N. County St., Waukegan

Will County - Tuesday, October 18th
4:30 - 6:00 pm
Joliet Public Library, Meeting Room B
150 N. Ottawa St., Joliet

McHenry County -Tuesday, October 18th
4:30 - 6:00 pm
Crystal Lake Municipal Complex, Council Chambers
100 W. Woodstock St., Crystal Lake

Kane County - Wednesday, October 19th
4:30 - 6:00 pm
Kane County Government Center Auditorium,
Ground Floor
719 S. Batavia Ave., Geneva

Cook County (Southwest) - Wednesday, October 19th
4:30 - 6:00 pm
Oak Lawn Village Hall Auditorium
9446 S. Raymond, Oak Lawn

Cook County (West) - Thursday, October 20th
4:00 - 6:00 pm
Howard Mohr Community Center
7640 Jackson Blvd., Forest Park

City of Chicago (North) – Monday, October 24th
11:00 am - 1:00 pm
Sulzer Regional Library
4455 N. Lincoln, Chicago

City of Chicago (Southwest) - Wednesday, October 26th
3:00 - 5:00 pm
Arturo Valezquez Westside Technical Institute
2800 S. Western Ave., Chicago

DuPage County – Wednesday, October 26th
4:30 - 6:00 pm
DuPage County Government Center Auditorium
421 N. County Farm, Wheaton

Cook County (South) – Thursday, October 27th
4:30 - 6:00 pm
Homewood Village Hall, Board Room
2020 Chestnut Rd., Homewood

City of Chicago (South) - Thursday, October 27th
7:00 - 9:00 pm
Olive Harvey College, Cafeteria
10001 S. Woodlawn, Chicago

METRA

McHenry County - Wednesday, November 2nd
4:00 - 7:00 pm
Woodstock City Hall, City Council Chambers
121 W. Calhoun St., Woodstock

Kane County - Wednesday, November 2nd
4:00 - 7:00 pm
Geneva City Hall, City Council Chambers
22 S. First St., Geneva

Cook County (South) - Wednesday, November 2nd
4:00 - 7:00 pm
Homewood Village Hall, Board Room
2020 Chestnut Rd., Homewood

Cook County (North) - Wednesday, November 2nd
4:00 - 7:00 pm
Arlington Heights Village Hall, Board Room
33 S. Arlington Heights Rd., Arlington Heights

DuPage County - Thursday, November 3rd
4:00 - 7:00 pm
Clarendon Hills Village Hall, Board Room
1 N. Prospect Ave., Clarendon Hills

Lake County - Thursday, November 3rd
4:00 - 7:00 pm
Grayslake Village Hall, Board Room
10 S. Seymour, Grayslake

Will County - Thursday, November 3rd
4:00 - 7:00 pm
Joliet City Hall, Council Chambers
150 W. Jefferson St., Joliet

City of Chicago - Thursday, November 3rd
4:00 - 7:00 pm
Metra Headquarters
547 W. Jackson Blvd., Chicago

CTA

City of Chicago (West Side) - Wednesday, November 2nd
6:00 pm
Westinghouse College Prep
3223 W. Franklin Blvd, Chicago

City of Chicago (West Loop) - Monday, November 7th
6:00 pm
CTA Headquarters
567 W. Lake St., Chicago

City of Chicago (South Side) - Thursday, November 10th
6:00 pm
Kennedy King College
6301 S. Halsted St., Chicago

Exhibit 9-2.2: **RTA 2012 Budget Hearings**

The Regional Transportation Authority (RTA) hosted its final public budget hearings for the 2012 budget in December of 2011. The budgets for the CTA, Metra and Pace were reviewed and a general outlook for the transit system and key agency initiatives were presented. Attendees had the opportunity to participate in a Q&A session where RTA staff received comment and responded to questions.

SCHEDULE OF BUDGET HEARINGS

Cook County (South) - Monday, December 5th
5:30 pm
South Suburban Mayors & Managers
1906 W. 174th St., East Hazel Crest

Cook County (North) - Tuesday, December 6th
5:00 pm
Pace Headquarters, Board Room
550 W. Algonquin Rd., Arlington Heights

Kane County - Tuesday, December 6th
6:00 pm
Centre of Elgin, Pioneer Room
100 Symphony Way, Elgin

Will County - Tuesday, December 6th
4:30 pm
Joliet City Hall, Conference Room 1
150 W. Jefferson St., Joliet

Lake County - Thursday, December 8th
6:00 pm
University Center of Lake County
1200 University Center Dr., Grayslake

Cook County (City of Chicago) - Friday, December 9th
2:00 pm
RTA Headquarters, Board Room
175 W Jackson Blvd., Suite 1650, Chicago

DuPage County - Monday, December 12th
6:00pm
DuPage County Bldg., Auditorium
421 N. County Farm Rd., Wheaton

McHenry County - Monday, December 12th
5:30 pm
Woodstock Administration Bldg., Conference Room A
667 Ware Rd., Woodstock

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 changes to transit vehicles, operations and facilities to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit.

ADA Paratransit Service—Non-fixed-route paratransit service utilizing vans and small buses to provide prearranged trips to and from specific locations within the service area to certified participants in the program.

Administration Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. (Of the four types of fiduciary funds [Agency funds, pension (and other employee benefit funds), investment trust funds, and private-purpose funds], the RTA uses only the first two.)

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.

ASA/AFA—State-authorized assistance. Additional State Assistance (ASA) and Additional Financial Assistance (AFA) are issued for SCIP bonds (see SCIP bonds).

Balanced Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

Bond Refinancing/Refunding—is the payoff and reissuance of bonds, to obtain better interest rates and/or bond conditions which results in 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 estimated to be available for the next three years. 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 transit ways, 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.

Capital—Funds that finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car Mile or Vehicle Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

Circuit Breaker Program—The Illinois Department on Aging's Circuit Breaker program provides assistance to low income senior citizens and persons with disabilities. Illinois residents with a qualifying disability who meet the income eligibility requirements of the Circuit Breaker program are eligible for free rides on regularly scheduled fixed-route public transit service.

CMAP (The Chicago Metropolitan Agency for Planning)—Formed in 2005, CMAP integrates planning for land use and transportation in Northeastern Illinois. The new organization combined the region's two previously separate transportation and land-use planning organizations -- Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) -- into a single agency.

CMAQ (Congestion Mitigation/Air Quality) Grant—A federal grant program designed to support transportation projects that reduce traffic congestion, and/or improve air quality.

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.

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.

Deadhead—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.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

Defeasance of Bonds—a technique used to discharge older high-rate debt prior to maturity with new securities bearing lower interest rates.

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% 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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes that serve Metra stations.

Financial Plan—In addition to an annual budget, the RTA 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 Expenditures)—Pay or expenditures 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 that helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and 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 prove 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-time work schedule for one year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund. 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.

Funding Formula—A specific formula used to determine a subsidy level.

General Long Term Debt Account Group (GLTDAG)—This account group 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 Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

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 group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools, and transit.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board. For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

Innovation, Coordination and Enhancement (ICE) Fund—A fund created to award grants to the Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements.

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 System (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.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

ISTEA (Intermodel 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.

JARC (Job Access Reverse Commute)/New Freedom— JARC is a federally funded program that provides operating and capital assistance for transportation services planned, designed, and carried out to meet the transportation needs of eligible low-income individuals and of reverse commuters regardless of income. The New Freedom program provides new public transportation services and public transportation alternatives beyond those required by the Americans with Disabilities Act (ADA).

Joint Self Insurance Fund (JSIF)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The Service Boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

Linked Trip—A single, one-way trip without regard for the number of vehicles boarded to make the trip (e.g., 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 Expenditure—Expenditures for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

Metra—The Commuter Rail Division of the RTA responsible for all rail public transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

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 revenue 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.

Moving Beyond Congestion—In 2008 jointly with the Chicago Transit Authority, Metra and Pace, the Regional Transportation Authority lead a strategic planning effort to maintain, enhance and expand the Northeastern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

Net Results—The difference between total revenue (including public funding) and total expenses. Sometimes referred to as the "change in fund balance."

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.

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 revenue and expenditures for a given period of time to maintain daily operations.

Operating 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).

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. On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the RTA region. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including 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.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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 expenditure accounts with related expenditures (e.g., operations, maintenance, administration, and capital program).

Public Transportation Fund(s) (PTF) —Each month the state transfers from its General Revenue Fund an amount equal to 30% of the RTA Sales Tax collected in the previous month.

Public Funding—Funding received from the RTA. Generally refers to funding for Service Board operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the ADA paratransit service program.

Recovery Ratio—System-generated revenues divided by system operating expenditures with exclusions as allowed by the RTA Act. 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 attain an annual recovery ratio of at least 50% for mainline service. For ADA paratransit service, the Act requires a 10% recovery ratio.

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 (PART I)—1% in Cook County, 0.25% in the collar counties of DuPage, Kane, Lake, McHenry and Will. 85% of the sales tax is fully distributed to the Service Boards by the RTA according to formulas established by the RTA Act. 15% of the sales tax is retained by the RTA, a portion of which is distributed to the Service Boards at the RTA's discretion.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provides $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009 of which $52.6 billion is for federal transit programs over six years.

SCIP (Strategic Capital Improvement Program) 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). 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.

State Financial Assistance (SFA)—Subject to appropriation by the State, this assistance reimburses the debt service expenses of the RTA's Strategic Capital Improvement Program (SCIP) bonds.

Statutory Funds Designated for Capital or Transfer Capital—The difference between a Service Board's statutory funding 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 the only Service Board that has generated statutory funds for capital in more than a decade.

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 revenue, local subsidies, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program (TAP)—Certified participants in the ADA paratransit service program can purchase taxi vouchers valued at up to $13.50 at a reduced price of $5.00 to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998, this legislation 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.

Transit Priority Initiatives— In 2011, the RTA launched a series of five key priority initiatives intended to advance a collective vision for the region's transit system.

TOD (Transit-Oriented Development or Transit-Oriented Design) — Mixed use development of residential, office and retail uses within walking distance of a transit station or bus route.

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.

Supplemental Data

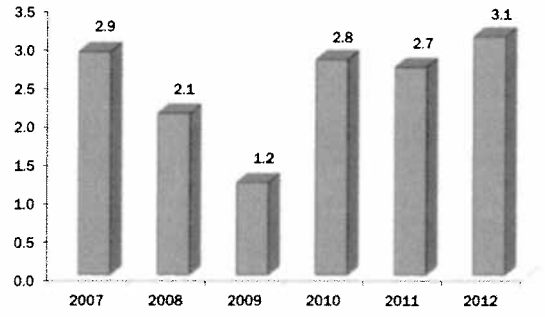
National Economic Projections

The Gross Domestic Product (GDP) is the value of the output of goods and services produced by labor and property located in the United States. Exhibit 9-3 highlights the annual real GDP growth from 2007 through 2012. GDP grew 2.9% in 2007, only to fall in 2008 and again in 2009. GDP growth increased from 1.2% in 2009 to 2.8% in 2010. GDP growth slowed slightly in 2011 to 2.7%, but overall remained stable. The Congressional Budget Office (CBO) expects GDP growth to increase in 2012 to 3.1 percent.

Exhibit 9-4 shows the U.S. annual unemployment rate from 2007 through 2012. The annual average unemployment rate was 4.6% in 2007, and then increased to 5.8% in 2008. The national unemployment rate climbed to 9.3% in 2009 and reached a high of 9.6% in 2010. The unemployment rate fell in 2011 to 8.9%. It is expected to remain around 9.0% in 2012 according to the CBO.

Exhibit 9-5 shows the annual growth of the U.S. Consumer Price Index (CPI) from 2007 to 2012. The CPI annual growth increased from 2.8% in 2007 to 3.8% in 2008. CPI decreased in 2009 to negative 0.4%. Positive growth returned in 2010 and the CPI grew by 3.2% in 2011. CPI is expected to continue to grow by 2.7% in 2012.

Exhibit 9-3: **U.S. Real Gross Domestic Product** (percent change)



Source: US Department of Commerce, Congressional Budget Office

RTA Region

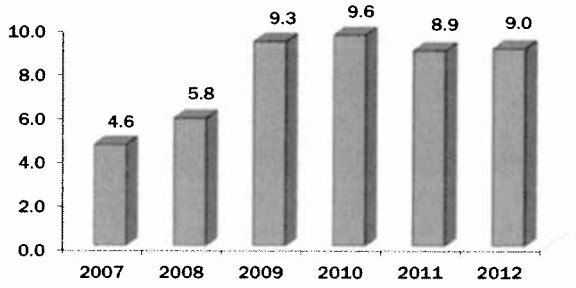
The following sections summarize population and employment trends in the six-county RTA region. These trends have a significant impact on public transportation ridership, as well as sales tax revenue.

POPULATION

As shown in Exhibit 9-6, the population of the RTA region grew by 2.8% (from 8.1 million to 8.3 million) between 2000 and 2010. Population growth in the RTA region grew at a slower pace than the overall population of the United States, which increased by 9.7% during this period.

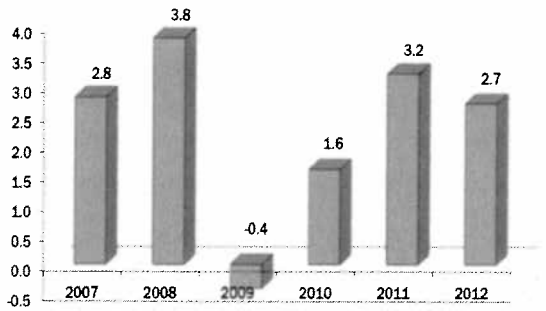
Since 2000, most of the region's population growth has occurred in the collar counties. Exhibit 9-7 illustrates the annualized population growth rates for each of the region's six counties between 2000 and 2010. The highest growth rate occurred in Will County, where the population has increased at an annual

Exhibit 9-4: **U.S. Unemployment Rate** (in percent)



Source: US Department of Labor, Congressional Budget Office

Exhibit 9-5: **U.S. Consumer Price Index Percent Change**



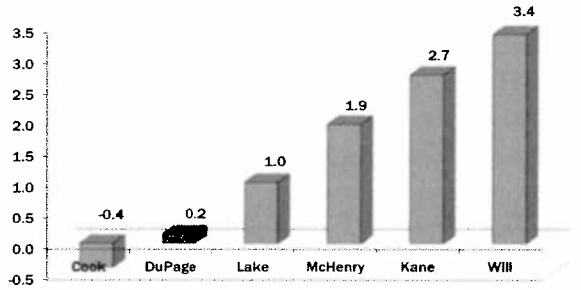
Source: US Department of Labor, Congressional Budget Office

Exhibit 9-6: **Population Trend by County** (in thousands)

	2000	2010	% Change
Cook	5,377	5,195	-3%
DuPage	904	917	1%
Kane	404	515	27%
Lake	644	704	9%
McHenry	260	309	19%
Will	502	678	35%
Total	8,092	8,318	3%

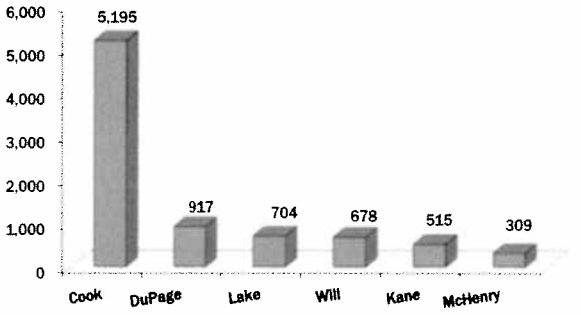
Source: United States Census Bureau

Exhibit 9-7: **RTA Region Annualized County Population Growth Rates 2000-2010** (in percent)



Source: United States Census Bureau

Exhibit 9-8: **RTA Region Population Distribution by County - 2010** (in thousands)



Source: United States Census Bureau

rate of 3.4%. The population of Kane and McHenry counties grew at annual rates of 2.7% and 1.9%, respectively, while the population of Lake and DuPage counties increased at annual rates of 1.0% and 0.2%, respectively. Cook County experienced a population decline at an annual rate of 0.4%. During the 10-year period, the population of the entire RTA region grew at an annual rate of 0.3%.

In 2010, Cook County accounted for 62% of the 8.3 million people living in the RTA region. DuPage County's population comprised 11% of the region, followed by Lake County and Will County (8% each), Kane County (6%), and McHenry County (4%). The population distribution for 2010 is illustrated in Exhibit 9-8.

EMPLOYMENT

Exhibit 9-9 provides a comparison of 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 from 2008 to 2012. Between 2008 and 2012 the unemployment rate in Illinois increased from 6.5% to 9.4%. In 2010, the unemployment rate reached 10.3% in Illinois, 0.7 percentage points higher than the national unemployment rate of 9.6%. Illinois is beginning to show some signs of a modest recovery. In January 2012 the unemployment rate of 9.4% was 0.4 points lower than in 2011. However, Illinois' unemployment rate in January 2012 was still 1.1 percentage points higher than the national average.

In January 2012, the Illinois state-wide unemployment rate was lower than all of the counties in the RTA region except DuPage County. Among the six counties in the RTA region, DuPage County's unemployment rate of 7.6% was the lowest in the region, while Lake County's rate of 10.7% was the highest in the region. Suburban jurisdictions have led the region in labor force growth since 1990. In 2000, employment in the five collar counties accounted for 35.8% of the RTA region's total. Cook County, which accounted for 64.2% of the region's employment in 2000, accounted for 60.4% of employment in 2010. Regional employment

Exhibit 9-9: **Unemployment Rates 2008-2012** (in percent)

	2008	2009	2010	2011	2012
United States	**5.8**	**9.3**	**9.6**	**8.9**	**8.3**
Illinois	**6.5**	**10.1**	**10.3**	**9.8**	**9.4**
County					
Cook	6.5	10.3	10.5	10.4	9.8
DuPage	5.0	8.4	8.3	8.0	7.6
Kane	6.3	10.3	10.3	9.9	10.3
Lake	6.7	9.8	10.5	9.4	10.7
McHenry	5.8	9.7	9.6	9.4	9.5
Will	6.1	10.1	10.4	10.1	10.2

Exhibit 9-10: **Labor Force by County** (in thousands)

	2000	% of Total	2010	% of Total
Area				
Cook	2,728	64.2	2,604	60.4
DuPage	530	12.5	525	12.2
Kane	222	5.2	271	6.3
Lake	338	8.0	366	8.5
McHenry	151	3.6	181	4.2
Will	279	6.6	368	8.5
Total	4,248	100.0	4,314	100.0

Source: Illinois Department of Employment Security

Exhibit 9-11: **Employment Distribution by Industry** (in percent)

	2000	2010
Mining	0.4	0.5
Construction	4.6	3.9
Manufacturing	11.8	8.1
Utilities	0.4	0.4
Wholesale Trade	4.1	3.8
Retail Trade	10.4	10.1
Transportation & Warehousing	3.0	2.9
Information	2.5	1.9
Financial Activities	5.3	5.3
Professional & Business Services	11.4	11.7
Educational Services	1.6	2.2
Health Care & Social Assistance	8.7	11.5
Leisure & Hospitality	8.1	9.1
Other Services	4.0	4.2
Federal Government	2.0	2.1
State & Local Government	12.3	13.6
Agriculture, Forestry, Fishing, Hunting	1.6	1.5
Self-employed/Unpaid Family Worker	7.8	7.4

Source: US Department of Labor, Bureau of Labor Statistics

has increased 1.6% from 4.2 million in 2000 to 4.3 million in 2010 (Exhibit 9-10).

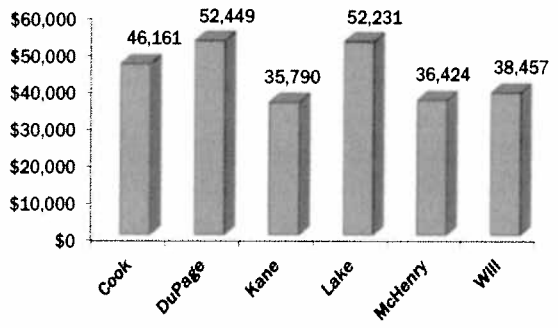
The trends in employment by economic sector in the RTA region are illustrated in Exhibit 9-11. The Manufacturing sector experienced the greatest loss during the 2000 to 2010 period while the Health Care and Social Assistance sector experienced the greatest increase in employment. In 2010, State and Local Government (13.6%), Professional and Business Services (11.7%), Health Care and Social Assistance (11.5%), Retail Trade (10.1%), Leisure and Hospitality (9.1%) and Manufacturing (8.1%) made up the largest share of employment in all industries.

The RTA region has experienced steady growth in per capita personal income. Within the region, per capita personal income was higher than the US average in Cook, DuPage, and Lake Counties. Lake and DuPage had the highest levels of per capita personal income in the six county region in 2009, while Kane and McHenry had the lowest, as illustrated in Exhibit 9-12.

SALES TAX TRENDS

In April 2008, the RTA sales tax increased from the equivalent of 1.0% on retail sales in Cook County and 0.25% on retail sales in the collar counties to the equivalent of 1.25% on retail sales in Cook County and 0.5 % percent on retail sales in the collar counties. Also in 2008, an additional real estate transfer tax of three tenths of one percent was imposed in the City of Chicago to fund the CTA. Sales tax collections grew from $650 million in 2000 to $931 million in 2010. Between 2000 and 2003, sales tax collections fluctuated between $650 and $655 million. From 2004 to 2006, sales tax collections increased from $676 million to $747 million. In 2008, sales tax collections increased 22.4% from $753 million to $921 million, due to the April 2008 sales tax increase. In 2009, largely due to the economic recession, the sales tax collections decreased 3%. However, sales tax increased 4% in 2010 to $931 million, exceeding sales tax collections from 2008 (Exhibits 9-13 and 9-14).

Exhibit 9-12: **2009 Region per Capita Personal Income** (in dollars)



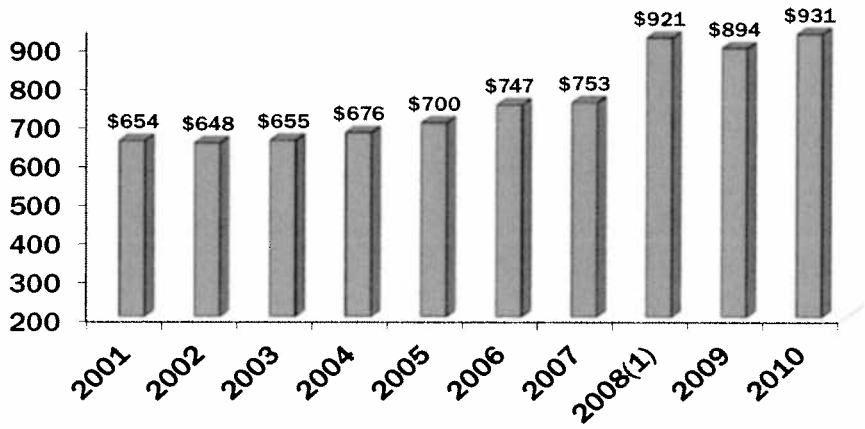
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Exhibit 9-13: **Sales Tax Collections by County** (dollars in millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008(1)	2009	2010
Chicago	199	197	195	198	205	214	231	237	272	268	278
Suburban Cook	354	358	354	356	364	373	396	395	447	419	438
Total Cook	$ 553	$ 555	$ 549	$ 555	$ 569	$ 587	$ 627	$ 632	$ 720	$ 686	$ 716
DuPage	43	42	41	41	43	44	47	47	77	79	82
Kane	12	12	12	13	14	15	16	16	26	27	28
Lake	24	25	25	25	26	27	29	29	48	50	51
McHenry	7	7	7	8	8	9	9	9	16	17	17
Will	12	12	13	14	15	17	19	20	34	35	37
Total Collar	$ 97	$ 99	$ 98	$ 100	$ 106	$ 113	$ 120	$ 121	$ 202	$ 208	$ 215
Total RTA Region	$ 650	$ 654	$ 648	$ 655	$ 676	$ 700	$ 747	$ 753	$ 921	$ 894	$ 931
Percent Change	6.0%	0.5%	(0.9%)	1.1%	3.2%	3.7%	6.6%	0.8%	22.4%	(3.0%)	4.1%

(1) In April 2008 lelgislation was enacted that modified and increased the percentage of sales tax collected in the region.

Exhibit 9-14: **Sales Tax Collections 2001-2010** (dollars in millions)



RIDERSHIP TRENDS

Total RTA ridership in 2001 was 601 million despite a decline in Pace ridership during this period. Reflecting the overall downturn in the economy, total RTA ridership declined in both 2002 and 2003. Metra and Pace lost riders in 2002 and all three Service Boards lost riders in 2003 versus 2002. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, all three Service Boards achieved significant ridership gains as the economy rebounded and gas prices climbed. Regional ridership continued to grow in 2006 and 2007. In 2008 ridership grew 4.9% representing the largest percentage of growth in the past ten years. In 2009, ridership decreased 2.3%, the most in the past ten years, as each Service Board experienced a decline in ridership. The system continued to lose ridership in 2010, but at a much slower rate than in 2009. Ridership bounced back in 2011 to 647 million riders, just 1.0% below 2008 ridership levels (Exhibits 9-15 and 9-16).

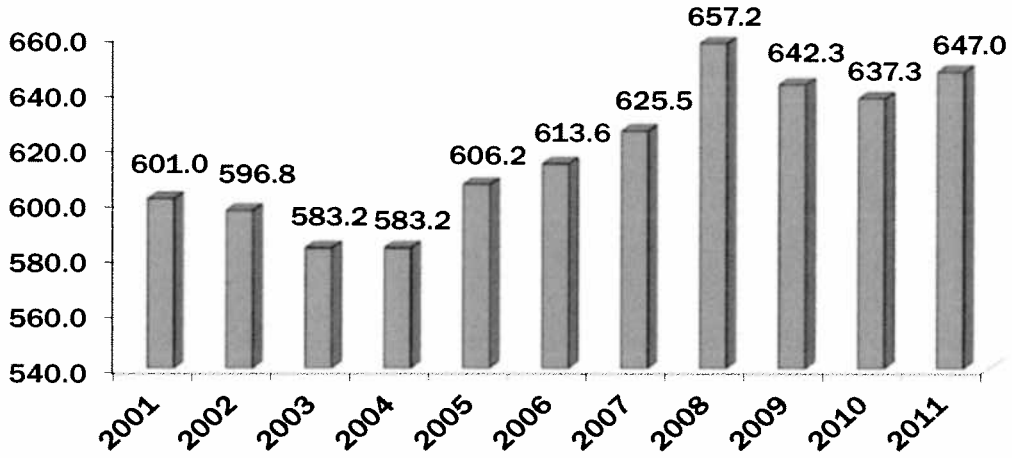
As demonstrated in Exhibit 9-17, regional ridership trends closely with regional jobs. A correlation analysis of the 12-month moving average number of jobs, versus the 12-month moving average of ridership confirmed that there is a strong positive correlation between ridership growth and job growth during periods of increasing job growth. During times of job decline the results are more mixed, with a strong positive correlation occurring between July 2001 and August

Exhibit 9-15: **Service Board Ridership 2001-2011** (millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CTA Bus	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2	318.7	**306.0**	**306.3**
CTA Rail1	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1	202.6	**210.8**	**218.7**
Total CTA	**484.8**	**485.2**	**474.7**	**474.7**	**492.3**	**494.8**	**499.5**	**526.3**	**521.3**	**516.8**	**529.2**
Metra	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7	83.1	**82.1**	**81.7**
Pace	37.0	34.8	33.7	34.1	36.9	38.0	39.0	40.5	35.1	**35.1**	**32.6**
Regional ADA Paratransit(2)							2.5	2.7	2.8	**3.3**	**3.5**
Total RTA	601.0	596.8	583.2	583.2	606.2	613.6	625.5	657.2	642.3	637.3	647.0
% Increase	**0.7%**	**(0.7%)**	**(2.3%)**	**0.0%**	**3.9%**	**1.2%**	**1.9%**	**5.1%**	**(2.3%)**	**(0.8%)**	**1.5%**

(1) CTA rail ridership includes cross-platform transfers.
(2) Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

Exhibit 9-16: **RTA Ridership** (in millions)



2004, but no correlation was observed in the period between July 2008 and December 2010, where steep job declines occurred as a result of the financial crisis. Regional fuel prices have an impact on ridership as well. Potential riders are attracted to public transportation as increases in the cost of fuel make driving less economical. The average price for a gallon of gas in the region in 2011 was $3.94 per gallon, $0.80 higher than in 2010 (Exhibit 9-18).

OTHER TRENDS

Service Board Expenditures (Exhibits 9-19 and 9-20) show a steady increase each year from 2001 to 2011. Expenditures increased at a compound annual growth rate of 4.6% during this period. Service Board farebox revenues increased at a compound annual growth rate of 2.9% between 2001 and 2011 (Exhibits 9-21 and 9-22).

SYSTEM CHARACTERISTICS

Exhibit 9-23 provides some basic system characteristics, including asset value, regional system statistics, and vehicle and route statistics.

Exhibit 9-17: **12-month Moving Average - Regional Jobs versus Regional Ridership** (percent change from 2000)

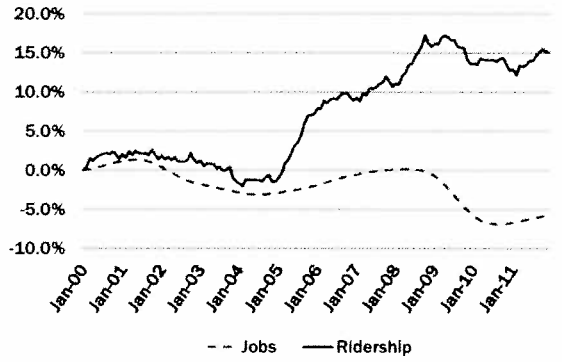


Exhibit 9-18: **Regional Fuel Prices** (in dollars)

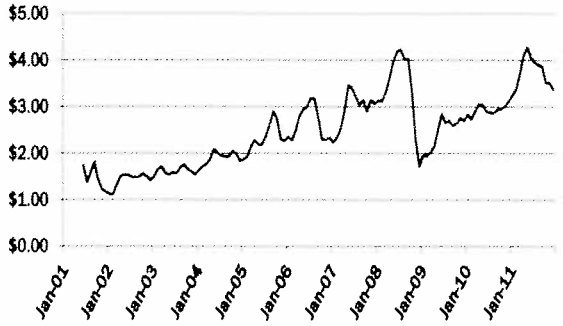


Exhibit 9-19: **Service Board Operating Expenditures** (dollars in millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CTA	884	920	897	938	1,021	1,076	1,094	1,214	1,262	1,239	1,306
Metra	431	445	455	466	504	525	548	595	577	616	650
Pace	127	131	139	147	160	199	163	172	174	176	186
Regional ADA Paratransit (1)							84	108	115	115	126
Total	$ 1,442	$ 1,496	$ 1,491	$ 1,552	$ 1,685	$ 1,801	$ 1,890	$ 2,090	$ 2,129	$ 2,146	$ 2,268
% Change	3.8%	3.7%	(0.3%)	4.1%	8.6%	6.9%	4.9%	10.6%	1.9%	0.8%	5.7%

(1) Prior to 2007, ADA Paratransit expenditures are included in CTA Bus and Pace figures.

Exhibit 9-20: **Service Board Operating Expenditures** (dollars in millions)

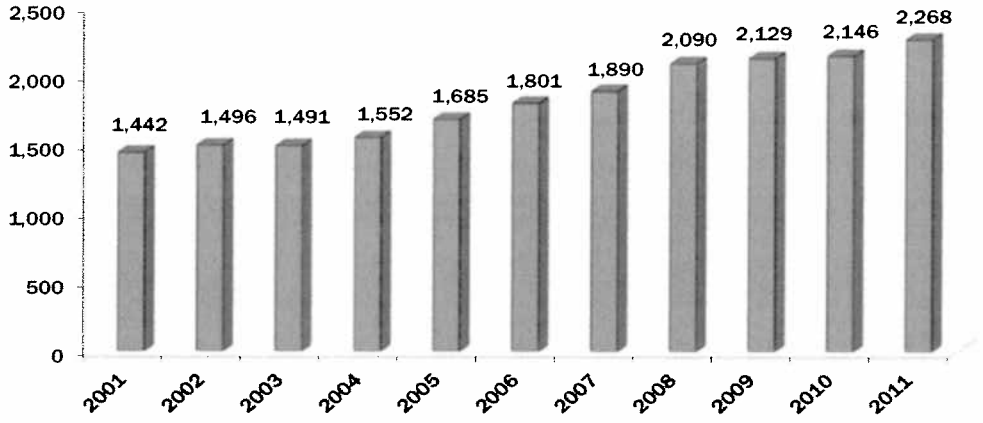


Exhibit 9-21: **Service Board Farebox Revenue** (dollars in millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CTA	374	384	368	403	417	462	457	471	506	509	524
Metra	192	190	191	192	198	218	227	252	236	239	239
Pace	41	41	39	32	32	31	28	28	33	32	33
Regional ADA Paratransit (1)							6	7	7	8	9
Total	**$ 607**	**$ 615**	**$ 598**	**$ 627**	**$ 648**	**$ 711**	**$ 719**	**$ 759**	**$ 782**	**$ 788**	**$ 805**
% Change	**1.4%**	**1.4%**	**(2.7%)**	**4.8%**	**3.3%**	**9.8%**	**1.1%**	**5.5%**	**3.1%**	**0.7%**	**2.2%**

(1) Prior to 2007, ADA Paratransit farebox revenue is included in CTA Bus and Pace figures.

Exhibit 9-22: **Service Board Farebox Revenue** (dollars in millions)

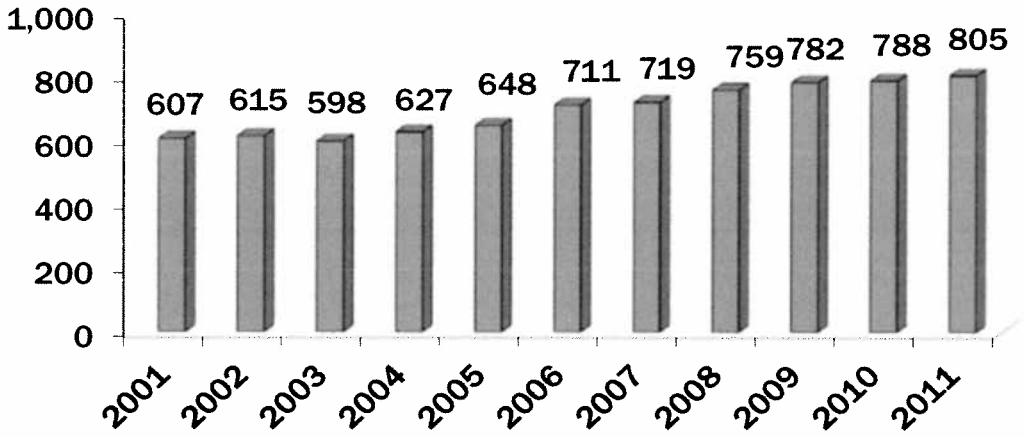


Exhibit 9-23: **System Characteristics**

Asset Value (2010)			Regional Statistics			Vehicles & Routes	
CTA	121.8	billion	Regional Population	8.3	million	Buses	2,478
Metra	19.1	billion	Service Area	3,749	sq. miles	Cars & Locomotives	2,177
Pace	1.2	billion	Vehicle Revenue Miles	228.8	million	Vanpools Operated	758
Total Asset Value	142.1	billion	Stations Served	383		Rail Routes	20
						Bus Routes	333

All data excludes NICTD South Shore.

Ordinance 2011-79: Schedules

Exhibit 9-24: **Schedules for Ordinance 2011-79**

Schedule I-A

RTA Statement of Revenues and Expenditures
General and Agency Funds
(dollars in thousands)

	2012 Budget	2013 Plan	2014 Plan
System-Generated Revenue			
RTA Sales Tax (Part I)	737,060	757,698	778,913
RTA Sales Tax (Part II)	261,158	268,471	275,988
RTA Public Transportation Fund (PTF - Part I)	184,265	189,424	194,728
RTA PTF (Part II) (1)	123,609	127,002	130,490
State Financial Assistance (ASA/AFA)	130,071	130,167	130,283
State Reduced Fare Reimbursement	33,570	33,570	33,570
RTA Capital Project Reserves	15,690	-	-
Other RTA Revenue	18,220	18,220	18,220
Total Revenue	**1,503,643**	**1,524,553**	**1,562,192**
Operating Expenditures			
RTA Total Funds for CTA Operations	588,581	603,785	619,353
RTA Total Funds for Metra Operations	337,478	345,936	354,583
RTA Total Funds for Pace Suburban Service Operations (2,3)	139,250	142,608	146,044
RTA Total Funds for Pace ADA Paratransit Operations (4)	115,000	120,750	126,788
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	10,159	10,444	10,736
State Reduced Fare Reimbursement	33,570	33,570	33,570
Agency Administration and Other	17,114	17,457	17,806
RTA Regional Services and Programs	18,089	18,451	18,820
Total Operating Expenditures	**1,259,242**	**1,293,001**	**1,327,700**
Debt Service & Capital Expenditures			
Principal and Interest	224,000	224,000	224,000
Transfer Capital RTA Capital Reserve Funds to Metra	4,700	-	-
RTA Agency Regional Capital Program	10,990	-	-
Total Debt Service and Capital Expenditures	**239,690**	**224,000**	**224,000**
Total Expenditures	**1,498,932**	**1,517,001**	**1,551,700**
Fund Balance (unreserved/undesignated)			
Beginning Balance	26,376	26,087	28,639
Change in Fund Balance	4,711	7,552	10,492
RTA Joint Self-Insurance Fund (JSIF) Funding (5)	(5,000)	(5,000)	(5,000)
Ending Unreserved/Undesignated Fund Balance	**26,087**	**28,639**	**34,131**
% of Total Operating Expenditures	2.1%	2.2%	2.6%
Total System-Generated Revenue Recovery Ratio	51.0%	50.0%	50.0%
ADA Paratransit Recovery Ratio	10.0%	10.0%	10.0%

(1) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT). (2) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds. (3) Excludes projects funded by ICE funds awarded in 2008. (4) Excludes budget balancing actions in 2013 and 2014. (5) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

Schedule I-B

Total Funds for Service Board Operations
General and Agency Funds
(dollars in thousands)

	2012 Budget	2013 Plan	2014 Plan
CTA			
Total System-Generated Revenue	623,682	631,142	638,714
Total Operating Expenses	1,240,291	1,263,515	1,287,227
Total Deficit	**616,609**	**632,373**	**648,513**
RTA Sales Tax (Part I)	301,379	309,817	318,492
RTA Sales Tax and PTF (Part II)	111,495	113,398	115,292
RTA Discretionary Funds	168,700	173,424	178,279
RTA PTF on RETT (Part II)	7,007	7,147	7,290
Total RTA Funding for Operations	**588,581**	**603,785**	**619,353**
Other Funding			
CTA Funds - City of Chicago RETT (Part II)	28,027	28,588	29,160
Total Other Funding	**28,027**	**28,588**	**29,160**
Total Funding for Operations	**616,609**	**632,373**	**648,513**
Net Results	**0**	**0**	**0**
Metra			
Total System-Generated Revenue	353,600	376,000	390,700
Total Operating Expenses	686,800	718,100	741,400
Total Deficit	**333,200**	**342,100**	**350,700**
RTA Sales Tax (Part I)	246,888	253,801	260,908
RTA Sales Tax and PTF (Part II)	90,590	92,135	93,675
Total RTA Funding for Operations	**337,478**	**345,936**	**354,583**
Other Funding			
Homeland Security Operating Grant	1,200	1,200	1,200
Total Other Funding	**1,200**	**1,200**	**1,200**
Total Funding for Operations	**338,678**	**347,136**	**355,783**
Net Results	**5,478**	**5,036**	**5,083**
Less Metra Capital Farebox Funds	(5,000)	(5,000)	(5,000)
Balance of Funds (1)	**478**	**36**	**83**
Pace Suburban Service			
Total System-Generated Revenue	54,469	55,280	56,145
Total Operating Expenses	195,017	201,304	208,628
Total Deficit	**140,548**	**146,024**	**152,483**
RTA Sales Tax (Part I)	78,234	80,425	82,677
RTA Sales Tax and PTF (Part II)	30,197	30,712	31,225
RTA Discretionary Funds	3,000	3,084	3,170
Suburban Community Mobility Funds	20,319	20,888	21,472
South Suburban Community Job Access Funds	7,500	7,500	7,500
Total RTA Funding for Operations	**139,250**	**142,608**	**146,044**
Other Funding			
Federal CMAQ/JARC/New Freedom Funds	1,298	1,237	1,287
Federal Funds (2)	-	2,178	3,398
Total Other Funding	**1,298**	**3,415**	**4,685**
Total Funding for Operations	**140,548**	**146,024**	**150,729**
Net Results (3)	**0**	**0**	**(1,754)**
Pace ADA Paratransit Service			
Total System-Generated Revenue	11,576	11,827	12,346
Total Operating Expenses	126,576	135,127	145,931
Total Deficit	**115,000**	**123,300**	**133,585**
RTA Sales Tax and PTF (Part II)	115,000	120,750	126,788
Total RTA Funding for Operations	**115,000**	**120,750**	**126,788**
Other Funding			
Budget/Plan Balancing Actions (4)	-	2,550	6,797
Total Other Funding	**-**	**2,550**	**6,797**
Total Funding for Operations	**115,000**	**123,300**	**133,585**
Net Results	**0**	**0**	**0**

(1) Funds that exceed the operating deficit of a Service Board (except for ADA Paratransit service) are retained by the Service Board and reserved for the capital program unless approved for operating use by the RTA Board. (2) Capital Cost of Contracting for rolling stock. (3) The negative result in 2014 will be handled with budget balancing actions that may include service adjustments, a fare increase, cost efficiencies, or additional revenue. (4) Unspecified revenue (fares, State or RTA funding sources) included in 2013 and 2014 to balance the budget.

Schedule I-C

Recovery Ratio %

	2012 Budget
CTA	
Recovery Ratio %	52.0%
Metra	
Recovery Ratio %	53.0%
Pace Suburban Service	
Recovery Ratio %	30.0%
Total System-Generated Revenue Recovery Ratio %	51.0%
Pace ADA Paratransit	
Recovery Ratio %	10.0%

The RTA Act allows certain expenditures to be excluded from the recovery ratio calculation including security, depreciation, CTA's pension obligation bonds, and facility leases. Metra's calculation includes capital farebox revenue. The total system-generated revenue recovery ratio includes a statutory expense credit of $40 million.

Schedule I-D

RTA Statutory Sales Tax, Public Transportation Funds, and RETT
Source and Distribution of Funds
(dollars in thousands)

Source of Funds	**2012**	**2013**	**2014**
Part I Sales Tax ("85% Sales Tax")	**Budget**	**Plan**	**Plan**
City of Chicago (COC)	241,019	247,767	254,705
Suburban Cook County	378,480	389,078	399,972
Collar Counties	117,561	120,853	124,237
Total Part I - Sales Tax (1)	**737,060**	**757,698**	**778,913**
Part I Public Transportation Funds (PTF) (25% of Sales Tax)	184,265	189,424	194,728
Total Part I - Sales Tax and PTF	**921,325**	**947,122**	**973,642**
Part II - Sales Tax, PTF and RETT			
City of Chicago (COC)	57,724	59,340	61,002
Suburban Cook	90,646	93,184	95,793
Collar Counties	112,788	115,946	119,193
Total Part II - Sales Tax	**261,158**	**268,471**	**275,988**
Part II - COC Real Estate Transfer Tax (RETT) (2)	28,027	28,588	29,160
Total Part II - Sales Tax and RETT	**289,185**	**297,058**	**305,147**
Part II - Public Transportation Funds			
25% of new sales tax	65,290	67,118	68,997
5% total new/old sales tax & RETT	51,312	52,738	54,203
25% of RETT to CTA	7,007	7,147	7,290
Total Part II PTF	**123,609**	**127,002**	**130,490**
Total Part II - Sales Tax, PTF and RETT	**412,794**	**424,061**	**435,637**
Total Source of Funds	**1,334,119**	**1,371,183**	**1,409,279**
Distribution of Funds			
Part I Sales Tax Allocation ("85% Sales Tax")			
RTA - 15% of Part I Sales Tax	110,559	113,655	116,837
CTA	301,378	309,817	318,492
Metra	246,888	253,801	260,908
Pace	78,234	80,425	82,677
Total Part I Sales Tax (1)	**737,060**	**757,698**	**778,913**
RTA - 100% of Part I PTF	184,265	189,424	194,728
Grand Total Part I Sales Tax & PTF	**921,325**	**947,122**	**973,642**
Part II Allocation (Sales Tax, PTF and RETT)			
RTA Total for ADA Paratransit Service	115,000	120,750	126,788
RTA Innovation, Coordination & Enhancement (ICE)	10,159	10,444	10,736
RTA Suburban Community Mobility Funding to Pace	20,319	20,888	21,472
COC RETT to CTA (2)	28,027	28,588	29,160
PTF - 25% of RETT to CTA	7,007	7,147	7,290
Total Part II Allocation before Service Board Distribution	**180,512**	**187,816**	**195,446**
Remaining Balance to Service Boards			
CTA - 48%	111,495	113,398	115,292
Metra - 39%	90,590	92,135	93,675
Pace - 13%	30,197	30,712	31,225
Total Part II Funds to Service Boards	**232,282**	**236,245**	**240,192**
Total Part II Funds Allocated (Sales Tax, PTF and RETT)	**412,794**	**424,061**	**435,637**
Total Distribution of Funds	**1,334,119**	**1,371,183**	**1,409,279**

Part I Sales Tax - Service Board Allocation Formula (1)	**City of Chicago**	**Suburban Cook**	**Collar Counties**
CTA	100%	30%	-
Metra	-	55%	70%
Pace	-	15%	30%
Total	**100%**	**100%**	**100%**

(1) The RTA Act directs 85% of these sales tax revenues to the Service Boards based on the allocation formula shown on this schedule. (2) The City of Chicago disburses RETT funds directly to the CTA; therefore these funds are excluded from RTA Revenues on Schedule I-A.

Cash Flow Estimates for FY 2012 Distribution of RTA Funds to the Service Boards (1)

(dollars in thousands)

	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	March 2013	April 2013	May 2013	June 2013	2012 Operations
Cash Receipts																			
RTA Sales Tax (Part I)	-	-	-	$54,283	$53,231	$60,149	$61,060	$62,867	$65,223	$61,997	$62,938	$62,079	$60,085	$61,009	$72,139	-	-	-	$737,060
RTA Public Transportation Fund (PTF - Part I)	-	-	-	-	-	-	13,571	13,308	15,037	15,265	15,717	16,306	15,499	15,735	15,520	15,021	15,252	18,035	184,265
RTA Sales Tax (Part II)	-	-	-	19,234	18,861	21,312	21,635	22,275	23,110	21,967	22,301	21,996	21,290	21,617	25,561	-	-	-	261,158
RTA PTF (Part II)	-	-	-	-	-	-	9,104	8,927	10,087	10,240	10,543	10,938	10,397	10,555	10,411	10,077	10,232	12,098	123,609
State Financial Assistance (ASA/AFA)	-	-	-	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839	-	-	-	130,071
State Reduced Fare Reimbursement	-	-	-	-	-	8,393	-	-	8,393	-	-	-	8,393	-	8,393	-	-	-	33,570
RTA Capital Project Reserves	-	-	-	-	-	-	7,845	-	-	-	-	-	7,845	-	-	-	-	-	15,690
RTA Other Revenue	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	1,518	-	-	-	-	-	-	18,220
Total Cash Receipts	**$1,518**	**$1,518**	**$1,518**	**$85,874**	**$84,449**	**$102,211**	**$125,572**	**$119,734**	**$134,208**	**$121,827**	**$123,856**	**$123,677**	**$134,348**	**$119,755**	**$142,862**	**$25,098**	**$25,484**	**$30,133**	**$1,503,643**
Cash Disbursements																			
CTA																			
RTA Sales Tax (Part I)	-	-	-	$22,196	$21,766	$24,594	$24,967	$25,706	$26,669	$25,350	$25,735	$25,384	$24,568	$24,946	$29,497	-	-	-	$301,379
RTA Sales Tax (Part II)	-	-	-	1,473	1,294	2,471	2,626	2,933	3,334	2,785	2,945	2,799	10,219	10,376	12,269	-	-	-	55,527
RTA PTF (Part II)	-	-	-	-	-	-	4,122	4,042	4,567	4,637	4,774	4,953	4,708	4,779	4,714	4,563	4,633	5,478	55,969
RTA PTF from RETT (Part II)	-	-	-	-	-	-	516	506	572	580	598	620	589	598	590	571	580	686	7,007
State Reduced Fare Reimbursement	-	-	-	-	-	6,977	-	-	6,977	-	-	6,977	-	-	6,977	-	-	-	27,907
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-	14,058	14,058	14,058	14,058	14,058	14,058	14,058	14,058	14,058	14,058	14,058	14,058	168,700
RTA Total CTA Disbursements	**-**	**-**	**-**	**$23,669**	**$23,060**	**$34,042**	**$46,289**	**$47,245**	**$56,178**	**$47,411**	**$48,110**	**$54,791**	**$54,143**	**$54,758**	**$68,105**	**$19,192**	**$19,271**	**$20,222**	**$616,488**
Metra																			
RTA Sales Tax (Part I)	-	-	-	$18,183	$17,830	$20,148	$20,453	$21,058	$21,847	$20,767	$21,082	$20,794	$20,126	$20,436	$24,164	-	-	-	$246,888
RTA Sales Tax (Part II)	-	-	-	1,197	1,052	2,008	2,134	2,383	2,709	2,263	2,393	2,274	8,303	8,431	9,969	-	-	-	45,115
RTA PTF (Part II)	-	-	-	-	-	-	3,349	3,284	3,711	3,767	3,879	4,024	3,825	3,883	3,830	3,707	3,764	4,451	45,475
State Reduced Fare Reimbursement	-	-	-	-	-	773	-	-	773	-	-	773	-	-	773	-	-	-	3,092
RTA Discretionary Fund (Sales Tax & PTF)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RTA Total for Metra Disbursements	**-**	**-**	**-**	**$19,380**	**$18,882**	**$22,928**	**$25,936**	**$26,725**	**$29,040**	**$26,797**	**$27,354**	**$27,866**	**$32,254**	**$32,750**	**$38,736**	**$3,707**	**$3,764**	**$4,451**	**$340,570**
Pace Suburban Service																			
RTA Sales Tax (Part I)	-	-	-	$5,762	$5,650	$6,384	$6,481	$6,673	$6,923	$6,581	$6,681	$6,589	$6,378	$6,476	$7,657	-	-	-	$78,234
RTA Sales Tax (Part II)	-	-	-	399	351	669	711	794	903	754	798	758	2,768	2,810	3,323	-	-	-	15,038
RTA PTF (Part II)	-	-	-	-	-	-	1,116	1,095	1,237	1,256	1,293	1,341	1,275	1,294	1,277	1,236	1,255	1,484	15,158
RTA Suburban Community Mobility Funds	-	-	-	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	-	-	-	-	-	-	20,319
RTA South Suburban Community Job Access Funds	-	-	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	-	-	7,500
State Reduced Fare Reimbursement	-	-	-	-	-	643	-	-	643	-	-	643	-	-	643	-	-	-	2,571
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Total Pace Suburban Service Disbursements	**-**	**-**	**-**	**$8,418**	**$8,258**	**$9,954**	**$10,816**	**$11,070**	**$12,214**	**$11,098**	**$11,279**	**$19,339**	**$10,670**	**$10,830**	**$13,150**	**$1,486**	**$1,505**	**$1,734**	**$141,821**
Pace ADA Paratransit Service																			
RTA Sales Tax and PTF (Part II)	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	$9,583	-	-	-	-	-	-	$115,000
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Pace ADA Paratransit Disbursements	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**$9,583**	**-**	**-**	**-**	**-**	**-**	**-**	**$115,000**
RTA Agency Regional Capital Program																			
RTA Operations, Debt Service and Capital																			
Principal and Interest for Service Board Capital Programs	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	$18,667	-	-	-	-	-	-	$224,000
Agency Operations (2)	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	2,934	-	-	-	-	-	-	35,203
Transfer Capital RTA Capital Reserve Funds to Metra	392	392	392	392	392	392	392	392	392	392	392	392	-	-	-	-	-	-	4,700
RTA Agency Regional Capital Program	916	916	916	916	916	916	916	916	916	916	916	916	-	-	-	-	-	-	10,990
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	-	-	-	847	847	847	847	847	847	847	847	847	847	847	847	-	-	-	10,159
Total RTA Disbursements	**$22,908**	**$22,908**	**$22,908**	**$23,754**	**$23,754**	**$23,754**	**$23,754**	**$23,754**	**$23,754**	**$23,754**	**$23,754**	**$23,754**	**$847**	**$847**	**$847**	**-**	**-**	**-**	**$285,052**
Joint Self Insurance Fund	-	-	-	-	-	-	-	-	-	-	-	$5,000							$5,000
Total Cash Disbursements	**$32,491**	**$32,491**	**$32,491**	**$84,805**	**$83,538**	**$100,262**	**$116,379**	**$118,378**	**$130,769**	**$118,644**	**$120,081**	**$140,333**	**$97,914**	**$99,185**	**$120,837**	**$24,385**	**$24,540**	**$26,406**	**$1,503,932**
Cash Balance (3)																			
Beginning	-	($30,973)	($61,946)	($92,918)	($91,849)	($90,938)	($88,990)	($79,797)	($78,441)	($75,002)	($71,820)	($68,044)	($84,701)	($48,267)	($27,697)	($5,672)	($4,959)	($4,015)	($289)
Ending	($30,973)	($61,946)	($92,918)	($91,849)	($90,938)	($88,990)	($79,797)	($78,441)	($75,002)	($71,820)	($68,044)	($84,701)	($48,267)	($27,697)	($5,672)	($4,959)	($4,015)	($289)	

(1) Cash disbursements are subject to actual cash availability. (2) Agency Administration and Regional Services & Programs. (3) Restricted and unrestricted cash.

Schedule II - A

2012-2016 CAPITAL PROGRAM REVENUES

			2012	2013	2014	2015	2016	TOTAL
CTA	FTA							
	§5309(m)(2)(A) New Starts		$ 0	$ 0	$ 0	$ 0	$ 0	$ -
	§5309(m)(2)(B) Fixed Guideway		96,030,000	97,850,000	99,710,000	101,600,000	103,530,000	498,720,000
	§5309(m)(2)(C) Bus		0	0	0	0	0	0
	§5316 JARC		0	0	0	0	0	0
	§5317 New Freedom		0	0	0	0	0	0
	§5339 Alternative Analysis		0	0	0	0	0	0
	§5307/§5340 Formula		136,490,000	139,080,000	141,720,000	144,410,000	147,150,000	708,850,000
	Subtotal FTA		**232,520,000**	**236,930,000**	**241,430,000**	**246,010,000**	**250,680,000**	**1,207,570,000**
	Federal Flexible/CMAQ/Other		7,136,800	3,000,000	3,000,000	3,000,000	3,000,000	19,136,800
	Department of Homeland Security		11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	57,500,000
	SUBTOTAL FEDERAL		**251,156,800**	**251,430,000**	**255,930,000**	**260,510,000**	**265,180,000**	**1,284,206,800**
	State	B Bonds	265,545,375	150,545,375	30,745,375	0	0	446,836,125
		Subtotal State	**265,545,375**	**150,545,375**	**30,745,375**	**0**	**0**	**446,836,125**
	RTA	Discretionary	0	0	0	0	0	0
		ICE Funds	0	0	0	0	0	0
		Transfer Capital (Discretionary)	0	0	0	0	0	0
		Subtotal RTA	**0**	**0**	**0**	**0**	**0**	**0**
	SB	Transfer Capital (Sales Tax)	0	0	0	0	0	0
		Service Board Funds	33,718,398	6,718,398	6,718,398	6,718,398	6,718,398	60,591,990
	Local	Local Community/City of Chicago TIF	0	0	0	0	0	0
		Other Funds	0	0	0	0	0	0
		Subtotal SB/Local	**33,718,398**	**6,718,398**	**6,718,398**	**6,718,398**	**6,718,398**	**60,591,990**
	SUBTOTAL LOCAL		**299,263,773**	**157,263,773**	**37,463,773**	**6,718,398**	**6,718,398**	**507,428,115**
SUBTOTAL CTA			**$ 550,420,573**	**$ 408,693,773**	**$ 293,393,773**	**$ 267,228,398**	**$ 271,898,398**	**$ 1,791,634,915**
	Carryover Federal (§5316 JARC)		0	0	0	0	0	0
	Carryover Federal (§5317 New Freedom)		0	0	0	0	0	0
	Carryover IDOT B Bonds		108,003,403	401,568,968	185,773,004	0	0	695,345,375
	Carryover RTA ICE		0	0	0	0	0	0
	Carryover Local (SB)		0	0	0	0	0	0
	Deobligated §5307/§5309 Fixed Guideway Formula		0	0	0	0	0	0
	Deobligated RTA Discretionary/Transfer Capital		0	0	0	0	0	0
	Deobligated SB/LLB/Local		0	0	0	0	0	0
	Subtotal Carryover/Deob		**108,003,403**	**401,568,968**	**185,773,004**	**0**	**0**	**695,345,375**
TOTAL CTA FUNDING			**$ 658,423,976**	**$ 810,262,741**	**$ 479,166,777**	**$ 267,228,398**	**$ 271,898,398**	**$ 2,486,980,290**
	CTA Debt Repayment Principal (§5307/§5340 & §5309)		(49,195,000)	(51,690,000)	(54,225,000)	(147,359,990)	(150,157,320)	(452,627,310)
	CTA Debt Repayment Interest (§5307/§5340 & §5309)		(66,288,636)	(72,234,526)	(69,695,000)	0	0	(208,218,162)
	CTA Debt Repayment Principal/Interest for 2012-2014 (§5307/§5340 & §5309)		(90,000,000)	0	0	0	0	(90,000,000)
	§5316 JARC for Operations		0	0	0	0	0	0
	§5317 New Freedom for Operations		0	0	0	0	0	0
	RTA ICE Funds for Operations		0	0	0	0	0	0
	Preventive Maintenance (Federal)		0	0	0	0	0	0
	Subtotal Non-Capital Program Uses		**(205,483,636)**	**(123,924,526)**	**(123,920,000)**	**(147,359,990)**	**(150,157,320)**	**(750,845,472)**
NET CTA CAPITAL FUNDING			**$ 452,940,340**	**$ 686,338,215**	**$ 355,246,777**	**$ 119,868,408**	**$ 121,741,078**	**$ 1,736,134,818**
	CTA Bond Proceeds		520,000,000	0	0	0	0	520,000,000
	CTA Bond Investment Earnings		0	0	0	0	0	0
TOTAL CTA AVAILABLE			**$ 972,940,340**	**$ 686,338,215**	**$ 355,246,777**	**$ 119,868,408**	**$ 121,741,078**	**$ 2,256,134,818**

2012-2016 CAPITAL PROGRAM REVENUES

			2012	2013	2014	2015	2016	TOTAL
METRA	FTA							
	§5309(m)(2)(A) New Start		$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	§5309(m)(2)(B) Fixed Guideway		69,080,000	70,390,000	71,730,000	73,090,000	74,480,000	358,770,000
	§5309(m)(2)(C) Bus		0	0	0	0	0	0
	§5316 JARC		0	0	0	0	0	0
	§5316 New Freedom		0	0	0	0	0	0
	§5339 Alternative Analysis		0	0	0	0	0	0
	§5307/§5340 Formula		67,230,000	68,510,000	69,810,000	71,140,000	72,490,000	349,180,000
	Subtotal FTA		**136,310,000**	**138,900,000**	**141,540,000**	**144,230,000**	**146,970,000**	**707,950,000**
	Federal Flexible/CMAQ/Other		9,288,000	2,500,000	2,500,000	2,500,000	2,500,000	19,288,000
	Department of Homeland Security		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
	Subtotal Fed Flexible		**14,288,000**	**7,500,000**	**7,500,000**	**7,500,000**	**7,500,000**	**44,288,000**
	SUBTOTAL FEDERAL		**150,598,000**	**146,400,000**	**149,040,000**	**151,730,000**	**154,470,000**	**752,238,000**
	State	B Bonds	89,125,000	170,825,000	153,425,000	0	0	413,375,000
		Subtotal State	**89,125,000**	**170,825,000**	**153,425,000**	**0**	**0**	**413,375,000**
	RTA	Discretionary	0	0	0	0	0	0
		Capital Reserves	4,700,000	0	0	0	0	4,700,000
		ICE Funds	0	0	0	0	0	0
		Transfer Capital (Discretionary)	0	0	0	0	0	0
		Subtotal RTA	**4,700,000**	**0**	**0**	**0**	**0**	**4,700,000**
	SB	Transfer Capital (Sales Tax)	0	0	0	0	0	0
		Service Board Funds	5,000,000	5,000,000	5,000,000	10,000,000	10,000,000	35,000,000
	Local	Local Community Funds	0	0	0	0	0	0
		Other Funds	0	0	0	0	0	0
		Subtotal SB/Local	**5,000,000**	**5,000,000**	**5,000,000**	**10,000,000**	**10,000,000**	**35,000,000**
	SUBTOTAL LOCAL		**98,825,000**	**175,825,000**	**158,425,000**	**10,000,000**	**10,000,000**	**453,075,000**
SUBTOTAL METRA			**$ 249,423,000**	**$ 322,225,000**	**$ 307,465,000**	**$ 161,730,000**	**$ 164,470,000**	**$ 1,205,313,000**
		Carryover Federal (§5316 JARC)	0	0	0	0	0	0
		Carryover Federal (§5317 New Freedom)	0	0	0	0	0	0
		Deobligated §5307 Formula	0	0	0	0	0	0
		Deobligated RTA Discretionary	0	0	0	0	0	0
		Deobligated SB/LLB/Local	0	0	0	0	0	0
		Subtotal Carryover/Deob	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
TOTAL METRA FUNDING			**$ 249,423,000**	**$ 322,225,000**	**$ 307,465,000**	**$ 161,730,000**	**$ 164,470,000**	**$ 1,205,313,000**
		§5316 JARC for Operations	0	0	0	0	0	0
		§5317 New Freedom for Operations	0	0	0	0	0	0
		RTA ICE Funds for Operations	0	0	0	0	0	0
		Preventive Maintenance (Federal)	0	0	0	0	0	0
		Subtotal Non-Capital Program Uses	0	0	0	0	0	0
TOTAL METRA AVAILABLE			**$ 249,423,000**	**$ 322,225,000**	**$ 307,465,000**	**$ 161,730,000**	**$ 164,470,000**	**$ 1,205,313,000**

Schedule II - A

2012-2016 CAPITAL PROGRAM REVENUES

		2012	2013	2014	2015	2016	TOTAL
PACE							
FTA							
§5309(m)(2)(A) New Start		$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
§5309(m)(2)(B) Fixed Guideway		0	0	0	0	0	0
§5309(m)(2)(C) Bus		5,075,000	2,816,000	9,958,000	12,334,000	26,710,000	56,893,000
§5316 JARC		0	0	0	0	0	0
§5317 New Freedom		0	0	0	0	0	0
§5339 Alternative Analysis		0	0	0	0	0	0
§5307/§5340 Formula		32,070,000	32,680,000	33,300,000	33,930,000	34,570,000	166,550,000
Subtotal FTA		**37,145,000**	**35,496,000**	**43,258,000**	**46,264,000**	**61,280,000**	**223,443,000**
Federal Flexible/CMAQ/Other		3,060,000	4,860,000	4,280,000	3,500,000	5,480,000	21,180,000
Department of Homeland Security		0	3,600,000	500,000	500,000	500,000	5,100,000
SUBTOTAL FEDERAL		**40,205,000**	**43,956,000**	**48,038,000**	**50,264,000**	**67,260,000**	**249,723,000**
State	B Bonds	42,850,000	42,850,000	42,850,000	0	0	128,550,000
	Subtotal State	**42,850,000**	**42,850,000**	**42,850,000**	**0**	**0**	**128,550,000**
RTA	Discretionary	0	0	0	0	0	0
	ICE Funds	0	0	0	0	0	0
	Subtotal RTA	**0**	**0**	**0**	**0**	**0**	**0**
SB	Transfer Capital (Sales Tax)	0	0	0	0	0	0
	Service Board Funds	250,000	250,000	250,000	250,000	250,000	1,250,000
Local	Local Community Funds	0	0	0	0	0	0
	Other Funds	0	0	0	0	0	0
	Subtotal SB/Local	**250,000**	**250,000**	**250,000**	**250,000**	**250,000**	**1,250,000**
SUBTOTAL LOCAL		**43,100,000**	**43,100,000**	**43,100,000**	**250,000**	**250,000**	**129,800,000**
SUBTOTAL PACE		**$ 83,305,000**	**$ 87,056,000**	**$ 91,138,000**	**$ 50,514,000**	**$ 67,510,000**	**$ 379,523,000**
	Carryover Federal §5309(m)(2)(C) Bus	0	0	0	0	0	0
	Carryover (§5339 Alternative Analysis)	0	0	0	0	0	0
	Carryover Federal (§5316 JARC)	0	0	0	0	0	0
	Carryover Federal (§5317 New Freedom)	0	0	0	0	0	0
	Deobligated §5307 Formula	0	0	0	0	0	0
	Deobligated RTA Discretionary	0	0	0	0	0	0
	Deobligated SB/LLB/Local	0	0	0	0	0	0
	Subtotal Carryover/Deob	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL PACE FUNDING		**$ 83,305,000**	**$ 87,056,000**	**$ 91,138,000**	**$ 50,514,000**	**$ 67,510,000**	**$ 379,523,000**
Capital Cost of Contracting (Federal)		0	0	0	0	0	0
§5316 JARC for Operations		0	0	0	0	0	0
§5317 New Freedom for Operations		0	0	0	0	0	0
RTA ICE Funds for Operations		0	0	0	0	0	0
Subtotal Non-Capital Program Uses		**0**	**0**	**0**	**0**	**0**	**0**
TOTAL PACE AVAILABLE		**$ 83,305,000**	**$ 87,056,000**	**$ 91,138,000**	**$ 50,514,000**	**$ 67,510,000**	**$ 379,523,000**

2012-2016 CAPITAL PROGRAM REVENUES

			2012	2013	2014	2015	2016	TOTAL
PACE ADA								
FTA								
§5307/§5340 Formula			$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
§5309(m)(2)(C) Bus			0	0	0	0	0	0
		Subtotal FTA	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
State	B Bonds		$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
		Subtotal State	**0**	**0**	**0**	**0**	**0**	**0**
RTA	Discretionary		0	0	0	0	0	0
	TBD		75,000	0	0	0	0	75,000
	ICE Funds		0	0	0	0	0	0
		Subtotal RTA	**75,000**	**0**	**0**	**0**	**0**	**75,000**
		Subtotal SB/Local	**75,000**	**0**	**0**	**0**	**0**	**75,000**
TOTAL PACE ADA FUNDING			**75,000**	**0**	**0**	**0**	**0**	**75,000**
Other Uses (Regional ADA Paratransit)			0	**0**	**0**	**0**	**0**	**0**
TOTAL PACE ADA AVAILABLE			**$ 75,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 75,000**
RTA AGENCY								
FTA	§5307/§5340 Formula		$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	§5309(m)(2)(C) Bus		0	0	0	0	0	0
		Subtotal FTA	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Federal Flexible/CMAQ/Other		35,360,000	0	0	0	0	35,360,000
	Department of Homeland Security Funds		0	0	0	0	0	0
SUBTOTAL FEDERAL			**$ 35,360,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 35,360,000**
RTA Funding	Discretionary		0	0	0	0	0	0
	Reserves		10,990,000	0	0	0	0	10,990,000
	ICE Funds		0	0	0	0	0	0
		Subtotal RTA Funding	**10,990,000**	**0**	**0**	**0**	**0**	**10,990,000**
SUBTOTAL LOCAL			**$ 10,990,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 10,990,000**
TOTAL RTA AGENCY AVAILABLE			**$ 46,350,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 46,350,000**

Schedule II - A

2012-2016 CAPITAL PROGRAM REVENUES

			2012	2013	2014	2015	2016	TOTAL
Regional Total								
	FTA							
	§5309(m)(2)(A) New Starts		0	0	0	0	0	0
	§5309(m)(2)(B) Fixed Guideway		165,110,000	168,240,000	171,440,000	174,690,000	178,010,000	857,490,000
	§5309(m)(2)(C) Bus		5,075,000	2,816,000	9,958,000	12,334,000	26,710,000	56,893,000
	§5316 JARC		0	0	0	0	0	0
	§5317 New Freedom		0	0	0	0	0	0
	§5339 Alternative Analysis		0	0	0	0	0	0
	§5307/§5340 Formula		235,790,000	240,270,000	244,830,000	249,480,000	254,210,000	1,224,580,000
	Subtotal FTA		**405,975,000**	**411,326,000**	**426,228,000**	**436,504,000**	**458,930,000**	**2,138,963,000**
	Federal Flexible/CMAQ/Other		54,844,800	10,360,000	9,780,000	9,000,000	10,980,000	94,964,800
	Department of Homeland Security		16,500,000	20,100,000	17,000,000	17,000,000	17,000,000	87,600,000
	Subtotal Fed Flexible		**71,344,800**	**30,460,000**	**26,780,000**	**26,000,000**	**27,980,000**	**182,564,800**
SUBTOTAL FEDERAL			**477,319,800**	**441,786,000**	**453,008,000**	**462,504,000**	**486,910,000**	**2,321,527,800**
	State	B Bonds	397,520,375	364,220,375	227,020,375	0	0	988,761,125
		Subtotal State	**397,520,375**	**364,220,375**	**227,020,375**	**0**	**0**	**988,761,125**
	RTA	Discretionary	0	0	0	0	0	0
		Capital Reserves	15,690,000	0	0	0	0	15,690,000
		TBD	75,000	0	0	0	0	75,000
		ICE Funds	0	0	0	0	0	0
		Transfer Capital (Discretionary)	0	0	0	0	0	0
		Subtotal RTA	**15,765,000**	**0**	**0**	**0**	**0**	**15,765,000**
	SB	Transfer Capital (Sales Tax)	0	0	0	0	0	0
		Service Board Funds	38,968,398	11,968,398	11,968,398	16,968,398	16,968,398	96,841,990
	Local	Local Community/City of Chicago TIF	0	0	0	0	0	0
		Other Funds	0	0	0	0	0	0
		Subtotal SB/Local	**38,968,398**	**11,968,398**	**11,968,398**	**16,968,398**	**16,968,398**	**96,841,990**
SUBTOTAL LOCAL			**452,253,773**	**376,188,773**	**238,988,773**	**16,968,398**	**16,968,398**	**1,101,368,115**
SUBTOTAL REGIONAL			**929,573,573**	**817,974,773**	**691,996,773**	**479,472,398**	**503,878,398**	**3,422,895,915**
	Carryover Federal §5309(m)(2)(C) Bus		0	0	0	0	0	0
	Carryover (§5339 Alternative Analysis)		0	0	0	0	0	0
	Carryover Federal (§5316 JARC)		0	0	0	0	0	0
	Carryover Federal (§5317 New Freedom)		0	0	0	0	0	0
	Carryover IDOT B Bonds		108,003,403	401,568,968	185,773,004	0	0	695,345,375
	Deobligated §5307/§5309 Fixed Guideway Formula		0	0	0	0	0	0
	Deobligated RTA Discretionary/Transfer Capital		0	0	0	0	0	0
	Deobligated SB/LLB/Local		0	0	0	0	0	0
	Subtotal Carryover/Deob		**108,003,403**	**401,568,968**	**185,773,004**	**0**	**0**	**695,345,375**
TOTAL REGIONAL FUNDING			**$ 1,037,576,976**	**$ 1,219,543,741**	**$ 877,769,777**	**$ 479,472,398**	**$ 503,878,398**	**$ 4,118,241,290**
	CTA Debt Repayment Principal (§5307/§5340 & §5309)		(49,195,000)	(51,690,000)	(54,225,000)	(147,359,990)	(150,157,320)	(452,627,310)
	CTA Debt Repayment Interest (§5307/§5340 & §5309)		(66,288,636)	(72,234,526)	(69,695,000)	0	0	(208,218,162)
	CTA Debt Repayment Principal/Interest for 2012-2014 (§5307/§5340 & §5309)		(90,000,000)	0	0	0	0	(90,000,000)
	§5316 JARC for Operations		0	0	0	0	0	0
	§5317 New Freedom for Operations		0	0	0	0	0	0
	RTA ICE Funds for Operations		0	0	0	0	0	0
	Transfer to Operating (Federal)		0	0	0	0	0	0
	Subtotal Non-Capital Program Uses		**(205,483,636)**	**(123,924,526)**	**(123,920,000)**	**(147,359,990)**	**(150,157,320)**	**(750,845,472)**
NET REGIONAL CAPITAL FUNDING			**$ 832,093,340**	**$ 1,095,619,215**	**$ 753,849,777**	**$ 332,112,408**	**$ 353,721,078**	**$ 3,367,395,818**
	CTA Bond Proceeds		520,000,000	0	0	0	0	520,000,000
	CTA Bond Investment Earnings		0	0	0	0	0	0
TOTAL REGIONAL AVAILABLE			**$ 1,352,093,340**	**$ 1,095,619,215**	**$ 753,849,777**	**$ 332,112,408**	**$ 353,721,078**	**$ 3,887,395,818**

Schedule II-B

Five-Year Capital Program Expenditures

		Previous Funding	2012	2013	2014	2015	2016	Five-Year Total	Grand Total
CTA									
	Bus								
	1 Rolling Stock								
021.806	Perform Mid-Life Bus Overhaul -- Systemwide	39,697,690	22,500,000	54,426,698	0	0	0	76,926,698	116,624,388
031.054	Purchase Buses (Partial $) -- Systemwide	64,161,573	21,906,989	32,697,465	101,324,188	21,906,988	21,906,988	199,742,618	263,904,191
999.999	Purchase ZF TypoDyn Program	0	892,800	0	0	0	0	892,800	892,800
999.999	Retrofit Electric Engine Cooling Fan/System on Buses	0	6,244,000	0	0	0	0	6,244,000	6,244,000
	Total: 1 Rolling Stock	**$103,859,263**	**$51,543,789**	**$87,124,163**	**$101,324,188**	**$21,906,988**	**$21,906,988**	**$283,806,116**	**$387,665,379**
	Total: Bus	**$103,859,263**	**$51,543,789**	**$87,124,163**	**$101,324,188**	**$21,906,988**	**$21,906,988**	**$283,806,116**	**$387,665,379**
	Rail								
	1 Rolling Stock								
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2600, and 3200 Series, Partial $) -- Systemwide	57,941,186	82,352,938	83,334,525	82,352,938	0	0	248,040,401	305,981,587
022.906	Perform Rail Car Overhaul Activities -- Systemwide	10,862,548	0	0	0	0	0	0	10,862,548
132.056	Replace a Minimum of 706 Rail Cars -- Systemwide	611,389,848	470,091,834	38,046,870	0	0	0	508,138,704	1,119,528,552
	Total: 1 Rolling Stock	**$680,193,582**	**$552,444,772**	**$121,381,395**	**$82,352,938**	**$0**	**$0**	**$756,179,105**	**$1,436,372,687**
	2 Track & Structure								
181.500	Renew Track and Structure -- Dan Ryan/Red Line	13,000,000	150,000,000	275,000,000	0	0	0	425,000,000	438,000,000
181.500	Repair Track and Structure -- Howard/Red Line	0	37,000,000	0	0	0	0	37,000,000	37,000,000
181.500	Repair Track and Structure -- Systemwide	25,838,012	20,000,000	39,000,000	76,300,000	43,000,000	10,000,000	188,300,000	214,138,012
	Total: 2 Track & Structure	**$38,838,012**	**$207,000,000**	**$314,000,000**	**$76,300,000**	**$43,000,000**	**$10,000,000**	**$650,300,000**	**$689,138,012**
	3 Electrical, Signal, & Communications								
121.500	Replace/Upgrade Power Distribution and Signals -- Systemwide	56,918,563	0	0	23,000,000	0	45,000,000	68,000,000	124,918,563
	Total: 3 Electrical, Signal, & Communications	**$56,918,563**	**$0**	**$0**	**$23,000,000**	**$0**	**$45,000,000**	**$68,000,000**	**$124,918,563**
	5 Stations & Passenger Facilities								
141.273	Rehabilitate Rail Stations -- Howard/Red Line	0	74,000,000	0	0	0	0	74,000,000	74,000,000
141.273	Rehabilitate Rail Stations -- Systemwide	20,635,029	2,563,380	119,436,620	9,000,000	16,000,000	0	147,000,000	167,635,029
	Total: 5 Stations & Passenger Facilities	**$20,635,029**	**$76,563,380**	**$119,436,620**	**$9,000,000**	**$16,000,000**	**$0**	**$221,000,000**	**$241,635,029**
	Total: Rail	**$796,585,186**	**$836,008,152**	**$554,818,015**	**$190,652,938**	**$59,000,000**	**$55,000,000**	**$1,695,479,105**	**$2,492,064,291**
	System								
	3 Electrical, Signal, & Communications								
150.028	Implement Security & Communication Projects -- Systemwide	100,700,548	47,715,962	11,500,000	11,500,000	11,500,000	11,500,000	93,715,962	194,416,510
	Total: 3 Electrical, Signal, & Communications	**$100,700,548**	**$47,715,962**	**$11,500,000**	**$11,500,000**	**$11,500,000**	**$11,500,000**	**$93,715,962**	**$194,416,510**
	4 Support Facilities & Equipment								
061.059	Implement Computer Systems -- Systemwide	1,100,000	7,100,000	1,100,000	1,027,541	1,583,645	688,814	11,500,000	12,600,000
073.500	Improve Facilities -- Systemwide	99,071,633	12,945,938	16,189,538	35,135,612	16,187,775	22,955,276	103,414,139	202,485,772
086.500	Purchase Equipment and Non-Revenue Vehicles -- Systemwide	0	5,043,148	0	0	0	0	5,043,148	5,043,148
	Total: 4 Support Facilities & Equipment	**$100,171,633**	**$25,089,086**	**$17,289,538**	**$36,163,153**	**$17,771,420**	**$23,644,090**	**$119,957,287**	**$220,128,920**
	6 Miscellaneous								
306.001	Provide for Program Management -- Systemwide	6,690,000	6,666,853	6,690,000	6,690,000	6,690,000	6,690,000	33,426,853	40,116,853

		Previous Funding	2012	2013	2014	2015	2016	Five-Year Total	Grand Total
404.500	Implement CMAQ Projects	14,304,000	0	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000	26,304,000
	Total: 6 Miscellaneous	**$20,994,000**	**$6,666,853**	**$9,690,000**	**$9,690,000**	**$9,690,000**	**$9,690,000**	**$45,426,853**	**$66,420,853**
	8 Contingencies & Administration								
301.268	Provide for Contingencies	0	5,916,498	5,916,499	5,916,498	0	0	17,749,495	17,749,495
	Total: 8 Contingencies & Administration	**$0**	**$5,916,498**	**$5,916,499**	**$5,916,498**	**$0**	**$0**	**$17,749,495**	**$17,749,495**
	Total: System	**$221,866,181**	**$85,388,399**	**$44,396,037**	**$63,269,651**	**$38,961,420**	**$44,834,090**	**$276,849,597**	**$498,715,778**
Total for Service Board:	**CTA**	**$1,122,310,630**	**$972,940,340**	**$686,338,215**	**$355,246,777**	**$119,868,408**	**$121,741,078**	**$2,256,134,818**	**$3,378,445,448**

Metra

Rail

	1 Rolling Stock								
P-005	Provide Locomotive Improvements -- MET	0	22,488,000	10,950,000	20,000,000	10,950,000	700,000	65,088,000	65,088,000
P-006	Rehabilitate Bi-level Commuter Cars -- MET	5,200,000	12,100,000	15,000,000	19,500,000	19,500,000	19,500,000	85,600,000	90,800,000
P-008	Rehabilitate and Improve MU Electric Cars -- MED	0	750,000	750,000	750,000	500,000	500,000	3,250,000	3,250,000
P-009	Overhaul Rolling Stock Fleet Components -- MET	0	7,800,000	8,800,000	9,000,000	9,200,000	9,400,000	44,200,000	44,200,000
P-010	Convert Commuter Cars HVAC Refrigerant -- MET	0	0	500,000	500,000	500,000	500,000	2,000,000	2,000,000
	Total: 1 Rolling Stock	**$5,200,000**	**$43,138,000**	**$36,000,000**	**$49,750,000**	**$40,650,000**	**$30,600,000**	**$200,138,000**	**$205,338,000**
	2 Track & Structure								
P-011	Provide for Ties, Ballast & Surfacing -- BNSF, MED, MWD, RID, UPR, MET	0	7,500,000	5,300,000	5,500,000	5,500,000	10,000,000	33,800,000	33,800,000
P-013	Upgrade Crossings (Road and Track) -- MWD, UPR, MET	0	2,275,000	2,275,000	2,275,000	2,275,000	2,275,000	11,375,000	11,375,000
P-015	Provide for Rail Renewal -- BNSF, MED, MWD, NCS, RID, UPR, MET	2,424,000	3,440,000	4,590,000	4,290,000	4,760,000	3,810,000	20,890,000	23,314,000
P-017	Rehabilitate or Replace Bridges -- BNSF, MWD, RID, UPR, MET	82,806,001	31,900,000	94,725,000	78,750,000	16,575,000	30,900,000	252,850,000	335,656,001
P-018	Provide for Construction for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project -- MET	0	5,000,000	5,000,000	5,000,000	0	0	15,000,000	15,000,000
P-018	Provide for Structural Improvements -- BNSF, MWD, UPR, MET	1,550,000	1,000,000	100,000	500,000	100,000	100,000	1,800,000	3,350,000
P-019	Rehabilitate Retaining Walls --BNSF, MWD, UPR	1,088,112	270,000	0	770,000	0	770,000	1,810,000	2,898,112
	Total: 2 Track & Structure	**$87,868,113**	**$51,385,000**	**$111,990,000**	**$97,085,000**	**$29,210,000**	**$47,855,000**	**$337,525,000**	**$425,393,113**
	3 Electrical, Signal, & Communications								
P-024	Upgrade Signal System -- BNSF, MED, MWD, UPR, MET	2,820,000	11,300,000	12,800,000	15,150,000	14,450,000	5,450,000	59,150,000	61,970,000
P-026	Upgrade Interlockers and Crossovers -- MWD, UPR, MET	16,699,173	3,500,000	0	3,000,000	3,100,000	5,100,000	14,700,000	31,399,173
P-031	Improve Electrical Systems -- BNSF, MED, MWD, RID, MET	0	2,190,000	175,000	3,750,000	5,885,000	9,385,000	21,385,000	21,385,000
P-032	Provide for Communication Equipment -- MET	0	0	500,000	500,000	4,500,000	500,000	6,000,000	6,000,000
P-034	Install Positive Train Control (PTC) System -- MET	28,260,000	64,500,000	67,700,000	73,850,000	8,150,000	8,150,000	222,350,000	250,610,000
	Total: 3 Electrical, Signal, & Communications	**$47,779,173**	**$81,490,000**	**$81,175,000**	**$96,250,000**	**$36,085,000**	**$28,585,000**	**$323,585,000**	**$371,364,173**
	4 Support Facilities & Equipment								
P-039	Improve Yards, Shops and Facilities -- MED, MWD, RID, UPR, MET	0	2,000,000	21,775,000	29,575,000	5,155,000	2,000,000	60,505,000	60,505,000
P-040	Upgrade Buildings -- MED, MET	0	0	0	700,000	1,700,000	1,700,000	4,100,000	4,100,000
P-042	Purchase Equipment and Vehicles -- MET	0	2,100,000	2,800,000	2,800,000	2,800,000	2,800,000	13,300,000	13,300,000
P-044	Upgrade Financial Systems -- MET	2,000,000	14,500,000	10,000,000	10,000,000	10,000,000	5,000,000	49,500,000	51,500,000

		Previous Funding	2012	2013	2014	2015	2016	Five-Year Total	Grand Total
	Total: 4 Support Facilities & Equipment	**$2,000,000**	**$18,600,000**	**$34,575,000**	**$43,075,000**	**$19,655,000**	**$11,500,000**	**$127,405,000**	**$129,405,000**
	5 Stations & Passenger Facilities								
P-046	Rehabilitate and Improve Stations -- MED, MWD, RID, UPR, MET	0	38,000,000	43,050,000	6,225,000	21,700,000	31,150,000	140,125,000	140,125,000
P-048	Expand Commuter Parking -- MET	0	5,000,000	3,000,000	3,000,000	3,000,000	3,000,000	17,000,000	17,000,000
	Total: 5 Stations & Passenger Facilities	**$0**	**$43,000,000**	**$46,050,000**	**$9,225,000**	**$24,700,000**	**$34,150,000**	**$157,125,000**	**$157,125,000**
	6 Miscellaneous								
P-051	Provide for Material Handling -- MET	27,929,157	200,000	200,000	200,000	200,000	200,000	1,000,000	28,929,157
P-052	Improve Metra System Security -- MET	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000	25,000,000
P-056	Provide for Unanticipated Capital -- MET	0	950,000	500,000	500,000	500,000	500,000	2,950,000	2,950,000
P-057	Provide for Program Support Engineering -- MET	4,500,000	4,500,000	5,575,000	4,850,000	4,000,000	4,850,000	23,775,000	28,275,000
	Total: 6 Miscellaneous	**$32,429,157**	**$10,650,000**	**$11,275,000**	**$10,550,000**	**$9,700,000**	**$10,550,000**	**$52,725,000**	**$85,154,157**
	8 Contingencies & Administration								
P-055	Provide for Project Administration & Contingencies -- MET	0	1,160,000	1,160,000	1,530,000	1,730,000	1,230,000	6,810,000	6,810,000
	Total: 8 Contingencies & Administration	**$0**	**$1,160,000**	**$1,160,000**	**$1,530,000**	**$1,730,000**	**$1,230,000**	**$6,810,000**	**$6,810,000**
	Total: Rail	**$175,276,443**	**$249,423,000**	**$322,225,000**	**$307,465,000**	**$161,730,000**	**$164,470,000**	**$1,205,313,000**	**$1,380,589,443**
Total for Service Board: Metra		**$175,276,443**	**$249,423,000**	**$322,225,000**	**$307,465,000**	**$161,730,000**	**$164,470,000**	**$1,205,313,000**	**$1,380,589,443**

Pace

Bus

	1 Rolling Stock								
4701	Purchase a Minimum of 413 Fixed Route Accessible Buses -- Systemwide	16,975,000	64,230,000	44,728,000	42,508,000	6,024,000	27,460,000	184,950,000	201,925,000
4702	Purchase a Minimum of 148 Paratransit Vehicles (Replacement) -- Systemwide	9,000,000	0	3,840,000	2,640,000	2,640,000	2,720,000	11,840,000	20,840,000
4704	Purchase a Minimum of 195 Vanpool Vans (Replacement) -- Systemwide	5,439,148	0	1,800,000	2,000,000	2,000,000	2,000,000	7,800,000	13,239,148
4705	Provide for Bus Overhaul -- Systemwide	2,000,000	1,500,000	2,000,000	2,000,000	2,000,000	2,000,000	9,500,000	11,500,000
4706	Provide for Associated Capital Items -- Systemwide	3,521,606	1,600,000	2,000,000	2,000,000	2,000,000	2,000,000	9,600,000	13,121,606
4707	Provide for Diesel Engine Retrofit -- Systemwide	6,840,000	3,060,000	3,060,000	2,280,000	1,500,000	3,480,000	13,380,000	20,220,000
4709	Provide for Capital Cost of Contracting -- Systemwide	2,000,000	0	2,178,000	3,398,000	4,000,000	4,000,000	13,576,000	15,576,000
	Total: 1 Rolling Stock	**$45,775,754**	**$70,390,000**	**$59,606,000**	**$56,826,000**	**$20,164,000**	**$43,660,000**	**$250,646,000**	**$296,421,754**
	3 Electrical, Signal, & Communications								
4711	Implement Transit Signal Priority Projects -- Systemwide	317,929	0	500,000	500,000	500,000	500,000	2,000,000	2,317,929
	Total: 3 Electrical, Signal, & Communications	**$317,929**	**$0**	**$500,000**	**$500,000**	**$500,000**	**$500,000**	**$2,000,000**	**$2,317,929**
	4 Support Facilities & Equipment								
4714	Improve Garages & Facilities -- Systemwide	3,300,000	6,000,000	5,100,000	2,000,000	2,000,000	2,000,000	17,100,000	20,400,000
4715	Construct Bus Garage -- Northwest Cook County	4,750,000	0	10,000,000	16,000,000	16,000,000	16,000,000	58,000,000	62,750,000
4718	Purchase Computer Hardware and Software Systems -- Systemwide	3,600,000	3,787,000	3,000,000	2,500,000	2,500,000	2,000,000	13,787,000	17,387,000
4719	Purchase Maintenance/ Support Equipment and Vehicles -- Systemwide	250,000	800,000	500,000	500,000	1,000,000	1,000,000	3,800,000	4,050,000
4720	Purchase Office Equipment -- Systemwide	100,000	200,000	100,000	100,000	100,000	100,000	600,000	700,000
4721	Purchase Replacement Farebox System -- Systemwide	0	0	5,000,000	10,000,000	5,000,000	0	20,000,000	20,000,000
	Total: 4 Support Facilities & Equipment	**$12,000,000**	**$10,787,000**	**$23,700,000**	**$31,100,000**	**$26,600,000**	**$21,100,000**	**$113,287,000**	**$125,287,000**
	5 Stations & Passenger Facilities								
4725	Reconstruct Passenger Facilities -- Systemwide	450,000	0	750,000	750,000	750,000	750,000	3,000,000	3,450,000

		Previous Funding	2012	2013	2014	2015	2016	Five-Year Total	Grand Total
4726	Install Shelters/ Signs/ Passenger Amenities -- Systemwide	150,000	800,000	250,000	250,000	250,000	250,000	1,800,000	1,950,000
	Total: 5 Stations & Passenger Facilities	**$600,000**	**$800,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$4,800,000**	**$5,400,000**
	6 Miscellaneous								
4728	Provide for Unanticipated Capital -- Systemwide	800,000	250,000	250,000	250,000	250,000	250,000	1,250,000	2,050,000
	Total: 6 Miscellaneous	**$800,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$1,250,000**	**$2,050,000**
	8 Contingencies & Administration								
4730	Provide for Project Administration	825,000	1,078,000	2,000,000	1,462,000	2,000,000	1,000,000	7,540,000	8,365,000
	Total: 8 Contingencies & Administration	**$825,000**	**$1,078,000**	**$2,000,000**	**$1,462,000**	**$2,000,000**	**$1,000,000**	**$7,540,000**	**$8,365,000**
	Total: Bus	**$60,318,683**	**$83,305,000**	**$87,056,000**	**$91,138,000**	**$50,514,000**	**$67,510,000**	**$379,523,000**	**$439,841,683**
Total for Service Board:	**Pace**	**$60,318,683**	**$83,305,000**	**$87,056,000**	**$91,138,000**	**$50,514,000**	**$67,510,000**	**$379,523,000**	**$439,841,683**

Pace ADA

Bus

	4 Support Facilities & Equipment								
4750	Improve Facilities -- Systemwide	0	75,000	0	0	0	0	75,000	75,000
	Total: 4 Support Facilities & Equipment	**$0**	**$75,000**	**$0**	**$0**	**$0**	**$0**	**$75,000**	**$75,000**
	Total: Bus	**$0**	**$75,000**	**$0**	**$0**	**$0**	**$0**	**$75,000**	**$75,000**
Total for Service Board:	**Pace ADA**	**$0**	**$75,000**	**$0**	**$0**	**$0**	**$0**	**$75,000**	**$75,000**

RTA

Bus

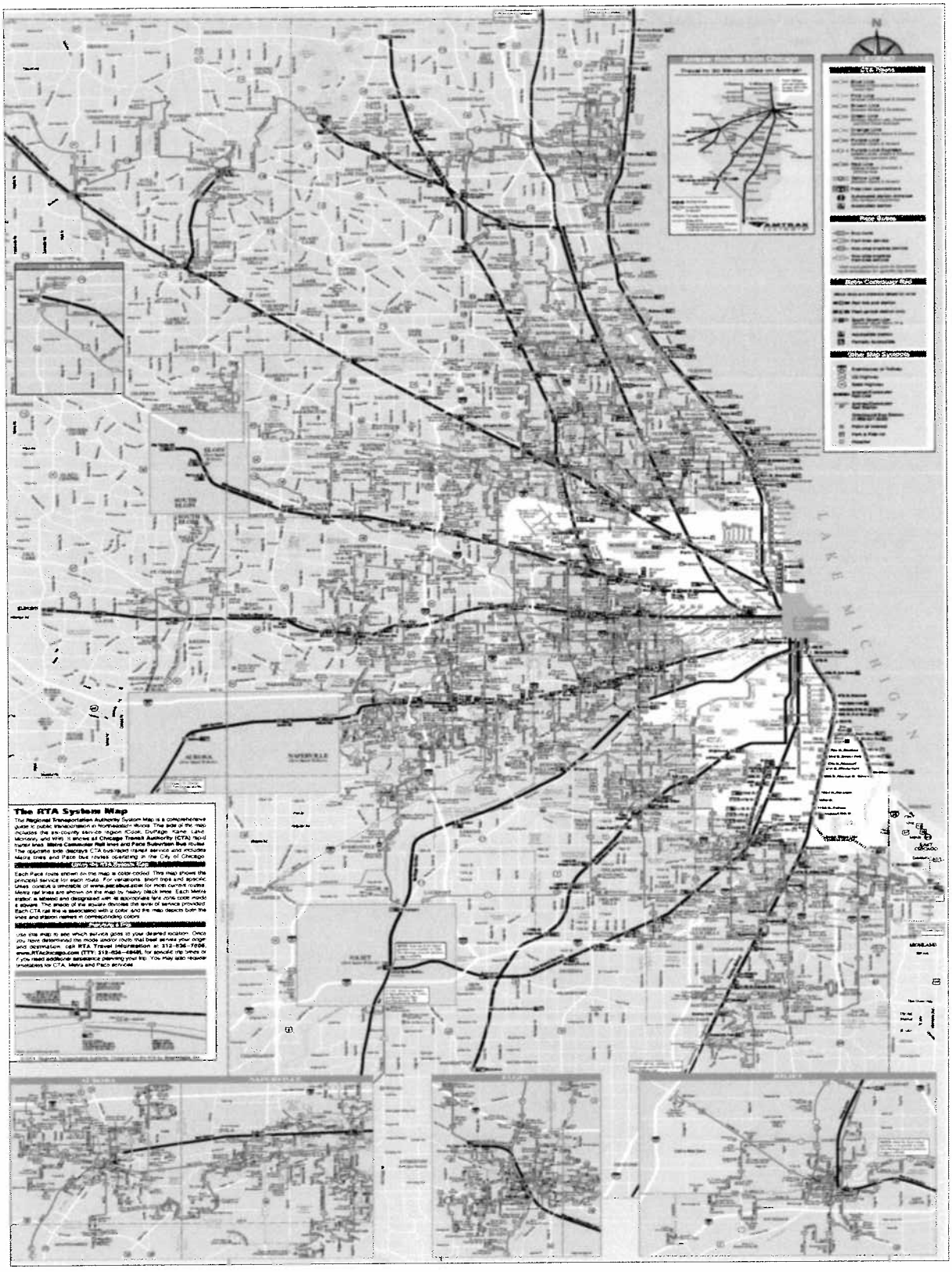
	3 Electrical, Signal, & Communications								
9999	Implement Transit Signal Priority Projects -- Systemwide	0	40,000,000	0	0	0	0	40,000,000	40,000,000
	Total: 3 Electrical, Signal, & Communications	**$0**	**$40,000,000**	**$0**	**$0**	**$0**	**$0**	**$40,000,000**	**$40,000,000**
	Total: Bus	**$0**	**$40,000,000**	**$0**	**$0**	**$0**	**$0**	**$40,000,000**	**$40,000,000**

System

	3 Electrical, Signal, & Communications								
9999	Implement Downtown Chicago Connections Interagency Information Improvements	0	100,000	0	0	0	0	100,000	100,000
9999	Implement Regional Real Time Transit Web Page -- Systemwide	0	50,000	0	0	0	0	50,000	50,000
9999	Provide for Regional Integration of Real Time Information and Trip Planning -- Systemwide	0	2,000,000	0	0	0	0	2,000,000	2,000,000
	Total: 3 Electrical, Signal, & Communications	**$0**	**$2,150,000**	**$0**	**$0**	**$0**	**$0**	**$2,150,000**	**$2,150,000**
	5 Stations & Passenger Facilities								
9999	Provide for Improvements at 19 Priority Transit Transfer Location -- Systemwide	0	4,200,000	0	0	0	0	4,200,000	4,200,000
	Total: 5 Stations & Passenger Facilities	**$0**	**$4,200,000**	**$0**	**$0**	**$0**	**$0**	**$4,200,000**	**$4,200,000**
	Total: System	**$0**	**$6,350,000**	**$0**	**$0**	**$0**	**$0**	**$6,350,000**	**$6,350,000**

		Previous Funding	2012	2013	2014	2015	2016	Five-Year Total	Grand Total
Total for Service Board:	RTA	$0	$46,350,000	$0	$0	$0	$0	$46,350,000	$46,350,000
Grand Total									
RTA 2012-2016 CAPITAL IMPROVEMENT PROGRAM		$1,357,905,756	$1,352,093,340	$1,095,619,215	$753,849,777	$332,112,408	$353,721,078	$3,887,395,818	$5,245,301,574

RTA System Map



Regional Transportation Authority

RTAChicago.com

RTA Main Office
175 West Jackson Boulevard, Suite 1650
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
165 North Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

RTA ADA Certification Helpline
Voice (312) 663-4357
TTY (312) 913-3122

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any local area code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Fare Program
(800) 531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6777
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 364-7223
www.pacebus.com

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Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

2013

Operating Budget, Two-Year Financial Plan and Five-Year Capital Program

Department of Finance & Performance Management
April 2013

Regional Transportation Authority

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Chairman
John S. Gates, Jr.,
Appointing Authority:
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Appointing Authority:
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Appointing Authority:
Suburban Cook County

Douglas M. Troiani
Appointing Authority:
Suburban Cook County

Joseph G. Costello
Executive Director

Letter from the Executive Director

2012 marked a promising year of ridership growth and expense stability in our regional transportation system. The RTA system will finish the year with the highest level of ridership in over 20 years; ridership growth that had stalled and dipped following the financial crisis of 2008 began to trend upward again in 2011 and 2012 as the economy slowly improved. High gasoline prices further encouraged people to consider use of public transportation and leave their cars at home. In 2012, annual ridership is projected to reach 663.4 million trips, an increase of 11% over the year 2000. The year was capped by the successful conclusion of labor negotiations with the CTA's trade and operating unions, agreements that will help reduce the long-term trajectory of expense growth in the region.

The RTA has continued to work collaboratively with the Service Boards on the Regional Priorities Initiative – a strategic focus on improvements in efficiency and service enhancements for our customers. The first ever region-wide customer satisfaction survey, completed in 2011, told us that riders place a high priority on safety, customer information and communications, and knowledgeable employees able to assist them. These customer priorities represent key goal areas for the Service Boards and RTA operating programs. Advancements are occurring on regional trip planning technology and real-time travel information, interagency signage at key connection points between the CTA, Metra, and Pace, a new fare payment system on the CTA and Pace that will improve flexibility and convenience, a capital prioritization tool that will assist in the selection of capital investments to advance the system's State of Good Repair and reduce operating costs, expansion of the successful Bus on Shoulder program on the I-55/Stevenson Expressway, and development of transit signal priority treatments for appropriate bus corridors. Ongoing capital investments in rolling stock and infrastructure have contributed to the modernization of our system and improved the riding experience for our customers.

For the second year in a row, the Service Boards' operating budgets do not borrow from capital to fund operating programs, a mark of progress in fiscal responsibility and sustainability. Yet, the modest and halting pace of the economic recovery has created a challenging operating environment. The budgets of CTA and Metra incorporate reductions in the discounts for multi-trip fare instruments to achieve balanced budgets. The RTA continues to pursue funding for capital needs, our greatest single challenge at this point, as we strive to bring our aging infrastructure toward a State of Good Repair. The RTA has also initiated a study to review the allocation of public funding, to ensure that operating and capital funding is distributed equitably among the Service Boards.

The 2013 business plans represent the dedicated efforts of the Service Boards and RTA to move the region forward in a positive direction of cost containment, modernization, and responsiveness to customer priorities.

Sincerely,

Joseph G. Costello

Executive Director, Regional Transportation Authority

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1 Introduction

Regional Transportation Authority

Guide

The outline below is presented as a guide to the organization of the RTA 2013 Budget, Two-Year (2014-2015) Financial Plan, and Five-Year (2013-2017) Capital Program. The information provided reflects the Region's funding and service conditions when the RTA Board adopted Ordinance 2013-01 on January 16, 2013, which approved the 2013 budgets and 2014-2015 financial plans of the Service Boards, the Agency, and the Region as a whole. The funding "marks" (public funds to cover operating deficits) for each Service Board were set on October 10, 2012. The Service Boards include the Chicago Transit Authority (CTA), Metra commuter rail, Pace Suburban Bus Service, and Pace Regional ADA Paratransit service. The book is divided into the following 10 chapters.

1. **Introduction** provides a guide to the overall structure of this document, a regional economic outlook, the RTA's strategic plan, vision and goals, critical developments and key budget issues in 2013, a governance section that includes the budget process, financial policies, the 2013 budget ordinance (2013-01), and the 2012 GFOA Distinguished Budget Presentation Award.

2. **Regional Summary** provides a snapshot of the consolidated regional budget for RTA, CTA, Metra, and Pace.

3. **RTA** is divided into three major sections: RTA Operating Plan (sources and uses of RTA operating funds); Agency Operating Plan (budget and financial plan of the RTA Agency); and Reference (RTA bonds and fund types).

4. **CTA** provides information about the service characteristics, operating plans, budget and financial plan details, and organizational structure of the CTA.

5. **Metra** provides information about the service characteristics, operating plans, budget and financial plan details, and organizational structure of Metra.

6. **Pace Suburban Service** provides information about the service characteristics, operating plans, budget and financial plan details, and organizational structure of Pace Suburban Service.

7. **Pace Regional ADA** provides information about the service characteristics, operating plans, budget and financial plan details, and organizational structure of Pace ADA Paratransit Service.

8. **Performance Measures** provides an introduction to the regional goals and objectives for the RTA Region, an overview of the five major areas of performance analysis which chart achievement of these goals, and the newly implemented RTA Agency measures.

9. **Capital** provides an overview and details of the capital program of each of the Service Boards (CTA, Metra, and Pace) and the capital impact on operations.

10. **Appendices** include the budget call calendar, budget hearing schedule, glossary, and supplemental ridership, sales tax, demographic data, and schedules for the 2013 budget ordinance.

Regional Economic Outlook

2012 marked a promising year of ridership growth and expense stability in the RTA Region. An improving economy has provided higher than budgeted funding levels and contributed to improved ridership.

In 2013, unemployment in the region is anticipated to remain high, but lower than what was experienced in 2012. The seasonally adjusted regional unemployment rate in December 2012 was 8.9%, an increase of 0.2 percentage points from the end of the third quarter. Compared to prior year, regional unemployment was 1.2 percentage points lower. The Congressional Budget Office (CBO) estimates that the 2012 national unemployment rate of 8.1% will drop 0.2 percentage points to 7.9% in 2013.

In 2013, the Regional Transportation Authority will be updating its strategic plan titled "The Way Forward".

Real Gross Domestic Product (GDP) in the Nation is expected to increase by 2.3% by the end of 2012 and in 2013 it is expected to increase another 1.4%. An analysis of National Gross Domestic Product and Regional Personal Income Growth can be found in the appendices of this document.

The price of fuel has a significant impact on the region's ridership. In December 2012 the average cost for a gallon of gas in the region was $3.46, about $0.78 lower than at end of the third quarter and $0.05 lower than in December of 2011.

In 2012, the RTA system provided 666 million rides. Significant ridership growth may have been partially impacted by favorable weather conditions in the beginning of the year. The first quarter average temperature in the region was nearly seven degrees warmer than the ten year average, resulting in higher than anticipated ridership results. In 2013, the Service Boards have budgeted for a combined 652 million rides, a 1.7% decrease in ridership over the 2012 estimate of 663 million, due to changes fare policies at the CTA and Metra, and a major reconstruction project planned on the southern branch of the CTA's Red Line.

Strategic Plan, Vision Statement, and Goals

In 2013, the Regional Transportation Authority will be updating its strategic plan. The current strategic plan, *"Moving Beyond Congestion,"* can be found on the RTA website along with an implementation update titled *"The Way Forward"* (available here: http://rtachicago.com/about-the-rta/strategic-plan.html). Revisions to the strategic plan will be based on customer input from a survey that was launched on December 19, 2012 and a series of workshops with RTA staff, the Service Boards, and regional stakeholders. The RTA received over 1,500 responses from members of the general public, stakeholders, and elected officials. The input from this survey is being used to help inform revisions to the Plan's Vision and Goals. The draft Vision and Goals are presented below.

OUR MISSION

The RTA will ensure financially sound, comprehensive, coordinated public transportation for the Northeastern Illinois Region.

OUR VISION

A world-class regional public transportation system that is socially, financially, and environmentally sustainable, providing a foundation for the region's prosperity.

OUR GOALS

- Provide valuable, accessible and attractive transportation options.
- Ensure financial viability.
- Promote a green, livable and prosperous region.
- Advocate for and be a trusted steward of public transportation.

OUR VALUES

Core values help us define our purpose and mission:

- **Accountability** - We will protect the public interest by ensuring financially sound, and quality public transportation.
- **Transparency** - We will communicate openly and honestly.
- **Innovation** - We will seek out and implement innovative solutions.
- **Collaboration** - We will engage our stakeholders and partners on a regular basis to advance common goals.
- **Integrity** - We carry out our mission in a manner that is fair, ethical and honest.

REGIONAL PRIORITIES

With limited resources and dire needs, all the region's efforts must be both strategic and focused. The RTA and Service Boards laid out the following regional priorities in 2011.

- **Strategic Capital Investment:** Reduce operating costs by identifying capital projects that reduce operating expenditures.
- **Economies of Scale:** Identify coordinated purchasing efforts with the Service Boards and other government agencies that achieve cost savings and improve efficiency.
- **Maximize Use of System:** Maximize the use of the existing system by better tapping travel markets that have potential to use transit and streamline coordinated services when and where the system is not functioning at capacity.
- **Enhanced Customer Experience:** Focus on targeted capital and technology-related projects in a coordinated fashion to modernize and enhance the customer experience through improved service performance and customer connections.
- **Coordinated Government Affairs, Marketing and Outreach:** Coordinate customer information and increase coordination and leveraging of partners and other stakeholders.

Critical Developments and Key Budget Issues

The RTA has identified several critical developments in the 2013 Budget, 2014-2015 Financial Plan and Five-year Capital Program.

FUNDING OPERATIONS WITHOUT CAPITAL TRANSFERS

In 2013 the RTA is pleased to report that the budgets submitted by each of the Service Boards do not rely on capital transfers to operations, for the second year in a row.

Long term disinvestment in the region's capital program has resulted in higher operating costs, and deferring investment in capital infrastructure results in higher replacement costs in the out years. In the 2011 Budget, the region's Service Boards planned to transfer more than $250 million from the capital program to operations in order to maintain fares and service levels. The CTA's budget included $113.2 million in transfers from capital to operations in 2011. Metra budgeted $60.0 million worth of transfers in 2011 and planned for transfers of $25.0 million in 2012 and 2013. Ultimately, in 2011, the Service Boards transferred a total of $95.0 million in federal capital funds to operations. Since then, the region has made great strides in its effort to curtail this unsustainable practice. In 2012, the Service Boards estimated that they would not need any transfers from capital to operations, and in 2013 the RTA is pleased to report that the budgets submitted by each of the Service Boards do not rely on capital transfers to operations, for the second year in a row.

SYSTEM RENEWAL BOND PROGRAM

Achieving a State of Good Repair (SGR) is the region's top priority. Maintaining bus and train infrastructure is essential to providing safe, reliable service. However, the level of capital investment necessary to achieve and maintain a SGR is massive and continues to grow.

The RTA's current projection of the amount of funds required to bring the region's assets to a SGR over the next ten years is $31 billion. Projected funding from the State and Federal government is expected to be less than what is necessary for required annual investments in system renewal. While the RTA and Service Boards work toward a long-term solution, the RTA continues to advance new and creative strategies to meet those challenges which affect the system today.

To that end, Chairman Gates and the RTA staff have proposed a $2.5 billion capital bond program dedicated to SGR, with bond debt service to be paid with RTA sales tax revenue. This program will go toward the renewal and rehabilitation of vehicles, track and structure, and customer-impacting transit facilities. By introducing this new bond program, the RTA could help close the capital funding gap and keep our backlog of capital needs from growing. To achieve this bond program, the RTA requires a change in State law to increase its bonding authority. Concurrently, the RTA has proposed a plan to streamline the Service Board funding formula, resulting in a more transparent regional allocation of public funds for operating and capital support.

CTA FARE POLICY ADJUSTMENT

In 2013, the CTA is reducing the discounts that they currently provide on all pass options. The 1-Day Pass will increase from $5.75 to $10.00. The 3-Day Pass will increase from $14 to $20, the 7-Day Pass will increase from $23 to $28, and the 30-Day Pass will increase from $86 to $100. Additionally, the CTA will increase their reduced fare passes, bringing them in line with the statutorily intended level of 50% of full fare. Student fare prices will decrease about 12%, and in mid-2013 the CTA will impose a $2.75 surcharge for individuals that purchase a full fare card at the O'Hare Blue Line station. Otherwise, base fare prices for both rail and bus will remain unchanged. These pricing adjustments are expected to increase CTA's average passenger fare by $0.14 in 2013, resulting in $62.3 million of additional passenger revenue.

METRA FARE POLICY ADJUSTMENT

Metra's Board approved a change to the 10-ride ticket policy as part of the 2013 Budget. The new price of a ten-ride will be equal to ten full rides. There will no longer be a one-ride discount embedded in the price. Roughly 25% of Metra customers use the 10-ride ticket. Metra is estimating that this change will generate an additional $8.3 million in fare revenue for 2013.

VENTRA™ SYSTEM

Starting in 2013, the CTA and Pace are transitioning to Ventra™, a convenient new payment system that will let riders use a single fare card for regional transit throughout the Chicago area. The new system will allow riders to use their own credit or debit card to pay for transportation. Alternatively, customers may use the Ventra card, which can handle both transit and retail transactions. The new system will make commuting easy and seamless, providing a convenient new way to access and pay for train and bus rides on CTA and Pace beginning in the summer of 2013.

The transition to Ventra™ requires customers who currently have an RTA Ride Free, Reduced Fare or Disabled Reduced Fare permit to use a new permit later this year. Existing customers will have to do nothing as the new Ventra™ compatible permits will be sent to the address on file at no cost to them.

CTA LABOR

The CTA began reaching agreements with its labor unions in the beginning of the fourth quarter of 2012. On December 16, 2012 the CTA ratified an agreement with the Amalgamated Transit Union, its largest union. As a result, the CTA labor budget for 2013 is $6.0 million or 0.6% lower than the 2012 estimate. More importantly, the labor agreements provide certainty to the projected increases in the CTA's labor budget, allowing the CTA to bend the cost curve and relieve projected structural deficits in the financial planning years.

CTA RED LINE RECONSTRUCTION PROJECT

From mid-May to mid-October 2013 the southern branch of the CTA Red Line (south of Roosevelt) will be closed for renewal. Everything in the track bed including ties, rail, third rail, ballasts, and drainage systems will be replaced. The 5-month closure is anticipated to unfavorably impact the nearly 48,000 rides taken along the Red Line on an average weekday. The CTA anticipates that travel times will improve by up to 20 minutes between the 95th/Dan Ryan and Roosevelt Stations, once the project is complete. Additionally, the CTA will save $75 million when compared to performing the construction over four years on weekends only. The $75 million in savings will be reinvested into the project to provide new elevators, station improvements, and alternative service throughout the construction period.

ADA LEGISLATION

In 2011, the RTA Act was amended to ensure that ADA Paratransit was fully funded. The RTA Act requires the RTA to review the current year's ADA Paratransit expenses and determine if there will be sufficient funds available to balance its expenses. In 2013, Pace ADA projected its public funding need to be $136.3 million, and public funding to support that expense level was included in the funding marks. The RTA will review whether this funding is sufficient in the middle of the fiscal year and determine if additional allocations will be necessary.

FUND BALANCE

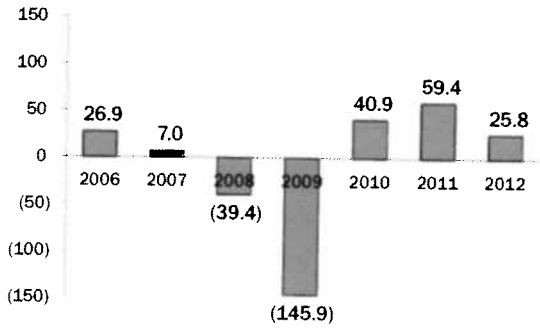
In 1998, the RTA Board adopted an ordinance establishing a minimum level on the unreserved and undesignated or unassigned fund balance. The ordinance affirms that the annual budget adopted by the RTA each year will reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than 5% of the RTA's total operating expenditures for that year. If actual sales tax receipts or other RTA revenue 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 three-year planning period. In the 2013 budget and 2014-2015 planning period, the RTA Board suspended this policy in favor of one that slowly builds a 5% fund balance over a longer period of time, due to the difficult economic environment following the 2008 financial crisis.

EXPOSURE TO SALES TAX VOLATILITY

Since almost 40% of total RTA operating revenue comes from sales tax, an accurate forecast is critical to an effective budget process. Volatility of sales tax receipts resulting from the 2008 financial crisis and ensuing recovery has complicated this effort in recent years. Exhibit 1-1 shows the variance of actual sales tax receipts from budgeted levels since 2006. Positive variances during the strong economic growth years of 2006 and 2007 were followed by severe shortfalls in 2008 and 2009. These shortfalls were addressed in part by liquidating the RTA fund balance which met its purpose of buffering against downturns. The financial downturn of 2009 and the resulting lack of adequate reserves in the RTA fund balance led to conservative sales tax forecasts for 2010 and 2011, producing positive variances once again when sales tax receipts came in higher than was forecasted. 2012 will also finish with a significant but smaller surplus of sales tax receipts (Exhibit 1-1).

Until the RTA fund balance has been restored to a level that can provide a sufficient cushion against potential revenue shortfalls, sales tax growth forecasts that err on the conservative side will continue to represent the prudent course of action.

Exhibit 1-1: **Variance of Actual Sales Tax from Budget**
(dollars in millions)



SALES TAX DIVERSION LITIGATION

In an attempt to ensure it receives all sales tax it is due, the RTA filed a lawsuit against the villages of Channahon and Kankakee in August 2011 claiming the towns are acting as tax shelters for local retailers thereby diverting sales taxes from the six-county area where a portion goes to the RTA. These businesses operate retail services in the six-county region and benefit from services provided by local governments including police, fire, public works, and transit. In early 2013, the RTA filed another lawsuit against the City of Sycamore, alleging that a revenue sharing agreement they have with United and American Airlines has deprived Chicago and Cook County taxpayers, as well as public transportation agencies, of nearly $300 million over the last seven years.

In 2012, the RTA worked with State legislatures to pass Public Act 097-0976 which requires local governments to electronically submit a report to the Illinois Department of Revenue that provides detailed information on any existing or new agreements to share or rebate any portion of retailers' occupation taxes generated by retail sales of tangible personal property.

Before considering rate increases or any other revenue options that would burden our transit riders, the RTA is committed to identifying and collecting all of the sales tax revenues rightfully owed for the support of our transportation system.

PA 097-0976 goes a long way in identifying those municipalities and business that perform these types of revenue sharing activities.

INSUFFICIENT CAPITAL FUNDING

In 2012, the RTA completed the first annual update of the Capital Asset Condition Baseline Assessment published in 2010. This update reflects the current physical conditions and 10-year capital reinvestment needs of the region's transit assets as of December 31, 2011. The main report findings include a 36% increase on the SGR backlog needs from $13.8 to $18.7 billion, and a 26% increase on the 10-year total capital SGR needs from $24.6 to $31.1 billion. Increases are primarily due to more precision in estimation methods, improved data, additional assets reported and the completion of necessary inventory records. With capital asset valued at $151.2 billion (as measured in terms of replacement value), the RTA system requires constant investment of capital dollars to both maintain and improve the region's transit infrastructure and rolling stock.

Current 10-year projections of capital funding sources total $5.9 billion, or only 19% of the documented capital need over the same period. The current State of Illinois capital funding programs extend only through 2014 and are not yet fully appropriated. Without a State capital bond program identified beyond 2014, capital funding for the RTA region drops to dangerously low levels. The RTA system is in need of a dedicated source of capital funding. In addition, the RTA's capital funding projections assume steady growth of federal capital funding, an outcome with considerable uncertainty due to the vagaries of future congressional support and action. The shortage of capital funds needed to support the RTA system will continue to present challenges with regard to achieving a SGR. In fact, without additional funding, our system's infrastructure will move further from that goal as the system slowly continues to deteriorate.

In the 2013 to 2017 Five-Year Capital Program the total amount of funding available is $3.7 billion. When the $685.2 million of debt service for the repayment of principal and interest on bonds issued for capital purposes is included, total capital expenditures are equal to $4.4 billion dollars. Of this $4.4 billion $1.1 billion was provided by the CTA and Pace from bond proceeds for capital projects. In total, over the course of the five year capital plan the percentage of bond proceeds to capital expenditures is 25.1%. The repayment of principal and interest constitutes 15.7% of total capital expenditures. In 2013, when $175 million of the $1.1 billion in bond proceeds are recognized, the proportion of bond proceeds to total capital funding is 16% (Exhibit 9-1).

TRANSIT ASSET MANAGEMENT (TAM)

The RTA, in cooperation with the Service Boards, developed the Capital Decision Prioritization Support Tool (Decision Tool) to assess and prioritize transit capital investments and SGR needs within the parameters of regional funding and long-term strategic objectives. The Decision Tool is intended to provide an objective perspective on regional re-investment needs to better inform regional decision-making. The RTA's Update of the Capital Asset Condition Assessment and the development of the Decision Tool align well with the Federal Transit (FTA) TAM guidelines and the FTA's decision tool requirements, referred to as TERM-lite. The RTA, therefore, is well advanced in compliance with future MAP-21 requirements.

The RTA has been at the forefront of Transit Asset Management and SGR research for nearly 5 years.

In 2012, the RTA received Federal Unified Work Program (UWP) funding that will enable the further development of the Capital Decision Prioritization Support Tool for Enhancement and Expansion prioritization analysis. While currently focused solely on the assessment of regional reinvestment (SGR) needs (i.e., preservation of the existing stock of transit assets), the Decision Tool will also help the region identify an optimal balance between replacing aging infrastructure (maintain); improving the throughput, reliability, and safety of existing services (enhance); and adding new capacity to improve system performance (expand) – all within the confines of limited financial resources. At a more detailed level, the Decision Tool will assist the RTA and the region to establish priorities within each of these types of needs (e.g., prioritizing between different asset replacement projects) while integrating the Service Boards asset needs with the region's five-year capital planning and annual budgeting process.

SERVICE BOARD BONDING

The 2013 Capital Program includes $1.1 billion in Bond Proceeds issued by the Service Boards. The CTA intends to issue $1.0 billion in bonds over the next five years with issuances of $175 million, $380 million and $445 million in 2013, 2014, and 2015, respectively. Pace received authorization from the State to issue $100 million in bonds for specific projects. Pace's five-year capital program includes $72 million in bond proceeds in 2014, $25 million in 2015, and $3 million in 2016. As part of its oversight responsibility, the RTA will monitor the Service Boards' issuances and ensure that all financial plans are based on reasonable assumptions.

Governance

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 with its own independent board of directors. These divisions conduct operations and purchase service from private carriers. The RTA became exclusively responsible for funding, financial oversight, and regional planning and programs.

In reviewing this document it is important to note that the Service Boards operate within the RTA region, but are separate legal entities. The board of directors of each Service Board is completely independent of the RTA Board. The RTA Board does not control the selection or the appointment of any Service Board director or its management. Furthermore, 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.

The corporate authority and governing body of the RTA is the 16-member RTA Board of Directors. Fifteen

directors are appointed from within the six-county region: five directors by the Mayor of the City of Chicago, one director by the president of the Cook County Board; four directors by the suburban members of the Cook County Board; and one director each from DuPage, Kane, Lake, McHenry and Will appointed by the Chairman or Executive of the County Board. The chairman of the RTA Board, its 16th member, is elected by at least 12 of the 15 appointed members. 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.

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 (apart from ADA Paratransit service) achieves an annual "system-generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of the operation of transportation services other than ADA Paratransit service. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required proportion of their proposed expenditures. By statute, the recovery ratio for ADA Paratransit service has been set at 10%. 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, but the RTA is mandated to review the budgets of the CTA, Metra and Pace and ensure that their budgets meet the 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 40 nearby 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 service area for bus, dial-a-ride, and vanpool service is the suburbs of the six-county region, with some service to areas within the City of Chicago. Pace is also responsible for region-wide ADA Paratransit service.

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, each year the RTA is required to prepare and adopt a five-year 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.

The 2008 legislation, which broadened the responsibilities of the RTA, called for the development and continued review of a region-wide strategic plan. As part of the strategic plan the RTA, in conjunction with the Service Boards, develops a ten-year prospective analysis of the regions financial condition.

Budget Process

As previously discussed, 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 budget amendment requirements govern this process. The essential aspects of the budget calendar are outlined below. A detailed calendar is provided in the Appendices (Exhibit 10-1).

BUDGET CALENDAR

Between May and September of each year the RTA and the Service Boards execute a "business plan call process" that includes RTA estimates of revenue to be collected from taxes and other sources and the Service Boards' own preliminary estimates for the capital program and operating revenues and expenditures during the planning period.

Based on this information, "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 of funding 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, a two-year financial plan, and a five-year capital program. "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, a Service Boards must hold at least one public hearing in each of the counties in which it provides service and 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 RTA Act requires that the budgets submitted by each Service Board not project or assume receipt of public funding greater than that set in the estimates provided by the RTA.

The RTA must 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. The public hearing notice and results for the 2012 budget may be reviewed in the Appendices Section (Exhibits 10-2.1 and 10-2.2).

After conducting these hearings and taking into consideration the comments, the RTA Board must adopt (with 12 votes) a budget that meets the statutory criteria. If the RTA does not find that a Service Board budget meets the criteria set forth under the Act, and the Service Board does not submit a revised budget that meets the criteria, the Board shall, adopt a budget and financial plan meeting these criteria. The RTA, CTA, Metra, and Pace all report on a calendar-year basis.

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.

STATUTORY REQUIREMENTS

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

Balanced Budget

Such budget and plan shall show a balance between (a) anticipated revenue 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 expenditures 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. The combined revenue from RTA operations should cover at least 50% of the system operating costs. ADA Paratransit service revenues should cover at least 10% of the operating costs.

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.

Strategic Plan

Such budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

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.

OVERSIGHT

After adoption of the operating budget, the RTA Board has continuing oversight responsibility concerning the budget and the financial condition of each Service Board and the 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 "it's 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 seven statutory budget criteria necessary to pass an annual budget. If not, the RTA does not release any moneys 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 that shows that the budget criteria "will be met in a time period less than four quarters."

Financial Policies

OPERATIONS FUNDING

Ordinance 91-9 (the "Fund to Budget Policy) required that the RTA provide operating funds to each Service Board equivalent to its budgeted deficit for the year. In the event that a Service Board's public funding receipts proved to be lower than budget the RTA would allocate a portion of its Fund Balance to make up the difference. This policy encouraged cost efficiencies by the Service Boards and allowed them to retain any budgeted funds that were not expended. Such funds were generally referred to as a positive budget variance (PBV), and pursuant to Ordinance 91-9 must be used for capital purposes, unless a specific exception was provided by the RTA Board. The 2010 budget ordinance (2009-93) provided such an exception for Metra.

However, depletion of the RTA's fund balance during the economic downturn prevents the RTA from providing additional funding to the Service Boards should revenues decline below estimated levels. As a result, the fund to budget policy was waived in 2009 and has been waived each year since the economic downturn. With the fund to budget policy waived, the current policy in place ("Fund to Actuals") allocates sales tax receipts and their corresponding state match in accordance with the statutory funding formula. The portion of funding allocated at the discretion of the RTA Board is still distributed at budget. Under this policy positive budget variances experienced by the Service Boards are still dedicated for capital purposes unless a specific exception is granted by the RTA Board.

FUND BALANCE

In 1998 the RTA Board adopted Ordinance 98-15, establishing a minimum level on the unreserved and undesignated or unassigned fund balance. The ordinance affirms that 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% of the RTA's total operating expenditures for that year. If actual sales tax receipts or other RTA revenue falls short of the amounts reflected in the annual budget, then the next 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 three-year planning period.

The RTA established this policy 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. Since 2009 the fund balance policy was waived for every budget except in 2011 and has been deferred for the 2013 budget and 2014–2015 financial plans as well.

CAPITAL EXPENDITURES

The RTA Five-Year Capital Program is adopted by the RTA after an affirmative vote of at least 12 RTA Directors, after consultation with the Service Boards, and after holding a minimum of three public hearings in Cook County and one public hearing in each of the other counties in the metropolitan region. Preparation of the RTA's capital budget is guided by the following policies found in the RTA Act.

A five-year program for capital improvements is updated annually. Each capital improvement to be undertaken by or on behalf of a Service Board should meet the criteria set in the Strategic Plan and be consistent with any sub-regional or corridor plan adopted by the RTA.

In reviewing proposals for improvements to be included in a Five Year Capital Program, the RTA may give priority to improvements that are intended to bring public transportation facilities into a State of Good Repair (SGR).

The Five Year Capital Program shall also identify capital improvements to be undertaken by a Service Board, a transportation agency, or a unit of local government and funded by the Authority from amounts in the Innovation, Coordination, and Enhancement Fund.

At times, shortfalls in transit operating funding necessitated the transfer of federal capital funds to cover operating costs. In 2007, the RTA Board, having found such transfers unsustainable over the long term and given the need to maintain the existing system and bring it towards a SGR, Ordinance 2007-48 established a financial policy that disallowed the transfer of capital funds to operations. Under this ordinance, federal capital funds should not be used by a Service Board to fund operating expenses unless the RTA Board determined based on adequate information supplied by the Service Board, that such use would not have a materially adverse impact on the state of repair of the Service Board's capital assets. The RTA Board, having been provided sufficient information and having identified a sufficient need to transfer funds from capital to operations, allowed the Service Boards to transfer funds from capital to operations in every year from 2009 to 2011. The 2012 and the 2013 budget exclude the transfer of capital funds to operations.

FIXED ASSETS

As part of its accounting policies, the RTA sets a fixed asset capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation.

Description	Useful life
Furniture and Equipment	5 years
Computer Equipment	5 years
Leasehold improvements	Life of the lease

GENERAL OBLIGATION BONDS

Pursuant to the Note General Ordinance (Ordinance 85-39), adopted August 8, 1985, bonds should be payable from all revenue 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 (JSIF) 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. In addition, RTA Sales Tax must be 2.5 times greater than the debt service requirement. If RTA has not made the required monthly debt service payment, then the trustee is to deduct it from the receipts. If all payments have been made, then the funds are made available to the RTA for regular use.

INVESTMENT

The RTA's investment policy complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, public trust, and investments in local and disadvantaged institutions. It further permits investments and prescribes safekeeping, collateralization, and reporting requirements.

The RTA policy establishes the following objectives:

- **Safety of Principal** – Every investment will be made with safety of principal as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.

- **Liquidity** – Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA.

- **Rate of Return** – A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.

- **Public Trust** – The RTA and its officers should avoid any investment transaction or practice which in appearance may impair public confidence in its stewardship of public funds.

- **Investments in Local and Disadvantaged Institutions** – Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA

recognizes its interest in the vitality of the local economy by investing in local, minority, and female owned financial institutions.

The RTA's investment policy was last modified in 2005 to exclude certain investments allowed for by Illinois law, but deemed too risky by RTA staff, and increase the frequency of investment reporting to the RTA Board.

PENSION FUNDING

By statute, the RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

RTA ORDINANCE NO. 2013-01

APPROVING THE 2013 BUDGETS AND 2014-2015 FINANCIAL PLANS OF THE SERVICE BOARDS, ADOPTING THE 2013 BUDGET AND PROGRAM OF THE AUTHORITY, APPROPRIATING FUNDS FOR THE 2013 BUDGETS, ALLOCATING CERTAIN REVENUES OF THE RTA TO THE SERVICE BOARDS, ADOPTING THE FIVE-YEAR CAPITAL PROGRAM, AND TAKING CERTAIN OTHER ACTIONS WITH RESPECT TO THE BUDGET AND PROGRAM FOR FISCAL YEAR 2013

WHEREAS, Section 4.01 of the Regional Transportation Authority Act (the "Act") directs the Board of Directors of the Regional Transportation Authority (the "RTA Board") to (i) appropriate money to perform the purposes of the Regional Transportation Authority (the "RTA" or the "Authority") and provide for payment of debts and expenses of the RTA, (ii) take action with respect to the budget and two-year financial plan of each of the Chicago Transit Authority (the "CTA"), the Commuter Rail Division of the Regional Transportation Authority ("Metra"), the Suburban Bus Division of the Regional Transportation Authority ("Pace", and, together with the CTA and Metra, collectively, the "Service Boards" and each, individually, a "Service Board"), as provided for in Section 4.11 of the Act, and (iii) adopt an Annual Budget and Two-Year Financial Plan for the RTA that includes the annual budget and two-year financial plan of each Service Board that has been approved by the RTA;

WHEREAS, pursuant to Section 4.11 of the Act, the RTA Board adopted Ordinance 2012-69 on October 10, 2012, identifying the amounts of funds estimated to be available to each Service Board for operations during fiscal year 2013 and the two following fiscal years;

WHEREAS, pursuant to Section 4.11 of the Act, each Service Board has submitted its proposed fiscal year 2013 budget and proposed 2014-2015 financial plan to the RTA for its review;

WHEREAS, pursuant to Section 4.01(a) of the Act, the RTA has held at least one public hearing in the metropolitan region, and met with the county board or its designee of each of the several counties in the metropolitan region, with respect to its proposed annual budget and two-year financial plan, and considered the proposed budgets and financial plans of the Service Boards and the public comments with respect to those budgets and financial plans;

WHEREAS, Section 4.11 of the Act authorizes and directs the RTA to review the budgets and financial plans of the Service Boards for approval;

WHEREAS, pursuant to Sections 4.01(a) and 4.11(d) of the Act, the budgets and financial plans of the Service Boards shall contain estimated expenses for contributions to be made with respect to pension and other employee benefits, and the Service Boards are required to present to the RTA budgets prepared in such detail as prescribed by the Board, which have been prepared on both an accrual and a cash flow basis, and that fairly present the condition of any pension plan or trust for health care benefits with respect to retirees established by the Service Board and describes the plans of the Service Boards to meet the requirements of Sections 4.02a and 4.02b;

WHEREAS, pursuant to Sections 4.02a and 4.02b of the Act, the RTA shall continually review the payment of the required employer contributions to affected pension plans and if at any time the RTA determines that a Service Board's payment of any portion of the required contributions to an affected pension plan is more than one month overdue, it shall as soon as possible pay the amount of those overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of monies otherwise payable to that Service Board under Section 4.03.3, and the RTA shall thereafter have no liability to the Service Board for amounts paid to the trustee of the affected pension plan, and if the RTA's payment of such contributions is similarly overdue it shall pay such overdue amount out of its administrative expenses;

WHEREAS, Section 4.10 of the Act prohibits the RTA from releasing funds, other than those allocated by statute, to the CTA in any fiscal year unless a unit or units of local government in Cook County (other than the CTA) enters or enter into an Agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation;

WHEREAS, pursuant to Section 3A.09 (e) of the Act, and subject to approval by the Authority and the specific bond issuance parameters set forth in the Act, Pace has the authority to borrow money for the purposes of (i) constructing a new garage in the northwestern Cook County suburbs, (ii) converting the South Cook garage in Markham to a Compressed Natural Gas facility, (iii) constructing a new paratransit garage in DuPage County, and (iv) expanding the North Shore garage in Evanston to accommodate additional indoor bus parking;

WHEREAS, pursuant to Section 4.03.3 of the Act, the RTA has established public funding levels in 2013 through 2015 for the Suburban Community Mobility Fund and the Innovation, Coordination, and Enhancement Fund (the "ICE Fund") that change proportionately with the percentage change in RTA estimated sales tax receipts;

WHEREAS, pursuant to Section 2.01d of the Act, the RTA has established public funding levels in 2013 through 2015 for the ADA Paratransit Fund;

WHEREAS, pursuant to Section 4.11(a) of the Act, the RTA Board shall review the interim 2013 results for the provision of Regional ADA Paratransit service operations, and the written report of the Executive Director related thereto, no later than September 15, 2013, and shall amend the 2013 budgets of the Authority and the Service Boards to provide for additional funding for the provision of ADA Paratransit services, if needed;

WHEREAS, the RTA will reimburse the purchase of excess liability and terrorism insurance by the RTA system's Loss Financing Plan to provide system protection against catastrophic loss;

WHEREAS, pursuant to Section 2.01b of the Act, the Authority shall each year adopt a Five-Year Capital Program that shall include each capital improvement to be undertaken by or on behalf of a Service Board; provided that the Authority finds that the improvement meets any criteria for capital improvements contained in the Strategic Plan, is not inconsistent with any sub-regional or corridor plan adopted by the Authority, and can be funded within amounts available with respect to the capital and operating costs of such improvement;

WHEREAS, pursuant to Section 2.01b of the Act, the RTA has conducted public hearings with respect to the proposed Five-Year Capital Program and considered comments resulting from such hearings;

WHEREAS, the Five-Year Capital Program included with this Ordinance is based on capital program submittals from the Service Boards, and if the RTA Board makes any amendments to the estimates of capital funding available based on subsequent federal or state actions, the Service Boards will be required to adjust their capital programs to reflect such revised estimates;

WHEREAS, pursuant to Section 4.01 (h) of the Act, no Service Board shall undertake any capital improvement which is not identified in the Five-Year Capital Program;

WHEREAS, shortfalls in transit operating funding have necessitated the transfer of federal capital funds to cover operating costs, but such transfers are unsustainable over the long term and the priority need is to maintain the existing system and bring it toward a State of Good Repair, as identified in the RTA Strategic Plan and the Illinois Auditor General Management and Performance Audit;

WHEREAS, the RTA has previously authorized the use of federal capital funds by the Service Boards to pay preventive maintenance expenses in 2013, and under the 2013 budgets and 2014-2015 financial plans submitted by the Service Boards such transfers are not included;

WHEREAS, unfavorable economic conditions have required the RTA to deplete its fund balance to provide funds to the Service Boards, and to allocate, rather than reserve, financial resources in an effort to preserve operating stability in prior years;

WHEREAS, unfavorable economic conditions have created the need to waive, for purposes of the adoption of the 2013 Budget and 2014-2015 Financial Plan, the provision of the RTA Funding Policy adopted by Ordinance No. 98-15 that requires that the RTA Annual Budget and Two-Year Financial Plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund expenditures by no later than the end of the three-year planning period ("the Fund Balance Policy");

WHEREAS, the waiver of the Fund Balance Policy and the depletion of the RTA's fund balance prevents the RTA from providing additional operating funding to the Service Boards in the event that revenues decline below estimated levels, and therefore the RTA funding policy adopted by Ordinance 91-9 (the "Fund to Budget Policy") must be waived for the 2013 fiscal year;

WHEREAS, RTA working cash borrowing was used to fill shortfalls in funding provided by public subsidies to the Service Boards in 2011; and, pursuant to Section 4.09 of the Act, the proceeds of such borrowings distributed to the Service Boards are projected to be repaid in 2013 with the proceeds of subsequent working cash borrowing;

WHEREAS, the RTA held a special Finance Committee meeting on December 5th, 2012 to review the details of the Service Boards' budgets and were given assurances by the Service Boards that the assumptions used to develop their budgets are reasonable and will enable them to maintain balanced budgets; 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:

ARTICLE I - INCORPORATION OF PREAMBLES

The preambles of this ordinance are hereby incorporated into this text as if set out herein in full.

ARTICLE II - APPROVAL OF BUDGETS AND FINANCIAL PLANS

Section One:
Service Board Budgets and Financial Plans

1.1 In compliance with the Act, the RTA has received and reviewed the proposed budgets for 2013 and financial plans for 2014 and 2015, of each of the Service Boards.

1.2 With respect to the proposed budget and financial plan submitted by CTA (as summarized in Schedule I-B), the RTA finds as follows:

(a) the CTA budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the CTA 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) the CTA 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 CTA sufficient to allow CTA to meet or exceed its

required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the CTA budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the CTA budget and plan has been prepared in accordance with sound financial practices;

(f) the CTA budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) the CTA budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.3 With respect to the proposed budget and financial plan submitted by Metra (as summarized in Schedule I-B), the RTA finds as follows:

(a) the Metra budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the Metra 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) the Metra 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 Metra sufficient to allow Metra to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the Metra budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the Metra budget and plan has been prepared in accordance with sound financial practices;

(f) the Metra budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established;

(g) the Metra budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.4 With respect to the proposed budget and financial plan submitted by Pace for Suburban Service (as summarized in Schedule I-B), the RTA finds as follows:

(a) the Pace Suburban Service budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the Pace Suburban Service 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) the Pace Suburban Service 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the Pace Suburban Service budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the Pace Suburban Service budget and plan has been prepared in accordance with sound financial practices;

(f) the Pace Suburban Service budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) the Pace Suburban Service budget and plan is consistent with the goals and objectives adopted by the RTA in the Strategic Plan.

1.5 With respect to the proposed budget and financial plan submitted by Pace for ADA Paratransit service (as summarized in Schedule I-B), and subject to Pace taking budget balancing actions in 2014 and 2015 as reflected in Schedule I-B, the RTA finds as follows:

(a) the Pace ADA Paratransit Service budget and plan shows a balance between (i) anticipated revenues from all sources, including operating subsidies and application of Service Board fund balances, and (ii) 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) the Pace ADA Paratransit Service 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) the Pace ADA Paratransit Service 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 Pace sufficient to allow Pace to meet or exceed its required system-generated revenue recovery ratio, as set forth in Schedule I-C;

(d) the Pace ADA Paratransit Service budget and plan is based upon and employs assumptions and projections which are reasonable and prudent;

(e) the Pace ADA Paratransit Service budget and plan has been prepared in accordance with sound financial practices;

(f) the Pace ADA Paratransit Service budget and plan meets the other financial, budgetary, or fiscal requirements that the RTA has established; and

(g) the Pace ADA Paratransit Service budget and plan is consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

1.6 Pursuant to Section 4.11 of the Act, the 2013 budgets and 2014-2015 financial plans for CTA, Metra and Pace, as presented in the attached Schedule I-B, are hereby approved.

1.7 As authorized by Section 4.11 of the Act, the RTA Board hereby directs that, no more than 30 days after each fiscal quarter, each Service Board is required to 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, as of the end of and for such quarter, for review by the RTA for conformity with the approved budget for such period.

Section Two:

RTA Budget and Financial Plan

The RTA Board has received and reviewed the 2013 Budget and Financial Plan of the Authority as summarized in Schedule I-A. The 2013 Budget and Financial Plan are hereby approved and the RTA Board finds as follows:

(a) The 2013 budget and financial plan shows a balance between anticipated revenues from all sources and anticipated expenses, including the funding of operating deficits and the discharge of encumbrances incurred in prior periods and payment of principal and interest on outstanding indebtedness when due, as summarized in Schedule I-A.

(b) The 2013 budget and financial plan shows cash balances sufficient to pay with reasonable promptness all obligations and expenses as incurred, as summarized in Schedule I-E.

(c) The 2013 budget and financial plan 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 system-generated revenues from such fares and charges received in 2013, apart from ADA Paratransit services, to equal at least fifty percent (50%) of the aggregate cost of providing such public transportation in 2013, and at least ten percent (10%) for ADA Paratransit service in 2013, as required by the Act, and as summarized in Schedule I-C.

(d) The 2013 budget and financial plan is based on and employs assumptions and projections which are reasonable and prudent.

(e) The budgeted "administrative expenses" of the RTA for 2013, as defined in Section 4.01 (c) of the Act, do not exceed the maximum administrative expenses permitted for 2013.

(f) The 2013 budget and financial plan are consistent with the goals and objectives adopted by the Authority in the Strategic Plan.

ARTICLE III - ADOPTION OF THE FIVE-YEAR CAPITAL PROGRAM

Section One:

Adoption of the Five-Year Capital Program

The RTA Board has received and reviewed the 2013-2017 Five-Year Capital Program presented by the Service Boards. The RTA Board is requiring that any capital projects planned by Pace to be funded from the proceeds of a bond issuance must have an RTA Board approved bond financing plan prior to issuance of the bonds that includes: (i) information on the size of the issuance, (ii) the impact that the debt payment will have on the Operating Budget, Two-Year Financial Plan, and the Capital Program, (iii) whether the debt repayment plan will utilize a level debt service plan, capitalize any interest, or defer principal payments into out years, (iv) evidence that the cost of borrowing will be less than or equal to the cost for an identical transaction with RTA as the borrower; (v) establish whether a reserve fund will be included and if so, how it will be funded, (vi) establish what the term of maturity of the bonds will be, (vii) identify additional costs associated with financing of the bonds including financial advisor costs, underwriting costs, bond insurance cost (if any) and other associated costs, (viii) if applicable, a request to use negotiated issuance rather than a competitive bid process and (ix) a summary of compliance with requirements stipulated by other governing statutes.

The RTA Board hereby adopts the Five-Year Capital Program Revenues and Expenditures attached as Schedule II-A and Schedule II-B, subject to continuing review by the RTA.

Section Two:

Prohibition on Capital Projects Not Included in the Program

Pursuant to Section 4.01 (h) of the Act, no Service Board shall undertake any capital improvement which is not identified in the Five-Year Capital Program.

Section Three:

Applications for Federal and State Capital Grants, Loans and Other Funds

In accordance with Section 4.02 (b) of the Act, each Service Board is directed to provide notice to the RTA of its intent to file any application for federal or state capital grants, loans or other funds prior to making any such application, and to file a copy of any such application with the RTA. No Service Board shall apply for or receive any capital grant or loan unless it is identified in the RTA Five-Year Program and is consistent with the RTA Strategic Plan.

Section Four:

Prohibition on Use of Federal Capital Funds for Preventive Maintenance

Federal capital funds shall not be used by a Service Board to fund preventive maintenance expenses in its operating budget unless the RTA Board determines, based on adequate information supplied by the Service Board, that such use will not have a materially adverse impact on the State of Good Repair of such Service Board's capital assets.

ARTICLE IV - APPROPRIATION OF FUNDS AND CERTAIN OTHER ACTIONS

Section One:

Appropriation for Each Service Board

The following amounts for 2013 are appropriated for payment to each Service Board from the enumerated sources of funds and for the specified objects and purposes.

1.1 Statutory RTA Taxes

There is appropriated from the taxes collected under Section 4.03, to each Service Board for expenditure pursuant to the 2013 budget approved for such Service Board in Article II, the amount required by Sections 4.03.3 (a) and 4.03.3 (b) of the Act. The estimated amount of each appropriation is specified as Part I Sales Tax Allocation on Schedule I-D.

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 appropriation.

1.2 Statutory RTA Sales Taxes and Public Transportation Funds

(a) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and Public Transportation Fund receipts received pursuant to Section 4.09 of the Act, to Pace for expenditure for ADA Paratransit Services, the amount required by Section 4.03.3 (c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Total for ADA Paratransit Service on Schedule I-D.

(b) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and Public Transportation Fund receipts received pursuant to Section 4.09 of the Act to Pace for expenditure for Suburban Community Mobility, the amount required by Section 4.03.3 (c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Suburban Community Mobility Funding to Pace on Schedule I-D.

(c) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and Public Transportation Fund receipts received pursuant to Section 4.09 of the Act, to the Innovation, Coordination and Enhancement (ICE) Fund the amount required by Section 4.03.3 (c). The estimated amount of the appropriation is specified as Part II Allocation; RTA Innovation, Coordination & Enhancement on Schedule I-D.

The RTA Board directs Pace to provide to the RTA any information requested by the Executive Director that is, in the judgment of the Executive Director, necessary to estimate the difference between (i) the projected final 2013 operating deficit of ADA Paratransit

service and (ii) the total amount of funding from all sources estimated to be available for 2013 operations of ADA Paratransit Service (such difference, the "Shortfall Amount"). The Shortfall Amount shall be established by the Executive Director after reviewing the 2013 ADA Paratransit service operating deficit estimate included in Pace's budget submission in September 2013, and, after being approved by the Chairman of the RTA Board and the Chairman of the Finance Committee of the RTA Board, shall be submitted to the RTA Board together with a certification from Pace that additional funds equal to the Shortfall Amount are necessary for 2013 ADA Paratransit service operations. Such certification shall be accompanied by a report describing Pace's efforts to implement reasonable and appropriate cost savings and revenue raising measures related to ADA Paratransit Service.

(d) There is appropriated from taxes imposed pursuant to Section 4.03 of the Act and Public Transportation Fund receipts received pursuant to Section 4.09 of the Act to each Service Board for expenditure pursuant to the Budget approved for such Service Board in Article II, the amount required by Section 4.03.3 (c). The estimated amount of each appropriation is specified as Part II Allocation; Remaining Balance to Service Boards in Schedule I-D.

After receipt by the RTA of the proceeds of taxes imposed pursuant to Section 4.03 of the Act, and Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director of the RTA shall provide for the payment to each Service Board the specified appropriation.

1.3 Free and Reduced Fare Reimbursement

There is appropriated, for expenditure by each Service Board pursuant to the 2013 Budget approved in Article II, amounts received from the State of Illinois for reimbursement of revenues lost from providing free or reduced fare rides.

After receipt by the RTA of such funds from the State of Illinois, the Executive Director shall provide for the payment to each Service Board its proportionate share of the proceeds estimated to be received from the State as identified on Schedule I-A; provided that such funds shall not be distributed to the CTA unless and until a unit or units of local government in Cook County (other than the CTA) enters or enter into an agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation.

1.4 Discretionary Funds of the RTA – Public Transportation Fund, 15% Sales Tax, Other RTA Revenues

(a) There is appropriated, for expenditure by each Service Board pursuant to the 2013 Budget approved in Article II, the lesser of (i) the amounts specified as "RTA Discretionary Funds" and any amounts specified on Schedule I-B from other receipts and revenues of the RTA, and (ii) so much as may be necessary that the actual amounts appropriated for each Service Board under paragraphs 1.1 and 1.2 of this section equal the amounts specified as "Total RTA Funding for Operations" on Schedule I-B.

(b) There is appropriated, for expenditure by Pace pursuant to the amount specified as RTA South Suburban Job Access Funds on Schedule I-B from other receipts and revenues of the RTA.

(c) There is appropriated, for expenditure by Metra for projects, as specified on Schedule II-B, and pursuant to the first year of the Five-Year Capital Program approved in Article II, the amounts specified as "Transfer Capital RTA Capital Reserve Funds to Metra" on Schedule I-A from RTA Regional Capital Project Reserves.

(d) There is appropriated, for expenditure by CTA for projects, as specified on Schedule II-B, and pursuant to the first year of the Five-Year

Capital Program approved in Article II, the amounts specified as "Transfer Capital RTA Capital Reserve Funds to CTA" on Schedule I-A from RTA Regional Capital Project Reserves.

Subject to receipt by the RTA of sufficient proceeds of taxes imposed pursuant to Section 4.03 of the Act, and from the Public Transportation Fund receipts pursuant to Section 4.09 of the Act, the Executive Director is hereby directed to provide for the payment of such funds described in paragraphs (a), (b), (c) and (d) 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.

Section Two:
Appropriation to the Regional Transportation Authority

In 2013 there is appropriated, for expenditure for the operating purposes of the RTA (the "Agency") the amounts specified on Schedule I-A as "Agency Administration and Other" and "RTA Regional Services and Programs", pursuant to the 2013 Budget approved in Article II, from other receipts and revenues of the RTA.

In 2013 there is appropriated for transfer from the RTA's Fund Balance to the Joint Self Insurance Fund (JSIF), funds to reimburse the insurance premium and associated fees for liability and terrorism insurance for the RTA System's Loss Financing Plan the amount specified on Schedule I-A as "RTA Joint Self-Insurance Fund (JSIF) Funding."

The Executive Director is authorized to transfer up to 10% from and among each of the items shown in Schedule I-A for 2013 as "Agency Administration and Other" and "RTA Regional Services and Programs".

ARTICLE V - GENERAL

Section One:
Implementation and Dissemination

The Executive Director is authorized and directed to take appropriate action to implement and enforce this Ordinance and to prepare and disseminate the 2013 Annual Budget and Program of the RTA in accordance with the Act and the policies established herein.

Section Two:
Organization of the RTA

The Executive Director shall organize the staff of the Authority, shall allocate their functions and duties, and shall fix compensation and conditions of employment. The Executive Director shall develop, and modify as may be necessary, Agency policies regarding travel, business and relocation expenses.

Section Three:
Fund Balance Policy

The provisions of the Fund Balance Policy adopted by Ordinance 98-15 are hereby waived for the 2013 budget and 2014-2015 Financial Plans.

Section Four:
Fund to Budget Policy

The provisions of the Fund to Budget Policy are hereby waived for the 2013 fiscal year.

Section Five:
Non-Waiver of RTA Authority

Nothing in this Ordinance is intended to or shall have the effect of (i) creating an obligation on the part of the RTA to provide funding to the Service Boards in excess of their respective statutorily allocated portions of the proceeds from taxes and State funds actually received by the RTA, nor (ii) waiving any discretion the RTA may have under law to amend the amounts appropriated to the Service Boards under the Ordinance, subject to compliance by the Service Boards with terms and conditions established by the RTA. Furthermore, noth-

ing in this Ordinance is intended to or shall have the effect of waiving any discretion the RTA may have under law to subject to review the determinations made in this Ordinance, including, but not limited to, setting recovery ratios for the Service Boards, establishing inclusions or exclusions of certain revenues or expenditures from the calculation of such recovery ratios, or determining the allowable uses of federal, state or local funds.

Section Six:

Executive Director's Authority to Apply for Additional Funds

The Executive Director, and his or her designee, is authorized and directed to execute and file applications on behalf of the RTA with the United States Department of Transportation ("USDOT"), Federal Transit Administration ("FTA"), the Illinois Department of Transportation ("IDOT"), and any other funding agency (collectively the "Funding Agencies") for any monies available for funding of the RTA Annual Budget. The Executive Director, and his or her designee, is authorized to furnish such additional information, assurances, certifications and amendments as the Funding Agencies may require in connection with such applications or the projects. The Executive Director, and his or her designee, 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 Funding Agencies. Further, the Executive Director, and his or her designee, is authorized and directed to take such action as he or she deems necessary or appropriate to implement, administer, and enforce said agreements and all subsequent amendments thereto on behalf of the RTA.

Section Seven:

Direction to File this Ordinance with Public Officials.

TThe Executive Director is authorized and directed to file the 2013 Budget and Program and a copy of this Ordinance with the Governor of Illinois, the Illinois 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.

Schedules to Ordinance 2013-01 can be found in the Appendices under Exhibit 10-23.

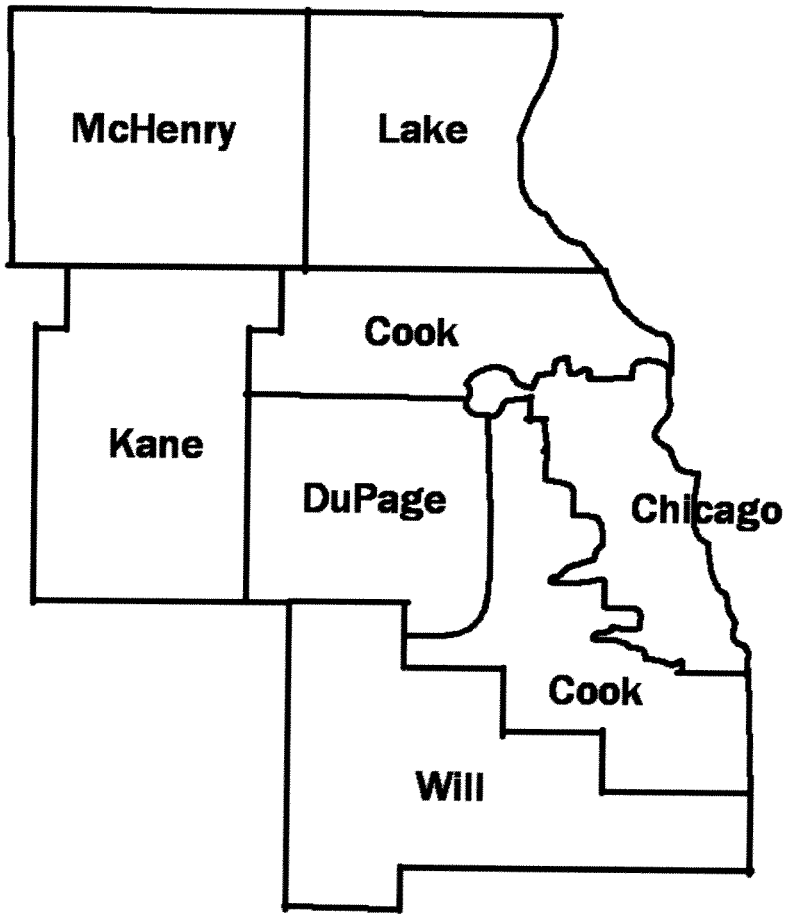
GFOA Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the Regional Transportation Authority, Illinois for its annual budget for the fiscal year beginning January 1, 2012.

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.

2 Regional Summary



Overview

The Regional Transportation Authority (RTA or "Agency") provides funding, planning, and fiscal oversight for regional bus and rail operations in Northeastern Illinois as set forth by the RTA Act, as amended. The RTA's six-county region encompasses the Illinois counties of Cook, DuPage, Kane, Lake, McHenry, and Will. The Act designates the RTA as the primary public body in the region to secure funds for public transportation. The RTA is authorized to impose taxes in the region, issue debt, and is responsible for the allocation of federal, state and local funds to finance both the operating and capital needs of public transportation in the region.

The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra, and Pace, have operational responsibility for public transportation within the six-county region and are governed by their own separate boards of directors (Exhibit 2-1). The CTA provides bus and heavy rail service in the City of Chicago and 35 neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service within the suburbs and between the suburbs and the City of Chicago, and also provides Dial-a-Ride, vanpool, and ADA Paratransit service for the entire region.

Each year, the RTA Board must adopt an annual budget, two-year financial plan, and five-year capital program for each Service Board. The principal features of this process are outlined in the following paragraphs. The RTA Act requires the RTA Board to approve the funding "marks" for each Service Board by September 15th. The marks include the projected funding levels for the annual operating budget, two-year financial plan, and the five-year capital program, and also stipulate the required recovery ratio for each Service Board's annual budget.

Exhibit 2-1: **RTA & Service Board Structure**

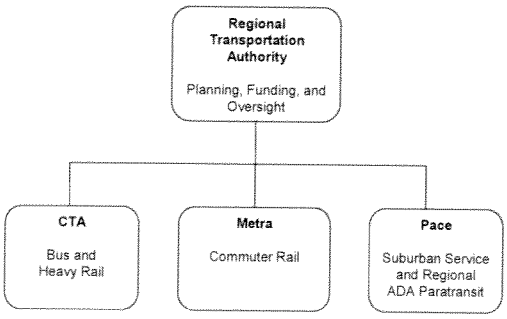
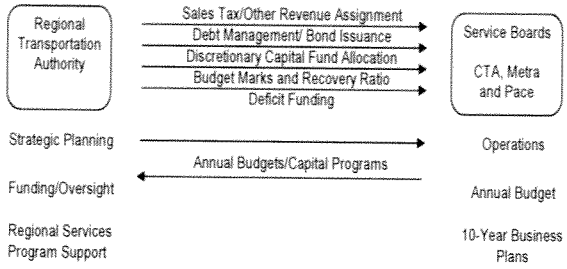


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**



The marks guide the development of the Service Boards' budgets. Each Service Board prepares and publishes, for public hearing and comment, a proposed budget and capital program document that conforms to the RTA marks. After considering public comment, the CTA, Metra, and Pace board members adopt their respective budgets. In November, the adopted budgets are submitted to the RTA, which consolidates the Agency and the Service Board budgets into a proposed RTA regional budget and capital program document. The RTA Board releases this document for public hearing and comment before considering the regional budget for adoption in December. Exhibit 2-2 illustrates the principal responsibilities and interactions between the RTA and Service Boards in the annual budget and capital program process.

Service Characteristics

The six-county Northeastern Illinois region has more than 8.3 million residents and spans 3,749 square miles. The RTA system includes more than 6,000 buses, rail cars, and locomotives, plus over 700 vanpool vehicles. The system provides almost two million rides per day on more than 350 routes through approximately 380 stations, as shown in Exhibit 2-14. The combined assets of the RTA system, including the CTA subway tunnels, have a replacement value of over $151 billion. With an average asset life of over 25 years, the RTA system needs more than $1 billion in capital funds each year just to keep the existing infrastructure in a State of Good Repair.

SERVICE LEVEL CHANGES

Changes in 2013 RTA service levels will be relatively minor. CTA implemented a de-crowding initiative in December 2012 which reallocated some bus service to other bus and rail routes. Metra service levels will be unchanged in 2013. Pace Suburban Service plans modest service expansions of existing Call-n-Ride, express bus, and vanpool services, while Pace Regional ADA Paratransit will expand existing service as necessary to meet customer demand. In total, these service level changes are projected to increase RTA system vehicle revenue miles by 3.4% in 2013.

RIDERSHIP

Following two consecutive years of strong ridership growth in 2011 and 2012, the RTA system is projecting a ridership decrease of 1.7% to 651.9 million rides in 2013 (Exhibit 2-3). CTA ridership is expected to decrease by 2.4% due to both a fare increase and a major track reconstruction project on the southern end of the Red Line. Metra expects nearly flat ridership due to a price increase on the 10-ride ticket. Pace Suburban Service expects ridership growth of 3.9%, driven by modest service expansions and continued promotion of its vanpool programs. Finally, Pace Regional ADA Paratransit expects strong ridership growth of 5.9% for its service, somewhat lower growth than in recent years.

Budget and Financial Plan

Exhibit 2-4 displays the consolidated 2013 RTA regional operating budget and two-year financial plan adopted by the RTA Board on January 16th, 2013. Actual and estimated results for 2011 and 2012 are included for comparison purposes. This comprehensive view of the RTA system operating budget includes all Service Board operating revenues and expenses, all RTA revenues and expenses, and all public funding for the region. The RTA expects combined 2013 operating revenues and public funding to slightly exceed operating expenses, resulting in a balanced budget. The regional financial plans for 2014 and 2015 are also projected to be balanced.

Exhibit 2-3: **RTA Ridership By Service Board** (in millions)

	2011 Actual	2012 Estimate	2013 Budget
CTA	532.0	542.8	529.6
Metra	82.7	81.4	81.5
Pace	33.7	35.4	36.8
ADA Paratransit	3.5	3.8	4.0
Region	**651.9**	**663.4**	**651.9**
Change:	+2.9%	+1.8%	-1.7%

OPERATING REVENUE

Service Board operating revenue comprises 41.8% of total regional revenues for 2013 (Exhibit 2-5), with public funding providing the balance of required revenue for the system. Operating revenue of $1.144 billion is expected in 2013, an increase of 7.2% from 2012. Operating revenue growth is then projected to slow to 4.6% and 3.3% in 2014 and 2015, respectively.

About 85% of operating revenue comes from passenger fares, but significant amounts are also generated by Service Board advertising and concessions, and by a State reimbursement to the Service Boards to partially offset the cost of providing mandatory free ride and reduced fare programs. The State Reduced Fare Reimbursement, although a public funding source, is presented with operating revenue because it represents a replacement of passenger fare revenue. Exhibit 2-6 displays the growth in operating revenue by Service Board for 2013, driven by fare increases at CTA and Metra, and by ridership at Pace and ADA Paratransit. In-depth discussions of operating revenues are contained in the RTA and Service Board chapters.

PUBLIC FUNDING

Public funding, comprising the remaining 58.2% of total regional revenues, is projected at $1.591 billion in 2013, representing an increase of 3.6% from 2012 as the economy continues to recover and generate increasing sales tax receipts. A regional sales tax, imposed at a rate of 1.25% in Chicago and Suburban Cook County and at a rate of 0.5% in the five collar counties, is the RTA's primary public funding source

Exhibit 2-4: **Regional Statement of Revenues and Expenses** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
Service Board Revenues (1)					
CTA	612,317	637,769	700,037	729,599	746,907
Metra	303,300	360,638	371,938	392,838	412,538
Pace	55,221	56,886	59,165	60,396	61,687
ADA Paratransit	13,762	11,576	12,495	13,068	13,670
Total Operating Revenues	**$ 984,600**	**$ 1,066,869**	**$ 1,143,635**	**$ 1,195,901**	**$ 1,234,802**
Public Funding (1)					
RTA Sales Tax	975,671	1,008,471	1,036,627	1,069,799	1,107,242
Public Transportation Fund (PTF)	305,395	313,191	321,848	332,250	343,813
Real Estate Transfer Tax (RETT)	34,734	35,500	36,200	37,700	38,800
Local Contributions (2)	-	5,000	5,000	5,000	5,000
State Financial Assistance (ASA/AFA)	130,088	130,071	130,167	130,283	130,283
Other State Funding	101,700	8,500	8,500	8,500	8,500
Federal Funds	98,597	2,599	6,262	8,187	8,432
RTA Regional Capital Project Reserves (3)	-	5,144	22,921	921	921
Other RTA Revenue (4)	23,550	26,502	23,376	23,618	23,974
Total Public Funding	**$ 1,669,735**	**$ 1,534,977**	**$ 1,590,902**	**$ 1,616,258**	**$ 1,666,965**
ADA Paratransit Service Budget Balancing Actions (5)	-	-	-	$ 3,803	$ 8,399
Total Revenues	**$ 2,654,335**	**$ 2,601,847**	**$ 2,734,537**	**$ 2,815,962**	**$ 2,910,167**
Service Board Expenses					
CTA	1,292,334	1,273,698	1,358,081	1,401,247	1,439,870
Metra	644,300	684,800	713,500	740,000	770,000
Pace	179,690	192,701	207,761	215,756	223,196
ADA Paratransit	128,109	137,516	148,762	159,952	172,303
Total Service Board Expenses	**$ 2,244,433**	**$ 2,288,715**	**$ 2,428,104**	**$ 2,516,955**	**$ 2,605,369**
Region/Agency Expenses					
Principal & Interest	217,241	224,000	220,000	220,000	220,000
RTA Agency Expense and Regional Programs	36,224	43,624	41,690	43,024	44,530
Transfer Capital/Agency Regional Capital Program	10,200	15,690	22,000	4,319	4,243
Grant Incentive Program	-	2,162	1,615	1,787	1,763
ICE and JSIF	8,761	15,264	15,550	15,888	16,269
Total Region/Agency Expenses	**$ 272,427**	**$ 300,740**	**$ 300,855**	**$ 285,017**	**$ 286,804**
Total Expenses	**$ 2,516,859**	**$ 2,589,455**	**$ 2,728,959**	**$ 2,801,972**	**$ 2,892,173**
Total Revenues less Total Expenses	**$ 137,476**	**$ 12,392**	**$ 5,578**	**$ 13,990**	**$ 17,993**

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

(2) Beginning in 2012, statutorily required local contributions from the City of Chicago and Cook County will be reclassified from Operating Revenue to Public Funding.

(3) Funds for Service Board or RTA Regional Capital Projects available from funds related to legal settlements from debt service deposit agreements, reprogrammed funds from completed RTA-funded projects, and 2011 RTA discretionary positive budget variance that has been designated for capital use by the RTA Board.

(4) Adjusted in 2012 to reflect the total of the Service Board estimates of annual Reduced Fare Reimbursement which was $262 thousand less than the RTA 2012 estimate. Other RTA Revenue includes income from financial transactions and investments, sales tax interest, and revenues from RTA programs and projects.

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

Exhibit 2-5: **2013 Regional Revenues** - $2.735 billion

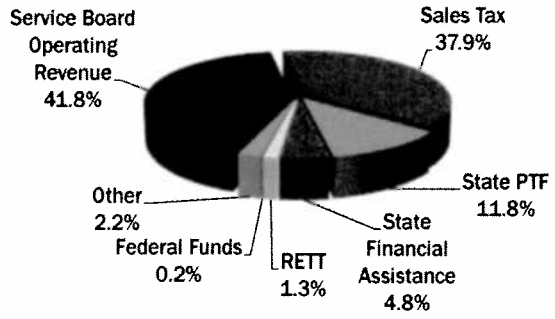


Exhibit 2-6: **2013 Operating Revenue Growth by Service Board**

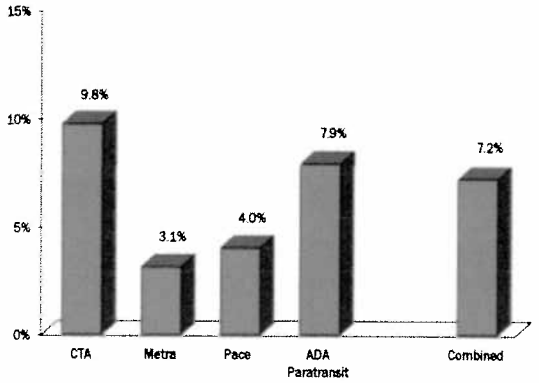


Exhibit 2-7: **Primary RTA Public Funding Sources**

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

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

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

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

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

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

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

for transit operations, accounting for almost 38% of total regional revenues. Sales tax receipts are expected to total $1.037 billion in 2013, an increase of 2.75% from 2012.

The second largest source of public funding is the Public Transportation Fund (PTF), generated by a 30% State of Illinois match of RTA sales tax and Chicago Real Estate Transfer Tax receipts. The State also provides additional financial assistance which is associated with RTA debt service, and additional funding for ADA Paratransit service. Rounding out the public funding sources for operations are the Real Estate Transfer Tax (RETT) in the City of Chicago only, which directly funds CTA operations, a small amount of federal funding, local contributions, and RTA-generated revenue from regional programs and investments. The RTA's primary public funding sources are summarized in Exhibit 2-7. An in-depth discussion of public funding, including details of the 2008 funding reform and the methods of allocation to the Service Boards, is included in the RTA chapter.

Exhibit 2-8: **2013 Regional Expenses** - $2.729 billion

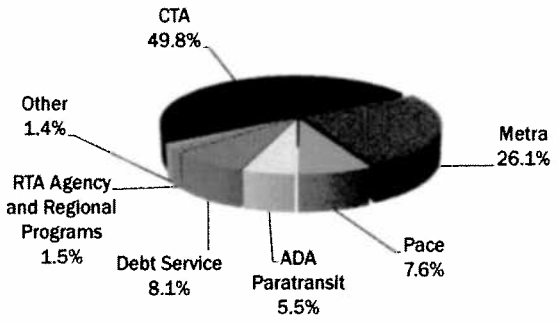
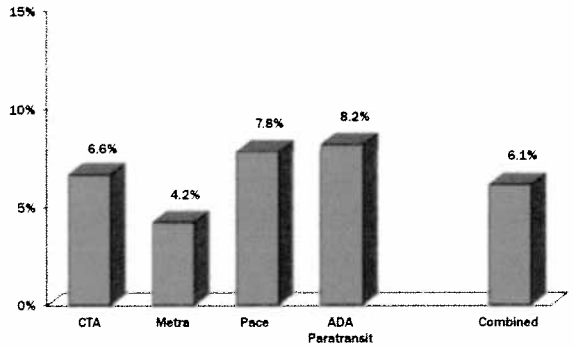


Exhibit 2-9: **2013 Operating Expense Growth by Service Board**



EXPENDITURES

Total regional expenses for 2013 are projected at $2.729 billion, an increase of 5.4% over 2012. Regional expense growth is then projected to slow to 2.7% and 3.2% in 2014 and 2015, respectively. Service Board operating expenses represent the largest component of total regional expense at $2.428 billion or 89.0%, followed by debt service at 8.1%, RTA Agency and Regional Programs at 1.5%, and Other expenses at 1.4% (Exhibit 2-8). The Other category includes regional expenses for Innovation, Coordination, and Enhancement (ICE), the Joint Self-Insurance Fund (JSIF), and RTA funds designated for Service Board capital use.

Service Board operating expenses are projected to increase by 6.1% in 2013, as shown in Exhibit 2-9. CTA's operating expense growth of 6.6% is being driven by a snapback in their Other expense category, which was temporarily reduced in 2012 by the liquidation of their Pension Obligation Bond reserve fund. Modest expense growth of 4.2% at Metra is resulting from contractual wage adjustments and increases in fuel and maintenance expenses. Pace Suburban Service's sharp expense growth of 7.8% is being driven by significant service expansions and new technology requirements (funded partly by grant revenues), while ADA Paratransit expense growth of 8.2% is resulting from continued strong demand for its service, coupled with contractor price increases.

Exhibit 2-10: **Budgeted Positions - RTA Region**

	2012 Budget	2013 Budget	Change
CTA	9,206	9,381	+1.9%
Metra	4,331	4,331	+0.0%
Pace	1,498	1,549	+3.4%
RTA Agency	122	119	-2.5%
Region Total	**15,157**	**15,380**	**+1.5%**

Exhibit 2-10 displays the total budgeted positions for the Service Boards, RTA, and region as a whole, which are expected to increase by 1.5% in 2013. In-depth discussions of operating expenses and all other regional expenses are included in the Service Board and RTA chapters.

Five-Year Capital Program

The 2013-2017 capital program adopted by the RTA Board on January 16th, 2013 contains $4.374 billion of funding for capital projects. Funding sources as a percent of the total capital funding, as shown in Exhibit 2-11, are as follows: Federal funding 51.2%, CTA bond proceeds 22.9%, State funding 17.5%, carryover from 2012 funding 3.2%, Pace bond proceeds 2.3%, Service Board and local funds 2.2%, and RTA funds 0.7%.

The planned uses of these funds by asset category are shown in Exhibit 2-12, with rolling stock represent-

Exhibit 2-11: **2013-2017 Capital Funding** - $4.374 billion

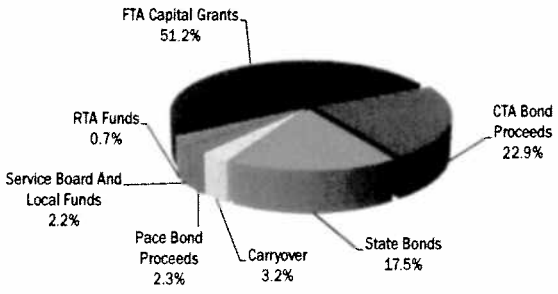
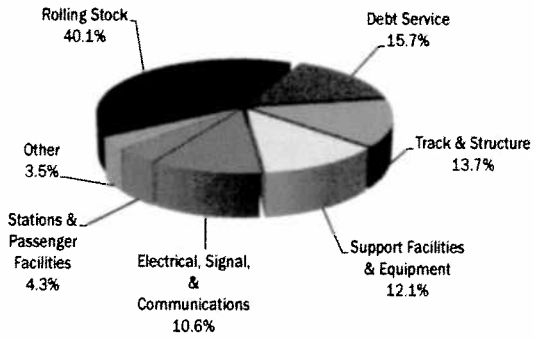


Exhibit 2-12: **2013-2017 Capital Uses** - $4.374 billion



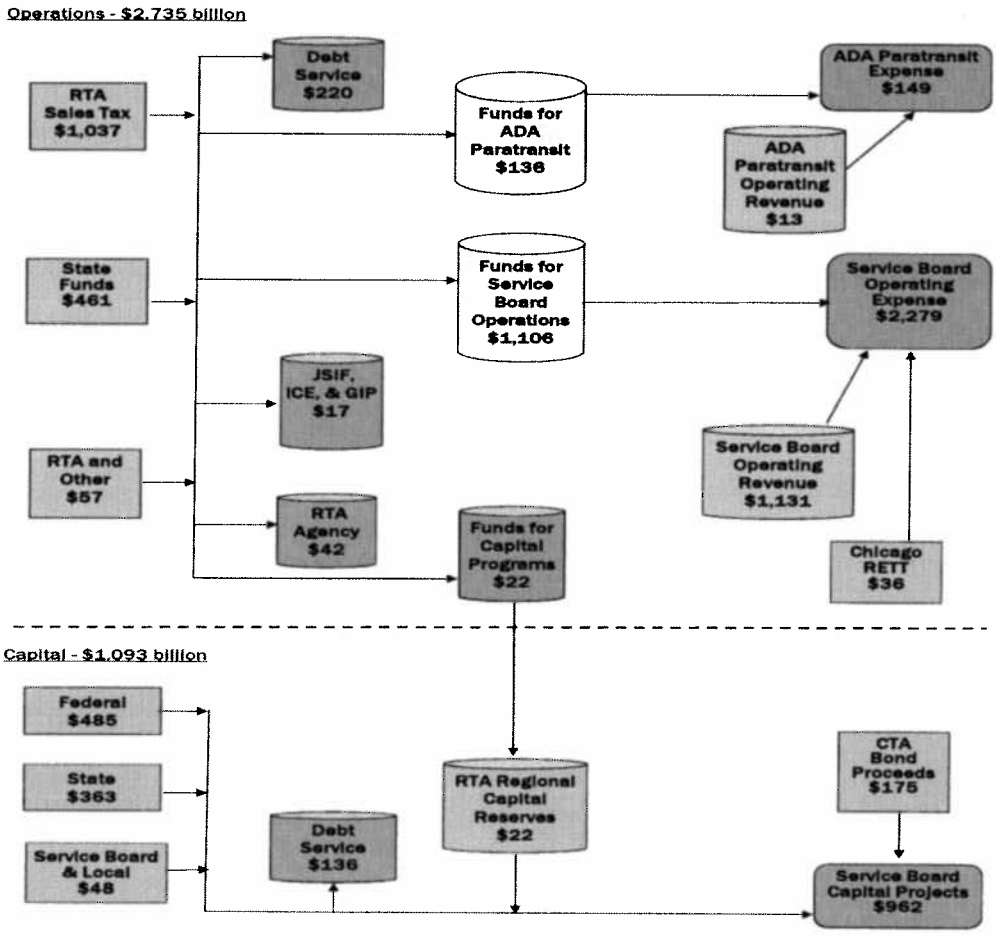
ing the largest area of capital investment at $1.754 billion or 40.1% of expenditures. The other planned expenditures and their percent of the total program are as follows: track and structure $599 million or 13.7%, support facilities and equipment $529 million or 12.1%, electrical, signal, and communications $464 million or 10.6%, stations and passenger facilities $190 million or 4.3%, and other $153 million or 3.5%. Finally, payment of debt service accounts for the remaining $685 million or 15.7%.

$1.093 billion of the $4.374 billion five-year program is planned for expenditure in 2013. Please reference the Capital chapter for further details on the 2013 and five-year capital programs and how they will impact region-wide operations.

Sources and Uses of Funds

Exhibit 2-13 summarizes the flow of the RTA system's 2013 operating and capital funds. Public funding of $1.591 billion and operating revenues of $1.144 billion, shown in dark green, combine to cover Service Board and ADA Paratransit operating expenses of $2.428 billion and other regional expenses of $301 million, shown in red. In 2013, the marks process allocated funds from prior years' RTA positive budget

Exhibit 2-13: **2013 Sources and Uses of Funds** - in millions



variances to the Service Boards for capital purposes, with $22 million provided for the CTA and Metra capital programs.

In addition to the $22 million of capital reserves from the RTA, the 2013 capital program is funded by $485 million of Federal funding, $363 million of State funding, $48 million of Service Board and local funding, and $175 million of CTA bond proceeds, shown in dark green. Debt service of previous and 2013 bond issues will consume $136 million of the total funding, leaving $962 million of funding available for Service Board capital projects in 2013.

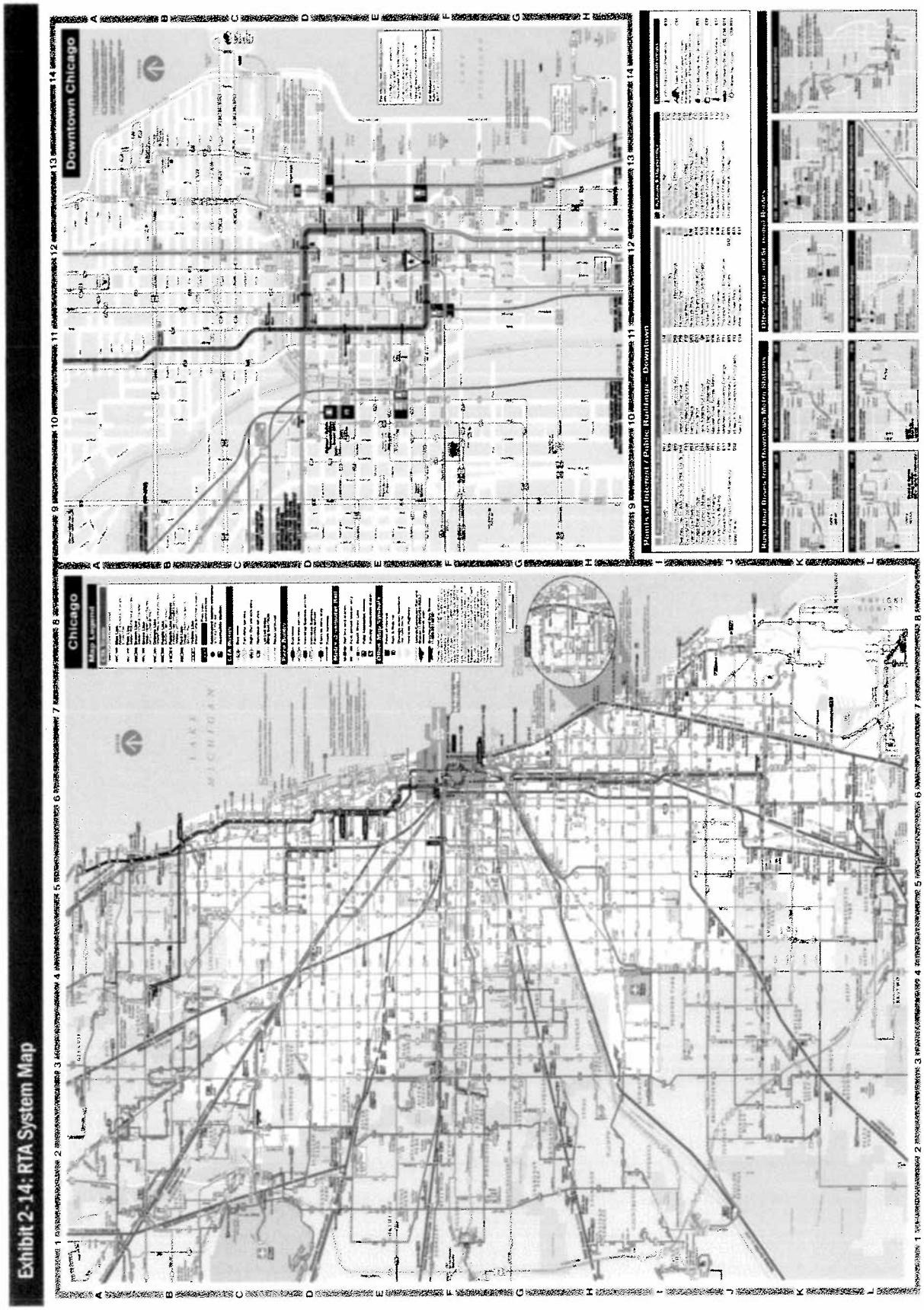


Exhibit 2-14: RTA System Map
Chicago
Downtown Chicago

3 RTA

RTA Operating Plan

Overview

This section focuses on the sources and uses of RTA operating funds. In addition to its planning and oversight roles, a critical function of the RTA is to receive and distribute operating funding to the three Service Boards which provide public transportation within the six-county Northeastern Illinois region: CTA, Metra, and Pace.

Budget and Financial Plan

Exhibit 3-1 displays a five-year view of the RTA's operating funding. The 2013 budget and 2014-2015 two-year financial plan are presented, and 2011 actual and 2012 estimated figures are included for comparison purposes. Unlike Exhibit 2-4 in the regional summary chapter, this view of the RTA's finances excludes the Service Boards' operating revenues and operating expenses, and focuses solely on those funds which are handled by the RTA.

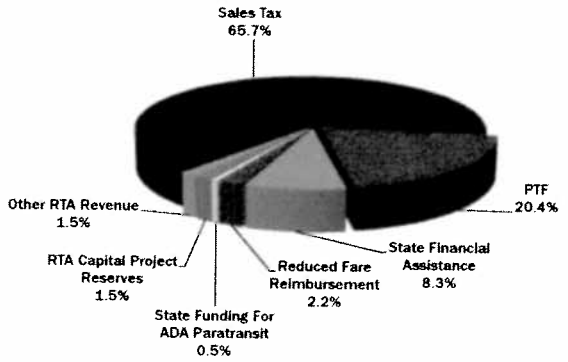
The 2013 budget anticipates $1.578 billion of funding for RTA operations, an increase of 3.4% over the 2012 estimate.

RTA FUNDING SOURCES

The 2013 budget anticipates $1.578 billion of funding for RTA operations, an increase of 3.4% over the 2012 estimate. Funding is then projected to increase to $1.599 billion in 2014 and $1.649 billion in 2015. A regional sales tax comprises almost two-thirds of RTA operating funding, and the State Public Transportation Fund (PTF), which is based on sales tax receipts, represents another one-fifth of the funding (Exhibit 3-2). Thus, an accurate forecast of sales tax receipts is critical to the integrity of the RTA budget process.

Again, these projections only include funds handled by the RTA, and thus exclude some sources that fund the Service Boards directly, such as federal funding, local contributions, and Chicago's Real Estate Transfer Tax (RETT), a portion of which directly funds CTA operations. A detailed discussion of the individual RTA funding sources for 2013 follows.

Exhibit 3-2: **2013 RTA Funding Sources** - $1.578 billion



Sales Tax

The RTA Sales Tax (Part I and II) is authorized by Illinois statute and imposed by the RTA throughout the six-county Northeastern Illinois region, but at differing rates in order to recognize the differing levels of transit service provided. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois, and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA monthly, without appropriation, by the State Treasurer on the order of the State Comptroller.

As shown in Exhibit 3-3, following an estimated increase of 3.4% in 2012, total sales tax revenues are projected to increase by 2.75% to $1.037 billion in 2013. This forecast of somewhat lower growth than 2012 was based on federal, state, and regional sources, which all suggested that economic activity would slow in 2013. In 2014 and 2015, RTA sales tax revenues are estimated to increase by higher

Exhibit 3-3: **RTA Sales Tax** (dollars in millions)

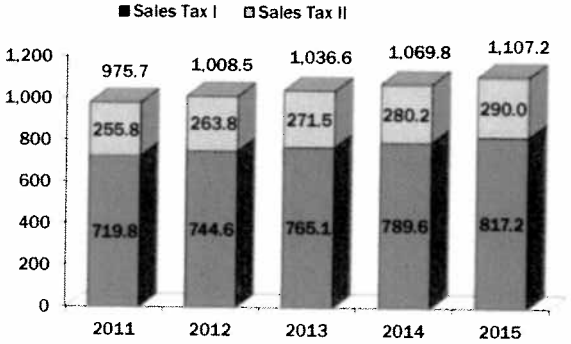


Exhibit 3-1: **RTA Statement of Revenues and Expenses** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
RTA Funding Sources					
RTA Sales Tax I	719,849	744,630	765,108	789,591	817,227
RTA Sales Tax II	255,822	263,840	271,520	280,208	290,016
Public Transportation Fund (PTF - Part I)	181,428	186,158	191,277	197,398	204,307
PTF (Part II)	123,967	127,034	130,571	134,852	139,506
State Financial Assistance (ASA/AFA)	130,088	130,071	130,167	130,283	130,283
State Reduced Fare Reimbursement	31,997	34,070	34,070	34,070	34,070
State Funding for ADA Paratransit	8,500	8,500	8,500	8,500	8,500
State Funding for Debt Service per MOU (1)	10,200	-	-	-	-
RTA Regional Capital Project Reserves (2)	-	5,144	22,921	921	921
Other RTA Revenue	23,550	26,240	23,376	23,619	23,975
Total Funding Sources	**$ 1,485,401**	**$ 1,525,686**	**$ 1,577,510**	**$ 1,599,444**	**$ 1,648,804**
RTA Expenses for Operations					
RTA Total Funds for CTA Operations	549,187	595,429	616,844	628,948	649,163
RTA Total Funds for Metra Operations	334,102	340,424	345,940	355,954	367,455
RTA Total Funds for Pace Suburban Service Operations (3)	135,429	140,398	143,534	148,373	153,077
RTA Total Funds for Pace ADA Paratransit Operations (4)	114,346	125,940	136,267	143,081	150,234
RTA Funding for Innovation, Coordination, and Enhancement	3,381	10,264	10,550	10,888	11,269
State Reduced Fare Reimbursement	31,997	34,070	34,070	34,070	34,070
RTA Agency Expense and Regional Programs	36,224	43,624	41,690	43,024	44,530
Total Expenses for Operations	**$ 1,204,667**	**$ 1,290,149**	**$ 1,328,895**	**$ 1,364,338**	**$ 1,409,798**
Debt Service, Capital & JSIF Expenses					
Principal & Interest	217,241	224,000	220,000	220,000	220,000
Transfer Capital RTA Funds to CTA	10,200	-	-	-	-
Transfer Capital RTA Funds to Metra	-	-	-	4,319	4,243
Transfer Capital RTA Capital Reserve Funds to CTA	-	-	15,000	-	-
Transfer Capital RTA Capital Reserve Funds to Metra	-	4,700	7,000	-	-
RTA Agency Regional Capital Program	-	10,990	-	-	-
Grant Incentive Program	-	2,162	1,615	1,787	1,763
RTA Joint Self-Insurance Fund (JSIF)	5,380	5,000	5,000	5,000	5,000
Total Debt Service, Capital & JSIF Expenses	**$ 232,821**	**$ 246,852**	**$ 248,615**	**$ 231,106**	**$ 231,006**
Total Expenses	**$ 1,437,488**	**$ 1,537,001**	**$ 1,577,510**	**$ 1,595,444**	**$ 1,640,804**
Fund Balance (unreserved/undesignated)					
Beginning Balance	7,318	34,815	1,500	1,500	5,500
Change in Fund Balance	47,913	(11,314)	-	4,000	8,000
Other Funding & Reserves	(20,416)	(22,000)	-	-	-
Ending Balance	**$ 34,815**	**$ 1,500**	**$ 1,500**	**$ 5,500**	**$ 13,500**
Ending Balance as % of Total Expenses for Operations	**2.9%**	**0.1%**	**0.1%**	**0.4%**	**1.0%**
Regional Recovery Ratio	**54.3%**	**56.6%**	**55.9%**	**56.5%**	**56.3%**

(1) In accordance with a 2009 Memorandum of Understanding, State funding was guaranteed for two years and then set to end based on conditions defined in the MOU, which were achieved within the guarantee period, ending funding after 2011.

(2) Funds for Service Board or RTA Regional Capital Projects available from funds related to legal settlements from debt service deposit agreements, reprogrammed funds from completed RTA-funded projects, and 2011 RTA discretionary positive budget variance.

(3) Pace Suburban Service funding includes SCMF and SSJA.

(4) Pace ADA Paratransit Service funding excludes budget balancing actions in 2014 and 2015.

Exhibit 3-4: **2013 RTA Sales Tax I By Source** - $765.1 million

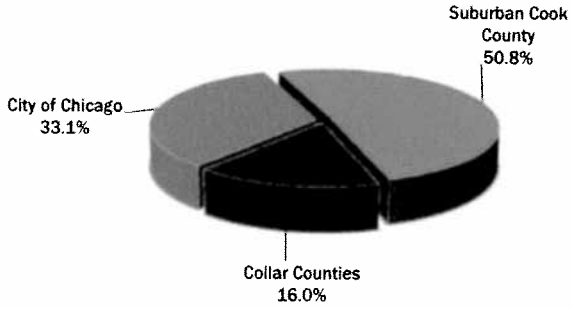


Exhibit 3-5: **Distribution of RTA Part I Sales Tax**

Collected in	Distributed to CTA	Metra	Pace	Total
City of Chicago	100%	0%	0%	100%
Suburban Cook County	30%	55%	15%	100%
Collar Counties	0%	70%	30%	100%

Exhibit 3-6: **2013 RTA Sales Tax II By Source** - $271.5 million

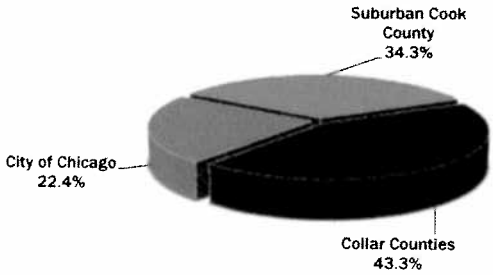


Exhibit 3-7: **Distribution of RTA Part II Sales Tax**

Collected in	Distributed to (after special uses) CTA	Metra	Pace	Total
City of Chicago	48%	39%	13%	100%
Suburban Cook County	48%	39%	13%	100%
Collar Counties	48%	39%	13%	100%

rates of 3.2% and 3.5%, respectively, again consistent with economic projections, and are forecast to reach $1.107 billion in 2015.

Part I of the RTA Sales Tax ("Sales Tax I") is the equivalent of 1% on sales in Cook County and 0.25% on sales in DuPage, Kane, Lake, McHenry, and Will Counties (the "collar counties"). More specifically, Sales Tax I in Cook County is 1% on food and drugs and 0.75% on general merchandise, with the State of Illinois then providing a replacement amount to the RTA equivalent to 0.25% of general merchandise sales. Sales Tax I receipts for 2013 are projected at $765.1 million. Actual sales tax receipts for 2011 were used to forecast the geographic source of projected Sales Tax I collections in 2013. Suburban Cook County produced the largest share of Sales Tax I at 50.8%, followed by the City of Chicago at 33.1%, and finally the collar counties at 16.0% (Exhibit 3-4). The share of Sales Tax I sourced from Chicago has been increasing steadily since 2002, when it was 30.2%. The RTA retains 15% of Sales Tax I and distributes the remaining 85% to the Service Boards according to a formula specified in the RTA Act (Exhibit 3-5) which ties the geographic source of the sales tax to the relevant service provider(s).

Public Act 95-0708 (P.A. 95-0708) was enacted in January 2008 and established the RTA Sales Tax Part II ("Sales Tax II"). This legislation increased the RTA sales tax rate from 1% in Cook County to 1.25% and the sales tax rate in the collar counties from 0.25% to 0.75%. The collar county tax increase is divided evenly between the RTA and the county where the tax is collected. Thus, the rate of the sales tax that the RTA receives from the collar counties doubled (from 0.25% to 0.50%). Sales Tax II receipts for 2013 are projected at $271.5 million.

From a geographic standpoint, the collar counties account for the largest share of Sales Tax II collections, at 43.3%, followed by suburban Cook County and the City of Chicago (Exhibit 3-6). Sales Tax II differs from Sales Tax I in that it is distributed to the Service Boards independent of where it was collected. However, prior to Service Board distribution, deductions are made from Sales Tax II to provide funding for ADA Paratransit, Pace's Suburban Community Mobility Fund (SCMF), and the RTA's Innovation, Coordination, and Enhancement (ICE) fund. Legislation passed in 2011 requires the RTA to fully fund the ADA Paratransit operating deficit each year. In the 2013 budget, $127.8 million of Sales Tax II has been designated to fund ADA Paratransit. By statute, the SCMF (originally $20 million) and the ICE fund (originally $10 million) increase or decrease by the annual change in sales tax collections, with 2008 set as the base year. For 2013, the SCMF is projected at $21.1 million and the ICE fund at $10.6 million. After these three deduc-

tions, the entire remaining balance of Sales Tax II is allocated to the Service Boards by statutory formula (Exhibit 3-7), with CTA receiving 48%, Metra 39%, and Pace 13%.

Public Transportation Fund

In accordance with the RTA Act, the State Treasurer is authorized and required to transfer from the State of Illinois' General Revenue Fund an amount equal to 30% of the revenue realized from the RTA sales tax and 30% of the revenue realized from the RTA's portion of the Real Estate Transfer Tax (RETT) in the City of Chicago. These Public Transportation Fund (PTF) receipts are indexed to increase or decrease at a rate equal to the growth or decline of both sales tax and RETT. PTF revenues are payable to the RTA upon State appropriation. However, none of the PTF revenues are actually paid to the RTA until the Agency certifies to the Governor, the State Comptroller, and the Mayor of the City of Chicago that it has adopted a budget and two-year financial plan as called for by the RTA Act.

Like sales tax, PTF is characterized as Part I or Part II, with PTF Part II created by the 2008 funding reform. PTF I is the equivalent of 25% of Sales Tax I, and is projected to be $191.3 million for 2013, an increase of 2.75% from 2012. 100% of PTF I, along with 15% of Sales Tax I, is initially retained by the RTA to cover expenses for regional debt service, the RTA Agency and Regional Programs, the South Suburban Job Access (SSJA) fund, and Joint Self-Insurance Fund (JSIF) premiums. The remainder is then allocated at the discretion of the RTA Board upon the review and approval of each Service Board's annual budget.

P.A. 95-0708 also increased the Real Estate Transfer Tax (RETT) in the City of Chicago by 50%, yielding $1.50 in CTA operating funding for every $500 of property purchase price. The RETT is projected at $36.2 million for 2013. Since this funding flows directly from the City of Chicago to the CTA, it is not included as an RTA funding source in Exhibit 3-1. However, PTF funds associated with the RETT (i.e. 30% of the RETT) do flow through the RTA.

PTF II is comprised of 5% of Sales Tax I, 30% of Sales Tax II, and 30% of the RETT. The 2013 projected amount of PTF II is $130.6 million, an increase of 2.8% from the 2012 estimate. By statute, the CTA receives five-sixths (25 percentage points) of the 30% PTF on the RETT. The remaining PTF II revenues are distributed to the Service Boards in the same proportions as Sales Tax II.

Schedule I-D of RTA Ordinance 2013-01 (found in the Appendices) contains a detailed accounting of the source and distribution of all Part I and Part II funding components for the 2013 budget and 2014-2015 financial plan.

State Financial Assistance (SFA)

This RTA funding source is state-authorized assistance to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds. State Financial Assistance has two components: Additional State Assistance (ASA) for SCIP I bonds and Additional Financial Assistance (AFA) for SCIP II bonds. Subject to the appropriation of funds by the State of Illinois, the RTA will continue to be eligible to receive these State Financial Assistance payments. In 2013, the RTA expects to receive $130.2 million of this funding from the State of Illinois.

State Reduced Fare Reimbursement

This funding source provides partial reimbursement from the State to the Service Boards for the fare discounts and free ride programs they provide which are mandated by law. The reimbursement includes discounts for students, elderly, and disabled riders as well as free ride programs for seniors and disabled persons who meet income eligibility requirements. These funds are provided by the State of Illinois and distributed through the RTA to the Service Boards. The projected amount for 2013 is $34.1 million, unchanged from 2012.

State Funding for ADA Paratransit

Originally established by a Memorandum of Understanding (MOU) in November of 2009, this funding,

designated for ADA Paratransit, has been provided by the State of Illinois in the amount of $8.5 million for each year since 2010. This funding is projected to continue at this same level in 2013 through 2015.

RTA Regional Capital Project Reserves

This funding source is comprised of RTA funds set aside for Service Board capital purposes. $22 million of RTA funds, mostly generated by excess 2011 sales tax and PTF receipts, were transferred into this reserve fund in 2012, with $15 million designated for CTA and $7 million designated for Metra. In addition, almost $1 million of proceeds related to legal settlements from debt service deposit agreements is held in this reserve to provide funding for the Grant Incentive Program (GIP). Accordingly, RTA Regional Capital Project Reserves are projected at $22.9 million for 2013.

Other RTA Revenue

Other RTA Revenue is projected at $23.4 million for 2013. This funding source consists of investment income, sales tax interest, and Agency revenue, comprised of both Agency operating revenue and grants for regional projects. Investment income is dependent on available cash balances and prevailing market rates. In addition, the State of Illinois pays interest on RTA sales tax receipts from the time of collection until receipts are disbursed to the RTA. The RTA then disburses 85% of the interest on Part I Sales Tax receipts to the Service Boards based on the same geographic formula used to allocate the Part I Sales Tax. Agency revenue includes advertising revenue from the RTA website and fees charged to employers for RTA Fare Checks that help offset the costs of administering that program. Agency revenue also includes matching grants obtained under federal, state and local programs for RTA regional planning, development, and technology efforts.

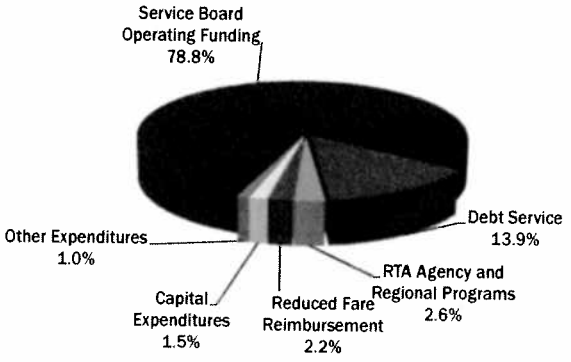
In total, other RTA revenue of $23.4 million is anticipated for the 2013 budget, increasing by 1.0% and 1.5% in 2014 and 2015, respectively.

EXPENDITURES

The 2013 budget projects that RTA expenses will increase by 2.6% over the 2012 estimate to $1.578 billion, exactly in balance with funding sources. Expenses are then projected to increase to $1.595 billion in 2014 and $1.641 billion in 2015, and are expected to be lower than funding in both of those years, producing a modest projected increase in the RTA fund balance.

Funding of Service Board operations represents the largest category of RTA expenses at 78.8%, followed by regional debt service at 13.9%, RTA Agency and Regional Programs at 2.6%, pass through of the State Reduced Fare Reimbursement at 2.2%, capital expenditures at 1.5%, and other expenses at 1.0% (Exhibit 3-8). A detailed discussion of the individual RTA expenses for 2013 follows.

Exhibit 3-8: **2013 RTA Expenses** - $1.578 billion



Service Board Operating 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 operating revenue (farebox and other revenue sources such as advertising) and its operating expenditures. It may also be referred to as the funding requirement. Exhibit 3-9 displays the RTA expenses for Service Board operations for 2011 to 2015. Total RTA operating funding for the Service Boards in 2013 is projected at $1.243 billion and is expected to reach $1.320 billion in 2015. The compound annual growth rate of RTA's funding for Service Board operations across the five-year period is 3.9%.

Exhibit 3-9: **RTA Expenses for Service Board Operations** (dollars in millions)

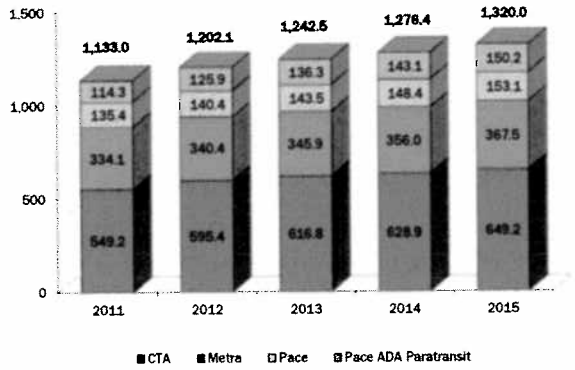


Exhibit 3-10 shows how 2013 RTA funding for operations relates to each Service Board's projected operating deficit. A detailed discussion of each Service Board's operating revenues and expenditures is provided in the CTA, Metra, Pace, and Pace ADA Paratransit chapters.

CTA will require $658.0 million of public funding to balance their budget, of which $616.8 million will be provided by the RTA. In addition to statutory sales tax and PTF, CTA will receive $181.0 million of RTA discretionary funding. The RTA's discretionary funds are sourced from PTF I and the RTA's share of Sales Tax I. After covering expenses for regional debt service, the RTA Agency and Regional Programs, South Suburban Job Access (SSJA), and JSIF premiums, any remaining funds are allocated at the discretion of the RTA Board, typically to provide operating funding for the Service Boards and/or to increase the RTA fund balance. For 2013, all available discretionary funding is being allocated to Service Board operations, with 98% going to the CTA and 2% going to Pace. External to the RTA, the RETT and $5 million of local contributions provided by the City of Chicago and Cook County round out CTA's required deficit funding.

Metra will require $347.1 million of public funding to balance their budget, of which $345.9 million will be provided by the RTA. Metra will not receive any RTA discretionary funding and will rely solely on statutory sales tax and PTF and a small amount of federal funding.

Pace Suburban Service will require $148.6 million of public funding to balance their budget, of which $143.5 million will be provided by the RTA. In addition to statutory funding, Pace will receive $3.7 million of RTA discretionary funding, an increase of 23% over 2012. Pace also receives RTA funding from two dedicated funds established by P.A. 95-0708. The Suburban Community Mobility Fund (SCMF) provides grants to Pace for operating transit services that enhance suburban mobility including, but not limited to: demand-response services, ride sharing, vanpooling, service coordination, centralized dispatching, reservations, reverse commuting, service restructuring, and bus rapid transit (BRT). The South Suburban

Exhibit 3-10: **2013 Service Board Operating Funding** (dollars in thousands)

Service Board	CTA	Metra	Pace Suburban Service	Pace ADA Paratransit	Total
Operating Revenue	700,037	371,938	59,165	12,495	1,143,635
Operating Expense	1,358,081	713,500	207,761	148,762	2,428,104
Operating Deficit	**$ 658,044**	**$ 341,562**	**$ 148,596**	**$ 136,267**	**$ 1,284,469**
RTA Funding					
RTA Sales Tax (Part I)	314,646	254,827	80,869	-	650,342
RTA Sales Tax (Part II) and PTF (Part II)	121,189	91,113	30,371	127,767	370,440
RTA Discretionary Funding	181,009	-	3,694	-	184,703
State Funding for ADA Paratransit	-	-	-	8,500	8,500
RTA Community Mobility and Job Access	-	-	28,600	-	28,600
Total RTA Funding	**$ 616,844**	**$ 345,940**	**$ 143,534**	**$ 136,267**	**$ 1,242,585**
Other Funding					
RETT	36,200	-	-	-	36,200
Federal Funds	-	1,200	5,062	-	6,262
Local Contributions	5,000	-	-	-	5,000
Total Funding for Operations	**$ 658,044**	**$ 347,140**	**$ 148,596**	**$ 136,267**	**$ 1,290,047**

Job Access (SSJA) fund provides financial resources to Pace for the development of operating programs that enhance access to job markets for residents in southern Cook County. SCMF for 2013 is projected at $21.1 million, while SSJA is a fixed amount of $7.5 million. Federal funding of $5.1 million rounds out Pace's required deficit funding.

Finally, Pace Regional ADA Paratransit will require $136.3 million of public funding to balance their 2013 budget, with $127.8 million sourced from Sales Tax II and PTF II and $8.5 million provided by the State of Illinois via the RTA.

Innovation, Coordination, and Enhancement Fund

P.A. 95-0708 also established an RTA fund for Innovation, Coordination, and Enhancement (ICE). Like the $20 million SCMF, the $10 million base amount of the ICE fund changes at the same rate as regional sales tax collections. ICE funds are appropriated with the affirmative vote of 12 RTA directors for operating and capital grants or loans to the Service Boards, transportation agencies, or units of local government that advance the goals and objectives of the RTA Strategic Plan. However, if the RTA Board determines that an emergency exists, then by an affirmative vote of 12 members, funds may be used for urgent operating or capital needs. For the 2013 budget, the ICE fund is projected at $10.6 million and is forecast to increase to $10.9 million in 2014 and $11.3 million in 2015.

State Reduced Fare Reimbursement

State of Illinois funding for reduced fare and free ride programs is received as revenue by the RTA and passes through to the Service Boards as an expenditure to help defray a portion of the operating revenue lost in providing mandated free and reduced fare programs. Expenditures in the amount of $34.1 million are expected annually from 2013 through 2015.

RTA Agency and Regional Programs

Expenditures for Agency and Regional Programs for 2013 are projected at $41.7 million, representing 2.6% of total RTA expenses. This category is further subdivided into Agency expenses of $18.4 million, Regional Services expenses of $14.6 million, and Regional Projects expenses of $8.7 million. A detailed discussion is contained in the Agency Operating Plan section of this chapter.

Principal and Interest

Principal and interest payments, the second largest category of RTA expenses, reflect the RTA's expenditures for debt service on RTA SCIP and non-SCIP bonds that finance Service Board capital projects. The amount also includes debt service costs for RTA working cash notes required because of delays in receipts of PTF and financial assistance from the State, which are running up to six months in arrears. In 2013, principal and interest payments are expected to decrease by 1.8% to $220.0 million, an amount that is projected to remain constant in 2014 and 2015. Additional bond information is provided in the Reference section of this chapter.

Transfer Capital and Grant Incentive Program

For 2013, $22 million is budgeted to be transferred from RTA Capital Reserves to both CTA ($15 million) and Metra ($7 million) for capital purposes. The funding for these transfers, largely from 2011 excess sales tax and PTF receipts, was authorized in the marks ordinance passed by the RTA Board on October 10, 2012. The RTA Grant Incentive Program, which provides matching funds to assist in the Service Boards' applications for discretionary grants, is budgeted at $1.6 million for 2013, and increases to $1.8 million in 2014 and 2015.

Joint Self-Insurance Fund

The RTA provides excess liability insurance to protect the self-insurance programs maintained by the Service Boards. The Service Boards are obligated to reimburse the fund for any damages paid plus interest. Premium payments for the Joint Self-Insurance Fund (JSIF) in 2013 are budgeted at $5.0 million, an amount which is projected to be unchanged for 2014 and 2015.

FUND BALANCE

In 1998, the RTA Board adopted an ordinance establishing a minimum level in the unreserved and undesignated fund balance of 5% of total RTA operating expenditures. The intent of the ordinance was to maintain a minimum level of financial resources to be available for supplemental operating funding during unfavorable economic periods. Specific details of this policy are contained in the Introduction chapter. Exhibit 3-11 shows the projected RTA fund balances for 2011 through 2015.

Beginning Balance

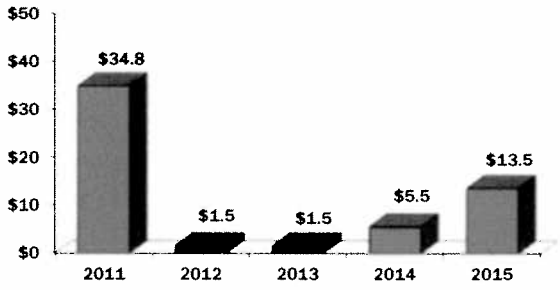
The beginning balance is the amount of funds in the undesignated and unreserved fund balance after the previous year's financial results have been audited and the accounting books have been closed. The beginning balance for 2011 was $7.3 million.

Change In Fund Balance / Ending Fund Balance

Total RTA revenues less total RTA expenditures equal the annual change in fund balance. When revenues exceed expenditures, the surplus increases the fund balance. When expenditures exceed revenues, the deficit reduces the fund balance. The RTA fund balance increased to $34.8 million in 2011 as sales tax, PTF, and other RTA funding sources exceeded budgeted levels. In 2012, the fund balance is estimated to decrease to $1.5 million due to the re-allocation of the 2011 RTA positive budget variance for regional and Service Board capital purposes.

In the funding marks approved on October 10, 2012, the RTA Board allocated all available discretionary funding in 2013 to the Service Boards, keeping the projected fund balance unchanged at $1.5 million. However, in 2014 and 2015 the Board set aside $4 million and $8 million, respectively, of discretionary funding towards the fund balance, resulting in a projected ending balance of $13.5 million in 2015, representing 1.0% of total operating expenditures.

Exhibit 3-11: **RTA Ending Fund Balance** (dollars in millions)



This gradual increase in the RTA fund balance was planned in order to avoid a sharp reduction in Service Board discretionary funding. Restoration of the 5% minimum fund balance will be a key financial goal of the RTA in upcoming years.

RECOVERY RATIO

The RTA Act requires the RTA Board to set a system-generated revenue recovery ratio for each Service Board for the upcoming fiscal year. This recovery ratio equals total operating revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The RTA Act further requires that the combined system revenue from RTA operations equal at least 50% of the system operating cost, excluding Pace ADA Paratransit service. This 50% regional result is contingent upon the CTA, Metra, and Pace achieving their recovery ratio marks of 52%, 53%, and 30%, respectively (Exhibit 3-12). Each Service Board's 2013 budgeted recovery ratio meets or exceeds their required mark, and as a result the RTA system-generated revenue recovery ratio for 2013 is expected to be 55.9%, exceeding the statutory requirement by a significant margin.

Exhibit 3-12: **2013 Service Board and RTA Recovery Ratios**

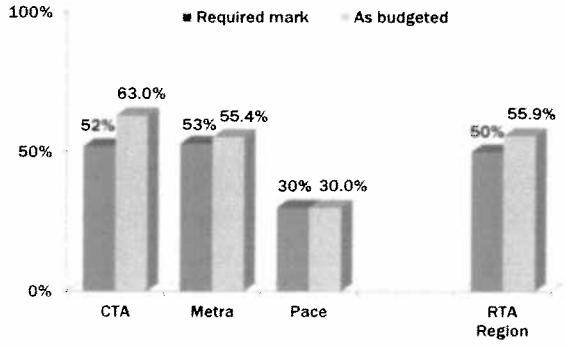


Exhibit 3-13: **RTA Statement of Revenues and Expenses - 2012 Estimate vs. 2012 Budget** (dollars in thousands)

	2012 Budget	2012 Estimate	Variance
RTA Funding Sources			
RTA Sales Tax I	737,060	744,630	7,570
RTA Sales Tax II	261,158	263,840	2,682
Public Transportation Fund (PTF - Part I)	184,265	186,158	1,893
PTF (Part II)	123,609	127,034	3,425
State Financial Assistance (ASA/AFA)	130,071	130,071	-
State Reduced Fare Reimbursement	33,570	34,070	500
State Funding for ADA Paratransit	-	8,500	8,500
RTA Regional Capital Project Reserves (1)	15,690	5,144	(10,546)
Other RTA Revenue	18,220	26,240	8,020
Total Funding Sources	**$ 1,503,643**	**$ 1,525,686**	**$ 22,043**
RTA Expenses for Operations			
RTA Total Funds for CTA Operations	588,581	595,429	(6,848)
RTA Total Funds for Metra Operations	337,478	340,424	(2,946)
RTA Total Funds for Pace Suburban Service Operations	139,250	140,398	(1,148)
RTA Total Funds for Pace ADA Paratransit Operations	115,000	125,940	(10,940)
RTA Funding for Innovation, Coordination, and Enhancement	10,159	10,264	(105)
State Reduced Fare Reimbursement	33,570	34,070	(500)
RTA Agency Expense and Regional Programs	35,203	43,624	(8,421)
Total Expenses for Operations	**$ 1,259,241**	**$ 1,290,149**	**$ (30,908)**
Debt Service, Capital & JSIF Expenses			
Principal & Interest	224,000	224,000	-
Transfer Capital RTA Capital Reserve Funds to Metra	4,700	4,700	-
RTA Agency Regional Capital Program	10,990	10,990	-
Grant Incentive Program	-	2,162	(2,162)
RTA Joint Self-Insurance Fund (JSIF)	5,000	5,000	-
Total Debt Service, Capital & JSIF Expenses	**$ 244,690**	**$ 246,852**	**$ (2,162)**
Total Expenses	**$ 1,503,931**	**$ 1,537,001**	**$ (33,070)**
Fund Balance (unreserved / undesignated)			
Beginning Balance	26,376	34,815	8,439
Change in Fund Balance	(288)	(11,314)	(11,026)
Other Funding & Reserves	-	(22,000)	(22,000)
Ending Balance	**$ 26,087**	**$ 1,500**	**$ (24,587)**
Ending Balance as % of Total Expenses for Operations	**2.1%**	**0.1%**	**-2.0%**
Regional Recovery Ratio	**51.0%**	**56.6%**	**5.6%**

(1) Funds for Service Board or RTA Regional Capital Projects available from funds related to legal settlements from debt service deposit agreements, reprogrammed funds from completed RTA-funded projects, and 2011 RTA discretionary positive budget variance.

In meeting the 50% recovery ratio, the RTA Act requires that the revenue figures include all receipts consistent with generally accepted accounting principles, with certain allowed exceptions. Detail of this calculation is provided in Exhibit 3-34 at the end of this chapter.

2012 Budget versus 2012 Estimate

A comparison of the 2012 RTA operating budget to the revised estimate of 2012 results is shown in Exhibit 3-13.

RTA FUNDING SOURCES

Total RTA funding sources of $1.526 billion are favorable to budget by $22.0 million. Sales Tax I and II and PTF I receipts are expected to exceed budget by 1% due to a slowly improving local economy. PTF II is expected to exceed budget by a wider margin of 2.8%, since part of PTF II is based on the RETT, which performed strongly in 2012 as the housing and commercial real estate markets improved. State funding for ADA Paratransit of $8.5 million was appropriated after the 2012 budget was adopted, resulting in a favorable variance of the same amount. Other RTA revenue has increased $8.0 million from budget as additional grants for regional projects have been received. The only unfavorable funding variance is $10.5 million of RTA Capital Project Reserves, as less reprogrammed funds from other RTA projects were available than had been anticipated.

EXPENDITURES

Total 2012 RTA estimated expenses of $1.537 billion are unfavorable to budget by $33.1 million. Combined RTA expenses for CTA, Metra, and Pace Suburban Service operations are $10.9 million unfavorable to budget due to the distribution of the favorable sales tax and PTF receipts mentioned above. Due to increased ridership, ADA Paratransit required $10.9 million of additional operating expenditures, comprised of $8.5 million of State funding and $2.4 million from the RTA. Agency Expense and Regional Programs are $8.4 million unfavorable to budget as the additional grant funding mentioned above is expended on regional projects. Small unfavorable variances also exist in ICE fund expenditures (due to higher sales tax) and the State Reduced Fare Reimbursement as higher State funding is passed through to the Service Boards. Estimated debt service, capital expenditures, and JSIF premiums are unchanged from the 2012 budget. Finally, the Grant Incentive Program (GIP) was initiated by the RTA after the 2012 budget had been adopted, so $2.2 million of expense for this program appears as an unfavorable budget variance.

FUND BALANCE

When the 2011 books were closed, the beginning unreserved / undesignated fund balance for 2012 was restated higher, by $8.4 million, to $34.8 million. However, the unfavorable 2012 RTA expense variance discussed above exceeds the favorable 2012 RTA funding variance discussed above by $11.0 million, producing an unfavorable variance in the change in fund balance of the same amount. The transfer of $22.0 million to Regional Capital Reserves, not anticipated in the 2012 budget, also transpired during the year, producing a further decrease in the fund balance. The net effect of these changes is a projected 2012 ending fund balance of $1.5 million, unfavorable to budget by $24.6 million.

Agency Operating Plan

Budget and Financial Plan

The RTA Agency advanced a priority based budgeting approach in 2013 that concentrated on the "Regional Priorities Initiative" and the key Agency initiatives that advance the RTA's core mission as the funding, planning, and oversight agency for transit in Northeastern Illinois. These initiatives reflect the RTA's collaborative work with the Service Boards to increase ridership, reduce costs, and increase revenues, while simultaneously focusing on improving customer service.

The 2013 Operating budget was developed in two parts. The first part is the RTA Agency Administrative Budget, the second part is the RTA Regional Programs Budget.

Since the 2008 recession, the RTA has worked hard to hold the line on expenses. Between 2008 and 2012, public funding to the Agency grew by only 0.4%, with the RTA experiencing no or negative growth in funding in 2008, 2009, and 2012. For 2013, the RTA increased its funding growth equal to the Service Boards' funding growth of 3.8% for a total budgeted public funding amount of $32.97 million.

Consistent with the priority based approach, the 2013 Operating budget was developed in two parts. The first part is the RTA Agency Administrative Budget, which includes the core agency expenses for staff, facilities, information technology, office services, and professional services to support the funding, planning and oversight mission of the RTA Agency. The second part is the RTA Regional Programs Budget, which includes Regional Services provided directly to the public by the RTA such as the ADA Paratransit Certification Program, RTA Travel Training Program, Travel Information Center, Customer Service Center, Reduced Fare and Transit Benefit Programs. The FTA and State required Rail Safety Oversight Program for CTA Rail is also included. The Regional Programs Budget also includes all of the RTA's grant funded programs, as well as RTA funded regional studies and initiatives.

Separating the operating budget into these two parts lends greater transparency to the central funding, planning, and oversight functions of the RTA and specific areas of budget growth.

As detailed in the following section, the RTA Agency Operating Budget emphasizes growth in the Regional Programs Budget, which increases by 4.9% while the Administrative Budget increases by only 2.9%. The end result is a budget that is truly representational of the RTA's mission in the region.

The RTA Agency budget and financial plan presented in Exhibit 3-14 meets the funding marks set by the RTA Board on October 10, 2012.

OPERATING REVENUE

The 2013 operating budget includes operating revenue (Administrative and Regional Programs) of $8.7 million from the transit benefit program, reduced fare and free ride program, New Freedom (NF), Job Access Reverse Commute (JARC) programs, and RTA initiatives funded by federal grants. This amount is $3.1 million or 26.5% lower than the 2012 estimate due to fewer NF and JARC programs. In 2014 and 2015, estimated revenues reflect an increase of 3.2% and 3.5% respectively (Exhibit 3-15).

Agency Administrative Operating Revenue

Agency Administrative Operating Revenue from marketing and advertising is projected to be $8.3 thousand in 2013.

Regional Services Revenue

Total Regional Services revenue of $1.2 million represents 3% of the total operating revenue. Customer Service and Fare Program revenue is projected to be $105,000, slightly higher than the 2012 estimate. Transit Benefit Program revenue of $1.1 million is projected to be 20% less than in 2012 as it transitions to a debit card based system.

Regional Programs Grant Revenue

Total Regional Programs grant revenue of $7.5 million represents 18% of the total operating revenue. It includes grants from Job Access Reverse Commute

Exhibit 3-14: **Agency 2013 Budget and 2014-2015 Financial Plan** (dollars in thousands)

OPERATING BUDGET

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
RTA Agency Administration					
Personnel	10,335	11,846	12,026	12,411	12,845
Professional Services	1,921	2,287	3,656	3,773	3,905
Office Services and IT Program Expense	3,957	3,853	2,693	2,779	2,876
Total Administrative Expense	**$ 16,214**	**$ 17,986**	**$ 18,375**	**$ 18,963**	**$ 19,627**
Marketing and Other Miscellaneous Revenue	10	8	8	9	9
Total Administrative Revenue	**$ 10**	**$ 8**	**$ 8**	**$ 9**	**$ 9**
TOTAL ADMINISTRATION	**$ 16,204**	**$ 17,978**	**$ 18,367**	**$ 18,955**	**$ 19,618**
RTA Regional Programs					
Rail Safety Oversight	12	21	150	155	160
Transit Benefit Program	528	507	642	662	685
Customer Service & Fare Programs	6,229	5,696	6,287	6,489	6,716
Regional Accessibility	6,767	6,851	7,536	7,777	8,050
Total Regional Services Expenses	**$ 13,537**	**$ 13,075**	**$ 14,615**	**$ 15,083**	**$ 15,611**
Customer Service & Fare Program Revenue	121	94	105	108	112
Transit Benefit Program Revenue	1,520	1,240	1,061	1,095	1,133
Total Regional Services Revenue	**$ 1,641**	**$ 1,335**	**$ 1,166**	**$ 1,203**	**$ 1,245**
Total Regional Services	**$ 11,896**	**$ 11,741**	**$ 13,449**	**$ 13,879**	**$ 14,365**
Grant and RTA Funded Multi Year Project Expense	6,474	12,563	8,699	8,978	9,292
Grant Revenue for Multi Year Projects	3,122	10,508	7,541	7,783	8,055
Total Grant and RTA Funded Programs	**$ 3,352**	**$ 2,054**	**$ 1,158**	**$ 1,195**	**$ 1,237**
TOTAL REGIONAL PROGRAMS	**$ 15,248**	**$ 13,795**	**$ 14,607**	**$ 15,075**	**$ 15,602**
TOTAL RTA OPERATIONS	**$ 31,451**	**$ 31,773**	**$ 32,974**	**$ 34,029**	**$ 35,220**
TOTAL AGENCY OPERATING PUBLIC FUNDING	**$ 31,451**	**$ 31,773**	**$ 32,974**	**$ 34,029**	**$ 35,220**
Total Operating Expense (Administration and Regional Programs)	**$ 36,224**	**$ 43,624**	**$ 41,690**	**$ 43,024**	**$ 44,530**
Total Operating Revenue (Administration and Regional Programs)	4,773	11,851	8,716	8,995	9,309
Public Funding	31,451	31,773	32,974	34,029	35,220
Total Revenue	**$ 36,224**	**$ 43,624**	**$ 41,690**	**$ 43,024**	**$ 44,530**
Net Results	-	-	-	-	-

Exhibit 3-15: **RTA Agency Revenue** (in millions)

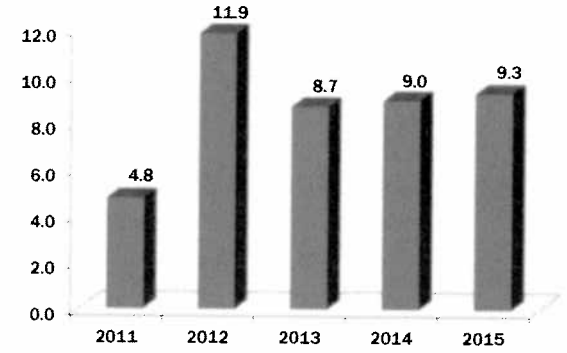
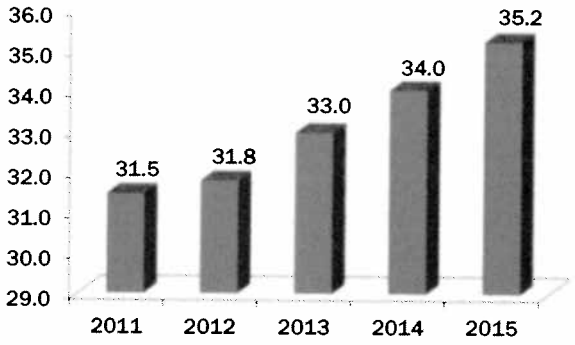


Exhibit 3-16: **RTA Agency Public Funding** (in millions)



(JARC), New Freedom, and Unified Work Program (UWP) federal funding programs. These grants are directed toward regional programs that will advance the Regional Priorities Initiative. The level of grant funding is about 28% or $3.0 million lower than last year.

PUBLIC FUNDING

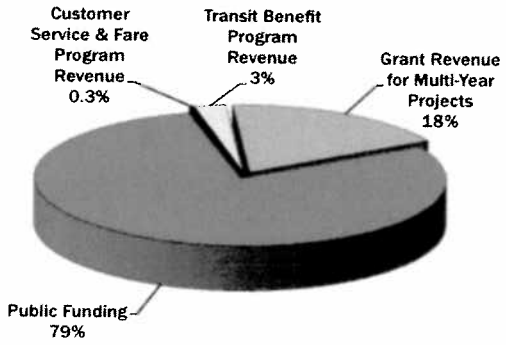
The 2013 Agency budget includes a 3.8% growth over the 2012 budget. In 2013, the total budgeted public funding required for the RTA Agency is $32.97 million. Public funding projections also increase by 3.2% and 3.5% in 2014 and 2015 respectively (Exhibit 3-16).

Public funding provides 79% of the total RTA Agency revenue with the remaining 21% generated from operating revenue (Exhibit 3-17).

OPERATING EXPENDITURES

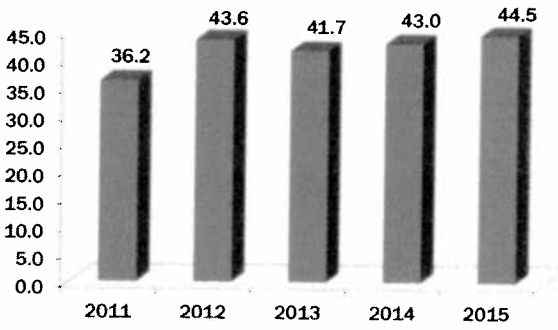
The 2013 operating budget includes total operating expense (Administrative and Regional Programs) of $41.7 million (Exhibit 3-18). The RTA Agency Administrative Budget includes core agency expenses for staff, facilities, information technology, office services, and professional services and accounts for 44% of RTA Agency expenses or $18.4 million. The RTA Regional Programs Budget includes $14.6 million for Regional Services provided directly to the public by the RTA such as ADA Paratransit Certification Program, RTA Travel Training Program, Travel Information Center, Customer Service Center, Reduced Fare and Transit Benefit Programs, as well as the FTA and State required Rail Safety Oversight Program for CTA Rail. The Regional Programs Budget also includes all of the RTA's grant funded programs, as well as RTA funded regional studies and initiatives $8.7 million. The Regional Programs budget comprises the remaining 56% of the operating budget expenses or $23.3 million.

Exhibit 3-17: **2013 RTA Agency Revenue - $41.7 million**



The RTA Agency Operating Budget emphasizes growth in the Regional Programs and goals outlined by the Regional Priorities Initiative, which increases by 4.9% while the Administrative Budget increases by only 2.9% over the 2012 budget. The Operating Budget includes a 2.5% increase for eligible staff salaries below the senior staff level, the first salary increase since 2009.

Exhibit 3-18: **RTA Agency Operating Expense** (in millions)



Expenditure Elements

Administrative Expenses

Personnel

Personnel related costs, such as salaries, pension, health care, training and other personnel items represent 29% of the total expense budget. This amount represents a 1.5% increase over the 2012 budget primarily due to a modest salary increase.

Professional Services

Professional services, which include audit fees, financial advisory services, Project Management Oversight (PMO), legal and legislative consulting fees, represent 9% of the total expense budget and reflect a 60% increase over the 2012 estimate as a result of higher PMO for CTA infrastructure projects, increased level of external audit consulting fees, and higher legal fees for the ongoing sales tax litigation.

Office Services and IT Programs

Rent, utilities, maintenance, telephone, various general office and computer supplies, and IT capital initiatives account for 6% of the total operating costs and reflect a 30% decrease in 2013 as projected costs for IT capital initiatives under the Agency Programs category will be funded from an IT capital reserve built over the period 2009-2012 for implementation of the IT Strategic Plan. Funding these initiatives over the past several years rather than the current year's public funding level allows us to focus on supporting other priority areas.

Regional Programs Expenses

Regional Services

In the Agency budget, $14.6 million or 35% of the overall operating expenses are programmed for Regional Services or customer focused operations including direct costs to run these programs as well as RTA staff personnel costs. In 2013, this category will experience strong growth of 12% over the 2012 estimate.

Rail Safety Oversight

Rail Safety Oversight of $150,000 is 0.4% of the total operating expense budget and reflects an increase of $129,000 due to the federal triennial review in 2013. This amount does not include Rail Safety Oversight staffing costs, which are included as part of our oversight budget in the Finance and Performance Management Department.

Transit Benefit Program

Transit Benefit Program related expenses represent 2% or $0.6 million in our budget reflecting a 27% increase over the 2012 estimate due to the upgrade of the program to an electronic platform and debit card application.

Customer Service and Fare Programs

Customer service and fare programs of $6.3 million represent 15% of the total operating expenses and include the Customer Service Center operation at the CTA building, the TIC operation at the Metra build-

ing, and the Reduced Fare and Free Ride Programs. This category includes a 10% increase over the 2012 estimate due to the transition to the new CTA open fare payment system for Free and Reduced Fare passengers.

Regional Accessibility

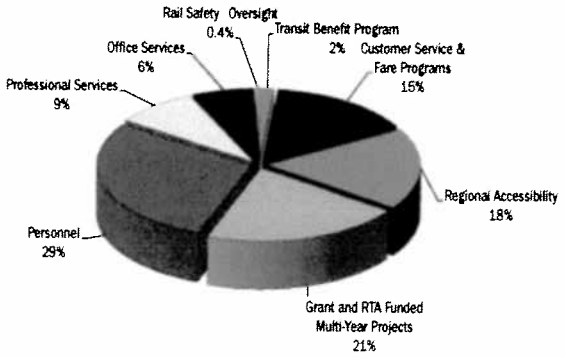
In the Agency budget 18% or $7.5 million is programmed to cover direct operations costs as well as personnel related costs of the ADA Paratransit Certification Program and RTA Travel Training program. This category shows a 10% increase reflecting an increase for the ADA Paratransit Certification program over the 2012 estimate due to a higher number of applicants.

Grant and RTA Funded Programs

Grant and RTA funded multi-year project expenses of $8.7 million represent 21% of the overall operating expense budget and reflect an overall decrease of 31% over 2012. This category includes Job Access Reverse Commute (JARC), New Freedom (NF), and Unified Work Program (UWP) federal funding programs as well as RTA funded initiatives such as Customer Satisfaction Survey, Capital Asset Condition Assessment, Capital Decision Prioritization Support Tool, and Market Analysis. The federal funding awarded for these programs is a decrease, therefore the initiatives that the RTA can fund through these programs has also decreased. The personnel costs to administer these programs are included in the Agency Administration Budget.

JARC and NF programs total $6.5 million, which is 16% of the total operating expenses and reflect a 23% decrease over 2012.

Exhibit 3-19: 2013 **RTA Agency Operating Expenses by Category** - $41.7 million



UWP federal funded programs of $1.5 million represent 3% of the total operating expenses. This category includes funding to enhance the Capital Decision Prioritization Support Tool, funds for market analysis, I-90 corridor service planning, and various community planning initiatives. The total federal funded programs in 2013 is 54% less than in 2012.

RTA funded programs of $0.7 million are 2% of the overall operating expenses and reflect a 19% decrease over 2012. Funds for Capital Asset Condition Assessment, Customer Satisfaction Survey, and Regional Transit Asset Management are budgeted in this category for 2013.

Exhibit 3-19 illustrates the Agency Operating Expense break down by category.

Agency Statutory Cap

In 1985, a statutory cap for administrative spending was set at $5 million, with a growth rate of 5% per year. The 2013 cap on Agency administrative expenses is $19.6 million. The 2013 RTA Agency proposed budget is below this cap with expenses for regional services and programs, including grant-funded projects, totaling $23.3 million thus leaving administrative expenses of less than $18.4 million or 6.3% below the statutory cap level. True administrative expenses are far lower, however, when adjusted for agency support of the regional programs.

Exhibit 3-20: **RTA Agency 2012 Budget versus 2012 Estimate**

	2012 Budget	2012 Estimate	Variance
RTA Agency Administration			
Personnel	11,303	11,846	(543)
Professional Services	2,787	2,287	500
Office Services and IT Program Expense	3,809	3,853	(44)
Total Administrative Expense	**$ 17,900**	**$ 17,986**	**$ (87)**
Marketing and Other Miscellaneous Revenue	45	8	(37)
Total Administrative Revenue	**$ 45**	**$ 8**	**$ (37)**
TOTAL ADMINISTRATION	**$ 17,855**	**$ 17,978**	**$ (124)**
RTA Regional Programs			
Rail Safety Oversight	50	21	29
Transit Benefit Program	502	507	(6)
Customer Service & Fare Programs	5,308	5,696	(388)
Regional Accessibility	7,432	6,851	581
Total Regional Services Expenses	**$ 13,291**	**$ 13,075**	**$ 216**
Customer Service & Fare Program Revenue	105	94	(11)
Transit Benefit Program Revenue	1,322	1,240	(81)
Total Regional Services Revenue	**$ 1,427**	**$ 1,335**	**$ (92)**
Total Regional Services	**$ 11,864**	**$ 11,741**	**$ 124**
Grant and RTA Funded Multi Year Project Expense	12,563	12,563	-
Grant Revenue for Multi Year Projects	10,508	10,508	-
Total Grant and RTA Funded Programs	**$ 2,054**	**$ 2,054**	**-**
TOTAL REGIONAL PROGRAMS	**$ 13,919**	**$ 13,795**	**$ 124**
TOTAL RTA OPERATIONS	**$ 31,773**	**$ 31,773**	**-**
TOTAL AGENCY OPERATING PUBLIC FUNDING	**$ 31,773**	**$ 31,773**	**-**
Total Operating Expense (Administration and Regional Programs)	**$ 43,753**	**$ 43,624**	**$ 129**
Total Operating Revenue (Administration and Regional Programs	11,980	11,851	(129)
Public Funding	31,773	31,773	-
Total Revenue	**$ 43,753**	**$ 43,624**	**$ (129)**
Net Results	-	-	-

NET RESULTS

RTA Agency net results are zero for 2013 through 2015 indicating revenues are equal to expenses (Exhibit 3-14).

2012 Budget versus 2012 Estimate

In 2012, Agency expenditures (Administration and Regional Programs) were budgeted at $43.8 million and are expected to be slightly under budget at year end (Exhibit 3-20).

Exhibit 3-21: **Budgeted Positions**

	2011	2012	2013	2013 vs. 2012
Executive Director's Office	2	2	2	-
Audit	3	4	5	1
Chief of Staff / Government & Community Affairs	7	8	7	(1)
Communications and Customer Service	12	11	11	-
Finance & Performance Management	27	30	27	(3)
Human Resources	3	3	3	-
Information Technology	8	8	9	1
Legal	7	7	7	-
Planning and Regional Accessibility	47	49	48	(1)
Total RTA Staffing Plan	**116**	**122**	**119**	**(3)**

* 2011 and 2012 budget headcounts are restated among departments to reflect organizational changes and to be comparable to the 2013 budget.

Organization

The Agency's 2012 budget included a staffing plan of 122 positions as a result of the 2011 organizational changes, which restructured some departments to improve Agency efficiencies and better align functions. The proposed plan for 2013 is 119 positions, which is lower than the 2012 plan by 3 positions (Exhibit 3-21). Decreases occurred in the Finance and Performance Management Department resulting in three less positions, a decrease of one position in the Government and Community Affairs Department, and a decrease of one position in the Planning Department. The Audit and Information Technology (IT) Departments are adding one new position each as a result of restructuring both departments during 2012. The decrease of one position in the Planning Department reflects a position transferred to the IT Department.

The Agency's functional organizational chart is presented in Exhibit 3-22. Exhibits 3-23 and 3-24 provide a breakdown of the Agency operating budget by department. The next pages describe each department briefly and highlight its main initiatives in 2013.

EXECUTIVE OFFICE

This department includes the RTA Board of Directors and organizations that support the RTA Chairman and Board of Directors, and it oversees and directs day-to-day agency activities.

The RTA Board of Directors consists of 15 members and a chairman. The RTA Board has the statutory authority to establish, by rule or regulation, the financial, budgetary, or fiscal requirements for the region's public transit system. The RTA Board and its committees set policy, authorize funding levels for the Service Boards, approve operating budgets and capital programs, consider matters relating to RTA operations and compliance with the American with Disabilities Act of 1990 (ADA), supervise audits, and consider planning studies and capital program investments. The Board has four standing committees - Planning and Administration, Finance, Audit, and Compensation and Human Resources - that review and recommend policy to the entire Board.

The Executive Director executes the policy decisions of the RTA Board and staffs the Agency to administer its statutory mission and implement Board policy. The Executive Director informs and assists the RTA Chairman and the Board in the development of policy, and is the principal contact with executive staffs of the CTA, Metra, and Pace to ensure effective administration of the RTA's regional planning and oversight responsibilities. The Secretary to the Authority provides Board and executive support functions by assisting with the information, documentation, and logistical needs of the RTA Board and the Executive Director.

Exhibit 3-22: **RTA Organizational Chart**

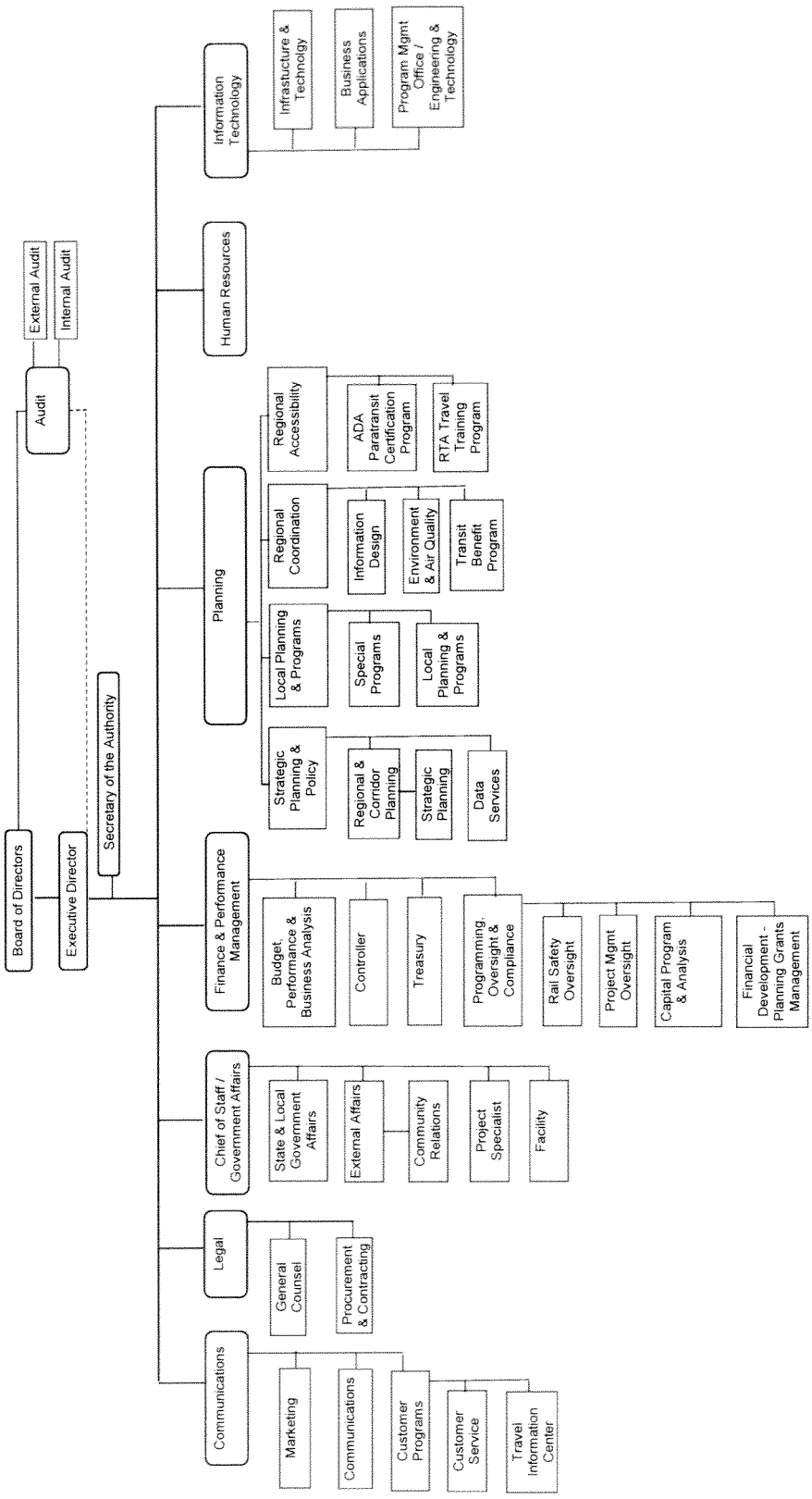


Exhibit 3-23: **2013 Agency Operating Expenses and Revenues by Department** (in thousands)

	Expense	Revenue	2013 Budget
Executive Director's Office and RTA Board	1,347		1,347
Audit	1,523		1,523
Chief of Staff / Gov't & Community Affairs	2,355		2,355
Communications and Customer Service	7,077	113	6,964
Finance & Performance Management	6,496	256	6,240
Human Resources	894		894
Information Technology	1,348		1,348
Legal	1,956		1,956
Planning and Regional Accessibility	18,695	8,346	10,348
TOTAL	$ 41,690	$ 8,716	$ 32,974

Total Administration is estimated to be slightly over budget due to higher personnel and office expenses and lower than expected advertising revenue.

Total Regional Programs are expected to be slightly under budget due to lower than expected ADA Paratransit Certification Program expense.

RTA Agency net results are zero for 2012 indicating revenues are equal to expenses

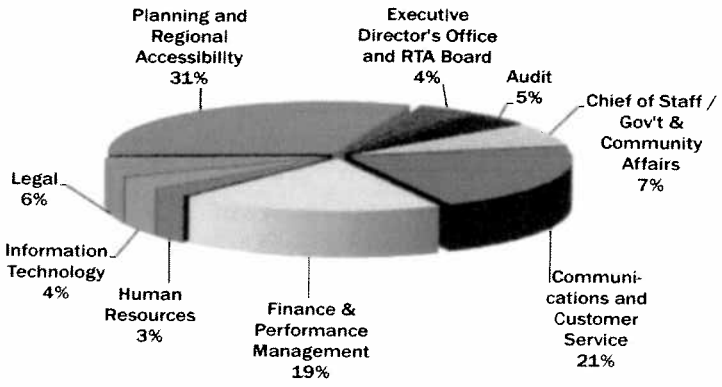
Regional Priorities Initiative

The RTA Agency budget, through the work plans of each department, is focused on supporting advancement of the Regional Priorities Initiative. As the region continues to recover from the economic recession, it is essential that the RTA focus on identifying areas for cost savings and improving efficiency while maintaining a commitment to enhancing public transit in the region. The RTA launched a series of five key priority initiatives in 2011 intended to advance a collective vision for the region's transit system.

The 2013 budget continues to use these priorities as a foundation:

- **Strategic Capital Investment** - Develop a strategic capital approach focused on identifying capital projects that could result in reductions in operating expenditures.
- **Economies of Scale** - Harness the RTA's and Service Boards' purchasing power to achieve cost savings and improved efficiency.
- **Maximize Use of the Transit System** - Provide a system-wide approach to improving coordination among services, access to reverse commute markets, and use of weekend and evening services.
- **Enhance the Customer Experience** - Focus on targeted capital and technology-related projects, interagency and way-finding signage, e-signage, service information, and fare payment coordination to best serve transit customers.

Exhibit 3-24: **2013 Agency Operating Budget by Department - $32.97 million**



- **Coordinate Government Affairs, Marketing, and Outreach** - Create a unified marketing, outreach, and government affairs agenda among the RTA and Service Boards to improve customer communications and increase coordination and leveraging of partners and other stakeholders.

AUDIT

This department was restructured in 2012 and the two functional areas, External Audit and Internal Audit are under the direction of a Deputy Executive Director of Audit who reports to the Board functionally and administratively to the Executive Director. The RTA has certain audit authority over the CTA, Metra and Pace to ensure that they are operating efficiently and effectively. The RTA's authority was strengthened as part of the amendments to the RTA Act in 2008.

The department's internal review and audit mission is to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the RTA. The internal audit function shall be functionally independent of all RTA operations and should be regarded as an internal consulting service for the RTA. Independence is essential to enable the internal audit function to accomplish its purpose.

Departmental Priorities:

- **Safeguarding Public Funds**
  - » Safeguard public funds, property, assets and resources against waste, loss and unauthorized use.

- **Supporting RTA's Role**
  - » Support the RTA's role of effectively and efficiently managing the agency and establishing an effective system of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and in compliance with applicable laws.
  - » Ensure that adequate audit testing is performed on key departments and processes of the RTA and ensure recommendations made by internal and external auditors are implemented by the appropriate RTA staff.
  - » Maintain an adequate ethics training system for RTA employees and Board members.
  - » Ensure compliance with the requirements of the Ethics Act.

- **Oversight of RTA and Service Boards**
  - » Assisting the RTA in its oversight responsibilities by conducting financial, management and compliance audits and reviews at the three Service Boards and RTA.
  - » Based upon the 2013 Audit Plan and Annual Risk Assessment, conduct audits and/or reviews in areas identified as critical to the achievement of selected objectives and expectations and which enhance risk assurances. Several key audits for 2013 are the Cash & Treasury Review, and the Real Estate & Facilities Management Review.

- **Management Consulting Services**
  - » Perform selected consulting projects at management's request.
  - » Based upon the Annual Risk Assessment and Management's requests, review selected functions, activities, processes and procedures, and any newly developed systems before implementation to ensure adequate controls are in place and the necessary objectives are met.

CHIEF OF STAFF / GOVERNMENT AND COMMUNITY AFFAIRS

Starting in July 2012, the Government and Community Affairs Department's Senior Deputy Executive Director became the Chief of Staff and took on additional responsibilities working with all of the RTA staff to assist the Executive Director in furthering and executing the vision of the Chairman and Board. The Chief of Staff ensures RTA goals are being met and assists in determining long and short-term key initiatives as well as in daily operational issues. Effective October 2012, the Chief of Staff also oversees all facilities related functions for the RTA.

The Government and Community Affairs team is responsible for developing and promoting the RTA's

federal, state, and local government affairs agenda and promoting transit within the region. Among these roles, the department has key responsibilities in the Regional Priorities Initiative work programs related to the Coordinate Government Affairs, Marketing, and Outreach priority initiative.

Departmental Priorities:

- **State Government Affairs**
  - » Continue to advocate for state funding, both operating and capital.
  - » Work to pass legislation to stop the use of sales tax diversion schemes.
  - » Pass other legislation to advance the goals of the RTA.

- **Federal Government Affairs**
  - » Work with public relations team to develop a national campaign to increase funding for State of Good Repair work.

- **Community Affairs**
  - » Obtain public input by holding public hearings/meetings to communicate progress regarding the strategic plan, budgets, and capital programs, and to ensure processes are transparent.
  - » Coordinate and develop meeting agendas for Regional Citizens Advisory Board (RCAB) and ensure the Advisory Board is being well utilized.

- **Coordinate Government Affairs, Marketing, and Outreach**
  - » Establish a national campaign to advocate directly with state and federal legislators to promote increases in state and federal funding for State of Good Repair needs.
  - » Work with elected officials and civic leaders to strengthen RTA's connections within the six country region.

- **Strategic Capital Investment**
  - » Advance a $2.5 billion System Renewal Bond Program to bring the system into a State of Good Repair. This program will go toward the renewal and rehabilitation of vehicles, track and structure, and customer-impacting transit facilities.

- **Chief of Staff**
  - » Coordinate training of all staff on topics ranging from discrimination to procurement ethics. Continue to work on staffing issues and support needs.

COMMUNICATIONS

The Communications and Customer Service Department conducts communications efforts and marketing for each of the RTA's programs and initiatives. The Communications Department is also responsible for the management and operation of programs that directly serve regional customers including Customer Service, Travel Information Center (TIC), Reduced Fare, and Free Ride programs. The Communications Department has key responsibilities in the Regional Priorities Initiative work programs related to the Coordinate Government Affairs, Marketing, and Outreach; Maximize Use of the System; and Enhance the Customer Experience strategies. The department also collaborates with the Service Boards to promote their services and programs.

Departmental Priorities:

- **Enhance the Customer Experience**
  - » Support Planning Department initiatives targeted on technology related projects, service information, and fare payment coordination, all in an effort to best serve RTA customers.
  - » Promote RTA trip planner and any new features as the region's preferred travel resource that offers multi-modal trip planning.

- **Coordinate Government Affairs, Marketing, and Outreach**
  - » Communicate and publicize campaign led by Government and Community Affairs to educate stakeholders about the importance of the transit system to the region and encourage advocacy to influence legislators to commit stable and sufficient long-term funding.

  - » Campaign to promote transit and increase ridership in the RTA six-county region through the use of radio, billboards, car cards, exterior bus signage, bus wrap, events, ads, brochures, and press releases.
  - » Increase awareness in agencies offerings and promote a variety of transportation services and programs. Increase ridership with a strategic approach, promoting cost savings, services and programs.

- **Provide Customer Service and Support Reduced Fare/Ride Free Programs**
  - » Continue to evaluate improvements to Customer Service such as a centralizing customer service operations between the ADA, TIC, and Reduced Fare call centers and streamlining their operations.
  - » As part of the RTA Fare Program Transition, oversee the replacement of free and reduced fare cards with a new card compatible with the open fare system being implemented by CTA and Pace.

FINANCE AND PERFORMANCE MANAGEMENT

The Finance and Performance Management department is responsible for regional and agency budget development and analysis, regional performance measurement reporting, issuance of financial statements, capital program oversight, rail safety and program management oversight, and asset and debt management. It includes the following divisions: Budget, Performance & Business Analysis; Programming, Oversight & Compliance; Controller, and Treasury Divisions. The Finance and Performance Management Department has key responsibilities in the Strategic Capital Investment area of the Regional Priorities Initiative.

Departmental Priorities:

- **RTA Regional Budget Development and Financial Reporting**
  - » Develop sales tax forecasts and funding marks for Service Board operating budgets.
  - » Develop the consolidated regional Business Plan of the RTA, CTA, Metra, and Pace including Annual Operating Budget, Two-Year Financial Plan, and Five-Year Capital Program.
  - » Prepare monthly and quarterly reports for RTA Board analyzing regional ridership and financial performance.
  - » Conduct ongoing monitoring of RTA Agency budget performance.

- **Performance Measurement Reporting and Analysis**
  - » Work with the Service Boards to assess performance results and identify critical areas for management consideration.
  - » Implement a regional customer satisfaction measurement program.

- **Business Analysis of Regional Transportation Services**
  - » Develop and maintain a Ten-Year Financial Plan.
  - » Analyze strategies for increasing efficiency and effectiveness and improving long-term financial condition of the region.

- **Strategic Capital Investment**
  - » Continue development of a Capital Decision Prioritization Support Tool to evaluate and prioritize projects for inclusion in the Capital Program.
  - » Continue the annual update to the Capital Asset Condition Assessment collaboratively with the Service Boards to provide capital data input for the Capital Decision Prioritization Support Tool and Transit Asset Management (TAM) projects.
  - » Undertake business transformation efforts aimed at reducing operating costs and leveraging funds for capital investment, including the development of a tool to assess the operating cost impacts of capital projects.
  - » Develop a comprehensive Transit Asset Management (TAM) system by leveraging RTA and Federal Transit Authority (FTA) resources.

- **Rail Safety Oversight**
  - » Administer the Rail Safety Oversight (RSO) Program for the CTA's rapid transit system as required by the FTA and State. RTA will continue its State Safety Oversight (SSO) responsibilities including responding to and investigating accidents and management of hazards.

- **Project Management Oversight**
  - » Provide continuing oversight of Service Board capital projects to ensure capital funding is expended with maximum effectiveness and efficiency.
  - » Complete Project Management Oversight (PMO) reports to document Service Board efforts to maintain a State of Good Repair, including detailed scope, schedule, and budget information.
  - » With the Illinois Department of Transportation, provide "On-Site Construction Quality Assurance Services" for Chicago Transit Authority Dan Ryan Track Renewal project and other infrastructure projects to ensure timely concurrences, mitigate costly claims and change orders and ensure adherence to project baselines.

- **Capital Program Development and Grants Management**
  - » Facilitate capital grants issuance and administration and ensure compliance with all applicable federal, state and local regulations, grant contract amendments, and scope modifications.
  - » Work with the Illinois Department of Transportation and the Service Boards to manage the State Bond-funded program, prepare quarterly project status reports, and ensure compliance of the third party contracts with the applicable federal and state laws. Facilitate the reimbursement process between IDOT, RTA, and the Service Boards.
  - » Contribute to the development and financing of the RTA Bond program, analyze and monitor RTA Bond expenditures, calculate and monitor average useful life of assets.
  - » Review, analyze and process all capital project requisitions, prepare monthly requisition activity reports, and monitor expenditures.

- **Planning Grants Management**
  - » Manage all FTA grant applications and conduct all FTA grant reporting on a quarterly basis within the FTA's Internet-accessible grant application system.
  - » Monitor and process all Service Boards' requisitions for Reduced fare and ADA paratransit grant reimbursements administered by IDOT.
  - » Facilitate Intergovernmental Agreement (IGA) and Technical Service Agreement (TSA) creation as it relates to Planning Department projects.

- **Issuance of Financial Statements**
  - » Issue audited Comprehensive Annual Financial Report (CAFR), Popular Annual Financial Report (PAFR), Single Audit (OMB Circular A-133), Special-Purpose Combining Financial Statements, and Pension and Joint Self Insurance Fund (JSIF) Annual Reports for Board approval.

- **Conduct On-going Accounting Activities**
  - » Record, analyze, reconcile and maintain operating activities in the general ledger.
  - » Perform and process payroll, accounts payables, accounts receivables and other accounting functions.
  - » Analyze and adopt new GASB's as required from the GFOA for the CAFR to improve accounting and financial reporting for public.

- **Integrated Management System**
  - » Maintain and enhance the Integrated Management System (GP and Share Point) that provides information and analysis and promotes optimal efficiency.

- **Asset Management and Debt Management**
  - » Monitor and manage the RTA's investment assets and oversee and reduce Agency debt.

- **Liquidity Management**
  - » Manage the RTA's payment obligations and monitor the payment of State obligations to the RTA.

HUMAN RESOURCES

The Human Resources staff works to deliver high-quality, responsive services to ensure the agency has the necessary talent and resources to achieve its strategic goals. The Human Resources Department provides a variety of consulting services to employees, board members, and retirees such as: recruitment and retention, performance management, benefits and compensation, employee relations, wellness and employee morale activities, and organizational development.

Departmental Priorities:

- **Recruitment**
  - » Identify methods to improve the recruitment and selection of qualified, diverse candidates in the midst of low turnover and a competitive job market.

- **Training**
  - » Provide compliance training on the prevention of sexual harassment, discrimination, and workplace violence.
  - » Develop and implement a HR communication strategy to inform employees of benefits, practices and procedures in order to make sound decisions.

- **Policies and Procedures**
  - » Update and issue employee handbook.
  - » Increase the use of technology to perform transactional HR functions.

INFORMATION TECHNOLOGY

RTA leadership developed an Information Technology Strategic plan (ITSP), which included organizational and infrastructure assessments during the later part of 2012. The plan recognized an urgent need to restructure ITS operations and implement an infrastructure that will enable quick delivery of value-added business, application, employee, and network services. As a result of the reorganization, the department is under the leadership of a new Chief Information officer (CIO) and was restructured to functional areas: Infrastructure and Technical, which consists of network, systems administration, and help desk; Business Applications; Program Management Office/ Engineering & Technology.

Department Mission

To deliver customer-focused, efficient and effective information technology services that enable the RTA to achieve its core mission of ensuring a financially sound, comprehensive and coordinated public transportation system in the Northeastern Illinois region.

Department Goals

- Provide strategic planning and leadership on RTA technology investments.
- Ensure overall quality, reliability, availability, and security of RTA information systems for both employees and the traveling public.
- Identify and pursue opportunities for maximizing RTA performance through consolidation, economies of scale, and cost efficiencies.

Departmental Priorities:

- **Implement the Five-Year IT Strategic Plan**

- **Optimize Enterprise Operations**
  - » Build a resilient, secure and scalable IT infrastructure.
  - » Enhance employee productivity tools.
  - » Reduce operating expenses.

- **Optimize Business Operations**
  - » Enhance investment decision-making with data analytics.
  - » Utilize strategic sourcing opportunities.
  - » Establish regional standards and guidelines.
  - » Share solutions with Service Boards and other partner agencies.

- » Provide travelers with better tools to use transit.
- » Enhance investment decision-making with data analytics.

- **Optimize Information Technology Operations**
  - » Reorganize and migrate organization towards service delivery.
  - » Coordinate technology deployments.
  - » Improve IT processes and automate workflows.

LEGAL

The Legal Department provides legal advice and counsel to the RTA Board, Executive Director, and staff regarding the statutory and regulatory provisions governing the Authority; it also oversees all RTA transactions and litigation. In addition, the Procurement Division reports to the General Counsel. In this role the department has key responsibilities related to the Economies of Scale area of the Regional Priorities Initiative.

Departmental Priorities:

- **Provide Strategic Legal Counsel**
  - » Draft and review board documents, inter-agency agreements and procurement documents.
  - » Respond to inquiries from internal clients such as the RTA Board and provide Agency counsel.
  - » Continue to pursue Sales Tax Litigation against companies and municipalities who unlawfully divert sales tax revenues out of the RTA region.

- **Ensure Compliance with Federal and State Regulations**
  - » Administer Disadvantage Business Enterprise (DBE) Program.
  - » Implement Minority and Women Business Enterprise (M/WBE) Program.
  - » Implement a new Small Business Enterprise Program.
  - » Manage the Eligibility Review Board process (administrative appeals of ADA Paratransit Certification denials).

- **Investigate Equal Employment Opportunity (EEO) Complaints**
  - » Provide counsel to complainants and alleged offenders.
  - » Recommend resolution of complaints.

- **Provide training for RTA Board members and staff**

- **Deliver Efficient Procurement Services**
  - » Overhaul the procurement process.
  - » Increase staff training and improve timeline for delivery of routine and recurring services.

- **Records Administration**
  - » Manage contract with outside vendor providing records storage.
  - » Conduct periodic inventory review.

PLANNING

The Planning Department consists of four principal organizational areas. Three areas, Strategic Planning & Policy, Local Planning & Programs, and Regional Coordination provide strategic, regional, sub-regional and corridor planning and coordination with the Service Boards. The fourth area, Regional Accessibility, is responsible for the ADA Paratransit Certification Program and Accessibility & RTA Travel Training Program. The Planning Department has key responsibilities in the Maximize Use of System and Enhance Customer Experience areas of the Regional Priorities Initiative.

Departmental Priorities:

- **Enhance Customer Experience**
  - » Focus on targeted capital and technology related projects, inter-agency and way-finding signage, E-signage, service improvements (such as Wi-Fi), service information (such as "expanded bus tracker" type) and fare payment coordination all in an effort to best serve RTA customers.

- » Advance a Regional Fare Policy that addresses interagency, operational, revenue and customer facing issues related to the implementation of the Open Fare Payment system.

- **Maximize Use of Transit System**
  - » Maximize the use of the existing system by better tapping travel markets that have potential to use transit when and where the system is not running at capacity.
  - » Build on the strategic planning work conducted for the Northeastern Illinois Transportation Demand Management (TDM) project to implement a regional Transit Demand Management Setup, "Chicago Commute Options," which works with employers and employees to consider travel options beyond single occupancy vehicle trips.

- **Regional Accessibility**
  - » Manage, oversee, and perform daily program operation tasks related to the eligibility determination aspects of the certification process.
  - » Provide program management activities related to ADA and accessibility-related issues for all modes, particularly ADA paratransit.
  - » Work with Pace operations staff to analyze options for increasing the use of fixed route service in lieu of ADA paratransit service, particularly by customers who have conditional eligibility.
  - » Implement a Mobility Services Program to coordinate and centralize information about available transportation resources throughout the six-county region (including local and regional programs) and to educate the public – particularly people with disabilities, older adults, and other transportation disadvantaged populations – about what transportation resources exist and how to identify and use the least-cost option to meet their travel needs.

- **Local Technical Assistance**
  - » Manage the Community Planning and technical assistance programs and oversee 20 active planning grants and 22 projects, with 7 to 9 new projects initiated in 2013.
  - » Manage the Job Access Reverse Commute / New Freedom (JARC/NF) and ICE programs; oversee approximately 50 active operating, capital, and mobility management grants.
  - » Manage Transit Oriented Development (TOD) working group and the development of TOD strategic plan through partnerships with South Suburban Mayors and Managers Association (SSMMA), Metropolitan Planning Council (MPC), Urban Land Institute (ULI), and Chicago Metropolitan Agency for Planning (CMAP).

- **Transit Signal Priority**
  - » Project Management of $40 million Congestion Mitigation and Air Quality (CMAQ) grant for Transit Signal Priority (TSP) to CTA, Pace, IDOT and local transportation departments.

- **Transit Benefit Program**
  - » Administration and marketing of the Transit Benefit Program.
  - » Oversee the upgrade of the program to an electronic platform.

- **Corridor Studies**
  - » Evaluation of the I-55 Bus-on-Shoulder Pilot program and on-going analysis to support change in parameters to the pilot and prepare for two-year before and after study.
  - » Provide data analysis and leadership briefings for miscellaneous corridor studies. Projects include: Illiana, Cook DuPage Corridor, Chicago Union Station, Circle Interchange, Elgin O'Hare Western Bypass (EO-WB), I-55 Managed Lane, Southeast Service (SES), CTA Western/Ashland Bus Rapid Transit (BRT), CTA Red Line Extension, J-Line, Pace Arterial Rapid Transit (ART) Milwaukee, and CTA Red/Purple Modernization.

Reference

RTA Bonds

Much of the information in this section is sourced from the RTA's Comprehensive Annual Financial Report (CAFR). Since the 2012 CAFR is not yet available, the most recent financial data, through 2011, is presented.

The bonds issued by the RTA carry a rating of "AA" from Standard & Poor's, "AA" from Fitch IBCA, and "Aa3" from Moody's Investors Service, Inc. These represent solid 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 backed by the full faith and credit of the RTA. These general obligation bonds, with a balance of $2.177 billion as of December 31, 2011, are divided into two types: $1.454 billion in Strategic Capital Improvement Program (SCIP) bonds and $723.3 million in general RTA bonds (Exhibits 3-25 and 3-26). The following paragraphs briefly discuss each outstanding bond issue in sequence.

In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source for paying costs of the Capital Program for the Service Boards.

In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for

Exhibit 3-25: **RTA General Obligation Bonds Payable** (dollars in thousands)

General Obligation	Original Issue	January 1, 2011	New Issues	Retirements	December 31, 2011
1990A	100,000	56,985	-	4,085	52,900
1991A	100,000	55,745	-	-	55,745
1992A* and 1992B	218,000	17,790	-	8,610	9,180
1994A* and 1994B	275,000	24,395	-	-	24,395
1994C* and 1994D	192,000	54,665	-	1,750	52,915
1997 Refunding	98,000	55,355	-	5,750	49,605
1999 Refunding*	299,000	258,710	-	8,525	250,185
2000A*	260,000	219,215	-	5,900	213,315
2001A*	100,000	84,560	-	2,200	82,360
2001B Refunding*	38,000	29,800	-	-	29,800
2002A*	160,000	138,790	-	3,315	135,475
2002B	200,000	122,765	-	110,950	11,815
2003A*	260,000	232,585	-	5,310	227,275
2003B	150,000	134,225	-	3,105	131,120
2004A	260,000	236,905	-	5,120	231,785
2005B Refunding	148,000	125,920	-	7,210	118,710
2006A*	250,000	238,510	-	3,955	234,555
2010A	62,200	60,315	-	2,950	57,365
2010B	112,900	112,925	-	-	112,925
2011A Refunding	95,550	-	95,550	-	95,550
Total	$ 3,378,650	$ 2,260,160	$ 95,550	$ 178,735	$ 2,176,975

* Strategic Capital Improvement Program (SCIP) Bonds.

Exhibit 3-26: **RTA Long-Term Debt** (1) (dollars in thousands)

	As of January 1, 2011	As of December 31, 2011
RTA Non-SCIP Debt Cap	800,000	800,000
Authorized But Unissued RTA Debt	36,995	76,680
Total Non-SCIP (RTA) Principal Outstanding	763,005	723,320
Total SCIP Principal Outstanding	1,497,155	1,453,655
Total Outstanding Long-Term Debt	**$ 2,260,160**	**$ 2,176,975**

(1) Excludes bank borrowing and short-term notes

rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in con-

nection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million.

In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

In January 2010, the RTA issued $62.2 million in General Obligation Bonds, Series 2010A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

In January 2010, the RTA issued $112.9 million in General Obligation Bonds, Series 2010B, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

Exhibit 3-27: **2002-2011 RTA Debt Service Requirements**
(dollars in thousands)

Year	Principal	Interest	Total
2002	27,262	86,264	113,526
2003	37,940	102,667	140,607
2004	40,430	119,272	159,702
2005	49,570	129,966	179,536
2006	55,110	122,976	178,086
2007	59,135	129,416	188,551
2008	64,685	127,870	192,555
2009	68,455	129,074	197,529
2010	74,060	127,934	201,994
2011*	919,110	133,331	1,052,441

* Temporary increase due to bond refinancing activity in 2011.

Exhibit 3-28: **2002-2011 Debt Service Requirement Test**
(dollars in thousands)

Year	Sales Tax Revenue	Debt Service Requirement	2.5 Times Debt Service
2002	647,685	113,526	283,815
2003	654,985	140,607	351,518
2004	675,628	159,702	399,255
2005	700,395	179,536	448,840
2006	746,829	178,086	445,215
2007	752,922	188,551	471,378
2008	921,245	192,555	481,388
2009	894,238	197,529	493,823
2010	931,435	201,994	504,985
2011*	975,670	1,052,441	1,175,310

* Temporary increase due to bond refinancing activity in 2011.

In July 2011, the RTA issued $95.6 million in General Obligation Bonds, Series 2011A, to pay when due, or refund in advance of their maturities a portion of the RTA's outstanding General Obligation Bonds, Series 2002B maturing from 2013 through 2019 and to pay Costs of Issuance of the Series 2011A Bonds.

RTA ordinance 85-39 requires that annual RTA revenues equal or exceed two and one-half times the RTA's annual debt service requirement. Exhibit 3-27 displays RTA's annual debt service requirements over the last ten years, and Exhibit 3-28 compares those requirements to annual sales tax revenue, the primary RTA revenue source, over the same period. The large increase in principal due in 2011 is related to bond refinancing, and does not reflect the true level of long term debt service for that year. As a result, the RTA temporarily exceeded its own revenue test in 2011, a

Exhibit 3-29: **Recent Bond Issues with Associated 2012 Expenditures** (dollars in thousands)

Bond Issue	Service Board	Capital Project	Expenditure
2003 B	CTA	Repair Track and Structure	417
2003 B	Pace	Improve Garages and Facilities	395
		Total	**$ 812**
2006 A	CTA	Replace Financial System	990
2006 A	CTA	Implement Communication Upgrades	605
2006 A	CTA	Replace/Upgrade Escalators and Elevators	536
2006 A	CTA	Replace Ties - Howard Branch/Red Line	406
2006 A	CTA	Purchase Buses	399
2006 A	Metra	Rebuild/Enhance Locomotives and Commuter Cars	579
2006 A	Metra	Purchase/Install Crossing Recorders	535
2006 A	Metra	Replace Bridges-Union Pacific North Line	210
2006 A	Pace	Improve Garages and Facilities	510
2006 A	Pace	Purchase Computer Hardware and Software	264
		Total	**$ 5,034**
2010 A	CTA	Replace/Upgrade Power Distribution and Signal Systems	1,993
		Total	**$ 1,993**
2010 B	CTA	Replace/Upgrade Power Distribution and Signal Systems	4,819
2010 B	CTA	Implement Security and Communication Projects	4,782
2010 B	CTA	Rehabilitate Rail Stations	3,225
2010 B	CTA	Perform Bus Overhaul Activities	2,683
2010 B	CTA	Repair Track and Structure	1,883
2010 B	CTA	Improve Facilites (Facilities Renovation)	1,149
		Total	**$ 18,541**

condition which is expected to be rectified when 2012 results are finalized. 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 bond proceeds are spent in a timely and efficient manner. Exhibit 3-29 relates major 2012 capital project expenditures to their associated bond issue.

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 into 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.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds.

The RTA reports three major governmental funds—the General Fund, the Debt Service Fund, and the Capital Projects Fund; one major proprietary fund—the Joint Self-Insurance Fund; and two major fiduciary funds—the Pension Trust Fund and the Sales Tax Agency Fund (Exhibit 3-30).

Exhibit 3-30: **RTA 2011 Combined Statement of Revenues & Expenditures by Fund** (dollars in millions)

	General	Debt	Capital	JSIF	Agency	Pension	Combined
Revenues							
Sales Tax	108.0	-	-	-	857.8	-	965.7
Interest on Sales Taxes	0.2	-		-	0.2	-	0.4
Public Transportation Fund	181.4	-	-	-	-	-	181.4
General State Revenue	194.1	-	-	-	-	-	194.1
Innovation, Coordination & Enhancement (ICE)	9.9	-	-	-	-	-	9.9
PTF (New Sales Tax/RETT)	-	-	-	-	124.0	-	124.0
State Assistance	130.1	-	-	-	-	-	130.1
Reduced Fare Reimbursement	-	-	-	-	34.1	-	34.1
Investment Income	18.6	0.3	0.2	-	-	-	19.1
Other Revenues	5.1	2.3	-	0.5	-	(0.7)	7.3
Pension Contribution	-	-	-	-	-	12.5	12.5
Total Revenues	**$ 647.4**	**$ 2.7**	**$ 0.2**	**$ 0.5**	**$ 1,016.0**	**$ 11.8**	**$ 1,678.6**
Expenditures							
Financial Assistance to Service Boards	128.8	-	-	-	738.6	-	970.5
Capital Grants--Discretionary	6.9	-	-	-	-	-	6.9
Pace Discretionary (CMAQ) Grant - RTA Share	0.1	-	-	-	-	-	0.1
South Suburban Job Access Program (Pace)	7.5	-	-	-	-	-	7.5
Suburban Community Mobility Fund	-	-	-	-	19.9	-	19.9
ADA Paratransit Funding (Pace)	-	-	-	-	99.3	-	99.3
Innovation, Coordination, & Enhancement (ICE)	9.9	-	-	-	-	-	9.9
Pace Expenditures (MOU and ADA)	4.3	-	-	-	-	-	4.3
PTF (New Sales Tax/RETT)	-	-	-	-	124.0	-	124.0
Capital Grants--Bonds	181.9	-	48.0	-	-	-	229.9
Reduced Fare Reimbursement	-	-	-	-	34.1	-	34.1
Debt Service Operating Transfer	149.2	(143.8)	(0.0)	(5.4)	-	-	0.0
Administrative	8.2	-	-	6.1	-	12.9	27.3
Regional	27.1	-	-	-	-	-	27.1
Capital Outlay	0.8	-	-	-	-	-	0.8
Interest on Sales Taxes to Service Board	-	-	-	-	0.2	-	0.2
Debt Service:							
Principal	-	919.1	-	-	-	-	919.1
Interest	5.9	133.3	-	-	-	-	139.2
Debt Related Costs	-	5.3	-	-	-	-	5.3
Debt Proceeds	-	(697.4)	-	-	-	-	(697.4)
Bond Premium	-	(11.6)	-	-	-	-	(11.6)
Total Expenditures	**$ 530.6**	**$ 204.9**	**$ 48.0**	**$ 0.8**	**$ 1,016.0**	**$ 12.9**	**$ 1,813.2**
Revenues less Expenses (1)	**$ 116.8**	**($ 202.3)**	**($ 47.8)**	**($ 0.3)**	**-**	**($ 1.1)**	**($ 134.6)**
Fund Balance - Beginning of the year	**$ 168.2**	**$ 500.1**	**$ 256.1**	**$ 29.0**	**-**	**$ 135.1**	**$ 1,088.5**
Fund Balance - End of the year (2)	**$ 285.0**	**$ 297.9**	**$ 208.3**	**$ 28.7**	**-**	**$ 134.0**	**$ 953.9**

(1) Reconciliation of budgetary basis to GAAP basis.

(2) Before reserves and designations.

GOVERNMENTAL FUNDS

The RTA's governmental funds are the General Fund, the Debt Service Fund and the Capital Projects Fund.

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 the other funds. The General Fund and the Agency Fund are the only two funds that have annual budgets. Exhibit 3-31 displays the 2013 budget for these funds.

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. Revenues are generated from the funds being held for payment to the bondholders. The difference between the transfer and payment expenditures reflects year-over-year timing variances.

Capital Projects Fund

In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of $500 million of SCIP bonds

Exhibit 3-31: RTA Statement of Revenues and Expenditures, 2013 Budget, General and Agency Fund (dollars in thousands)

	General Fund	Agency Fund	Total Budget
RTA Funding Sources			
RTA Sales Tax (Part I)	114,766	650,342	765,108
RTA Public Transportation Fund (Part I)	191,277	-	191,277
RTA Sales Tax and PTF (Part II)	10,550	391,541	402,091
State Financial Assistance	130,167	8,500	138,667
State Free Rides & Reduced Fare Reimbursement (1)	-	34,070	34,070
RTA Capital Project Reserves	22,921	-	22,921
Other Revenue	23,376	-	23,376
Total Revenue	**$ 493,057**	**$ 1,084,453**	**$ 1,577,510**
Operating Expenditures			
RTA Operations Funding - CTA (Includes PTF on RETT)	181,009	435,835	616,844
RTA Operations Funding - Metra	-	345,940	345,940
RTA Operations Funding - Pace Suburban Service	3,694	111,240	114,934
RTA Suburban Community Mobility Funding for Pace	-	21,100	21,100
RTA South Suburban Job Access Funding for Pace	7,500	-	7,500
RTA Operations Funding - ADA Paratransit Service	-	136,267	136,267
RTA Funding for Innovation, Coordination, and Enhancement	10,550	-	10,550
State Free Rides and Reduced Fare Reimbursement	-	34,070	34,070
Agency Administration	18,375	-	18,375
RTA Regional Services and Programs	23,314	-	23,314
Total Operating Expenditures	**$ 244,442**	**$ 1,084,453**	**$ 1,328,894**
Debt Service, Capital & JSIF Expenditures			
Principal and Interest for Service Board Capital Programs	220,000	-	220,000
Transfer Capital - CTA Funds	15,000	-	15,000
Transfer Capital - Metra Funds	7,000	-	7,000
Joint Self-Insurance Fund	5,000	-	5,000
Grant Incentive Program	1,615	-	1,615
Total Debt Service, Capital, and JSIF Expenditures	**$ 248,615**	**-**	**$ 248,615**
			-
Total Expenditures	**$ 493,057**	**$ 1,084,453**	**$ 1,577,509**
Fund Balance (undesignated/unreserved)			
Beginning Balance	1,500	-	1,500
Change in Fund Balance	-	-	-
Ending Unreserved/Undesignated Fund Balance	**$ 1,500**	**-**	**$ 1,500**

and to have a maximum of $500 million of non-SCIP RTA bonds outstanding. The Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of these RTA 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% for CTA capital projects; 45% for Metra capital projects; and 5% 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. These amounts were subsequently issued.

PROPRIETARY FUNDS

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 only one proprietary fund—the Joint Self-Insurance Fund.

Joint Self-Insurance Fund

The Joint Self-Insurance Fund (JSIF) 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.

The JSIF distinguishes operating revenues and expenses from non-operating items. Operating revenues (interest charged to Service Boards) and expenses (administrative expenses including insurance premiums and professional services) generally result from providing services in connection with this proprietary fund's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 the Sales Tax Agency Fund and the Pension Trust Fund.

Sales Tax Agency Fund

The Sales Tax Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra, and Pace agencies, including Retailers' Occupation and Use Tax (sales tax), interest on this tax, reduced fare reimbursement grants, and federal operating assistance grants. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. Sales tax revenues are recorded in the fund and are equally offset by expenditures passed through to the Service Boards.

Pension Trust Fund

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

RTA's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (Joint Self-Insurance Fund) and the Pension Trust Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues if collected by the retailer before year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

Governmental fund financial statements use the current financial resources measurement focus. The funds are accounted for using the modified accrual basis of accounting; i.e., revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or shortly thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. ASA/AFA is considered measurable and available if billed and received within 180 days after year-end. Sales taxes and ASA/AFA are susceptible to full accrual. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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. Modified accrual basis is a type of accounting whereby revenue 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. Capital grants/expenditures are budgeted for on a project basis, which normally exceeds one year. Debt service payments are budgeted as transfers from the General Fund.

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 had been the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the Budget Ordinance. However, due to the unfavorable economic conditions in recent years and the depletion of funds in the undesignated / unreserved fund balance to preserve operating stability, the RTA again waived its fund to budget policy for the 2013 fiscal year.

Exhibit 3-32: **2011 Reconciliation of Budgetary Basis to GAAP Basis Accounting** (dollars in thousands)

	General Fund
Excess of expenditures over revenues and other financing use - budgetary basis	113,493
Adjustments	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(6,907)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	10,200
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	33
Budgetary basis to GAAP basis adjustment	**$ 3,326**
Net Change in Fund Balance - GAAP basis	116,818
Net Changes in Reserves	(89,321)
Net Change in Unreserved, Undesignated Fund Balance	**$ 27,497**

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 3-32 and 3-33).

Exhibit 3-33: **RTA Statement of Revenues and Expenditures, 2011 Actual and Budget, General and Agency Funds**
(dollars in thousands)

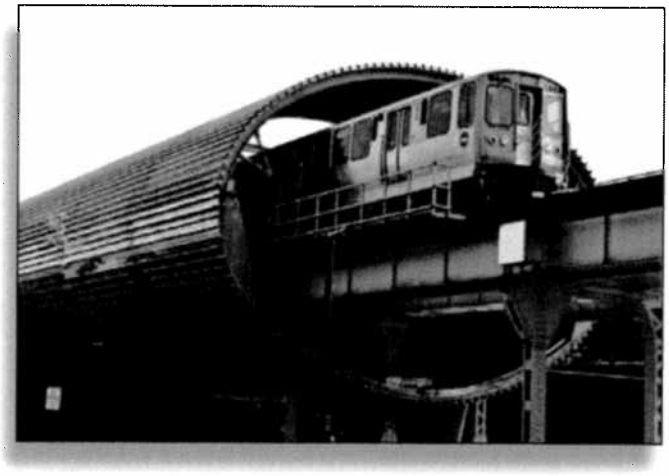
	2011 Budget	2011 Actual	Variance
RTA Funding Sources			
Sales Tax (Part I)	675,012	719,849	44,837
Public Transportation Fund (Part I)	168,753	181,428	12,675
Sales Tax and PTF (Part II)	354,624	379,789	25,165
State Financial Assistance	123,000	130,088	7,088
State Reduced Fare Reimbursement	33,570	31,997	(1,573)
Other Revenue	36,300	42,250	5,950
Total Revenue	**$ 1,391,259**	**$ 1,485,401**	**$ 94,142**
Operating Expenditures			
RTA Operations Funding - CTA (includes PTF on RETT)	515,458	549,187	(33,729)
RTA Operations Funding - Metra	318,146	334,102	(15,956)
RTA Operations Funding - Pace Suburban Service	128,854	135,429	(6,575)
RTA Operations Funding - ADA Paratransit Service	101,421	114,346	(12,925)
RTA Funds for Innovation, Coordination, and Enhancement	9,292	3,381	5,911
State Reduced Fare Reimbursement and Sales Tax Interest	35,270	31,997	3,273
Agency Administration, Regional Services & Programs	31,770	36,224	(4,454)
Total Operating Expenditures	**$ 1,140,211**	**$ 1,204,666**	**$ (64,455)**
Debt Service, Capital, & JSIF Expenditures			
Principal and Interest for Service Board Capital Programs	226,058	217,241	8,817
Regional Technology and Agency Capital	1,955	-	1,955
Transfer Capital - RTA Funds to CTA	10,200	10,200	-
Joint Self-Insurance Fund	5,380	5,380	-
Total Debt Service, Capital, & JSIF Expenditures	**$ 243,593**	**$ 232,821**	**$ 10,772**
Total Expenditures	**$ 1,383,805**	**$ 1,437,488**	**$ (53,683)**
Fund Balance (undesignated/unreserved)			
Beginning Balance	5,655	7,318	1,663
Change in Fund Balance	7,454	47,913	40,459
Other Funding & Reserves	-	(20,416)	(20,416)
Ending Balance	**$ 13,109**	**$ 34,815**	**$ 21,706**
% of total operating expenditures	1.1%	2.9%	1.7%

Exhibit 3-34: **2013 Recovery Ratios** (1) (dollars in thousands)

	2013 Budget
CTA	
Operating Revenue	700,037
Adjustments (2)	45,806
Total Revenue	**$ 745,843**
Operating Expenses	1,358,081
Adjustments (2)	(173,308)
Total Expenses	**$ 1,184,773**
CTA Budgetary Recovery Ratio	**63.0%**
Metra	
Operating Revenue	371,938
Adjustments (3)	1,700
Total Revenue	**$ 373,638**
Operating Expenses	713,500
Adjustments (3)	(38,500)
Total Expenses	**$ 675,000**
Metra Budgetary Recovery Ratio	**55.4%**
Pace Suburban Service	
Operating Revenue	59,165
Adjustments (4)	4,525
Total Revenue	**$ 63,690**
Operating Expenses	207,761
Adjustments (4)	4,525
Total Expenses	**$ 212,286**
Pace Suburban Service Budgetary Recovery Ratio	**30.0%**
Regional Recovery Ratio	
Revenue	
Total Service Board Revenue	1,183,171
RTA Agency and Other Revenue (5)	16,827
Adjustments (6)	(21,244)
Total Revenue	**$ 1,178,754**
Expenses	
Total Service Board Expenses	2,072,059
RTA Agency & Regional Programs (5)	35,141
Total Expenses	**$ 2,107,200**
Regional Statutory Recovery Ratio (excluding ADA Paratransit)	**55.9%**
ADA Paratransit	
Operating Revenue	12,495
Operating Expenses	148,762
Adjustments (7)	(23,814)
Total Expenses	**$ 124,948**
ADA Paratransit Statutory Recovery Ratio	**10.0%**

(1) The RTA Act permits certain revenue and expense adjustments for the recovery ratio calculation. The RTA, by means of ordinance, allows supplementary adjustments for Service Board calculations, but such adjustments are disallowed in determining the system-generated revenue recovery ratio for the region, which by statute must be at least 50%. Service Board adjustments include amounts that result in calculations that equal the "marks" set by the RTA. (2) CTA revenue adjustments include in-kind revenue for security services provided by the Chicago Police Department (CPD) and circuit ride free credits. Expense adjustments include in-kind costs for the CPD equal to the revenue credit, and credit for security, pension obligation debt service and some grant revenues. (3) Metra revenue adjustments include circuit ride free credits; expense adjustments include credits for security, depreciation and transportation facility leases. (4) Pace revenue and expense adjustments include in-kind Advantage program charges. (5) Does not include grant revenue or expense for JARC / New Freedom funded programs. (6) Regional revenue adjustments include a credit for a CTA lease transaction and exclusion of circuit ride free credits for CTA and Metra. (7) Expense adjustments include credits for capital costs incurred in providing contracted services (capital cost of contracting).

4 CTA 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 and is governed by a seven-member Chicago Transit Board.

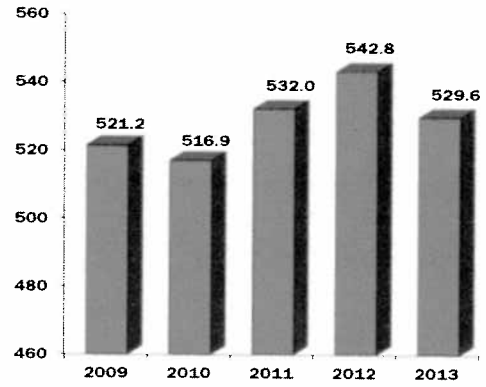
A State funding package ratified by State legislation in 2008 increased the percentage of sales tax dedicated to mass transit and gave authority to the City of Chicago to increase the Real Estate Transfer Tax (RETT) to support the CTA. Unfortunately, the economic recession had a significant impact on these funds; revenue from sales tax and the RETT were diminished from the effect of reduced consumer spending. Additionally, the recession impacted the rate at which the State of Illinois has made payments to the RTA and subsequently the rate at which the RTA can make payments to the CTA.

In 2013, the CTA will continue to hold the line on costs and, for the second year in a row, will not rely on the unsustainable use of transfers from capital to operations.

In 2012, the CTA projected a $160 million structural deficit. In order to eliminate this deficit and balance its 2012 budget, the CTA reduced personnel, pursued work rule reforms with its labor unions, and instituted management improvements. The CTA also liquidated a debt service reserve fund related to its Pension Obligation Bonds (POB) and replaced it with a bond insurance policy. These initiatives allowed the CTA to avoid a fare increase and/or service reductions without transferring funds from capital to operations. Ultimately, labor negotiations were not ratified until December of 2012, but higher than anticipated sales tax revenue and fare revenue offset unfavorable expenses.

Once labor agreements were ratified, the CTA had the certainty it required to develop its 2013 Budget and Two-Year Financial Plan. In 2013, the CTA will continue to hold the line on costs and, for the second year in a row, will not rely on the unsustainable use of transfers from capital to operations. However in the 2013 budget, the CTA increased the price on all fare passes including the CTA's 1-Day, 3-Day, 7-Day, 30-Day, CTA/Pace 7-Day passes and Metra Link-up Pass. Reduced fare prices will be adjusted to half the price of the base fare and the base fare will remain at current levels. Exhibit 4-10 provides a comparative analysis of the new fare structure.

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



The CTA's total expenses decreased in 2012 compared to 2011, due in part to the CTA's liquidation of its debt service reserve for their Pension Obligation Bonds, which it recorded as an expense credit in their other expenses category. Without this additional expense credit in 2013, the CTA's other expense category increases to levels more in line with what was experienced in 2011. Total expenses at the CTA are budgeted to increase by 6.6% over 2012 estimated levels due to the increase in the other expenses category. Net results for the 2013 budget and 2014 through 2015 plan show zero balances, with total revenue equal to expenses.

Service Characteristics

The CTA operates the second largest public transportation system in the United States with average weekday ridership on its bus and rail system of 1.7 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 35 surrounding suburbs. Bus operations provide 1,781 buses traveling over 129 routes covering 1,959 miles with approximately 11,500 bus stops. Rail service provided on eight lines has 1,200 train cars traveling over 224 miles of track.

RIDERSHIP

Total ridership for 2013 is budgeted at 529.6 million trips, 2.4% or 13.2 million trips lower than estimated 2012 ridership (Exhibit 4-1). The CTA anticipates that ridership will decrease in 2013 due to major reconstruction scheduled on the Red Line, the CTA's busiest rail line, and the fare increase. Bus ridership is budgeted at 304.7 million trips in 2013, 2.7% or 8.5 million lower than estimated 2012 ridership. Rail ridership is budgeted at 224.9 million trips in 2013, 2.0% or 4.7 million trips less than estimated 2012 ridership (Exhibit 4-2).

The CTA's 2012 ridership gains were made despite the loss of some senior ridership related to the end of the Seniors Ride Free Program. Effective September 1, 2011, senior free rides, which had previously been allowed on all Chicago-area transit, became limited to only low-income seniors, resulting in an estimated loss of up to 5 million senior trips per year on the CTA. Seniors who did not qualify for free rides were still eligible to purchase reduced-fare tickets, and an estimated 29% of former free CTA senior riders opted to do so, providing a significant farebox revenue improvement. It is also estimated that 51% of the CTA's ridership under the Seniors Ride Free Program continues to ride free by meeting the low-income criteria of the revised program.

Average weekday ridership in 2012 was about 1.7 million, while Saturday and Sunday average ridership was over 1.1 million and 782 thousand, respectively. In 2013, average weekday ridership is projected to decrease slightly, but remain around 1.7 million. Saturday average ridership is expected to remain around 1.1 million, and Sunday average ridership is budgeted to decrease slightly to 743 thousand (Exhibit 4-3). Total vehicle miles are expected to increase by 3.3% in 2013 to 121.4 million (Exhibit 4-4).

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

	2009	2010	2011	2012	2013
Bus	318.6	306.0	310.4	313.2	304.7
Rail	202.6	210.8	221.6	229.6	224.9
Total Ridership	521.2	516.9	532.0	542.8	529.6

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

	2009	2010	2011	2012	2013
Weekday	1,658	1,644	1,688	1,721	1,687
Saturday	1,058	1,046	1,088	1,112	1,083
Sunday	749	734	771	782	743

SERVICE QUALITY

Some of the CTA's major initiatives to improve service quality in 2013 include the following: the eradication of slow zones, a complete reconstruction of the Dan Ryan Branch of the Red Line, reconstruction of the Wilson Red line station, modernization of its bus and rail fleet, installing over 3,000 security cameras across the system, adding 400 Bus-tracker display signs to its bus shelters across the city, and rolling out the new Ventra™ Open-standards fare payment system. In 2013, the CTA will also continue to deploy its station renew crews across the City's rail stations, and provide service on the recently created Jeffrey Jump, the CTA's first real foray into Bus Rapid Transit.

As part of its effort to improve service quality, the CTA has implemented a variety of performance measures. Grouped by service quality objective, the CTA records average monthly 2011 and 2012 monthly targets. It also provides a definition of the performance measure and its association with a specific department, when applicable. When performance for a month exceeds the monthly target, the measurement is highlighted in green. If performance for the month falls below but within 10% of the target, the measurement is highlighted in yellow. When performance falls below 10%

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

	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Budget
Ridership (1)	521,242	516,873	531,960	542,846	529,642
Vehicle Miles	131,893	118,708	116,334	117,577	121,425
Passengers Per Mile	4.0	4.4	4.6	4.6	4.4

(1) Ridership in annual unlinked trips.

of the target, the measurement is highlighted in red. Performance measure targets yet to be established are highlighted in gray. The monthly performance measures published on the CTA's website through June 2012 can be found at the end of this section (Exhibit 4-20).

Business units and departments are responsible for certain performance measures. For instance, the Bus Operations unit is responsible for the "% of Big Gaps interval" measurement which records the number of bus intervals that are double the scheduled interval. The Bus Operations Department communicates goals and performance to everyone from managers to operators while providing a platform for reporting issues and brainstorming solutions. As indicated in Exhibit 4-20, the CTA was challenged in June of 2012 to keep "% of Big Gaps Interval" performance measure at or below its ambitious target of less than 4%.

CAPITAL INVESTMENTS

The CTA estimated that capital expenditures in 2012 would be approximately $317.3 million. In 2013, the CTA is planning to more than double those expenditures and increase capital funding to $658.5 million (Exhibit 4-5).

Since 2008, the CTA has diverted $554 million in capital funds to operations in order to fill operating budget gaps. As a result, the CTA has underfunded its capital program. In 2012, the CTA pledged to stop diverting capital funds to operations and use all available Federal funds to reinvest in the system. The 2013 capital budget continues this practice. In 2013, the CTA will be performing reconstruction on the south end of the Red Line, known as the Dan Ryan Branch. In order to reduce costs and complete the project in a

timely fashion the CTA will be shutting down the Dan Ryan Branch for five months. The $425 million project will provide significantly more reliable service. Also in 2013, the CTA budgeted to spend $66 million for rehabilitation and removal of slow zones on the Brown line between Armitage and Merchandise Mart. Between 2013 and 2017, the CTA will perform mid-life bus overhaul, rail-car overhauls, and rehabilitate rail stations, including investing $203 million to reconstruct the Wilson Red Line Station.

Bus System

The CTA operates a fleet of 1,781 buses which make 19,709 weekday trips on 129 routes, and provide approximately one million rides on a typical weekday. All buses delivered since 2007 have clean diesel engines and particulate filters that meet EPA emissions standards, and the entire bus fleet is ADA accessible and air-conditioned.

The bus vehicle overhaul program continues to improve service through regular replacement of major mechanical components subject to extensive wear. In 2013, bus mid-life overhaul activities are programmed for $31.0 million and total $143.7 million between 2013 and 2017. With overhauls, the fleet will dem-

Exhibit 4-5: **CTA Capital Statistics** (dollars in thousands)

	2009	2010	2011	2012	2013
CTA Total Capital Expenditures	**$ 671,952**	**$ 428,500**	**$ 426,437**	**$ 317,300**	**$ 658,489**
CTA Bus Vehicles	2,053	1,782	1,782	2,003	2,117
Average Age of Buses (in years)	4.7	4.3	4.3	6.3	7.1
CTA Rail Cars	1,190	1,190	1,200	1,240	1,268
Average Age of Rail Cars (in years)	26.0	27.0	27.0	25.0	22.0
Bus Routes Offering Lift Service	154	150	141	129	129
ADA Accessible Stations	85	85	88	88	88

onstrate increased reliability and fewer instances of expensive breakdown-based repair.

Also in 2013, the CTA plans to replace its Nova 40-foot buses that have reached the end of their useful service life. In 2013, the CTA will spend $85.8 million to purchase vehicles equipped with clean propulsion technologies which achieve greater fuel efficiency than standard diesel buses.

Rail System

The CTA's Capital Improvement Plan (CIP) scheduled $160.1 million in 2012 to repair rail tracks and structures, to reduce slow zone imposition and therefore maintain operating speeds. A total of $297.2 million is budgeted from 2013-2017 to continue systematic rehabilitation of the CTA right of way.

The CTA has funded and ordered 706 new 5000-Series rail cars from Bombardier, a transportation and aerospace company. Each rail car will be equipped with seven network security cameras. These rail cars also include glow-in-the-dark strips on the floors and improved door sensors. Each car meets or exceeds ADA compliance standards. These railcars will replace the aging 2200 Series and 2400 Series fleet placed into service in 1969, which have exceeded their expected service lives of 25 years. Between 2013 and 2017 the CTA's CIP has allocated $497.2 million toward the purchase of the new rail cars.

System-Wide Improvements

The CTA continues to invest in new technology to further improve service and safety. The CTA operates over 1,500 desktop computers that link into local area networks for efficient data transfer and team analysis. The CTA's proposed Capital Improvement Program allocates $5.8 million between 2013 and 2017 for software and hardware upgrades. An additional $2.5 million is allocated toward enhancement of the CTA's existing Transit Asset Management System. The Capital Improvement Plan also allocates $82.4 million to improve facilities system wide to repair and improve on-time transit service by upgrading and repairing the CTA's seven active garages, 10 rail terminals, 17 park-and-ride lots, and 111 bus turnarounds.

The CTA is working to institute an open fare system by the end of 2013. The new Ventra system will allow CTA and Pace customers to tap their Ventra or contactless bank card for entrance to rail platforms and buses, resulting in faster boarding times than allowed by inserting cash or magnetic stripe cards. The CTA is working with Cubic Transportation Systems to design the new system and begin installation. The contract with Cubic is a corner stone of the State mandate to implement a region-wide universal fare system. The CTA anticipates savings of nearly $50 million over the life of the 12-year contract.

Budget and Financial Plan

The CTA's 2013 Budget and Two-Year Financial Plan were approved by the RTA Board on January 16, 2013, in accordance with the 2012 marks set by the RTA on October 10, 2012. The CTA's operating funding marks, including State Reduced Fare Reimbursement, were set at $645.2 million for 2013, $657.3 million for 2014, and $677.5 million for 2015. The CTA has budgeted for a recovery ratio of 63.0% in 2013, 11.0 percentage points higher than what was established by the RTA marks. The CTA's Budget and Financial Plan, which includes the recovery ratio, is presented in Exhibit 4-6. The CTA is statutorily required to provide estimated levels of operating revenue and expenses that conform to the marks set by the RTA. The following portrays the outlook for the 2013-2015 planning period.

OPERATING REVENUE

The CTA's operating revenue, including passenger revenue, the State Reduced Fare Reimbursement, and other revenue was budgeted at $700.0 million in 2013. Operating revenue is planned to increase from $612.3 million in 2011, to $746.9 million in 2015, an increase of $134.6 million over the five-year period, or a compound annual growth rate of 5.1% (Exhibit 4-7). In 2013, passenger revenue comprises 45.0% of the CTA's total revenue, which includes public funding. The reduced fare subsidy and other revenue account for 2.1% and 4.4% of total revenue, respectively (Exhibit 4-8). In 2013, the CTA anticipates a $62.3 million increase in operating revenue over the 2012 estimate as changes to the fare policy increases total revenue. In 2014 and 2015, total operating revenue is anticipated to increase over the prior year by 4.2% and 2.4%, respectively.

Passenger Revenue

Passenger revenue is budgeted at $611.3 million in 2013, $62.3 million higher than the 2012 estimate. This increase reflects changes to the fare policy which are anticipated to increase the average fare at the CTA by 14 cents. Passenger revenue was estimated to increase from $527.9 million in 2011 to $549.0 million

Exhibit 4-6: **CTA 2013 Budget and 2014-2015 Financial Plan** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
Operating Revenues					
Passenger Revenue	527,853	549,000	611,281	636,272	648,997
State Reduced Fare Reimbursement	26,026	28,099	28,322	28,322	28,322
Other Revenue (1)	58,438	60,670	60,434	65,005	69,588
Total Operating Revenues	**$ 612,317**	**$ 637,769**	**$ 700,037**	**$ 729,599**	**$ 746,907**
Public Funding					
RTA Sales Tax I	296,033	304,474	314,646	324,714	336,079
Sales Tax II and PTF II	116,122	113,380	112,139	114,428	117,255
25% PTF II on RETT	8,780	8,875	9,050	9,425	9,700
RTA Discretionary Funds	128,251	168,700	181,009	180,381	186,129
Total RTA Funding	**549,187**	**595,429**	**616,844**	**628,948**	**649,163**
City of Chicago RETT	34,734	35,500	36,200	37,700	38,800
Transfer from Capital	35,000	-	-	-	-
State Fare Agreement	83,000	-	-	-	-
Local Contributions (1)	-	5,000	5,000	5,000	5,000
Total Public Funding	**$ 701,921**	**$ 635,929**	**$ 658,044**	**$ 671,648**	**$ 692,963**
Total Revenues	**$ 1,314,238**	**$ 1,273,698**	**$ 1,358,082**	**$ 1,401,248**	**$ 1,439,871**
Expenses					
Labor	893,834	924,885	918,875	932,721	962,674
Material	67,919	66,714	57,279	66,722	68,724
Fuel	57,273	65,238	65,342	67,302	69,321
Power	28,099	23,650	23,175	23,639	24,111
Insurance & Claims	15,000	24,000	11,792	24,744	25,733
Purchase of Security Services	36,815	40,175	38,734	39,896	41,093
All Other	193,394	129,036	242,884	246,223	248,214
Total Operating Expenses	**$ 1,292,334**	**$ 1,273,698**	**$ 1,358,081**	**$ 1,401,247**	**$ 1,439,870**
Net Results	**$ 21,904**	-	-	-	-
Recovery Ratio % (2)	**57.3%**	**61.0%**	**63.0%**	**63.3%**	**62.8%**

(1) Beginning in 2012, statutorily required local contributions from the City of Chicago and Cook County have been classified as public funding, not other operating revenue.

(2) The Recovery Ratio is calculated by dividing operating Revenues by Operating Expense. The calculation includes in-kind revenues and expenses for security services provided by the City of Chicago, excludes purchased security expenses, POB debt service, and includes some grant revenues.

in 2012, an increase of $21.1 million or 4.0%, largely due to increased ridership (Exhibit 4-9). Passenger revenue is anticipated to increase $24.9 million in 2014 or 4.1%. In 2015, passenger revenue is projected to increase $12.7 million over 2014. The revenue increase is largely attributable to an increase in fares and partially due to increases in ridership. The old and new CTA fare structure is shown in Exhibit 4-10.

State Free Rides & Reduced Fare Reimbursements

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. Fare reimbursement is included as operating revenue and became available in July 1989. However, in 2009 the State eliminated a portion of the funding for this program and in 2011 provided just $26.0 million to the CTA and anticipates $28.1 million in 2012. In 2013, the RTA has asked the CTA to budget for $28.3 million in reduced fare subsidies. The RTA has estimated the CTA will receive $28.3 million in Reduced Fare Reimbursements each year from 2013 to 2015.

Other Revenue

The other revenue category includes revenue generated through advertising, chartered service, concessions, investment income, and miscellaneous other revenue (Exhibit 4-11). In prior years, the statutorily required contributions from the City of Chicago and Cook County, referred to as local contributions, were also included in the other revenue category. Beginning in 2012, this $5.0 million in local contributions has been classified as public funding. In 2013, other revenue is budgeted to decrease by 0.4% to $60.4 million from the 2012 estimate. Other revenue was $58.4 million in 2011 and is estimated to increase by 3.8% in 2012. The CTA anticipates that an improving economy, renewed efforts to broaden their advertising, and increases in corporate sponsorship will result in favorable returns during the financial planning years. In 2014 and 2015, the CTA anticipates that other revenue will increase over the prior years by 7.6% and 7.1%, respectively.

Exhibit 4-8: **2013 Budgeted Total Revenues** - $1,358.1 million

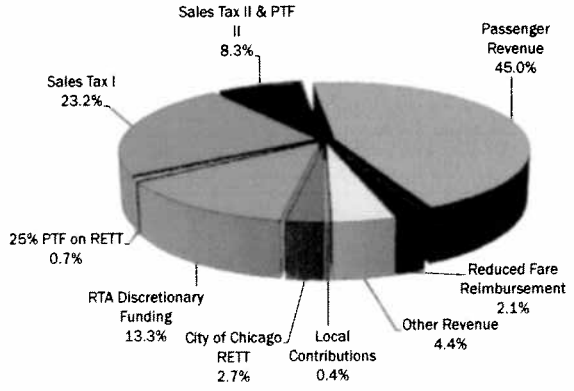
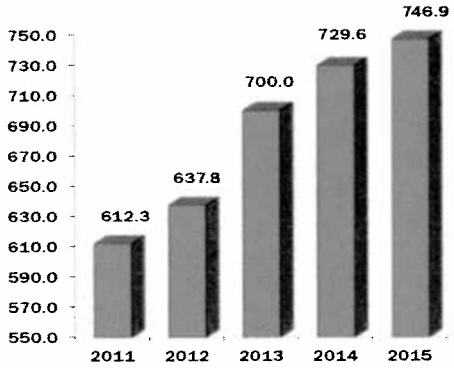


Exhibit 4-7: **CTA Operating Revenue** (dollars in millions)



PUBLIC FUNDING

Public funding, available for CTA operations, is determined by the RTA's revenue projection for the year. Public funding from the RTA consists of the RTA Sales Tax (RTA Sales Tax-I and II), the Public Transportation Fund (PTF-II and PTF-II on RETT), and RTA discretionary funding. Illinois Public Act 95-0708 increased the rates of the RTA sales tax, the PTF match, and the City of Chicago Real Estate Transfer Tax (RETT), and enacted a PTF match on the RETT and RTA Sales Tax II. While the RTA establishes the estimates for Reduced Fare Reimbursements, they are presented as operating revenue because they are allocated to the Service Boards for the reimbursement of fare revenue.

CTA funding from RTA Sales Tax-I is budgeted to increase from the 2012 estimate of $304.5 million to $314.6 million in 2013. RTA Sales Tax-II and PTF-II are expected to decrease from $113.4 million in 2012 to $112.1 million in 2013. The RETT and the 25% PTF-II match on RETT combined are expected to increase

Exhibit 4-9: **CTA Average Fare Calculation** (Revenue and Ridership in thousands)

	2009	2010	2011	2012	2013
Passenger Revenue	$ 505,713	$ 509,180	$ 527,853	$ 549,000	$ 611,281
System Ridership	521,241	516,872	531,960	542,846	529,641
Average Fare	$0.97	$0.99	$0.99	$1.01	$1.15

Exhibit 4-10: **CTA Fare Structure**

	Effective 1/1/2009		Effective 1/14/2013	
	Full	Reduced (1)	Full	Reduced (1)
Fare Cards (2)				
Transit Card (Bus)	$2.00	$0.85	$2.00	$1.00
Transit Card (Rail)	$2.25	$0.85	$2.25	$1.10
Cash (Bus only)	$2.00	$1.00	$2.00	$1.10
Transfer	$0.25	$0.15	$0.25	$0.15
Passes				
1-day	$5.75	None	$10.00	None
3-day	$14.00	None	$20.00	None
7-day (CTA only)	$23.00	None	$28.00	None
7-day (CTA and Pace)	$28.00	None	$33.00	None
30-day	$86.00	$35.00	$100.00	$50.00
Metra Link-up Pass	$45.00	None	$55.00	None
Student Fares (3)				
Bus and Rail with Student Permit	$0.85	None	$0.75	None
Transfer	$0.15	None	$0.15	None
Student Fare Cash (Bus only)	$1.00	None	$0.75	None
O'Hare Station Fare (4)	$2.25	$0.85	$5.00	$1.10
128 Soldier Field Express (5)	$1.00	$0.50	$5.00	$2.50

(1) Reduced fares are for children 7 through 11 years old and people with RTA issued Reduced Fare Permits for seniors and/or persons with disabilities. The CTA also provides free rides to eligible seniors and persons with disabilities.

(2) Transit Cards include Chicago Card Plus and Chicago Card, unless otherwise noted.

(3) For elementary and high school students that present a Student Riding Permit on school days between the hours of 5:30 am and 8:30 pm.

(4) The additional $2.75 surcharge will not be effective until the middle of 2013, and is not applied to riders that use reduced fare or present a pass.

(5) Current one-way fares were replaced with a $5.00 round-trip fare.

from $44.4 million in 2012 to $45.2 million in 2013. Apportionments from the RTA's 15% share of the sales tax (Sales Tax-I) revenue and the State's public transportation fund (PTF-I) are the sources of the RTA's discretionary funds. RTA discretionary funds for the CTA are expected to increase from $168.7 million in 2012 to $181.0 million in 2013. The RTA funding in 2013 is budgeted to increase over the 2012 estimate by $21.4 million or 3.6%. The CTA used $35.0 million of federal funds for preventative maintenance in 2011. The CTA does not intend to transfer funds for preventative maintenance between 2012 and 2015. Additionally, the CTA's last payment of $83.0 million from the State in accordance with the 2009 State Fare Agreement was received in 2011. Total public funding is budgeted to increase by $22.1 million or 3.5% over the 2012 estimate. Between 2013 and 2015, total public funding is anticipated to increase at a compound annual growth rate of 2.6%.

OPERATING EXPENDITURES

Total operating expenditures are budgeted to increase from $1,273.7 million in 2012 to $1,358.1 million in 2013. This $84.4 million increase represents a 6.6% increase in expenses (Exhibit 4-12). The increase in total expenses is largely due to the one time liquidation of the POB debt service reserve, which the CTA

Exhibit 4-11: **All Other Revenue** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
All Other Revenues					
Advertising, Charter, & Concessions	21,459	25,499	27,851	28,408	28,976
Investment Income	578	629	629	643	658
Contribution from Local Govt. Units	5,000	-	-	-	-
All Other Revenue	31,401	34,542	31,954	35,954	39,954
Total All Other Revenues	**$ 58,438**	**$ 60,670**	**$ 60,434**	**$ 65,005**	**$ 69,588**

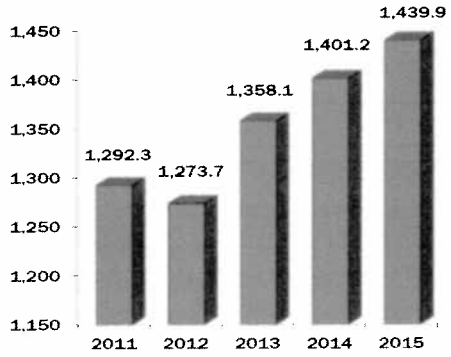
(1) Beginning in 2012, statutorily required local contributions from the City of Chicago and Cook County have been classified as public funding not other operating revenue.

recorded as an expense credit in their other expenses category in 2012. With the exception of the other expenses category, the CTA 2013 budget reduced expenditures in every expense category when compared to the 2012 estimate.

Financial projections for the years 2013 and 2014 show increased operating expenditures of $1,401.2 million and $1,439.9 million, respectively. The 2014 financial projection represents an increase of 3.2% over the 2013 budget, and the 2015 financial projection represents an increase of 2.8% over the 2014 financial plan. Between 2011 and 2015, total expenditures are expected to increase at a compound annual growth rate of 2.7%.

2013 operating expenditure elements include labor, material, fuel, power, insurance and claims, security, and other costs. Labor expenditures, including fringe benefits, represent 67.7% of the CTA's total expenditures. Base wages represent about two thirds of the labor total, while fringe benefits, which are primarily medical insurance and pension costs, represent the remaining one third. Materials, used primarily for maintenance, are 4.2% of total expenditures. Fuel and power represent 6.5% of the CTA's expenditures combined. Security and insurance & claims represent 3.8% of total spending. Other expenditures comprise the remaining 17.9%. The other expenditure category includes items such as leases, utilities, and contractual services (Exhibit 4-13).

Exhibit 4-12: **CTA Total Operating Expenses** (dollars in millions)



Labor Costs

Labor expenses for 2013 were estimated at $918.9 million, $6.0 million or 0.7% less than prior year. Labor expenditures are expected to increase from $893.8 million in 2011 to $962.7 million in 2015. This $68.8 million increase represents a compound annual growth rate of 1.9% (Exhibit 4-14). The CTA pursued work rule reforms with its labor unions in 2012, which eliminated archaic fringe benefits, and allowed the CTA to "bend the cost curve" and ensure slower growth in labor expenses over the five-year negotiated contract. Between 2011 and 2015, labor expenses are expected to increase at a compound annual growth rate of 1.9%.

The CTA's budgeted positions returned to 2011 levels, but still remain historically low with just 9,381 employees budgeted in 2013 (Exhibit 4-15).

Material

The material category covers all repair parts for buses, trains, track, structure and signals in the system. Material expenses of $57.3 million in 2013 are budgeted to be $9.4 million, or 14.1%, lower than the 2012 estimate. Lower material expenses reflect the CTA's increased investment in capital grants that offset some material operating costs and a reduction in maintenance cost associated with the purchase of the 5000

Exhibit 4-13: **CTA 2013 Operating Expenses** - $1,358.1 million

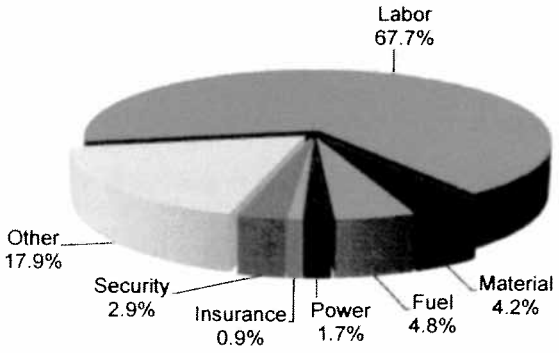
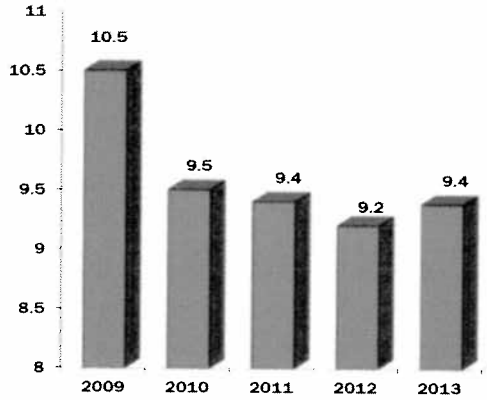


Exhibit 4-15: **CTA Budgeted Positions** (in thousands)



Series Bombardier rail cars which have substantially lower maintenance costs and a two-year warranty on all parts. Material expenditures are estimated at $66.7 million in 2012, $57.3 million in 2013, $66.7 million in 2014, and $68.7 million in 2015. Modest increases in 2014 and 2015 reflect the estimated savings provided by the CTA's plan to outsource its procurement system to contractors that will utilize barcode technologies and upgrade the CTA's procurement system to a just-in-time model with greater access to vendors nationwide. Between 2011 and 2015, material expenses are expected to increase at a compound annual growth rate of just 0.3%.

Fuel

In 2013, the cost of fuel is budgeted at $3.50 per gallon for a total budgeted cost of $65.3 million. Through its strategic fuel hedging program, which uses a long-term layered fuel hedging strategy, the CTA has been able to achieve better-than-market results in its average fuel prices, successfully maintaining favorable to budget variances for fuel over the last couple of years. In 2011, the CTA spent $57.2 million for 18.7 million gallons, a price per gallon of $3.06 (Exhibit 4-16). In 2012, the estimated cost per gallon is $3.42, a $0.36 increase from the 2011 average. Fuel consumption is budgeted to decline slightly in 2013 and remains at constant levels through 2015, but the anticipated cost of fuel is expected to rise by 1.1% in 2014 and 3.0% in 2015. Between 2011 and 2015, fuel expenses are expected to increase at a compound annual growth rate of 4.9%.

Power

In 2013, power expenses of $23.2 million are budgeted to be 2.0% favorable to the 2012 estimate. Electric power expenditures decreased in 2012 by 15.8% from $28.1 million in 2011 to $23.7 million. The CTA negotiated a new contract for purchasing electric power that began in January of 2012. The new contract allowed the CTA to purchase blocs of electricity in advance of use. About 60% of the CTA base electricity needs are purchased in this fashion and the remainder is purchased at the real-time ComEd price. Through this strategy, the CTA hopes to duplicate the success of its fuel hedging program to reduce volatility for their power expenses. Power expenses are projected to increase at a compound annual growth rate of 2.0% over 2014 and 2015, but between 2011 and 2015, power expenses are expected to decrease at a compounded annual rate of 3.8%.

Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	2011	2012	2013	2014	2015
Labor Expense	$ 893,834	$ 924,885	$ 918,875	$ 932,721	$ 962,674
% Change from Prior Year	7.0%	3.5%	(0.6%)	1.5%	3.2%

Exhibit 4-16: **CTA Fuel Cost per Gallon** (Cost and Gallons in thousands)

	2011	2012	2013	2014	2015
Fuel Cost	$57,273	$65,238	$65,342	$67,302	$69,321
Gallons	18,725	19,055	19,019	19,019	19,019
Cost Per Gallon	$3.06	$3.42	$3.50	$3.54	$3.64

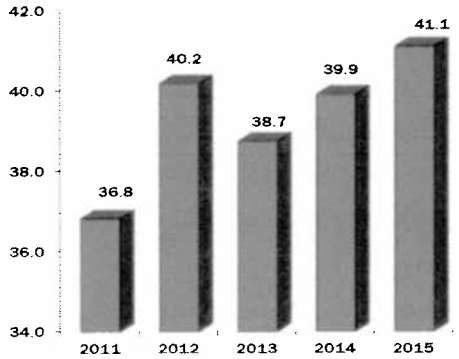
Insurance and Claims

The insurance and claims expense category represents the expenditures related to claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles. The amount reserved for injury and damages is determined by actuaries and based on actual claims history. In 2013, acting upon the advice of its actuary, the CTA reduced its contribution to its injury and damages reserve by $12.2 million or 50.9% to $11.8 million. The CTA's estimate of $24.0 million in 2012 was $9.0 million more than the 2011 actual expenditures for insurance and claims. Additional deposits in 2010 allowed for lower-than-normal expenditures in 2011. Proposed expenditures for 2014 and 2015 are $24.7 and $25.7 million, respectively, a compound annual growth rate of 67.7% between 2013 and 2015. Between 2011 and 2015, insurance and claims expenses are expected to increase at a compound annual growth rate of 14.4%.

Purchase of Security Services

Security is strategically deployed throughout the CTA system to provide 24-hour coverage, seven days a week. Security services are provided by the City of Chicago, Evanston, and Oak Park Police Departments, and contracts with private security firms for guard and canine security.

Exhibit 4-17: **CTA Purchase of Security Service** (in millions)



The 2013 budget for security services is $38.7 million, a 3.6% decrease from the 2012 estimate. Expenditures were estimated to be $40.2 million in 2012, a 9.1% increase from 2011 (Exhibit 4-17). The increase was attributed to a contracted rate increase for security personnel across the system, the addition of security guards at the new Oakton and Morgan stations, and a new intergovernmental agreement negotiated with the Chicago Police Department. Between 2011 and 2015, security expenditures are expected to increase at a compound annual growth rate of 2.8%.

Other Expenditures

Other expenses include: utilities, rents, maintenance and repair, advertising, commissions, consulting, insurance, and miscellaneous general expenditures. For 2013, $242.9 million is estimated for other expenses. This amount reflects an increase of $113.8 million, or 88.2% over 2012. This significant increase in costs is largely due to the liquidated debt service fund which the CTA applied to their other expense category as a credit in 2012. Between 2011 and 2015, other expenses are expected to increase at a compound annual growth rate of 6.4%.

NET RESULTS

In 2013, system-generated revenue (fares and other revenue) are budgeted to cover 51.5% of CTA's operating expense budget with the remainder of the operating deficit covered by public funding. The operating deficit is derived from total system generated revenue minus total operating expenditures. The operating deficit, or public funding need, for the 2013 budget and 2014-2015 financial plans are $658.0 million, $671.6 million, and $693.0 million, respectively (Exhibit 4-6). Between 2011 and 2015, the public funding need at the CTA has decreased at compounded annual rate of 0.3%. For the 2013 budget and 2014 and 2015 plans, public funding meets the need and

is estimated to increase at a compound annual growth rate of 2.6%. Therefore, net results for the 2013 budget and 2014 through 2015 plan show zero balances, with total revenue equal to expenses. The remaining funding in excess of the operating deficit experienced in 2011 was transferred from operations to capital at the CTA in accordance with the RTA's financial policy.

RECOVERY RATIO

The CTA's recovery ratio equals total system-generated revenue divided by total operating expenditures, with statutory and approved adjustments. In 2013, the CTA's recovery ratio is budgeted at 63.0% exceeding the mark of 52.0% set by the RTA Board by 11.0 percentage points.

The following factors affect the CTA recovery ratio calculation. In-kind security services provided by the Chicago Police Department in the amount of $22.0 million are included as both revenue and expenditure in the recovery ratio calculation. Revenue credits are provided to the Service Boards for free service provided to eligible seniors and disabled persons. Additionally, purchased security expenditures are excluded from the recovery ratio calculation. The CTA's recovery ratio was 57.3% in 2011 and is estimated to be 61.0% in 2012. In 2013, the CTA has budgeted for a 63.0% recovery ratio and has planned for a 63.3% and 62.8% recovery ratio in 2014 and 2015, respectively (Exhibit 4-6). The RTA Chapter provides the detailed recovery ratio calculation.

Statutory Compliance

The RTA Act requires that each Service Board meet the seven criteria detailed in the Introduction chapter for their budgets to be approved. The 2013 CTA budget, as submitted, substantially meets all criteria.

2012 Budget versus 2012 Estimate

The CTA expects a balanced budget in 2012, with favorable public funding and operating revenue offsetting unfavorable expense results (Exhibit 4-18).

OPERATING REVENUE

Calendar year 2012 operating revenue is estimated at $637.8 million and is projected to be $14.1 million, or 2.3%, favorable to budget. Passenger revenue is estimated at $549.0 million, which is $9.0 million or 1.7% higher than the budget due to higher ridership. The reduced fare subsidy is the State's reimbursement to the Service Boards for providing discounted fares to the disabled, the elderly, and students. Revenue from the reduced fare subsidy is estimated at $28.1 million, 0.4% higher than budget.

Total other revenue is estimated at $60.7 million, $5.0 million or 9.0% favorable to budget. Revenue from advertising, charter, and concessions is estimated at $25.5 million which is greater than budget by $2.7 million or 11.8%. Investment income is estimated at $629 thousand, which is unfavorable to budget by $238 thousand or 27.6%. All other revenue is estimated at $34.5 million which is higher than budget by $7.5 million or 27.9%, largely due to a Homeland Security grant received in 2012 that was not originally programed into the CTA's Budget.

PUBLIC FUNDING

Calendar year 2012 public funding was estimated at $635.9 million, favorable to budget by $19.3 million. Public funding available through the RTA is estimated at $595.4 million, exceeding the budget by $6.8 million. This increase is largely due to greater than expected sales tax collections across the region. The City of Chicago's Real Estate Transfer Tax (RETT) is estimated to be an additional $7.5 million or 26.7%

Exhibit 4-18: **CTA 2012 Budget vs. 2012 Estimate** (dollars in thousands)

	2012 Budget	2012 Estimate	Variance
Operating Revenues			
Passenger Revenues	540,000	549,000	9,000
Reduced Fare Subsidy	28,000	28,099	99
Other Revenue	55,682	60,670	4,988
Total Operating Revenues	**$ 623,682**	**$ 637,769**	**$ 14,087**
Public Funding			
RTA Sales Tax I	301,379	304,474	3,095
Sales Tax II and PTF II	111,495	113,380	1,885
25% PTF II on RETT	7,007	8,875	1,868
RTA Discretionary Funds	168,700	168,700	-
City of Chicago RETT	28,028	35,500	7,472
Local Contributions	-	5,000	5,000
Total Public Funding	**$ 616,609**	**$ 635,929**	**$ 19,320**
Total Revenues	**$ 1,240,291**	**$ 1,273,698**	**$ 33,407**
Expenses			
Labor	883,075	924,885	(41,810)
Material	71,493	66,714	4,779
Fuel	66,707	65,238	1,469
Power	24,977	23,650	1,327
Insurance & Claims	31,200	24,000	7,200
Purchase of Security Services	36,803	40,175	(3,372)
All Other	126,036	129,036	(3,000)
Total Expenses	**$ 1,240,291**	**$ 1,273,698**	**($ 33,407)**
Net Results	-	-	-
Recovery Ratio %	**59.6%**	**61.0%**	**1.4 points**

higher than budget, as real estate sales increased in the City of Chicago. The RTA Act requires the City of Chicago to contribute $3.0 million and Cook County to contribute $2.0 million annually to the operations of the CTA. These contributions from the City of Chicago and Cook County were classified as other revenue in the 2012 budget, but have since been categorized as public funding. The City and Cook County both provided the statutorily required sum in 2012.

EXPENDITURES

Calendar year 2012 operating expenditures are estimated at $1,273.7 million and are estimated to be unfavorable to budget by $33.4 million. Expenditures for labor, security, and other expenses were over budget while material, fuel, power, and insurance and claims were favorable to budget.

Labor expenditures are projected at $924.9 million in 2012, which is $41.8 million or 4.7% unfavorable to budget. During the development of its 2012 budget, the CTA was entering negotiations with its labor unions. At this time, the CTA anticipated that it could achieve $80.0 million in savings by implementing work rule reforms. By the middle of 2012 it was clear that these negotiations would not fully impact the CTA's 2012 financial results.

Material expenditures in 2012 are estimated at $66.7 million, which was lower than budget by $4.8 million or 6.7%. The CTA continues to improve its supply chain processes to ensure that only required quantities are being purchased and that the CTA is getting the best price possible. The success of this initiative is reflected in the lower-than-budgeted material expenditures for 2012.

Fuel expenditures are expected to be $65.2 million at the end of 2012, $1.5 million or 2.2% lower than budget. While consumption levels went up in 2012, the CTA continues to actively work to decrease the price it pays for fuel through its fuel hedging program. Fuel prices are projected to end the year at a net average price of $3.42 per gallon, which is $.37 higher than the average price in 2011.

Electric power expenditures for the rail system are estimated to be $23.7 million in 2012, favorable to budget by $1.3 million or 5.3%. The CTA's favorable power result is largely due to favorable market pricing and the CTA's long term hedging strategy. Compared to prior year, the CTA's estimated power expenses are $4.4 million or 15.8% favorable.

Expenditures for insurance, claims, and litigation for injuries and damages that occur on CTA property or with CTA vehicles are estimated at $24.0 million for 2012. While insurance and claims expenses are lower than budget by $7.2 million or 23.1%, they are consistent with actuarial recommendations which have found that the CTA's insurance and claims reserve was somewhat overfunded in prior years.

Security is deployed strategically throughout the system to provide 24-hour coverage, seven days a week. These services are provided by the Chicago, Evanston, and Oak Park Police departments and through contracts with private security firms. Full year expenditures are estimated at nearly $40.2 million, $3.4 million or 9.2% above budget. This increase in costs over budget is due to a contracted increase in the rates provided to rail station private security guards, the addition of Oakton and Morgan stations, and the intergovernmental agreements that were recently negotiated with the Chicago Police Department (CPD). In addition to the

services contracted by CTA, the Public Transportation Unit of the CPD continues to provide services to the CTA at an estimated cost of $22.0 million.

NET RESULTS

In 2012, the CTA's public funding need of $635.9 million was unfavorable to budget by $19.3 million; higher-than-budgeted public funding results met this need thus achieving a balanced net result. Net results for 2012 show a zero balance without the need for transfers from capital to operations. Estimated results show that the CTA will end 2012 with operating revenue and public funding equal to expenses.

Organizational Structure

The CTA organization chart is shown in Exhibit 4-19 and consists of the following departments and business units: Legislative Affairs, Planning, Transit Operations, Infrastructure, Administration, Finance, Law, Communications, and Safety & Security.

CTA Board

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

The Citizens Advisory Board, the CTA Board Members, the Chief of Staff, the Secretary of the CTA Board, the President of the CTA, and the Department of Internal Audit report directly to the Chairman of the Board. Functionally, the General Counsel of the CTA and the Chief Financial Officer both report to the Chairmen of the Board.

Department of Internal Audit

The CTA's Office of Inspector General was eliminated in October of 2012 having found that its efforts were duplicative of those provided by the State's Office of Inspector General (OEIG) which was given the authority to oversee the CTA in July of 2011. Some of the CTA's Office of Inspector General responsibilities were by-in-large passed on to the Department of the Internal Audit. The Department of Internal Audit reports directly to the Chairmen of the Board, and the Office of the President falls under its scope of potential investigative responsibilities.

President

The CTA President is the agency's chief executive and is charged with executing the policy decisions made by the CTA Board of Directors and providing direction to the CTA staff as they work to fulfill the mission and goals of the Board. The Chief of Staff of the President reports directly to the President, and the President reports directly to the Chairmen of the Board.

Legislative Affairs

Legislative Affairs coordinates agency outreach and represents the CTA and its interests before local, state, and national government.

Planning

The Planning Department is responsible for developing routes and schedules that best synchronize CTA capabilities with customer demand. Planning ensures that the highest level of service is attained.

Transit Operations

Transit Operations consists of Bus Operations, Rail Operations, Bus and Rail Maintenance, and the Control Center. Bus maintenance includes both the maintenance and regular cleaning of bus interiors and exteriors. Rail Maintenance is responsible for maintaining the safe mechanical functioning of the CTA's trains as well as regular cleaning, heavy maintenance repairs, and rebuilds of train systems. The Control Center monitors passenger and facility security, maintains accident statistics, and monitors environmental affairs. The Control Center operates 24 hours per day, 7 days a week.

Infrastructure

Infrastructure includes the operating units of Engineering, Power and Way, and Facilities. Engineering is responsible for creation and maintenance of construction documents for CTA facilities, and reviewing and answering design requests. Power and Way inspects and maintains the rail track, including rail track circuits, switches, and vital signal relays. Power and Way is also responsible for power substations in the CTA system. The Facilities unit performs maintenance and construction of rail stations, terminals, rail yards, and other CTA facilities.

Administration

Administration includes; Human Resources and Employee Relations, Purchasing and Warehousing, Technology, DBE/EEO/ADA Compliance and the Learning Unit. The Human Resources department is responsible for recruiting, hiring, benefit services, medical services, and program compliance. The Purchasing and Warehousing department performs inventory management. Technology maintains and upgrades all CTA technology infrastructure including computer hardware, application software, and communications equipment. This office is also responsible for the maintenance of fare equipment for both Bus and Rail, and for all communication system infrastructures.

Finance

Finance is responsible for Budgeting and Capital Planning, general accounting, investment support, cash management, program development, and the management and control of property, grants, investments, and funding. Finance functionally reports to the Chairmen of the Board and administratively reports to the President.

Law

Law handles appellate matters, corporate law, claims and tort litigation, workers compensation matters, and labor policies and appeals. The law department functionally reports to the Chairmen of the Board and administratively reports to the President.

Communications

Communications is responsible for marketing, media relations, identity development, and publications. Additionally, Communications is responsible for providing customer service such as travel information, Chicago Card account maintenance, maps, brochures, fare updates, refunds, and support for onsite public forums.

Security & Safety

The mission of the Security and Safety department is to ensure the highest degree of safety for CTA customers, employees and the public. This is achieved by identifying and eliminating or controlling safety hazards during the operation of transit service, construction, and maintenance. Security and Safety also administers the Destination Safety program, which aims to reduce employee and third party accidents and injuries.

Exhibit 4-19: **CTA Organization Chart**

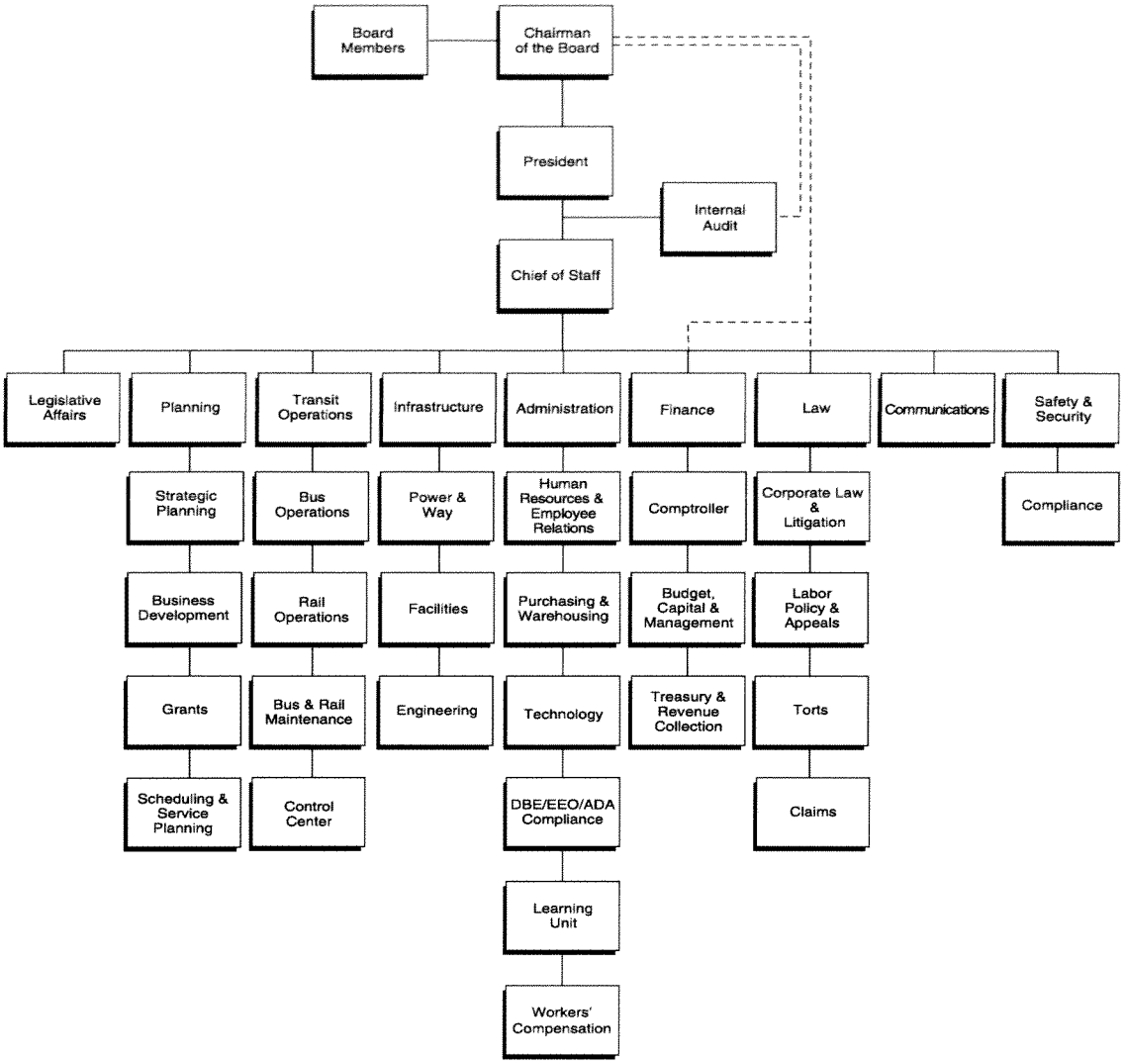


Exhibit 4-20: **CTA Performance Measurement**

	CTA Monthly Performance	2012 Monthly Target	2011 Monthly Average	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012
RIDERSHIP	Total Ridership (in millions)	45.3	44.3	45.6	44.0	46.7	47.1	48.0	44.4	42.1	42.4	43.8	47.6	44.5	46.9	45.9
	Rail Ridership (in millions)	19.6	19.0	19.5	19.0	26.7	19.7	20.3	18.6	17.2	17.8	17.9	19.7	18.8	19.7	20.0
	Bus Ridership (in millions)	25.7	25.3	26.1	25.1	20.0	27.4	27.7	25.8	25.0	24.7	25.9	27.9	25.7	27.2	25.9
	Total (Year to Date, in millions)	306.6	283.9	259.5	303.6	350.3	397.4	445.4	489.8	532.0	42.4	86.2	133.9	178.3	225.2	271.1
	% Change Over Prior Year (Year to Date)	4.9%	1.4%	1.7%	1.6%	2.1%	2.2%	2.3%	2.4%	2.9%	4.4%	8.7%	6.7%	5.5%	5.3%	4.5%
ON-TIME	Rail Delays of 10 Minutes or More	78	92	94	113	114	89	97	88	84	98	92	96	77	125	125
	% of Slow Zone Mileage	N/A	10.9%	11.6%	12.2%	12.3%	12.2%	10.7%	10.1%	10.7%	11.0%	11.3%	11.4%	11.6%	12.1%	12.6%
	% of Big Gap Intervals, Bus	4%	3.8%	4.0%	3.9%	4.0%	4.2%	4.1%	4.0%	3.8%	3.6%	3.1%	3.5%	3.4%	4.4%	4.9%
	% of Bunched Intervals, Bus	3%	2.3%	2.6%	2.2%	2.2%	2.9%	2.7%	2.4%	2.1%	1.9%	2.1%	2.4%	2.1%	3.0%	2.9%
EFFICIENT	Mean Miles Between Reported Rail Vehicle Defects	3650	3732	3244	3202	3325	3680	4129	4271	4370	3990	3821	4250	4464	3761	3623
	Miles Between Reported Bus Service Disruptions Due to Equipment	4500	4893	4362	4537	4831	5085	4890	5469	5290	4292	5305	4679	5146	4391	5138
	Average Daily Percent of Bus Fleet Unavailable for Service	13%	13%	13%	14%	14%	12%	12%	12%	13%	13%	12%	13%	13%	13%	14%
	Average Daily Percent of Rail Fleet Unavailable for Service	11%	11%	12%	11%	11%	11%	12%	11%	10%	13%	14%	14%	14%	13%	12%
SAFE	Bus NTD Security-Related Incidents per 100,000 miles	N/A	0.11	0.16	0.13	0.09	0.15	0.16	0.15	0.04	0.09	0.15	0.13	0.13	0.11	0.19
	Rail NTD Security-Related Incidents per 100,000 miles	N/A	0.08	0.07	0.06	0.07	0.13	0.17	0.13	0.08	0.04	0.20	0.07	0.15	0.09	0.17
	Bus NTD Safety-Related Incidents per 100,000 Miles	N/A	0.44	0.44	0.40	0.34	0.36	0.49	0.53	0.46	0.49	0.38	0.47	0.52	0.36	0.49
	Rail NTD Safety-Related Incidents per 100,000 Miles	N/A	0.04	0.02	0.04	0.05	0.08	0.06	0.04	0.02	0.04	0.06	0.17	0.06	0.00	0.00
CLEAN	Average Interior Rail Clean Inspection Score	90%	98.0%	98.2%	98.2%	97.6%	99.0%	99.3%	98.8%	99.0%	98.5%	99.1%	97.9%	99.5%	99.9%	98.8%
	Average Interior Bus Clean Inspection Score	85%	89.2%	91.3%	90.6%	89.9%	90.7%	91.4%	89.8%	86.3%	84.0%	84.5%	85.9%	84.8%	86.2%	89.2%
COURTEOUS	% of Customer Complaints Not Closed Out Within 14 Days	3%	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	0%
	CTA Customer Service Hotline Average Wait-time (*)	0:03:30	0:02:05	0:01:44	0:02:51	0:02:36	0:02:42	0:02:48	0:02:24	0:01:41	0:02:39	0:01:40	0:00:55	0:00:58	0:00:47	0:01:03
	Reported Ramp Defects (Service Disruptions)	N/A	69	89	78	61	75	48	49	47	99	67	74	82	63	54
	% Buses with Defective AVAS	2%	0.9%	0.7%	0.8%	0.7%	0.7%	0.8%	1.4%	1.4%	1.1%	0.6%	0.6%	0.7%	0.7%	0.6%
	Reported ADA Complaints	N/A	58	94	68	70	65	59	42	30	37	53	53	61	76	80

Legend

Meeting or exceeding target:
Within 10% of target:
Missing target by more than 10%:
Measure does not have a target:

5 Metra Operating Plan

Overview

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra is responsible for the day-to-day operations of the region's commuter rail system including fare collection, 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 an eleven-member board of directors. Four of the directors are appointed by the suburban members of the Cook County Board. The chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry, and Will counties each appoint one director, and the Mayor of the City of Chicago also appoints one director. The Chairman of Metra's board of directors must be one of the eleven directors, and is appointed by the concurrence of eight directors.

The network itself is made up of over 1,400 revenue vehicles, 821 bridges, more than 2,000 signals, 27 rail yards and maintenance facilities.

For 2013, Metra has proposed a balanced projection of revenues and expenses that follow the guidelines set forth in the RTA Act. The proposed budget has a recovery ratio target of 55.4%, 2.4 percentage points higher than the RTA-provided revenue recovery ratio target. There are no service or maintenance reductions or increases contained within the budget. In keeping with a decision made in 2012, the 2013 budget does not contain any transfers from capital funds to operations. To further support capital investment, Metra will program $5.6 million of farebox revenue to the capital program with revenues from a fare policy change that eliminates the discount on a 10-ride ticket. Metra plans to return the Farebox Capital Program to its historic funding level of $10 million per year starting in 2014.

Service Characteristics

The Metra rail system is comprised of eleven separate lines, which run north, west, and south of the Chicago central business district. The system extends 488 route-miles to the limits of the six-county area and serves 240 local rail stations in more than 100 communities. The network itself is made up of over 1,400 revenue vehicles, 821 bridges, more than 2,000 signals, 27 rail yards and maintenance facilities. Metra's operational interface with extensive freight networks makes it one of the nation's most complicated rail systems. A system of such magnitude requires continual maintenance and renewal in order to preserve operational performance, safety, and service efficiency.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with Union Pacific and Burlington Northern Santa Fe, two of the largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner, providing service between Chicago and South Bend, Indiana. Together, Metra and its carriers provide 702 weekday trains, 296 Saturday trains, and 163 Sunday trains. Metra provides safe, reliable commuter rail service with an average weekday ridership of 260,000. Peak period ridership represents 82% of the total average weekday trips. Metra's hub is located in the downtown Chicago business district. Four downtown terminals serve Metra's eleven lines.

RIDERSHIP

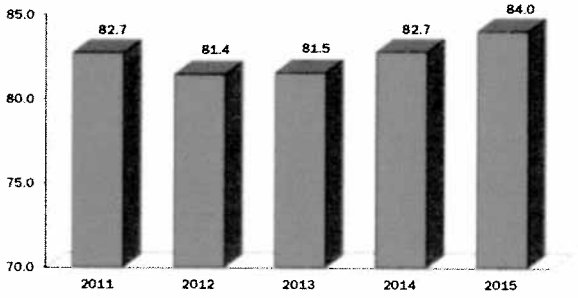
Metra's primary customer base is suburban residents who work in downtown Chicago. According to Metra's 2006 Origin-Destination Survey, 77.0% of weekday morning riders board in the suburbs and alight in

downtown Chicago, and more than 90% of all Metra trips are for business and work purposes.

Metra projects stable ridership for 2013, following a decrease in ridership in 2012 related to a significant 25% average fare increase, followed by modest growth in 2014 and 2015. For 2012, Metra's total ridership, excluding South Shore service, is projected to total 81.4 million passenger trips (Exhibit 5-1), representing a 1.5% decrease from 2011. Metra's total ridership is estimated to increase 0.2% in 2013 to 81.5 million passenger trips. An increase of 2.5 million passenger trips is expected over the following three years, with an estimated total ridership of 84.0 million passenger trips in 2015. This level represents a compound annual growth rate of 0.4% from 2011 to 2015 (Exhibit 5-2).

In addition to the February 2012 fare increase, Metra ridership was negatively impacted by the end of the Seniors Ride Free Program. Effective on September 1, 2011, senior free rides, which had previously been allowed on all Chicago-area transit, were now restricted to only low-income seniors, resulting in an estimated loss of one million senior trips per year for Metra. Seniors who did not qualify for free rides were still eligible to purchase reduced-fare tickets, and an estimated 63% of seniors opted to do so. Exhibit 5-3 demonstrates the effect of the end of the Seniors Ride Free Program; reduced-fare ticket sales plunged in 2008 and 2009 with the start and expansion of the program, then increased more than 50% in 2011, the year the program ended, and 58% in 2012 as seniors who were riding free transitioned to reduced-fare tickets.

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



(1) Based on ticket sales. Includes all free rides. Excludes South Shore (NICTD) service.

SERVICE QUALITY

Metra has identified improved service quality as one of its objectives to ensuring customer satisfaction. Metra periodically conducts on-board surveys to measure various service attributes. In late 2011, customer satisfaction surveys were completed by nearly 17,000 Metra customers, who identified on-time performance, seat availability, and safety as the most important service attributes that drive customer satisfaction. Beyond general rider satisfaction, Metra also collects information on the service attributes that are most effective at attracting and retaining riders. These data provide direction for planning, scheduling

Exhibit 5-3: **Reduced-Fare Rides by Year**

Year	Total Reduced Rides	% Change
2007	3,033,277	-
2008	1,822,246	-40%
2009	1,423,241	-22%
2010	1,565,633	10%
2011*	2,352,122	50%
2012	3,736,638	59%

*Senior Ride Free Program discontinued 9/1/11; grace period for program expired on 9/6/11

Exhibit 5-2: **Riders and Miles** (in millions) (1)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
Ridership (2)	82.7	81.4	81.5	82.7	84.0
Vehicle Revenue Miles	42.9	43.0	43.0	43.0	43.0
Passenger Miles (3)	1,876.3	1,847.6	1,850.4	1,878.2	1,906.3

(1) Ridership, Vehicle Revenue Miles, and Passenger Miles exclude South Shore (NICTD) service.

(2) Based on ticket sales. Includes free Senior rides.

(3) Based on ticket sales and 2011 average trip length.

and marketing activities. In response to the changing needs of customers, Metra continuously looks for ways to expand and improve its service within financial constraints. In order to ensure customer satisfaction and efficiency, Metra has implemented a number of metrics to measure customer satisfaction and service efficiency and cost effectiveness.

A number of measures to enhance the customer experience were implemented in 2011 and 2012. In 2011, Metra changed its methodology for reporting on-time performance to more adequately reflect the actual experience of its customers. The revitalization of the Citizens Advisory Board was introduced in 2011, as well as the roll-out of the Quiet Car program. 2012 saw the implementation of a real-time train tracker, as well as the onset of an aggressive renovation program that will eventually overhaul 176 Amerail series cars by the end of 2016, providing customer amenity enhancements such as multiple power outlets for recharging personal devices and upgraded on-board facilities. Also in 2012, Metra began posting all board items and supporting documents on its website, furthering efforts to increase transparency to its customers.

One measurement of system-wide service effectiveness relates the number of passengers to the number of vehicle service miles. Metra's ratio of passengers per vehicle revenue mile is projected to decrease from 1.93 in 2011 to 1.89 in 2012 (Exhibit 5-5), a 2.2% loss reflecting expected ridership declines resulting from the February 2012 fare increase. A decrease in passengers per vehicle revenue mile indicates a loss of efficiency. Ridership growth projected for 2013-2015 will result in improvements for this measure.

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

Year	% On-Time
2007	95.7
2008	95.4
2009	95.7
2010	95.9
2011 *	93.6
2012	95.8

*In May 2011, Metra implemented a change in the methodology used to calculate on-time performance, resulting in data that are not directly comparable to prior years.

Exhibit 5-5: **Passenger Trips per Vehicle Revenue Mile** (in millions)

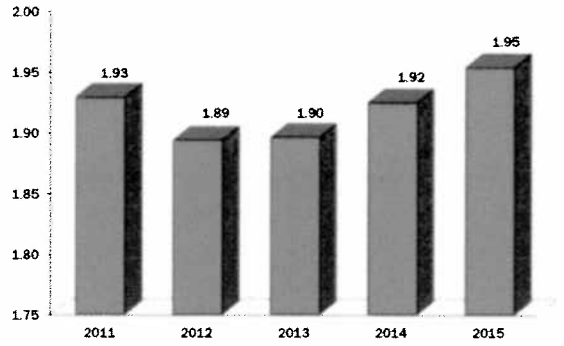
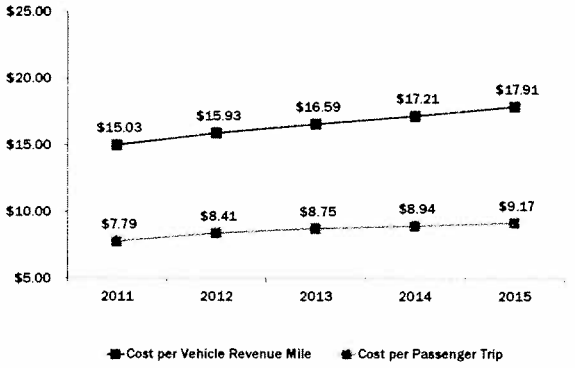


Exhibit 5-6: **Metra Cost Efficiency**



Two measurements used to indicate cost efficiency are operating cost per vehicle revenue mile and operating cost per passenger trip. These measures recognize that the significant costs associated with running commuter rail service become more economical when those costs are spread over increased vehicle miles or passenger trips. Metra expects that its cost per vehicle revenue mile will increase from $15.03 in 2011 to $16.59 in 2013. This $1.56 increase represents a compound annual growth rate of 5.1% (Exhibit 5-6). The operating cost per passenger trip ratio measures cost effectiveness and is designed to examine how well vehicles are deployed to serve riders. Metra projects that its cost per passenger will increase slightly each year from 2011 to 2015. The cost per passenger ratio was $7.79 in 2011 and is projected to be $9.17 in 2015. This $1.38 increase represents a compound annual growth rate of 4.1% (Exhibit 5-6).

CHALLENGES

Following the implementation of a significant fare increase in February 2012, Metra continues to face funding challenges brought on by the demands of managing an older vehicle fleet and mandates to provide Positive Train Control (PTC) by 2015. RTA's 2011 Capital Asset Condition Assessment Update estimated that Metra would need to invest $9.7 billion over the next ten years to achieve and maintain a state of good repair. However, Metra estimates ten-year funding levels to be about $2.6 billion. Clearly, the disconnect between funding and need will result in infrastructure investment deferrals unless alternate funding sources are identified. Metra has been successful in receiving funding from a variety of grant sources including CMAQ, TIGGER, ICE, TCSP, and Livability grants, and is committed to continue seeking other sources of funding. In addition, Metra maintains its commitment to ending the practice of transferring capital dollars to fund operations. Finally, Metra has identified contributions to its Farebox Capital Program ($5.5 million in 2013 and $10 million for 2014 and 2015) to be used for locally-funded projects, local matching funds, and unanticipated capital needs.

CAPITAL INVESTMENT

Metra is in the process of receiving and putting into service new Highliner rail cars and expects to replace more than 150 older cars in the next few years. In addition, Metra's capital program includes projects to rehabilitate or replace bridges, provide for locomotive improvements, rehabilitate older bi-level commuter

cars, implement financial systems upgrades, and rehabilitate or improve stations, yards, shops, and facilities. A regional fare payment system is being investigated for installation by year-end 2014. Positive Train Control is scheduled for completion by year-end 2015.

Customer amenity improvements implemented in 2012 included: ticket vending machines, real-time RailTracker, website enhancements, the installation of automated external defibrillator (AED) units on trains and in facilities, and improved communications to customers via Twitter outreach and the posting of all Board meeting materials on the Metra website prior to monthly meetings.

SAFETY AND SECURITY

In an effort to provide a safe and secure environment for both customers and employees, Metra provides employee incentives to those regularly meeting safety and security goals. Key among these goals is workplace safety. A safe workplace means a safe environment for Metra passengers. Metra reported a 20.5% reduction in employee workplace injuries, the lowest injury rate in more than ten years, in 2012, with its 47th Street Diesel House Rail Yard completing its sixth injury-free year.

A four-day NATO conference in May, 2012 presented Metra with unique safety and security challenges. Metra developed and executed a NATO safety and security plan that protected passengers, employees, and system assets. In 2013, Metra will continue its safety outreach programs, with an extensive focus on area schools. This year will mark the seventh year of

Metra's Poster Contest, where students from throughout the region compete to create the winning designs to be displayed on Metra's safety calendar, which is distributed to over 2,000 schools. The winning design will also be displayed on Metra's monthly passes.

Budget and Financial Plan

The Metra budget and financial plan presented in Exhibit 5-7 meets the 2013, 2014, and 2015 funding marks and the 2013 recovery ratio mark of 53% set by the RTA Board. Metra was able to meet the funding level requirement set by the RTA by eliminating the discount on its 10-ride tickets. The RTA Board adopted Metra's 2013 budget and 2014-2015 financial plan on January 16, 2013. Total revenues are composed of two major parts: operating revenue and public funding.

OPERATING REVENUES

Total operating revenue of $371.9 million for 2013 is 3.1% higher than the 2012 year-end estimate of $360.6 million, and is 22.6% higher than 2011 levels, resulting from a significant fare increase implemented in February 2012. Total operating revenue is expected to increase to $412.5 million in 2015. The increase of $109.2 million represents an influx of $57 million in 2012 followed by a compound annual growth rate of 5.3% from 2013 to 2015 (Exhibits 5-7 and 5-8).

Metra's operating revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. In 2013, passenger revenue of $318.5 million comprises 44.3% of the total revenue budget with the reduced fare subsidy and other revenue representing 0.4% and 7.0%, respectively (Exhibit 5-9).

Exhibit 5-7: **Metra 2013 Budget and 2014-2015 Financial Plan** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
Operating Revenues					
Passenger Revenue	245,500	305,900	318,500	339,700	358,400
Reduced Fare Subsidy	3,400	3,138	3,138	3,138	3,138
Other Revenue	54,400	51,600	50,300	50,000	51,000
Total Operating Revenues	**$ 303,300**	**$ 360,638**	**$ 371,938**	**$ 392,838**	**$ 412,538**
Public Funding					
RTA Sales Tax I	239,753	249,424	254,827	262,981	272,186
RTA Sales Tax II and PTF II	94,349	91,000	91,113	92,973	95,269
Transfers from Capital	60,000	-	-	-	-
Homeland Security Grant	-	1,200	1,200	1,200	-
Total Public Funding	**$ 394,102**	**$ 341,624**	**$ 347,140**	**$ 357,154**	**$ 367,455**
Total Revenues	**$ 697,402**	**$ 702,262**	**$ 719,078**	**$ 749,992**	**$ 779,993**
Expenses					
Transportation	206,700	214,300	219,500	228,000	237,400
Maintenance of Way	123,900	123,500	134,400	139,200	144,500
Maintenance of Equipment	137,100	148,100	156,300	162,700	170,000
Risk Mgmt., Insurance, Claims	14,100	23,200	19,200	19,700	20,400
Administration and Regional Services	66,000	75,500	76,300	79,300	82,400
Downtown Stations	14,300	14,500	15,300	15,800	16,200
Diesel Fuel/Electricity	82,200	85,700	87,500	90,100	93,700
Other	-	-	5,000	5,200	5,400
Total Expenses	**$ 644,300**	**$ 684,800**	**$ 713,500**	**$ 740,000**	**$ 770,000**
Net Results (1)	**$ 53,102**	**$ 17,462**	**$ 5,578**	**$ 9,992**	**$ 9,993**
Recovery Ratio %	55%	56%	55%	56%	57%

Exhibit 5-9: **2013 Metra Total Revenues** - $697.4 million

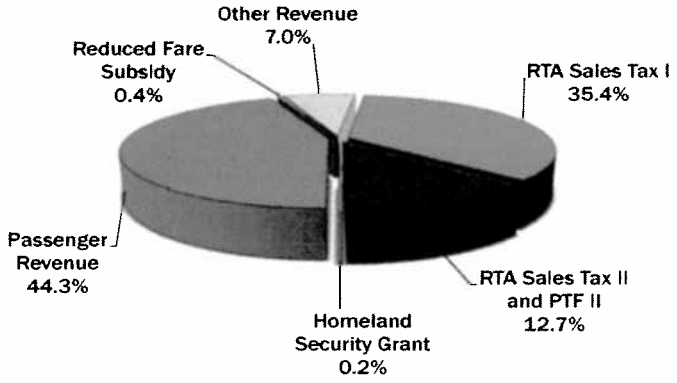


Exhibit 5-10: **Ticket Sales by Ticket Type*** (in thousands)

	2011	2012	Change	% Change
Monthly	1,119	1,125	6	1
Ten-Ride	1,867	1,854	(13)	(1)
Regular One-Way	9,668	10,225	557	6
Weekend	1,194	1,380	186	16
Link-Up	89	71	(18)	(20)
PlusBus	18	17	(1)	(4)

*Excludes South Shore (NICTD) service.

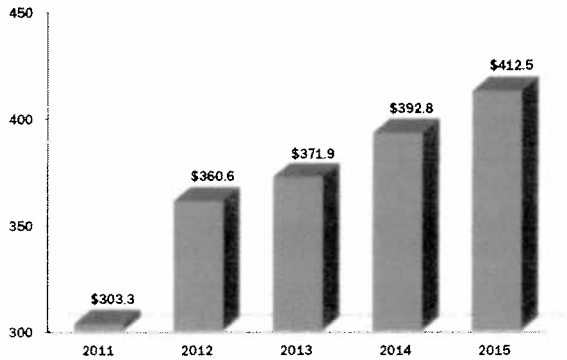
Passenger Revenue

Passenger revenue is estimated at $318.5 for 2013, an increase of $73.0 million from 2011, a 29.7% increase due to Metra's new fare schedule that took effect on February 1, 2012; Exhibit 5-14 provides a schedule of Metra's current fare structure. Passenger revenue is expected to increase another $39.9 million to $358.4 million between 2013 and 2015, a compound annual growth rate of 6.1%.

Reduced Fare Subsidy

The Illinois General Assembly passed legislation in 1989 providing funds to reimburse the CTA, Metra, and Pace for the cost of providing reduced fares for the elderly, students, and persons with disabilities. The fare reimbursement is included in revenue and is contingent upon annual approval by the State. In 1999, the State Assembly passed new reduced fare legislation, which doubled the reimbursement level of previous years. Metra anticipates that the state will continue to provide $3.1 million in reimbursement annually throughout the financial planning period.

Exhibit 5-8: **Metra Operating Revenue** (dollars in millions)



Other Revenue

The components of this category are investment income, joint facility and lease revenue, advertising income, capital credits, and miscellaneous non-fare income. Other revenue, representing 7.0% of Metra's total revenue, is expected to decrease $1.3 million in 2013. Reductions forecasted for years 2013 - 2014 are due to fewer projects for other railroads and lower capital credits. An expected 2% uptick in 2015, the last year of the financial plan, results in an overall $3.4 million decrease for the five-year 2011 - 2015 period and represents a compound annual growth rate of -1.6%.

Public Funding

Metra's total public funding for operations is expected to total $347.1 million in 2013, $47.0 million less than 2011, largely due to Metra's decision to discontinue the unsustainable practice of transferring capital

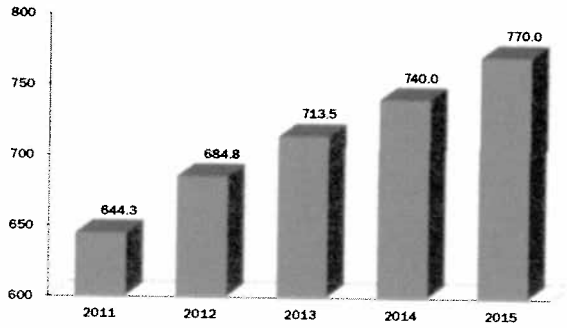
funds to operations in 2012. Total public funding is anticipated to increase by $25.8 million from 2012 to 2015. Public funding is composed of three main parts, RTA Sales Tax I, RTA Sales Tax II & PTF II, and funds made available to Metra by the Department of Homeland Security. In 2013, RTA Sales Tax I is expected to comprise 35.4% of total revenues. Combined Sales Tax II and PTF II were 12.7% of total revenues, and the $1.2 million grant from the Department of Homeland Security constituted 0.2% of total revenues.

Metra funding from RTA Sales Tax-I is expected to increase from $239.8 million in 2011 to $272.2 million in 2015. RTA Sales Tax-II and PTF-II are expected to increase from $94.3 million in 2011 to $95.3 million in 2015. With the 2012 budget, Metra committed to discontinuing the unsustainable process of transferring capital funds into its operating revenues, and maintained that commitment for the 2013 budget and 2014-2015 financial plan. Metra anticipates receiving $1.2 million in operating grants from the Department of Homeland Security each year between 2012 and 2014. A more detailed description of how public funds are allocated among the Service Boards can be found in the RTA Section of this book.

OPERATING EXPENDITURES

Metra's 2013 total operating expenditures of $713.5 million are projected to grow by $28.7 million or 4.2% from the 2012 estimate, largely due to signed labor agreements that will result in 3.7% wage increases. In 2014 and 2015, total expenditures are projected to increase by 3.7% and 4.1% respectively, producing total expenses of $770.0 million in 2015 (Exhibit 5-7). This

Exhibit 5-11: **Metra Total Operating Expenses** (dollars in millions)



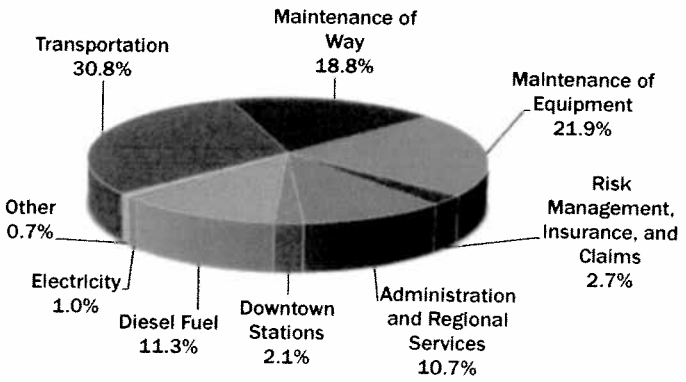
$125.7 million increase represents an annual compound growth rate of 4.6% from 2011 to 2015 (Exhibit 5-11).

The components of operating expenditures include transportation, maintenance of way, maintenance of equipment, risk management, insurance & claims, administration & regional services, downtown stations, diesel fuel, electricity, and unallocated operations expenses. Of total 2013 expenditures, transportation represents 30.8%; maintenance of equipment 21.9%; maintenance of way 18.8%; fuel 11.3%; administration and regional services 10.7%; risk management, insurance, and claims 2.7%; downtown stations 2.1%; electricity 1.0%; and other 0.7% (Exhibit 5-12).

Transportation

Transportation includes the functions and activities directly responsible for the operation of the commuter trains. The major functions include train and engine crew work, dispatching, tower operations, ticket sales, police and security services, employee safety, and supervisory support. The main objective of this area

Exhibit 5-12: **2013 Metra Expenses** - $713.5 million



is to run service consistent with the published train schedules in a safe and efficient manner and in accordance with federal and state regulations. Transportation expenditures were estimated to total $219.5 million in 2013, an increase of $5.2 million from 2012. By 2015, transportation expenditures are expected to reach $237.4 million, a $30.7 million increase from 2011, representing a compound annual growth rate of 3.5% (Exhibit 5-7).

Maintenance

Maintenance of way activities include the maintenance of track, structures, communications and facilities to preserve operational safety, reduce travel times and service interruptions, and increase passenger comfort. Maintenance work is concentrated on safety inspections and short-term projects to safeguard overall track and structure conditions. Maintenance of way expenditures are estimated to total $134.4 million in 2013, an increase of $10.9 million from 2012. By 2015, maintenance of way expenditures are expected to reach $144.5 million, a $20.6 million increase from 2011, representing a compound annual growth rate of 3.9% from 2011 to 2015 (Exhibit 5-7).

Maintenance of equipment activities include regular repairs, inspection, and preventive maintenance of passenger train equipment to ensure that the equipment is safe and in good working order to meet train schedules and passenger demand for seating. Maintenance of equipment expenses are budgeted to total $156.3 million for 2013, an increase of $8.2 million from 2012. Expenditures in this category are expected to reach $170.0 million in 2015; the $32.9 million increase from 2011 represents a compound annual growth rate of 5.5% from 2011 to 2015 (Exhibit 5-7).

Risk Management, Insurance, and Claims

Risk Management, Insurance, and Claims costs for 2013 are budgeted at $19.2 million, a 17.2% reduction from the 2012 estimate of $23.2 million. 2012 was an anomalous year for spending in this category due to the shoring up of reserves per the recommendation of Metra's auditors. Annual growth rates for 2014 and 2015 are budgeted at 2.6% and 3.6%, respectively (Exhibit 5-7).

Administration and Regional Services

Administration activities include general support functions for the organization to ensure overall corporate goals and regulations are met. Administrative activities include human resources, labor management committee, information systems, training, accounting and other support areas. Regional Services include overhead costs as well as the costs of managing Metra-owned and operated rail services.

Administration and regional services are projected to increase by $0.8 million in 2013 to $76.3 million, an increase of 1.1%. Increases of 3.9% are anticipated for 2014 and 2015, reaching a total of $82.4 million in 2015 (Exhibit 5-7), representing a compound annual growth rate of 5.7% from 2011 to 2015.

Downtown Stations

Expenditures related to Metra's downtown stations are expected to increase by 5.5% from 2012 to $15.3 million in 2013. In 2015, costs associated with operating Metra's Downtown Chicago stations are expected to reach $16.2 million. This $1.9 million increase represents an annual compound growth rate of 3.2% from 2011 to 2015.

Diesel Fuel and Electricity

Diesel fuel and electrical power are two of the most volatile components of Metra's operating expen-

ditures. By entering into contracts to lock in prices for 75% of its diesel purchases for 2012, Metra was able to outperform its $3.12 per gallon budget and is projected to end 2012 $0.5 million favorable. Metra has not been able to lock in fuel prices for 2013 and is projecting diesel to average $3.22 per gallon for a total of $80.5 million, an increase of $2.5 million or 2.5% from the 2012 budget. The inability to lock in fuel prices for 2013 leaves Metra exposed to the risk of high fuel prices during the budget year. Metra projects diesel fuel expenses to rise to $85.0 million in 2015, an $11.2 million increase over 2011, representing a compound annual growth rate of 3.6%.

For 2013, Metra has budgeted motive power and electric utility costs to decrease by $1.2 million from 2012, due to renegotiated contracts with NICTD. Power expenses are expected to increase significantly in 2014 and 2015 (+8.6% and +14.5%, respectively) as Metra places its new Highliner rail cars into service on the Metra Electric District Line, as the newer cars require more power resources. In 2015, combined electric power costs are projected to reach $8.7 million, a $0.3 million increase representing a compound annual growth rate of 0.9% from 2011 (Exhibit 5-7).

NET RESULTS

Net results are calculated by adding total operating revenues and public funding together and subtracting total expenses. Metra's 2013 projected net results are $5.6 million; Metra anticipates transferring $5.5 million to capital from operations, and increases that contribution to $10 million in 2014 and 2015.

RECOVERY RATIO

Metra's recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. For 2013, Metra's recovery ratio is projected to reach 55.4%, 2.4 percentage points higher than the ratio set by the RTA in the marks and 0.6 percentage points lower than in 2012. The recovery ratio is anticipated to increase 0.9 percentage points in 2014 and another 0.4 percentage points

in 2015, to end at 56.7%. The RTA section provides a detailed recovery ratio calculation.

Statutory Compliance

The RTA Act requires that each Service Board meet seven criteria, which are detailed in the Introduction section, for Board approval of its budget. The Metra budget substantially meets each of these criteria for its proposed 2013 budget and 2014 - 2015 financial plans. Metra's 2013 through 2015 recovery ratios, with approved adjustments, exceed the RTA mark of 53%.

2012 Budget versus 2012 Estimate

With increased farebox revenues resulting from its February 2012 fare increase and favorable public funding attributed to an improving regional economy, Metra's total revenues were $9.9 million favorable to the 2012 budget. Additionally, the mild winter weather and lock-in of three-fourths of its diesel fuel expenditures aided Metra in keeping operating expenses $2.0 million favorable to budget. The 2012 projected recovery ratio of 56.0% is 1.3 percentage points favorable to the budget of 54.7% (Exhibit 5-13).

OPERATING REVENUE

Calendar year 2012 operating revenues are estimated at $360.6 million and are projected to be $7.0 million or 2.0% higher than budget. Passenger revenues are estimated to be $8.3 million higher than budget because of the slightly higher than budgeted ridership.

Metra estimated that the reduced fare subsidy would end up 8.8% below budget by the end of the calendar year. Other revenues are estimated to be $1.0 million or 1.9% unfavorable to budget.

PUBLIC FUNDING

The RTA marks set at the beginning of 2012 budgeted public funding for the year to total $338.7 million to Metra. Sales tax revenues were higher than what was originally projected in the budget and Metra estimates a favorable variance in Sales Tax I, Sales Tax II and PTF II. Consistent with the RTA's estimates, Metra has anticipated that Sales Tax I will come in $2.5 million or 1.0% higher than budget. Sales Tax II and PTF II are projected to come in $0.4 million or 0.4% higher than budget. End-of-year available funds will be allocated to Metra's farebox capital program.

EXPENDITURES

Total 2012 operating expenditures are estimated at $684.8 million and are projected to be $2.0 million lower than budget, resulting in a favorable variance of 0.3%.

Transportation expenses were favorable to budget by $4.2 million or 2.0%. Maintenance of way expenses were favorable to budget by $2.7 million or 2.1%, but maintenance of equipment expenses were unfavorable to budget by $2.5 million or 1.7%. Administration and regional services expenses were $0.7 million, or

Exhibit 5-13: **Metra 2012 Budget vs. 2012 Estimate** (dollars in thousands)

	2012 Budget	2012 Estimate	Variance
Operating Revenues			
Passenger Revenue	297,600	305,900	8,300
Reduced Fare Subsidy	3,400	3,100	(300)
Other Revenue	52,600	51,600	(1,000)
Total Operating Revenues	**$ 353,600**	**$ 360,600**	**$ 7,000**
Public Funding			
RTA Sales Tax I	246,900	249,400	2,500
RTA Sales Tax II and PTF II	90,600	91,000	400
Homeland Security Grant	1,200	1,200	-
Total Public Funding	**$ 338,700**	**$ 341,600**	**$ 2,900**
Total Revenues	**$ 692,300**	**$ 702,200**	**$ 9,900**
Expenses			
Transportation	218,500	214,300	4,200
Maintenance of Way	126,200	123,500	2,700
Maintenance of Equipment	145,600	148,100	(2,500)
Risk Mgmt., Insurance, and Claims	19,100	23,200	(4,100)
Administration and Regional Services	76,200	75,500	700
Downtown Stations	14,800	14,500	300
Diesel Fuel	78,000	77,500	500
Electricity	8,400	8,200	200
Total Expenses	**$ 686,800**	**$ 684,800**	**$ 2,000**
Less: Farebox Capital Program	5,000	5,000	-
Net Results (1)	**$ 500**	**$ 12,400**	**$ 11,900**
Recovery Ratio % (2)	**55%**	**56%**	**1%**

(1) Positive results in Net Results are either transferred to capital or added to cash reserves to help build a cash balance equivalent to six weeks of operating expenses, consistent with the Office of the Auditor General's recommendation. In 2012, Metra anticipates transferring $5.0 million to capital from operations. (2) The RTA Act requires the RTA Board to set a recovery ratio for each Service Board. Metra's 2012 estimate is 1.3 percentage points higher than the budget.

0.9%, favorable to budget. Diesel fuel expenditures were favorable by $0.5 million or 0.6%. Expenditures for electricity were also favorable by $0.2 million or 2.4%. Risk management, insurance and claims were unfavorable to budget by $4.1 million or 21.5%, following a decision early in the year to heed the advice of auditors and increase contributions to the claims reserve. Expenses related to downtown stations were favorable to budget by $0.3 million or 2.0%. Overall savings achieved in transportation, maintenance of way, administration and regional services, diesel fuel, electricity, and downtown stations more than offset increased expenses for maintenance of equipment and risk management/insurance/claims.

NET RESULTS

For 2012, the operating deficit is estimated to be $324.2 million. This result is favorable to budget by $9.0 million. Net results for 2012 show an $11.9 million favorable variance; Metra anticipates transferring $5.0 million of this positive budget variance to capital. The remainder will be transferred to cash reserves to help build a cash balance equivalent to six weeks of operating expense, consistent with the Office of the Auditor General's recommendation. Estimated results show that Metra will end 2012 with a 56.0% recovery ratio, 1.3 percentage points favorable to its budget of 54.7% and exceeding the RTA mark of 53% by 3.0 percentage points.

Fare Structure

Commuter rail fares are based upon travel between designated fare zones, with a uniform base fare charged for travel within a zone and increments added to this base fare as fare zone boundaries are crossed. These zones 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 set by the Northern Indiana Commuter Transportation District (NICTD).

Metra proposed a fare policy change for 10-ride tickets that removes the discount embedded within those fare media, a change that will take effect on February 1, 2013 (Exhibit 5-14). The cost of a weekend ticket remained at $7.00; passengers who pay for their ticket on the train when a Metra agent is available at their boarding station will continue to pay a $3.00 surcharge. Metra has not proposed fare increases for the 2014-15 plan years; however, fare adjustments will be considered in future budgets if there is a projected shortfall between anticipated revenues and expenses.

Exhibit 5-14: **New Fare Structure**

Metra Full Fare Schedule

Zone (1)	One-Way (2)	Ten-Ride (3)	Monthly	Weekend (4)
A	$2.75	$27.50	$78.25	$7.00
B	$3.00	$30.00	$85.50	$7.00
C	$4.25	$42.50	$121.00	$7.00
D	$4.75	$47.50	$135.25	$7.00
E	$5.25	$52.50	$149.50	$7.00
F	$5.75	$57.50	$163.75	$7.00
G	$6.25	$62.50	$178.00	$7.00
H	$6.75	$67.50	$192.25	$7.00
I	$7.25	$72.50	$206.50	$7.00
J	$7.75	$77.50	$220.75	$7.00
K	$8.25	$82.50	$235.00	$7.00
M	$9.25	$92.50	$263.50	$7.00

(1) Fares based on traveling to/from Zone A (downtown stations)

(2) The on-board surcharge increased from $2.00 to $3.00 in 2010

(3) The ten-ride ticket discount was discontinued on February 1, 2013; ten-ride tickets now equal the cost of ten individual rides

(4) The weekend pass was raised from $5.00 to $7.00 in 2010

Organizational Structure

Metra's administrative organization chart is presented in Exhibit 5-15 and consists of the following divisions:

Metra Board

The 11-member Metra Board of Directors, made up of members representing the six-county Chicago metropolitan area, generally meets once a month to discuss various matters. Starting in March 2013, the Metra Board will begin using a new committee structure that is designed to promote more Board input and oversight, while increasing transparency of the operations of the commuter rail agency. Four new committees were established, with five Board members composing each committee. The committees were appointed by Chairman O'Halloran, who also designated one of the five as the committee chairman. All meetings

will be open to the public and comply with all other requirements of the Open Meetings Act.

- The Audit and Finance Committee has oversight of all financial activities not covered by other committees, as well as audit activities, all non-capital procurements, and all matters relating to the operating budget.
- The Capital Oversight Committee has oversight of the development, funding, approval and implementation of the capital program, including all contracts and procurements relating to the capital program.
- The Employment Practices Committee has oversight of policies and actions relating to employee hiring, compensation, personnel policies, labor contracts, labor/management interactions, and safety.
- The Executive Committee has oversight of issues relating to corporate governance, compliance, strategic planning, legislative affairs, operational performance, policies that are not related to personnel, and adoption of intergovernmental agreements.

Executive Director/Chief Executive Officer

Metra's Executive Director and Chief Executive Officer is charged with executing Board policy decisions and providing direction to Metra staff as they work to fulfill the mission and goals of the agency. The Executive Director reports directly to the Metra Board of Directors.

Finance

The finance area is comprised of the Controller's Office (oversees Accounting, Payroll, Treasury, Budget, Finance & Analysis, and Grant Development & Accounting) and Information Technology (oversees Network Services, Systems Development, Computer Operations, and Web Services).

Operations

The Operations Division consists of three departments: Transportation, Mechanical, and Engineering. Transportation has oversight of the Chicago Union Station District, Rock Island District, Electric District, Contract Carriers, Dispatch, Service Design, GPS, and Station Services. Mechanical includes Mechanical Operations, Contract Carriers, Projects, and Fleet Management. Engineering includes Maintenance, Communications, Projects, Safety, Operations Training, and Rules & Federal Regulatory Compliance.

Customer Affairs and Communications

This area includes Customer Service, Ticket Services, Customer Affairs, Communications, Media, Marketing, and Web Content.

Law

Metra's Law Division encompasses assistance to the General Counsel, Litigation and Risk Management, and an Ethics Office.

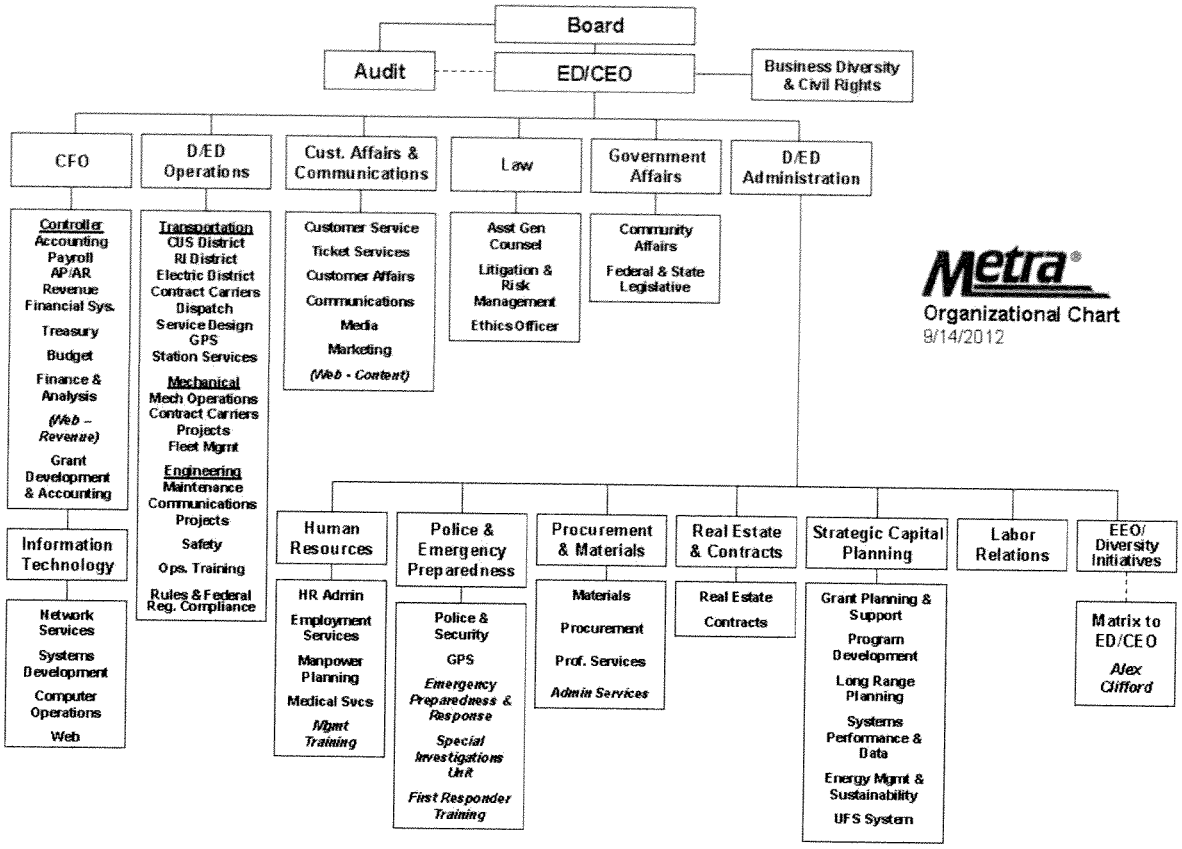
Government Affairs

Metra's Government Affairs Division is comprised of Community Affairs and Federal & State Legislative Affairs, representing Metra and its interests.

Administration

Metra's Administration encompasses Human Resources, Police & Emergency Preparedness, Procurement & Materials, Real Estate & Contracts, Strategic Capital Planning, Labor Relations, and EEO/Diversity Initiatives.

Exhibit 5-15: Metra's Organizational Chart



6 Pace Suburban Service Operating Plan

Overview

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority (RTA), and began service in 1984. Pace is governed by a 13-member Board of Directors made up of current and former village presidents and mayors representing the different suburban areas of the RTA region.

Pace's mission is to provide efficient and well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility comprises line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information, and travel demand. To achieve this mission, Pace must maintain viable transit options for the 21st century suburban environment.

Beginning July 1, 2006, Pace also assumed operating responsibility for all ADA Paratransit service in the RTA region. Pace's Regional ADA Paratransit operating plan is presented in chapter 7.

Pace Suburban Service provides more than 35 million annual rides with a fleet of 687 buses, 442 paratransit vehicles, and 694 vanpool vehicles.

Service Characteristics

Pace operates one of the largest bus services in North America, with a territory covering 3,519 square miles. Pace operates more vehicles than any other suburban bus service in the U.S. Their service area spans six counties and serves a full spectrum of 284 diverse communities comprised of walkable suburban neighborhoods, satellite cities, and rural towns.

Pace Suburban Service features distinct fixed-route, paratransit, and vanpool services. Fixed-route operations offer 138 regular routes, 35 feeder routes, and 14 shuttle routes. Pace's non-ADA paratransit services include 68 local Dial-a-Ride arrangements as well as 7 of the newer concept Call-n-Ride operations. Finally, Pace administers 3 types of vanpool programs; traditional vanpool, employer shuttle, and the Advantage program which is tailored to non-profit human service organizations. In total, Pace Suburban Service provides more than 35 million annual rides with a fleet of 687 buses, 442 paratransit vehicles, and 694 vanpool vehicles.

RIDERSHIP

For the 2013 budget year, Pace projects that Suburban Service ridership will increase by 3.9% to 36.8 million as the economy continues to recover and the employment picture improves. Ridership has been increasing steadily since modest service reductions were implemented in 2010. In 2011, Pace Suburban Service ridership increased over 4% to 33.7 million and is expected to finish 2012 at 35.4 million, an additional increase of about 5%. Pace's ridership forecast for 2014 and 2015 predicts slowing growth of 2.1% and 2.0%, respectively, with 38.3 million rides expected by the end of the two-year planning period (Exhibit 6-1).

Pace's 2012 ridership gains were made despite the loss of some senior ridership related to the end of the Seniors Ride Free Program. Effective September 1, 2011, senior free rides, which had previously been allowed on all Chicago-area transit, became limited to only low-income seniors, resulting in an estimated loss of up to 100,000 senior trips per year on Pace fixed-route service. Seniors who did not qualify for free rides were still eligible to purchase reduced-fare tickets, and an estimated 43% of former free Pace senior riders opted to do so, providing a significant farebox revenue improvement. It is also estimated that 51% of Pace's ridership under the Seniors Ride Free Program continues to ride free by meeting the low-income criteria of the revised program.

SERVICE QUALITY

As part of its effort to improve service quality, Pace has formulated a variety of performance measures. For each performance measure, Pace has provided a performance standard, the 2011 result, an estimate for 2012, and a projection for 2013. The performance measures are grouped by quality service area: Safety,

Reliability, Courtesy, Efficiency, and Effectiveness. When performance for a year exceeds the performance standard, the measurement is highlighted in green. If performance for the year falls below but within 10% of the standard, the measurement is highlighted in yellow. When performance falls more than 10% below the standard, the measurement is highlighted in red. The performance measure results and projections for 2011 through 2013 can be found at the end of this section (Exhibit 6-13).

Pace also compares its performance to that of peer transit agencies selected by the RTA and based on similar service characteristics: suburban operating areas with comparable amounts of service and contracts with private providers for some of the service. Peer transit agencies include Long Island Bus (MTA), Orange County Transportation Authority (OCTA), San Mateo County Transit District (SamTrans), and Alameda-Contra Costa Transit District (AC Transit). Performance measures include operating expense per vehicle revenue hour and per vehicle revenue mile (service efficiency), operating expense per passenger trip and per passenger mile (cost effectiveness), and passenger trips per vehicle revenue hour and per vehicle revenue mile (service effectiveness), as reported by Pace and peer agencies to the Federal Transit Administration and compiled in the National Transit Database (NTD). For 2010, Pace outperformed all of its peers in operating expense per vehicle revenue hour, operating expense per vehicle revenue mile, and operating expense per passenger mile. Pace ranked fourth among its peers in operating expense per passenger trip. Pace ranked fifth in both measures of service effectiveness primarily because Pace has the largest service area and the lowest population density when compared to its peers.

Performance measurements and peer comparisons represent important steps toward improving service quality and increasing accountability to the public. By striving to meet or exceed performance goals and peer performance, Pace has shown that it is working toward improved service quality and higher customer satisfaction.

Exhibit 6-1: **Pace Suburban Service Ridership** (in millions)

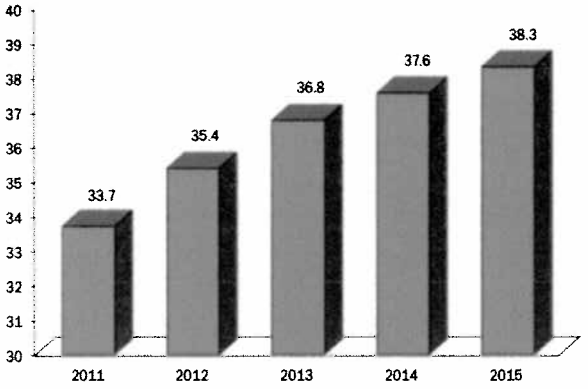
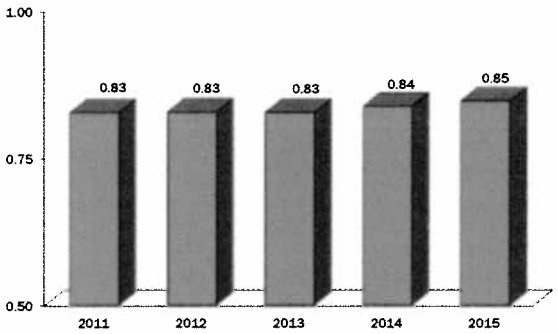


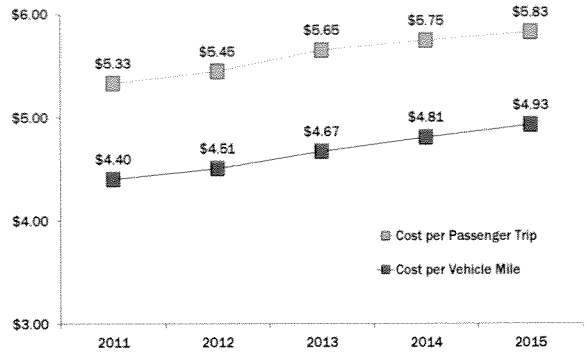
Exhibit 6-2: **Pace Suburban Service Passengers per Vehicle Mile**



Matching the amount of service provided to demand is fundamental to achieving system effectiveness. One way to measure this balance is to relate the total number of passengers served to the total number of miles operated. Pace's passengers per mile ratio for Suburban Service is estimated to remain flat at 0.83 for 2011 through 2013, before rising to 0.85 by 2015 (Exhibit 6-2). This stable to increasing trend indicates that service is being added at an appropriate and measured rate, consistent with rising demand.

The cost per passenger trip and cost per vehicle mile metrics (Exhibit 6-3) provide insight into the steadily rising expense of providing transit service. Suburban Service cost per mile is expected to increase from $4.40 in 2011 to $4.93 in 2015, corresponding to a compound annual growth rate of 2.9%. Due to ongoing ridership gains, the cost per passenger trip increases at a somewhat lower annual rate of 2.2%. These metrics are being driven higher by steady increases in operating expenses such as labor, maintenance,

Exhibit 6-3: **Pace Suburban Service Cost Efficiency**



material, and fuel, all of which are discussed in detail later in this chapter.

CHALLENGES

Pace's robust ridership gains of late 2011 and 2012, fueled by the economic recovery, are expected to slow over the next three years, in turn reducing the growth of operating revenue. With only modest increases in public funding projected by the RTA, the growth in total revenues will lag the growth in operating expenses, which are driven by labor expense, fuel, technological improvements, and normal inflation. Increasing levels of both federal Capital Cost of Contracting funds and RTA discretionary funds are required to balance Pace's three year plan. Pace will be focused on efforts to continuously improve safety and promote ridership on all of its transit modes, while seeking to fully leverage funding sources for both operating and capital purposes.

CAPITAL INVESTMENT

Pace's 2013 capital program of $109.2 million will focus on projects needed to move Pace toward a State of Good Repair. Of that total, $76.7 million or over 70% will be spent on purchases of rolling stock, as Pace replaces aging fixed-route buses, paratransit vehicles, and vanpool vans. Most of the buses to be purchased are powered by compressed natural gas, a domestically-produced, clean-burning fuel with less price volatility than diesel. The remainder of the bus purchases will be for over-the-road coaches to support expansion of express bus services.

Pace's second largest capital expenditure category for 2013 is $27.6 million or 25% for support facilities and equipment. This category includes expenditures of $10.6 million for the purchase of the Ventra fare system and $9.7 million for garage improvements system-wide. The remainder of the 2013 capital program contains expenditures on station and passenger facilities, electrical, signal, and communications, and miscellaneous. Complete details of Pace's five-year capital program are provided in chapters 9 and 10.

SAFETY AND SECURITY

Pace's primary metric in this area, accidents per 100,000 revenue miles, improved in 2012 but at 5.80 still does not meet Pace's performance standard of 5.0. The posted stop initiative, which will move Pace's fixed bus routes away from the traditional flag-stop service, will enhance safety for both passengers and operators. This initiative will clearly communicate the location of each route's designated bus stops, which will also be fitted with added customer amenities. In addition to improving safety, posted stops will also support better on-time performance by speeding up Pace fixed-route service.

Budget and Financial Plan

The Pace Suburban Service 2013 budget and two-year financial plan presented in Exhibit 6-4 meet the funding marks set by the RTA Board on October 10, 2012. The budget reflects a recovery ratio of 30.0% for Suburban Service operations, using approved credits to exactly meet the mark adopted by the RTA Board. Pace's 2013 budget and two-year financial plan were approved by the RTA Board on January 16, 2013. A detailed discussion of Pace's outlook for operating revenue, public funding, and operating expenditures follows.

OPERATING REVENUE

Pace's system-generated revenue from Suburban Service operations in 2013 is expected to total $59.2 million. Exhibit 6-5 shows a steady increase in operating revenue from 2011 through 2015, representing a 2.8% compound annual growth rate. This increase

Exhibit 6-4: **Pace Suburban Service 2013 Budget and 2014-2015 Financial Plan** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
Operating Revenues					
Passenger Revenue	34,651	35,979	37,310	38,204	38,990
Reduced Fare Reimbursement	2,571	2,571	2,610	2,610	2,610
Other Revenue	17,999	18,336	19,245	19,582	20,087
Total Operating Revenues	**$ 55,221**	**$ 56,886**	**$ 59,165**	**$ 60,396**	**$ 61,687**
Public Funding					
RTA Sales Tax I	76,085	79,038	80,869	83,457	86,378
RTA Sales Tax II and PTF II	31,449	30,333	30,371	30,991	31,756
Suburban Community Mobility Fund	19,860	20,527	21,100	21,776	22,538
South Suburban Job Access Fund	7,500	7,500	7,500	7,500	7,500
RTA Discretionary	535	3,000	3,694	4,649	4,905
Capital Cost of Contracting	2,000	-	2,778	5,538	7,352
CMAQ / JARC / New Freedom	1,597	1,399	2,284	1,449	1,080
RTA ICE Funds	38	-	-	-	-
Total Public Funding	**$ 139,064**	**$ 141,797**	**$ 148,596**	**$ 155,360**	**$ 161,509**
Total Revenues	**$ 194,285**	**$ 198,683**	**$ 207,761**	**$ 215,756**	**$ 223,196**
Expenses					
Labor/Fringes	91,594	97,888	104,086	107,258	110,451
Health Insurance	16,128	18,117	18,731	19,854	21,046
Parts/Supplies	5,901	6,412	6,729	7,022	7,368
Purchased Transportation	26,919	27,438	29,559	30,546	31,685
Fuel	20,252	20,903	22,883	23,360	24,136
Utilities	1,662	1,685	1,724	1,793	1,872
Insurance	7,752	8,537	8,750	9,144	9,610
Other	9,482	11,721	15,299	16,779	17,028
Total Expenses	**$ 179,690**	**$ 192,701**	**$ 207,761**	**$ 215,756**	**$ 223,196**
Net Result (1)	**$ 14,595**	**$ 5,982**	**-**	**-**	**-**
Recovery Ratio (2)	**36.0%**	**30.0%**	**30.0%**	**30.0%**	**30.0%**

(1) Positive net results are retained by the Service Board for capital purposes unless otherwise authorized by the RTA Board.

(2) The recovery ratio includes Advantage program in-kind revenue and expense inclusions (of equal amounts), as well as statutory and approved adjustments. The recovery ratio in 2013 meets the 30% mark set for Pace by the RTA Board on October 10, 2012.

is primarily due to the actual and projected increase in ridership and the associated growth in farebox revenue over the five-year period. However, operating revenue will account for only 28% of total Suburban Service revenue in 2013 (Exhibit 6-6), with the remainder provided by public funding sources.

Passenger Revenue

Revenue from passenger fares accounts for almost two-thirds of Pace's operating revenue and is projected at $37.3 million in 2013. In 2014 and 2015, passenger revenue grows by just over 2% per year, consistent with the expected slowing of ridership growth (Exhibit 6-7). Passenger revenue includes fixed route farebox deposits (using cash, passes, and cards) and payments for vanpool, Dial-a-Ride, and other services. The average passenger fare increases slightly across the period from $1.01 to $1.02.

Pace's Suburban Service fare structure (effective January 14, 2013) is shown in Exhibit 6-8. While no direct Pace fare increases are scheduled for 2013, the fare table does reflect higher costs for Pace/CTA 30-day and 7-day passes as well as the Link-Up pass, due to the CTA's fare policy adjustments effective in mid-January 2013. Also beginning in 2013, Indiana-based Pace vanpool customers will be assessed a

$27 monthly surcharge to offset the cost of tolls on the Chicago Skyway and Indiana Toll Road.

Reduced Fare Reimbursement

The State of Illinois provides partial reimbursement for the revenue loss due to mandated free and reduced fare ride programs for the elderly, students, and disabled persons. This amount is expected to remain steady at $2.6 million in 2013 and in the planning years of 2014 and 2015.

Other Revenue

Pace's other revenue category is projected at $19.2 million for 2013 and includes investment income, advertising revenue, and local government contributions to support specific services. The latter accounts for more than 75% of this category, amounting to $14.7 million in 2013 and growing by 2% thereafter. Advertising revenue is expected to be steady at $4.4 million, while investment income, the smallest component, is expected to increase from $124 thousand in 2013 to $258 thousand in 2015.

Exhibit 6-5: **Pace Suburban Service Operating Revenue**
(dollars in millions)

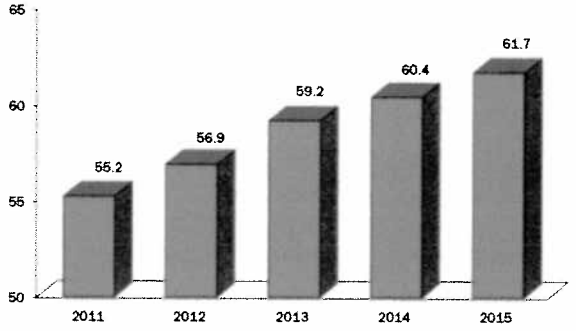
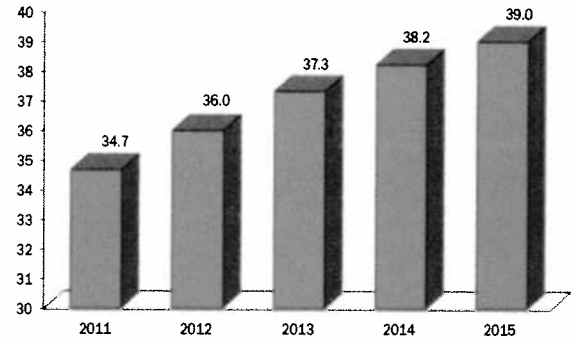


Exhibit 6-7: **Pace Suburban Service Passenger Revenue**
(dollars in millions)



PUBLIC FUNDING

Public funding for Pace is projected at $148.6 million for 2013, representing 72% of total Suburban Service revenue. Public funding is then forecast to grow to $161.5 million by 2015. Public funding for Pace operations includes statutory allocations of RTA Sales Tax (I and II) and Public Transportation Funds (PTF II), as well as federal sources.

Pace's share of RTA Sales Tax I is projected at $80.9 million for 2013, an increase of 2.3% from the 2012 estimate. This funding source is then forecast to increase by 3.2% in 2014 and by 3.5% in 2015, consistent with GDP projections. RTA Sales Tax II &

Exhibit 6-6: **2013 Pace Suburban Service Total Revenue - $207.8 million**

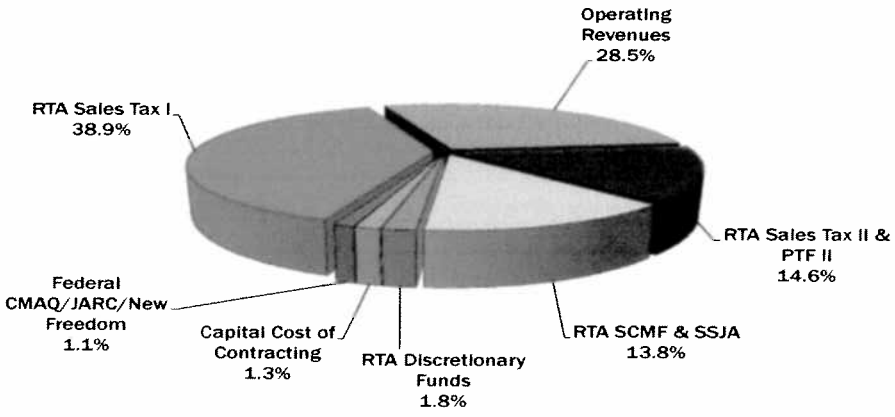


Exhibit 6-8: **Pace Suburban Service Fare Structure**

	Current Fares	
	Full Fare	Reduced Fare
REGULAR FARES		
Full Fare	$1.75	$0.85
Transfer to Pace	$0.25	$0.15
		Free Local Transfer
PASSES		
Pace/CTA (30-day)	$100.00	$50.00
Pace/CTA (7-day)	$33.00	N/A
Commuter Club Card (CCC) (Pace Only)	$60.00	$30.00
Link-Up Pass	$55.00	N/A
Plus Bus	$30.00	N/A
Regular 10 Ride Plus Ticket	$17.50	$8.50
Student (Haul Pass)	$30.00	N/A
Student Summer Pass	$45.00	N/A
Pace Campus Connection (College Student Pass)	$175.00	N/A
Valid for one semester. Discounted if purchased after August/January.		
Campus Connection - Summer Pass	$140.00	N/A
EXPRESS / OTHER FARES		
Premium Routes*	$4.00	$2.00
Premium 10 Ride Plus Ticket (855)	$40.00	$20.00
Dial-a-Ride	$1.75	$1.00
Call-n-Ride	$1.75	N/A
VANPOOL		
Monthly VIP and other vanpool services fares range from $73 to $174 depending on the daily round trip van miles and the number of passengers.		

* Premium routes: 237, 282, 284, 755, 768, 769, 773, 774, 775, 776, 779, 855

PTF II is expected to increase from $30.4 million in 2013 to $31.8 million in 2015, growing at a somewhat slower rate than Sales Tax I. Pace will also receive funding from the RTA Suburban Community Mobility Fund (SCMF), which is indexed to sales tax growth. This source will provide $21.1 million to $22.5 million for 2013 through 2015. The RTA also provides South Suburban Job Access (SSJA) funds in the fixed amount of $7.5 million annually, rounding out the statutory funding sources.

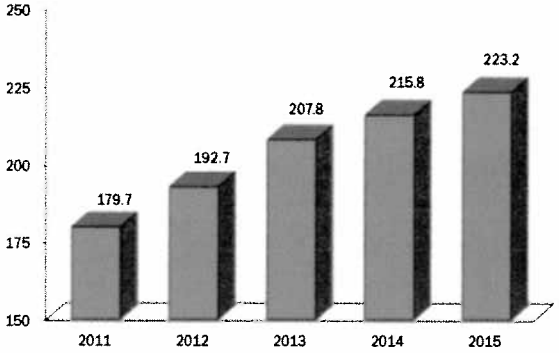
Finally, the RTA will provide Pace with discretionary funding of $3.7 million for operations in 2013, a 23% increase over 2012. A thorough discussion of how the RTA allocates public funds among the Service Boards is contained in chapter 3.

In addition to funds from the RTA, Pace also receives federal funds for operations. Pace expects to receive combined Congestion Mitigation Air Quality (CMAQ), Job Access Reverse Commute (JARC), and New Freedom funds of $2.3 million in 2013, an amount which then decreases to $1.4 million and $1.1 million in 2014 and 2015, respectively. Pace will use $2.8 million of Federal 5307 Capital Cost of Contracting funds for operations in 2013, increasing to $5.5 million and $7.4 million in 2014 and 2015, respectively.

OPERATING EXPENDITURES

Pace Suburban Service operating expenditures are expected to increase by 7.8% in 2013 to $207.8 million. This significant increase is being driven by higher labor expenses, modest service expansions, and technological improvements. In 2014 and 2015, Pace projects that overall expenditure growth will slow to 3.8% and 3.4%, respectively. The total expense trend over the five year period from 2011 to 2015 corresponds to a compound annual growth rate of 5.6% (Exhibit 6-9).

Exhibit 6-9: **Pace Suburban Service Operating Expenses**
(dollars in millions)



Suburban Service expenditure totals include a regional ADA Paratransit support credit that reflects the administrative and overhead costs incurred throughout Pace in support of ADA Paratransit operations. This credit is accounted for in exhibit 6-4 as an offset within the Other expense category. Operating expenditure elements include labor/fringe benefits, health insurance, parts/supplies, purchased transportation, fuel, utilities, insurance/claims, and other (Exhibit 6-10).

Labor/Fringes

Projected 2013 labor/fringes expenditures of $104.1 million will account for just over 50% of total Suburban Service operating expenditures. This amount represents an increase of 6.3% over the 2012 estimate, driven by both contractual wage increases and the hiring of additional full-time equivalents (FTEs) necessitated by modest service expansions. Labor/fringes expenditures are then projected to grow by 3% in both 2014 and 2015, ending the period at $110.5 million. Over the five-year period from 2011 through 2015, this large expense category experiences a 4.8% compound annual growth rate.

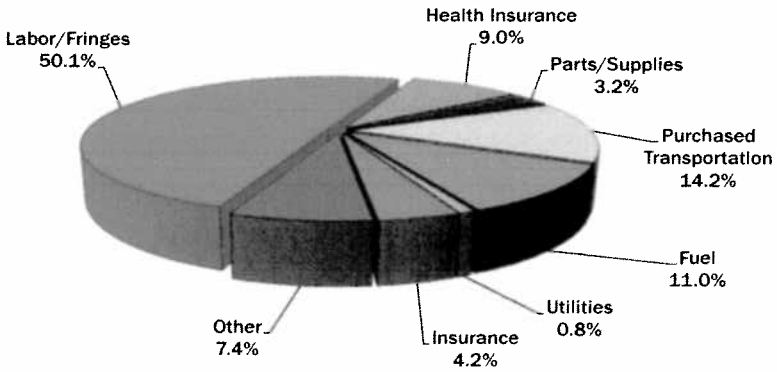
Health Insurance

Health insurance expenditures are projected at $18.7 million for 2013, accounting for 9.0% of total Suburban Service operating expenditures. This amount represents a 3.4% increase over 2012, much smaller than the 12.3% increase experienced in 2012. Health insurance expenditures are then projected to grow at 6.0% in 2014 and 2015, ending the period at $21.0 million and resulting in a 6.9% compound annual growth rate over the five-year period.

Parts/Supplies

Parts/supplies expenditures for 2013 account for 3.2% of total expense and are projected at $6.7 mil-

Exhibit 6-10: **2013 Pace Suburban Service Total Expense - $207.8 million**



lion, an increase of 4.9% over 2012. These expenditures are then projected to grow by 4.4% and 4.9% in 2014 and 2015, respectively. Over the five year period from 2011 through 2015, this category is projected to increase at a 5.7% compound annual growth rate.

Purchased Transportation

Purchased transportation costs of $29.6 million for 2013 represent Pace's second largest expense category at 14.2% of total expenditures. This expenditure level represents a sharp increase of 7.7% over the 2012 estimate, as some of Pace's service agreements were renewed at higher rates. These expenditures are then projected to grow at 3.3% to 3.7% in 2014 and 2015, ending the period at $31.7 million. The resulting five-year compound annual growth rate for this large expense category is 4.2%.

Fuel

Pace's third largest expense category, fuel, is expected to increase by 9.5% to $22.9 million in 2013, representing 11.0% of total Suburban Service expense. The projected increase in fuel expenditures, which include both fixed-route and vanpool, is being driven primarily by price rather than consumption. Pace has assumed a diesel price per gallon of $3.32, an increase of 6.4% over the 2012 estimate of $3.12 per gallon. Fuel consumption in 2013 increases by 2.8% to 6.861 million gallons, consistent with the increase in total vehicle miles for fixed-route and vanpool. In 2014 and 2015, fuel expenditures increase by 2.1% and 3.3%, respectively, as Pace has assumed a smaller fuel price increase and nearly flat fuel consumption.

Utilities

Utilities expenditures of $1.7 million are projected to increase by 2.3% and account for 0.8% of total Suburban Service operating expenditures in 2013. These expenditures are then forecast to increase by 4.0% and 4.4% in 2014 and 2015, respectively, resulting in a 3.0% compound annual growth rate over the five year period from 2011 through 2015.

Insurance

Insurance expenditures of $8.7 million are projected to increase by 2.5% in 2013 and account for 4.2% of total Suburban Service operating expenditures. These expenditures are then forecast to increase by 4.5% and 5.1% in 2014 and 2015, respectively, contributing to a 5.5% compound annual growth rate over the five year period from 2011 through 2015.

Other

Other expenditures are projected to total $15.3 million and account for 7.4% of total Suburban Service operating expenditures in 2013. This amount represents a large increase of 30.5%, partially driven by the first-time inclusion of $1.7 million in operating costs for Ventra, Pace and CTA's new fare payment system. Other items driving the increase include operating expenses for Pace's new Starcom radio system, leases for additional Bus-on-Shoulder coaches, and increased MIS software maintenance expense. The Regional ADA Paratransit support credit, discussed next, is also included within the Other expense category shown in Exhibit 6-4.

Regional ADA Paratransit Support Credit

Pace allocates expenses to the ADA Paratransit budget in order to account for the work that departments such as MIS, budgeting, accounting, purchasing, human resources, and senior executives do in support of the ADA Paratransit program. For 2013, this amount will decrease 1.1% to $3.949 million, an expense credit which is included as an offset within the Other

expense category. Pace anticipates that the amount of this credit will increase by 2.6% and 2.9% in 2014 and 2015, respectively.

NET RESULTS

Net result equals total revenues (both operating revenue and public funding) minus total operating expenses. In the Suburban Service 2013 budget, revenues and expenses are balanced, producing a net result of zero. A net result of zero is also achieved in the 2014 and 2015 financial plan years, although Pace is projecting that it will require a sharply increasing amount of federal capital cost of contracting funds in order to maintain a balanced Suburban Service budget.

RECOVERY RATIO

The recovery ratio equals total operating revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. Pace's adjustments include an in-kind revenue and expense inclusion for the Advantage vanpool program. Pace expects to achieve a recovery ratio of 30% in 2013, meeting the mark set by the RTA Board on October 10, 2012. A 30% recovery ratio is projected for 2014 and 2015 as well.

Statutory Compliance

Pace's proposed 2013 budget, 2013 recovery ratio, and 2014-2015 financial plan comply with the operations funding marks set by the RTA Board on October 10, 2012. These marks included sales tax, Public Transportation Fund, Suburban Community Mobility Funds, and South Suburban Job Access Funds provided by statutory formulas, as well as RTA discretionary funds. The marks set the total RTA funding levels for Pace at $143.5 million in 2013, $148.4 million in 2014, and $153.1 million in 2015, and also set the 2013 recovery ratio at 30%.

The RTA Act requires each Service Board's budget to meet the seven criteria detailed in the Introduction chapter, prior to approval by the RTA Board. The Pace Suburban Service budget, as submitted, substantially meets each of these criteria.

2012 Budget versus 2012 Estimate

Pace expects favorable results relative to budget in 2012 due to strong ridership, improving sales tax receipts, and disciplined cost control (Exhibit 6-11).

OPERATING REVENUE

Pace expects 2012 Suburban Service operating revenue to finish the year $2.4 million or 4.4% favorable to budget, driven almost entirely by a 7.6% favorable variance in farebox receipts due to increased ridership. The improving regional employment outlook, relatively high gas prices, and the successful marketing of vanpool programs and services such as Bus-on-Shoulder have all contributed to significant ridership gains above budget. The State reduced fare reimbursement is expected to be provided at the budgeted level of $2.6 million while other revenues, which include local government share and sources such as advertising and investment income, are expected to be slightly unfavorable to budget.

PUBLIC FUNDING

Pace expects a favorable public funding variance of $1.2 million in 2012 due to higher RTA sales tax receipts and increased federal CMAQ / JARC/ New Freedom funding.

EXPENDITURES

Total 2012 Suburban Service expenditures are expected to finish the year $2.3 million or 1.2% favorable to budget. Pace projects that favorable variances in purchased transportation, fuel, utilities, and insurance expenses will more than offset unfavorable variances in the labor/fringes, health insurance, and parts/supplies categories. Purchased transportation is expected to have the largest favorable variance at $1.8 million due to decreased Dial-a-Ride expenditures.

Although fuel consumption will be slightly higher than budget due to growth in Pace's vanpool programs, per gallon fuel prices have been significantly lower than budgeted and are expected to result in a $1.6 million

Exhibit 6-11: **Pace Suburban Service 2012 Estimate vs. 2012 Budget** (dollars in thousands)

	2012 Budget	2012 Estimate	Variance
Operating Revenues			
Passenger Revenue	33,436	35,979	2,543
Reduced Fare Reimbursement	2,571	2,571	-
Other Revenue	18,462	18,336	(126)
Total Operating Revenues	$ 54,469	$ 56,886	$ 2,417
Public Funding			
RTA Sales Tax I	78,234	79,038	804
RTA Sales Tax II and PTF II	30,197	30,333	136
Suburban Community Mobility Fund	20,319	20,527	208
South Suburban Job Access Fund	7,500	7,500	-
RTA Discretionary	3,000	3,000	-
Capital Cost of Contracting	-	-	-
CMAQ / JARC / New Freedom	1,298	1,399	101
Total Public Funding	$ 140,548	$ 141,797	$ 1,249
Total Revenues	$ 195,017	$ 198,683	$ 3,666
Expenses			
Labor/Fringes	96,637	97,888	(1,251)
Health Insurance	17,920	18,117	(197)
Parts/Supplies	6,335	6,412	(77)
Purchased Transportation	29,250	27,438	1,812
Fuel	22,458	20,903	1,555
Utilities	1,937	1,685	252
Insurance	8,825	8,537	288
Other	11,657	11,721	(64)
Total Expenses	$ 195,017	$ 192,701	$ 2,316
Net Result	-	$ 5,982	$ 5,982
Advantage Program In-Kind Revenue / Expense (1)	**$ 10,167**	**$ 1,315**	**($ 8,852)**
Recovery Ratio (1)	**31.5%**	**30.0%**	-

(1) The recovery ratio calculation includes Advantage program in-kind revenue and expense inclusions (of equal amounts), as well as statutory and approved adjustments.

or 6.9% favorable fuel expense for the year. Labor/fringes expenditures are projected to have the largest unfavorable variance at $1.3 million due to overtime and increased pension costs.

This favorable expense variance, combined with favorable operating revenues and public funding, is expected to produce a 2012 net result of $6.0 million. Suburban Service will also meet the required recovery ratio of 30%, after applying $1.3 million of approved revenue and expense inclusions.

Organizational Structure

Pace is organized into four main areas: Revenue Services, Strategic Services, External Relations, and Internal Services (Exhibit 6-12). Pace's staffing requirements are classified into four primary categories: administration, central support, Pace-owned divisions, and Regional ADA Paratransit services. Within each category, employees are classified into four activity areas: operations, maintenance, non-vehicle maintenance, and administration. These activity areas are defined by the National Transit Database reporting requirements, which apply to all public transit operators.

Exhibit 6-12: **Pace Organizational Structure**

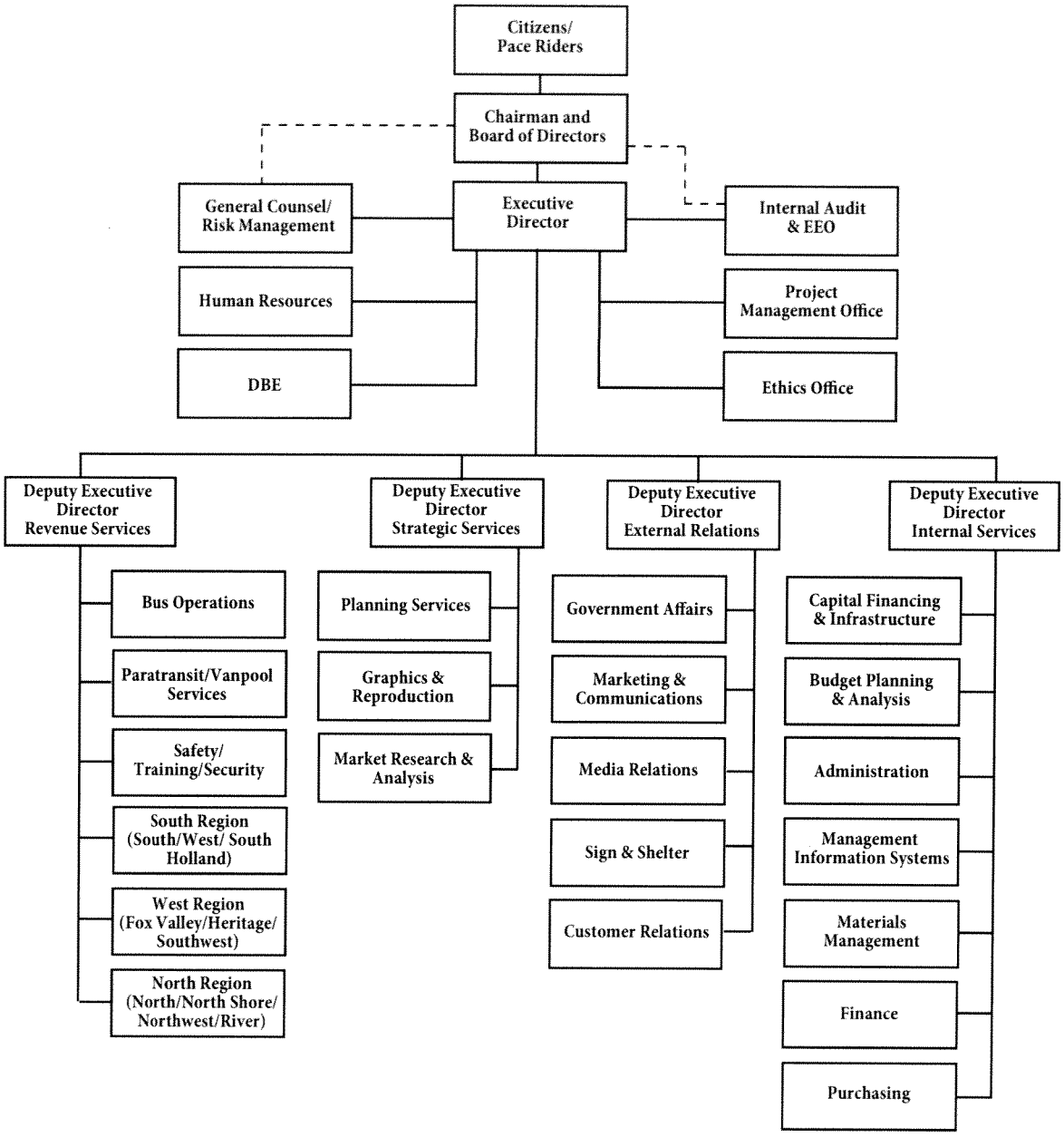


Exhibit 6-13: **Pace Goals and Performance Measures**

		2011 Actual	2012 Estimate	2013 Projected
Safety				
Goal: Provide Safe Public Transportation Services				
Measure(s):	*Performance Standard*			
Accidents per 100,000 Revenue Miles	Less than 5	5.88	5.80	5.80
Reliability				
Goal: Provide Reliable Public Transportation Services				
Measure(s):	*Performance Standard*			
On-Time Performance	Greater than 85%	74.2%	76.4%	76.6%
Actual Vehicle Miles per Road Call	Greater than 14,000	13,135	12,600	13,000
Percent Missed Trips per Total Trip Miles	Less than .5%	0.10%	0.10%	0.10%
Courtesy				
Goal: Provide Courteous Public Transportation Services				
Measure(s):	*Performance Standard*			
Complaints per 100,000 Passenger Miles	Less than 4	3.34	2.60	2.60
Website Hits on Web Watch Site (000's)	Increase over prior period	18,776	29,000	29,000
Efficiency				
Goal: Provide Efficient Public Transportation Services				
Measure(s):	*Performance Standard*			
Revenue Miles per Revenue Hour	Greater than 17	16.79	16.99	16.90
Revenue Miles per Total Operator Pay Hours	Greater than 10*	9.48	9.97	9.90
Expense per Revenue Mile	Less than $6.50*	$6.02	$5.93	$6.00
Expense per Revenue Hour	Less than $125.00*	$101.06	$100.89	$101.50
Recovery Ratio	Greater than 18%	26.7%	26.8%	26.5%
Subsidy per Passenger	Less than $4.00	$2.86	$2.77	$2.80
Effectiveness				
Goal: Provide Effective Public Transportation Services				
Measure(s):	*Performance Standard*			
Ridership	Increase from prior period	6.19%	6.00%	4.60%
Passenger Miles per Revenue Miles	Greater than 9*	9.97	10.00	9.50
Productivity (Passengers per Revenue Hour)	Greater than 24*	26.04	26.80	24.80
Ridership per Revenue Mile	Greater than 1.5*	1.55	1.57	1.48
Vanpool Units in Service	Increase from prior period	718	738	745

** Performance Standard Under Evaluation*

Below performance standard *Within 10% of performance standard* *Meets/exceeds performance standard*

7 Pace ADA Paratransit Service Operating Plan

Overview

The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA Paratransit service. If they are found eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA rail stations, as required by the Americans with Disabilities Act of 1990 (ADA). Effective July 1, 2006, Pace began providing all ADA Paratransit service in the RTA region.

Service Characteristics

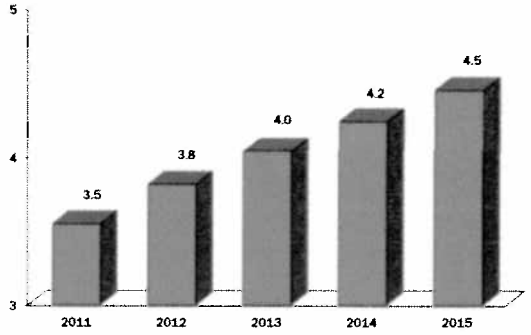
In the suburban area where Pace provides fixed-route service, Pace contracts with private operators to provide ADA Paratransit service. These contractors operate 234 Pace-owned lift-equipped vehicles to provide curb-to-curb service to ADA Paratransit-certified passengers.

In the CTA service area, Pace contracts with four private operators to provide ADA Paratransit service in the entire city of Chicago and most of the suburbs serviced by the CTA. These contractors operate 652 contractor-owned vehicles to provide service to ADA Paratransit-certified passengers. Pace also administers two subsidized taxi programs in the City of Chicago for ADA Paratransit-certified individuals, the Taxi Access Program (TAP) and the Mobility Direct Program, although these services are not required by the Americans with Disabilities Act.

RIDERSHIP

Unlike fixed-route transit services, ADA Paratransit operating expenses vary directly with ridership levels, so accurate ridership projections are critical to budget integrity. Pace's 2013 budget incorporates a ridership increase of 5.9% to just over 4 million, with city ridership growing slightly faster than suburban ridership. Pace expects 2012 to end with a 7.5% ridership increase over 2011, so the assumed growth for 2013 is somewhat lower than recent trends would suggest. Pace then projects that ADA Paratransit ridership will increase by 5.0% per year in 2014 and 2015, reaching almost 4.5 million rides by the end of the two-year planning period (Exhibit 7-1), with equal ridership growth expected in the city and suburban service areas. Effective in 2011, Pace began including companions and personal care attendants in its ADA Paratransit ridership totals, and all ridership figures discussed herein reflect this reporting change.

Exhibit 7-1: **Pace ADA Paratransit Ridership** (in millions)



SERVICE EFFICIENCY

Relative to other transit modes, ADA Paratransit is inherently expensive due to service that is frequently provided on an individualized basis. Pace's cost per ADA Paratransit passenger trip is expected to increase by 75 cents to $36.82 in 2013, resuming an upward trend after a decrease in 2012 (Exhibit 7-2).

Several Pace initiatives were implemented with the goal of increasing productivity in 2012. These included deployment of an Interactive Voice Response (IVR) system to pre-notify riders and reduce vehicle dwell times, an earlier reservation hours cutoff to provide more time for producing an efficient scheduling solution for the following day, and an increased em-

Exhibit 7-2: **Pace ADA Paratransit Cost Efficiency** (dollars)

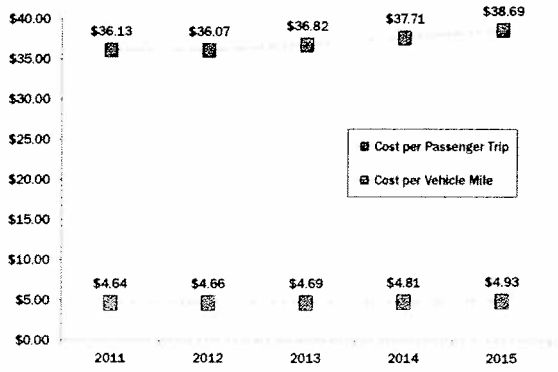


Exhibit 7-3: **Pace Regional ADA Paratransit Service 2013 Budget and 2014-2015 Financial Plan** (dollars in thousands)

	2011 Actual	2012 Estimate	2013 Budget	2014 Plan	2015 Plan
Operating Revenues					
Passenger Revenue	8,873	9,482	10,047	10,549	11,076
Other Revenue	4,889	2,094	2,448	2,519	2,594
Total Operating Revenues	**$ 13,762**	**$ 11,576**	**$ 12,495**	**$ 13,068**	**$ 13,670**
Public Funding					
Sales Tax II and PTF II	99,298	115,000	127,767	134,581	141,734
Additional RTA Funding (1)	6,548	2,440	-	-	-
Additional State Funding	8,500	8,500	8,500	8,500	8,500
Budget Balancing Actions (2)	-	-	-	3,803	8,399
Total Public Funding	**$ 114,346**	**$ 125,940**	**$ 136,267**	**$ 146,884**	**$ 158,633**
Total Revenues	**$ 128,109**	**$ 137,516**	**$ 148,762**	**$ 159,952**	**$ 172,303**
Expenses					
Labor/Fringes	2,414	2,645	2,727	2,797	2,878
Health Insurance	352	393	403	443	488
Admin Expenses	1,905	2,295	2,977	3,020	3,075
Fuel	2,512	2,559	2,816	3,010	3,258
Insurance	353	291	276	289	303
RTA Certification Trips	1,091	1,231	1,305	1,371	1,438
Purchased Transportation	115,666	124,110	134,309	144,972	156,696
Regional ADA Paratransit Support Allocation	3,816	3,992	3,949	4,050	4,167
Total Expenses	**$ 128,109**	**$ 137,516**	**$ 148,762**	**$ 159,952**	**$ 172,303**
Net Result		-	-	-	-
Recovery Ratio (3)	**10.7%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**

(1) Additional RTA funding from ICE in 2011 and from RTA fund balance in 2012.

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

(3) Includes an expense exclusion for capital cost of contracting in order to meet the statutory requirement of 10%.

phasis on ride-sharing whenever feasible. In addition, temporary rate freezes were negotiated with some of Pace's service providers for 2012 only. As a result of these initiatives, Pace's cost per ADA Paratransit passenger trip decreased by 6 cents in 2012 to $36.07. However, as Exhibit 7-2 shows, the cost per passenger trip and cost per vehicle mile are projected to increase steadily from 2013 to 2015, with compound annual growth rates of 2.4% and 1.9%, respectively, across that period.

CHALLENGES

With the 2012 productivity initiatives now implemented, further productivity improvements within the financial planning period are limited. As a result, total ADA Paratransit expenses will be driven by both ridership growth and by contractor price increases. The former is projected at 5% per year in 2014 and 2015, and the latter at 2% to 3% in those years. These two factors combine to produce an expected total expense growth rate of 7% to 8%. Since ADA Paratransit fare levels contribute a relatively small amount of revenue, public funding for ADA Paratransit will need to grow at about the same rate as expenses, which have a higher growth rate than sales tax, resulting in a higher proportion of public funding allocated to ADA Paratransit services.

While ridership growth did show some indications of slowing in the second half of 2012, an aging population would suggest that demand for ADA Paratransit services will continue to be strong in the near future. The current provider contracts are in effect through 2014, and Pace will be issuing an RFP in 2013 in anticipation of the renewal process, which will be critical in setting the expense trajectory for the subsequent five-year period.

Budget and Financial Plan

The Pace Regional ADA Paratransit 2013 budget and two-year financial plan presented in Exhibit 7-3 adheres to the funding marks set by the RTA Board on October 10, 2012. In compliance with the RTA Act, the RTA set the ADA Paratransit recovery ratio for 2013 at 10.0%, a mark which Pace's 2013 budget has met. Pace's 2013 budget and two-year financial plan were approved by the RTA Board on January 16, 2013. A detailed discussion of the outlook for ADA Paratransit operating revenue, public funding, and expenses follows.

OPERATING REVENUE

Pace's system-generated revenue from ADA Paratransit operations in 2013 is expected to increase by 7.9% and total $12.5 million (Exhibit 7-4). This follows a projected 15.9% decrease in operating revenue for 2012. Operating revenue is then expected to grow by 4.6% in both 2014 and 2015. These revenue figures do not incorporate required budget balancing actions in 2014 and 2015, discussed in the upcoming Public Funding section. Operating revenue accounts for 8.4% of total revenue in 2013 (Exhibit 7-6), with the remainder provided by public funding sources. ADA Paratransit operating revenue is comprised of passenger revenue and other revenue, the latter consisting of reimbursements from the RTA and the Illinois state Medicaid program.

Passenger Revenue

Revenue from passenger fares is projected at $10.0 million in 2013, an increase of 6%, consistent with expected ridership growth (Exhibit 7-5). Passenger revenue is then expected to grow by 5% in 2014 and 2015, also consistent with assumed ridership growth in those years. Pace's current regional ADA Paratransit fare structure is shown in Exhibit 7-7. Pace's last ADA Paratransit fare increase was in November 2009. No fare increases are planned for the 2013 budget, and current fares remain below the maximum allowable level of twice the fixed-route base fare. Because medically-required personal care attendants who accompany disabled passengers do not pay a fare,

Exhibit 7-4: **Pace ADA Paratransit Operating Revenue**
(dollars in millions)

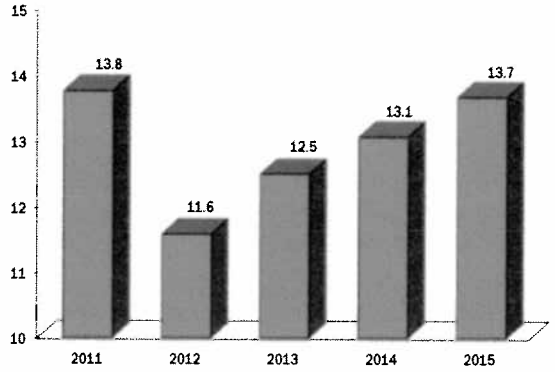


Exhibit 7-5: **Pace ADA Paratransit Passenger Revenue**
(dollars in millions)

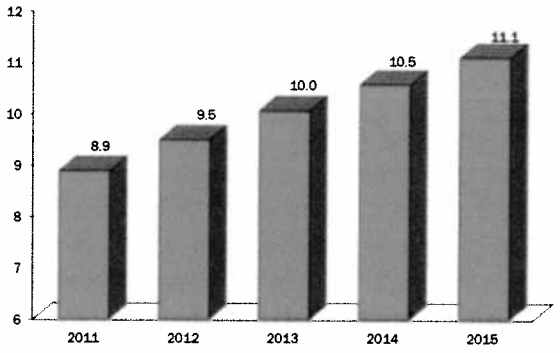


Exhibit 7-6: **Pace ADA Paratransit Total Revenue - $148.8 million**

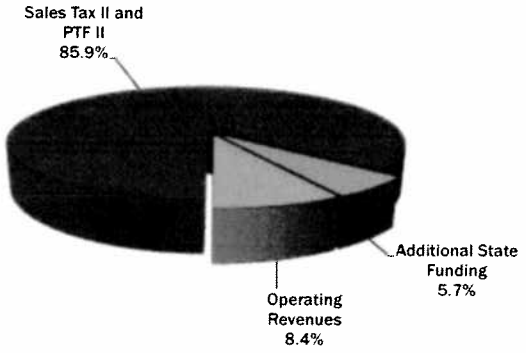
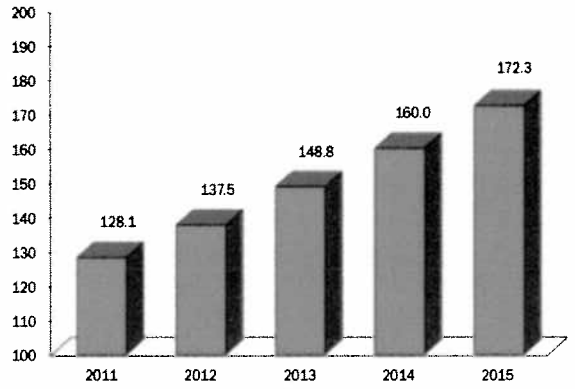


Exhibit 7-7: **Fare Structure**

	Current Fare
CTA SERVICE AREA	
ADA Paratransit	$3.00
Taxi Access Program and Mobility Direct	$5.00
PACE SERVICE AREA	
ADA Paratransit	$3.00

Exhibit 7-8: **Pace ADA Paratransit Operating Expenses**
(dollars in millions)



but are counted in ridership, the average fare per passenger is lower than the base $3.00 fare, remaining constant across the period at $2.49.

Other Revenue

Other operating revenue for 2013 is projected to increase 16.9% to $2.5 million, followed by increases of 2.9% and 3.0% in 2014 and 2015, respectively. Other revenue comes from two sources. The first is the RTA ADA Paratransit certification program, which reimburses Pace for the cost of transporting prospective customers to and from ADA Paratransit assessment centers. The second is the state Medicaid program, which reimburses Pace to defray the cost of Medicaid-related rides. Medicaid reimbursements are difficult to forecast, and can lead to significant fluctuations in overall operating revenue, as experienced in 2011 and 2012 (Exhibit 7-4).

PUBLIC FUNDING

The required level of public funding for Pace ADA Paratransit in 2013 is projected at $136.3 million, an increase of 8.2% over 2012. Public funding for 2013 consists of two components: $127.8 million of Sales Tax II / PTF II provided by the RTA and $8.5 million of additional funding provided by the State of Illinois. Public funding accounts for 91.6% of total revenue for ADA Paratransit (Exhibit 7-6), and when combined with operating revenue is expected to fully cover the operating costs of ADA Paratransit in 2013.

In 2014 and 2015, Sales Tax II / PTF II funding is projected to increase by 5.3% while the additional State funding remains constant at $8.5 million. Pace has identified additional funding needs in 2014 and 2015 of $3.8 million and $8.4 million, respectively, in order to balance the ADA Paratransit operating budget. Legislation which amended the RTA Act in 2011 requires the RTA to fully fund the ADA Paratransit need each year, although actions such as a fare increase or cost reduction could also be considered to balance the budget.

OPERATING EXPENDITURES

Pace ADA Paratransit operating expenditures are expected to increase by 8.2% in 2013 to $148.8 million. This significant growth follows an increase of 7.3% in 2012. ADA Paratransit expenses continue to be driven higher by a combination of ridership increases and higher contractor prices. In 2014 and 2015, Pace anticipates a slowing of expense growth, to 7.5% and 7.7%, respectively, with total operating expenses expected to reach $172.3 million in 2015. The expense trend over the five-year period of 2011 to 2015 corresponds to a compound annual growth rate of 7.7% (Exhibit 7-8).

Operating expenditure elements include labor/fringe benefits, health insurance, administrative expenses, fuel, liability insurance, RTA certification trip costs, purchased transportation, and the Regional ADA Paratransit support allocation (Exhibit 7-9). Figures for individual expenditure elements do not incorporate projected budget balancing actions in 2014 and 2015.

Labor/Fringe Benefits

Labor/fringe benefits for Pace's dedicated ADA Paratransit staff are expected to total $2.7 million in 2013, an increase of 3.1% from 2012. This amount represents 1.8% of total regional ADA Paratransit operating expenditures. Labor/fringe expenses are then projected to increase by 2.6% and 2.9% in 2014 and 2015, respectively. The resulting compound annual growth rate over the five-year period from 2011 to 2015 is 4.5%.

Health Insurance

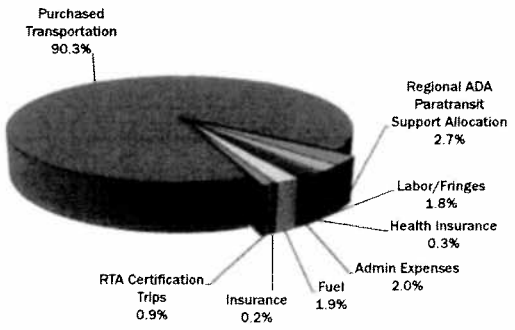
Health insurance expenditures for Pace's dedicated ADA Paratransit staff represent 0.3% of total expenditures, and are projected at $403,000 for 2013, an increase of 2.5%. Health insurance expenditures are then expected to increase by approximately 10% in both 2014 and 2015, approaching $500,000 by the end of the planning period. The resulting compound annual growth rate over the five-year period from 2011 to 2015 is 8.5%.

Representing more than 90% of total operating expenditures, the Purchased Transportation category contains contractual expense for the service providers Pace utilizes in both the city and suburban service areas.

Administration

2013 administration expenditures are projected to total $3.0 million, an increase of 29.7% from 2012. The largest component of this category is facility lease expense, as Pace leases its operations center for ADA Paratransit services in Metra's downtown Chicago headquarters at 547 W. Jackson Blvd. However, the sharp growth in this category for 2013 is being driven by the purchase of software for Pace's Trapeze scheduling system. Growth in this category, which accounts for 2.0% of total expense, is expected to slow to less than 2% in 2014 and 2015, but the compound annual growth rate over the five-year period from 2011 to 2015 is 12.7%.

Exhibit 7-9: **Pace ADA Paratransit Total Expense - $148.8 million**



Fuel

Pace purchases fuel only for the private operators in Pace's suburban service area, who provide ADA Paratransit service using Pace-owned vehicles. After an increase of only 1.9% in 2012, fuel expense is expected to increase by 10.0% in 2013 to $2.8 million. The assumed price for diesel in 2013 is $3.43 per gallon, up from $3.23 per gallon in 2012. Fuel expenditures represent 1.9% of total ADA Paratransit expenses and are expected to reach $3.3 million by the end of the planning period after growing by 6.9% and 8.2% in 2014 and 2015, respectively. The resulting compound annual growth rate over the five-year period from 2011 to 2015 is 6.7%.

Liability Insurance

Due to a favorable outlook for insurance costs, liability insurance expenditures are projected to decrease by 5.2% to $276,000 in 2013, accounting for 0.2% of regional ADA Paratransit service operating expenditures. This category is then expected to increase by 4.7% and 4.8% in 2014 and 2015, respectively.

RTA Certification Trips

RTA certification trip expenditures comprise the cost of transporting ADA Paratransit applicants to and from the RTA's assessment centers. 2013 certification trip expenditures of $1.3 million are projected to account for 0.9% of total operating expenditures. RTA certification expenditures are then projected to increase by 5.1% and 4.9% in 2014 and 2015, respectively, commensurate with projected ridership growth. The resulting compound annual growth rate over the five-year period from 2011 to 2015 is 7.1%.

Purchased Transportation

Representing more than 90% of total operating expenditures, the Purchased Transportation category contains contractual expense for the service providers Pace utilizes in both the city and suburban service areas. These expenditures are projected to increase by 8.2% to $134.3 million in 2013, and continue to increase by 7.9% and 8.1% in 2014 and 2015, respectively, driven by both ridership and contractor price increases of approximately 3% per year. The resulting compound annual growth rate of this predominant expense category over the five-year period from 2011 to 2015 is 7.9%.

Regional ADA Paratransit Support Allocation

Pace allocates cost to account for the work done by its departments in support of ADA Paratransit activities. These departments include Audit, Budget Planning, Finance, General Counsel, Government Affairs, Human Resources, Marketing, Communications, Purchasing, and Risk Management. For 2013, the Regional ADA Paratransit support allocation is $3.9 million, a decrease of 1.1% from 2012. The allocation represents 2.7% of total operating expenses. In 2014 and 2015, the allocation is expected to increase by 2.6% and 2.9%, respectively.

NET RESULTS

Net result equals total revenues (both operating revenue and public funding) minus total operating expenses. Revenues and expenses in the 2013 regional ADA Paratransit budget are balanced, producing a net result of zero. A net result of zero is also reflected in the 2014 and 2015 planning years, although Pace has shown budget balancing actions in both of those years, indicating that projected RTA funding levels may be insufficient.

RECOVERY RATIO

The recovery ratio equals total operating revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. For ADA Paratransit, the approved adjustment excludes from expenses a portion of costs incurred in paying ADA Paratransit contractors for their capital expenses (Capital Cost of Contracting). The RTA Act requires regional ADA Paratransit service to meet a recovery ratio of 10%, and the 2013 Regional ADA Paratransit budget meets this statutory requirement.

Statutory Compliance

Pace's 2013 budget, 2013 recovery ratio, and 2014-2015 financial plans for regional ADA Paratransit comply with the operations funding marks set by the RTA Board on October 10, 2012. These marks include sales tax, Public Transportation Fund, and additional funding from the State of Illinois. The marks set the total level of RTA funding for ADA Paratransit at $136.3 million in 2013, $146.9 million in 2014, and $158.6 million in 2015. Meeting the marks in 2014 and 2015 requires budget balancing actions of $3.8 million and $8.4 million respectively, which may include, but are not limited to, implementing further efficiencies, reducing operating costs, and identifying additional funds or revenues.

The RTA Act requires each Service Board's budget to meet the seven criteria detailed in the Introduction chapter, prior to approval by the RTA Board. The Pace Regional ADA Paratransit budget, as submitted, substantially meets each of these criteria.

2012 Budget versus 2012 Estimate

Unlike fixed-route transit services, additional ridership directly drives additional expense for ADA Paratransit due to the individualized nature of service provided. Pace's original 2012 ADA Paratransit budget assumed 5% ridership growth over 2011. After experiencing ridership growth of 8% in the first quarter of the year, Pace submitted a revised 2012 budget to the RTA in July which increased operating expenses by $10.9 million, but kept operating revenue unchanged. The RTA Board responded by approving additional funding of the same amount, as required by the 2011 legislation. The Pace and RTA Boards both eventually adopted the revised ADA Paratransit budget, set forth as the 2012 Amended Budget in Exhibit 7-10.

OPERATING REVENUE

Pace expects that 2012 regional ADA Paratransit service operating revenue will finish level with the amended budget. However, passenger revenue is projected to exceed that budget by $273,000 due to increased ridership, but is expected to be offset by an unfavorable variance in Other revenue of the same amount. The primary component of the Other revenue category is Medicaid reimbursements, which have historically been difficult to forecast.

PUBLIC FUNDING

Total funding for 2012 is expected to be at the level of the amended budget, comprising the originally budgeted $115 million of Sales Tax II / PTF II, and the additional $10.9 million approved by the RTA Board in August. $8.5 million of this additional funding was provided by the State of Illinois, while the remaining $2.4 million was appropriated from the RTA fund balance.

EXPENDITURES

Total expenditures for 2012 are expected to finish level with the amended budget, with favorable variances in fuel, liability insurance, RTA certification trip expense, and purchased transportation expense exactly offset by unfavorable variances in health insurance and administrative expense.

With revenues, public funding, and expenses all expected to finish 2012 level with the amended budget, Pace ADA Paratransit is projected to have a net result of zero. ADA Paratransit is also projected to meet the statutorily required recovery ratio of 10%, after applying $21.8 million of approved expense exclusions.

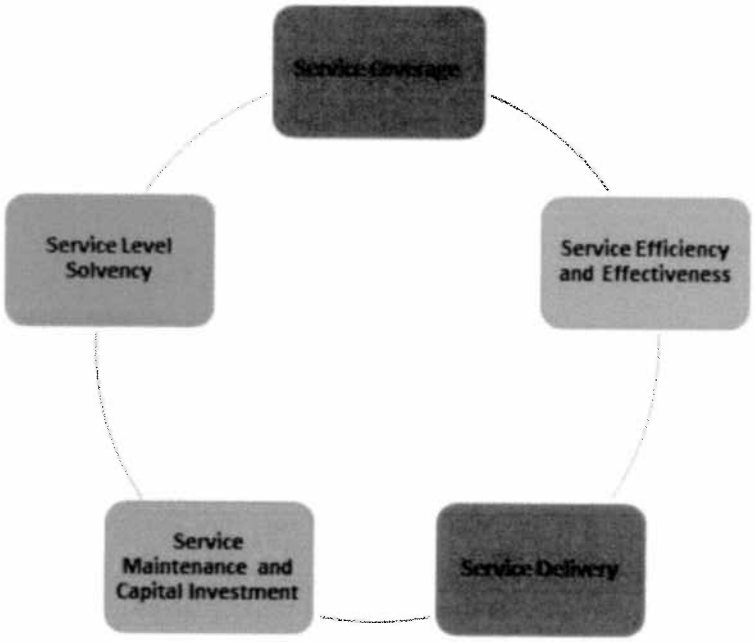
Exhibit 7-10: **Pace Regional ADA Paratransit Service 2012 Budget vs. 2012 Estimate** (dollars in thousands)

	2012 Original Budget	2012 Amended Budget	2012 Estimate	Variance
Operating Revenues				
Passenger Revenue	9,209	9,209	9,482	273
Other Revenue	2,367	2,367	2,094	(273)
Total Operating Revenues	$ 11,576	$ 11,576	$ 11,576	-
Public Funding				
Sales Tax II and PTF II	115,000	115,000	115,000	-
Additional RTA Funding (1)	-	2,440	2,440	-
Additional State Funding	-	8,500	8,500	-
Total Public Funding	$ 115,000	$ 125,940	$ 125,940	-
Total Revenues	$ 126,576	$ 137,516	$ 137,516	-
Expenses				
Labor/Fringes	2,645	2,645	2,645	-
Health Insurance	307	307	393	(86)
Admin Expenses	1,981	1,981	2,295	(314)
Fuel	2,756	2,756	2,559	197
Insurance	345	345	291	54
RTA Certification Trips	1,354	1,354	1,231	123
Purchased Transportation	113,196	124,136	124,110	26
Regional ADA Paratransit Support Allocation	3,992	3,992	3,992	-
Total Expenses	$ 126,576	$ 137,516	$ 137,516	-
Net Result	-	-	-	-
Capital Cost of Contracting Expense Credit	(10,814)	(21,754)	(21,754)	-
Recovery Ratio (2)	10.0%	10.0%	10.0%	-

(1) Additional RTA funding from RTA fund balance.

(2) The recovery ratio calculation includes a Capital Cost of Contracting expense credit.

8 Performance Measures



Goals and Performance Measures

Background

In February 2007, the Regional Transportation Authority released its five-year strategic plan entitled *Moving Beyond Congestion (MBC)*. This joint planning process between the RTA and the three Service Boards achieved several important milestones, including the establishment of a shared vision and goals for the region, a detailed analysis of the current status of the transit network, and a long-term evaluation and assessment of the infrastructure and operational needs of the RTA system.

In January 2008, the Illinois General Assembly enacted significant amendments to the RTA Act, which mandated an ongoing strategic planning process, the establishment of goals, and measurement of performance. In response to the new legislation, the RTA joined in partnership with each of the Service Boards to enact a resolution in February 2009 that enhanced the goals and objectives of the MBC Strategic Plan to satisfy the requirements of the amended RTA Act.

Vision

The RTA, CTA, Metra, and Pace share a common vision for the region: That the RTA system is a world-class public transportation system that is affordable, reliable, and safe, and is the keystone of the region's growing business opportunities, thriving job market, clean air, and livable communities.

Goals and Objectives

The table on next page identifies the current regional goals and objectives. The Goals explain what the RTA Region needs to accomplish in order to realize its vision and the Objectives identify how the RTA region will meet its goals.

The executive director and staff of the RTA are committed to working with the Service Boards, their staffs, and state and local elected officials in order to achieve the objectives in the Plan, promote investment in the region's transit system, and ensure that the system operates efficiently and in a coordinated fashion throughout the region.

The RTA also developed an update to the Strategic Plan for the years 2012 - 2016 entitled *The Way Forward*. It was released in 2012 and is a continuation of the vision and goals identified in the Moving Beyond Congestion plan. It outlines an implementation framework of strategic priorities that focus on our customers and their needs as the region also deals with difficult financial constraints.

To achieve the objectives of the Strategic Plan and as part of the RTA's oversight function to support the evaluation and management of the region's public transit system, the RTA has identified five major areas for performance analysis: Service Coverage, Service Efficiency and Effectiveness, Service Delivery, Service Maintenance and Capital Investment, and Service Level Solvency. Each major area has several corresponding performance measures.

- **Service Coverage** - monitors both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.

- **Service Efficiency and Effectiveness** - evaluates the level of resources spent on service delivery in relation to the level of service and the extent to which passengers are using that service.

- **Service Delivery** - reflects the quality of the service delivered.

- **Service Maintenance and Capital Investment** - indicates the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.

- **Service Level Solvency** - assesses financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

RTA Regional Goals and Objectives

MBC Goal	Objectives
Provide Transportation Options and Mobility Provide attractive, high-quality, innovative transit choices that link people to jobs and facilitate the use of transit for other trips. Transit use in our region is the broadest measure of the success of the transit system.	• Increase the use of public transportation for commuting • Increase the use of public transportation for other purposes • Increase the amount of transit service provided and serve more of the region's travel markets using innovative approaches, as appropriate • Take advantage of highway pricing strategies and promote preferential treatment of transit • Provide quality transit service that is fast, clean, safe, and reliable • Provide affordable transit service • Increase the ease of connection between different transit providers by coordinating service, fares, information, and physical connections • Ensure appropriate consideration of regional equity principles
Ensure Financial Viability The sustained financial viability of public transportation is essential to the region's effective multi-modal transportation system. The transit agencies need to manage operating costs, make sound investment decisions and implement the capital program in a timely manner.	• Manage the growth of operating costs • Select investments which maximize returns to the region • Progress towards achieving a State of Good Repair while making appropriate investments to enhance and expand the transit system • Implement the capital program in a timely manner • Ensure a fair allocation of passenger revenue from interagency trips across service providers • Where appropriate, engage in joint efforts with private interests that contribute resources and add value to the transit system
Enhance Livability and Economic Vitality An effective transit system makes many contributions to an economically vibrant and livable region. Though transit's role is secondary, not primary, in achieving this goal.	• Mitigate the growth in highway congestion • Improve our environment by reducing total transportation emissions and energy consumption • Coordinate transit with development to encourage concentrated growth near transit services • Provide mobility for aging populations and people with disabilities • Provide employers with access to a broader workforce
Demonstrate Value In order to fulfill its valuable role in our region, transit requires the support of key constituencies and the public at large.	• Realize additional operations support through legislative action • Achieve adequate capital funding to move the system towards a State of Good Repair and undertake selective expansions • Manage transit operations so that they are cost and service effective • Create and sustain public understanding of the benefits of public transportation

Regional and Sub-Regional Performance Measures

In 2009 the RTA began reporting performance at a region-wide level by aggregating data from each of the Service Boards -- CTA, Metra, and Pace -- to arrive at an assessment of regional performance. In 2010, the RTA continued reporting at a regional level and introduced a new sub-regional performance report that analyzes performance at the Service Board and mode level. For both the regional and sub-regional reports, performance is analyzed over a five-year period using data from the Federal Transit Administration's National Transit Database (NTD), RTA financial reports, and operating reports from the three Service Boards. The sub-regional report provides a more detailed level of analysis that helps interpret trends observed at the regional level and provides a means of assessing areas of strength and weakness in the delivery of specific services. Regional and sub-regional performance reports are posted on the RTA website and presented to the RTA Board of Directors. The most recent reports cover the period 2007-2011 using NTD data published in November 2012.

The RTA has also developed a set of companion reports to the regional and sub-regional reports that are based on an analysis of peer groups. At the regional level, the peers selected represent the transit systems that serve the ten largest metropolitan regions in the country. Regional peer reporting began in 2009. At the sub-regional level, the peer analysis is conducted at the mode level with five peers selected for each

mode in the RTA system – urban bus, heavy rail, commuter rail, suburban bus, vanpool, and demand-response/ADA Paratransit. In 2010, the selection of modal peers was completed and work began on the development of the sub-regional peer report, which was completed and first reported to the RTA Board of Directors in Spring 2011.

A full report of the performance measures at the regional and sub-regional levels can be found on the RTA website at http://rtachicago.com/initiatives/performance-measures.html (these reports cover the period of 2007 to 2011 and are based on NTD data.) The following sections contain highlights from these reports, as well as projected results for 2012 and 2013 based on the assumptions used to develop the Service Boards' 2013 operating budget.

In 2010, the RTA began to develop a set of strategic measures. The purpose of the strategic level measures is to focus on broader societal outcomes in the economy, environment, and social/political community to assess how transit is positively impacting the quality of life for residents of the region. The measures involve factors that are out of the direct control of the RTA and Service Boards because of their broader scope, but are ones for which public transportation plays a significant contributing role. The strategic measures also become a way to link RTA goals with those of other regional stakeholders including planning organizations, transportation departments, and units of state and local government. The strategic measures will be used to monitor progress in the goals and objectives outlined in the *Moving Beyond Congestion* strategic plan. The RTA Board adopted a set of strategic measures in January 2012 and the first strategic performance measures report was released in late 2012. It can be found on the RTA website at: http://rtachicago.com/initiatives/performance-measures.html

SERVICE COVERAGE

These performance measures monitor both how much service is available to people in the region (in terms of population and square miles) and how much of that service capacity is used.

Vehicle Revenue Miles

Vehicle Revenue Miles represent the amount of service provided as measured in miles traveled by vehicles while in revenue service. At the regional level, system-wide vehicle revenue miles are anticipated to increase 3.4% in 2013 to 240.9 million miles (Exhibit 8-1). While Metra projects no change to vehicle revenue miles in 2013, CTA projects an increase of 3.3%, Pace Suburban Service projects an increase of 4.0%, and Pace ADA Paratransit projects an increase of 7.4% over 2012 (Exhibit 8-2).

Exhibit 8-1: **System-wide Vehicle Revenue Miles** (millions)

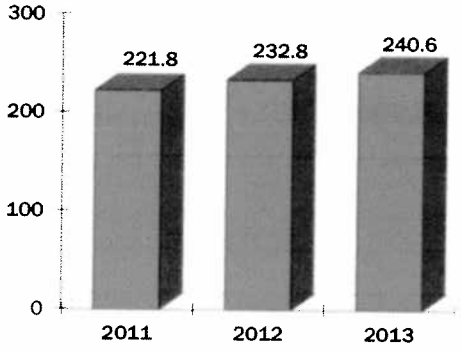
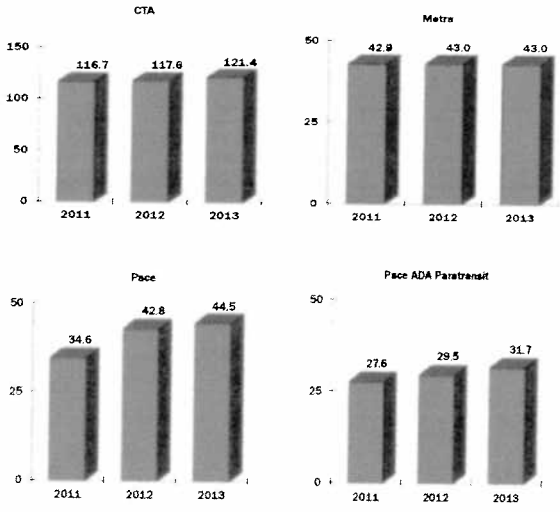


Exhibit 8-2: **Service Boards Vehicle Revenue Miles** (millions)



Unlinked Passenger Trips

Unlinked Passenger Trips, or Ridership, reflects the number of times passengers board buses and trains, including transfers from one bus or train to another, in order to complete their trips. As shown in Exhibit 8-3, system-wide ridership is projected to decrease 1.7% in 2013 following fare adjustments at CTA, which estimated ridership losses of 2.4% for the year. Metra projects a 0.2% increase for 2013 as ridership improves slightly following the 2012 fare increase. Pace Suburban Service projects continued growth of 3.9% for 2013, while Pace ADA Paratransit trips are projected to continue their recent trend of strong growth and increase by 5.9% in 2013.

Exhibit 8-3: **System-wide Unlinked Passenger Trips** (millions)

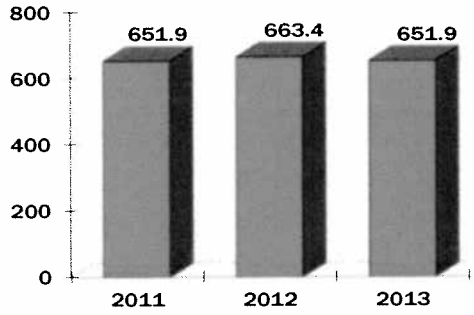
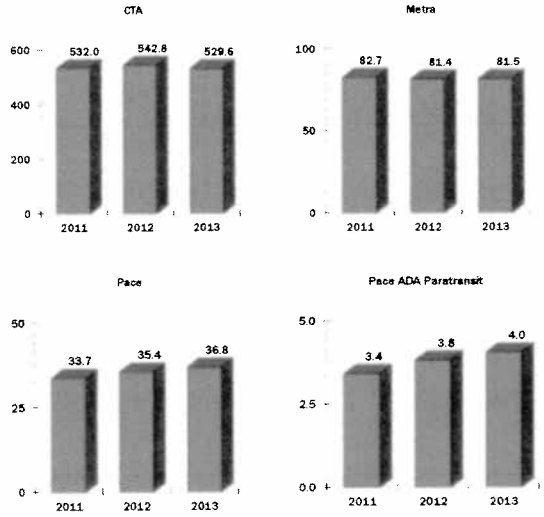


Exhibit 8-4: **Service Boards Unlinked Passenger Trips** (millions)



SERVICE EFFICIENCY AND EFFECTIVENESS

These performance measures evaluate the level of resources spent on delivering services as well as the extent to which passengers are using public transit.

Operating Cost per Passenger Trip

Operating Cost per Passenger Trip illustrates both the cost of providing a trip and also the gap between the established fare and the cost of providing an individual trip. The projected performance figures provided in Exhibits 8-5 and 8-6 indicate that the system-wide cost of providing one unlinked passenger trip is expected to increase 26 cents or 8.0% between 2012 and 2013, as a result of increased operating expenses and decreased ridership resulting from CTA fare adjustments in early 2013. Metra projects a 4.0% increase in its operating cost per trip, with the

Exhibit 8-5: **System-wide Operating Cost per Unlinked Passenger Trip**

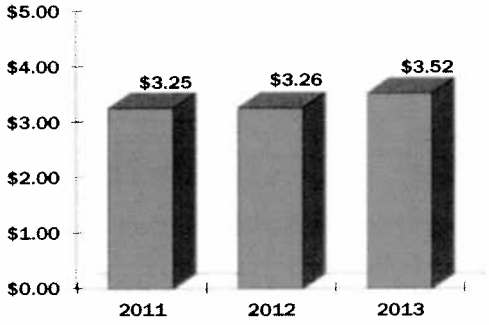
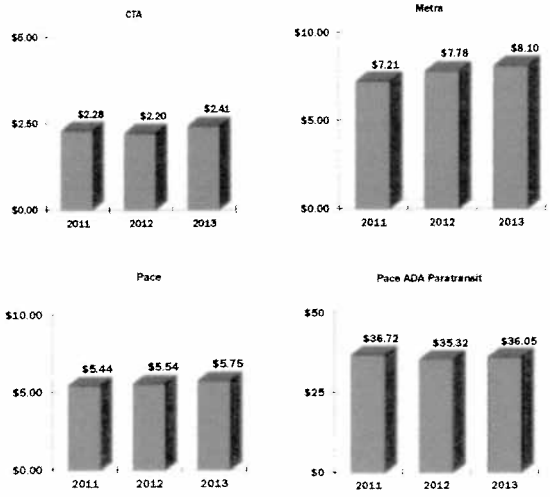


Exhibit 8-6: **Service Boards Operating Cost per Unlinked Passenger Trip**



increase resulting from rising costs while ridership remains relatively flat. Pace ADA Paratransit has budgeted the lowest operating cost per passenger trip increase for 2013 at 2.1%, largely due to a projected 5.9% gain in passenger trips that would mostly offset a projected 7.8% increase in operating cost.

Operating Cost per Vehicle Revenue Mile

Operating Cost per Vehicle Revenue Mile is total operating costs divided by the cumulative sum of the miles traveled by transit vehicles while in revenue service. Projected values for this performance measure are shown in Exhibits 8-7 and 8-8. At the regional level, the cost to operate a transit vehicle one mile is expected to be $9.53 in 2013, a 2.7% increase from 2012. CTA is projecting a 3.2% increase for this measure, as its operating cost increases outpace its service level increases. Metra projects a 4.2% increase for this measure, with the increased tied to its 4.2% increase in operating cost and stable service levels. Pace Suburban Service expects to see a 3.7% increase in cost per mile resulting from a 4.0% increase in vehicle revenue miles and a 7.8% increase in operating cost. Pace ADA Paratransit projected a 2013 increase of 0.7% for this measure, to $4.60 per mile, resulting from projected service demand increases as costs continue to be kept under tight control through productivity initiatives.

Exhibit 8-7: **System-wide Operating Cost per Vehicle Revenue Mile**

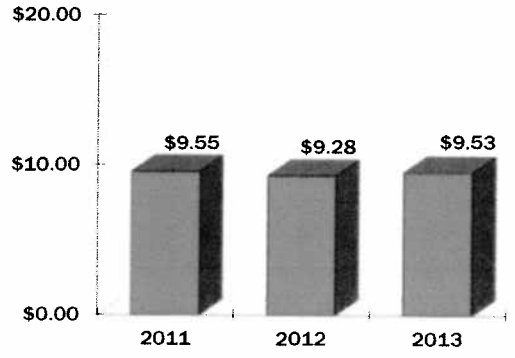
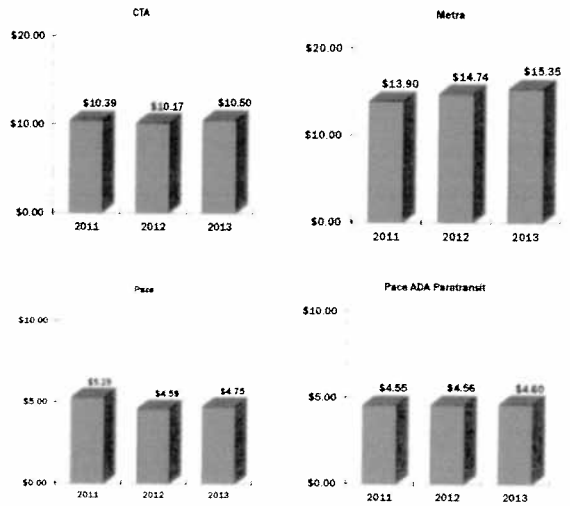


Exhibit 8-8: **Service Boards Operating Cost per Vehicle Revenue Mile**



SERVICE DELIVERY

This objective reflects the quality of the service delivered and focuses on customer service and safety.

On-Time Performance

Each Service Board defines on-time performance differently but it is generally understood to represent the percentage of times a transit vehicle departs from and/or arrives at a location within a certain number of minutes before or after the scheduled time. The data presented here reflect actual past performance, rather than projections. As shown in Exhibit 8-9, overall on-time performance has decreased by 1% in each of the last two years. Exhibit 8-10 shows on-time performance for the Service Boards; CTA bus and rail have maintained consistent performance, as has Pace ADA Paratransit. Metra saw a slight decline in 2011 related to methodological changes in the calculation of on-time performance to better represent this metric from the passenger's perspective. Pace Suburban Service has seen significant improvement from 79% in 2009 to 83% in 2011, aided by schedule adherence management programs and the implementation of more limited-stop bus routes.

Exhibit 8-9: **System-wide On-Time Performance**

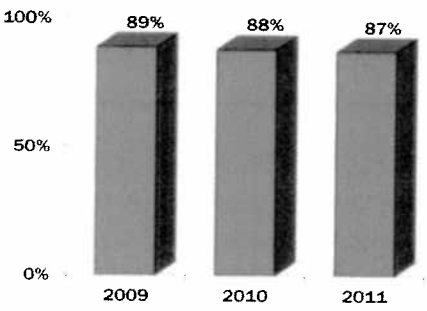


Exhibit 8-10: **Service Boards On-Time Performance**

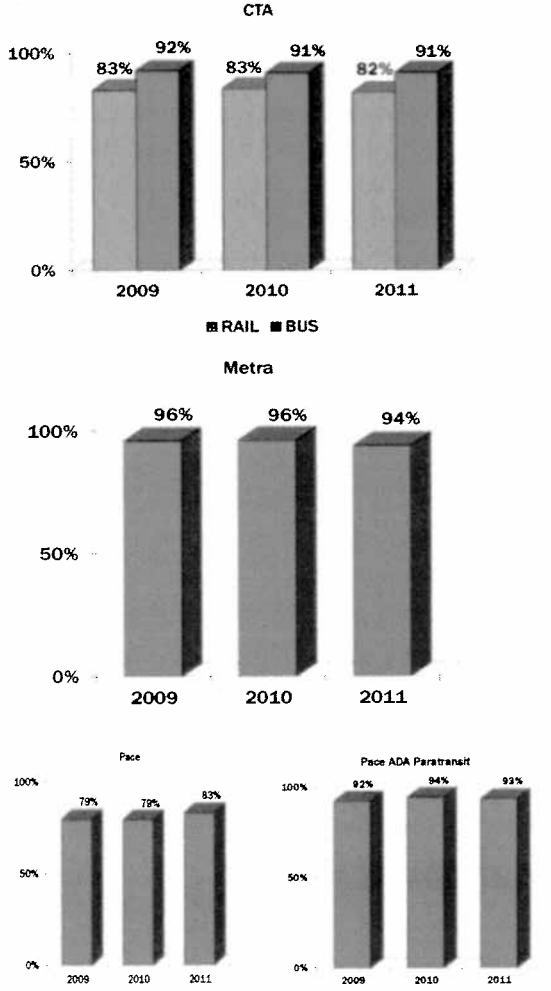


Exhibit 8-11: **System-wide Reportable Safety and Security Incidents per 100,000 Passenger Trips**

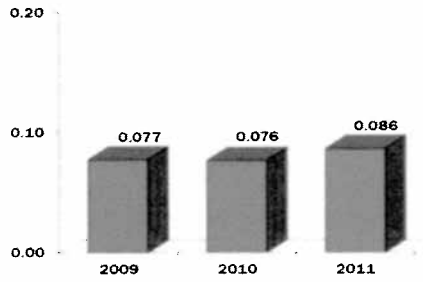
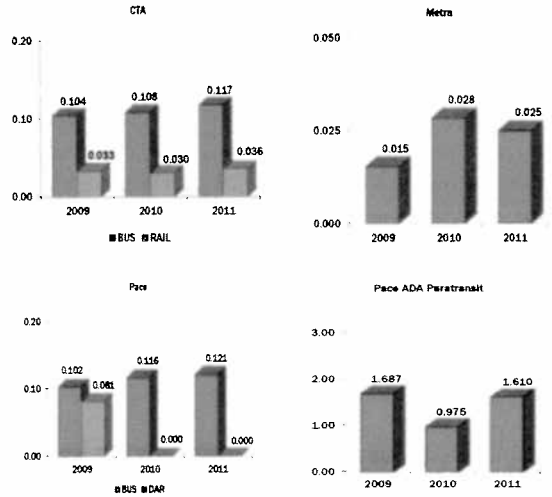


Exhibit 8-12: **Service Boards Reportable Safety and Security Incidents per 100,000 Passenger Trips**



Reportable Safety and Security Incidents per 100,000 Passenger Trips

This performance measure demonstrates the rate of reportable safety and security incidents per 100,000 unlinked passenger trips. Reportable incidents are safety and security incidents that affect revenue service due to: a fatality, an injury requiring immediate medical attention away from the scene, property damage greater than or equal to $25,000, evacuation for life safety reasons, or a mainline derailment. As shown in Exhibit 8-11 for the region overall, the incident rate is very low and declined in 2010, then experienced an uptick in 2011. In 2011, the region had 78, or 16.4%, more reportable incidents compared to 2010: CTA bus reported 33 more incidents, CTA rail 16 more, Pace bus 3 more, and ADA Paratransit service had 28 more. Metra reported 2 fewer incidents in 2011 (Exhibit 8-12).

Exhibit 8-13: **System-wide Customer Satisfaction Ratings**

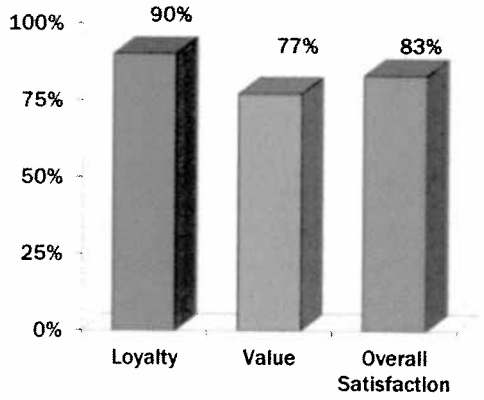
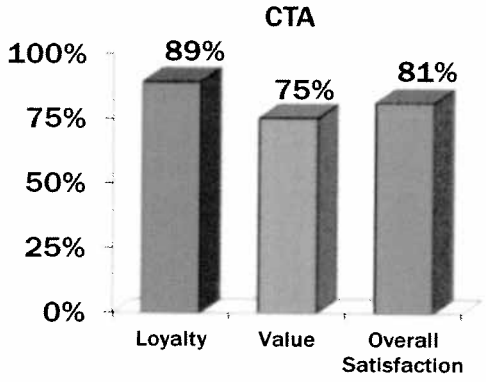
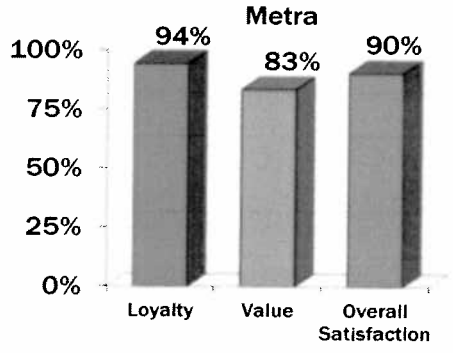
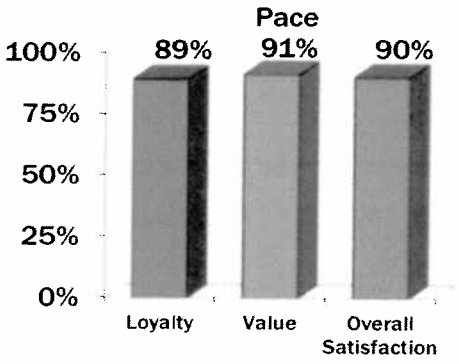


Exhibit 8-14: **Service Board Customer Satisfaction Ratings**







Customer Satisfaction Ratings

For the first time, RTA performance measures include results from a region-wide customer satisfaction survey conducted in late 2011. As shown in Exhibit 8-13, 77% of respondents indicated they were satisfied or very satisfied with the value of service received for the fare paid; 83% of customers gave overall transit service satisfactory or very satisfactory marks; and 90% of customers indicated they would recommend regional transit service to others, an indicator of customer loyalty. Customer satisfaction surveys are scheduled to be repeated on two-year cycles.

SERVICE MAINTENANCE AND CAPITAL INVESTMENT

The measures associated with this objective demonstrate the allocation of capital funds and the replacement and maintenance of infrastructure components on a schedule consistent with their life expectancy.

Miles Between Major Mechanical Failures

This measure is the average distance that vehicles travel in revenue service uninterrupted by mechanical failures that prevent them from completing a scheduled trip or from starting the next scheduled trip. At the regional level, miles between failures have shown steady improvement through 2010 followed by a slight downtick in 2011 (Exhibit 8-15). As shown in Exhibit 8-16, CTA bus leads this indicator with a 10% increase since 2009; compared to 2007, CTA bus has improved 62% as a result of its bus replacement program. CTA rail's mileage between major mechanical failures has declined 27% since 2009 as its average fleet age has

Exhibit 8-15: **System-wide Miles Between Major Mechanical Failures** (thousands)

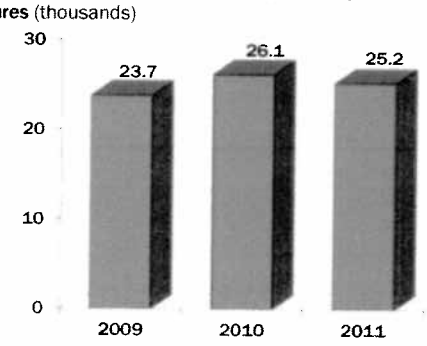
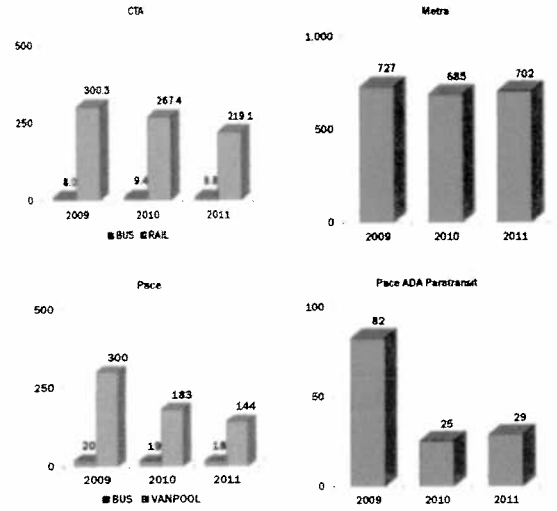


Exhibit 8-16: **Service Boards Miles Between Major Mechanical Failures** (thousands)



continued to rise. Likewise, Metra's performance has declined from its high in 2006 as a result of the aging of the fleet although it did experience a 2.5% improvement in 2011. Pace Suburban Service also experienced declining performance for this measure since 2009 for bus (-10.0%) and vanpool (-52.0%). Pace ADA Paratransit experienced a sharp decline in 2010, but showed a 13.9% improvement for this measure in 2011.

Percent of Vehicles Beyond Useful Life

This measure shows the percentage of vehicles in the total active vehicle fleet beyond their minimum useful life, as defined by the Federal Transit Administration (FTA). The FTA defines useful life as 4 years for automobiles or vans, 12 years for buses, and 25 years for rail cars. Due to limited capital funding, vehicles usually exceed their useful life before actually being retired. After a steady decline through 2008 in the percentage of vehicles beyond useful life, there was a slight increase for the region in 2009, from 28% to 29%, followed by a decrease to 26% as CTA retired nearly 300 of its older vehicles in 2010 (Exhibit 8-17). Pace also retired 66 buses in 2010, decreasing the average age of their fleet. Metra has not added vehicles to its fleet since 2005, contributing to its average fleet age of 28.9 years in 2011. Metra undertakes extensive maintenance programs to keep its locomotives and cars in service and operating safely longer than the FTA guidelines (Exhibit 8-18).

Exhibit 8-17: **System-wide Percent of Vehicles Beyond Useful Life**

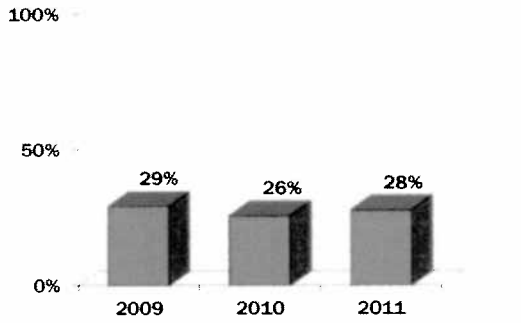


Exhibit 8-18: **Service Boards Percent of Vehicles Beyond Useful Life**

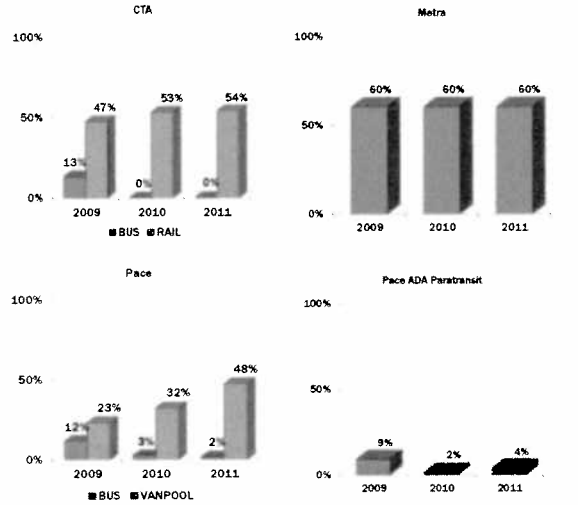


Exhibit 8-19: **System-wide Capital Program Funding** (millions)

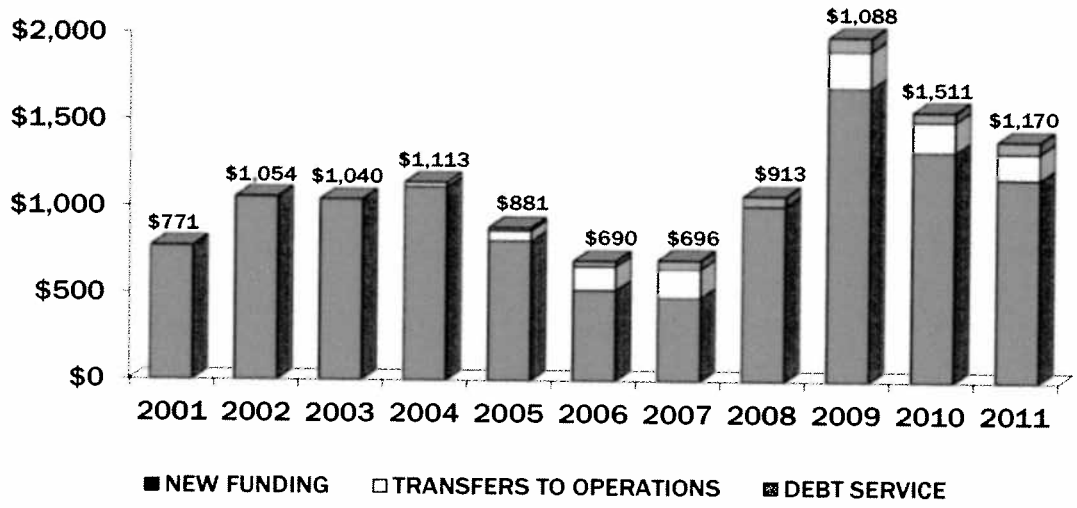
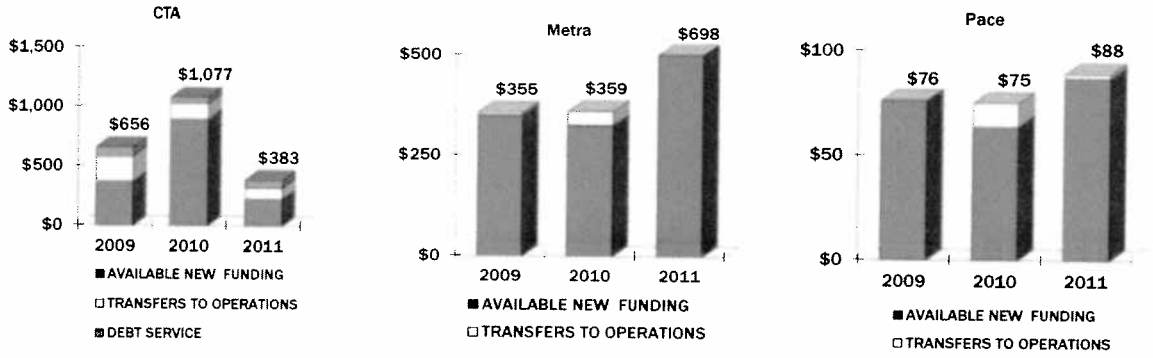


Exhibit 8-20: **Service Boards Capital Program Funding** (millions)



SERVICE LEVEL SOLVENCY

These measures assess financial condition to ensure that there are sufficient resources to meet current and ongoing financial needs (both operating and capital).

Capital Program Funding

This indicator demonstrates the amount of capital funds available to finance maintenance, enhancement, and expansion of the transit system infrastructure. Exhibit 8-19 shows actual data for the new funding available to Service Boards over the past ten years and does not include de-obligated or re-appropriated funds that become available. Funding levels for all three Service Boards benefited from the American Recovery and Reinvestment Act passed in February 2009, followed by two years of declines. CTA's capital program was more volatile, related to its bond financing program, ending 2011 with substantially lower levels compared to 2009. Metra and Pace, however, each trended upward. The unsustainable practice of transferring capital funds to operations was ended after 2011, with each Service Board pledging to discontinue such transfers (Exhibit 8-20).

Fare Revenue per Passenger Trip

Fare Revenue per Passenger Trip is the total fare revenue divided by the total number of passenger trips, providing the average fare that a passenger pays. Exhibit 8-21 indicates that fare revenue per trip is expected to increase by $0.14 in 2013, following an increase of $0.11 in 2012. CTA's fare revenue per trip is budgeted at $1.15, a $0.14 increase over 2012 –due to the fare policy changes implemented in January 2013. Metra projects a $0.15 increase in 2013, an increase of 4% over 2012. Pace has budgeted a decrease of $0.01 in fare revenue per trip in 2013 for its Suburban Service, while ADA Paratransit fare revenue per trip is expected to remain stable at $2.49.

Exhibit 8-21: **System-wide Fare Revenue per Unlinked Passenger Trip**

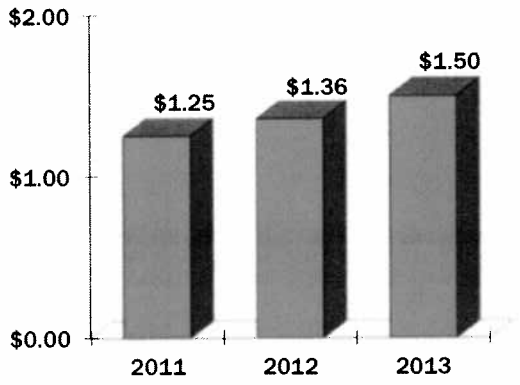
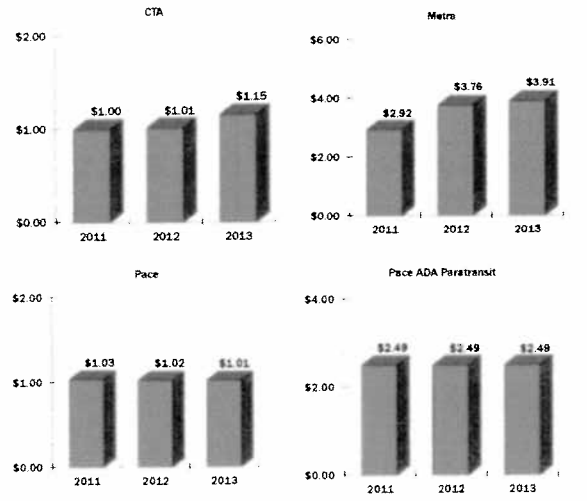


Exhibit 8-22: **Service Board Fare Revenue per Unlinked Passenger Trip**



Recovery Ratio

The RTA ACT requires the RTA Board to set a recovery ratio for each Service Board, and also requires the combined RTA operations revenues to cover at least 50% of the system operating cost. The system ratio excludes ADA paratransit service, which is held to a 10% recovery ratio requirement, and allows for certain adjustments. CTA, Metra, and Pace are required to meet or exceed recovery ratios of 52%, 53%, and 30%, respectively, with their proposed 2013 operating budgets (Exhibit 8-24). As shown in their individual sections' budgets, each Service Board met or exceeded these requirements; the RTA regional recovery ratio for 2013 is projected at 56.0% and is in compliance with the RTA Act (Exhibit 8-23).

Exhibit 8-23: **RTA Regional Recovery Ratio**

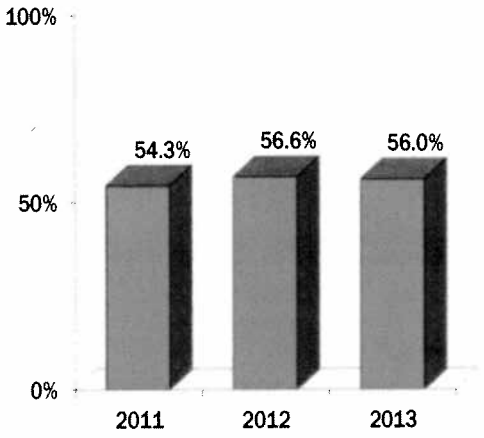
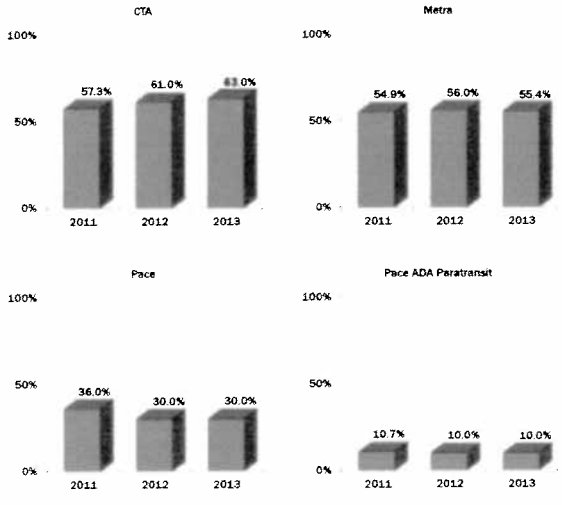


Exhibit 8-24: **Service Board Recovery Ratio**



RTA Performance Measures

This section contains performance measures applicable to the functions of the RTA Agency, distinct from the services provided by the operating agencies CTA, Metra, and Pace. The RTA's mission is to ensure financially sound, comprehensive, and coordinated public transportation in the Northeastern Illinois region. In that role, the RTA tracks performance in the following three areas:

- **Funding:** The RTA is responsible for setting the funding levels for the Service Boards for each fiscal year. Funding levels for the fiscal year are based on forecasted sales tax receipts. These forecasts are built based on previous years' receipts and current and projected economic trends. The Service Boards develop their operating budgets based on these funding levels and must operate within the levels set by the RTA Board.

- **Project Management Oversight:** The RTA administers funding for and conducts project management oversight (PMO) of Service Board projects funded through the Illinois Jobs Now! program. Staff monitors projects to determine if they are on time, on budget, and meet plan and grant specifications. In some cases value engineering, the process of evaluating the function of systems, equipment, facilities, procedures, and supplies is provided to determine if cost-saving is achievable.

- **Regional Planning Programs:** The RTA administers funding programs for projects in the region. The agency applies for and receives local and federal funds and then conducts an annual competitive selection process, based on need, to determine the recipients of these funds. RTA funds are also available to support projects. RTA staff provides planning and implementation assistance to the grant recipients. Recipients include the Service Boards and local municipalities in which the Service Boards operate.

In addition to fiscal oversight responsibilities, project management oversight duties, and the funding of regional planning programs, the RTA houses several customer service programs that are critical to promoting and facilitating the use of mass transit in the Chicago region.

- The Information Technology (IT) department actively manages RTA's website content and activity and has seen growth in terms of total website visits, unique visitors to the sites, and page views.

- The RTA's ADA Paratransit Certification Program determines an individual's functional abilities and limitations for using fixed route services. ADA Paratransit is provided for customers whose disability prevents them from using the CTA and/or Pace fixed route services for some or all of their travel. Individuals who are interested in using ADA Paratransit service must apply and be found eligible according to ADA guidelines; demand for such services has increased recently and is expected to continue to increase into the near future.

- The RTA Travel Training Program aims to educate individuals and groups on the use of public transportation to encourage individual mobility and freedom while reducing the burden on regional paratransit services. This program has experienced significant growth, which is a win-win situation for individuals and service providers.

- The Travel Information Center provides Chicagoland residents with all types of customer assistance and information, both on the phone and in person at a walk-in location near CTA headquarters.

- The RTA Transit Benefit Fare Program helps companies and their employees take advantage of tax law changes to reduce commuting costs while supporting clean air and reducing traffic congestion. On January 1, 2013, Congress passed the American Taxpayer Relief Act of 2012, which restored parity between the parking and transit/commuter highway vehicle benefits by reinstating the benefit at $240 per month and retroactively increasing monthly transit benefit limit for 2012 from $125 per month to $240 per month. This benefit subsequently increased to $245 per

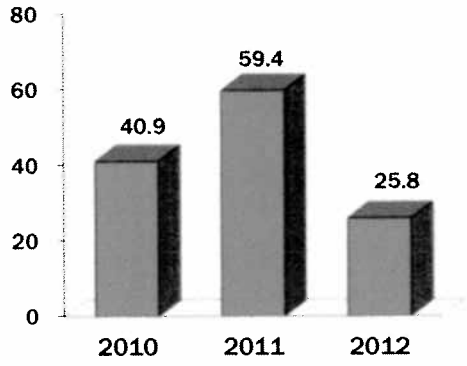
month in 2013. Employers can now provide employees with up to $245 a month ($2,940 a year) for transit or vanpool commuting expenses as tax-free benefits in accordance with the Transportation Equity Act of the 21st Century (TEA-21) and Section 132(f) of the IRS Code. With this program, employers can purchase CTA Transit Cards, Chicago Cards, Metra Monthly, Ten-Ride passes, and/or RTA Fare Checks that the RTA delivers to enrolled companies.

Sales Tax Forecasting

Nearly 40% of total RTA revenue for operations comes from sales tax. The RTA is responsible for forecasting the amount of sales tax funding that will be available to the Service Boards for their operating budgets. Because the Service Boards must operate within their budgets passed by the RTA Board, an accurate forecast of sales tax receipts for the upcoming fiscal year is critical to an effective budget process. However economic volatility in recent years, resulting from the 2008 financial crisis and subsequent recovery, has complicated this effort. It has become harder to accurately predict consumer spending habits and, thereby, sales tax receipts, forcing more conservative forecasting efforts.

Exhibit 8-25 shows the variance of actual sales tax receipts from budgeted levels for 2010 to 2012. The financial downturn in 2008 and 2009 resulted in shortfalls in projected funding, which led to conservative sales tax forecasts for 2010 and 2011. Conservative estimates resulted in positive variances at year end when sales tax receipts came in higher than was forecasted. Economic recovery was still modest in 2011 when the funding levels were set for the 2012 fiscal year and, as a result, forecasts were again conservative. In 2012, sales tax receipts will come in higher than was forecasted by $25.8 million, a significant but smaller surplus than in 2010 and 2011. In 2013, the RTA has forecasted more moderately in order to minimize the amount of surplus at year end.

Exhibit 8-25: **Variance of Actual Sales Tax from Budget**
(dollars in millions)



Project Management Oversight

The RTA is responsible under the RTA Act to ensure that the Service Boards manage capital funds and capital development projects effectively and efficiently. The RTA PMO program works with the Service Boards to ensure transit projects in the region are successfully implemented according to scope, schedule, budget, and established best practices.

The scope of work performed through the PMO program is broad due to the varied nature of Service Board projects; however, typical activities include:

- Conducting periodic PMO reviews
- Performing field inspections and site visits
- Documentation verification and validation
- Identifying current and future project issues
- Technical evaluations of project designs
- Verification of compliance with grant agreements
- Conducting value engineering reviews
- Submittal of periodic reports

In 2012, the RTA began issuing a biannual PMO report to the RTA Board of all Illinois Jobs Now! State-funded capital projects. This report acts as a snapshot in time of Service Board construction, maintenance, and procurement for these projects. Exhibits 8-26 and 8-27 highlight the number of projects on schedule and on budget during the two most recent periods of review, May and November 2012.

Exhibit 8-26: **State-funded Projects Budget Performance**

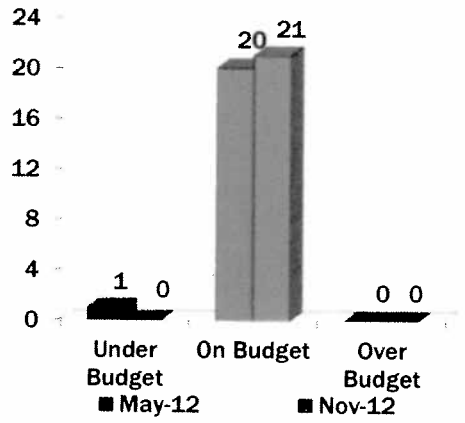
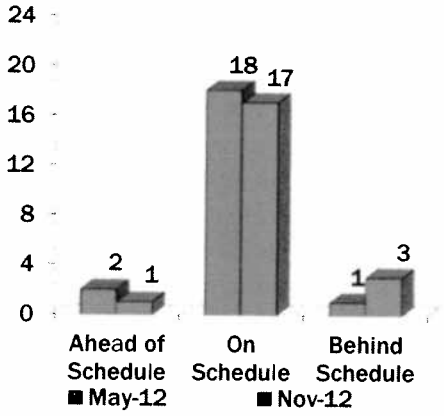


Exhibit 8-27: **State-funded Projects Schedule Performance**



RTA Funding Programs

The Funding Programs administered by the RTA provide value to the region by offering planning, plan implementation, operating, and capital grants for a variety of projects. The programs are consistent with the RTA's legislative mandates and Strategic Plan and are coordinated with the annual budget process. The Community Planning program provides funding for planning and implementation studies and initiatives. The Innovation, Coordination, and Enhancement (ICE) and Job Access Reverse Commute New Freedom (JARC/NF) programs provide funding for transit operating and capital projects. The RTA is the designated recipient for JARC/NF in Northeastern Illinois under SAFETEA-LU. While SAFETEA-LU has expired and MAP-21 is in effect, the RTA maintains responsibility for ongoing JARC/NF projects. The RTA Funding Programs provide a unique opportunity for the RTA and its Service Boards to coordinate at the local level to not only create plans or implement projects, but to facilitate intergovernmental cooperation and relationship building. Since 1998, the RTA has leveraged its own funds with federal, state, and local funds to program 209 projects.

Exhibit 8-28 illustrates the number of projects programmed for 2011 through 2013. Significantly more ICE funding was available in 2012 which led to an increase in programming for the year (Exhibit 8-29). Fluctuations in available funding from year to year affect the number of projects programmed in a given year. In addition to these measures, qualitative measures of value added are currently collected through stakeholder interviews.

Exhibit 8-28: **Projects Programmed by Year**

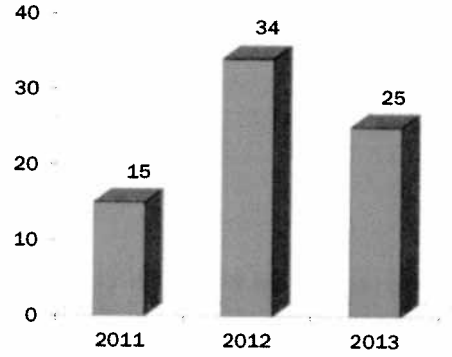
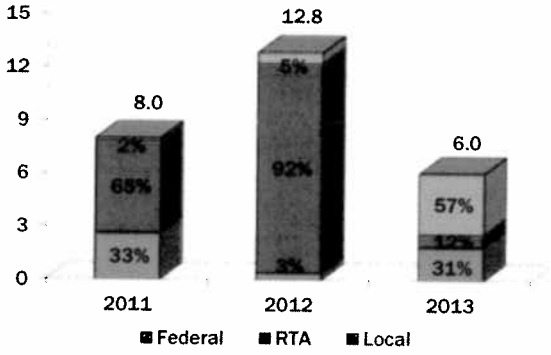


Exhibit 8-29: **Funding by Source** (dollars in millions)



Information Technology

The RTA website experienced 1.7 million page views in 2011 and 1.4 million page views in 2012 with an average of 500 thousand unique visitors each year. In 2012, unique visitors accounted for 61% of total website visits (Exhibit 8-30). In addition to the general website, IT manages the goroo trip planning site which provides users with schedule, fare, and other pertinent information for CTA, Metra, and Pace and even offers driving and biking directions. The goroo site experienced 13 million page views in 2011 and in 2012, with 1.3 million unique visitors per year. Unique visitors made up slightly less than half of all goroo site visits in 2012 (Exhibit 8-31). Visits to the Regional Transportation Authority Mapping and Statistics (RTAMS) site, a data warehouse for planning and financial information on the regional transit system, grew from 106 thousand page views in 2011 to 107 thousand page views in 2012. RTAMS had 11.5 thousand unique visitors in 2011 and 15 thousand unique visitors in 2012, 67% of all visits to the site (Exhibit 8-32).

Exhibit 8-30: **RTA Website Visits** (in thousands)

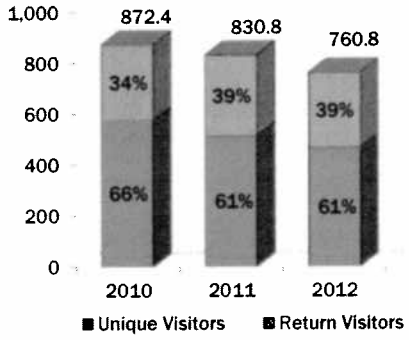


Exhibit 8-31: **goroo Website Visits** (in millions)

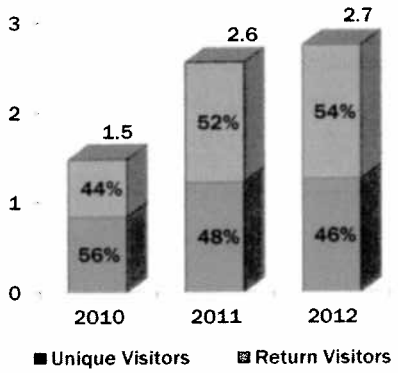
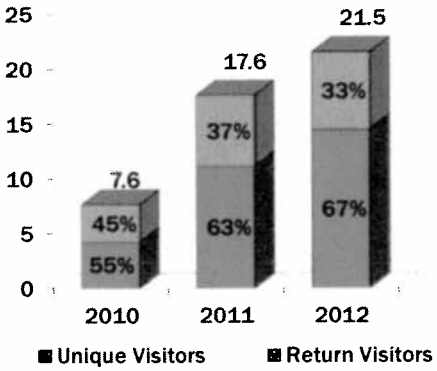


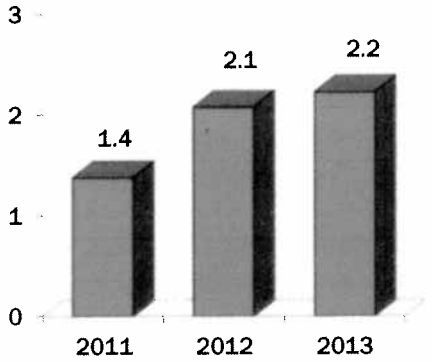
Exhibit 8-32: **RTAMS Website Visits** (in thousands)



RTA Travel Training Program

The RTA offers travel training to individuals with disabilities and older adults who want to learn how to use fixed route or commuter rail services. Once travel training is requested, a Travel Trainer works with an individual one-on-one to develop a training plan tailored to the individual's unique travel needs. Trainers can practice specific trips, practice maneuvering on buses or trains with a wheelchair or other mobility device, or simply provide an orientation to the accessibility features offered on buses and trains. Group transit orientation presentations are also available. Travel Training requests are estimated at 2.1 thousand in 2012 and are projected to grow 7% to 2.2 thousand in 2013 (Exhibit 8-33).

Exhibit 8-33: **RTA Travel Training Program: Total Individuals Served** (in thousands)

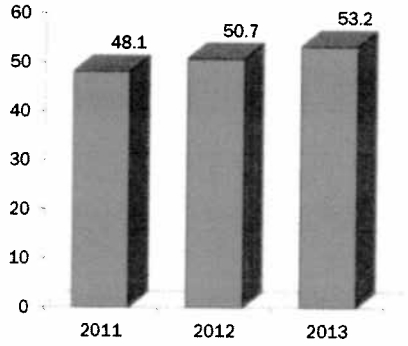


ADA Paratransit Certification Program

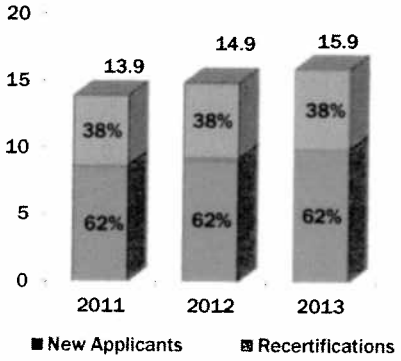
ADA Paratransit is a shared ride, advanced reservation, origin-to-destination service for persons with disabilities who are unable to use the regular fixed-route bus and rail service for some or all of their trips because of their disability. Individuals who are interested in using ADA Paratransit service must apply and be found eligible according to ADA guidelines. The RTA is responsible for determining eligibility for the six-county region. The process begins by contacting the RTA to request an application and learn about the program. Applicants are scheduled for an in-person interview and, in some cases, undergo additional functional testing to assess their individual ability to use fixed route service. Recertification occurs every 4 years.

In 2013, the number of eligible riders is expected to grow by 5%, consistent with growth in 2011 and 2012 (Exhibit 8-34). Applications for ADA Paratransit are projected to increase by 7%, consistent with the growth experienced in 2012 and slower than growth experienced in 2011 (Exhibit 8-35).

Exhbit 8-34: **ADA Paratransit Eligible Riders** (in thousands)



Exhbit 8-35: **ADA Paratransit Certification Applications** (in thousands)



RTA Transit Benefit Fare Program

The RTA Transit Benefit Fare Program helps employees and employers save money on transit. IRS Section 132(f) allows for employees to have up to $245 a month deducted pre-tax to pay for transit or vanpool commuting expenses. Fare media options include the Chicago Card monthly pass, CTA transit cards, FareChecks, Metra monthly passes, Metra 10-ride passes, and Metra Add-on passes that link up to Pace Bus. While the number of units sold of the CTA monthly, CTA transit cards, and all Metra fare media options increased in 2012, overall sales decreased due to a reduction in the number of FareChecks sold. This decrease in units sold can be attributable to some companies switching to third-party administrators (TPAs) of the Transit Benefit Program that issue debit cards. Sales through TPAs are not represented in the data in Exhibits 8-36 and 8-37.

Exhibit 8-36: Transit Benefit Fare Media Units Sold (in thousands)

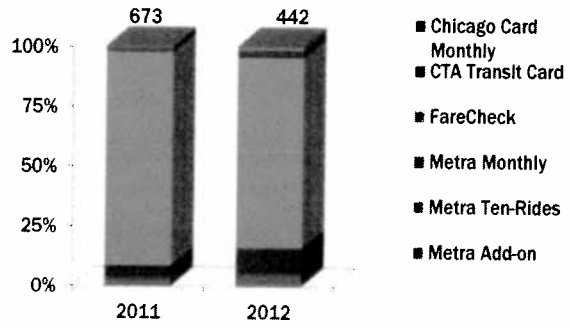
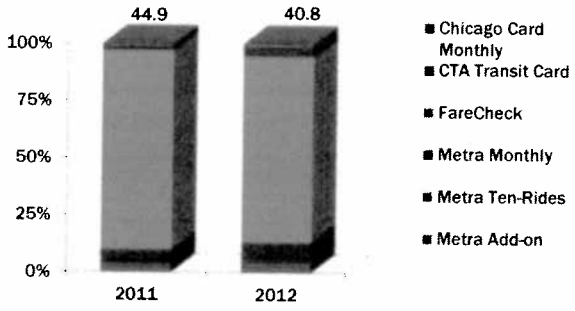


Exhibit 8-37: **Value of Transit Benefit Fare Media Sold** (in millions)



It is important to note that while total number of units sold decreased by 231 thousand or 34% in 2012, the total fare value of units sold decreased at a lower rate of 9%. This is because the average fare value or dollar amount of each unit sold increased for all fare

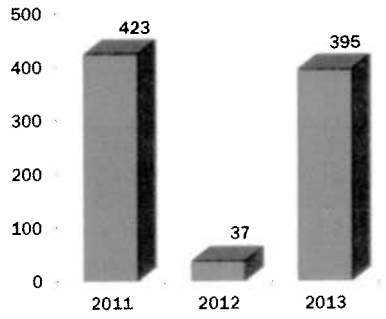
media options, except the CTA monthly pass. The average fare value per unit sold increased by the largest margin for the FareCheck and Metra Monthly media options, which increased from $65.12 to $94.40 and from $112.11 to $143.88, respectively. This is likely attributable to Metra's fare increase in 2012. Sales projections for 2013 are not yet available.

The RTA recognizes that customers are looking for electronic payment options such as debit cards and has undertaken an initiative to begin offering debit cards as part of the Transit Benefit Fare Program. In the third-quarter of 2013, the RTA will begin issuing debit cards that can be loaded with pre-tax funds that employees will only be able to use for purchasing transit fares. Offering debit cards will allow employees to enjoy greater flexibility in their transit options, as these funds can be used at any transit agency that accepts MasterCard. Employers will also see benefits to the administration of the program, as they will no longer need to distribute fare media directly to their employees.

RTA Customer Service Programs

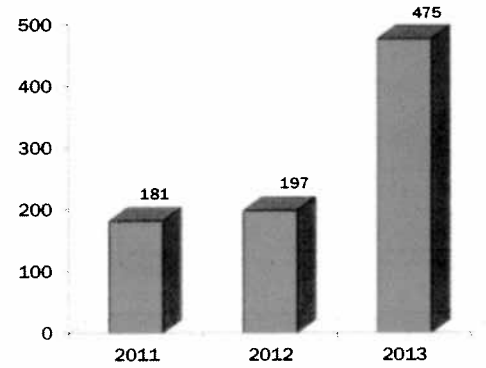
The RTA issues Reduced Fare Cards for elderly residents as well as persons with disabilities. Applicants undergo a screening process and possibly an interview to determine eligibility for a reduced fare card. With the elimination of the Seniors Ride Free Program in September 2011 and the transition to reduced fare for seniors, the number of Reduced Fare Cards issued increased by more than 10 times from 2010 to 2011. In 2013 with the implementation of the Ventra system at CTA and Pace, the RTA is preparing to replace nearly 400 thousand Reduced Fare Cards (Exhibit 8-38).

Exhibit 8-38: **Reduced Fare Cards Issued** (in thousands)



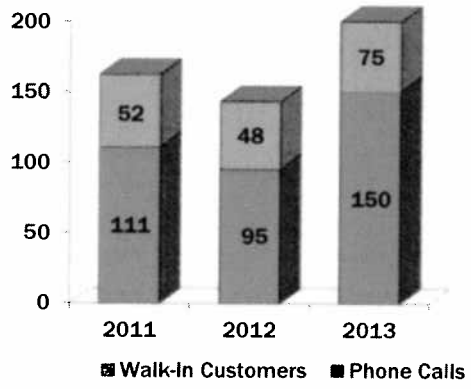
The RTA also issues Ride Free Cards for low-income elderly residents and persons with disabilities who qualify for free rides. Seniors and persons with disabilities who are enrolled in the Illinois Department on Aging's Benefit Access program are eligible to ride for free on CTA, Metra, and Pace fixed-route services. To ride free, applicants must qualify and be enrolled in the Illinois Benefit Access Program. The income levels for eligibility range from $27,610 or less for an individual, $36,635 for a two-person household, and $45,657 for a household of three or more people. The number of Ride Free cards issued increased significantly following the elimination of the Senior Ride Free Program in 2011, as many seniors previously riding for free under the Senior Ride Free Program remained eligible for free rides as part of the Benefit Access Program. In 2013, the RTA expects to replace close to 500 thousand Ride Free Cards to be compatible with Ventra (Exhibit 8-39).

Exhibit 8-39: **Ride Free Cards Issued** (in thousands)



RTA's Customer Service Center experienced a significant increase in phone and walk-in activity in 2011 due to the Seniors Ride Free transition. Phone calls and walk-ins to the Customer Service Center increased by nearly 50%, with a high percentage of this activity occurring in the weeks leading up to the transition period in September of 2011. Phone and walk-in activity at the Customer Service Center remained high in 2012 and staff anticipates more than a 70% increase in phone walk-in activity in 2013 due to the implementation of the Ventra system and the need to replace nearly 1 million free and reduced fare transit cards (Exhibit 8-40).

Exhibit 8-40: **Customer Service Center Volume** (in thousands)



9 Capital

Regional Overview

The RTA Act requires that the capital expenditures of the CTA, Metra, and Pace be subjected to continual review so that the RTA may budget and expend funds available to the region with maximum efficiency. The RTA Board must adopt a five-year capital program every year that describes the nature, location, and budget by project and fiscal year of all anticipated Service Board capital improvements. The capital programs are amended on a quarterly basis as appropriate. Public hearings are held in each county in the Northeastern Illinois region to inform the public and government officials of the RTA's capital development plans.

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

Source of Funds

On October 10, 2012, the RTA adopted preliminary federal and state capital funding marks for 2013-2017. Subsequently, the RTA received proposals for funds controlled by the Service Boards and then adopted the 2013 RTA system budget on January 16, 2013. The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and the Service Boards. Of the estimated $4.37 billion of capital funding for 2013-2017, federal funding accounts for $2.24 billion or 51%; CTA bond proceeds account for $1 billion or 23%; State of Illinois funds account for $766.6 million or 18%; carryover funds from 2012 account for $139.5 million or 3%; Service Board and other funds account for $97.1 million or 2%; and, RTA funds account for $30.6 million or 1% (Exhibits 9-1 and 9-2). After CTA debt service and capitalized interest is considered, an estimated amount of $3.66 billion is available for 2013-2017 capital investment.

Exhibit 9-2: **RTA 2013-2017 Capital Program Marks** - $4.374 billion

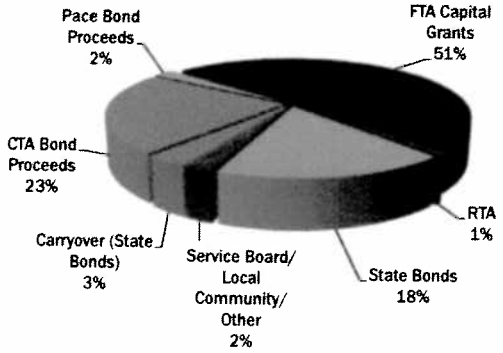


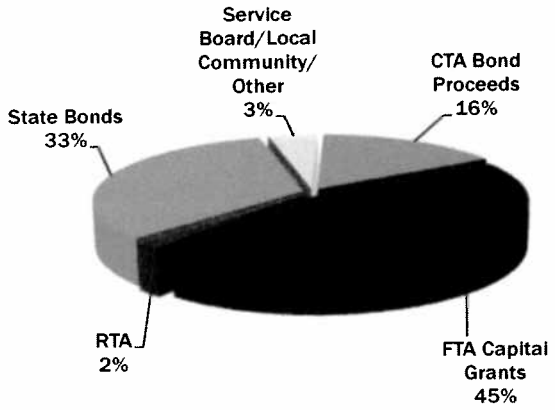
Exhibit 9-1: **RTA 2013-2017 Capital Program Marks** (dollars in thousands)

Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	1,281,065	730,730	228,430	2,240,225
RTA	15,000	15,562	-	30,562
State Bonds	356,649	324,250	85,700	766,599
Service Board/Local Community/Other	24,343	47,576	25,150	97,069
Total New Capital Funding	**$ 1,677,057**	**$ 1,118,118**	**$ 339,280**	**$ 3,134,455**
Carryover (State Bonds)	139,532	-	-	139,532
CTA Bond Proceeds	1,000,000	-	-	1,000,000
Pace Bond Proceeds	-	-	100,000	100,000
Total Capital Funding	**$ 2,816,589**	**$ 1,118,118**	**$ 439,280**	**$ 4,373,987**
Debt Service (Federal)	(685,189)	-	-	(685,189)
Capitalized Interest	(26,200)	-	-	(26,200)
Total Capital Funding Available	**$ 2,815,878**	**$ 1,118,118**	**$ 439,280**	**$ 4,373,276**

Exhibit 9-3: **Capital Funding in 2013** (dollars in thousands)

Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	294,745	141,310	49,180	485,235
RTA	15,000	7,000	-	22,000
State Bonds	149,401	170,825	42,850	363,076
Service Board/ Local Community/ Other	24,343	6,300	17,150	47,793
Total New Capital Funding	**$ 483,489**	**$ 325,435**	**$ 109,180**	**$ 918,104**
CTA Bond Proceeds	175,000	-	-	175,000
Total Capital Funding	**$ 658,489**	**$ 325,435**	**$ 109,180**	**$ 1,093,104**
Debt Service (Federal)	(131,543)	-	-	(131,543)
Capitalized Interest	(4,600)	-	-	(4,600)
Total Capital Funding Available	**$ 658,352**	**$ 325,435**	**$ 109,180**	**$ 1,092,967**

Exhibit 9-4: **Capital Funding in 2013** - $1.093 billion



In 2013, the total estimated capital funds for projects are $1.09 billion. At this time, the final federal appropriation figures for 2013 have not been determined. Once this amount has been established, the capital program will be amended to reflect the available funding. Of the estimated $1.09 billion of funding sources for 2013, federal funding accounts for $485.2 million or 44%; State of Illinois funds account for $363.1 million or 33%; CTA bond proceeds account for $175 million or 16%; Service Board and other funds account for $47.8 million or 5%; and, RTA funds account for $22 million or 2% (Exhibits 9-3 and 9-4). After CTA debt service and capitalized interest is considered, an estimated amount of $957 million is available for 2013 capital investment.

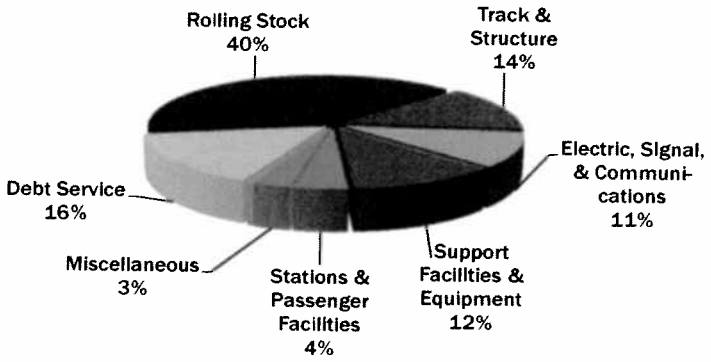
Despite the challenging economic times, critical progress was made in 2012 toward our capital investment needs. The State of Illinois in 2009 approved two measures – the "Jump Start" capital bill and the "Illinois Jobs Now" capital bill. These two programs provide the RTA system with $2.7 billion in capital funds with which the RTA will be able to fund the replacement of aging trains, buses, track, stations and other infrastructure and improve the reliability of the system. In 2012, $704 million of State Bond funds was awarded to the CTA and Pace. Nevertheless, there is uncertainty regarding the timing of the availability of the $2.7 billion balance originally appropriated for the program. A portion of these funds are dependent on bond authorizations that have yet to pass the General Assembly. In addition, sources for debt service on some of the bond funds are dependent upon new revenues in the State's General Revenue Fund. However, encouraged by the award of State Bond funds through this year, the balance of the full $2.7 billion State Bond program is programmed through 2014.

Exhibit 9-5: **2013-2017 Capital Program Uses** (dollars in thousands)

Asset Category	CTA*	Metra	Pace	Total
Rolling Stock	1,252,919	268,853	232,310	1,754,082
Track & Structure	297,155	302,265	-	599,420
Electric, Signal, & Communications	230,464	231,161	1,900	463,525
Support Facilities & Equipment	205,960	137,310	185,780	529,050
Stations & Passenger Facilities	107,177	71,050	11,300	189,527
Miscellaneous	35,850	99,988	2,250	138,088
Acquisitions & Extensions	1,875	-	-	1,875
Contingencies & Administration	-	7,491	5,740	13,231
Totals	**$ 2,131,400**	**$ 1,118,118**	**$ 439,280**	**$ 3,688,798**
Debt Service	685,189	-	-	685,189
Total Capital Funding	**$ 2,816,589**	**$ 1,118,118**	**$ 439,280**	**$ 4,373,987**

* CTA expenditures do not include adjustments for capitalized interest

Exhibit 9-6: **2013-2017 Capital Program Uses** - $4.374 billion

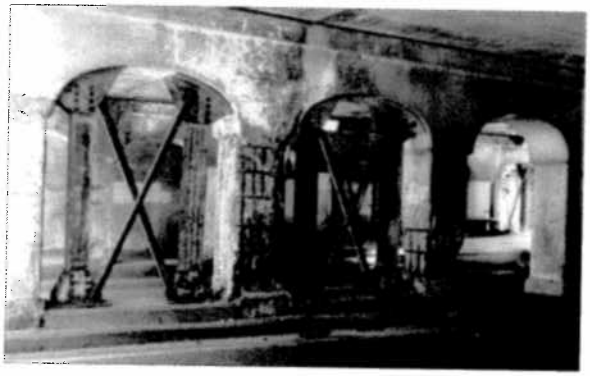


Use of Funds

The primary emphasis of the 2013 Capital Program is to continue efforts to bring the system's transit assets to a State of Good Repair (SGR). When replacing worn capital assets, it is imperative to use modern technologies that result in improved functionalities of equipment, facilities, and rolling stock. In addition, a balanced capital program is responsive to customer needs and shifting markets by including investment in system expansion.

For the 2013 Capital Program, 95% of the budget is allocated to capital projects that maintain the existing infrastructure. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

Investments in the 2013-2017 Capital Program can be broken down by various asset categories. Exhibits 9-5 and 9-6 show that $1.75 billion or 40% of the program is spent on rolling stock and $559.4 million or 14% for track and structure, 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. In addition, $685.2 million or 16% is expended on CTA debt service.



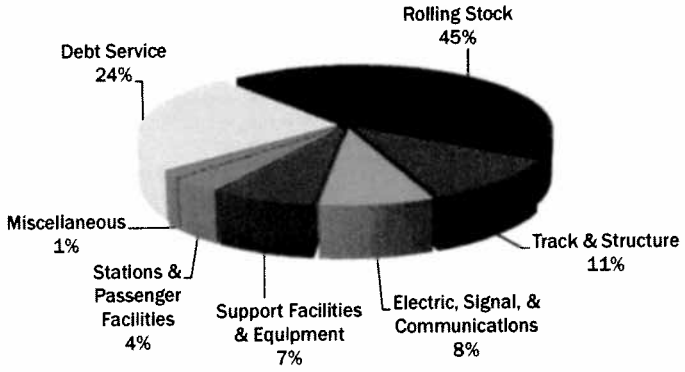
CTA Overview

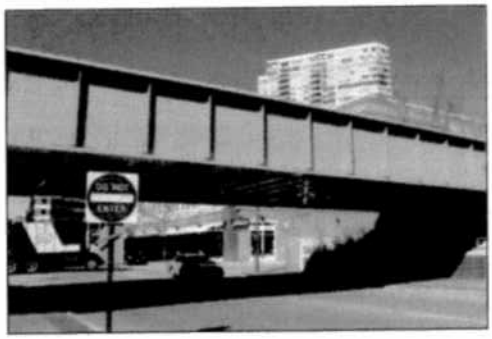
The proposed projects in the CTA's portion of the 2013-2017 Capital Program total $2.82 billion and continue the rehabilitation and replacement of their capital assets. The percentages for the general categories of capital improvements of the total program are: 45% for rolling stock, 24% for debt service, 11% for track and structure, 8% for electric, signal and communications, 7% for support facilities and equipment, 4% for stations and passenger facilities, and 1% for miscellaneous, contingencies and administration. The general categories of capital improvements comprising the CTA's portion of the Capital Program are illustrated in Exhibit 9-7.

Highlights of projects included in the CTA's proposed 2013-2017 Capital Program are:

- $497.2 million to replace rail cars
- $320.4 million for the purchase of buses
- $297.2 million for the repair of track and structure
- $281.7 million for the rehabilitation and overhaul of rail cars
- $204.0 million to replace/upgrade power distribution and signals
- $189.1 million for the improvement of facilities
- $143.7 million to perform mid-life bus overhauls
- $107.2 million to rehabilitate rail stations
- $26.4 million to implement security and communication projects

Exhibit 9-7: **CTA 2013-2017 Capital Program Uses** - $2.817 billion





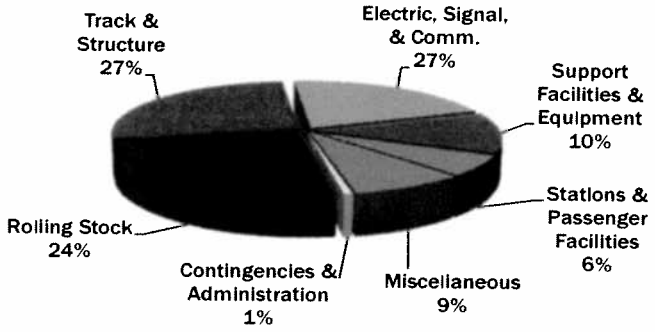
Metra Overview

Metra's portion of the proposed 2013-2017 Capital Program totals $1.12 billion. During this five-year period, Metra will continue to renew its extensive commuter rail infrastructure and renew aging rolling stock. The percentage for the general categories of capital improvements of the total program are: 27% for track and structure, 24% for rolling stock, 21% for electric, signal, and communications, 12% for support facilities and equipment, 6% for stations and passenger facilities, and 10% for miscellaneous, contingencies, and administration. The general categories of capital improvements comprising Metra's portion of the Capital Program are illustrated in Exhibit 9-8.

Highlights of projects included in Metra's proposed 2013-2017 Capital Program are:

- $236.1 million to rehabilitate or replace bridges
- $166.0 million to install Positive Train Control (PTC) system
- $116.4 million to provide locomotive improvements
- $114.9 million to rehabilitate bi-level commuter cars
- $71.1 million rehabilitate and improve stations
- $66.1 million to improve yards, shops, and facilities
- $40.0 million for financial system upgrades

Exhibit 9-8: **Metra 2013-2017 Capital Program Uses** - $1.118 billion



Pace Overview

Pace's portion of the proposed 2013-2017 Capital Program totals $439.3 million. A majority of the funding is provided for the replacement of rolling stock. The percentage for the general categories of capital improvements of the total program are: 53% for rolling stock, 42% for support facilities and equipment, 3% for stations and passenger facilities, 1% for contingencies and administration, and 1% for miscellaneous. The general categories of capital improvements comprising Pace's portion of the Capital Program are illustrated in Exhibit 9-9.

Highlights of projects included in Pace's proposed 2013-2017 Capital Program are:

- $119.7 million for constructing and improving garages
- $74.6 million for the purchase of CNG buses
- $40.5 million for the purchase of paratransit vehicles
- $32.4 million for the purchase of fixed-route buses
- $27.3 million for I-90 corridor transit infrastructure
- $21.6 million for the purchase of vanpool vans
- $17.2 million for the purchase of Over the Road coaches
- $12.4 million for diesel engine retrofits

Exhibit 9-9: **Pace 2013-2017 Capital Program Uses** - $439 million

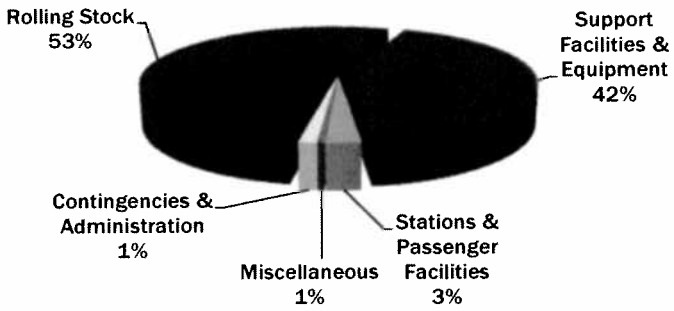


Exhibit 9-10: **CTA Five-Year Capital Program** (dollars in thousands)

Project & Title	2013	2014	2015	2016	2017	TOTAL
Rolling Stock - Bus						
Perform Bus Overhaul and Maintenance Activities – Systemwide	0	2,500	2,500	2,500	2,500	10,000
Perform Mid-Life Bus Overhaul – Systemwide	30,981	112,673	0	0	0	143,654
Purchase Buses (Partial $) – Systemwide	85,813	100,771	48,558	22,145	63,086	320,373
Subtotal Rolling Stock	**116,793**	**215,945**	**51,058**	**24,645**	**65,586**	**474,027**
Support Facilities & Equipment - Bus						
Improve Facilities – Systemwide	33,166	32,184	0	0	0	65,350
Subtotal Support Facilities & Equipment	**33,166**	**32,184**	**0**	**0**	**0**	**65,350**
Acquisitions & Extensions - Bus						
Perform Alternative Analysis – Western Avenue Corridor	1,875	0	0	0	0	1,875
Subtotal Acquisitions & Extensions	**1,875**	**0**	**0**	**0**	**0**	**1,875**
Bus Total	**151,835**	**248,128**	**51,058**	**24,645**	**65,586**	**541,252**
Rolling Stock - Rail						
Perform Rail Car Overhaul and Mid-Life Rehabilitation (2600 and 3200 Series, Partial $) – Systemwide	2,190	0	265,754	0	0	267,943
Perform Rail Car Overhaul Activities – Systemwide	3,750	2,500	2,500	2,500	2,500	13,750
Replace 706 Rail Cars (2200, 2400 and 2600 Series, Partial $) – Systemwide	0	393,103	104,095	0	0	497,198
Subtotal Rolling Stock	**5,940**	**395,603**	**372,349**	**2,500**	**2,500**	**778,891**
Track & Structure - Rail						
Repair Track and Structure – Systemwide	160,085	64,215	62,292	3,563	7,000	297,155
Subtotal Track & Structure	**160,085**	**64,215**	**62,292**	**3,563**	**7,000**	**297,155**
Electrical, Signal, & Communications - Rail						
Replace/Upgrade Power Distribution and Signals – Systemwide	77,977	32,336	48,715	45,000	0	204,027
Subtotal Electrical, Signal & Communications	**77,977**	**32,336**	**48,715**	**45,000**	**0**	**204,027**
Support Facilities & Equipment - Rail						
Improve Facilities – Systemwide	32,051	9,306	0	0	0	41,357
Subtotal Support Facilities & Equipment	**32,051**	**9,306**	**0**	**0**	**0**	**41,357**
Stations & Passenger Facilities - Rail						
Rehabilitate Rail Stations – Systemwide	66,594	29,834	0	3,900	6,849	107,177
Subtotal Stations & Passenger Facilities	**66,594**	**29,834**	**0**	**3,900**	**6,849**	**107,177**
Rail Total	**342,647**	**531,293**	**483,356**	**54,963**	**16,349**	**1,428,607**
Electrical, Signal & Communications - System						
Implement Security & Communication Projects – Systemwide	4,235	13,202	3,000	3,000	3,000	26,437
Subtotal Electrical, Signal & Communications	**4,235**	**13,202**	**3,000**	**3,000**	**3,000**	**26,437**
Support Facilities & Equipment - System						
Implement Computer Systems – Systemwide	3,600	2,684	0	1,058	1,058	8,399
Improve Facilities – Systemwide	14,940	23,063	6,188	19,055	19,110	82,355
Purchase Equipment and Non-Revenue Vehicles – Systemwide	3,000	3,000	0	0	2,500	8,500
Subtotal Support Facilities & Equipment	**21,540**	**28,746**	**6,188**	**20,113**	**22,668**	**99,254**
Miscellaneous - System						
Provide for Program Management – Systemwide	6,690	6,690	6,690	6,690	6,090	32,850
Implement CMAQ Projects	0	0	0	0	3,000	3,000
Subtotal Miscellaneous	**6,690**	**6,690**	**6,690**	**6,690**	**9,090**	**35,850**
System Total	**32,465**	**48,638**	**15,878**	**29,803**	**34,758**	**161,541**
CTA Total	**526,946**	**828,059**	**550,292**	**109,411**	**116,693**	**2,131,400**
CTA Debt Service	**131,543**	**134,242**	**136,968**	**139,789**	**142,647**	**685,189**
CTA Total with Debt Service	**658,489**	**962,301**	**687,260**	**249,200**	**259,340**	**2,816,589**

Exhibit 9-11: **Metra Five-Year Capital Program** (dollars in thousands)

Project & Title	2013	2014	2015	2016	2017	TOTAL
Rolling Stock - Rail						
Provide Locomotive Improvements - MET	10,550	0	34,000	29,600	42,300	116,450
Rehabilitate Bi-level Commuter Cars - MET	18,500	25,150	25,000	19,300	27,000	114,950
Rehabilitate and Improve MU Electric Cars - MED	1,650	5,148	4,197	1,202	2,800	14,997
Overhaul Rolling Stock Fleet Components - MET	2,500	3,605	3,714	4,918	5,065	19,802
Convert Commuter Cars HVAC Refrigerant - MET	500	515	530	546	563	2,654
Subtotal Rolling Stock	**33,700**	**34,418**	**67,441**	**55,566**	**77,728**	**268,853**
Track & Structure - Rail						
Provide for Ties, Ballast & Surfacing - BNSF, MED, RID, UPR, MET	5,850	5,000	5,500	4,000	5,000	25,350
Upgrade Crossings (Road and Track) - MWD, UPR, MET	1,025	2,150	2,100	1,850	1,500	8,625
Provide for Rail Renewal - MWD, NCS, MET	900	4,090	4,200	4,750	4,900	18,840
Rehabilitate or Replace Bridges - BNSF, MWD, RID, UPR, MET	91,650	73,600	5,400	38,550	26,900	236,100
Provide for Construction for CREATE Project - MET	5,000	5,000	0	0	0	10,000
Provide for Structural Improvements - UPR, MET	100	0	300	300	800	1,500
Rehabilitate Retaining Walls - BNSF, MET	350	0	500	500	500	1,850
Subtotal Track & Structure	**104,875**	**89,840**	**18,000**	**49,950**	**39,600**	**302,265**
Electrical, Signal, & Communications - Rail						
Upgrade Signal System - BNSF, MET	3,475	0	1,000	1,000	1,000	6,475
Upgrade Interlockers and Crossovers - MWD, UPR, MET	7,000	6,900	4,000	2,000	2,000	21,900
Upgrade Interlockers and Crossovers - UPR, MET	2,000	0	0	0	0	2,000
Improve Electrical Systems - BNSF, MED, MWD, RID, MET	10,705	6,400	5,900	5,500	6,000	34,505
Provide for Communication Equipment - MET	0	0	0	0	250	250
Install Positive Train Control (PTC) System - MET	54,201	95,386	16,444	0	0	166,031
Subtotal Electrical, Signal & Communications	**77,381**	**108,686**	**27,344**	**8,500**	**9,250**	**231,161**
Support Facilities & Equipment - Rail						
Improve Yards, Shops and Facilities - BNSF, MED, UPR, MET	25,775	31,175	2,000	5,100	2,100	66,150
Upgrade Buildings - BNSF, MET	544	629	1,750	1,200	1,300	5,423
Purchase Equipment and Vehicles - MET	2,900	5,037	5,650	3,700	8,450	25,737
Replace Financial System - MET	10,000	10,000	10,000	10,000	0	40,000
Subtotal Support Facilities & Equipment - Rail	**39,219**	**46,841**	**19,400**	**20,000**	**11,850**	**137,310**
Stations & Passenger Facilities - Rail						
Improve Stations and Parking - MET	42,050	3,000	500	4,525	3,000	53,075
Rehabilitate Stations - MET	5,000	4,000	4,225	1,750	3,000	17,975
Subtotal Stations & Passenger Facilities - Rail	**47,050**	**7,000**	**4,725**	**6,275**	**6,000**	**71,050**
Miscellaneous - Rail						
Improve Metra System Security - MET	5,000	5,000	5,000	5,000	5,000	25,000
Implement Capital Projects - MET	10,850	11,669	11,669	7,350	7,350	48,888
Provide for Unanticipated Capital - MET	1,000	2,000	2,000	2,000	2,000	9,000
Provide for Capital Program Support Management and Engineering - MET	5,000	3,000	3,000	3,100	3,000	17,100
Subtotal Miscellaneous	**21,850**	**21,669**	**21,669**	**17,450**	**17,350**	**99,988**
Contingencies & Administration - Rail						
Provide for Contingencies - MET	560	600	600	789	942	3,491
Provide for Project Administration - MET	800	800	800	800	800	4,000
Subtotal Contingencies & Administration	**1,360**	**1,400**	**1,400**	**1,589**	**1,742**	**7,491**
Rail Total	**325,435**	**309,854**	**159,979**	**159,330**	**163,520**	**1,118,118**
Metra Total	**325,435**	**309,854**	**159,979**	**159,330**	**163,520**	**1,118,118**

Exhibit 9-12: **Pace Five-Year Capital Program** (dollars in thousands)

Project & Title	2013	2014	2015	2016	2017	TOTAL
Rolling Stock--Bus						
Purchase Approximately 150 40' CNG Fixed Route Buses - Systemwide	37,280	37,280	0	0	0	74,560
Purchase Approximately 28 Over the Road Coaches - Systemwide	17,150	0	0	0	0	17,150
Purchase Approximately 65 40' Fixed Route Accessible Buses - Systemwide	2,370	9,000	2,500	8,500	10,000	32,370
Purchase Approximately 476 Paratransit Vehicles (Replacement) - Systemwide	9,030	8,500	5,950	8,500	8,500	40,480
Purchase Approximately 10 Community Vehicles - Systemwide	0	850	0	0	0	850
Purchase Approximately 540 Vanpool Vans (Replacement) - Systemwide	5,600	4,000	4,000	4,000	4,000	21,600
Provide for Diesel Engine Retrofit - Systemwide	3,060	0	3,100	3,100	3,100	12,360
Provide for Associated Capital Items - Systemwide	250	0	1,000	1,000	1,000	3,250
Provide for Capital Cost of Contracting - Systemwide	2,000	5,538	7,352	7,400	7,400	29,690
Subtotal Rolling Stock	**76,740**	**65,168**	**23,902**	**32,500**	**34,000**	**232,310**
Electrical, Signal, & Communications--Bus						
Implement Arterial Rapid Transit (ART) - Systemwide	0	0	500	0	0	500
Purchase/Install Intelligent Bus System (IBS) and Mobile Data Terminals (MDT) - Systemwide	500	500	400	0	0	1,400
Subtotal Electrical, Signal, & Communications	**500**	**500**	**900**	**0**	**0**	**1,900**
Support Facilities & Equipment--Bus						
Construct/Improve Garages & Facilities - Systemwide	9,700	74,500	27,500	5,500	2,500	119,700
Improve Garages & Facilities - Systemwide	1,800	2,000	2,000	2,000	2,000	9,800
Provide for Transit Infrastructure - I-90 Corridor	0	12,500	14,780	0	0	27,280
Purchase Fare System - Systemwide	10,600	0	0	0	0	10,600
Purchase Replacement Farebox System - Systemwide	500	1,000	500	500	0	2,500
Purchase Computer Hardware and Software Systems - Systemwide	3,500	2,500	2,000	2,000	2,000	12,000
Purchase Maintenance/ Support Equipment and Vehicles - Systemwide	800	500	500	500	500	2,800
Purchase Office Equipment - Systemwide	700	100	100	100	100	1,100
Subtotal Support Facilities & Equipment	**27,600**	**93,100**	**47,380**	**10,600**	**7,100**	**185,780**
Stations & Passenger Facilities--Bus						
Reconstruct Passenger Facilities - Systemwide	0	500	500	500	500	2,000
Provide Consultant for Bus Stop Conversion - Systemwide	1,700	1,700	1,700	0	0	5,100
Install Shelters/ Signs/ Passenger Amenities - Systemwide	1,000	800	800	800	800	4,200
Subtotal Stations & Passenger Facilities	**2,700**	**3,000**	**3,000**	**1,300**	**1,300**	**11,300**
Miscellaneous--Bus						
Provide for Unanticipated Capital - Systemwide	250	500	500	500	500	2,250
Subtotal Miscellaneous	**250**	**500**	**500**	**500**	**500**	**2,250**
Contingencies & Administration--Bus						
Provide for Project Administration	1,390	1,152	1,098	1,060	1,040	5,740
Subtotal Contingencies & Administration	**1,390**	**1,152**	**1,098**	**1,060**	**1,040**	**5,740**
Bus Total	**109,180**	**163,420**	**76,780**	**45,960**	**43,940**	**439,280**
Pace Total	**109,180**	**163,420**	**76,780**	**45,960**	**43,940**	**439,280**

Capital Impact on Operations

As part of its oversight function, the RTA is charged with providing assessments of the Service Board's Capital Projects and Plans as well as an assessment of the condition of the Service Board's Capital Assets. The RTA, after consultation with the Service Boards, must prepare and adopt a Five-Year Capital Program annually that includes each capital improvement undertaken by or on behalf of a Service Board. In addition to the Five-Year Plan, PA 95-0708 established the need for the development of a Ten-Year Capital Plan.

Achieving and maintaining a State of Good Repair (SGR) will require $31.05 billion of capital investment over the next ten years.

The estimated value of transit capital assets in Northeastern Illinois is $151.2 billion, as measured in terms of replacement value. Achieving and maintaining a State of Good Repair (SGR) will require $31.05 billion of capital investment over the next ten years. During this same timeframe, however, gross funding to support capital infrastructure is projected at $6.93 billion. Since $1.45 billion of capital funds have already been committed to capitalized interest and debt service for bonds issued by the CTA, the current Ten-Year Capital Program leaves approximately $5.49 billion in net funding available for the 2013-2022 period, less than 20% of the total replacement need.

CAPITAL FUNDS AVAILABLE FOR THE TEN-YEAR PLAN

As Exhibit 9-13 indicates, there are four sources of funding that are dedicated to capital program expenditures in the region: federal, state, RTA and local. In the RTA's ten-year plan, $485.2 million in federal capital grants are expected to be made available to the RTA in 2013. By 2022, federal capital grants are planned to increase to $514.8 million, reflecting recent legislative action and associated anticipated trends. State funding includes the $766.6 million available in the State's bond program programmed through 2014. Local funds total $157.1 million between the years 2013 and 2022. These local funds consist of Service Board money that Metra allocates to capital programs from farebox revenues each year, capital funding provided to the region by local communities, and additional funds from the other Service Boards.

In November 2012, a Capital Asset Condition Assessment Update for calendar year 2011 was completed that placed the region's total capital backlog at $18.69 billion, normal replacement needs at $7.95 billion and rehabilitations and capital maintenance at $4.42 billion, for a total of $31.05 billion. The total available funds in 2013 for capital projects are approximately $957 million, a $2.23 billion shortfall from the annual replacement need to achieve a State of Good Repair (SGR). This amount is the total available after the allo-

Exhibit 9-13: **Capital Program Funds Available** (in millions)

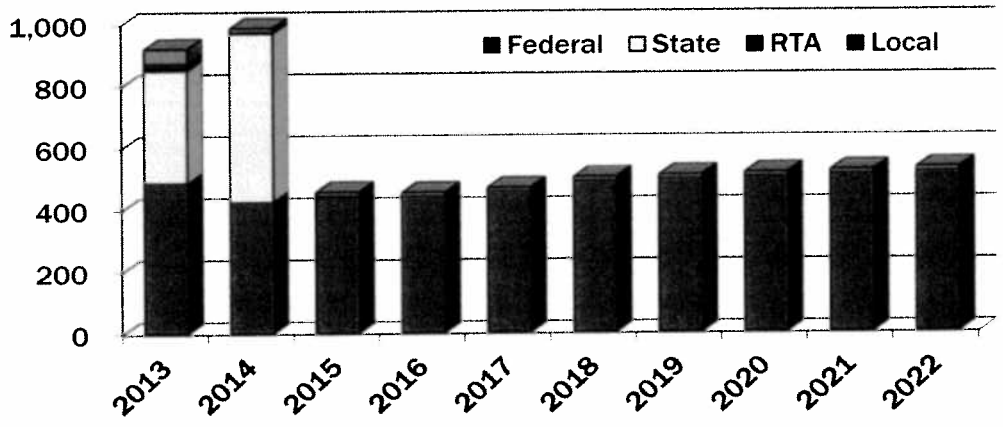
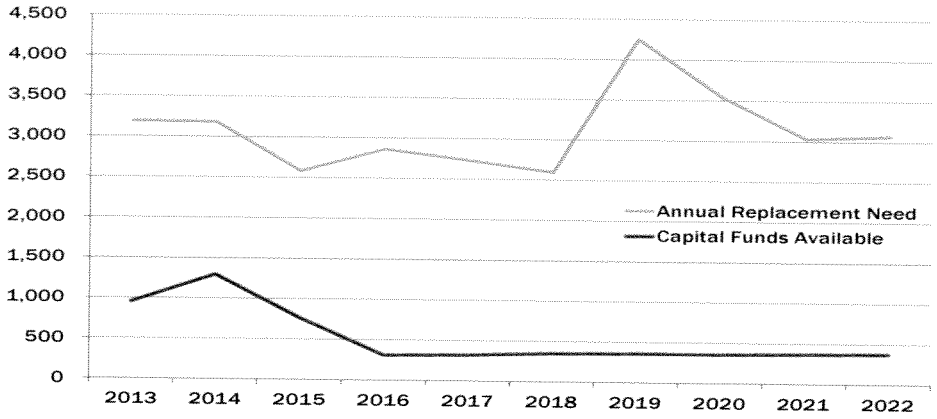


Exhibit 9-14: **Capital Funding vs. Annual Replacement Need** (in millions)



cation of $131.5 million for debt service on CTA bonds and capitalized interest of $4.6 million. It is important to note that in 2012, the Service Boards discontinued their previous unsustainable practice of transferring from capital funds to cover operating expenses.

As shown in Exhibit 9-13, the funding available from state sources in the years 2013 and 2014 is critical to executing the capital program. Beyond 2014, the lack of this vital funding is evident. In 2013 and subsequent years, the amount of funding available for capital is below the annual replacement need by $1.88 to $3.89 billion per year.

CAPITAL FUNDING VS. ANNUAL REPLACEMENT NEED

As Exhibit 9-14 shows, from 2013 to 2022 the region's projected capital funding falls far below the region's replacement need for each year. With the CTA's planned issuance of bonds of $1 billion, capital funding is sufficient to pay for only 30 to 40% of the annual replacement need in 2013 through 2015. With the absence of locally generated borrowing in 2016 and after, that level falls to less than 20% of the replacement need.

Lack of funding for capital improvements is further exacerbated by the region's aging vehicle fleet. As the average life of a region's fleet increases, the fleet's operating and maintenance costs increase as well. Conversely, if the average age of a fleet decreases because of capital spending, one can also expect to see significant savings in operating and maintenance expenses. If the region fails to meet both vehicular and non-vehicular capital annual replacement needs, operating and maintenance costs will continue to rise, making it difficult to continue to provide service at current levels.

IMPACT OF CAPITAL EXPENDITURES ON THE 2013 OPERATING BUDGET

CTA

The proposed 2013 Capital Program for CTA totals $522.3 million. This amount accounts for the reduction of debt service funding of $131.5 million and the capitalized interest of $4.6 million. This program is divided among the following components: Bus Projects for $151.8 million; Rail Projects for $342.6 million; and, Systemwide Projects for $32.5 million. The capital program provides for the overhaul and replacement of aging rail cars and buses in 2013, investments that are expected to generate benefits in the form of improved service reliability, improved rider comfort and reduced maintenance and operating costs. Similarly, proposed investments in track, rail structures, power distribution and signal systems will help mitigate slow-zone restrictions leading to reductions to both rider travel time and rail operating costs.

Exhibits 9-15 through 9-17 are color coded in accordance with the capital investment at High (Dark Green), Medium (Light Green) and Low (Yellow) impact on operating costs. Impacts on operations vary by project for the Service Boards with the highest similar impact occurring for rolling stock replacement and rehabilitation projects.

Exhibit 9-15: **CTA 2013 Capital Impact on Operations** (includes only some of the major programs)

Bus Projects	
Bus mid-life overhaul ($30.9 million) Purchase replacement buses ($85.8 million)	• Improve service reliability • Increase customer satisfaction • Reduced maintenance costs • Improve on-time performance • Enhance safety
Rail Projects	
Repair track and structures ($160.1 million)	• Improve service reliability • Increase customer satisfaction • Improve on-time performance • Increase travel speeds by reducing slow zone restrictions • Enhance safety
System-wide Projects	
Replace/Upgrade power distribution and Signals System-wide ($78 million)	• Improve service reliability • Improve on-time performance • Raise travel speeds by reducing slow zone restrictions • Enhance safety
Rehabilitate rail stations system-wide ($66.6 million)	• Enhance safety

Exhibit 9-16: **Metra 2013 Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock	
Provide locomotive improvements ($10.5 million) Rehabilitate bi-level commuter cars ($18.5 million)	• Maintain on-time performance • Reduce maintenance cost • Improve service reliability • Increase customer satisfaction
Track & Structure	
Rehabilitation/Replacement of bridges (91.7 million)	• Preserve uninterrupted service – higher on-time performance • Improve vertical clearances • Improve traffic flow and pedestrian safety
Electrical Signal & Communication	
Install positive train control system ($54.2 million)	• Improve travel times resulting in higher on-time performance • Enhance safety
Stations and Passenger Facilities	
Rehabilitate and improve stations ($47.1 million)	• Revenue enhancement through improved commercial and retail space • Increase customer satisfaction

Metra

The proposed 2013 Capital Program for Metra totals $325.4 million divided among the following: $33.7 million for Rolling Stock; $104.9 million for Track & Structure; $77.4 million for Electrical, Signal & Communications; $39.2 million for Support Facilities and Equipment; $47.1 million for Stations and Passenger Facilities; and, $21.9 million for Miscellaneous.

Exhibit 9-17: **Pace 2013 Capital Impact on Operations** (includes only some of the major programs)

Rolling Stock	
Purchase of fixed-route buses ($56.8 million)	• Reduced maintenance and operating costs • Maintain on-time performance • Improved travel time • Enhanced safety • Lower fuel consumption
Support Facilities and Equipment	
Improvement to garages/facilities ($11.8 million)	• Lower building maintenance costs • Improved operational performance • Enhanced safety

Pace

The proposed 2013 Capital Program for Pace totals $109.2 million divided among the following: $76.7 million for Rolling Stock; $27.6 million for Support Facilities & Equipment; $2.7 million for Stations and Passenger Facilities; and, $1.6 million for Miscellaneous, Contingencies & Administration. Pace plans to continue the replacement of fixed-route buses in 2013. This will lower the average age of their bus fleet, thereby reducing annual operating expenses.

Note that the Service Board's proposed allocation of investment funds as presented above was found to be consistent with the mix of investment allocations identified by RTA's Capital Decision Prioritization Support Tool. The RTA will continue to work more cooperatively with the Service Boards to identify the impact of capital expenditures on their operating budgets as it attempts to mitigate the effects of the region's aging transit infrastructure and meet its annual replacement needs.

Future Improvements to the Assessment of Investment Benefits: RTA recently initiated the "Estimating the Operating Cost Impacts of Capital Projects" study. The objective of this study is to develop a methodology and tool to better estimate the operating and maintenance cost impacts of a broad range of capital investment actions that might be undertaken by the RTA's Service Boards. Study results are expected to aid Service Board and RTA staff tasked with project selection and approval. The study will also help improve investment prioritization scoring for the O&M cost impact investment criteria within RTA's Capital Decision Prioritization Support Tool. In addition to providing an ongoing assessment of regional capital reinvestment requirements, this prioritization tool provides indepen-dent analyses of proposed capital budgets, and more importantly, is consistent with federal MAP-21 Transit Asset Management (TAM) requirements.

10 Appendices

Exhibit 10-1: **2013 Business Plan Calendar**

2013 Business Plan Calendar

Date (2012)	Requirements
30-May	RTA Finance Committee and Board meet to discuss and consider the release of the 2013 Business Plan Call, which includes the preparatory funding estimates for the Service Boards' 2013 Annual Budget, Two-Year (2014-2015) Financial Plan, and Five-Year (2013-2017) Capital Program.
2-Jul	The RTA releases the preparatory funding marks, which include the preliminary operating funding amounts for the 2013 budget and 2014-2015 financial plan for each Service Board, the required 2013 recovery ratio for each Service Board, and the preliminary capital program amounts for 2013-2017.
Sept - Nov	Service Boards release their proposed Budgets, Two-Year Financial Plans, and Five-Year Capital Programs to the RTA and the public. Information requirements not included in the proposed Budget, Two-Year Financial Plan, and Five-Year Capital Program document shall be provided to the RTA on supplemental schedules not later than September 30.
10-Oct	RTA Finance Committee and Board adopt ordinances which (1) establish the operating funding amounts for the budget for the upcoming year and the financial plan for the subsequent two years for each Service Board, (2) set the required recovery ratio for the upcoming year for each Service Board, and (3) set the preliminary capital program amounts for the upcoming five years.
Oct - Dec	The Service Boards hold public hearings on their proposed Budgets, Two-Year Financial Plans, and Five-Year Capital Programs, and present these proposals to the County Boards in the region.
24-Oct 14-Nov	During the RTA Board Meetings in October and/or in November the Service Boards present their proposed Budgets, Two-Year Financial Plans and Five-Year Capital Programs to the RTA Board.
15-Nov	Service Board proposed Budgets, Two-Year Financial Plans, and Five-Year Capital Programs, adopted by their Boards, are submitted to the RTA by this date.
30-Nov	RTA staff prepares consolidated Budgets, Two-Year Financial Plans, and Five-Year Capital Programs for public review and comment.
5-Dec	The Service Boards present their proposed budgets to a special meeting of the RTA Finance Committee.
5-Dec	The RTA holds a public hearing on the proposed RTA Budget, Two-Year Financial Plan, and Five-Year Capital Program.
19-Dec	RTA Finance Committee and Board meet to discuss and consider adoption of ordinance which approves the 2013 Budget, 2014-2015 Financial Plan, and Five-Year Capital Program for the RTA region.
16-Jan-2013	RTA Finance Committee and Board adopt ordinance 2013-01 which approves the 2013 Budget, 2014-2015 Financial Plan, and Five-Year Capital Program for the RTA region.

Public Hearing 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. Metra, Pace, and CTA are also required by law to hold public hearings on their proposed budgets and financial plans. The RTA held a public hearing on December 5th, 2012 at RTA Headquarters. This hearing provided a unified presentation of the region's transit system and 2013 consolidated budget. The RTA also participated in eight Metra hearings in November: one in the City of Chicago, two in suburban Cook (North, South), and one each in Lake, Will, DuPage, Kane and McHenry counties. The RTA attended thirteen Pace hearings in October: four in the City of Chicago (North, West, South, Southwest), four in suburban Cook (North, West, South, Southwest), and one each in Lake, Will, DuPage, Kane and McHenry counties. The RTA attended two CTA hearings in December; at CTA Headquarters and on the west side. In addition to public hearings, the RTA and Service Boards participated in six County Board meetings. The hearings were publicized in press releases issued to the media, paid ads in newspapers across the region, and through the RTA's Facebook page and InTransit newsletter. Public hearing information was also posted on the websites of the RTA and the Service Boards. The hearing schedules are detailed in Exhibit 10-2.

At these hearings, the RTA and Service Boards briefed the public on the proposed 2013 Budget, the proposed 2013-2017 Program of Capital Projects, and any proposed service or fare policy changes. Presenters included RTA senior management.

Public hearing comments were primarily focused on proposed service changes at Pace, proposed fare changes at Metra and CTA, and efficiency of paratransit service. Overwhelmingly, riders advocated for smaller, more frequent fare increases rather than large increases every few years. Riders were also concerned about growing capital needs and how the Service Boards would achieve the funds needed to reach a State of Good Repair. Court reporters were present to take testimony at all public hearings. Transcripts are on file with RTA.

In addition to the hearings, the budget documents were posted on the RTA and Service Board websites. The RTA Board voted to approve the 2013 regional transit system budget at its January 16th, 2013 meeting.

Exhibit 10-2: **Public Hearing Schedule**

The Regional Transportation Authority (RTA) hosted its public hearing for the 2013 budget on December 5th, 2012 at RTA headquarters. The budgets for the CTA, Metra, and Pace were reviewed and a general outlook for the transit system and key agency initiatives were presented. Attendees had the opportunity to participate in a Q&A session where RTA staff received comment and responded to questions. Following is the full schedule of budget hearings conducted by the Service Boards and the RTA.

SCHEDULE OF PUBLIC HEARINGS

PACE

McHenry County - Monday, October 22nd
4:30 – 5:30 pm
Crystal Lake Municipal Complex, Council Chambers
100 W. Woodstock St., Crystal Lake, IL

City of Chicago (North) - Monday, October 22nd
11:00 am - 1:00 pm
Sulzer Regional Library
4455 N. Lincoln Ave., Chicago, IL

Will County - Tuesday, October 23rd
4:00 - 6:00 pm
Joliet Public Library, Meeting Room B
150 N. Ottawa St., Joliet, IL

City of Chicago (West) - Tuesday, October 23rd
2:00 - 4:00 pm
Garfield Park Conservatory
300 N. Central Park Ave., Chicago, IL

Cook County (North) - Wednesday, October 24th
4:00 - 6:00 pm
Pace Headquarters, Board Room
550 W. Algonquin Rd., Arlington Heights, IL

Cook County (Southwest) - Wednesday, October 24th
4:30 - 6:30 pm
Worth Village Hall, Board Room
7112 W. 111th St., Worth, IL

Kane County - Thursday, October 25th
4:30 - 6:00 pm
Kane County Government Center Auditorium
719 S. Batavia Ave., Geneva, IL

Cook County (West) - Thursday, October 25th
4:00 - 6:00 pm
Howard Mohr Community Center
7640 Jackson Blvd., Forrest Park, IL

DuPage County - Monday, October 29th
5:00 - 7:00 pm
College of DuPage, Student Resource Center, Room 2000
425 Fawell Blvd., Glen Ellyn, IL

Lake County - Monday, October 29th
4:00 - 6:00 pm
Waukegan Public Library, Bradbury Room
128 N County St., Waukegan, IL

Cook County (South) - Tuesday, October 30th
4:30 - 6:30 pm
Homewood Village Hall, Board Room
2020 Chestnut Rd., Homewood, IL

City of Chicago (Southwest) - Tuesday, October 30th
3:00 - 5:00 pm
Arturo Velasquez Westside Tech. Inst.
2800 S. Western Ave., Chicago, IL

City of Chicago (South) - Wednesday, October 31th
7:00 - 9:00 pm
Olive Harvey College Cafeteria
10001 S. Woodlawn Ave., Chicago, IL

METRA

McHenry County - Tuesday, December 11th
4:00 - 7:00 pm
Crystal Lake City Hall, Council Chambers
100 W. Woodstock St., Crystal Lake, IL

Kane County - Tuesday, December 11th
4:00 - 7:00 pm
Geneva City Hall, City Council Chambers
22 S. First St., Geneva, IL

Cook County (South) - Tuesday, December 11th
4:00 - 7:00 pm
Flossmoor Village Hall, Board Room
2800 Flossmoor Rd., Flossmoor, IL

Cook County (North) - Tuesday, December 11th
4:00 - 7:00 pm
Arlington Heights Village Hall, Board Room
33 S. Arlington Heights Rd., Arlington Heights, IL

DuPage County - Tuesday, December 11th
4:00 - 7:00 pm
Wheaton City Hall, Gamon Room
303 W. Wesley St., Wheaton, IL

Lake County - Tuesday, December 11th
4:00 - 7:00 pm
Grayslake Village Hall, Board Room
10 S. Seymour, Grayslake, IL

Will County - Tuesday, December 11th
4:00 - 7:00 pm
Joliet City Hall, Conference Room 1 & 2
150 W. Jefferson St., Joliet, IL

City of Chicago - Tuesday, December 11th
4:00 - 7:00 pm
Metra Headquarters, 13th Floor Board Room
547 W. Jackson Blvd., Chicago, IL

CTA

City of Chicago (West Loop) - Monday, December 10th
6:00 pm
CTA Headquarters
567 W. Lake St., Chicago, IL

City of Chicago (West Side) - Monday, December 17th
6:00 pm
Westinghouse College Prep
3223 W. Franklin Blvd, Chicago, IL

RTA
City of Chicago – December 5th
3:00 – 5:00 pm
RTA Headquarters
175 W. Jackson, Suite 1650, Chicago, IL

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 changes to transit vehicles, operations and facilities to ensure that people with disabilities have access to jobs, public accommodations, telecommunications, and public services, including public transit.

ADA Paratransit Service—Non-fixed-route paratransit service utilizing vans and small buses to provide prearranged trips to and from specific locations within the service area to certified participants in the program.

Administration Expenditure—Expenditures for labor, materials and fees associated with general office functions, insurance, safety, legal services, and customer services.

Agency Fund—This fiduciary fund accounts for the assets held by the RTA in a trustee capacity or as an agent for the CTA, Metra, and Pace, rather than for the RTA's own programs. (Of the four types of fiduciary funds [Agency funds, pension (and other employee benefit] funds, investment trust funds, and private-purpose funds], the RTA uses only the first two.)

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 to be expended for a given operating or capital purpose; the RTA appropriates funds for expenditures.

ASA/AFA—State-authorized assistance. Additional State Assistance (ASA) and Additional Financial Assistance (ASA) are issued for SCIP bonds (see SCIP bonds).

Balanced Budget—A budget in which expected revenues equal expected expenses during a fiscal period.

Benefit Access Program—The Illinois Department on Aging's Benefit Access Program provides assistance to low income senior citizens and persons with disabilities. Illinois residents with a qualifying disability who meet the income eligibility requirements of the Benefit Access Program are eligible for free rides on regularly scheduled fixed-route public transit service.

Bond Refinancing/Refunding—The payoff and reissuance of bonds, to obtain better interest rates and/or bond conditions which results in 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 15th each year of its required revenue recovery ratio for the subsequent year, and the public funding estimated to be available for the next three years. 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 transit ways, High Occupancy Vehicle (HOV) lanes, expressways, or ordinary streets. A BRT system combines intelligent transportation systems technologies, transit signal priority (TSP), cleaner and quieter vehicles, rapid and convenient fare collection, and integration with land use policies.

Capacity Utilization—Total passenger miles divided by transit capacity, where transit capacity is the product of vehicle revenue miles and average vehicle passenger capacity.

Capital—Funds that finance construction, renovation, and major repair projects or the purchase of machinery, equipment, buildings, and land.

Capital Expenditure—Expenditures that acquire, improve, or extend the useful life of any item with an expected life of three or more years and a value of more than $5,000, e.g., rolling stock, track and structure, support facilities and equipment, and stations and passenger facilities.

Car Mile or Vehicle Mile—A single bus, rapid transit car, or commuter rail car traveling one mile.

CMAP (The Chicago Metropolitan Agency for Planning)—Formed in 2005, CMAP integrates planning for land use and transportation in Northeastern Illinois. The new organization combined the region's two previously separate transportation and land-use planning organizations – Chicago Area Transportation Study (CATS) and the Northeastern Illinois Planning Commission (NIPC) – into a single agency.

CMAQ (Congestion Mitigation/Air Quality) Grant—A federal grant program designed to support transportation projects that reduce traffic congestion and/or improve air quality.

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.

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.

Deadhead—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 deadhead miles.

Debt Service—The payment of interest on and the repayment of principal on long-term borrowed funds according to a predetermined payment schedule.

Defeasance of Bonds—A technique used to discharge older high-rate debt prior to maturity with new securities bearing lower interest rates.

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. These funds include PTF I and 15 percent of the RTA Sales Tax I.

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 expenditures are less than budget or revenue exceeds budget.

Farebox Revenue—Revenue obtained from passengers.

Fares—The amount charged to passengers for use of various services.

Feeder Bus Services—Pace bus routes that serve Metra stations.

Financial Plan—In addition to an annual budget, the RTA 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 Expenditures)—Pay or expenditures 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 that helps cities and communities provide mobility to their citizens. Through its grant programs, FTA provides financial and 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 (FTE)—A measurement equal to one staff person working a full-time work schedule for one year.

Fund Balance—The cumulative difference between revenues and expenses over the life of a fund. The excess of funding over operating deficit for a given period of time. In this document, the fund balance refers to the unassigned funds in the Agency and general fund.

Funding Formula—A specific formula used to determine a subsidy level.

General Long Term Debt Account Group (GLTDAG)—This account group 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 Fund—The operating fund that is used to account for all financial resources and normal recurring activities except for those required to be accounted for in another fund.

General Obligation Bonds (GO Bonds)—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.

Gross Domestic Product (GDP)—Reported by the Bureau of Economic Analysis, this measure of economic activity is the sum of the market values of all of the final goods and services produced in the United States in a year.

Grants—Monies 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 group of legislation passed by the Illinois Legislature to fund capital improvements for the state's infrastructure, roads, schools and transit.

Illinois Jobs Now!—Signed into law by Illinois Governor Quinn in 2009, the six-year, $31 billion capital program to improve state infrastructure included $186 million in funding for transportation projects.

Infrastructure—The physical assets of the RTA system, e.g., rail lines and yards, power distribution, signaling, switching, and communications equipment, passenger stations, information systems, and roadways, upon which the continuance and growth of transit depend.

In-Kind Service—These services are provided at no cost to a Service Board. For example, the City of Chicago provides free of charge dedicated security forces to the CTA.

Innovation, Coordination and Enhancement (ICE) Fund—A fund created to award grants to the Service Boards, transportation agencies, and local governments, for short-term, lower-cost projects and service enhancements.

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 System (GPS)-based Automatic Vehicle Location (AVL) functions.

Intelligent Transportation Systems (ITS)—The application of advanced sensor, computer, electronics, and communication technologies and management strat-

egies in an integrated manner to increase the safety and efficiency of the surface transportation system. S is a national effort designed to promote the use of advanced technologies in multimodal transportation.

Interest—The charge for borrowing money, typically expressed as an annual percentage rate.

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.

JARC (Job Access Reverse Commute)/New Freedom— JARC is a federally funded program that provides operating and capital assistance for transportation services planned, designed, and carried out to meet the transportation needs of eligible low-income individuals and of reverse commuters regardless of income. The New Freedom program provides new public transportation services and public transportation alternatives beyond those required by the Americans with Disabilities Act (ADA).

Joint Self Insurance Fund (JSIF)—The RTA provides excess liability insurance to protect the self-insurance programs maintained by the CTA, Metra, and Pace. The Service Boards are obligated to reimburse the JSIF for any damages paid plus a floating interest rate.

Labor Expenditure—The cost of wages and salaries (including overtime) to employees for the performance of their work.

Line Item—An appropriation that is itemized on a separate line in a budget.

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 Expenditure—Expenditures for labor, materials, services, and equipment used to repair and service transit and service vehicles and facilities.

MAP-21—The Moving Ahead for Progress in the 21st Century Act was signed into law by President Obama on July 6, 2012. MAP-21 provides over $105 billion in funds for surface transportation programs in 2013 and 2014.

Metra—The Commuter Rail Division of the RTA responsible for all rail public transit service with the exception of those services provided by the CTA. Metra was created in 1983 by an amendment to the RTA Act.

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 revenue 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.

Moving Beyond Congestion—In 2008, jointly with the Chicago Transit Authority, Metra and Pace, the RTA led a strategic planning effort to maintain, enhance and expand the Northeastern Illinois region's transit system and to solve the current transit funding challenge, ensure financial viability and accountability, and meet the region's growing and changing transportation needs.

Net Results—The difference between total revenue (including public funding) and total expenses. Sometimes referred to as the "change in fund balance."

Non-Ambulatory Disabled—A person who has a disability that requires use of a wheelchair.

Operating Assistance—Financial assistance for transit operating (as opposed to capital) expenditures. Such

aid may originate with federal, state, or local governments.

Operating Budget—The planning of revenue and expenditures for a given period of time to maintain daily operations.

Operating Deficit—For a particular Service Board, the difference between system-generated revenues and system operating expenses. The operating deficit is sometimes referred to as the "public funding requirement." 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).

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. On July 1, 2006, Pace assumed operating responsibility for all ADA Paratransit service in the RTA region. Pace was created in 1983 by an amendment to the RTA Act.

Paratransit Service—Any transit service that is not conventional fixed-route bus or rail service, including Dial-a-Ride, Call-n-Ride, and ADA Paratransit Services.

Passenger Mile—A single passenger traveling one mile.

Peak Period—Morning or evening rush hour.

Principal—The amount borrowed or the amount still owed on a loan, separate from the interest.

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. A PBV represents available funds for the Service Boards to use for capital purposes.

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 expenditure 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 an amount equal to 30% of the RTA Sales Tax and Real Estate Transfer Tax collected in the previous month.

Public Funding—Funding received from the RTA or a local, state, or federal government entity. Generally refers to funding for Service Board operating expenditures.

Purchase of Paratransit Service—The amount of money paid to contractors to provide door-to-door transportation to certified participants in the ADA Paratransit program.

Recovery Ratio—System-generated revenues divided by system operating expenditures with exclusions as allowed by the RTA Act. 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 attain an annual recovery ratio of at least 50% for mainline service. For ADA Paratransit service, the Act requires a 10% recovery ratio.

Reduced Fares—Discounted fares for children age 7-11, grade school and high school students (with CTA ID), seniors 65 and older (with RTA ID), and riders with disabilities (with RTA ID) except paratransit riders.

Regional Priorities Initiative—In 2011, the RTA launched a series of five key priority initiatives intended to advance a collective vision for the region's transit system.

Revenue Vehicle Mile—Vehicle 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 (PART I)—1% in Cook County, 0.25% in the collar counties of DuPage, Kane, Lake, McHenry and Will. 85% of this sales tax is fully distributed to the Service Boards by the RTA according to formulas established by the RTA Act. 15% of this sales tax is retained by the RTA, a portion of which is distributed to the Service Boards at the RTA's discretion.

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users)—Signed into law on August 10, 2005, this legislation provided $286.4 billion in guaranteed funding for federal surface transportation programs through federal fiscal year (FFY) 2009. It was extended through FFY 2012. This legislation was replaced by the Moving Ahead for Progress in the 21st Century (MAP-21) Act in July, 2012.

SCIP (Strategic Capital Improvement Program) 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). 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.

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.

State Financial Assistance (SFA)—Subject to appropriation by the State, this assistance reimburses the debt service expenses of the RTA's Strategic Capital Improvement Program (SCIP) bonds.

State of Good Repair (SGR)—Capital investment in infrastructure maintenance in order to improve the condition of current transit facilities and provide safe, reliable service.

Statutory Funds Designated for Capital or Transfer Capital—The difference between a Service Board's statutory funding and its budgeted or actual deficit, whichever is greater. These funds, which are over and above operating needs, are generally used for capital purposes.

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 revenue, state fare subsidies, advertising, interest and all other income (excludes RTA and federal subsidies).

Taxi Access Program (TAP)—Certified participants in the ADA Paratransit service program can purchase taxi vouchers, valued at up to $13.50, at a reduced price of $5.00 to pay for one-way taxi rides that originate within the City of Chicago.

TEA-21 (The Transportation Equity Act for the 21st Century)— Signed into law on June 9, 1998, this legislation 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.

TERM-lite—Transit Economic Requirements Model, TERM-lite is the local version of the FTA's capital needs analysis tool that evaluates asset conditions and State of Good Repair (SGR) backlog.

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.

TOD (Transit-Oriented Development or Transit-Oriented Design)—Mixed use development of residential, office and retail uses within walking distance of a transit station or bus route.

Transit Asset Management (TAM)—Measurement of the condition of capital assets such as equipment, rolling stock, infrastructure, and facilities.

Transit 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.

Total Vehicle Miles—The sum of all miles operated by passenger vehicles, including mileage when no passengers were carried.

Unreserved Fund Balance—The balance of funds that have not been restricted, committed, or programmed into the budget, financial plan, or capital program.

Value Engineering— The process of evaluating the function of systems, equipment, facilities, procedures, and supplies to determine if cost-saving is achievable. Value Engineering works to achieve balance between function, performance, quality, safety, scope and project costs. The proper balance results in the maximum value for the project.

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.

Supplemental Data

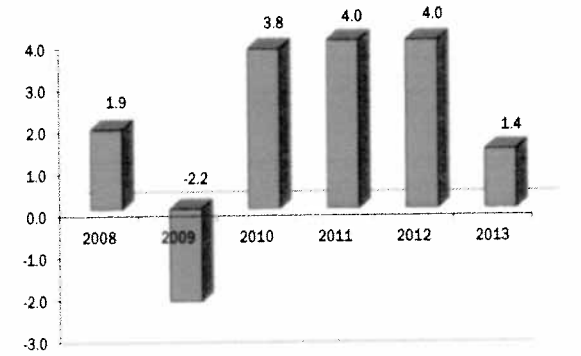
National Economic Projections

The Gross Domestic Product (GDP) is the value of the output of goods and services produced by labor and property located in the United States. Exhibit 10-3 highlights the annual real GDP growth from 2008 through 2013 (projected). GDP grew 1.9% in 2008 and then fell 2.2% in 2009 with the onset of the recession. GDP growth began to bounce back in 2010, increasing by 3.8% over prior year. GDP growth continued in 2011 and 2012, increasing by 4.0% in both years. The Congressional Budget Office (CBO) expects GDP growth to be sluggish in 2013, increasing by 1.4%.

Exhibit 10-4 shows the U.S. annual unemployment rate from 2008 through 2013. In 2008, the annual average unemployment rate was 5.8%. The national unemployment rate climbed sharply in 2009 to 9.3% and increased an additional 0.3 percentage points to 9.6% in 2010. The unemployment rate fell 0.7 percentage points in 2011 to 8.9% and decreased again in 2012 to 8.1%. Unemployment is expected to be 7.9% in 2013, according to the CBO.

Exhibit 10-5 shows the annual growth of the U.S. Consumer Price Index (CPI) from 2008 to 2013. The CPI experienced annual growth of 3.8% in 2008 and then decreased sharply in 2009 to negative 0.4%. Positive growth returned in 2010 and the CPI rose 3.2% in 2011. CPI growth slowed in 2012 to 2.1% and is expected to slow further in 2013 to 1.6%. This is consistent with CBO's overall projection of slower economic growth in 2013.

Exhibit 10-3: **U.S. Real Gross Domestic Product** (percent change)



Source: US Department of Commerce, Congressional Budget Office

RTA Region

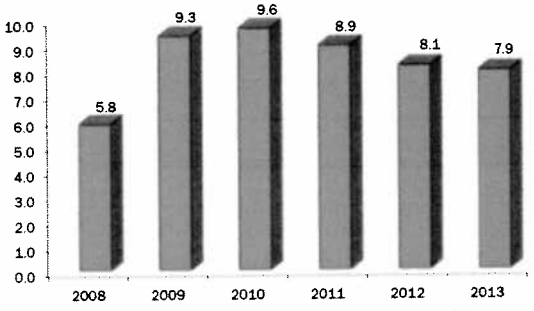
The following sections summarize population and employment trends in the six-county RTA region. These trends have a significant impact on public transportation ridership, as well as sales tax revenue.

POPULATION

As shown in Exhibit 10-6, the population of the RTA region grew by 3.1% (from 8.1 million to 8.4 million) between 2001 and 2011. Population growth in the RTA region grew at a slower pace than the overall population of the United States, which increased by 9.3% during this period.

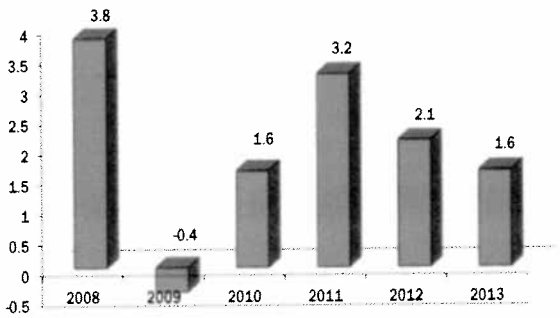
Since 2001, most of the region's population growth has occurred in the collar counties. Exhibit 10-7 illustrates the annualized population growth rates for each of the region's six counties between 2001 and 2011. The highest growth rate occurred in Will County, where the population has increased at an annual

Exhibit 10-4: **U.S. Unemployment Rate** (in percent)



Source: US Department of Labor, Congressional Budget Office

Exhibit 10-5: **U.S. Consumer Price Index** (percent change)



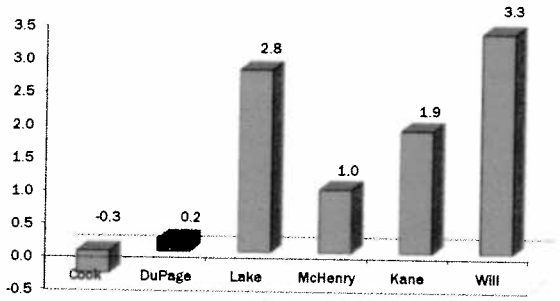
Source: U.S. Bureau of Labor Statistics

Exhibit 10-6: **Population by County** (in thousands)

	2001	2011	% Change
Cook	5,376	5,217	-3.0%
DuPage	907	923	1.8%
Kane	407	520	27.8%
Lake	648	706	9.0%
McHenry	262	309	17.9%
Will	508	682	34.3%
Total	8,108	8,357	3.1%

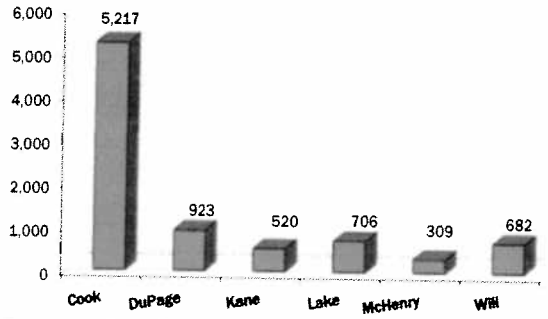
Source: United States Census Bureau

Exhibit 10-7: **RTA Region Annualized Population Growth Rates by County 2001-2011** (in percent)



Source: United States Census Bureau

Exhibit 10-8: **RTA Region Population Distribution by County - 2011** (in thousands)



Source: United States Census Bureau

rate of 3.3%. The population of Kane and McHenry counties grew at annual rates of 2.8% and 1.0%, respectively, while the population of Lake and DuPage counties increased at annual rates of 1.9% and 0.2%, respectively. Cook County experienced a population decline at an annual rate of 0.3%. During the 10-year period, the population of the entire RTA region grew at an annual rate of 0.3%.

In 2011, Cook County accounted for 62.4% of the 8.4 million people living in the RTA region. DuPage County's population comprised 11.0% of the region, followed by Lake County (8.4%) and Will County (8.2%), Kane County (6.2%), and McHenry County (3.7%). The population distribution for 2011 is illustrated in Exhibit 10-8.

EMPLOYMENT

Suburban jurisdictions have led the region in labor force growth since 1990. This growth has intensified over the last decade as more jobs relocated out of Cook and into the collar counties. Employment in the five collar counties accounted for 36.3% of the RTA regions total in 2001 and 39.6% in 2011. Cook County, which accounted for 63.7% of the region's employment in 2001, accounted for 60.4% of employment in 2011. At the same time, regional employment has increased from 4.26 million in 2001 to 4.27 million in 2011, a difference of only 0.2% (Exhibit 10-9).

The trends in employment by economic sector in the RTA region are illustrated in Exhibit 10-10. The Manufacturing sector experienced the greatest loss during the 2001 to 2011 period while the Health Care and Social Assistance sector experienced the greatest increase in employment. In 2011, Health Care and Social Assistance (11.2%), Retail Trade (9.2%), State and Local Government (9.1%), Professional and Business Services (8.0%), and Manufacturing (7.7%) made up the largest share of employment in all industries.

The RTA region has experienced steady growth in per capita personal income. Within the region, per capita personal income was higher than the US average in Cook, DuPage, and Lake Counties. Lake and DuPage had the highest levels of per capita personal income

Exhibit 10-9: **Labor Force by County** (in thousands)

	2001	% of Total	2011	% of Total
Area				
Cook	2,714	63.7	2,575	60.4
DuPage	531	12.5	518	12.1
Kane	229	5.4	274	6.4
Lake	339	8.0	359	8.4
McHenry	155	3.6	175	4.1
Will	290	6.8	365	8.6
Total	4,258	100.0	4,266	100.0

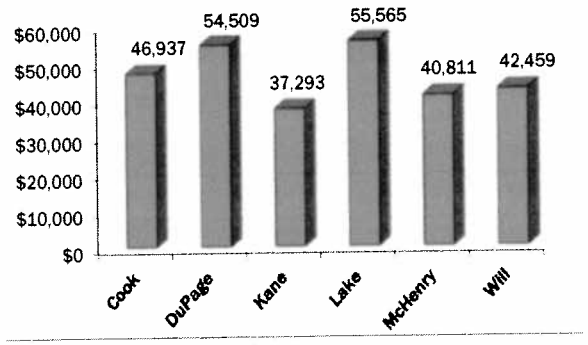
Source: Illinois Department of Employment Security

Exhibit 10-10: **Regional Employment Distribution by Industry** (in percent)

	2001	2011
Farming	0.2%	0.2%
Agriculture, Forestry, Fishing, Hunting	(D)	(D)
Mining	(D)	0.1%
Utilities	0.3%	(D)
Construction	5.3%	4.2%
Manufacturing	11.1%	7.7%
Wholesale trade	4.9%	4.4%
Retail trade	10.0%	9.2%
Transportation & Warehousing	4.1%	4.1%
Information	2.4%	1.7%
Finance and Insurance	6.3%	6.9%
Real estate	3.5%	4.3%
Professional & Business Services	7.9%	8.0%
Management of Companies & Enterprises	1.3%	1.5%
Administrative and waste management services	6.9%	7.6%
Educational Services	2.2%	3.3%
Health Care & Social Assistance	9.0%	11.2%
Arts, Entertainment, & Recreation	2.0%	2.2%
Accommodation & Food Services	5.7%	6.5%
Other services	5.3%	5.7%
Federal Government	1.2%	1.0%
State & Local Government	9.1%	9.1%
Military	0.8%	0.6%

(D) Not shown in data set due to confidential information

Exhibit 10-11: **2011 Per Capita Personal Income by County** (in dollars)



Source: US Bureau of Economic Analysis

in the six county region in 2011, while Kane and McHenry had the lowest, as illustrated in Exhibit 10-11.

Despite the growth in per-capita income in the region, unemployment remains high in contrast to the US unemployment rate, which continues to improve. Exhibit 10-12 provides a comparison of 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 from 2009 to 2013. The unemployment rates for the six counties in the RTA region are presented on a non-seasonally adjusted basis, as seasonally adjusted data are not available.

Exhibit 10-12: **Unemployment Rates 2009-2013** (in percent)

	2009	2010	2011	2012	2013*
United States	9.3	9.6	8.9	8.1	7.9
Illinois	10.0	10.4	9.7	8.9	9.0
County					
Cook	10.3	10.5	10.4	9.8	10.1
DuPage	8.4	8.3	8.0	7.6	8.0
Kane	10.3	10.3	9.9	10.3	10.6
Lake	9.8	10.5	9.4	10.7	10.5
McHenry	9.7	9.6	9.4	9.5	9.7
Will	10.1	10.4	10.1	10.2	10.5

*based on January 2013 data

Between 2009 and 2012, the unemployment rate in Illinois decreased from 10.0% to 8.9%. The unemployment rate in Illinois reached a high of 10.4% in 2010, which was 0.8 percentage points higher than the national unemployment rate of 9.6%. In 2011 and 2012, Illinois began showing signs of modest recovery with the annual average dropping to 8.9% in 2012. In January 2013, the state unemployment rate increased to 9.0%, 1.1 percentage points higher than the national average of 7.9%. In the six county RTA region, the unemployment situation remained bleaker. On a non-seasonally adjusted basis, Cook, Kane, Lake, and Will Counties had unemployment rates higher than 10.1%. Kane County had the highest unemployment rate at 10.6% in January 2013. DuPage and McHenry Counties had lower unemployment rates at 8.0% and 9.7%, respectively.

SALES TAX TRENDS

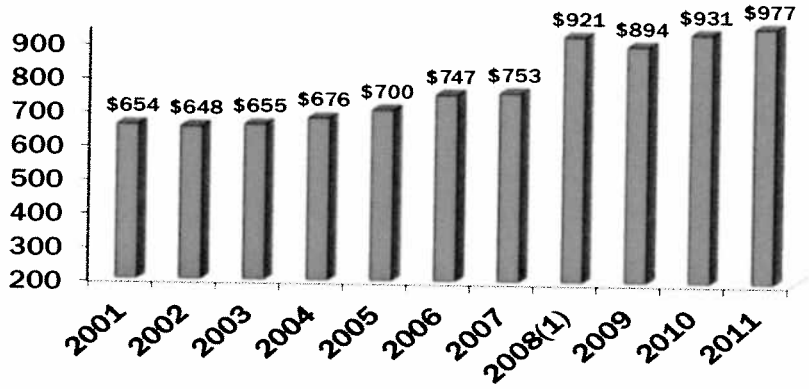
In April 2008, the RTA sales tax increased from the equivalent of 1% on retail sales in Cook County and 0.25% on retail sales in the collar counties to the equivalent of 1.25% on retail sales in Cook County and 0.5% on retail sales in the collar counties. Also in 2008, a real estate transfer tax of 0.3% was imposed in the City of Chicago to fund the CTA. Sales tax collec-

Exhibit 10-13: **Sales Tax Collections by County** (dollars in millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008(1)	2009	2010	2011
Chicago	199	197	195	198	205	214	231	237	272	268	278	296
Suburban Cook	354	358	354	356	364	373	396	395	447	419	438	454
Total Cook	$ 553	$ 555	$ 549	$ 555	$ 569	$ 587	$ 627	$ 632	$ 720	$ 686	$ 716	$ 750
DuPage	43	42	41	41	43	44	47	47	77	79	82	86
Kane	12	12	12	13	14	15	16	16	26	27	28	30
Lake	24	25	25	25	26	27	29	29	48	50	51	53
McHenry	7	7	7	8	8	9	9	9	16	17	17	18
Will	12	12	13	14	15	17	19	20	34	35	37	40
Total Collar	$ 97	$ 99	$ 98	$ 100	$ 106	$ 113	$ 120	$ 121	$ 202	$ 208	$ 215	$ 227
Total RTA Region	$650	$654	$648	$655	$676	$700	$747	$753	$921	$894	$931	$977
Percent Change	6.0%	0.5%	(0.9%)	1.1%	3.2%	3.7%	6.6%	0.8%	22.4%	(3.0%)	4.1%	4.9%

(1) In April 2008 legislation was enacted that modified and increased the percentage of sales tax collected in the region.

Exhibit 10-14: **Sales Tax Collections 2001-2011** (in millions)



tions grew from $654 million in 2001 to $977 million in 2011. Between 2001 and 2003, sales tax collections fluctuated between $654 and $655 million. From 2004 to 2007, sales tax collections increased from $676 million to $753 million. In 2008, sales tax collections increased by 22.4% to $921 million, due to the April 2008 sales tax increase. In 2009, largely due to the economic recession, the sales tax collections decreased by 3.0%. However, sales tax increased by 4.1% in 2010 to $931 million, exceeding sales tax collections from 2008, and increased an additional 4.9% in 2011 (Exhibits 10-13 and 10-14).

RIDERSHIP TRENDS

Total RTA ridership in 2002 was 595.5 million, a decrease of 0.9% from 2001. Total RTA ridership also declined in 2003, falling 2.2% to 582.4 million rides. This decrease in ridership was consistent with the decline in the economy during the same period. Regional ridership changed little from 2003 to 2004 reflecting stagnant ridership on all three Service Boards. In 2005, however, all three Service Boards achieved significant ridership gains as the economy rebounded and gas prices climbed. Regional ridership continued to grow in 2006 and 2007. In 2008, ridership grew 5.1%, representing the largest percentage of growth in the past ten years. Record-breaking ridership levels in 2008 were followed by a significant decline in ridership in 2009 at all three Service Boards, as the recession grew worse and jobs declined. The system

Exhibit 10-15: **Service Board Ridership 2002-2012** (millions)

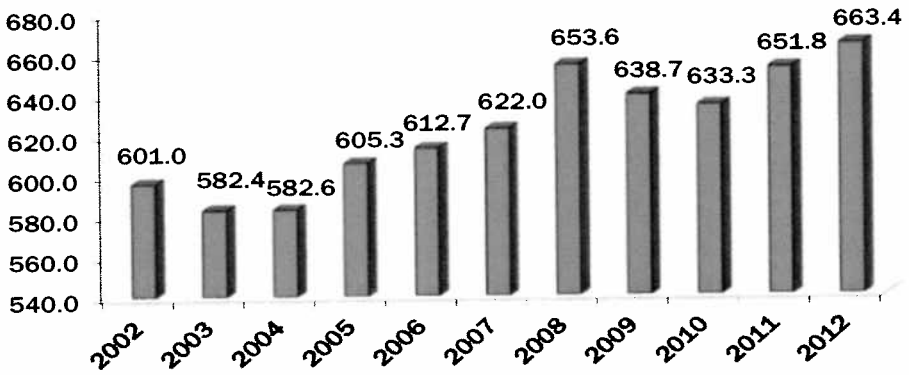
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CTA Bus	304.8	293.6	296.0	305.5	299.6	309.3	328.2	318.7	306.0	310.4	313.2
CTA Rail (1)	180.4	181.1	178.7	186.8	195.2	190.3	198.1	202.6	210.8	221.6	229.6
Total CTA (2)	**485.2**	**474.7**	**474.7**	**492.3**	**494.8**	**499.5**	**526.3**	**521.3**	**516.8**	**532.0**	**542.8**
Metra	75.5	74.0	73.8	76.1	79.9	83.3	86.8	82.3	81.4	82.7	81.4
Pace (3)	34.8	33.7	34.1	36.9	38.0	39.2	40.5	35.1	35.1	37.1	39.2
Total RTA	**595.5**	**582.4**	**582.6**	**605.3**	**612.7**	**622.0**	**653.6**	**638.7**	**633.3**	**651.8**	**663.4**
% Increase	**(0.9%)**	**(2.2%)**	**0.0%**	**3.9%**	**1.2%**	**1.5%**	**5.1%**	**(2.3%)**	**(0.8%)**	**2.9%**	**1.8%**

(1) CTA rail ridership includes rail-to-rail transfers.

(2) Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

(3) After 2007, ADA Paratransit ridership is included in Pace figures only.

Exhibit 10-16: **RTA Ridership** (in millions)



continued to lose ridership in 2010, but at a much slower rate than in 2009. Ridership bounced back in 2011 to 651.8 million riders, just 1.1% below 2008 ridership levels. Preliminary results for 2012 put regional ridership at 663.4 million, 1.8% greater than in 2011 and higher than 2008 levels by 1.5% (Exhibits 10-15 and 10-16).

As shown in Exhibit 10-17, regional ridership trends closely with regional jobs. A correlation analysis of the 12 month moving average number of jobs, versus the 12 month moving average of ridership confirmed that there is a strong positive correlation between ridership growth and job growth during periods of increasing job growth. During times of job decline the results are more mixed, with a strong positive correlation occurring between January 2002 and January 2005, but no correlation was observed in the period between January 2008 and January 2012, where steep job declines occurred as a result of the financial crisis.

Regional fuel prices are also considered to have an impact on ridership. Potential riders are attracted to public transportation as increases in the cost of fuel make driving less economical. The average price for a gallon of gas in the region in 2012 was $3.64; $0.10 lower than in 2011, but still $0.71 higher than in 2010 (Exhibit 10-18).

OTHER TRENDS

Service Board Operating Expenditures (Exhibits 10-19 and 10-20) show a steady increase each year from 2002 to 2012. Expenditures increased at a compound annual growth rate of 4.3% during this period.

Exhibit 10-17: **12-month Moving Average - Regional Jobs versus Regional Ridership** (percent change from 2002)

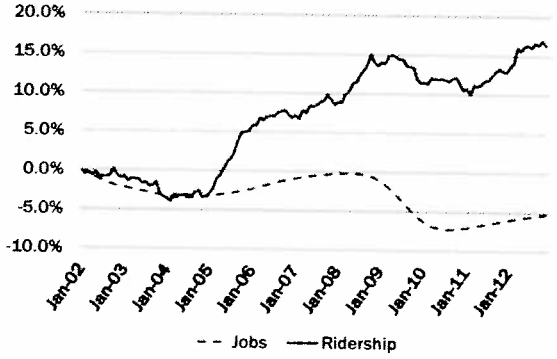


Exhibit 10-18: **Regional Fuel Prices** (in dollars)

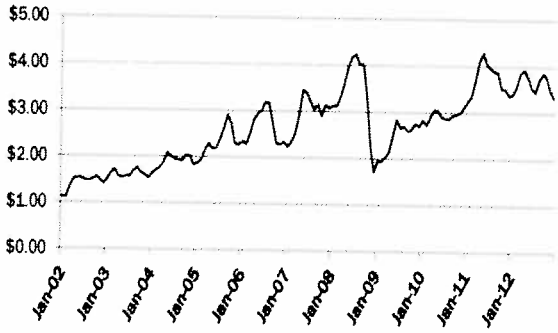


Exhibit 10-19: **Service Board Operating Expenditures** (dollars in millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CTA	920	897	938	1,021	1,076	1,094	1,214	1,262	1,239	1,292	1,273
Metra	445	455	466	504	525	548	595	577	616	644	685
Pace	131	139	147	160	199	163	172	174	176	180	193
Regional ADA Paratransit 1						84	108	115	115	128	138
Total	**$1,496**	**$1,491**	**$1,552**	**$1,685**	**$1,801**	**$1,890**	**$2,090**	**$2,129**	**$2,146**	**$2,244**	**$2,289**
% Change	3.7%	(0.3%)	4.1%	8.6%	6.9%	4.9%	10.6%	1.9%	0.8%	4.6%	2.0%

1 Prior to 2007, ADA Paratransit expenditures are included in CTA Bus and Pace figures.

Exhibit 10-20: **Service Board Operating Expenditures** (dollars in millions)

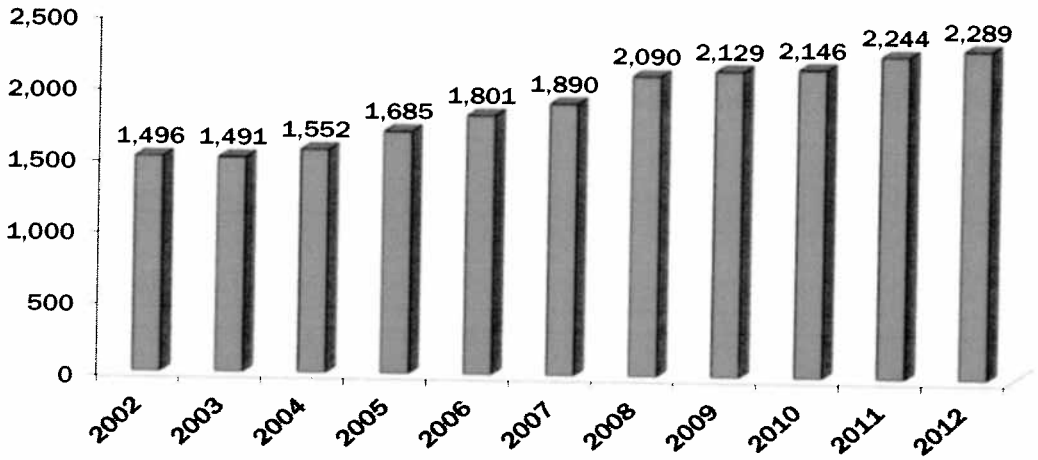
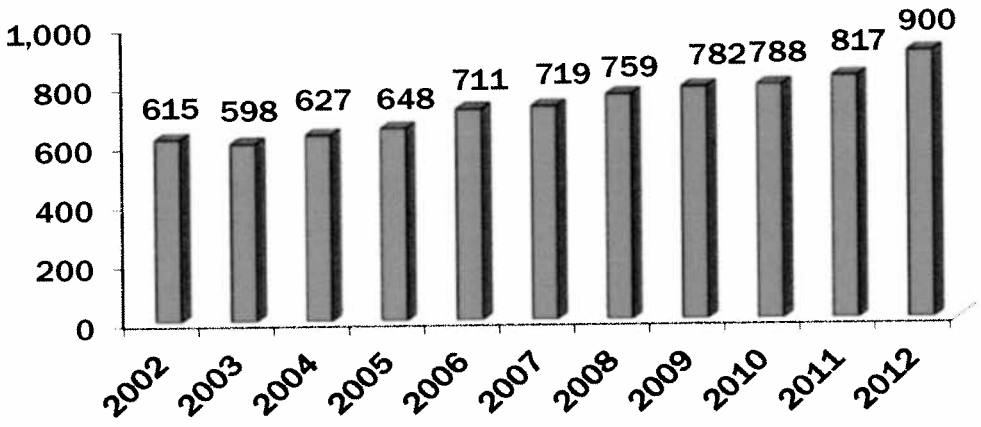


Exhibit 10-21: **Service Board Farebox Revenue** (dollars in millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CTA	384	368	403	417	462	457	471	506	509	528	549
Metra	190	191	192	198	218	227	252	236	239	245	306
Pace	41	39	32	32	31	28	28	33	32	35	36
Regional ADA Paratransit1						6	7	7	8	9	9
Total	$ 615	$ 598	$ 627	$ 648	$ 711	$ 719	$ 759	$ 782	$ 788	$ 817	$ 900
% Change	1.4%	(2.7%)	4.8%	3.3%	9.8%	1.1%	5.5%	3.1%	0.7%	3.7%	10.2%

1 Prior to 2007, ADA Paratransit farebox revenue is included in CTA Bus and Pace figures.

Exhibit 10-22: **Service Board Farebox Revenue** (dollars in millions)



Service Board farebox revenues increased at a compound annual growth rate of 3.9% between 2002 and 2012, due in part to recent fare increases (Exhibits 10-21 and 10-22).

Ordinance 2013-01: Schedules

Exhibit 10-23: **Schedules for Ordinance 2013-01**

Schedule I-A

RTA Statement of Revenues and Expenditures
General and Agency Funds
(dollars in thousands)

	2013 Budget	2014 Plan	2015 Plan
System-Generated Revenue			
RTA Sales Tax (Part I)	765,108	789,591	817,227
RTA Sales Tax (Part II)	271,520	280,208	290,016
RTA Public Transportation Fund (PTF - Part I)	191,277	197,398	204,307
RTA Public Transportation Fund (PTF - Part II) (1)	130,571	134,852	139,506
State Financial Assistance (ASA/AFA)	130,167	130,283	130,283
State Reduced Fare Reimbursement	34,070	34,070	34,070
State Funding for ADA Paratransit	8,500	8,500	8,500
RTA Regional Capital Project Reserves	22,921	921	921
Other RTA Revenue	23,376	23,619	23,975
Total Revenue	**1,577,510**	**1,599,444**	**1,648,804**
Operating Expenditures			
RTA Total Funds for CTA Operations	616,844	628,948	649,163
RTA Total Funds for Metra Operations	345,940	355,954	367,455
RTA Total Funds for Pace Suburban Service Operations (2)	143,534	148,373	153,077
RTA Total Funds for Pace ADA Paratransit Operations (3)	136,267	143,081	150,234
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	10,550	10,888	11,269
State Reduced Fare Reimbursement	34,070	34,070	34,070
Agency Administration and Other	18,375	18,963	19,627
RTA Regional Services and Programs	23,314	24,061	24,903
Total Operating Expenditures	**1,328,895**	**1,364,338**	**1,409,798**
Debt Service, Capital & JSIF Expenditures			
Principal and Interest	220,000	220,000	220,000
Transfer Capital RTA Funds to Metra	-	4,319	4,243
Transfer Capital RTA Capital Reserve Funds to CTA	15,000	-	-
Transfer Capital RTA Capital Reserve Funds to Metra	7,000	-	-
Grant Incentive Program	1,615	1,787	1,763
RTA Joint Self-Insurance Fund (JSIF) Funding (4)	5,000	5,000	5,000
Total Debt Service, Capital & JSIF Expenditures	**248,615**	**231,106**	**231,006**
Total Expenditures	**1,577,510**	**1,595,444**	**1,640,804**
Beginning Unreserved/Undesignated Fund Balance	**1,500**	**1,500**	**5,500**
Change in Fund Balance	(0)	4,000	8,000
Ending Unreserved/Undesignated Fund Balance	**1,500**	**5,500**	**13,500**
% of Total Operating Expenditures	0.1%	0.4%	1.0%
Total System-Generated Revenue Recovery Ratio	55.9%	56.5%	56.3%
ADA Paratransit Recovery Ratio	10.0%	10.0%	10.0%

(1) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT). (2) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds. (3) Excludes budget balancing actions in 2014 and 2015. (4) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

Schedule I-B

Total Funds for Service Board Operations
General and Agency Funds
(dollars in thousands)

	2013 Budget	2014 Plan	2015 Plan
CTA			
Total System-Generated Revenue	700,037	729,599	746,907
Total Operating Expenses (1)	1,358,081	1,401,247	1,439,870
Operating Deficit	**658,044**	**671,648**	**692,963**
RTA Sales Tax (Part I)	314,646	324,714	336,079
RTA Sales Tax and PTF (Part II)	112,139	114,428	117,255
RTA PTF on RETT (Part II)	9,050	9,425	9,700
RTA Discretionary Funds	181,009	180,381	186,129
Total RTA Funding for Operations	**616,844**	**628,948**	**649,163**
City of Chicago RETT (Part II)	36,200	37,700	38,800
Local Contributions	5,000	5,000	5,000
Working Cash Repayment (2)	(56,147)	-	-
Working Cash Borrowing (2)	56,147	-	-
Total Funding for Operations	**658,044**	**671,648**	**692,963**
Net Result	**0**	**0**	**0**
Metra			
Total System-Generated Revenue	371,938	392,838	412,538
Total Operating Expenses	713,500	740,000	770,000
Operating Deficit	**341,562**	**347,162**	**357,462**
RTA Sales Tax (Part I)	254,827	262,981	272,186
RTA Sales Tax and PTF (Part II)	91,113	92,973	95,269
Total RTA Funding for Operations	**345,940**	**355,954**	**367,455**
Homeland Security Operating Grant	1,200	1,200	-
Total Funding for Operations	**347,140**	**357,154**	**367,455**
Net Result	**5,578**	**9,992**	**9,993**
Less Metra Capital Farebox Funds	(5,578)	(9,992)	(9,993)
Balance of Funds	**0**	**0**	**0**
Pace Suburban Service			
Total System-Generated Revenue	59,165	60,396	61,687
Total Operating Expenses	207,761	215,756	223,196
Operating Deficit	**148,596**	**155,360**	**161,509**
RTA Sales Tax (Part I)	80,869	83,457	86,378
RTA Sales Tax and PTF (Part II)	30,371	30,991	31,756
Suburban Community Mobility Funds	21,100	21,776	22,538
South Suburban Job Access Funds	7,500	7,500	7,500
RTA Discretionary Funds	3,694	4,649	4,905
Total RTA Funding for Operations	**143,534**	**148,373**	**153,077**
Federal CMAQ/JARC/New Freedom Funds	2,284	1,449	1,080
Federal Funds (3)	2,778	5,538	7,352
Total Funding for Operations	**148,596**	**155,360**	**161,509**
Net Result	**0**	**0**	**0**
Pace ADA Paratransit Service			
Total System-Generated Revenue	12,495	13,068	13,670
Total Operating Expenses	148,762	159,952	172,303
Operating Deficit	**136,267**	**146,884**	**158,633**
RTA Sales Tax and PTF (Part II)	127,767	134,581	141,734
State Funding for ADA Paratransit	8,500	8,500	8,500
Total RTA Funding for Operations	**136,267**	**143,081**	**150,234**
Budget/Plan Balancing Actions (4)	-	3,803	8,399
Total Funding for Operations	**136,267**	**146,884**	**158,633**
Net Result	**0**	**0**	**0**

(1) Includes an estimated $5.1 million and $10.2 million of debt service expense in 2014 and 2015, respectively, associated with planned capital bond issues in 2013 and 2014. Further details are contained in Schedule II-A. (2) RTA working cash borrowing to fill shortfalls in funding provided by public subsidies to the Service Boards in 2011. Pursuant to Section 4.09 of the Act, the borrowing is projected to be repaid in 2013 with subsequent working cash borrowing. (3) Capital Cost of Contracting for rolling stock. (4) Unspecified revenue (fares, State or RTA funding sources) included in 2014 and 2015 to balance the budget.

Schedule I-C

Recovery Ratio

	2013 Marks	2013 Budget
CTA		
Recovery Ratio %	52.0%	63.0%
Metra		
Recovery Ratio %	53.0%	55.4%
Pace Suburban Service		
Recovery Ratio %	30.0%	30.0%
Total System-Generated Revenue Recovery Ratio %	50.0%	55.9%
Pace ADA Paratransit		
Recovery Ratio %	10.0%	10.0%

The RTA Act allows certain expenditures to be excluded from the recovery ratio calculation including security, depreciation, CTA's pension obligation bonds, and facility leases. Metra's calculation includes capital farebox revenue.

Schedule I-D

RTA Statutory Sales Tax, Public Transportation Funds, and RETT
Source and Distribution of Funds
(dollars in thousands)

	2013 Budget	2014 Plan	2015 Plan
Source of Funds			
Part I Sales Tax ("85% Sales Tax")			
City of Chicago	253,466	261,577	270,732
Suburban Cook County	389,018	401,467	415,518
Collar Counties	122,623	126,547	130,976
Total Part I Sales Tax (1)	**765,108**	**789,591**	**817,227**
Part I Public Transportation Funds (PTF) (25% of Part I Sales Tax)	191,277	197,398	204,307
Total Part I Sales Tax and PTF	**956,384**	**986,989**	**1,021,533**
Part II Sales Tax, RETT, and PTF			
City of Chicago	60,705	62,648	64,840
Suburban Cook	93,170	96,151	99,517
Collar Counties	117,645	121,409	125,659
Total Part II Sales Tax	**271,520**	**280,208**	**290,016**
Part II Real Estate Transfer Tax (RETT) (2)	36,200	37,700	38,800
Total Part II Sales Tax and RETT	**307,720**	**317,908**	**328,816**
Part II Public Transportation Funds			
25% of new sales tax	67,880	70,052	72,504
5% of total new/old sales tax & RETT	53,641	55,375	57,302
25% of RETT to CTA	9,050	9,425	9,700
Total Part II PTF	**130,571**	**134,852**	**139,506**
Total Part II - Sales Tax, PTF and RETT	**438,291**	**452,761**	**468,322**
Total Source of Funds	**1,394,676**	**1,439,749**	**1,489,855**
Distribution of Funds			
Part I Sales Tax Allocation ("85% Sales Tax")			
RTA - 15% of Part I Sales Tax	114,766	118,439	122,584
CTA	314,646	324,714	336,079
Metra	254,827	262,981	272,186
Pace	80,869	83,457	86,378
Total Part I Sales Tax (1)	**765,108**	**789,591**	**817,227**
RTA - 100% of Part I PTF	191,277	197,398	204,307
Grand Total Part I Sales Tax & PTF	**956,384**	**986,989**	**1,021,533**
Part II Allocation (Sales Tax, PTF and RETT)			
RTA Total for ADA Paratransit Service	127,767	134,581	141,734
RTA Innovation, Coordination & Enhancement (ICE)	10,550	10,888	11,269
RTA Suburban Community Mobility Funding (SCMF) to Pace	21,100	21,776	22,538
RETT to CTA (2)	36,200	37,700	38,800
PTF - 25% of RETT to CTA	9,050	9,425	9,700
Total Part II Allocation before Service Board Distribution	**204,668**	**214,369**	**224,041**
Remaining Balance to Service Boards			
CTA - 48%	112,139	114,428	117,255
Metra - 39%	91,113	92,973	95,269
Pace - 13%	30,371	30,991	31,756
Total Part II Funds to Service Boards	**233,623**	**238,392**	**244,281**
Total Part II Funds Allocated (Sales Tax, PTF and RETT)	**438,291**	**452,761**	**468,321**
Total Distribution of Funds	**1,394,676**	**1,439,749**	**1,489,855**

Part I Sales Tax - Service Board Allocation Formula (1)	City of Chicago	Suburban Cook	Collar Counties
CTA	100%	30%	-
Metra	-	55%	70%
Pace	-	15%	30%
Total	**100%**	**100%**	**100%**

(1) The RTA Act directs 85% of these sales tax revenues to the Service Boards based on the allocation formula shown on this schedule. (2) The City of Chicago disburses RETT funds directly to the CTA; therefore these funds are excluded from RTA Revenues on Schedule I-A.

Schedule I-E

Cash Flow Estimates for FY 2013 Distribution of RTA Funds to the Service Boards (1)

(dollars in thousands)

	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	2013 Operations
Cash Receipts																			
RTA Sales Tax (Part I)	-	-	-	$54,962	$55,013	$63,935	$62,296	$64,624	$68,364	$64,139	$65,862	$64,341	$62,523	$63,586	$75,464	-	-	-	$765,108
RTA Public Transportation Fund (PTF - Part I)	-	-	-	-	-	-	15,631	15,896	18,866	13,740	13,753	15,984	15,574	16,156	17,091	16,035	16,466	16,085	191,277
RTA Sales Tax (Part II)	-	-	-	19,505	19,523	22,689	22,107	22,934	24,261	22,761	23,373	22,833	22,188	22,565	26,780	-	-	-	271,520
RTA PTF (Part II)	-	-	-	-	-	-	10,670	10,851	12,878	9,380	9,388	10,911	10,631	11,029	11,667	10,946	11,240	10,980	130,571
State Financial Assistance (ASA/AFA)	-	-	-	10,847	10,847	10,847	10,847	10,847	10,847	10,847	10,847	10,847	10,847	10,847	10,847	-	-	-	130,167
State Reduced Fare Reimbursement	-	-	-	-	-	-	17,035	-	-	-	-	17,035	-	-	-	-	-	-	34,070
State Funding for ADA Paratransit	-	-	-	-	-	-	4,250	-	-	-	-	4,250	-	-	-	-	-	-	8,500
RTA Regional Capital Project Reserves	22,921	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,921
RTA Other Revenue	1,948	1,948	1,948	1,948	1,948	1,948	1,948	1,948	1,948	1,948	1,948	1,948	-	-	-	-	-	-	23,376
Total Cash Receipts	**$24,869**	**$1,948**	**$1,948**	**$87,262**	**$87,331**	**$99,420**	**$144,784**	**$127,100**	**$137,164**	**$122,815**	**$125,172**	**$148,150**	**$121,764**	**$124,183**	**$141,849**	**$26,980**	**$27,705**	**$27,066**	**$1,577,510**
CTA																			
RTA Sales Tax (Part I)	-	-	-	$22,603	$22,624	$26,293	$25,619	$26,576	$28,114	$26,377	$27,085	$26,460	$25,712	$26,149	$31,034	-	-	-	$314,646
RTA Sales Tax (Part II)	-	-	-	860	869	2,389	2,109	2,506	3,143	2,423	2,717	2,458	10,650	10,831	12,855	-	-	-	53,809
RTA PTF (Part II)	-	-	-	-	-	-	4,767	4,848	5,753	4,190	4,194	4,874	4,749	4,927	5,212	4,890	5,021	4,905	58,330
RTA PTF from RETT (Part II)	-	-	-	-	-	-	740	752	893	650	651	756	737	764	809	759	779	761	9,050
State Reduced Fare Reimbursement	-	-	-	-	-	-	14,161	-	-	-	-	14,161	-	-	-	-	-	-	28,322
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-	15,084	15,084	15,084	15,084	15,084	15,084	15,084	15,084	15,084	15,084	15,084	15,084	181,009
Total CTA Disbursements	-	-	-	**$23,463**	**$23,492**	**$28,681**	**$62,480**	**$49,766**	**$52,987**	**$48,724**	**$49,731**	**$63,794**	**$56,933**	**$57,756**	**$64,993**	**$20,733**	**$20,884**	**$20,750**	**$645,167**
Metra																			
RTA Sales Tax (Part I)	-	-	-	$18,306	$18,323	$21,294	$20,748	$21,524	$22,769	$21,362	$21,936	$21,430	$20,824	$21,178	$25,134	-	-	-	$254,827
RTA Sales Tax (Part II)	-	-	-	699	706	1,941	1,714	2,036	2,554	1,969	2,207	1,997	8,653	8,800	10,444	-	-	-	43,720
RTA PTF (Part II)	-	-	-	-	-	-	3,873	3,939	4,674	3,405	3,408	3,960	3,859	4,003	4,235	3,973	4,080	3,986	47,393
State Reduced Fare Reimbursement	-	-	-	-	-	-	1,569	-	-	-	-	1,569	-	-	-	-	-	-	3,138
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Metra Disbursements	-	-	-	**$19,004**	**$19,028**	**$23,235**	**$27,904**	**$27,498**	**$29,997**	**$26,735**	**$27,551**	**$28,956**	**$33,336**	**$33,981**	**$39,813**	**$3,973**	**$4,080**	**$3,986**	**$349,078**
Pace Suburban Service																			
RTA Sales Tax (Part I)	-	-	-	$5,809	$5,815	$6,758	$6,584	$6,830	$7,226	$6,779	$6,961	$6,801	$6,608	$6,721	$7,976	-	-	-	$80,869
RTA Sales Tax (Part II)	-	-	-	233	235	647	571	679	851	656	736	666	2,884	2,933	3,481	-	-	-	14,573
RTA PTF (Part II)	-	-	-	-	-	-	1,291	1,313	1,558	1,135	1,136	1,320	1,286	1,334	1,412	1,324	1,360	1,329	15,798
RTA Suburban Community Mobility (SCMF) Fund	-	-	-	2,344	2,344	2,344	2,344	2,344	2,344	2,344	2,344	2,344	-	-	-	-	-	-	21,100
RTA South Suburban Community Job Access (SSJA) Fund	-	-	-	-	-	-	-	-	-	-	-	7,500	-	-	-	-	-	-	7,500
State Reduced Fare Reimbursement	-	-	-	-	-	-	1,305	-	-	-	-	1,305	-	-	-	-	-	-	2,610
RTA Discretionary Funds (Sales Tax & PTF)	-	-	-	-	-	-	308	308	308	308	308	308	308	308	308	308	308	308	3,694
Total Pace Suburban Service Disbursements	-	-	-	**$8,387**	**$8,394**	**$9,749**	**$12,404**	**$11,474**	**$12,287**	**$11,223**	**$11,485**	**$20,244**	**$11,087**	**$11,296**	**$13,177**	**$1,632**	**$1,668**	**$1,636**	**$146,144**
Pace ADA Paratransit																			
RTA Sales Tax and PTF (Part II)	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	$10,647	-	-	-	-	-	-	$127,767
State Funding for ADA	-	-	-	-	-	-	4,250	-	-	-	-	4,250	-	-	-	-	-	-	8,500
Total Pace ADA Paratransit Disbursements	**$10,647**	**$10,647**	**$10,647**	**$10,647**	**$10,647**	**$10,647**	**$14,897**	**$10,647**	**$10,647**	**$10,647**	**$10,647**	**$14,897**	-	-	-	-	-	-	**$136,267**
RTA Operations, Debt Service and Capital																			
Principal and Interest for Service Board Capital Programs	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	-	-	-	-	-	-	$220,000
Agency Operations (2)	3,474	3,474	3,474	3,474	3,474	3,474	3,474	3,474	3,474	3,474	3,474	3,474	-	-	-	-	-	-	41,690
Transfer Capital RTA Capital Reserve Funds to CTA	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	-	-	-	-	-	-	15,000
Transfer Capital RTA Capital Reserve Funds to Metra	583	583	583	583	583	583	583	583	583	583	583	583	-	-	-	-	-	-	7,000
Grant Incentive Program	135	135	135	135	135	135	135	135	135	135	135	135	-	-	-	-	-	-	1,615
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	-	-	-	879	879	879	879	879	879	879	879	879	879	879	879	-	-	-	10,550
Total RTA Disbursements	**$23,775**	**$23,775**	**$23,775**	**$24,655**	**$24,655**	**$24,655**	**$24,655**	**$24,655**	**$24,655**	**$24,655**	**$24,655**	**$24,655**	**$879**	**$879**	**$879**	-	-	-	**$295,855**
Joint Self Insurance Fund	-	-	-	-	-	-	-	-	-	-	-	$5,000							$5,000
Total Cash Disbursements	**$34,423**	**$34,423**	**$34,423**	**$86,155**	**$86,217**	**$96,967**	**$142,339**	**$124,040**	**$130,573**	**$121,984**	**$124,069**	**$157,545**	**$102,235**	**$103,913**	**$118,863**	**$26,338**	**$26,632**	**$26,372**	**$1,577,511**
Cash Balance (3)																			
Beginning	$0	($9,553)	($42,028)	($74,502)	($73,396)	($72,282)	($69,830)	($67,385)	($64,325)	($57,734)	($56,903)	($55,800)	($65,195)	($45,667)	($25,397)	($2,410)	($1,767)	($694)	($0)
Ending	($9,553)	($42,028)	($74,502)	($73,396)	($72,282)	($69,830)	($67,385)	($64,325)	($57,734)	($56,903)	($55,800)	($65,195)	($45,667)	($25,397)	($2,410)	($1,767)	($694)	($0)	

(1) Cash disbursements are subject to actual cash availability. (2) Agency Administration and Regional Services & Programs. (3) Restricted and unrestricted cash.

Schedule II-A

2013-2017 CAPITAL PROGRAM REVENUES

			2013	2014	2015	2016	2017	TOTAL
CTA	FTA							
	Federal Formula Funds		$ 232,520,000	$ 232,520,000	$ 239,260,000	$ 246,200,000	$ 253,340,000	$ 1,203,840,000
	§5309(m)(2)(A) New Starts		1,500,000	0	0	0	0	1,500,000
	§5309(m)(2)(C) Bus		33,000,000	0	0	0	0	33,000,000
	§5308 Cleans Fuels		4,725,000	0	0	0	0	4,725,000
	TIGER Discretionary Funds		20,000,000	0	0	0	0	20,000,000
	Subtotal FTA		**291,745,000**	**232,520,000**	**239,260,000**	**246,200,000**	**253,340,000**	**1,263,065,000**
	Federal Flexible/CMAQ/Other		0	0	0	0	3,000,000	3,000,000
	Department of Homeland Security		3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
	SUBTOTAL FEDERAL		**294,745,000**	**235,520,000**	**242,260,000**	**249,200,000**	**259,340,000**	**1,281,065,000**
	State	B Bonds	149,400,817	207,248,403	0	0	0	356,649,220
		Subtotal State	**149,400,817**	**207,248,403**	**0**	**0**	**0**	**356,649,220**
	RTA	Discretionary	0	0	0	0	0	0
		RTA SB Capital	15,000,000	0	0	0	0	15,000,000
		ICE Funds	0	0	0	0	0	0
		Transfer Capital (Discretionary)	0	0	0	0	0	0
		Subtotal RTA	**15,000,000**	**0**	**0**	**0**	**0**	**15,000,000**
	SB	Transfer Capital (Sales Tax)	0	0	0	0	0	0
		Service Board Funds	2,842,771	0	0	0	0	2,842,771
	Local	Local Community/City of Chicago TIF	21,500,000	0	0	0	0	21,500,000
		Other Funds	0	0	0	0	0	0
		Subtotal SB/Local	**24,342,771**	**0**	**0**	**0**	**0**	**24,342,771**
	SUBTOTAL LOCAL		**188,743,588**	**207,248,403**	**0**	**0**	**0**	**395,991,991**
SUBTOTAL CTA			**$ 483,488,588**	**$ 442,768,403**	**$ 242,260,000**	**$ 249,200,000**	**$ 259,340,000**	**$ 1,677,056,991**
	Carryover IDOT B Bonds		0	139,532,280	0	0	0	139,532,280
	Deobligated §5307/§5309 Fixed Guideway Formula		0	0	0	0	0	0
	Deobligated State B Bonds		0	0	0	0	0	0
	Deobligated CTA Bonds		0	0	0	0	0	0
	Deobligated SB/LLB/Local		0	0	0	0	0	0
	Subtotal Carryover/Deob		**0**	**139,532,280**	**0**	**0**	**0**	**139,532,280**
TOTAL CTA FUNDING			**$ 483,488,588**	**$ 582,300,683**	**$ 242,260,000**	**$ 249,200,000**	**$ 259,340,000**	**$ 1,816,589,271**
	CTA Debt Repayment Principal (§5307/§5340 & §5309)		(51,690,000)	(54,225,000)	(46,475,000)	(49,920,000)	(55,350,000)	(257,660,000)
	CTA Debt Repayment Interest (§5307/§5340 & §5309)		(79,853,041)	(80,016,936)	(90,493,353)	(89,868,563)	(87,297,463)	(427,529,356)
	Subtotal Non-Capital Program Uses		**(131,543,041)**	**(134,241,936)**	**(136,968,353)**	**(139,788,563)**	**(142,647,463)**	**(685,189,356)**
NET CTA CAPITAL FUNDING			**$ 351,945,547**	**$ 448,058,747**	**$ 105,291,647**	**$ 109,411,437**	**$ 116,692,537**	**$ 1,131,399,915**
	CTA Bond Proceeds (1)		175,000,000	380,000,000	445,000,000	0	0	1,000,000,000
	Less: Capitalized Interest		(4,600,000)	(2,800,000)	(18,800,000)	0	0	(26,200,000)
TOTAL CTA AVAILABLE			**$ 522,345,547**	**$ 825,258,747**	**$ 531,491,647**	**$ 109,411,437**	**$ 116,692,537**	**$ 2,105,199,915**

1) CTA plans to issue $175 million of 30-year bonds in the second quarter of 2013 and $380 million of 30-year bonds in the fourth quarter of 2014. The debt service amounts noted on Schedule I-B and capitalized interest amounts above reflect the following assumptions: Interest rates of 3.93% and 4.30% on the 2013 and 2014 issues, respectively; capitalized interest in 2013, 2014, and 2015 in the amounts of $4.6 million, $2.8 million, and $18.8 million, respectively. Additional debt service associated with these issuances of $5.1 million and $10.2 million in 2014 and 2015, respectively, is included as operating expense in Schedule I-B.

2013-2017 CAPITAL PROGRAM REVENUES

		2013	2014	2015	2016	2017	TOTAL
METRA	FTA						
	Federal Formula Funds	$ 136,310,000	$ 136,310,000	$ 140,260,000	$ 144,330,000	$ 148,520,000	$ 705,730,000
	Subtotal FTA	**136,310,000**	**136,310,000**	**140,260,000**	**144,330,000**	**148,520,000**	**705,730,000**
	Federal Flexible/CMAQ/Other	0	0	0	0	0	0
	Department of Homeland Security	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
	Subtotal Fed Flexible	**5,000,000**	**5,000,000**	**5,000,000**	**5,000,000**	**5,000,000**	**25,000,000**
	SUBTOTAL FEDERAL	**141,310,000**	**141,310,000**	**145,260,000**	**149,330,000**	**153,520,000**	**730,730,000**
	State B Bonds	170,825,000	153,425,000	0	0	0	324,250,000
	Subtotal State	**170,825,000**	**153,425,000**	**0**	**0**	**0**	**324,250,000**
	RTA Discretionary	0	4,319,000	4,243,000	0	0	8,562,000
	RTA SB Capital	7,000,000	0	0	0	0	7,000,000
	ICE Funds	0	0	0	0	0	0
	Transfer Capital (Discretionary)	0	0	0	0	0	0
	Subtotal RTA	**7,000,000**	**4,319,000**	**4,243,000**	**0**	**0**	**15,562,000**
	SB Transfer Capital (Sales Tax)	5,500,000	10,000,000	10,000,000	10,000,000	10,000,000	45,500,000
	Service Board Funds	0	0	0	0	0	0
	Local Local Community Funds	0	0	0	0	0	0
	Other Funds	800,000	800,000	476,000	0	0	2,076,000
	Subtotal SB/Local	**6,300,000**	**10,800,000**	**10,476,000**	**10,000,000**	**10,000,000**	**47,576,000**
	SUBTOTAL LOCAL	**184,125,000**	**168,544,000**	**14,719,000**	**10,000,000**	**10,000,000**	**387,388,000**
	SUBTOTAL METRA	**$ 325,435,000**	**$ 309,854,000**	**$ 159,979,000**	**$ 159,330,000**	**$ 163,520,000**	**$ 1,118,118,000**
	Carryover Federal (§5316 JARC)	0	0	0	0	0	0
	Carryover Federal (§5317 New Freedom)	0	0	0	0	0	0
	Deobligated §5307 Formula	0	0	0	0	0	0
	Deobligated RTA SCIP	0	0	0	0	0	0
	Deobligated RTA Discretionary	0	0	0	0	0	0
	Deobligated SB/LLB/Local	0	0	0	0	0	0
	Subtotal Carryover/Deob	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
	TOTAL METRA FUNDING	**$ 325,435,000**	**$ 309,854,000**	**$ 159,979,000**	**$ 159,330,000**	**$ 163,520,000**	**$ 1,118,118,000**
	§5316 JARC for Operations	0	0	0	0	0	0
	§5317 New Freedom for Operations	0	0	0	0	0	0
	RTA ICE Funds for Operations	0	0	0	0	0	0
	Preventive Maintenance (Federal)	0	0	0	0	0	0
	Subtotal Non-Capital Program Uses	0	0	0	0	0	0
	TOTAL METRA AVAILABLE	**$ 325,435,000**	**$ 309,854,000**	**$ 159,979,000**	**$ 159,330,000**	**$ 163,520,000**	**$ 1,118,118,000**

Schedule II-A

2013-2017 CAPITAL PROGRAM REVENUES

		2013	2014	2015	2016	2017	TOTAL
PACE							
	FTA						
	Federal Formula Funds	$ 32,070,000	$ 32,070,000	$ 33,000,000	$ 33,960,000	$ 34,940,000	$ 166,040,000
	Subtotal FTA	**32,070,000**	**32,070,000**	**33,000,000**	**33,960,000**	**34,940,000**	**166,040,000**
	Federal Flexible/CMAQ/Other	15,310,000	12,500,000	14,780,000	5,000,000	5,000,000	52,590,000
	Department of Homeland Security	1,800,000	2,000,000	2,000,000	2,000,000	2,000,000	9,800,000
	SUBTOTAL FEDERAL	**49,180,000**	**46,570,000**	**49,780,000**	**40,960,000**	**41,940,000**	**228,430,000**
	State B Bonds	42,850,000	42,850,000	0	0	0	85,700,000
	Subtotal State	**42,850,000**	**42,850,000**	**0**	**0**	**0**	**85,700,000**
	RTA Discretionary	0	0	0	0	0	0
	ICE Funds	0	0	0	0	0	0
	Subtotal RTA	**0**	**0**	**0**	**0**	**0**	**0**
	SB Transfer Capital (Sales Tax)	0	0	0	0	0	0
	Service Board Funds	17,150,000	2,000,000	2,000,000	2,000,000	2,000,000	25,150,000
	Local Local Community Funds	0	0	0	0	0	0
	Other Funds	0	0	0	0	0	0
	Subtotal SB/Local	**17,150,000**	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**	**25,150,000**
	SUBTOTAL LOCAL	**60,000,000**	**44,850,000**	**2,000,000**	**2,000,000**	**2,000,000**	**110,850,000**
SUBTOTAL PACE		**$ 109,180,000**	**$ 91,420,000**	**$ 51,780,000**	**$ 42,960,000**	**$ 43,940,000**	**$ 339,280,000**
	Deobligated §5307 Formula	0	0	0	0	0	0
	Deobligated RTA Discretionary	0	0	0	0	0	0
	Deobligated SB/LLB/Local	0	0	0	0	0	0
	Subtotal Carryover/Deob	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL PACE FUNDING		**$ 109,180,000**	**$ 91,420,000**	**$ 51,780,000**	**$ 42,960,000**	**$ 43,940,000**	**$ 339,280,000**
	Pace Bond Proceeds	0	72,000,000	25,000,000	3,000,000	0	100,000,000
TOTAL PACE AVAILABLE		**$ 109,180,000**	**$ 163,420,000**	**$ 76,780,000**	**$ 45,960,000**	**$ 43,940,000**	**$ 439,280,000**

2013-2017 CAPITAL PROGRAM REVENUES

		2013	2014	2015	2016	2017	TOTAL
PACE ADA							
FTA							
§5307/§5340 Formula		$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
§5307/§5340 Formula-Economic Recovery Funds		0	0	0	0	0	0
§5309(m)(2)(C) Bus		0	0	0	0	0	0
	Subtotal FTA	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
State	B Bonds	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Subtotal State	**0**	**0**	**0**	**0**	**0**	**0**
RTA	Discretionary	0	0	0	0	0	0
	ICE Funds	0	0	0	0	0	0
	Subtotal RTA	**0**	**0**	**0**	**0**	**0**	**0**
SB	Service Board Funds	0	0	0	0	0	0
	Subtotal SB	**0**	**0**	**0**	**0**	**0**	**0**
	Subtotal Local	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL PACE ADA FUNDING		**0**	**0**	**0**	**0**	**0**	**0**
Other Uses (Regional ADA Paratransit)		0	0	0	0	0	0
TOTAL PACE ADA AVAILABLE		**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Schedule II-A

2013-2017 CAPITAL PROGRAM REVENUES

		2013	2014	2015	2016	2017	TOTAL
Regional Total							
FTA		$ 1,500,000	$ 0	$ 0	$ 0	$ 0	$ 1,500,000
§5309(m)(2)(A) New Starts		400,900,000	400,900,000	412,520,000	424,490,000	436,800,000	2,075,610,000
Federal Formula Funds		33,000,000	0	0	0	0	33,000,000
§5309(m)(2)(C) Bus		4,725,000	0	0	0	0	4,725,000
§5308 Cleans Fuels		20,000,000	0	0	0	0	20,000,000
TIGER Discretionary Funds		**460,125,000**	**400,900,000**	**412,520,000**	**424,490,000**	**436,800,000**	**2,134,835,000**
	Subtotal FTA						
Federal Flexible/CMAQ/Other		15,310,000	12,500,000	14,780,000	5,000,000	8,000,000	55,590,000
Department of Homeland Security		9,800,000	10,000,000	10,000,000	10,000,000	10,000,000	49,800,000
	Subtotal Fed Flexible	**25,110,000**	**22,500,000**	**24,780,000**	**15,000,000**	**18,000,000**	**105,390,000**
SUBTOTAL FEDERAL		**485,235,000**	**423,400,000**	**437,300,000**	**439,490,000**	**454,800,000**	**2,240,225,000**
State	B Bonds	363,075,817	403,523,403	0	0	0	766,599,220
	Subtotal State	**363,075,817**	**403,523,403**	**0**	**0**	**0**	**766,599,220**
RTA	Discretionary	0	4,319,000	4,243,000	0	0	8,562,000
	RTA SB Capital	22,000,000	0	0	0	0	22,000,000
	Capital Reserves	0	0	0	0	0	0
	TBD	0	0	0	0	0	0
	ICE Funds	0	0	0	0	0	0
	Transfer Capital (Discretionary)	0	0	0	0	0	0
	Subtotal RTA	**22,000,000**	**4,319,000**	**4,243,000**	**0**	**0**	**30,562,000**
SB	Transfer Capital (Sales Tax)	5,500,000	10,000,000	10,000,000	10,000,000	10,000,000	45,500,000
	Service Board Funds	19,992,771	2,000,000	2,000,000	2,000,000	2,000,000	27,992,771
Local	Local Community/City of Chicago TIF	21,500,000	0	0	0	0	21,500,000
	Other Funds	800,000	800,000	476,000	0	0	2,076,000
	Subtotal SB/Local	**47,792,771**	**12,800,000**	**12,476,000**	**12,000,000**	**12,000,000**	**97,068,771**
SUBTOTAL LOCAL		**432,868,588**	**420,642,403**	**16,719,000**	**12,000,000**	**12,000,000**	**894,229,991**
SUBTOTAL REGIONAL		**918,103,588**	**844,042,403**	**454,019,000**	**451,490,000**	**466,800,000**	**3,134,454,991**
Deobligated §5307/§5309 Fixed Guideway Formula		0	0	0	0	0	0
Deobligated State B Bonds		0	0	0	0	0	0
Deobligated CTA Bonds		0	0	0	0	0	0
Deobligated SB/LLB/Local		0	0	0	0	0	0
	Subtotal Carryover/Deob	**0**	**139,532,280**	**0**	**0**	**0**	**139,532,280**
TOTAL REGIONAL FUNDING		**$ 918,103,588**	**$ 983,574,683**	**$ 454,019,000**	**$ 451,490,000**	**$ 466,800,000**	**$ 3,273,987,271**
CTA Debt Repayment Principal (§5307/§5340 & §5309)		(51,690,000)	(54,225,000)	(46,475,000)	(49,920,000)	(55,350,000)	(257,660,000)
CTA Debt Repayment Interest (§5307/§5340 & §5309)		(79,853,041)	(80,016,936)	(90,493,353)	(89,868,563)	(87,297,463)	(427,529,356)
	Subtotal Non-Capital Program Uses	**(131,543,041)**	**(134,241,936)**	**(136,968,353)**	**(139,788,563)**	**(142,647,463)**	**(685,189,356)**
NET REGIONAL CAPITAL FUNDING		**$ 786,560,547**	**$ 849,332,747**	**$ 317,050,647**	**$ 311,701,437**	**$ 324,152,537**	**$ 2,588,797,915**
Service Board Bond Proceeds		175,000,000	452,000,000	470,000,000	3,000,000	0	1,100,000,000
Less: CTA Capitalized Interest		(4,600,000)	(2,800,000)	(18,800,000)	0	0	(26,200,000)
TOTAL REGIONAL AVAILABLE		**$ 966,960,547**	**$ 1,298,532,747**	**$ 768,250,647**	**$ 314,701,437**	**$ 324,152,537**	**$ 3,662,597,915**

Five-Year Capital Program Expenditures

Schedule II-B

		Previous Funding	2013	2014	2015	2016	2017	Five-Year Total	Grand Total
CTA									
	Bus								
	1 Rolling Stock								
021.803	Perform Bus Overhaul and Maintenance Activities -- Systemwide	4,664,072	0	2,500,000	2,500,000	2,500,000	2,500,000	10,000,000	14,664,072
021.806	Perform Mid-Life Bus Overhaul -- Systemwide	109,546,758	30,980,786	112,673,336	0	0	0	143,654,122	253,200,880
031.054	Purchase Buses (Partial $) -- Systemwide	162,620,375	85,812,697	100,771,364	48,558,150	22,145,210	63,085,670	320,373,091	482,993,466
	Total: 1 Rolling Stock	**$276,831,205**	**$116,793,483**	**$215,944,700**	**$51,058,150**	**$24,645,210**	**$65,585,670**	**$474,027,213**	**$750,858,418**
	4 Support Facilities & Equipment								
073.500	Improve Facilities -- Systemwide	0	33,166,026	32,183,532	0	0	0	65,349,558	65,349,558
	Total: 4 Support Facilities & Equipment	**$0**	**$33,166,026**	**$32,183,532**	**$0**	**$0**	**$0**	**$65,349,558**	**$65,349,558**
	7 Acquisitions & Extensions								
045.015	Perform Alternatives Analysis -- Western Avenue Corridor	1,600,000	1,875,000	0	0	0	0	1,875,000	3,475,000
	Total: 7 Acquisitions & Extensions	**$1,600,000**	**$1,875,000**	**$0**	**$0**	**$0**	**$0**	**$1,875,000**	**$3,475,000**
	Total: Bus	**$278,431,205**	**$151,834,509**	**$248,128,232**	**$51,058,150**	**$24,645,210**	**$65,585,670**	**$541,251,771**	**$819,682,976**
	Rail								
	1 Rolling Stock								
022.903	Perform Rail Car Overhaul and Mid-Life Rehabilitation (2600 and 3200 Series, Partial $) -- Systemwide	28,095,367	2,189,688	0	265,753,658	0	0	267,943,346	296,038,713
022.906	Perform Rail Car Overhaul Activities -- Systemwide	5,535,491	3,750,000	2,500,000	2,500,000	2,500,000	2,500,000	13,750,000	19,285,491
132.056	Replace 706 Rail Cars (2200, 2400 and 2600 Series, Partial $) -- Systemwide	871,920,237	0	393,102,589	104,095,374	0	0	497,197,963	1,369,118,200
	Total: 1 Rolling Stock	**$905,551,095**	**$5,939,688**	**$395,602,589**	**$372,349,032**	**$2,500,000**	**$2,500,000**	**$778,891,309**	**$1,684,442,404**
	2 Track & Structure								
181.500	Repair Track and Structure -- Systemwide	54,190,060	160,085,078	64,214,538	62,291,886	3,563,380	7,000,000	297,154,882	351,344,942
	Total: 2 Track & Structure	**$54,190,060**	**$160,085,078**	**$64,214,538**	**$62,291,886**	**$3,563,380**	**$7,000,000**	**$297,154,882**	**$351,344,942**
	3 Electrical, Signal, & Communications								
121.500	Replace/Upgrade Power Distribution and Signals -- Systemwide	65,514,635	77,977,140	32,335,546	48,714,805	45,000,000	0	204,027,491	269,542,126
	Total: 3 Electrical, Signal, & Communications	**$65,514,635**	**$77,977,140**	**$32,335,546**	**$48,714,805**	**$45,000,000**	**$0**	**$204,027,491**	**$269,542,126**
	4 Support Facilities & Equipment								
073.500	Improve Facilities -- Systemwide	0	32,050,916	9,305,917	0	0	0	41,356,833	41,356,833
	Total: 4 Support Facilities & Equipment	**$0**	**$32,050,916**	**$9,305,917**	**$0**	**$0**	**$0**	**$41,356,833**	**$41,356,833**
	5 Stations & Passenger Facilities								
141.273	Rehabilitate Rail Stations -- Systemwide	276,104,037	66,593,678	29,833,935	0	3,900,000	6,849,318	107,176,931	383,280,968
	Total: 5 Stations & Passenger Facilities	**$276,104,037**	**$66,593,678**	**$29,833,935**	**$0**	**$3,900,000**	**$6,849,318**	**$107,176,931**	**$383,280,968**
	Total: Rail	**$1,301,359,827**	**$342,646,500**	**$531,292,525**	**$483,355,723**	**$54,963,380**	**$16,349,318**	**$1,428,607,446**	**$2,729,967,273**
	System								
	3 Electrical, Signal, & Communications								
150.028	Implement Security & Communication Projects -- Systemwide	122,008,446	4,235,000	13,201,620	3,000,000	3,000,000	3,000,000	26,436,620	148,445,066
	Total: 3 Electrical, Signal, & Communications	**$122,008,446**	**$4,235,000**	**$13,201,620**	**$3,000,000**	**$3,000,000**	**$3,000,000**	**$26,436,620**	**$148,445,066**
	4 Support Facilities & Equipment								
061.059	Implement Computer Systems -- Systemwide	8,398,785	3,600,000	2,683,646	0	1,057,570	1,057,570	8,398,786	16,797,571

		Previous Funding	2013	2014	2015	2016	2017	Five-Year Total	Grand Total
073.500	Improve Facilities -- Systemwide	110,650,197	14,939,538	23,062,724	6,187,774	19,055,277	19,109,979	82,355,292	193,005,489
086.500	Purchase Equipment and Non-Revenue Vehicles -- Systemwide	0	3,000,000	3,000,000	0	0	2,500,000	8,500,000	8,500,000
	Total: 4 Support Facilities & Equipment	**$119,048,982**	**$21,539,538**	**$28,746,370**	**$6,187,774**	**$20,112,847**	**$22,667,549**	**$99,254,078**	**$218,303,060**
	6 Miscellaneous								
306.001	Provide for Program Management -- Systemwide	6,690,000	6,690,000	6,690,000	6,690,000	6,690,000	6,090,000	32,850,000	39,540,000
404.500	Implement CMAQ Projects	0	0	0	0	0	3,000,000	3,000,000	3,000,000
	Total: 6 Miscellaneous	**$6,690,000**	**$6,690,000**	**$6,690,000**	**$6,690,000**	**$6,690,000**	**$9,090,000**	**$35,850,000**	**$42,540,000**
	Total: System	**$247,747,428**	**$32,464,538**	**$48,637,990**	**$15,877,774**	**$29,802,847**	**$34,757,549**	**$161,540,698**	**$409,288,126**
Total for Service Board:	**CTA**	**$1,827,538,460**	**$526,945,547**	**$828,058,747**	**$550,291,647**	**$109,411,437**	**$116,692,537**	**$2,131,399,915**	**$3,958,938,375**

The CTA expenditures do not include adjustments for capitalized interest.

Metra

Rail

	1 Rolling Stock								
P-005	Provide Locomotive Improvements -- MET	17,157,112	10,550,000	0	34,000,000	29,600,000	42,300,000	116,450,000	133,607,112
P-006	Rehabilitate Bi-level Commuter Cars -- MET	5,100,000	18,500,000	25,150,000	25,000,000	19,300,000	27,000,000	114,950,000	120,050,000
P-008	Rehabilitate and Improve MU Electric Cars -- MED	0	1,650,000	5,148,000	4,197,000	1,202,000	2,800,000	14,997,000	14,997,000
P-009	Overhaul Rolling Stock Fleet Components -- MET	0	2,500,000	3,605,000	3,714,000	4,918,000	5,065,000	19,802,000	19,802,000
P-010	Convert Commuter Cars HVAC Refrigerant -- MET	0	500,000	515,000	530,000	546,000	563,000	2,654,000	2,654,000
	Total: 1 Rolling Stock	**$22,257,112**	**$33,700,000**	**$34,418,000**	**$67,441,000**	**$55,566,000**	**$77,728,000**	**$268,853,000**	**$291,110,112**
	2 Track & Structure								
P-011	Provide for Ties, Ballast & Surfacing -- BNSF, MED, RID, UPR, MET	3,733,501	5,850,000	5,000,000	5,500,000	4,000,000	5,000,000	25,350,000	29,083,501
P-013	Upgrade Crossings (Road and Track) -- MWD, UPR, MET	0	1,025,000	2,150,000	2,100,000	1,850,000	1,500,000	8,625,000	8,625,000
P-015	Provide for Rail Renewal -- MWD, NCS, MET	4,438,640	900,000	4,090,000	4,200,000	4,750,000	4,900,000	18,840,000	23,278,640
P-017	Rehabilitate or Replace Bridges -- BNSF, MWD, RID, UPR, MET	93,230,290	91,650,000	73,600,000	5,400,000	38,550,000	26,900,000	236,100,000	329,330,290
P-018	Provide for Construction for Chicago Regional Environmental and Transportation Efficiency (CREATE) Project -- MET	0	5,000,000	5,000,000	0	0	0	10,000,000	10,000,000
P-018	Provide for Structural Improvements -- UPR, MET	100,000	100,000	0	300,000	300,000	800,000	1,500,000	1,600,000
P-019	Rehabilitate Retaining Walls -- BNSF, MET	0	350,000	0	500,000	500,000	500,000	1,850,000	1,850,000
	Total: 2 Track & Structure	**$101,502,431**	**$104,875,000**	**$89,840,000**	**$18,000,000**	**$49,950,000**	**$39,600,000**	**$302,265,000**	**$403,767,431**
	3 Electrical, Signal, & Communications								
P-024	Upgrade Signal System -- BNSF, MET	42,385,759	3,475,000	0	1,000,000	1,000,000	1,000,000	6,475,000	48,860,759
P-026	Upgrade Interlockers and Crossovers -- MWD, UPR, MET	15,763,777	7,000,000	6,900,000	4,000,000	2,000,000	2,000,000	21,900,000	37,663,777
P-026	Upgrade Interlockers and Crossovers -- UPR, MET	25,832,965	2,000,000	0	0	0	0	2,000,000	27,832,965
P-031	Improve Electrical Systems -- BNSF, MED, MWD, RID, MET	7,790,000	10,705,480	6,400,000	5,900,000	5,500,000	6,000,000	34,505,480	42,295,480
P-032	Provide for Communication Improvements -- MET	0	0	0	0	0	250,000	250,000	250,000
P-034	Install Positive Train Control (PTC) System -- MET	18,673,347	54,200,520	95,386,000	16,444,000	0	0	166,030,520	184,703,867
	Total: 3 Electrical, Signal, & Communications	**$110,445,848**	**$77,381,000**	**$108,686,000**	**$27,344,000**	**$8,500,000**	**$9,250,000**	**$231,161,000**	**$341,606,848**
	4 Support Facilities & Equipment								
P-039	Improve Yards, Shops and Facilities -- BNSF, MED, UPR, MET	0	25,775,000	31,175,000	2,000,000	5,100,000	2,100,000	66,150,000	66,150,000
P-040	Upgrade Buildings -- BNSF, MET	0	544,000	629,000	1,750,000	1,200,000	1,300,000	5,423,000	5,423,000

		Previous Funding	2013	2014	2015	2016	2017	Five-Year Total	Grand Total
P-042	Purchase Equipment and Vehicles -- MET	0	2,400,000	5,037,000	5,650,000	3,700,000	8,450,000	25,237,000	25,237,000
P-042	Purchase Equipment and Vehicles -- MET	0	500,000	0	0	0	0	500,000	500,000
P-044	Replace Financial System -- MET	2,000,000	10,000,000	10,000,000	10,000,000	10,000,000	0	40,000,000	42,000,000
	Total: 4 Support Facilities & Equipment	**$2,000,000**	**$39,219,000**	**$46,841,000**	**$19,400,000**	**$20,000,000**	**$11,850,000**	**$137,310,000**	**$139,310,000**
	5 Stations & Passenger Facilities								
P-046	Improve Stations and Parking -- MET	0	42,050,000	3,000,000	500,000	4,525,000	3,000,000	53,075,000	53,075,000
P-047	Rehabilitate Stations -- MET	0	5,000,000	4,000,000	4,225,000	1,750,000	3,000,000	17,975,000	17,975,000
	Total: 5 Stations & Passenger Facilities	**$0**	**$47,050,000**	**$7,000,000**	**$4,725,000**	**$6,275,000**	**$6,000,000**	**$71,050,000**	**$71,050,000**
	6 Miscellaneous								
P-052	Improve Metra System Security -- MET	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000	25,000,000
P-054	Implement Capital Projects -- MET	0	10,850,000	11,669,000	11,669,000	7,350,000	7,350,000	48,888,000	48,888,000
P-056	Provide for Unanticipated Capital -- MET	0	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000	9,000,000	9,000,000
P-057	Provide for Captial Program Support Management and Engineering -- MET	3,000,000	5,000,000	3,000,000	3,000,000	3,100,000	3,000,000	17,100,000	20,100,000
	Total: 6 Miscellaneous	**$3,000,000**	**$21,850,000**	**$21,669,000**	**$21,669,000**	**$17,450,000**	**$17,350,000**	**$99,988,000**	**$102,988,000**
	8 Contingencies & Administration								
P-055	Provide for Contingencies -- MET	0	560,000	600,000	600,000	789,000	942,000	3,491,000	3,491,000
P-055	Provide for Project Administration -- MET	0	800,000	800,000	800,000	800,000	800,000	4,000,000	4,000,000
	Total: 8 Contingencies & Administration	**$0**	**$1,360,000**	**$1,400,000**	**$1,400,000**	**$1,589,000**	**$1,742,000**	**$7,491,000**	**$7,491,000**
	Total: Rail	**$239,205,391**	**$325,435,000**	**$309,854,000**	**$159,979,000**	**$159,330,000**	**$163,520,000**	**$1,118,118,000**	**$1,357,323,391**
	Total for Service Board: Metra	**$239,205,391**	**$325,435,000**	**$309,854,000**	**$159,979,000**	**$159,330,000**	**$163,520,000**	**$1,118,118,000**	**$1,357,323,391**

Pace

Bus

	1 Rolling Stock								
4801	Purchase Approximately 150 40' CNG Fixed Route Buses -- Systemwide	42,850,000	37,280,000	37,280,000	0	0	0	74,560,000	117,410,000
4801	Purchase Approximately 28 Over the Road Coaches -- Systemwide	14,525,000	17,150,000	0	0	0	0	17,150,000	31,675,000
4801	Purchase Approximately 65 40' Fixed Route Accessible Buses -- Systemwide	7,500,000	2,370,000	9,000,000	2,500,000	8,500,000	10,000,000	32,370,000	39,870,000
4802	Purchase Approximately 476 Paratransit Vehicles (Replacement) -- Systemwide	5,300,000	9,030,000	8,500,000	5,950,000	8,500,000	8,500,000	40,480,000	45,780,000
4803	Purchase Approximately 10 Community Vehicles -- Systemwide	4,150,000	0	850,000	0	0	0	850,000	5,000,000
4804	Purchase Approximately 540 Vanpool Vans (Replacement) -- Systemwide	4,150,000	5,600,000	4,000,000	4,000,000	4,000,000	4,000,000	21,600,000	25,750,000
4805	Provide for Diesel Engine Retrofit -- Systemwide	5,439,148	3,060,000	0	3,100,000	3,100,000	3,100,000	12,360,000	17,799,148
4806	Provide for Associated Capital Items -- Systemwide	3,060,000	250,000	0	1,000,000	1,000,000	1,000,000	3,250,000	6,310,000
4807	Provide for Capital Cost of Contracting -- Systemwide	1,600,000	2,000,000	5,538,000	7,352,000	7,400,000	7,400,000	29,690,000	31,290,000
	Total: 1 Rolling Stock	**$88,574,148**	**$76,740,000**	**$65,168,000**	**$23,902,000**	**$32,500,000**	**$34,000,000**	**$232,310,000**	**$320,884,148**
	3 Electrical, Signal, & Communications								
4809	Implement Arterial Rapid Transit (ART) -- Systemwide	2,000,000	0	0	500,000	0	0	500,000	2,500,000
4811	Purchase/Install Intelligent Bus System (IBS) and Mobile Data Terminals (MDT) -- Systemwide	0	500,000	500,000	400,000	0	0	1,400,000	1,400,000
	Total: 3 Electrical, Signal, & Communications	**$2,000,000**	**$500,000**	**$500,000**	**$900,000**	**$0**	**$0**	**$1,900,000**	**$3,900,000**
	4 Support Facilities & Equipment								
4814	Construct/Improve Garages & Facilities -- Systemwide	5,800,000	11,500,000	76,500,000	29,500,000	7,500,000	4,500,000	129,500,000	135,300,000
4820	Provide for Transit Infrastructure -- I-90 Corridor	0	0	12,500,000	14,780,000	0	0	27,280,000	27,280,000

		Previous Funding	2013	2014	2015	2016	2017	Five-Year Total	Grand Total
4821	Purchase Fare System -- Systemwide	3,500,000	10,600,000	0	0	0	0	10,600,000	14,100,000
4822	Purchase Replacement Farebox System -- Systemwide	0	500,000	1,000,000	500,000	500,000	0	2,500,000	2,500,000
4823	Purchase Computer Hardware and Software Systems -- Systemwide	3,787,000	3,500,000	2,500,000	2,000,000	2,000,000	2,000,000	12,000,000	15,787,000
4824	Purchase Maintenance/ Support Equipment and Vehicles -- Systemwide	800,000	800,000	500,000	500,000	500,000	500,000	2,800,000	3,600,000
4825	Purchase Office Equipment -- Systemwide	200,000	700,000	100,000	100,000	100,000	100,000	1,100,000	1,300,000
	Total: 4 Support Facilities & Equipment	**$14,087,000**	**$27,600,000**	**$93,100,000**	**$47,380,000**	**$10,600,000**	**$7,100,000**	**$185,780,000**	**$199,867,000**
	5 Stations & Passenger Facilities								
4827	Reconstruct Passenger Facilities -- Systemwide	450,000	0	500,000	500,000	500,000	500,000	2,000,000	2,450,000
4828	Provide Consultant for Bus Stop Conversion -- Systemwide	0	1,700,000	1,700,000	1,700,000	0	0	5,100,000	5,100,000
4829	Install Shelters/ Signs/ Passenger Amenities -- Systemwide	800,000	1,000,000	800,000	800,000	800,000	800,000	4,200,000	5,000,000
	Total: 5 Stations & Passenger Facilities	**$1,250,000**	**$2,700,000**	**$3,000,000**	**$3,000,000**	**$1,300,000**	**$1,300,000**	**$11,300,000**	**$12,550,000**
	6 Miscellaneous								
4831	Provide for Unanticipated Capital -- Systemwide	250,000	250,000	500,000	500,000	500,000	500,000	2,250,000	2,500,000
	Total: 6 Miscellaneous	**$250,000**	**$250,000**	**$500,000**	**$500,000**	**$500,000**	**$500,000**	**$2,250,000**	**$2,500,000**
	8 Contingencies & Administration								
4832	Provide for Project Administration	965,820	1,390,000	1,152,000	1,098,000	1,060,000	1,040,000	5,740,000	6,705,820
	Total: 8 Contingencies & Administration	**$965,820**	**$1,390,000**	**$1,152,000**	**$1,098,000**	**$1,060,000**	**$1,040,000**	**$5,740,000**	**$6,705,820**
	Total: Bus	**$107,126,968**	**$109,180,000**	**$163,420,000**	**$76,780,000**	**$45,960,000**	**$43,940,000**	**$439,280,000**	**$546,406,968**
	Total for Service Board: Pace	**$107,126,968**	**$109,180,000**	**$163,420,000**	**$76,780,000**	**$45,960,000**	**$43,940,000**	**$439,280,000**	**$546,406,968**
	Grand Total								
	RTA 2013-2017 CAPITAL IMPROVEMENT PROGRAM	**$2,173,870,819**	**$961,560,547**	**$1,301,332,747**	**$787,050,647**	**$314,701,437**	**$324,152,537**	**$3,688,797,915**	**$5,862,668,734**

Regional Transportation Authority

RTAChicago.com

RTA Main Office
175 West Jackson Boulevard, Suite 1650
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
165 North Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

RTA ADA Certification Helpline
Voice (312) 663-4357
TTY (312) 913-3122

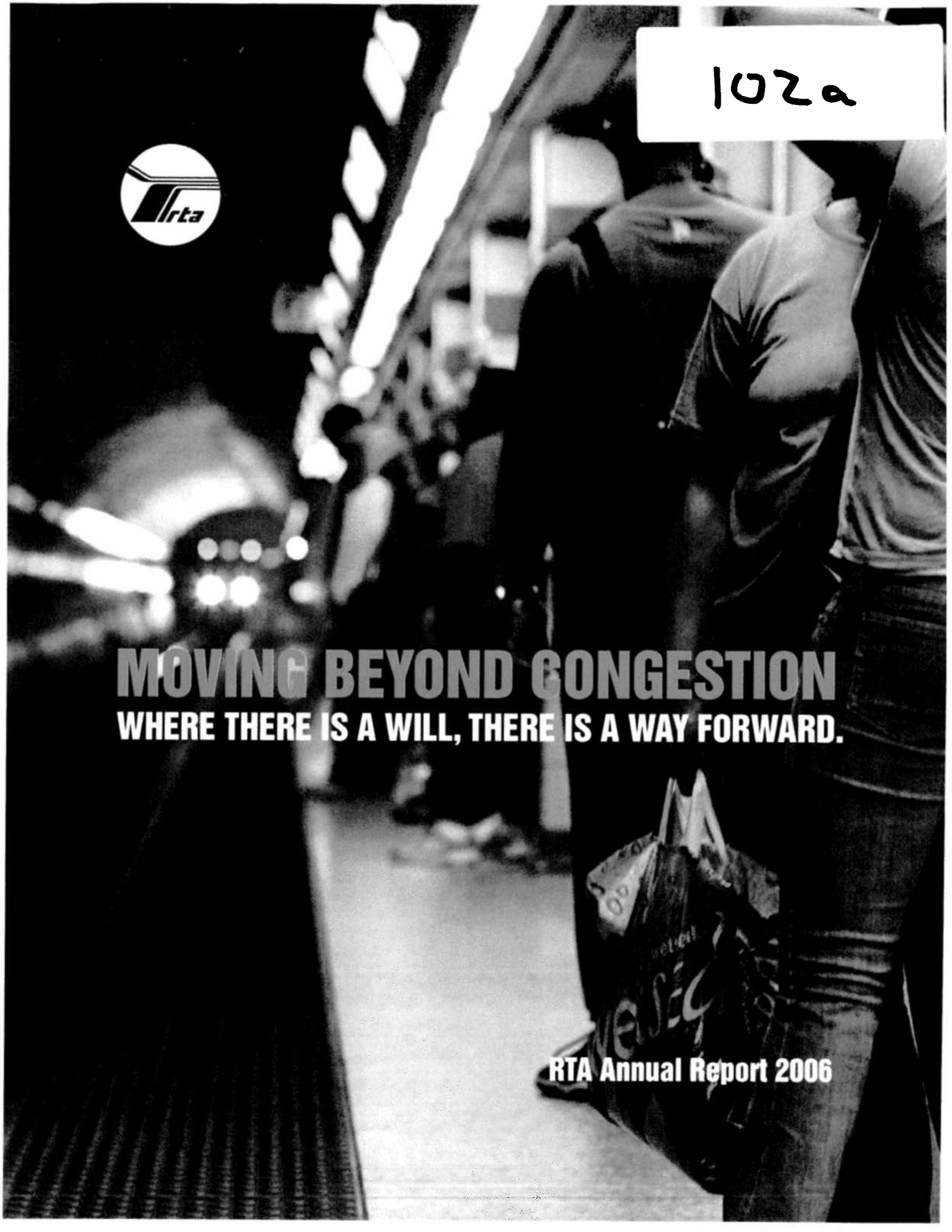
Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any local area code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Fare Program
(800) 531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6777
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 364-7223
www.pacebus.com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rta
MOVING BEYOND CONGESTION
WHERE THERE IS A WILL, THERE IS A WAY FORWARD.
RTA Annual Report 2006

"MOBILITY IS THE ECONOMIC ENGINE OF OUR REGION: IF OUR TRUCKS ARE STUCK ON THE HIGHWAYS, OUR COMPANIES ARE NOT MAKING MONEY."

"IF CURRENT BUS AND TRAIN SERVICES WERE SLICED BY 25%, TENS OF THOUSANDS MORE CARS WOULD OVERWHELM THE ROADS."

SUPPORT FOR

"IF WE REALLY WANT A WORLD-CLASS TRANSIT SYSTEM, THEN WE'RE GOING TO HAVE TO MAKE THE INVESTMENTS."

"PUBLIC TRANSPORTATION HAS NEVER BEEN MORE IMPORTANT THAN IT IS RIGHT NOW. QUITE SIMPLY, THERE IS NO GLOBAL WARMING SOLUTION WITHOUT A TRANSPORTATION SOLUTION."

"THE NEEDS ARE REAL, THE PROBLEMS ARE REAL."

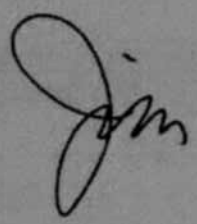
TRANSIT GROWS

"THERE'S NO QUESTION THAT THERE WOULD BE A STEEP DEGRADATION OF SERVICE WITHOUT FUNDING."

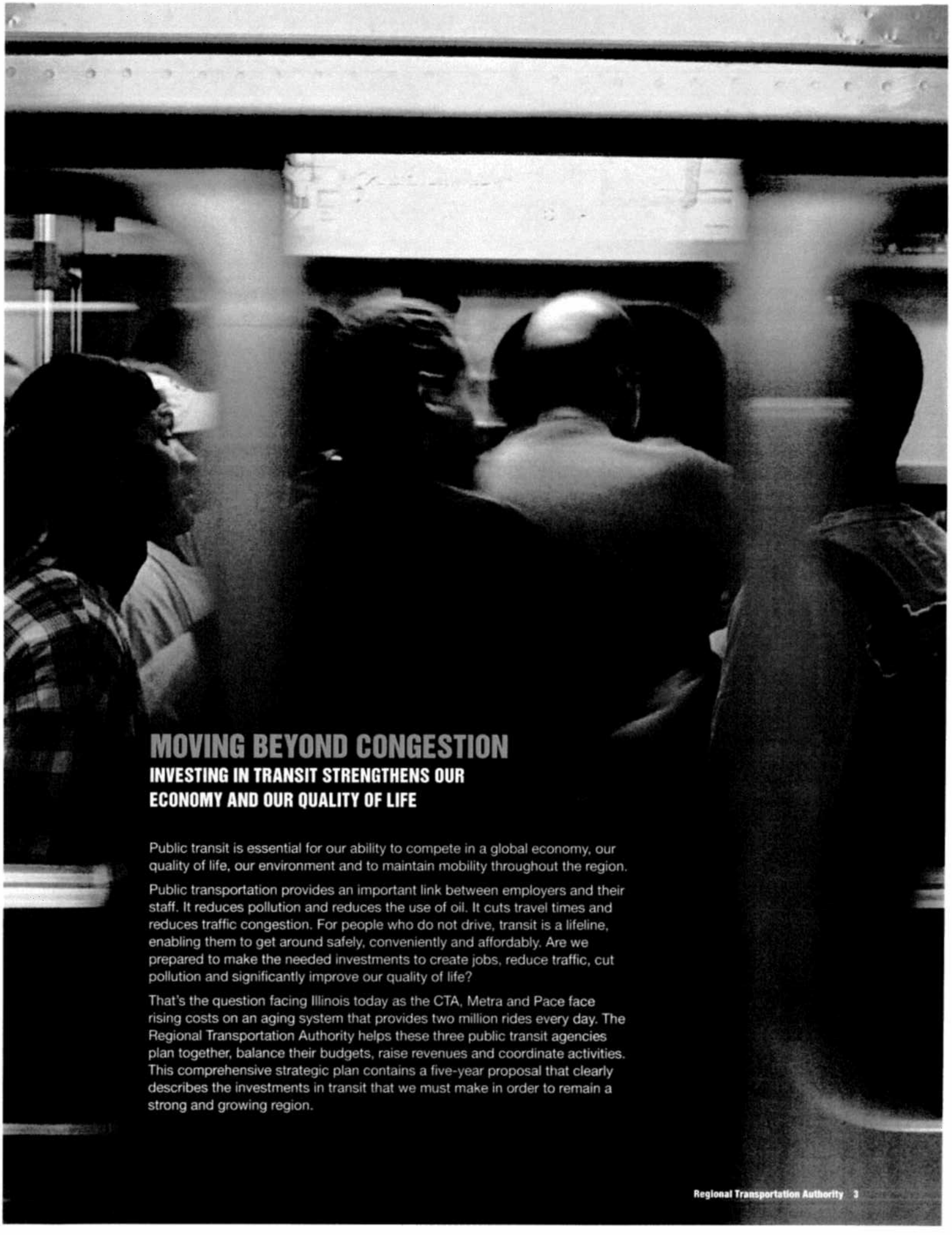
OUR TRANSIT SYSTEM AT A CROSSROADS

2007 IS THE YEAR OF DECISION. NORTHEASTERN ILLINOIS' REGIONAL TRANSIT SYSTEM REPRESENTS ONE OF OUR MOST IMPORTANT PUBLIC ASSETS, VALUED AT OVER $27 BILLION AND GENERATING AN ANNUAL ECONOMIC IMPACT OF MORE THAN $16 BILLION.

Sincerely,



Jim Reilly, Chairman
Regional Transportation Authority



MOVING BEYOND CONGESTION

INVESTING IN TRANSIT STRENGTHENS OUR ECONOMY AND OUR QUALITY OF LIFE

Public transit is essential for our ability to compete in a global economy, our quality of life, our environment and to maintain mobility throughout the region.

Public transportation provides an important link between employers and their staff. It reduces pollution and reduces the use of oil. It cuts travel times and reduces traffic congestion. For people who do not drive, transit is a lifeline, enabling them to get around safely, conveniently and affordably. Are we prepared to make the needed investments to create jobs, reduce traffic, cut pollution and significantly improve our quality of life?

That's the question facing Illinois today as the CTA, Metra and Pace face rising costs on an aging system that provides two million rides every day. The Regional Transportation Authority helps these three public transit agencies plan together, balance their budgets, raise revenues and coordinate activities. This comprehensive strategic plan contains a five-year proposal that clearly describes the investments in transit that we must make in order to remain a strong and growing region.

THE CHALLENGE:
an underfunded, aging system in a changing market

Our transit system includes more than 3,800 buses and vans and 2,300 train cars serving Chicago and hundreds of suburbs spread across six counties. Some parts of the system are newer and they work well. Other parts of the system are more than a century old and are in need of a major overhaul. Some of the busiest train and bus lines are so crowded during rush hour that people cannot board.

Many of our buses, trains and passenger vans are well past their useful life, leading to frequent breakdowns. At the same time, we have added needed new service in growing suburban communities and new transit options including ones for people with disabilities and senior citizens. Looking to the future, we want to enable people to transfer seamlessly between Metra, Pace and the CTA.

Jim Reilly, RTA Chairman, speaks at the Moving Beyond Congestion kickoff in July 2006, joined by Partners for Transit at Union Station.

NOW CONSIDER THESE FACTS:

Despite adding service, while the costs of fuel, security and employee health care and benefits have risen, the RTA and Service Boards have held operating expenses constant since 1986 (when controlling for inflation). The State of Illinois has historically supported public transit with hundreds of millions of dollars each year in capital funding.

No such funding has been provided since 2004. The challenge is made more complex because the agencies have been forced to divert limited capital dollars to help pay for operations. The 2007 budget contains a $226 million shortfall. Over the next five years, approximately $400 million more in annual operating funds are needed to keep our trains and buses running on time and address the growing demand for transit.

The region must invest an additional $10 billion in the next five years to replace older trains and buses, add service where it is critically needed and plan and design a transit system worthy of our reputation as one of the great metropolitan regions of the world. Over the next 30 years, $57 billion must be invested throughout the region in order to create the public transit system northeastern Illinois really wants and needs to meet population projections, development patterns, travel demands and air quality goals.

OUR FIVE-YEAR INVESTMENT LAYS THE FOUNDATION FOR THE FUTURE

Numbers like these are overwhelming until you see what is behind them, so here's what the five-year plan means for you. We divide our capital investments into three categories:

MAINTAIN– Repairs and upgrades that keep our existing systems in good working order so that there are fewer delays and other problems.

ENHANCE– Fewer capital-intensive projects, such as adding reverse commute options and suburb-to-suburb connections.

EXPAND– New train and bus routes requiring major investments that will be completed in the near future.

Maintain $7.3 billion:
The vast majority of funds in the program are dedicated to repairing and upgrading our current system.

ROLLING STOCK– To modernize the fleet, funds are needed to replace aging trains, buses and vans that are beyond their useful life.

TRACK AND STRUCTURE– Train tracks, railroad ties, bridges and viaducts need repairs. Metra has 1,200 miles of track and 800 bridges; CTA has hundreds of miles of track – above ground and below ground as well as over 100 bridges or viaducts. To speed travel times and avoid slow zones, we need to invest in order to fix rails and ties, bridges and structure and repairing signals, electrical systems and communications.

PASSENGER AND SUPPORT FACILITIES AND EQUIPMENT– Significant funds are needed to improve train stations and parking lots serving riders, as well as repair facilities for trains and buses both in the city and the suburbs.

Enhance $1.1 billion:
As the travel market changes, so do the demands on the system, warranting over $1 billion in added service throughout the system.

OFF-PEAK AND WEEKEND SERVICE– While the weekday commuter is the biggest segment of the market, more and more people are using transit outside the rush hours and all three agencies are under pressure to serve this growing demand.

FASTER SERVICE AND MORE SEATS– Both commuters and non-commuters want faster service, less crowding and more seats and that requires more drivers and more buses and trains.

Vans and vanpools are an increasingly popular public transit option for people with disabilities, seniors, and people living in low-density communities. Demand rose 22% since 1980 and will climb higher as baby boomers retire.

MORE REVERSE COMMUTING OPTIONS– One look at outbound highways in the morning shows growth in reverse commuting. Service options include shuttle buses from suburban train hubs to job centers and express bus routes.

SUBURB-TO-SUBURB– With six of the top 10 cities in the state located in the collar counties, inter-suburban travel is on the rise. Pace is looking at new services to meet this growing market.

PASSENGER EFFICIENCIES– Providing better customer information, easier transfers between trains and buses, coordinated schedules and better pedestrian connections are among a broad range of improvements.

Expand $1.6 billion:
Eleven major suburban and city projects are currently in the planning or design phase, 15 more in the proposal phase, and another two dozen projects have been suggested by various transit advocates and community leaders. Together these projects represent a solid return on our investments because local funds are often matched with federal dollars, making our money go further. These projects offer a bold and exciting vision for public transit in the coming decades.

FUNDING:
the wisdom and the will to invest

Capital: Billions in federal dollars are available each year for public transit projects. State and local governments must compete for these dollars by providing matching funds. The State of Illinois has provided no capital funds for transit since 2004. The strategic plan has identified a need for $10 billion in new capital funding over the next five years.

Operating: The RTA has also identified a need for $400 million in new operating funds annually for the next five years to improve current services and meet new demand.

CONCLUSION:
our future is at stake

We are engaged in an open, honest and vigorous debate on the subject of transit investments and funding. We encourage everyone who cares about our quality of life, our economy and our long-term health to continue to participate. We live, work and play in a highly mobile society. If we want it to grow and meet our future needs, now is the time to invest in public transit.

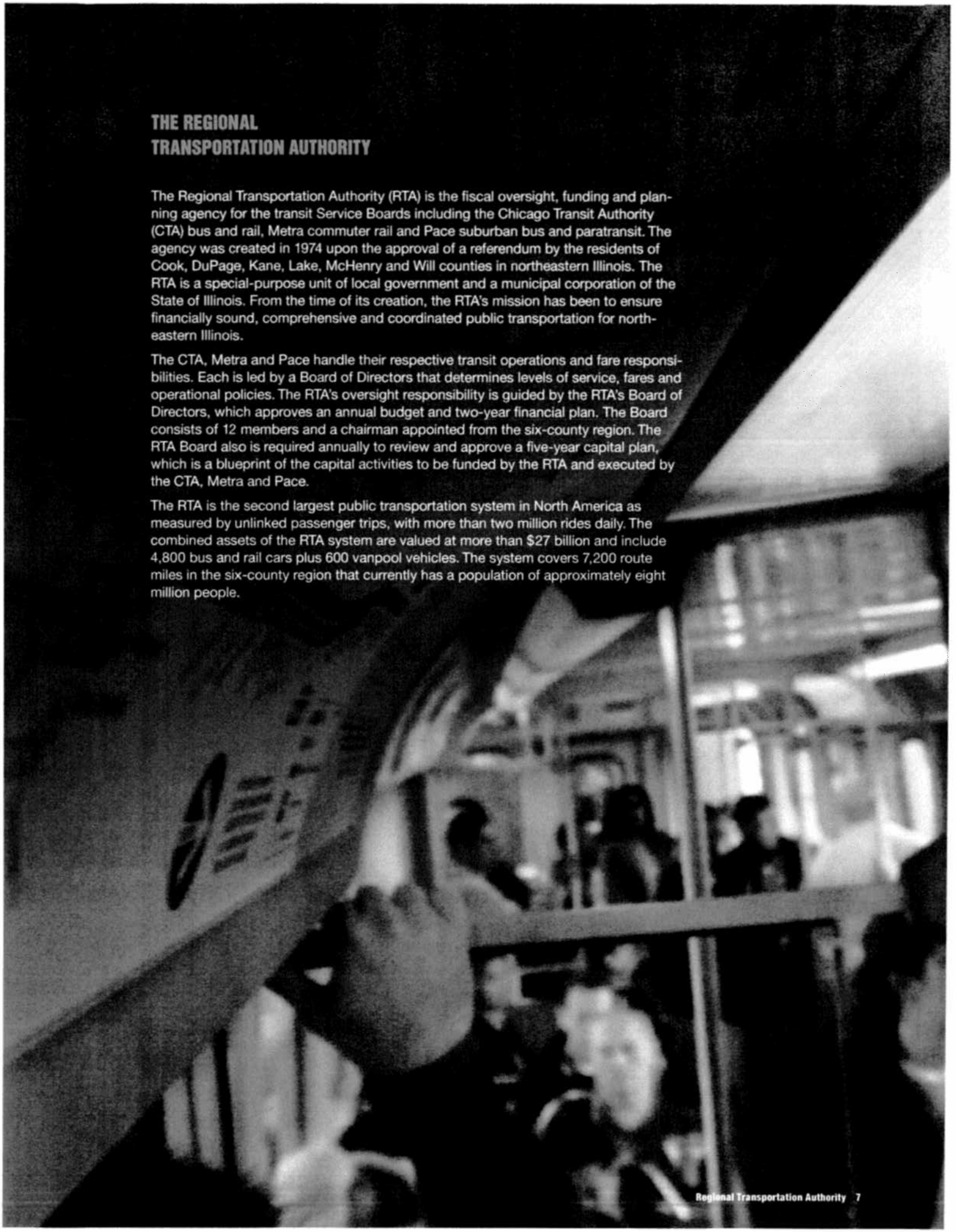
From the central city to the farthest suburbs, the Chicago region is poised for growth. At the heart of this vision is a modern, efficient public transit system that will leverage our economic assets and improve our quality of life.

THE REGIONAL TRANSPORTATION AUTHORITY

The Regional Transportation Authority (RTA) is the fiscal oversight, funding and planning agency for the transit Service Boards including the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail and Pace suburban bus and paratransit. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties in northeastern Illinois. The RTA is a special-purpose unit of local government and a municipal corporation of the State of Illinois. From the time of its creation, the RTA's mission has been to ensure financially sound, comprehensive and coordinated public transportation for northeastern Illinois.

The CTA, Metra and Pace handle their respective transit operations and fare responsibilities. Each is led by a Board of Directors that determines levels of service, fares and operational policies. The RTA's oversight responsibility is guided by the RTA's Board of Directors, which approves an annual budget and two-year financial plan. The Board consists of 12 members and a chairman appointed from the six-county region. The RTA Board also is required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the RTA and executed by the CTA, Metra and Pace.

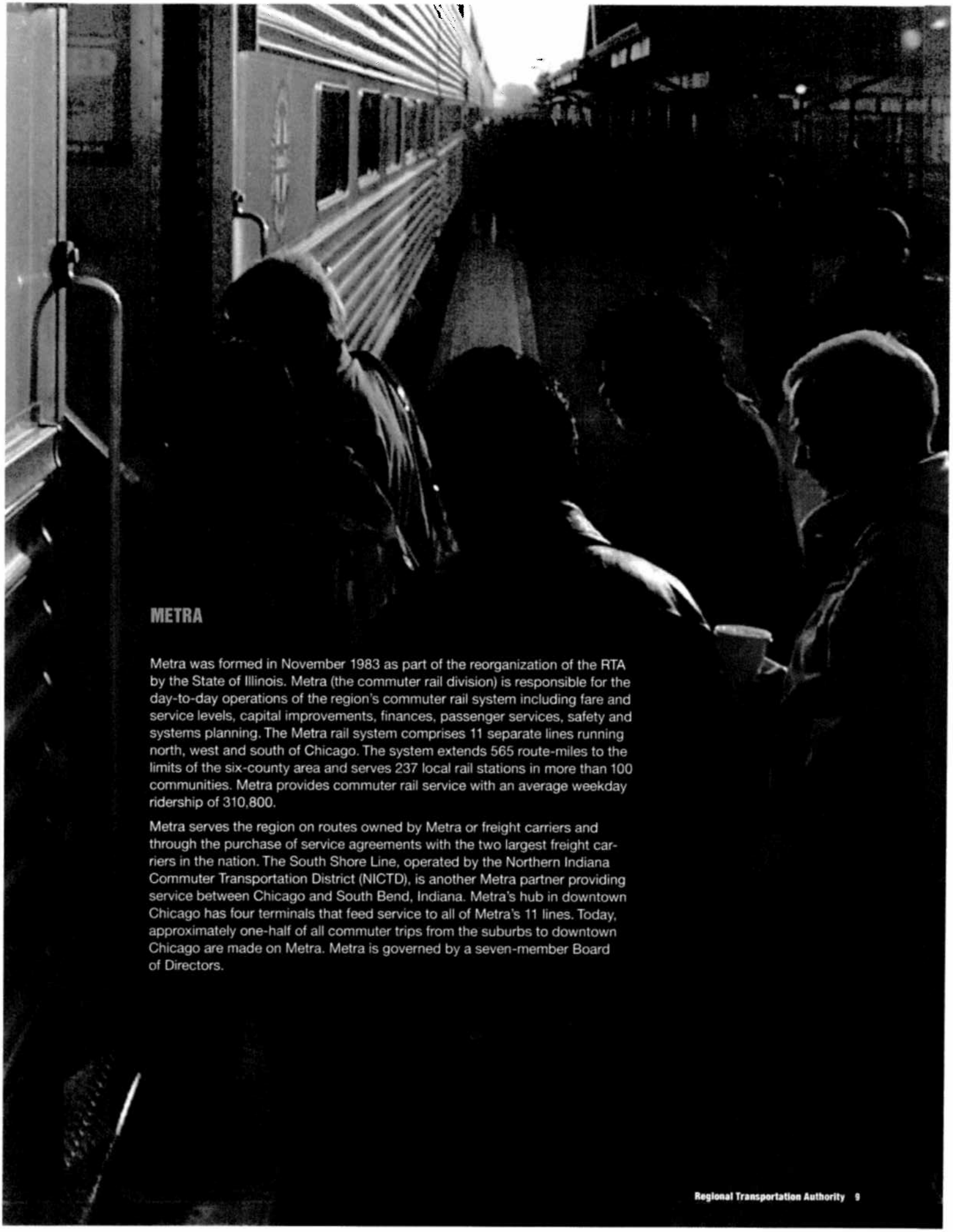
The RTA is the second largest public transportation system in North America as measured by unlinked passenger trips, with more than two million rides daily. The combined assets of the RTA system are valued at more than $27 billion and include 4,800 bus and rail cars plus 600 vanpool vehicles. The system covers 7,200 route miles in the six-county region that currently has a population of approximately eight million people.



THE CHICAGO TRANSIT AUTHORITY

The Chicago Transit Authority (CTA) was created by the Illinois General Assembly 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 154 bus routes and eight rapid transit routes.

The CTA operates the second largest public transportation system in the U.S. Average weekday ridership on its bus and rail system is 1.6 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 35 surrounding suburbs. Bus operations provide 2,106 buses traveling over 154 routes covering 2,529 miles, with approximately 11,846 bus stops. Rail service on eight routes has 1,190 train cars traveling over 288 miles of track. The CTA is governed by the seven-member Chicago Transit Board.



METRA

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. The Metra rail system comprises 11 separate lines running north, west and south of Chicago. The system extends 565 route-miles to the limits of the six-county area and serves 237 local rail stations in more than 100 communities. Metra provides commuter rail service with an average weekday ridership of 310,800.

Metra serves the region on routes owned by Metra or freight carriers and through the purchase of service agreements with the two largest freight carriers in the nation. The South Shore Line, operated by the Northern Indiana Commuter Transportation District (NICTD), is another Metra partner providing service between Chicago and South Bend, Indiana. Metra's hub in downtown Chicago has four terminals that feed service to all of Metra's 11 lines. Today, approximately one-half of all commuter trips from the suburbs to downtown Chicago are made on Metra. Metra is governed by a seven-member Board of Directors.

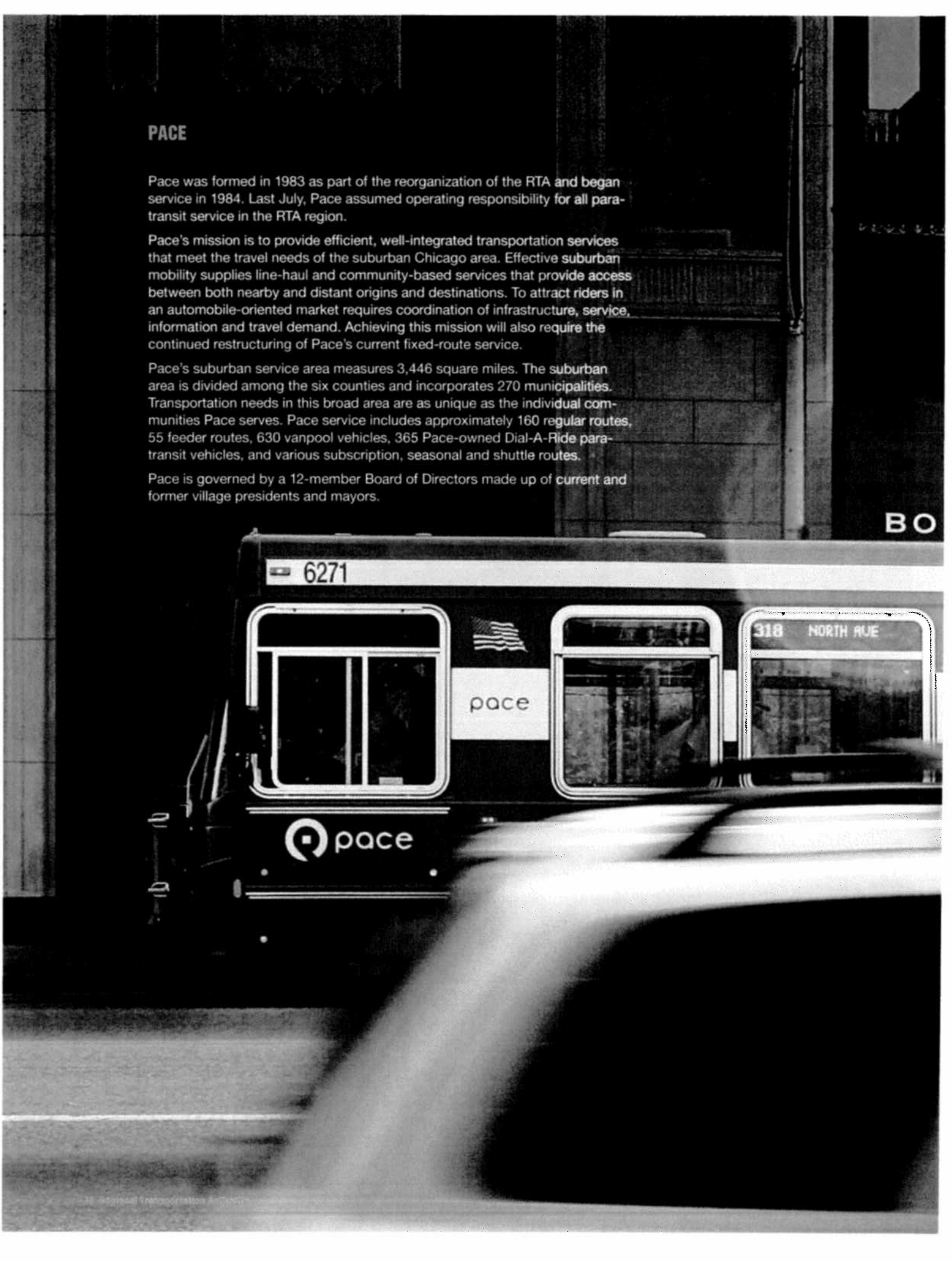
PACE

Pace was formed in 1983 as part of the reorganization of the RTA and began service in 1984. Last July, Pace assumed operating responsibility for all para-transit service in the RTA region.

Pace's mission is to provide efficient, well-integrated transportation services that meet the travel needs of the suburban Chicago area. Effective suburban mobility supplies line-haul and community-based services that provide access between both nearby and distant origins and destinations. To attract riders in an automobile-oriented market requires coordination of infrastructure, service, information and travel demand. Achieving this mission will also require the continued restructuring of Pace's current fixed-route service.

Pace's suburban 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. Pace service includes approximately 160 regular routes, 55 feeder routes, 630 vanpool vehicles, 365 Pace-owned Dial-A-Ride para-transit vehicles, and various subscription, seasonal and shuttle routes.

Pace is governed by a 12-member Board of Directors made up of current and former village presidents and mayors.



RTA BOARD OF DIRECTORS

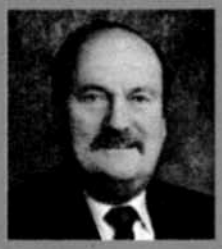
Jim Reilly

Carole L. Brown

Willam R. Coulson

Patrick J. Durante

Armando Gomez, Sr.


Dwight A. Magalis

Fred T. L. Norris

Michael Rosenberg

Patrick V. Riley, Jr.

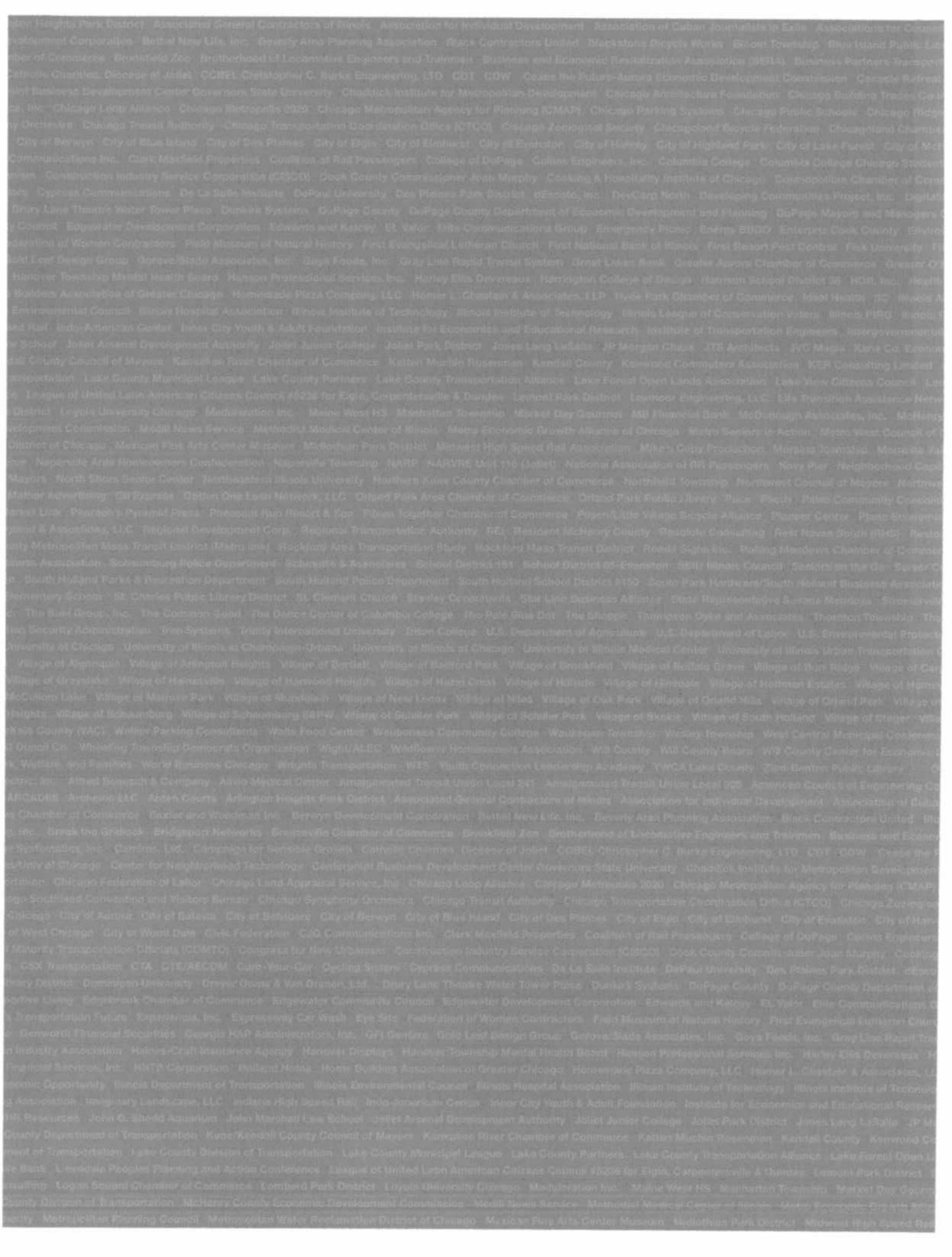
Judy Baar Topinka

Douglas M. Troiani

Rev. Addie L. Wyatt

RTA EXECUTIVE DIRECTOR

Stephen E. Schlickman



FINANCIALS FOR CALENDAR YEAR 2006

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Board of Directors
Regional Transportation Authority
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604

I have the pleasure to submit to you the Combining Financial Statements Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the year ending December 31, 2006. This Report fulfills the requirements of section 4.05 of the RTA Act. This Report represents the operations of our transit system in the aggregate and not as individual components. It shows the magnitude of the resources on hand and in use for public transportation in the northeastern Illinois region. The RTA's independent accountants have compiled the Combining Financial Statements Report. They have not subjected these statements to audit. The audited financial statements of each individual organization are available upon request. As always, the RTA staff acknowledges the commitment by the RTA Board and the Service Boards to fiscal responsibility, to ensure financially sound public transportation in northeastern Illinois.

Joseph G. Costello
Senior Deputy Executive Director
Finance & Administration
Regional Transportation Authority

June 15, 2007

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying special-purpose combining financial statements of the Regional Transportation Authority and Service Boards as of December 31, 2006, and for the year then ended, and the supplementary and statistical information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information that is the representation of management in the form of financial statements and supplementary and statistical information. We have not audited or reviewed the accompanying special-purpose combining financial statements and supplementary and statistical information and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying special-purpose financial statements and supplementary and statistical information were prepared for the purpose of complying with the statutory requirement of the Regional Transportation Authority Act as described in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Schaumburg, Illinois

June 15, 2007

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS

December 31, 2006

(In thousands)	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
ASSETS							
Current Assets							
Cash and Investments							
Restricted—cash and cash equivalents	$	$	$	$ 20,264	$	$	$ 20,264
Unrestricted—cash and cash equivalents	14,058	27,736	84,781	295			126,870
Restricted—investments	129,428						129,428
Unrestricted—investments	458,937	10,914					469,851
Unamortized bond issue costs	579						579
Receivables							
Intergovernmental receivables	150,694				1,959		152,653
Grant projects		8,913	33,304	9,081		16,460	34,838
RTA financial assistance		144,507	46,459	40,182		69,918	161,230
Other carriers			1,397				1,397
Other receivables		143,879	10,118	5,674		1,000	158,672
Interest on investments	1,028						1,028
Materials and supplies		77,516	12,433	5,000			94,949
Prepaid expenses	6,670	5,126	1,402	807			14,005
Amount due under sale/leaseback				25,876			25,876
Total current assets	761,394	418,591	189,895	107,179	1,959	87,378	1,391,639
Fixed Assets							
Plant, property and equipment	11,428	6,908,803	4,926,149	411,433			12,257,813
Capital projects in progress			14,587	15,818			30,405
Less accumulated depreciation	(2,979)	(3,706,632)	(2,219,545)	(233,919)			(6,163,075)
Total fixed assets	8,449	3,202,171	2,721,191	193,332			6,125,143
Other Assets							
Unamortized bond issue costs	12,646	7,916					20,562
Investment relating to employee pension benefits plan		8,185					8,185
Restricted assets		506,904					506,904
Amount due under sale/leaseback		1,683,505	283,420	74,140			2,041,065
Total other assets	12,646	2,206,510	283,420	74,140			2,576,716
Total Assets	$ 782,489	$ 5,827,272	$ 3,194,506	$ 374,651	$ 1,959	$ 87,378	$ 10,093,499

(Continued)

December 31, 2006

(in thousands)	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS COMMUTER RAIL DIVISION	SERVICE BOARDS SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS DEBIT	COMBINING ADJUSTMENTS CREDIT	TOTAL COMBINED
LIABILITIES							
Current Liabilities							
Vouchers payable	$ 5	$ 123,719	$ 60,825	$ 10,970	$	$	$ 195,519
Accrued interest payable		3,458					3,458
Intergovernmental payables	86,377				86,377		
Due to other funds	892					1,959	2,851
Current portion of general obligation bonds payable	59,135	18,410					77,545
Current portion of unamortized bond premium	5,702						5,702
Other Current Liabilities							
Accrued other expenses	7,878	98,925	33,476	25,650	1,000		164,929
Unrealized revenue, capital grant		23,201					23,201
Deferred revenue, assistance and other	7,418	62,888	8,230	811			79,347
Capital lease obligation		107,226	17,193	25,876			150,295
Claims liability		63,411	12,756	9,315			85,482
Total current liabilities	167,407	501,238	132,480	72,622	87,377	1,959	788,328
Long-Term Liabilities							
General obligation bonds payable	2,292,260	488,885					2,781,145
Claims liability		102,432	20,303	13,755			136,490
Accrued interest payable	32,157						32,157
Capital lease obligation		1,634,602	266,227	74,140			1,974,969
Premium on capital lease payable		6,062					6,062
Deferred revenue	50,712	41,497					92,209
Accrued pension cost		1,263,394					1,263,394
Unamortized bond premium	130,906	41,060					171,966
Deferred rent	1,665						1,665
Other long-term liabilities		4,579		6,882			11,461
Total long-term liabilities	2,507,700	3,582,511	286,529	94,777			6,471,517
Total liabilities	2,675,107	4,083,749	419,009	167,399	87,377	1,959	7,259,846
NET ASSETS (DEFICIT)							
Invested in capital assets	8,449	2,933,472	2,721,191	193,332			5,856,445
Retained earnings			64,306				64,306
Payment on obligations and others		70,214					70,214
Accumulated unrestricted (deficit)	(1,901,067)	(1,280,164)		13,920	1,017,940	1,017,940	(3,147,311)
Total Net Assets (Deficit)	$ (1,892,618)	$ 1,743,523	$ 2,775,497	$ 207,252	$ 1,017,940	$ 1,017,940	$ 2,833,653

See notes to special-purpose combining financial statements and independent accountants' compilation report.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS SPECIAL-PURPOSE
COMBINING STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2005

(In thousands)	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS COMMUTER RAIL DIVISION	SERVICE BOARDS SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS DEBIT	COMBINING ADJUSTMENTS CREDIT	TOTAL COMBINED
REVENUES							
Service Boards operating revenues	$	$ 493,023	$ 275,274	$ 55,430	$ 1,013	$	$ 822,714
Sales taxes	112,024					634,804	746,828
Interest on sales taxes	317						317
Public Transportation Fund	186,136						186,136
Operating Assistance – CTA & Pace	54,252						54,252
State assistance	112,743						112,743
Investment income	36,920						36,920
Program revenues and others	4,172						4,172
Total revenues	506,564	493,023	275,274	55,430	1,013	634,804	1,964,082
EXPENSES							
Operating expenses		1,344,133	524,916	199,218		751	2,067,516
Depreciation		376,910	205,552	30,290			612,752
Financial Assistance to Service Boards	162,434					162,434	
Operating grant – CTA & Pace	54,252					54,252	
Capital grants – discretionary	26,731					26,731	
Capital grants – bonds	138,706					138,706	
Insurance (JSIF)	5,566						5,566
Administrative expenses	7,561						7,561
Regional expenses	20,674					262	20,412
Technology program	1,890						1,890
Bond-related expenses	122,790						122,790
Total expenses	540,604	1,721,043	730,468	229,508		383,136	2,838,487
Operating Loss	(34,040)	(1,228,020)	(455,194)	(174,078)	1,013	1,017,940	(874,405)
NONOPERATING REVENUE (EXPENSE)							
RTA financial assistance		524,056	256,301	98,500	851,491		27,366
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		118,559	18,239	6,344			143,142
Interest expense on leasing transactions		(113,759)	(18,239)	(6,344)			(138,336)
Interest expense on bond transactions		(14,557)					(14,557)
Other public funding		47,747	193,223	39,557			280,527
Capital grants		522,040	72,909	35,337	166,436		464,850
Investment income		36,079		1,602			37,681
Gain on sale of assets		28					28
Total nonoperating revenue (expense)		1,124,461	522,433	174,996	1,016,927		804,963
Changes in Net Assets	(34,040)	(103,559)	67,239	918	1,017,940	1,017,940	(69,442)
NET ASSETS (DEFICIT)							
Beginning of year	(1,858,578)	1,847,082	2,708,258	206,332			2,903,094
End of year	$ (1,892,618)	$ 1,743,523	$ 2,775,497	$ 207,252	$ 1,017,940	$ 1,017,940	$ 2,833,652

See notes to special-purpose combining financial statements and independent accountants' compilation report.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL PURPOSE COMBINING STATEMENTS OF CASH FLOWS

Year Ended December 31, 2006

(In thousands)	RTA JOINT SELF-INSURANCE FUND	SERVICE BOARDS CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS COMMUTER RAIL DIVISION	SERVICE BOARDS SUBURBAN BUS DIVISION	TOTAL COMBINED
CASH FLOWS FROM OPERATING ACTIVITIES					
Fares received from passengers	$	$ 468,319	$ 217,611	$ 48,559	$ 734,489
Payments to employees		(798,078)	(223,682)	(75,311)	(1,097,071)
Payments to vendors	(3,898)	(293,570)	(274,260)	(111,575)	(683,303)
Other receipts and payments		19,616	36,003	5,646	60,265
Net cash from operating activities	(3,898)	(603,713)	(245,328)	(132,681)	(985,620)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Financial assistance – operating		548,664	318,382	124,301	991,348
Net cash from non-capital financing activities		548,664	318,382	124,301	991,348
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest income from assets restricted for payment of leasehold obligations		118,559			118,559
Repayment of lease/leaseback obligations		(84,822)			(84,822)
Increase in assets restricted for payment of leasehold obligations		(33,737)		4,073	(29,664)
Payments of capital lease obligations		(22,583)		(4,073)	(26,656)
Financial assistance – grant projects		503,832	206,186	25,230	737,248
Proceeds from the sale of property and equipment		1,537			1,537
Bond Proceeds (net)		167,806			167,806
Payments for capital acquisition		(553,908)	(246,390)	(27,941)	(828,240)
Net cash from capital and related financing activities		96,684	(38,204)	(2,712)	55,768
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in Investment					
Investment income	1,241	36,079	3,754	1,662	42,836
Sales and purchases of investments, net	(590)	(95,674)			(96,273)
Net cash from investing activities	742	(59,595)	3,754	1,662	(53,437)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,156)	(17,960)	38,604	(9,430)	8,058
Cash And Cash Equivalents – Beginning of year	17,214	45,696	46,177	29,868	139,075
Cash And Cash Equivalents – End of year	$ 14,058	$ 27,736	$ 84,781	$ 20,558	$ 147,134
RECONCILIATION OF OPERATING ACTIVITIES					
Net loss from operations	$ (5,956)	$ (1,228,020)	$ (456,194)	$ (174,077)	$ (1,862,858)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation		376,910	205,552	30,290	612,752
Claims provision and settlement			831		831
State reduced fare assistance			(3,778)		(3,778)
Interest and dividends received			(3,754)		(3,754)
Changes in current assets and liabilities	1,668	247,397	11,014	11,107	271,187
Net Cash Flows from Operating Activities	$ (3,898)	$ (603,713)	$ (246,328)	$ (132,681)	$ (985,620)

See notes to special-purpose combining financial statements and independent accountants' compilation report.

1. BASIS OF ACCOUNTING

The accompanying special purpose combining financial statements are presented as required by the Regional Transportation Authority (RTA) Act (Act) and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America. The special purpose combining financial statements are not in accordance with accounting principles generally accepted in the United States of America primarily due to the RTA and Service Boards using different bases of accounting and due to the omission of significant disclosures. The RTA and each individual Service Board receive a separate audit of their financial statements in accordance with accounting principles generally accepted in the United States of America. These individual statements describe the basis of accounting for each entity and contain the omitted disclosures.

Intergovernmental receivables, payables, revenues, expenses, and expenditures have been eliminated in the Combining Adjustments columns; however, there are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these combining financial statements, such differences are recorded as combining adjustments to net assets.

The columns presenting the combined balances for the RTA and Service Boards are statutorily required and do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

2. ORGANIZATIONAL STRUCTURE

RTA

The RTA was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois Region (Region). The operating responsibilities of the RTA are set forth in the 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. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority (CTA) and two operating divisions of the RTA; the Commuter Rail Division (Metra) and the Suburban Bus Division (Pace), each having its own independent board. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The 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 system as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost 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 monitoring the budgets and financial performance of the Service Boards.

CTA

The CTA was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The Chicago City Council has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

Metra

The Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC), a public corporation, was established in 1980 to serve as the RTA's commuter rail service. The RTA Act, as amended effective November 9, 1983, established the Commuter Rail Division (CRD) to operate commuter rail transportation services. Both the NIRCRC and the CRD act under the registered service mark known as "Metra."

Metra has the responsibility for policy making with respect to actual day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for its operations. Metra is responsible for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application, and administration activities. Metra is directly responsible for the operation and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and Metra Southwest Service commuter lines.

Metra also provides commuter rail service under Purchase of Service Agreements (PSA) with Union Pacific Railroad, Burlington Northern Santa Fe Railway Company, and Northern Indiana Commuter Transportation District. Under these agreements, Metra funds the commuter-related operating deficits (as defined) or is entitled to receive the commuter-related operating surpluses (as defined) of these carriers. In addition, Metra provides certain direct expenses such as fuel and insurance coverage considered to be "in-kind assistance." The title to the roadway and structure assets of the PSA carriers, other than capital improvements funded by federal and state agencies, the RTA, and Metra, is vested with the carriers. Accordingly, such assets are not reflected in these financial statements.

Pace

The RTA Act, as amended effective November 9, 1983, established the Suburban Bus Division (Pace) to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry, and Will. The independent operations of Pace commenced on July 1, 1984.

Pace determines the level, nature, and kind of public transportation services that should be provided in the suburban region. Pace operates suburban bus services using stock, structures, and equipment purchased through capital grants funded by federal and state agencies and the RTA.

Reporting Periods

The RTA, CTA, Metra and Pace (the Combined Entities) all report on a calendar-year basis. All statements enclosed herewith are based on each entity's December 31, 2006 year-end.

3. REPORTING ENTITY

The RTA and each of the Service Boards have adopted the provisions of the Governmental Accounting Standards Board's Statement No. 14 (Statement No. 14), *The Financial Reporting Entity*.

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

In arriving at this conclusion, the following factors were considered:

- 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 that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors, who is also an RTA Board member.
- The Illinois statutes require the RTA Board to approve the budgets of the Service Boards, if such budgets meet specified system-generated revenue recovery ratios and other requirements as defined by the Act.
- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficit.

Accordingly, financial statements for the Service Boards are not included or combined with the RTA's financial statements under Statement No. 14. They are combined, however, in these Combining Financial Statements. Section 4.05 of the RTA Act requires that the RTA prepare a report combining "the audits of the Service Boards, and reviewing the state of the Authority, the Service Boards, and the public transportation agencies."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Combined Entities conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting

The RTA maintains records using a fund accounting model consisting of a General Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund (Business-Type Activities), Agency Fund, and Pension Trust Fund. All Governmental Funds and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund and the Pension Trust Fund are accounted for using the accrual method of accounting. For the purpose of these combining financial statements, all RTA funds have been combined.

The Service Boards are accounted for on a Proprietary Fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these combining financial statements, the individual Service Board financial statements are combined with those of the RTA.

Cash and Cash Equivalents

All investments of the Combined Entities are recorded at fair market value, except short-term investments which are reported at cost or amortized cost that reasonably approximates fair market value.

For the purposes of the combining statements of cash flows, the Combined Entities consider all investments with original maturities of three months or less to be cash equivalents. Such amounts are included in the "Cash and Cash Equivalents" line items on the accompanying balance sheet.

Fixed Assets

All fixed assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in fixed assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of fixed asset. These useful lives range from more than one year to forty years.

Materials and Supplies

Each Service Board records its inventory at the lower of cost or market. The CTA and Metra use the average-cost method and Pace uses the first-in/first-out method to determine cost.

Compensated Absences

All four entities have recorded liabilities for vested vacation time in the year the time was earned. The entities account for compensated absences under GASB Statement No. 16, *Accounting for Compensated Absences*, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability.

Revenues

The Combined Entities have five principal sources of revenue and other financial sources: (1) farebox revenue; (2) retailers' occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Taxes); (3) funds appropriated to the RTA by statute through the state's Public Transportation Fund (PTF) established under the RTA Act; (4) state or federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the RTA Act; and (5) investment income and other miscellaneous revenue.

Farebox Revenue

A major source of revenue to the Service Boards is fares collected from riders. Each Service Board has its own fare structure and method for collection of fares. Farebox revenue is recognized when fares paid are initially valid for transportation services.

Sales Tax

Sections 4.03 and 4.03.1 of the RTA Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

The Act authorizes the RTA to impose a Retailers' Occupation Tax (ROT), a Service Occupation Tax (SOT) and a Use Tax (UT). The RTA imposed this tax at the maximum rate in 1979. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 0.75% in Cook County and 0.25% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the

sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result the RTA tax on food and drugs is imposed at a rate of 1% throughout the six-county area.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate is identical to the ROT. The tax base is identical to the State service occupation tax base.

The UT is imposed on persons living in the six-county area for the privilege of using a vehicle purchased outside the six-county area that must be registered with the State. Unlike the State Use Tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed those portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State but registered or titled with a state agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the Replacement Fund). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a state agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the Reform Fund). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

SERVICE BOARD	COLLECTED WITHIN CHICAGO	COLLECTED WITHIN COOK COUNTY OUTSIDE CHICAGO	COLLECTED IN DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES
CTA	100%	30%	
Metra		55%	70%
Pace		15%	30%

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

Public Transportation Fund

In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the Public Transportation Fund (PTF), an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2007 fiscal year, which will end on June 30, 2007.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement

In the State's fiscal year 2006, which ended June 30, 2006, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation (IDOT) is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2006 and June 30, 2007, the grants were in the amount of $37 million each. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance

The State has authorized Additional State Assistance (ASA), which is supplemental financing for the RTA's Strategic Capital Improvement Program (SCIP) bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of

refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA recognized $40 million of ASA in 2006.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance (AFA) to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million and $100 million in the State's fiscal year 2006 and 2007, respectively. The RTA recognized $73 million of AFA in 2006.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Management's Use of Estimates

The preparation of financial statements in conformity with the Act requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. BUDGET AND BUDGETARY ACCOUNTING

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States, except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year; and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to the Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax Agency Fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There was one budget amendment to the 2006 budget. The amendment (2006-38) amended the RTA budget and amended the Pace budget and program. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% of the sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% of the sales tax receipts and other discretionary receipts.

The reimbursement of the Service Boards' capital expenditures and the payment of PTF funds, 15% funds, and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

6. LEASES

The RTA and CTA hold operating leases which are primarily for rent expense on the facilities they occupy. Metra has several operating leases, primarily for the use of passenger terminals. Pace has multi-year leases for vehicles and bus tires.

CTA

In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119 million. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters.

On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $931 million. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111 million.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased debt service payments over the next 27 years by approximately $388,000 resulting in an economic gain of approximately $20.4 million. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2.4 million. This amount is recorded as a component of long-term debt in the accompanying balance sheets.

The new bonds are payable from and secured by the lease entered into between the PBC and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. Bond issue costs and premium related to this transaction are presented as such on the balance sheets. The present value of the future payments to be made by the CTA under the lease of approximately $91.3 million is reflected in the accompanying December 31, 2006 balance sheet as a capital lease obligation.

In 2003, the CTA entered into a lease/leaseback agreement with a third party pertaining to certain buses (lots 1 and 2), with a book value of $25.8 million as of December 31, 2006. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $23.6 million is reflected in the accompanying December 31, 2006 balance sheet as capital lease obligation.

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of $42.1 million as of December 31, 2006. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $101.2 million is reflected in the accompanying December 31, 2006 balance sheet as capital lease obligation.

During 2002, the CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of $28.6 million as of December 31, 2006. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $169.9 million is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligation.

During 1998, the CTA entered into a lease/leaseback agreement (1998 Agreement) with a third party pertaining to a rail line (Green Line), with a book value of $273 million as of December 31, 2006. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (1998 Lease). The present value of the future payments to be made by the CTA under the lease of approximately $277 million is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligation.

During 1997, the CTA entered into four lease/leaseback agreements (1997 Agreements) with a third party pertaining to certain of its facilities having a book value of $54.2 million as of December 31, 2006. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (Leases). The CTA received certain funds as prepayments by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due from the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the Leases (net of the payment due from the Equity Trust in 2023 and 2024) of approximately $30.2 million is reflected in the accompanying December 31, 2006 balance sheet as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. The Federal Transit Administration (FTA) has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease/leaseback agreements (1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of $57.5 million as of December 31, 2006. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $30.4 million is reflected in the accompanying December 31, 2006 balance sheet as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80.0 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1995, the CTA entered into sale/leaseback agreements (1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling $487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. As of December 31, 2006, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $1.018 billion. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments for capital leases due:

2007	$	111,020
2008		211,149
2009		95,772
2010		109,211
2011		99,210
Thereafter		2,416,434
Total future minimum payments	$	3,042,796
Less interest		(1,305,568)
Present value of minimum lease payments	$	1,741,828

The present value of all future payments to be made by the CTA under all its leases of approximately $1.7 million is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligations.

Metra

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors (headlease) and simultaneously

subleased the railcars back (sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes. At closing, the railcars had a fair market value of approximately $296.9 million and a book value of $262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately $274 million. Metra transferred approximately $177.4 million and $52.9 million of the prepayment proceeds to third parties in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies. Both the debt payment undertaker and the equity payment undertaker have AA+ and Aa1 bond ratings from Standard & Poor's and Moody's respectively. Both finance companies' performance under the agreement guaranteed by their parent company, which carries the same ratings. In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998. The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:

2007	$	17,193,268
2008		25,239,685
2009		26,481,563
2010		20,947,382
2011		20,947,382
Thereafter		401,014,939
Total future minimum payments	$	513,824,219
Less imputed interest		(230,403,827)
Present value of minimum lease payments	$	283,420,392

The present value of minimum lease payments of the Metra lease is $283.4 million, which is reflected in the accompanying December 31, 2006 statement of net assets as capital lease obligations.

Pace

During 2003, Pace entered into two lease and leaseback agreements and realized a gain of $2.4 million from the proceeds. The transactions allowed Pace to earn up-front economic cash benefit for transferring ownership (not legal title) of a group of assets to a taxpayer that could take advantage of the benefits of tax ownership.

The first lease and leaseback agreement with a third party pertained to certain buses (lots 1, 2, and 3) with a book value of $35.7 million as of December 31, 2006. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $64.5 million and is reflected in the accompanying December 31, 2006 statement of net assets as the total of the current and long-term portions of capital lease obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) with a book value of $19.9 million as of December 31, 2006. Under the bus lease agreements, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $35.5 million and is reflected in the accompanying December 31, 2006 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:

2007	$	25,876,035
2008		
2009		
2010		
2011		1,438,538
Thereafter		124,399,915
Total future minimum payments	$	151,714,488
Less interest		(51,698,763)
Present value of minimum lease payments	$	100,015,725

The present values of the future payments including the purchase option to be made by Pace under these leases are approximately $74.1 million and $25.9 million, respectively, and are reflected in the accompanying December 31, 2006 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

7. COMMITMENTS AND CONTINGENCIES

Each of the entities has various commitments that have arisen in the normal course of operations. None is expected to have a material adverse impact on its financial position as presented.

Each of the entities has also established liabilities for potential legal judgments to satisfy claims against the entity.

The RTA has also established a Loss Financing Plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01 et seq. Each of the Combined Entities has established its own investment policy which is in line with the State statute or, in some cases, more restrictive.

The Combined Entities have on hand, as of December 31, 2006, $610 million of cash and investments. Of this amount, $420 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims, and capital projects. In addition, CTA, Metra, and Pace hold $2.44 billion of investments in other assets for employee pension benefits, damage liabilities, and capital lease obligations, which are recorded as other assets in the financial statements.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	JANUARY 1, 2006	NEW ISSUES	CURRENT RETIREMENTS	DECEMBER 31, 2006
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000
1991A	55,745,000	-	-	55,745,000
1992A* and 1992B	52,145,000	-	5,710,000	46,435,000
1994A* and 1994B	24,395,000	-	-	24,395,000
1994C* and 1994D	70,090,000	-	3,790,000	66,300,000
1997 Refunding	79,856,000	-	4,400,000	75,456,000
1999* Refunding	290,640,000	-	5,135,000	285,505,000
2000A*	244,270,000	-	4,480,000	239,790,000
2001A*	93,990,000	-	1,695,000	92,295,000
2001B Refunding*	34,470,000	-	1,485,000	32,985,000
2002A*	153,005,000	-	2,555,000	150,450,000
2002B	173,255,000	-	9,400,000	163,855,000
2003A*	255,440,000	-	4,130,000	251,310,000
2003B	147,645,000	-	2,435,000	145,210,000
2003C Refunding	13,315,000	-	3,115,000	10,200,000
2004A*	258,990,000	-	3,985,000	255,005,000
2005B Refunding	148,110,000	-	2,795,000	145,315,000
2006A*	-	250,350,000	-	250,350,000
Total	$2,156,155,000	$ 250,350,000	$ 55,110,000	$2,351,395,000

*Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2006, the total general obligation bonds payable of $2,351,395,000 are classified as current and long-term in the statement of net assets in the amounts of $59,135,000 and and $2,292,260,000, respectively.

Advance Refundings

On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. 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 of the refunded debt. At December 31, 2006, $20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore have been removed from the financial statements.

On January 19, 1996, the RTA advance refunded 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 of the refunded debt. At December 31, 2006, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded 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) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series), and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore have been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued $19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2006, $19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore have been removed from the financial statements.

On May 2, 2005, the RTA issued $148 million in General Obligation bonds with a variable rate which resets weekly to currently refund $144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of $147 million (after payment of $892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be redeemed and the liability for those bonds has been removed from the government-wide statement of net assets. The current refunding resulted in a redemption premium of $2.9 million. The RTA completed the current refunding to reduce its total debt service payments with an estimated economic gain over the next 20 years of $2.1 million.

Debt Service Requirements

The "debt service requirements" set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements.

1990 General Obligation Bonds

In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990, and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ -	$ 4,377,240	$ 4,377,240
2008		4,377,240	4,377,240
2009		4,377,240	4,377,240
2010	3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012 - 2016	25,290,000	15,654,960	40,944,960
2017 - 2020	27,610,000	5,142,600	32,752,600
Total	$ 60,795,000	$ 42,409,440	$ 103,204,440

1991 General Obligation Bonds

In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992, and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ -	$ 3,734,914	$ 3,734,914
2008		3,734,915	3,734,915
2009		3,734,915	3,734,915
2010		3,734,915	3,734,915
2011	-	3,734,914	3,734,914
2012 - 2016	23,390,000	15,743,660	39,133,660
2017 - 2021	32,355,000	6,783,750	39,138,750
Total	$ 55,745,000	$ 41,201,983	$ 96,946,983

1992 General Obligation Bonds

In June 1992, the RTA issued $198 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 6,250,000	$ 3,225,410	$ 9,475,410
2008	6,840,000	2,636,360	9,476,360
2009	7,480,000	1,991,960	9,471,960
2010		1,396,960	1,396,960
2011	-	863,040	863,040
2012 - 2022	25,865,000	293,760	26,158,760
Total	$ 46,435,000	$ 10,407,490	$ 56,842,490

1994 General Obligation Bonds

In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00%, on December 1, 1994, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$	$ 1,951,600	$ 1,951,600
2008		1,951,600	1,951,600
2009		1,951,600	1,951,600
2010		1,951,600	1,951,600
2011		1,951,601	1,951,601
2012 - 2024	24,395,000	9,795,799	34,190,799
Total	$ 24,395,000	$ 19,553,800	$ 43,948,800

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,095,000	$ 4,979,569	$ 9,074,569
2008	4,420,000	4,649,612	9,069,612
2009	1,500,000	4,420,213	5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012 – 2016	21,460,000	17,698,676	39,158,676
2017 – 2025	31,455,000	4,313,844	35,768,844
Total	$ 66,300,000	$ 44,529,951	$ 110,829,951

1997 General Obligation Refunding Bonds

In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001–2002, in the aggregate amount of $4 million; Series 1991A Bonds, maturing November 1 in the years 2002–2006, 2008 and 2011, in the aggregate amount of $29 million; Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million; and Series 1993B Bonds, maturing June 1 in the years 2004 – 2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997A Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,625,000	$ 4,249,975	$ 8,874,975
2008	4,875,000	4,000,288	8,875,288
2009	5,155,000	3,724,463	8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012 - 2016	16,445,000	12,689,688	29,134,688
2017 - 2021	23,910,000	6,533,100	30,443,100
2022 – 2026	9,250,000	490,500	9,740,500
Total	$ 75,455,000	$ 38,246,077	$ 113,701,077

1999 General Obligation Refunding Bonds

In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund, in advance of maturity, the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million; Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million; Series 1994A Bonds, maturing June 1 in the years 2006–2009, 2012, 2015 and 2024, in the aggregate amount of $143 million; and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 5,395,000	$ 16,196,637	$ 21,591,637
2008	5,665,000	15,920,137	21,585,137
2009	7,670,000	15,586,762	23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012 – 2016	71,895,000	62,016,007	133,911,007
2017 – 2021	108,245,000	38,208,132	146,453,132
2022 - 2025	70,045,000	5,932,381	75,977,381
Total	$ 285,505,000	$ 183,709,382	$ 469,214,382

2000 General Obligation Bonds

In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2000A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.75% to 6.25% on January 1, 2001, and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,730,000	$ 15,138,538	$ 19,868,538
2008	4,995,000	14,866,563	19,861,563
2009	5,275,000	14,579,350	19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012 - 2016	33,155,000	65,867,064	99,022,064
2017 – 2021	47,200,000	51,474,251	98,674,251
2022 – 2026	63,860,000	34,675,576	98,535,576
2027 - 2030	67,100,000	11,236,225	78,336,225
Total	$ 239,790,000	$ 234,069,080	$ 473,859,080

2001 General Obligation Bonds

In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 6.00% on January 1, 2001, and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 1,785,000	$ 5,442,988	$ 7,227,988
2008	1,880,000	5,344,813	7,224,813
2009	1,980,000	5,241,413	7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012 – 2016	13,010,000	22,945,626	35,955,626
2017 – 2021	17,125,000	18,611,825	35,736,825
2022 – 2026	22,545,000	13,111,200	35,656,200
2027 – 2031	29,680,000	5,538,300	35,218,300
Total	$ 92,295,000	$ 86,386,241	$ 178,681,241

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund, in advance of maturity, the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004–2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 1,555,000	$ 1,755,488	$ 3,310,488
2008	1,630,000	1,679,750	3,309,750
2009	-	1,639,000	1,639,000
2010	-	1,639,000	1,639,000
2011	-	1,639,000	1,639,000
2012 – 2016	7,280,000	7,808,976	14,888,976
2017 – 2021	15,175,000	4,198,289	19,373,289
2022 – 2023	7,345,000	409,612	7,754,613
Total	$ 32,985,000	$ 20,569,116	$ 53,554,116

2002 General Obligation Bonds

In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 6.00% on July 1, 2002, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 2,690,000	$ 8,833,438	$ 11,523,438
2008	2,835,000	8,698,938	11,533,938
2009	2,985,000	8,557,188	11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012 – 2016	19,555,000	38,214,788	57,769,788
2017 – 2021	25,795,000	31,842,500	57,637,500
2022 – 2026	34,170,000	23,167,800	57,337,800
2027 – 2031	45,270,000	11,659,500	56,929,500
2032	10,685,000	641,100	11,326,100
Total	$ 150,450,000	$ 148,273,628	$ 298,723,628

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen-year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 9,710,000	$ 8,560,338	$ 18,270,338
2008	10,060,000	8,053,513	18,113,513
2009	10,450,000	7,515,125	17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012 – 2016	64,690,000	21,599,850	86,289,850
2017 – 2019	46,750,000	3,851,188	50,601,188
Total	$ 163,855,000	$ 62,853,427	$ 226,708,427

2003 General Obligation Bonds

In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.00% to 5.50% on January 1, 2004, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,335,000	$ 14,212,575	$ 18,547,575
2008	4,555,000	13,995,825	18,550,825
2009	4,790,000	13,768,075	18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012 – 2016	31,260,000	62,000,150	93,260,150
2017 – 2021	40,850,000	52,492,500	93,342,500
2022 – 2026	53,310,000	39,953,875	93,263,875
2027 – 2031	68,945,000	22,706,100	91,651,100
2032 – 2033	32,910,000	2,987,100	35,897,100
Total	$ 251,310,000	$ 248,921,100	$ 500,231,100

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2003, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 2,545,000	$ 7,868,325	$ 10,413,325
2008	2,675,000	7,763,925	10,438,925
2009	2,810,000	7,654,225	10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012 – 2016	18,125,000	34,306,451	52,431,451
2017 – 2021	23,535,000	28,619,915	52,154,915
2022 – 2026	30,595,000	21,217,738	51,812,738
2027 – 2031	39,785,000	11,435,439	51,220,439
2032 – 2033	19,080,000	1,111,476	20,191,476
Total	$ 145,210,000	$ 134,918,619	$ 280,128,619

In May 2003, the RTA issued $19 million in General Obligation Bonds, Series 2003C, to provide funds to refund, in advance of maturity, the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004 – 2009, in the aggregate amount of $19 million.

The Series 2003C Bonds mature on July 1 over a six-year period and interest is payable at rates ranging from 2.00% to 5.00% on January 1, 2004, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003C Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 3,240,000	$ 510,000	$ 3,750,000
2008	3,395,000	348,000	3,743,000
2009	3,565,000	178,250	3,743,250
Total	$ 10,200,000	$ 1,036,250	$ 11,236,250

2004 General Obligation Bonds

In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 5.75% on June 1, 2005, and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 4,190,000	$ 13,966,038	$ 18,156,038
2008	4,405,000	13,751,163	18,156,163
2009	4,635,000	13,525,163	18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012 – 2016	29,825,000	60,874,539	90,699,539
2017 – 2021	38,540,000	51,393,107	89,933,107
2022 – 2026	50,115,000	39,418,282	89,533,282
2027 – 2031	65,155,000	23,587,544	88,742,544
2032 – 2034	48,150,000	4,249,825	52,399,825
Total	$ 255,005,000	$ 247,090,987	$ 502,096,987

2005 General Obligation Bonds

In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005–2025, in the aggregate amount of $147 million.

The Series 2005B Bonds mature on June 1 over a twenty-year period and interest is payable at variable rates which reset weekly, based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST*	TOTAL
2007	$ 2,940,000	$ 4,746,885	$ 7,686,885
2008	3,070,000	4,647,720	7,717,720
2009	6,535,000	4,489,238	11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012–2016	28,570,000	16,640,746	45,210,746
2017–2021	36,155,000	12,971,394	49,126,394
2022–2025	53,985,000	3,388,524	57,373,524
Total	$ 145,315,000	$ 55,189,287	$ 200,504,287

*Interest was calculated using a rate of 3.3%.

2006 General Obligation Bonds

In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007, and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2007	$ 1,050,000	$ 9,191,367	$ 10,241,367
2008	3,385,000	12,210,531	15,595,531
2009	3,625,000	12,041,281	15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012–2016	23,425,000	55,166,406	78,591,406
2017–2021	31,540,000	48,529,656	80,069,656
2022–2026	81,025,000	36,437,156	117,462,156
2027–2031	60,545,000	14,796,219	75,341,219
2032–2035	38,020,000	5,571,675	43,591,675
Total	$ 250,350,000	$ 217,475,353	$ 467,825,353

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $72 million in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2006.

10. PENSION

All eligible employees of the Combined Entities are covered under a pension plan. RTA employees, as well as nonunion employees of Metra and Pace, are covered under the RTA Pension Plan, which is a multi-employer, noncontributory, defined benefit cost sharing plan and trust. The union employees of Metra and Pace are covered under various other plans as required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union and nonunion employees and Chicago Transit Authority Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. The Supplemental Retirement Plan, which includes the Retirement Plan for Board Members and the Supplemental Retirement Plan for selected Officers, Executives, Supervisory and Professional Employees, provides benefits, in addition to the Employees' Retirement Plan, to management employees in certain employment classifications and Chicago Transit Authority Board members.

11. REGION-WIDE FINANCIAL INFORMATION

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation-related operations in the Northeastern Illinois region. This information includes the transportation-related results of the Service Boards' affiliated carriers. Accordingly, this region-wide information is presented in the combining region-wide schedules of revenues and expenditures and the combining region-wide statement of revenues and expenditures – budget and actual.

The basic financial statements of the RTA and the Service Boards used to prepare the combining statement of revenues and expenses do not include the aggregate of system-generated revenues and costs. The combining region-wide schedules of revenues and expenditures include the aggregate of all system-generated revenues and costs.

For purposes of the system-generated revenues recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with accounting principles generally accepted in the United States, with certain allowable adjustments as enumerated in the Act. Costs funded by federal capital grants are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act.

The Act requires that the aggregate of all system-generated revenues equal at least 50% of the aggregated costs of providing such public transportation.

For 2006, the region-wide system-generated revenues recovery ratio is calculated from the Combining Region-Wide Schedules of Revenues and Expenditures (Budget and Actual Budget Basis) as follows:

SYSTEM-GENERATED REVENUES RECOVERY RATIO
(in thousands)

	REVENUES	EXPENDITURES
CTA*	$ 586,668	$ 1,083,799
Metra**	275,274	502,028
Pace***	70,007	204,728
RTA****	15,821	28,824
Total	$ 947,770	$ 1,819,379

The RTA Board (Ordinance 2005-06) authorized the exclusion of added security costs from the Service Board expenditures including the allowable adjustments specified in the RTA Act. The amount that exceeds the RTA Act exclusion is added back to RTA system-generated expenses to calculate the System-Generated Revenue Recovery Ratio. The amount added to CTA and Metra expenditures was $16.2 million and $9.0 million, respectively. The region-wide system-generated revenues recovery ratio for 2006 equals 52.1%.

* The system-generated revenues recovery ratio for the CTA included leasehold revenues of $4.3 million and excluded CTA expenditures for security costs of $30.8 million. It also included in-kind services of $22 million, both as revenues and expenditures.

** Metra's $14.0 million security costs, $15.1 million costs for lease of transportation facilities and $2.7 million for funded depreciation to carriers were deducted from expenditures.

*** Pace included in-kind services of $5.5 million both as revenues and expenditures. Also, Pace included capital cost of contracting funding of $7.5 million in revenues.

**** The RTA subtracted back $14.6 million unrealized gain on swap valuation to its revenues. Also, the RTA excluded all capital related (depreciation) expenses of $254 thousand.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

12. RECONCILIATION OF GOVERNMENT-WIDE TO REGION-WIDE REVENUES AND EXPENDITURES

RTA's government-wide financial statements do not include fiduciary fund financial statement information which is added in the region-wide presentation. As also stated in Note 11, in-kind services are added in the system-generated revenues and expenditures.

The following data (in thousands) reconciles the combining government-wide to region-wide schedules of revenues and expenditures:

	RTA	CTA	METRA	PACE
Government-wide revenues (page 33)	$ 506,564	$1,745,794	$ 815,946	$ 236,771
Federal operating grants				7,465
Sales tax agency fund	673,929			
Pension trust fund	21,994			
In-kind services		22,000		5,509
Unrealized gain on swap valuation	(14,606)			
Region-wide revenues (page 34)	1,187,881	1,767,794	815,946	249,745
Government-wide expenditures (page 33)	540,604	1,849,353	748,707	235,852
Sales tax agency fund	673,929			
Pension trust fund	6,500			
In-kind services		22,000		5,509
Security costs		(30,831)	(14,022)	
Lease of transportation facilities			(15,139)	
Capital (Depreciation, disposals/additions)	(254)		(2,749)	
Region-wide expenditures (page 34)	1,220,779	1,840,522	716,799	241,361
Net revenues (expenditures)	$ (32,898)	$ (72,728)	$ 99,147	$ 8,384

13. SUBSEQUENT EVENTS

On February 20, 2007, pursuant to Part II, Article One of the Articles of Agreement of the Loss Financing Plan, the Fund made a payment to indemnify PACE in the amount of $4,750,000. PACE is required to make annual payments of $1,000,000 plus interest, calculated using the effective interest rate earned by the remaining assets of the Fund during such Occurrence Year, until the balance is paid in full.

On March 22, 2007, pursuant to Ordinance No. 2006-77 Ordinance Authorizing A Note Issuance Agreement, Bank of America, N.A. issued a working cash note to the RTA for $40,000,000. This note is to be used solely for purposes provided in the RTA Act. The note is an unsecured general obligation payable from any lawfully available moneys subordinate to any bonds or notes issued and outstanding.

On June 11, 2007, the RTA entered into two fixed to floating swaps. The aggregate notional value was $260 million. This was done pursuant to Ordinance No. 2006-33, which authorizes certain actions in connection with Interest Rate Swap Transactions. Both transactions expire in 2030 with optional termination by the counter parties in 2016.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS SPECIAL PURPOSE
COMBINING/GOVERNMENT-WIDE SCHEDULES OF REVENUES AND EXPENDITURES

Year Ended December 31, 2006

(in thousands)	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
REVENUES:							
Service Boards operating revenues	$	$ 529,130	$ 275,274	$ 57,033	$ 1,013	$	$ 860,423
RTA financial assistance		524,066	256,301	98,500	851,491		27,366
Other public funding		47,747	193,723	39,557			280,527
Capital grants		322,040	72,909	35,337	165,436		464,851
Sales taxes	112,024					634,804	746,828
Interest on sales taxes	317						317
Public Transportation Fund	186,136						186,136
Operating Assistance – CTA & Pace	54,252						54,252
State assistance	112,743						112,743
Investment income	36,920						36,920
Program revenues and other	4,172						4,172
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		118,589	16,239	6,344			143,142
Total revenues	506,564	1,745,794	815,946	236,771	1,017,940	634,804	2,921,938
EXPENDITURES:							
Operating		1,344,133	524,916	199,218		751	2,067,516
Depreciation		376,910	205,652	30,290			612,752
Financial Assistance to Service Boards	162,434					162,434	
Operating Grant – CTA & Pace	54,252					54,252	
Capital grants – discretionary	26,731					26,731	
Capital grants – bonds	138,706					138,706	
Insurance (JSIF)	5,566						5,566
Administrative expenses	7,561						7,561
Regional expenses	20,674					262	20,412
Technology program	1,890						1,890
Bond related expenses	122,790	14,567					137,347
Interest expense from leasing transactions		113,753	18,239	6,344			138,336
Total expenditures	540,604	1,849,353	748,707	235,852		383,136	2,991,380
Net Revenues (Expenditures)	$ (34,040)	$ (103,559)	$ 67,239	$ 919	$ 1,017,940	$ 1,017,940	$ (69,442)

Note 1 – Changes in net assets shown on page 18 and net revenues and expenditures shown on this page are similar.
Note 2 – Government-wide to Region-wide revenues and expenditures shown on page 33 and 34, respectively, are reconciled in Note 12.

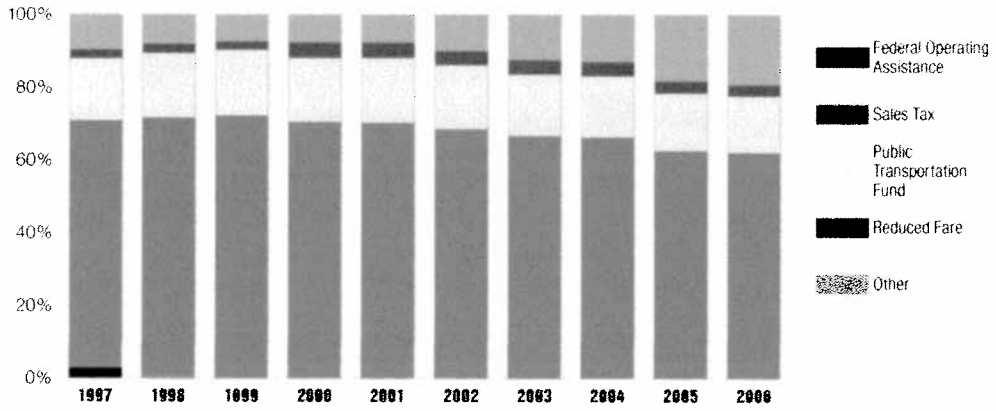
REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS SPECIAL-PURPOSE COMBINING REGION-WIDE SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2006

(In thousands)	RTA GOVERNMENT-WIDE AND FIDUCIARY	SERVICE BOARDS CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS COMMUTER RAIL DIVISION	SERVICE BOARDS SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS CREDIT	COMBINING ADJUSTMENTS DEBIT	TOTAL COMBINED	TOTAL REGION-WIDE BUDGET
REVENUES:								
RTA financial assistance	$	$ 524,056	$ 256,301	$ 98,500	$ 851,492	$	$ 27,365	$
Other public funding		47,747	193,223	39,557			280,527	
Capital grants		522,040	72,909	35,237	165,436		464,850	
Interest revenue from leasing transactions		118,559	16,239	6,344			143,142	
Sales taxes	746,829						746,829	719,900
Public Transportation Fund	186,136						186,136	179,975
Operating Assistance – CTA & Pace	54,252						54,252	54,252
State assistance	112,743						112,743	119,001
State reduced fare reimbursement	37,327				37,327			
Pension contribution	8,777				892		7,885	
Investment income	23,820						23,820	
Interest on sales taxes to Service Boards	1,797				1,797			
Subtotal	1,171,681	1,212,402	540,672	179,738	1,056,944		2,047,549	1,073,128
Investment income	26,317						26,317	9,571
Other revenues	4,172			7,465			11,637	4,431
Interest on sales taxes	317						317	150
Service Boards revenues		529,130	275,274	57,033	1,013		860,424	847,032
Add (Subtract):								
In-kind services		22,000		5,509			27,509	22,000
Leasehold revenue		4,262					4,262	4,262
Unrealized loss on swap valuation	(14,606)						(14,606)	
Subtotal	16,200	555,392	275,274	70,007	1,013		915,860	887,446
Total Revenues	1,187,881	1,767,794	815,946	249,745	1,057,957		2,963,409	1,960,574
EXPENDITURES:								
Pension and other employee benefits		267,694					267,694	
Depreciation		376,910	205,552	30,290			612,752	
Interest expenses from leasing transactions		113,753	18,239	6,344			138,336	
Interest expenses from bond transactions		14,557					14,557	
Operating grants to Service Boards	797,239					797,239		
CTA & Pace Operating Grant	54,252					54,252		
Capital grants – discretionary	26,731					26,731		
Capital grants – bonds	138,706					138,706		
State reduced fare reimbursement	37,327					37,327		
Regional expenses	12,066					262	11,804	
Bond-related expenses	122,790						122,790	
Interest on sales taxes to Service Boards	1,797					1,797		
Subtotal	1,190,908	772,914	223,791	36,634		1,056,314	1,167,933	
Operating expenses		1,076,439	524,916	199,218		751	1,799,822	1,774,795
Administrative expenses	7,561					892	6,669	6,684
Regional expenses	20,674						20,674	24,089
Technology program	1,890						1,890	6,532
Add (Subtract):								
In-kind services		22,000		5,509			27,509	26,462
Security costs		(30,831)	(14,022)				(44,853)	(52,331)
Lease of transportation facilities			(15,139)				(15,139)	(14,518)
Capital (depreciation, disposals/additions)	(254)		(2,749)				(3,003)	(2,632)
Subtotal	29,871	1,067,608	493,008	204,727		1,643	1,793,571	1,769,071
Total Expenditures	1,220,779	1,840,522	716,799	241,361		1,057,957	2,961,504	1,769,071
Net Revenues (Expenditures)	$ (32,898)	$ (72,728)	$ 99,147	$ 8,384	$ 1,057,957	$ 1,057,957	$ 1,905	$ 191,503

RTA Revenue by Source

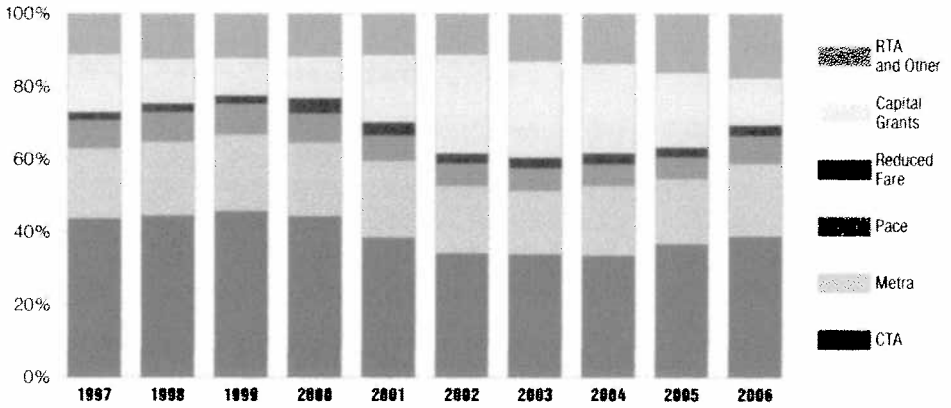
1997–2006



(Dollars in thousands)	FEDERAL OPERATING ASSISTANCE	SALES TAX	PUBLIC TRANSPORTATION FUND	REDUCED FARE	OTHER	TOTAL
12 Months Ended 12/31/97	$ 21,581	$ 265,606	$ 139,083	$ 19,243	$ 79,935	$ 515,368
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	570,704	144,846	19,537	86,280	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.40%	8.22%	100%
12 Months Ended 12/31/99	0	619,514	153,343	19,396	83,624	849,867
Percentage of Total	0.00%	72.35%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	680,284	162,247	28,709	71,947	923,237
Percentage of Total	0.00%	73.44%	17.57%	4.20%	7.78%	100%
12 Months Ended 12/31/01	0	653,522	164,587	34,531	71,142	923,782
Percentage of Total	0.00%	70.73%	17.81%	3.26%	7.70%	100%
12 Months Ended 12/31/02	0	647,685	165,685	35,280	90,167	938,777
Percentage of Total	0.00%	68.99%	17.65%	3.84%	9.61%	100%
12 Months Ended 12/31/03	0	694,808	167,739	34,662	122,217	961,936
Percentage of Total	0.00%	72.25%	17.44%	3.60%	12.71%	100%
12 Months Ended 12/31/04	0	675,628	170,357	41,153	132,664	1,019,802
Percentage of Total	0.00%	66.25%	16.71%	3.94%	13.02%	100%
12 Months Ended 12/31/05	0	760,385	175,648	37,127	204,913	1,178,073
Percentage of Total	0.00%	64.54%	14.91%	3.32%	17.39%	100%
12 Months Ended 12/31/06	0	746,829	186,136	37,127	232,163	1,202,255
Percentage of Total	0.00%	62.11%	15.48%	3.10%	19.31%	100%

Distribution of Expenditures

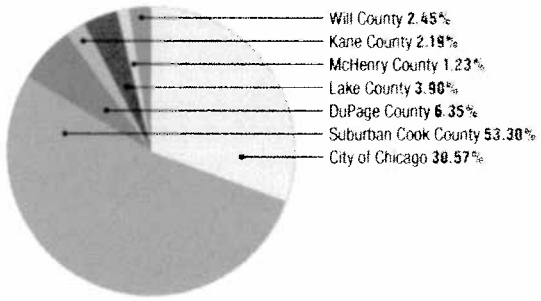
1997–2006



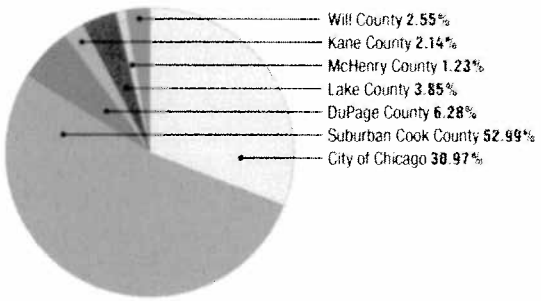
Last Ten Years (in thousands)	FINANCIAL ASSISTANCE CTA	METRA	PACE	TOTAL	REDUCED FARE	CAPITAL GRANTS	RTA AND OTHER	TOTAL
12 Months Ended 12/31/97	$ 377,198	$ 166,083	$ 67,337	$ 610,618	$ 19,243	$ 136,680	$ 97,701	$ 864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,436	842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%

Sales Tax Revenue Source by County/City of Chicago

2005



2006



Retailers' Occupation and Use Tax (Sales Tax) Revenues by County/City of Chicago

Last Ten Years (in thousands)	CITY OF CHICAGO	SUBURBAN COOK COUNTY	DuPAGE COUNTY	KANE COUNTY	LAKE COUNTY	McHENRY COUNTY	WILL COUNTY	TOTAL
12 Months Ended 12/31/97	$ 163,366	$ 313,113	$ 36,482	$ 9,301	$ 18,980	$ 5,329	$ 8,925	$ 555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
Percentage of Total	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%

LEGAL DEBT CAPACITY

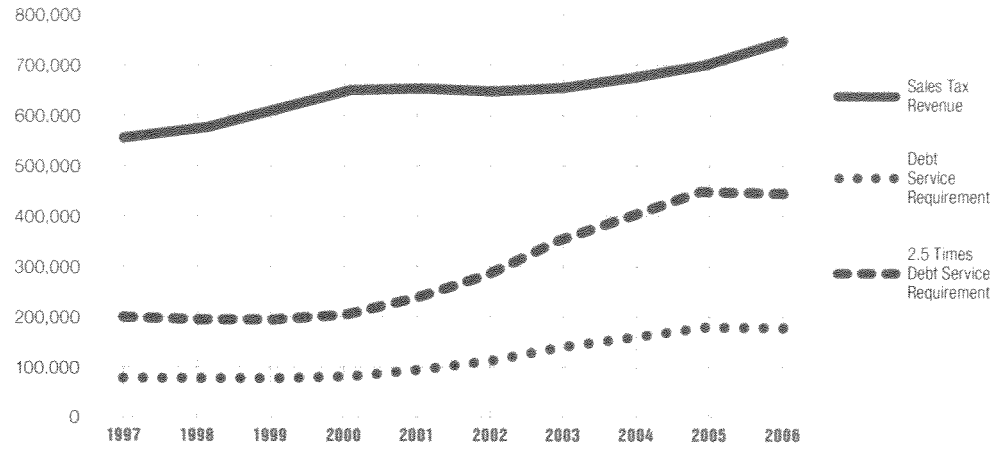
2006

	BALANCE OUTSTANDING AT DECEMBER 31, 2006	ISSUED	
LEGAL DEBT MARGIN			
Debt Limitation per Act for General Obligations			$ 2,600,000,000
Debt applicable to limitation			
Non-SCIP Bonds			
1990A General Obligation Bonds	$ 60,795,000		
1991A General Obligation Bonds	55,745,000		
1992B General Obligation Bonds	6,396,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	35,070,000		
1997 General Obligation Refunding Bonds	75,455,000		
2002B General Obligation Bonds	163,855,000		
2003B General Obligation Bonds	145,210,000		
2003C General Obligation Refunding Bonds	10,200,000		
2005B General Obligation Refunding Bonds	145,315,000		
Total RTA Bonds Applicable to Limitation	$ 705,135,000		$ (705,135,000)
SCIP Bonds			
1992A General Obligation Bonds	$ 40,040,000	$ 188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	31,230,000	62,000,000	
1999 General Obligation Refunding Bonds	285,505,000		
2000 General Obligation Bonds	239,790,000	260,000,000	
2001A General Obligation Bonds	92,295,000	100,000,000	
2001B General Obligation Refunding Bonds	32,985,000		
2002A General Obligation Bonds	150,450,000	160,000,000	
2003A General Obligation Bonds	251,310,000	260,000,000	
2004A General Obligation Bonds	255,905,000	260,000,000	
2006A General Obligation Bonds	260,350,000	260,350,000	
Total SCIP Bonds Applicable to Limitation		$ 1,790,350,000	$ (1,790,350,000)
Total SCIP Bonds Outstanding	$ 1,646,260,000		
Total Bonds Outstanding	$ 2,351,395,000		
Debt Margin for General Obligations			$ 104,515,000
Debt Limitation per Act for Working Cash Notes			100,000,000
Total Legal Debt Margin			$ 204,515,000

Comparison of Sales Tax Revenue to Debt Service Requirement

1997–2006

(In thousands)



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years (In thousands)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sales Tax Revenue	$ 555,496	$ 576,704	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829
Debt Service Requirement	78,359	77,883	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086
2.5 Times Debt Service Requirement	195,898	194,708	194,665	204,190	237,968	283,815	351,518	399,255	448,840	445,215

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying 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.

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years
(in thousands)

YEAR	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL	TOTAL EXPENDITURES	RATIO OF DEBT SERVICE TO TOTAL EXPENDITURES
1997	$ 13,898	$ 64,461	$ 78,359	$ 864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively)

Last Ten
Calendar Years
(in millions)

FEDERAL FISCAL YEAR	TOTAL AWARDED	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION
1997	$ 228.42	$ 127.56	$ 80.28	$ 20.58
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.63	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
Total	$ 3,893.67	$ 2,178.82	$ 1,417.91	$ 296.94

Source of data: Information obtained from the Service Boards' records.

SERVICE BOARD OPERATING CHARACTERISTICS

2006

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 195.2 million riders per year

Motor Bus

- 151 bus routes
- 2,140 buses
- 298.4 million riders per year

Paratransit

- 1,201 thousand riders per year

Other

- 1.1 billion passenger rail miles per year
- 12.3 million rail miles per year
- 715.5 million passenger miles per year
- 68.2 million vehicle miles per year

Metra Commuter Rail Division

- 555 route miles
- 1,251 miles of track
- 241 stations
- 144 locomotives
- 820 passenger cars
- 241 electric cars
- 735 weekly trains operated
- 96.3% on-time performance
- 70.9 million riders per year

Other

- 1.6 billion passenger miles per year
- 43.3 million vehicle miles per year

Pace Suburban Bus Division

Fixed Route

- 155 regular routes
- 51 feeder routes
- 2 subscription routes
- 24 shuttle routes
- 564 vehicles in use during peak periods
- 33.7 million riders per year

Paratransit

- 82 local services
- 380 Pace-owned lift-equipped buses in service
- 217 communities served
- 2.7 million riders per year

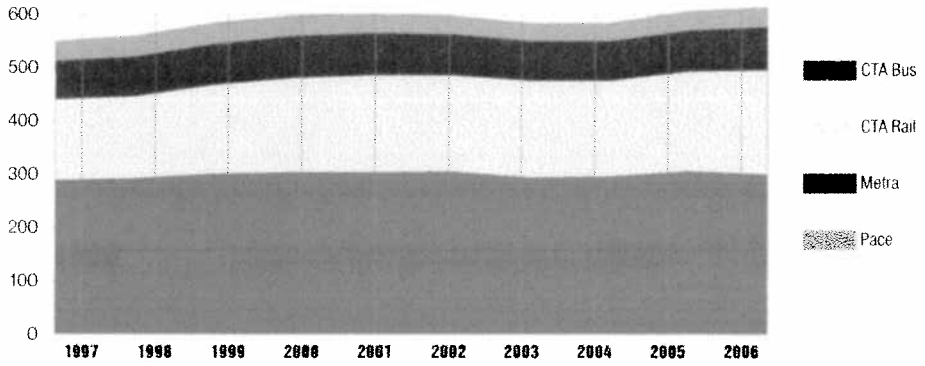
Other

- 648 vanpools in operation
- 1.7 million riders for the year
- 16.3 million passenger miles per year
- 18.7 million vehicle miles per year

Source of data: Information obtained from the Service Boards' records

System Ridership—Unlinked Passenger Trips

1997–2006



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Service Consumed:										
CTA – Bus	288.5	291.7	300.3	305.3	303.1	304.8	293.6	286.0	286.5	298.4
CTA – Rail	151.0	153.6	156.5	176.2	181.7	180.4	181.1	178.7	186.8	195.2
Total CTA*	439.3	445.3	456.7	481.6	484.8	485.2	474.7	464.7	473.3	494.8
Metra	77.3	74.5	76.6	78.8	79.2	76.8	74.8	74.5	77.0	80.6
Pace	32.9	34.0	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0
System Total	549.5	553.1	573.5	599.0	601.0	596.8	583.2	573.3	587.2	613.5
Percent Change	0.6%	1.6%	4.4%	2.3%	0.3%	(0.7%)	(2.3%)	(1.6%)	2.4%	4.5%

*CTA total includes rail-to-rail transfers

Source of data: Information obtained from the National Transit Database

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2006.

(in thousands)	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
CTA					
Art's Transportation Co.	$ 169	$ 3,646	$ (3,477)	$ 3,477	$ -
Cook-DuPage Transportation Co.	401	12,321	(11,920)	11,920	-
SCR Transportation	298	6,981	(6,683)	6,683	-
Taxi Access Program	447	4,152	(3,705)	3,705	-
Total CTA	$ 1,315	$ 27,100	$ (25,785)	$ 25,785	$ -
METRA					
Union Pacific	$ 71,696	$ 159,810	$ (88,114)	$ 88,114	$ -
Burlington Northern/Santa Fe	43,377	63,628	(20,251)	20,251	-
Northern Indiana Commuter Transportation District (NICTD)	4,258	7,357	(3,100)	3,100	-
Total Metra	$ 119,330	$ 230,795	$ (111,465)	$ 111,465	$ -
PACE					
Summary of Services					
Fixed Route—Public Funded Carriers	$ 1,580	$ 3,042	$ (1,462)	$ 3,266	$ 1,687
Fixed Route—Private Contract Carriers	3,170	8,900	(5,730)	5,730	-
Total Fixed Route Service	$ 4,750	$ 11,942	$ (7,192)	$ 8,996	$ 1,687
Private Contract Carriers					
DAR Services	$ 699	$ 7,965	$ (7,262)	$ 3,127	$ 4,135
DAR and Stable Services	3,792	40,023	(36,232)	36,233	-
Total Private Contract Carriers	4,490	47,988	(43,494)	39,360	4,135
Paratransit—Municipal Carriers	571	6,437	(5,865)	1,105	4,759
Total Pace	$ 9,811	$ 66,366	$ (56,551)	$ 49,461	$ 10,581
Pace					
Detail of Services					
Fixed Route—Public Funded Carriers					
City of Highland Park	$ 421	$ 1,063	$ (642)	$ 1,190	$ 770
Village of Niles	496	1,243	(747)	1,340	844
Village of Downers Grove	562	624	(62)	624	62
Northwestern University	101	112	(11)	112	11
Total	$ 1,580	$ 3,042	$ (1,462)	$ 3,266	$ 1,687
Private Contract Carriers—Fixed Route					
Academy Coach Lines	$ 597	$ 2,234	$ (1,637)	$ 1,637	$ -
Colonial Coach Lines	133	688	(555)	555	-
Laidlaw Transit	1,352	4,596	(3,244)	3,244	-
M.V. Transportation	13	69	(56)	56	-
Cook County School Bus	926	1,088	(162)	162	-
Village of Schaumburg	149	225	(76)	76	-
Total	$ 3,170	$ 8,900	$ (5,730)	$ 5,730	$ -

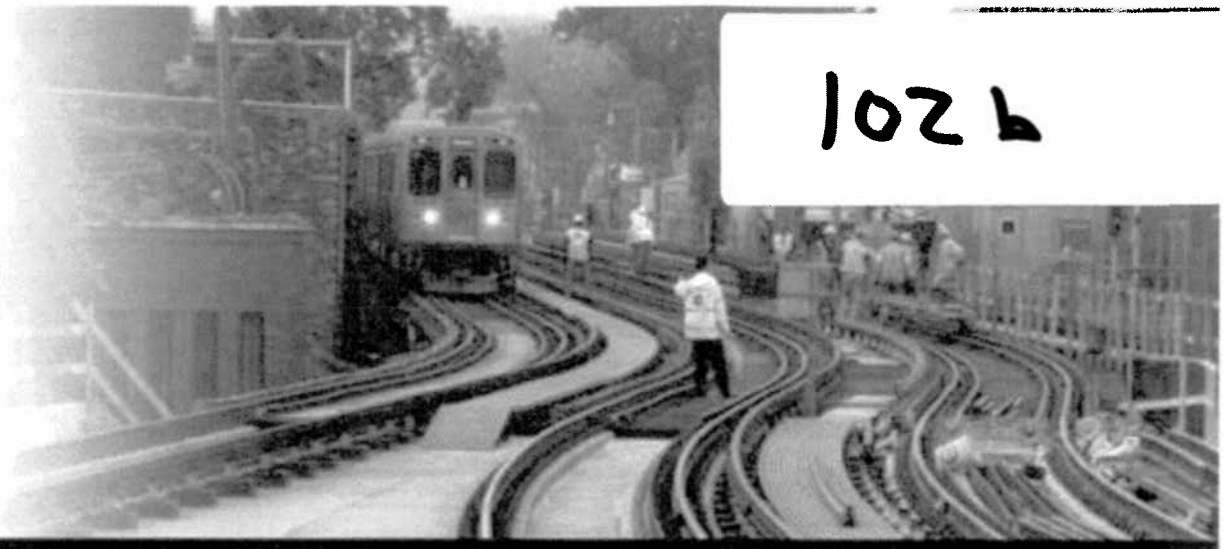
IN THOUSANDS	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
PACE					
Detail of Services (continued)					
Private Contract Carrier—Dial-a-Ride Services					
Addison	$ 4	$ 63	$ (59)	$ 6	$ 52
Barrington	1	61	(60)	33	27
Bloomingdale Township	31	364	(333)	224	109
Central Lake	9	137	(128)	90	39
Central Will	68	651	(583)	395	188
Downers Grove	17	160	(143)	105	37
DuPage County	10	97	(87)	87	-
DuPage Township	13	172	(159)	116	43
Elk Grove	26	302	(276)	55	221
Freemont Township	1	10	(9)	(0)	9
Hampshire Township	1	11	(10)	7	2
Hanover Township	4	26	(22)	-	22
Hometown	1	20	(19)	4	15
Leyden Township	24	244	(220)	29	191
McHenry Township	117	1,902	(1,785)	1,166	619
Milton Township	9	152	(143)	101	42
N. Suburban Cook	4	60	(56)	56	-
Naperville/Lisle	111	824	(713)	249	464
Northeast Lake-Warren	14	348	(334)	301	33
Northeast Lake-Zion	1	19	(18)	10	8
Northwest Lake	21	302	(281)	281	-
Northwest Suburban Cook	19	198	(179)	(19)	198
Ride DuPage	173	1,410	(1,237)	(200)	1,437
South Cook	1	5	(4)	4	-
Southwest Lake-Cuba	1	5	(4)	2	2
Southwest Lake-Wauconda	4	25	(21)	12	9
Southwest Will	1	22	(21)	15	6
Village of Bloomingdale	2	22	(20)	(2)	22
Village of Skokie/West Cook		221	(221)	(73)	294
Wayne Township	5	81	(76)	58	18
Woodstock	6	51	(45)	17	28
Total	$ 690	$ 7,965	$ (7,262)	$ 3,127	$ 4,135
Private Contract Carriers—Dial-a-Ride and Stable Services (ADA Services)					
DuPage County	$ 52	$ 618	$ (566)	$ 566	$ -
Kane County	59	540	(481)	481	
North Suburban Cook	448	4,082	(3,634)	3,634	
Northeastern/Central Lake	127	1,132	(1,005)	1,005	-
South Cook	736	4,662	(3,926)	3,926	
Chicago ADA	2,155	27,195	(25,040)	25,040	
Southwest/Central Will	30	355	(325)	325	
West Cook	185	1,439	(1,255)	1,255	-
Total	$ 3,792	$ 40,023	$ (36,232)	$ 36,233	$

Table 10 continued

IN THOUSANDS	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
Paratransit—Municipal Carriers					
Aurora	$ 26	$ 433	$ (407)	$ 67	$ 340
Batavia	3	59	(55)	9	47
Bensenville	26	235	(209)	44	165
Bloom	22	305	(283)	57	226
Crestwood	6	92	(86)	16	70
Dundee	8	94	(86)	16	71
Elk	16	146	(130)	20	110
Elgin	23	133	(110)	52	58
Forest Park	12	136	(124)	31	93
Fox Lake/Grant	3	9	(6)	3	3
Frankfort	13	163	(151)	24	126
Harvard	15	118	(104)	29	74
Lemont	5	70	(65)	12	53
Lyons	13	274	(261)	34	226
Norridge	16	89	(73)	31	42
Oak Park	27	325	(297)	61	236
Orland Park	29	376	(347)	56	291
Palatine	11	210	(198)	26	173
Palos Hills	10	74	(63)	16	47
Park Forest	26	119	(93)	49	44
Peotone	24	238	(215)	56	158
Rich Township	73	625	(552)	50	502
Schaumburg	67	964	(897)	160	737
St. Charles	21	164	(143)	20	123
Stickney	18	313	(295)	48	247
Tinley Park	10	79	(69)	20	49
Vernon	4	96	(92)	7	85
Woodstock	36	341	(304)	69	236
Worth Township	8	157	(149)	22	127
Total	$ 571	$ 6,437	$ (5,865)	$ 1,105	$ 4,759

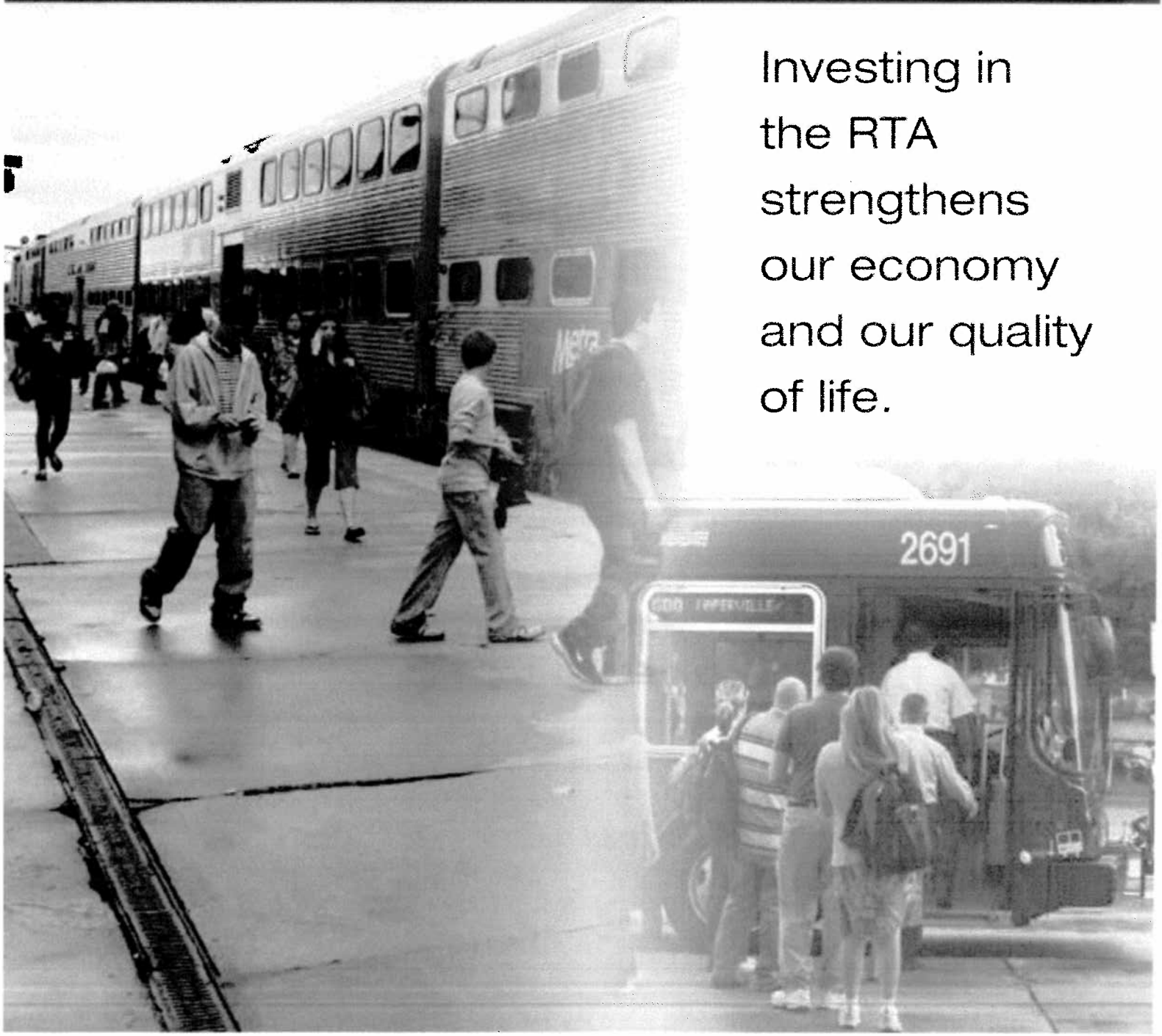
REGIONAL TRANSPORTATION AUTHORITY

102 b



RTA 2007 ANNUAL REPORT

Investing in the RTA strengthens our economy and our quality of life.



A LETTER FROM THE CHAIRMAN

2007 WAS THE YEAR OF DECISION

THE DECISION WAS MADE: TRANSIT IS A PRIORITY

The year 2007 was the "Year of Decision." Would investments be made to operate and reform our transit system or would we let it shrink? Fortunately, the state's leaders recognized that a quality mass transit system is vital to a quality lifestyle for all its residents.

With a report from the Illinois Auditor General in hand proving that reform and funding was needed, mass transit advocates descended on Springfield for the better part of 2007 and into 2008. House Bill 656, sponsored by Representative Julie Hamos and Senator Ricky Hendon, was the result of months of difficult negotiations and discussions, but ultimately became law after the Governor Rod Blagojevich amended the bill with our popular new Seniors Ride Free program that over 300,000 people are now registered for. Not only does the new law provide a stable funding stream for operations, but it enhances the RTA's abilities to help the Service Boards coordinate and plan for their future, places the CTA's pension plan on stable footing, and also restructures the governing boards of the RTA and Metra to reflect population changes in the RTA's six county region.

Many thanks are due to literally hundreds of thousands of people: thousands of advocates who fought for mass transit, the elected officials who recognized mass transit's power to shape a community, the employees of the Service Boards who suffered through continued rounds of potential layoffs, but most importantly our riders who were patient throughout the constant turmoil of the last year.

Now that the operations funding crisis has been averted, the RTA has two main objectives for 2008: implement the new law and acquire much needed capital funding. The RTA is hard at work handling its enhanced responsibilities and is working in close cooperation with Pace, Metra, and CTA. Notably, that includes updating the RTA's long-term, comprehensive Strategic Plan, developing performance measures and reporting requirements, and instituting long-range financial assessments.

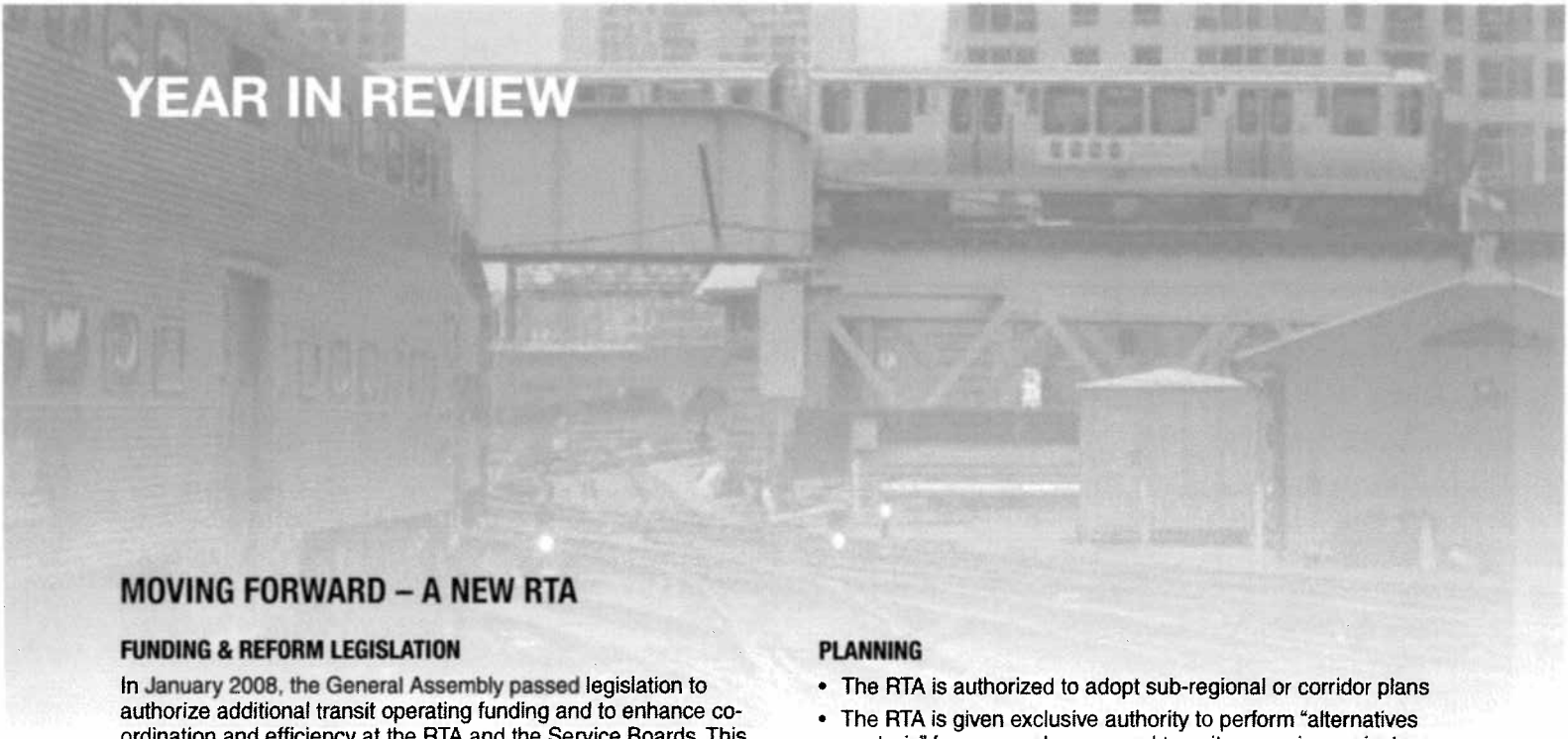
The landmark legislation also requires the RTA and the three Service Boards to coordinate their capital plans. Under the new legislation, capital projects must be prioritized at the regional level and can only proceed if they are consistent with the Strategic Plan. With that legislative directive in mind, the RTA is currently assessing the condition of the infrastructure of the entire transit system. However, all of these efforts will be significantly compromised if the state does not adopt a new capital construction plan.

It has been nine long years since the last state capital funding initiative. Acquiring necessary capital funding is not an option in order for the RTA to succeed, it is a requirement. In order for northeastern Illinois to prosper, it must have a quality mass transit system that is environmentally friendly, reduces congestion, increases mobility, spurs economic growth and creates jobs, and also allows people to spend more time living and less time commuting.

Thank you for your support in making the right decision for 2007. We look forward to continuing to work with you to make sure we maintain, enhance, and expand our world-class transit system.

Sincerely,

Jim Reilly, Chairman
Regional Transportation Authority



YEAR IN REVIEW

MOVING FORWARD – A NEW RTA

FUNDING & REFORM LEGISLATION

In January 2008, the General Assembly passed legislation to authorize additional transit operating funding and to enhance coordination and efficiency at the RTA and the Service Boards. This investment in our system will provide more consistent service and end the almost constant financial crisis we have confronted over the last several years.

HIGHLIGHTS

- Additional $500 million per year: regional sales tax, real estate transfer tax in Chicago, additional state matching funds
- Reforms the CTA pension and health care system
- RTA Board increased from 13 to 16 to reflect population growth
- Free fixed route transit rides for seniors aged 65 and over living in the six-county region

SPECIFIC REFORMS:

Strategic Plan: The RTA must adopt a comprehensive, long-term strategic plan with goals and objectives; standards, measurements and reporting requirements related to achieving goals; criteria and process to evaluate which capital projects are included in five-year capital program; 10-year assessment of transit system's financial condition

CAPITAL PROGRAM

- Projects can only proceed if the RTA finds that they meet the criteria in the Strategic Plan and can be funded within available amounts
- All capital projects undertaken by on or behalf of the Service Boards must be in the RTA's five-year capital program

SERVICE BOARD BUDGETS

- Must be consistent with the RTA Strategic Plan
- Required to include additional details, including long-term obligations such as pension and employee benefit expenses
- Must adhere to RTA's required formats, financial practices and assumptions

COMPLIANCE

- If Service Boards' budgets are not compliant with the requirments, the RTA must withhold funding
- To ensure the Service Boards' budgets are compliant, the RTA can withhold funding

PLANNING

- The RTA is authorized to adopt sub-regional or corridor plans
- The RTA is given exclusive authority to perform "alternatives analysis" for any newly proposed transit expansion projects

NEW INNOVATION, COORDINATION AND ENHANCEMENT (ICE) FUND

Intended for short-term, lower-cost projects and service enhancements with grants awarded to:

- Service Boards
- Transportation agencies
- Local governments

SUBURBAN COMMUNITY MOBILITY FUND

- $20 million program for the RTA to make operating or capital grants to Pace for other than traditional fixed-route services that enhance suburban mobility

AUDIT

- The RTA must audit each Service Board at least once every five years

MARKETING

- The RTA is required to develop and adopt coordinated sales, marketing, advertising and public information programs; outcomes are to achieve unified marketing image and cost savings/efficiencies

PUBLIC INPUT

- The RTA and Service Boards are required to hold additional public hearings before adopting their strategic plan, budgets and capital programs to ensure public input is received and processes are transparent

DISPUTE RESOLUTION

- The RTA is given enhanced authority to mediate disputes among Service Boards regarding: fare coordination, transfers, service coordination and service duplication

DBE AND EEO PROGRAMS

- Programs must be established and maintained to: Ensure non-discrimination in awarding and administration of contracts and promote equal employment opportunity

CAPITAL CAMPAIGN

THE PURSUIT FOR CAPITAL

While obtaining operating funding and reform was a critical step in remaking our transit system, we cannot fully achieve our goal of having a world-class transit system unless there is an adequate capital investment to maintain, enhance and expand the system.

It has been 9 years since the state of Illinois last addressed capital funding. Illinois FIRST was approved in 1999 and provided urgently needed funds for roads, bridges, transit and other public infrastructure. The money allowed our state to address maintenance backlogs and build critical expansions to our road and transit system. But Illinois FIRST funds expired in 2004, and for more than three years, no state infrastructure funding has been dedicated to transit.

Our transit system is the second largest in the nation. Collectively, the CTA, Metra and Pace operate more than 3,800 buses and vans, 2,300 train cars, 1,490 miles of train track, 915 bridges and over 300 rail stations. Just in order to maintain current levels of service and infrastructure, the RTA and Service Boards should be investing over $1 billion each year – and that does include any funding for expansions of the system.

Because funding has not been available, maintenance and repairs have been delayed and replacement of aging vehicles has been put off. This results in less reliable service, slow zones, less fuel efficient vehicles, and increased operating costs.

Without sufficient investment, we will not be able to address the critical maintenance needs of the system. Without an adequate capital program, we will not be able to pursue new transit lines or expansions and will risk losing federal funds that are available for these expansions.

Addressing the repairs and upgrades needed to maintain the current system must be the priority.

Our roads, bridges, transit systems, schools and other public buildings need new funding. The longer we delay these investments, the costs to fix our aging infrastructure increases. If we do not fix our transit infrastructure, the new operating funding we have achieved is used less efficiently because older equipment uses more fuel, breaks down more often and is more expensive to operate.

Transit provides tremendous benefits to this region. It dramatically reduces congestion, cuts air pollution and provides access to jobs, health care and education to millions of people each day. But these benefits are at risk if we don't make the needed investments to maintain, enhance and expand the system.

Our transit infrastructure is deteriorating. The Moving Beyond Congestion Strategic Plan identified the need for $10 billion additional State transit capital funding for the RTA region over 5 years. These funds would be dedicated to three major types of investments: maintain, enhance and expand.

MASS TRANSIT CAPITAL FUNDING – NORTHEASTERN ILLINOIS

Moving Beyond Congestion needs assessment: The Moving Beyond Congestion Strategic Plan identified the need for an additional $10 billion State transit capital investment in the RTA region over 5 years, with a presumed $6.1 billion in federal and other funding, for a total program of $16.1 billion.

Transportation for Illinois Coalition proposal: In recognition of the current fiscal climate, the Transportation for Illinois Coalition (TFIC) developed a proposal for an $6 billion additional State transit capital funding over 5 years, with a presumed $4.3 billion in federal matching funding. The total program of $10.3 billion would be allocated as follows:

PROPOSED 5-YEAR CAPITAL PROGRAM	STATE FUNDS	FEDERAL MATCHING FUNDS	TOTAL
Maintain: invest in trains, buses and vans, track and structures, passenger stations and other facilities	$4.8 billion	$2.9 billion	$7.7 billion
Enhance: invest to improve the service we have with weekend and off-peak service, system efficiencies	$400 million	$100 million	$500 million
Expand: planning for long-term system expansion to meet our region's growing needs	$800 million	$1.3 billion	$2.1 billion
Total	$6.0 billion	$4.3 billion	$10.3 billion

This proposal would allow the transit agencies to address critical maintenance, bring the system closer to a state of good repair, and make progress on prudent system expansions. Under the TFIC proposal, transit capital would be funded through a predictable and dedicated funding stream that could not be used by the State for other purposes; the State budget would then be "backfilled" through new revenues.

Alternative proposals: Proposals for significantly less funding than the proposal above would not provide sufficient funding needed to bring the system to a state of good repair and maintain the system. Insufficient investment will mean more slow zones, more breakdowns, and higher operating costs and would place our region at a disadvantage in competing for federal funding for "New Starts" system expansions. Without adequate local funding, we will not be able to secure the federal funding needed for critical projects such as Metra Union Pacific North West or West line improvements, STAR line, South East Service, CTA Red, Orange, Yellow or Circle Line projects, and Pace Bus Rapid Transit.

Historical comparison: Illinois FIRST provided $2.1 billion for transit over five years; today it would take close to $3 billion to maintain the same spending power. Illinois FIRST had a 2:1 roads-to-transit funding ratio. The current TFIC proposal has a 1:1 ratio for new State funding for roads and transit.

RTA BOARD OF DIRECTORS

2008 MEMBERS

Jim Reilly
Chairman

James Buchanan
City of Chicago

Jan Carlson
Kane County

William R. Coulson
Suburban Cook County

Rev. L. Tyrone Crider, Sr.
Suburban Cook County

Patrick J. Durante
DuPage County

Phil Fuentes
City of Chicago

Al Jourdan
McHenry County

Dwight A. Magalis
Lake County

Stephen E. Schlickman
Executive Director

Patrick V. Riley, Jr.
Suburban Cook County

Michael Rosenberg
City of Chicago

J.D. Ross
Will County

Michael Scott
City of Chicago

Judy Baar Topinka
Suburban Cook County

Douglas M. Troiani
Suburban Cook County

Transit reform legislation, House Bill 656, enacted in January 2008, expanded the Authority's Board from 13 to 16 members. These changes became effective April 1, 2008. The new appointees will serve in five-year terms. The following is a breakdown of the Board make up and the appointing authorities:

- 5 by Mayor of Chicago (appointee cannot be the Chairman of CTA)
- 4 by suburban members of the Cook County Board
- 1 by the President of the Cook County Board (from Suburban Cook County)
- 1 by the Chairman of the DuPage County Board
- 1 by the Chairman of the Lake County Board
- 1 by the Will County Executive
- 1 by the Chairman of the McHenry County Board
- 1 by the Chairman of Kane County Board
- The Board Chair is appointed by 11 members of the Board with at least 2 votes from Chicago, Suburban Cook and the collar counties.

MEMBERS WHO SERVED DURING 2007

Carole L. Brown
Chicago Transit Authority

Armando Gomez, Sr.
City of Chicago

Fred T. L. Norris
Kane, Lake, McHenry and Will counties

Rev. Addie L. Wyatt
City of Chicago

THE CHICAGO TRANSIT AUTHORITY

PRESIDENT: RON HUBERMAN

BOARD CHAIR: CAROLE BROWN

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 2,175 buses traveling over 154 routes covering 2,529 miles with approximately 11,846 bus stops. Rail service on eight routes has 1,190 train cars traveling over 242 miles of track.

The CTA operates the second largest public transportation system in the United States. Average weekday ridership on its bus and rail system is 1.6 million. The CTA's service area encompasses 220 square miles in the City of Chicago and 40 surrounding suburbs.

A seven-member Chicago Transit Board governs the CTA.

EXECUTIVE DIRECTOR: PHIL PAGANO
BOARD CHAIR: CAROLE DORIS

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra 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. Geographically, the Metra system is the largest in the United States; and its operational interface with extensive freight network makes it arguably the nation's most complex.

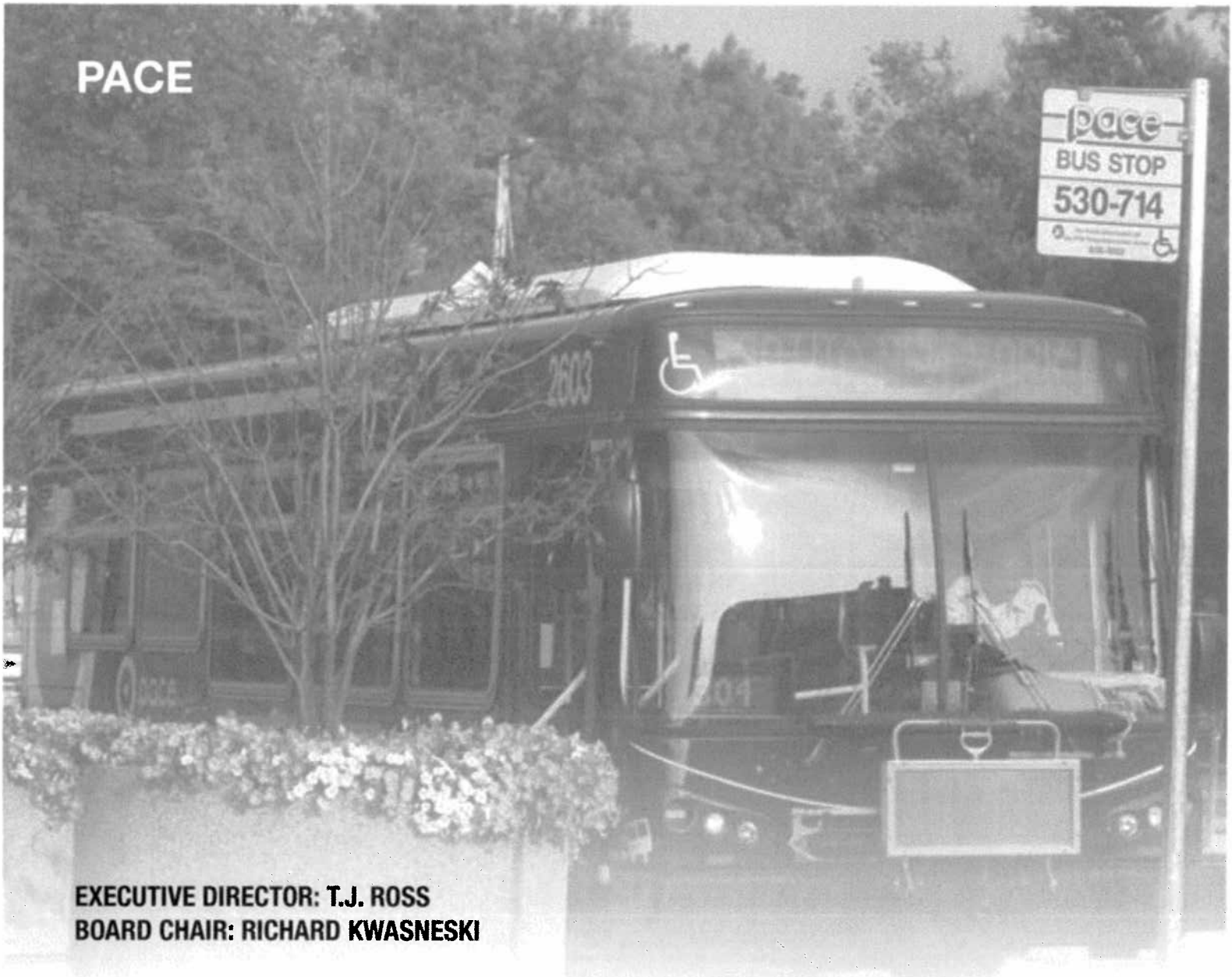
The Metra rail system is comprised of 11 separate lines, which run north, west and south of the Chicago central business district. The system extends 565 route-miles and serves 239 local rail stations in more than 100 communities. The network itself is made up of more than 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 16 rail storage yards and six major maintenance facilities.

Metra's average weekday ridership is 319,100.

Metra is governed by an 11-member Board of Directors.

Metra®

PACE



EXECUTIVE DIRECTOR: T.J. ROSS
BOARD CHAIR: RICHARD KWASNESKI

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority and began service in 1984. Pace's mission is to provide efficient well-integrated fixed route and paratransit transportation services that meet the travel needs of the suburban Chicago area.

Pace's suburban service area measures 3,446 square miles. The suburban area covers the six counties and incorporates 284 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Average weekday ridership on the Pace system is 141,100. Pace service includes approximately 143 regular routes, 65 feeder routes, 23 shuttle routes, 767 vanpool vehicles, 191 Pace-owned Dial-A-Ride vehicles, and 358 Pace-owned ADA paratransit vehicles.

A 12-member Board of Directors made up of current and former village presidents and mayors governs Pace.

pace

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

PREPARED BY:

FINANCE & ADMINISTRATION DEPARTMENT

JOSEPH G. COSTELLO, CPA, CPFO

SENIOR DEPUTY EXECUTIVE DIRECTOR

AND

CONTROLLER DIVISION

FINANCIALS FOR CALENDAR YEAR 2007

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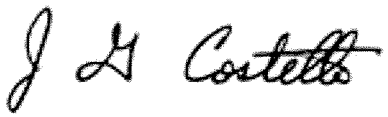
Board of Directors
Regional Transportation Authority
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604

I have the pleasure to submit to you the Combining Financial Statements Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the year ending December 31, 2007. This Report fulfills the requirements of section 4.05 of the RTA Act. This Report represents the operations of our transit system in the aggregate and not as individual components. It shows the magnitude of the resources on hand and in use for public transportation in the northeastern Illinois Region. The RTA's independent accountants have compiled the Combining Financial Statements Report. They have not subjected these statements to audit. The audited financial statements of each individual organization are available upon request. As always, the RTA staff acknowledges the commitment by the RTA Board and the Service Boards to fiscal responsibility, to ensure financially sound public transportation in northeastern Illinois.



Joseph G. Costello
Senior Deputy Executive Director,
Finance & Administration
Regional Transportation Authority
June 13, 2008

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying special-purpose combining financial statements of the Regional Transportation Authority and Service Boards as of December 31, 2007, and for the year then ended, and the supplementary and statistical information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information that is the representation of management in the form of financial statements and supplementary and statistical information. We have not audited or reviewed the accompanying special-purpose combining financial statements and supplementary and statistical information and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying special-purpose financial statements and supplementary and statistical information were prepared for the purpose of complying with the statutory requirement of the Regional Transportation Authority Act as described in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

McGaldrey & Pullen, LLP

McGaldrey & Pullen
Certified Public Accountants
Schaumburg, Illinois
June 13, 2008

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS
DECEMBER 31, 2007
(in thousands)

	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
ASSETS:							
CURRENT ASSETS:							
Cash and investments:							
Restricted–cash and cash equivalents	$	$	$	$ 22,685	$	$	$ 22,685
Unrestricted–cash and cash equivalents	12,497	130,802	99,306	24,941			267,546
Restricted–investments	363,238						363,238
Unrestricted–investments	165,042	900					165,942
Unamortized bond issue costs	579						579
Receivables:							
Intergovernmental receivables	126,885				372		127,257
Grant projects		4,974	21,687	3,415		15,314	14,762
RTA financial assistance		87,809	46,664	25,449		16,442	143,480
Other carriers			1,854				1,854
Other receivables		188,290	10,498	5,456		480	203,764
Interest on investments	625						625
Loan to S.B. Note & Interest	1,208						1,208
Materials and supplies		78,412	13,292	5,330			97,034
Prepaid expenses	2,467	5,139	1,969	1,027			10,602
Total current assets	672,541	496,326	195,270	88,303	372	32,236	1,420,576
Fixed assets:							
Plant, property and equipment	11,978	7,463,364	5,093,126	426,805			12,995,273
Capital projects in progress			13,065	12,230			25,295
Less accumulated depreciation	(2,224)	(4,017,658)	(2,432,954)	(248,159)			(6,700,995)
Total fixed assets	9,754	3,445,706	2,673,237	190,876			6,319,573
Other assets:							
Unamortized bond issue costs	12,067	7,192					19,259
Note Receivable	3,750						3,750
Investment relating to employee pension benefits plan		7,985					7,985
Restricted Assets		241,916					241,916
Amount due under sale/leaseback		1,699,448	276,442	80,620			2,056,510
Total other assets	15,817	1,956,541	276,442	80,620			2,329,420
TOTAL ASSETS	$ 698,112	$ 5,898,573	$ 3,144,949	$ 359,799	$ 372	$ 32,236	$ 10,069,569

(Continued)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS (CONTINUED)
DECEMBER 31, 2007
(in thousands)

	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
LIABILITIES:							
CURRENT LIABILITIES:							
Vouchers payable	$ 13	$ 172,190	$ 42,012	$ 4,413	$	$	$ 218,628
Accrued interest payable		3,480		208			3,688
Intergovernmental payables	31,756			792	31,756		792
Due to other funds	1,000					372	1,372
Current portion of general obligation bonds payable	64,685	27,475					92,160
Current portion of unamortized bond premium	5,702						5,702
Other Current Liabilities:							
Accrued other expenses	3,640	99,626	30,657	23,898	480		157,341
Unrealized revenue, capital grant		20,302					20,302
Deferred revenue, assistance and other	21,524	106,132	12,671	2,134			142,461
Working Cash Note Payable	40,000						40,000
Capital lease obligation		206,765	18,261				225,026
Claims liability		74,795	15,288	11,628			101,711
Total current liabilities	168,320	710,765	118,889	43,073	32,236	372	1,009,183
LONG-TERM LIABILITIES:							
General obligation bonds payable	2,227,575	461,410					2,688,985
Claims liability		117,955	15,053	14,035			147,043
Accrued interest payable	34,597						34,597
Capital lease obligation		1,543,656	258,181	80,620			1,882,457
Premium on capital lease payable		5,721					5,721
Deferred revenue	49,531	37,235					86,766
Accrued pension cost		1,568,338		1,354			1,569,692
Unamortized bond premium	125,204	36,902					162,106
Deferred rent	1,911						1,911
Intergovernmental Payables				3,958			3,958
Other long-term liabilities		4,333		7,249			11,582
Total long-term liabilities	2,438,818	3,775,550	273,234	107,216			6,594,818
Total liabilities	2,607,138	4,486,315	392,123	150,289	32,236	372	7,604,001
NET ASSETS (DEFICIT):							
Invested in capital assets	9,754	2,912,748	2,673,236	190,877			5,786,615
Retained earnings			79,590				79,590
Fund equity restricted for:							
Payment on obligations and others		75,655					75,655
Accumulated unrestricted (deficit)	(1,918,780)	(1,576,145)		18,633	1,004,177	1,004,177	(3,476,292)
Total Net Assets (Deficit)	$ (1,909,026)	$ 1,412,258	$ 2,752,826	$ 209,510	$ 1,004,177	$ 1,004,177	$ 2,465,568

See notes to special-purpose combining financial statements and independent accountants' compilation report.

(Concluded)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007
(in thousands)

	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
REVENUES:							
Service Boards operating revenues	$	$ 493,350	$ 291,841	$ 60,939	$ 921	$	$ 845,209
Sales taxes	112,938					639,987	752,925
Interest on sales taxes	376						376
Public Transportation Fund	188,931						188,931
Operating Assistance CTA & Pace	54,252						54,252
State assistance	117,807						117,807
Investment income	32,744						32,744
Program revenues and others	3,366						3,366
Total revenues	510,414	493,350	291,841	60,939	921	639,987	1,995,610
EXPENSES:							
Operating expenses		1,412,842	548,470	246,007		691	2,206,628
Depreciation		387,738	213,410	31,492			632,640
Financial Assistance to Service Boards	209,931					209,931	
Operating Grant - CTA & Pace	40,010					40,010	
Capital grants—discretionary	25,272					25,272	
Capital grants—bonds	88,056					88,056	
Insurance (JSIF)	4,855						4,855
Administrative expenses	6,967						6,967
Regional expenses	20,243					230	20,013
Technology program	1,409						1,409
Bond-related expenses	130,079						130,079
Total expenses	526,822	1,800,580	761,880	277,499		364,190	3,002,591
OPERATING LOSS	(16,408)	(1,307,230)	(470,039)	(216,560)	921	1,004,177	(1,006,981)
NONOPERATING REVENUE (EXPENSE):							
RTA financial assistance		548,249	256,688	164,201	889,928		79,210
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		120,795	18,261	6,480			145,536
Interest expense on leasing transactions		(115,819)	(18,261)	(6,480)			(140,560)
Interest expense on bond transactions		(15,718)					(15,718)
Other public funding		42,048	150,316	24,230			216,594
Capital grants		375,914	40,365	28,365	113,328		331,316
Investment income		16,207		2,022			18,229
Gain on sale of assets		27					27
Total nonoperating revenue (expense)		975,965	447,369	218,818	1,003,256		638,896
CHANGES IN NET ASSETS	(16,408)	(331,265)	(22,670)	2,258	1,004,177	1,004,177	(368,085)
NET ASSETS (DEFICIT):							
Beginning of year	(1,892,618)	1,743,523	2,775,496	207,252			2,833,653
End of year	$ (1,909,026)	$ 1,412,258	$ 2,752,826	$ 209,510	$ 1,004,177	$ 1,004,177	$ 2,465,568

See notes to special-purpose combining financial statements and independent accountants' compilation report.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007
(in thousands)

	RTA JOINT SELF-INSURANCE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	TOTAL COMBINED
CASH FLOWS FROM OPERATING ACTIVITIES:					
Fares received from passengers	$	$ 457,283	$ 227,185	$ 57,890	$ 742,358
Payments to employees		(786,524)	(236,278)	(77,989)	(1,100,791)
Payments to vendors	(5,486)	(264,857)	(320,544)	(167,092)	(757,979)
Other receipts and payments		87,095	42,099	6,213	135,407
Net cash from operating activities	(5,486)	(507,003)	(287,538)	(180,978)	(981,005)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Financial assistance—operating		648,324	318,671	206,622	1,173,617
Net cash from noncapital financing activities		648,324	318,671	206,622	1,173,617
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of leasehold obligations		120,795			120,795
Repayment of lease\leaseback obligations		(107,226)			(107,226)
Increase in assets restricted for payment of leasehold obligations		(15,943)		19,396	3,453
Payments of capital lease obligations				(19,396)	(19,396)
Financial assistance—grant projects		326,329	132,317	34,111	492,757
Proceeds from the sale of property and equipment		1,075			1,075
Bond Proceeds (net)		(37,786)			(37,786)
Payments for capital acquisition		(613,772)	(153,778)	(34,923)	(802,473)
Net cash from capital and related financing activities		(326,528)	(21,461)	(812)	(348,801)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	1,275	16,207	4,853	2,235	24,570
Sales and purchases of investments, net	2,649	272,066			274,715
Net cash from investing activities	3,924	288,273	4,853	2,235	299,285
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,562)	103,066	14,525	27,067	143,096
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	14,058	27,736	84,781	20,558	147,133
CASH AND CASH EQUIVALENTS—END OF YEAR	$ 12,496	$ 130,802	$ 99,306	$ 47,625	$ 290,229
RECONCILIATION OF OPERATING ACTIVITES					
Net loss from operations	$ (4,648)	$ (1,307,230)	$ (470,038)	$ (216,561)	$ (1,998,477)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation		387,738	213,409	31,493	632,640
Claims provision and settlement			(2,717)		(2,717)
State reduced fare assistance			(3,884)		(3,884)
Interest and dividends received			(4,853)		(4,853)
Changes in current assets and liabilities	(838)	412,489	(19,455)	4,090	396,286
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (5,486)	$ (507,003)	$ (287,538)	$ (180,978)	$ (981,005)

See notes to special-purpose combining financial statements and independent accountants' compilation report

1. BASIS OF ACCOUNTING

The accompanying special purpose combining financial statements are presented as required by the Regional Transportation Authority (RTA) Act (Act) and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America. The special purpose combining financial statements are not in accordance with accounting principles generally accepted in the United States of America primarily due to the RTA and Service Boards using a different basis of accounting and due to the omission of significant disclosures. The RTA and each individual Service Board receive a separate audit of their financial statements in accordance with accounting principles generally accepted in the United States of America. These individual statements describe the basis of accounting for each entity and contain the omitted disclosures.

Intergovernmental receivables, payables, revenues, expenses, and expenditures have been eliminated in the Combining Adjustments columns; however, there are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these combining financial statements, such differences are recorded as combining adjustments to net assets.

The columns presenting the combined balances for the RTA and Service Boards are statutorily required and do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

2. ORGANIZATIONAL STRUCTURE

RTA

The RTA was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois Region (Region). The operating responsibilities of the RTA are set forth in the 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. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority (CTA) and two operating divisions of the RTA: the Commuter Rail Division (Metra) and the Suburban Bus Division (Pace), each having its own independent board. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The 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 system as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost 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 monitoring the budgets and financial performance of the Service Boards.

CTA

The CTA was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The Chicago City Council has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

Metra

The Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC), a public corporation, was established in 1980 to serve as the RTA's commuter rail service. The RTA Act, as amended effective November 9, 1983, established the Commuter Rail Division (CRD) to operate commuter rail transportation services. Both the NIRCRC and the CRD act under the registered service mark known as "Metra."

Metra has the responsibility for policy making with respect to actual day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for its operations. Metra is responsible for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application, and administration activities. Metra is directly responsible for the operation and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and Metra Southwest Service commuter lines.

Metra also provides commuter rail service under Purchase of Service Agreements (PSA) with Union Pacific Railroad, Burlington Northern Santa Fe Railway Company, and Northern Indiana Commuter Transportation District. Under these agreements, Metra funds the commuter-related operating deficits (as defined) or is entitled to receive the commuter-related operating surpluses (as defined) of these carriers. In addition, Metra provides certain direct expenses such as fuel and insurance coverage considered to be "in-kind assistance." The title to the roadway and structure assets of the PSA carriers, other than capital improvements funded by federal and state agencies, the RTA, and Metra, is vested with the carriers. Accordingly, such assets are not reflected in these financial statements.

Pace

The RTA Act, as amended effective November 9, 1983, established the Suburban Bus Division (Pace) to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry, and Will. The independent operations of Pace commenced on July 1, 1984.

Pace determines the level, nature, and kind of public transportation services that should be provided in the suburban region. Pace operates suburban bus services using stock, structures, and equipment purchased through capital grants funded by federal and state agencies and the RTA.

Reporting Periods

The RTA, CTA, Metra and Pace (the Combined Entities) all report on a calendar-year basis. All statements enclosed herewith are based on each entity's December 31, 2007 year-end.

3. REPORTING ENTITY

The RTA and each of the Service Boards have adopted the provisions of the Governmental Accounting Standards Board's Statement No. 14 (Statement No. 14), *The Financial Reporting Entity.*

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

In arriving at this conclusion, the following factors were considered:

- 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 that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.
- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards, if such budgets meet specified system-generated revenue recovery ratios and other requirements as defined by the Act.
- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficit.

Accordingly, financial statements for the Service Boards are not included or combined with the RTA's financial statements under Statement No. 14. They are combined, however, in these Combining Financial Statements. Section 4.05 of the RTA Act requires that the RTA prepare a report combining "the audits of the Service Boards, and reviewing the state of the Authority, the Service Boards, and the public transportation agencies."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Combined Entities conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting– The RTA maintains records using a fund accounting model consisting of a General Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund, (Business-Type Activities), Agency Fund, and Pension Trust Fund. All Governmental Funds and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund and the Pension Trust Fund are accounted for using the accrual method of accounting. For the purpose of these combining financial statements, all RTA funds have been combined.

The Service Boards are accounted for on a Proprietary Fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these combining financial statements, the individual Service Board financial statements are combined with those of the RTA.

Cash and Cash Equivalents– All investments of the Combined Entities are recorded at fair market value, except short-term investments which are reported at cost or amortized cost that reasonably approximates fair market value.

For the purposes of the combining statements of cash flows, the Combined Entities consider all investments with original maturities of three months or less to be cash equivalents. Such amounts are included in the "Cash and Cash Equivalents" line items on the accompanying balance sheet.

Capital Assets– All Capital assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in Capital assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of Capital asset. These useful lives range from more than one year to forty years.

Materials and Supplies– Each Service Board records its inventory at the lower of cost or market. The CTA and Metra use the average-cost method and Pace uses the first-in/first-out method to determine cost.

Compensated Absences– All four entities have recorded liabilities for vested vacation time in the year the time was earned. The entities account for compensated absences under GASB Statement No. 16, Accounting for Compensated Absences, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability.

Revenues– The Combined Entities have five principal sources of revenue and other financial sources: (1) farebox revenue; (2) retailers' occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Taxes); (3) funds appropriated to the RTA by statute through the state's Public Transportation Fund (PTF) established under the RTA Act; (4) state or federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the RTA Act; and (5) investment income and other miscellaneous revenue.

Farebox Revenue– A major source of revenue to the Service Boards is fares collected from riders. Each Service Board has its own fare structure and method for collection of fares. Farebox revenue is recognized when fares paid are initially valid for transportation services.

Sales Tax– Sections 4.03 and 4.03.1 of the RTA Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

The Act authorizes the RTA to impose a Retailers' Occupation Tax (ROT), a Service Occupation Tax (SOT) and a Use Tax (UT). The RTA imposed this tax at the maximum rate in 1979. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 0.75% in Cook County and 0.25% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result the RTA tax on food and drugs is imposed at a rate of 1% throughout the six-county area.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate is identical to the ROT. The tax base is identical to the State service occupation tax base.

The UT is imposed on persons living in the six-county area for the privilege of using a vehicle purchased outside the six-county area that must be registered with the State. Unlike the State Use Tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed those portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State but registered or titled with a state agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the Replacement Fund). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a state agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the Reform Fund). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

SERVICE BOARD	COLLECTED WITHIN CHICAGO	COLLECTED WITHIN COOK COUNTY OUTSIDE CHICAGO	COLLECTED IN DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES
CTA	100%	30%	
Metra		55%	70%
Pace		15%	30%

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

Public Transportation Fund– In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the Public Transportation Fund (PTF), an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2008 fiscal year which will end on June 30, 2008.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement– In the State's fiscal year 2007, which ends June 30, 2007, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation (IDOT) is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2007 and June 30, 2008, the grants were in the amount of $37.3 million and $36.7 million, respectively. The state also provided RTA with Advance Reduced Fare grants in the amount of $15.6 million. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance– The State has authorized Additional State Assistance (ASA) which is supplemental financing for the RTA's Strategic Capital Improvement Program (SCIP) bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA recognized $39.7 million of ASA in 2007.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance (AFA) to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million and $100 million in the State's fiscal year 2007 and 2008, respectively. The RTA recognized $78 million of AFA in 2007.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Management's Use of Estimates– The preparation of financial statements in conformity with the Act requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. BUDGET AND BUDGETARY ACCOUNTING

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There were several amendments to the 2007 budget. The 2007 budget (Ordinance 2006-78) was last revised on October 4, 2007 (Ordinances 2007-50 and 2007-58). These ordinances amended the 2007 RTA budget and the budgets of the CTA, Metra, and Pace.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

6. LEASES

The RTA and CTA hold operating leases which are primarily for rent expense on the facilities they occupy. Metra has several operating leases, primarily for the use of passenger terminals. Pace has multi-year leases for vehicles and bus tires.

CTA

In 2003, Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119 million. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters.

On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91.3 million. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111 million.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased debt service payment over the next 27 years by approximately $388,000 resulting in an economic gain of approximately $20.4 million. Based upon the requirements of GASB Statement No.23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2.4 million. This amount is recorded as a component of long-term debt in the accompanying balance sheets.

The new bonds are payable from and secured by the lease entered into between the PBC and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. Bond issue costs and premium related to this transaction are presented as such on the balance sheets. The present value of the future payments to be made by the CTA under the lease of approximately $89 million is reflected in the accompanying December 31, 2007 balance sheet as a capital lease obligation.

In 2003, the CTA entered into a lease/leaseback agreement with a third party pertaining to certain buses with a book value of $22.1 million as of December 31, 2007. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $15 million is reflected in the accompanying December 31, 2007 balance sheet as capital lease obligation.

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of $35.8 million as of December 31, 2007. Under

the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $106.3 million is reflected in the accompanying December 31, 2007 balance sheet as capital lease obligation.

During 2002, the CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of $25.3 million as of December 31, 2007. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $174 million is reflected in the accompanying December 31, 2007 statement of net assets as capital lease obligation.

During 1998, the CTA entered into a lease/leaseback agreement (1998 Agreement) with a third party pertaining to a rail line (Green Line), with a book value of $254.7 million as of December 31, 2007. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (1998 Lease). The present value of the future payments to be made by the CTA under the lease of approximately $271 million is reflected in the accompanying December 31, 2007 statement of net assets as capital lease obligation.

During 1997, the CTA entered into four lease/leaseback agreements (1997 Agreements) with a third party pertaining to certain of its facilities having a book value of $50.3 million as of December 31, 2007. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (Leases). The CTA received certain funds as prepayments by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due from the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the Leases (net of the payment due from the Equity Trust in 2023 and 2024) of approximately $32.5 million is reflected in the accompanying December 31, 2007 balance sheet as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. The Federal Transit Administration (FTA) has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease/leaseback agreements (1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of $54.4 million as of December 31, 2007. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $32.6 million is reflected in the accompanying December 31, 2007 balance sheet as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1995, the CTA entered into sale/leaseback agreements (1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling $487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. As of December 31, 2007, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $1,030.3 billion. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

Change in Capital Lease Obligations:

Changes in capital leases for the year ended December 31, 2007 are as follows (in thousands of dollars):

2007	BEGINNING BALANCE	ADDITIONS*	PRINCIPAL PAID	ENDING BALANCE	INTEREST PAID	DUE IN ONE YEAR
2003 (Buses)	$ 23,555	$ 840	$ (9,373)	$ 15,022	$ 840	–
2002 (Buses)	101,157	5,098	–	106,255	5,098	–
2002 (QTE)	169,877	10,784	(6,928)	173,733	10,784	103,094
1998 (Green)	276,971	18,912	(24,852)	271,031	18,912	38,183
1997 (Garages)	30,194	2,270	–	32,464	2,270	–
1996 (Skokie/Racine)	30,377	2,234	–	32,611	2,233	–
1995 (Pickle)	1,018,357	75,681	(63,698)	1,030,340	75,680	63,698
Total lease/ leasebacks	1,650,488	115,819	(104,851)	1,661,456	115,817	204,975
2006 PBC lease	91,340	–	(2,375)	88,965	3,794	1,790
Total capital lease obligation	$1,741,828	$ 115,819	$ (107,226)	$1,750,421	$119,611	$206,765

* Additions include accretion of interest.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2007, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2008	$ 211,149
2009	95,772
2010	109,211
2011	99,210
2012	98,004
2013 - 2017	1,699,763
2018 - 2022	367,430
2023 - 2027	218,710
2028 - 2032	30,939
2033	6,188
Total future minimum payments	$ 2,936,376
Less interest	(1,185,955)
Present value of minimum lease payments	$ 1,750,421

The present value of all future payments to be made by the CTA under all its leases of approximately $1.8 million is reflected in the accompanying December 31, 2007 statement of net assets as capital lease obligations.

Metra

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors (headlease) and simultaneously subleased the railcars back (sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes.

At closing, the railcars had a fair market value of approximately $296.9 million and a book value of $262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately $274 million.

Metra transferred approximately $177.4 million and $52.9 million of the prepayment proceeds to third parties, in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buyout options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies. Both the debt payment undertaker and the equity payment undertaker have AA+ and Aa2 bond ratings from Standard & Poor and Moody, respectively. Both finance companies' performance under the agreement is guaranteed by their parent company which carries the same ratings.

In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998. The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2007, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2008	$ 25,239,685
2009	28,481,563
2010	20,947,382
2011	20,947,382
2012	20,947,382
2013 - 2017	104,736,910
2018 - 2022	272,178,527
2023 - 2027	–
2028 - 2030	3,152,120
Total future minimum payments	$ 496,630,951
Less imputed interest	(220,188,943)
Present value of minimum lease payments	$ 276,442,008

The present value of minimum lease payments of the Metra lease is $276.4 million which is reflected in the accompanying December 31, 2007 statement of net assets as capital lease obligations.

Pace

During 2003, Pace entered into two lease and leaseback agreements and realized a gain of $2.4 million from the proceeds. The transactions allowed Pace to earn up-front economic cash benefit for transferring ownership (not legal title) of a group of assets to a taxpayer that could take advantage of the benefits of tax ownership.

The first lease and leaseback agreement with a third party pertained to certain buses (lot 1, 2, and 3) with a book value of $30.5 million as of December 31, 2007. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $57.3 million and is reflected in the accompanying December 31, 2007 statement of net assets as the total of the current and long-term portions of Capital lease obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) with a book value of $17.5 million as of December 31, 2007. Under the bus lease agreements, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $23.3 million and is reflected in the accompanying December 31, 2007 statement of net assets as the total of the current and long-term portions of the Capital lease obligation.

2007	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	INTEREST EXPENSE	DUE IN ONE YEAR
2003 (Buses)	$ 64,554,752	$ 4,086,123	$ 11,367,085	$ 57,273,790	$ 4,086,123	–
2003 (Buses)	$ 35,460,973	$ 2,394,005	$ 14,508,950	$ 23,346,028	$ 2,394,005	–
Total	$ 100,015,725	$ 6,480,128	$ 25,876,035	$ 80,619,818	$ 6,480,128	–

As described above, Pace entered into two lease financing agreements with a third party in 2003.

The following table sets forth the aggregate amounts due under the sublease agreements:

2008	–
2009	–
2010	–
2011	$ 1,438,538
2012	
2013 - 2016	124,399,915
Total future minimum payments	$ 125,838,453
Less interest	(45,218,635)
Present value of minimum lease payments	$ 80,619,818

The present value of the future payments including the purchase option to be made by Pace under these leases are approximately $80.6 million and is reflected in the accompanying December 31, 2007 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

7. COMMITMENTS AND CONTINGENCIES

Each of the entities has various commitments that have arisen in the normal course of operations. None is expected to have a material adverse impact on its financial position as presented.

Each of the entities has also established liabilities for potential legal judgments to satisfy claims against the entity.

The RTA has also established a Loss Financing Plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/1, et seq. Each of the Combined Entities has established its own investment policy which is in line with the State statute or, in some cases, more restrictive.

The Combined Entities have on hand, as of December 31, 2007, $820 million of cash and investments. Of this amount, $389 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims, and capital projects. In addition, CTA, Metra, and Pace hold $2.33 billion of investments in other assets for employee pension benefits, damage liabilities, and capital lease obligations, which are recorded as other assets in the financial statements.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	JANUARY 1, 2007	NEW ISSUES	CURRENT RETIREMENTS	DECEMBER 31, 2007
1990A	$ 60,795,000	–	–	$ 60,795,000
1991A	55,745,000	–	–	55,745,000
1992A* & 1992B	46,435,000	–	$ 6,250,000	40,185,000
1994A & 1994B	24,395,000	–	–	24,395,000
1994C* & 1994D	66,300,000	–	4,095,000	62,205,000
1997 Refunding	75,455,000	–	4,625,000	70,830,000
1999* Refunding	285,505,000	–	5,395,000	280,110,000
2000A*	239,790,000	–	4,730,000	235,060,000
2001A*	92,295,000	–	1,785,000	90,510,000
2001B* Refunding	32,985,000	–	1,555,000	31,430,000
2002A*	150,450,000	–	2,690,000	147,760,000
2002B	163,855,000	–	9,710,000	154,145,000
2003A*	251,310,000	–	4,335,000	246,975,000
2003B	145,210,000	–	2,545,000	142,665,000
2003C Refunding	10,200,000	–	3,240,000	6,960,000
2004A*	255,005,000	–	4,190,000	250,815,000
2005B Refunding	145,315,000	–	2,940,000	142,375,000
2006A*	250,350,000	–	1,050,000	249,300,000
Total	$ 2,351,395,000	$ –	$ 59,135,000	$ 2,292,260,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2007, the total general obligation bonds payable of $2,292,260,000 are classified as current and long-term in the Statement of Net Assets in the amounts of $64,685,000 and $2,292,260,000, respectively.

Advance Refundings–On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. 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 of the refunded debt. At December 31, 2007, $20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore, been removed from the financial statements.

On January 19, 1996, the RTA advance refunded 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 of the refunded debt. At December 31, 2007, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of

outstanding general obligation bonds (1994D Series) are considered defeased, and therefore, been removed from the financial statements.

On September 18, 1997, the RTA advance refunded 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) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2007, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series), and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore, been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2007, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore, been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2007, $37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore, been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued $19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2007, $19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore, been removed from the financial statements.

On May 2, 2005, the RTA issued $ 148 million in General Obligation bonds with a variable rate which resets weekly to refund $144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of $147 million (after payment of $892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Debt Service Requirements–The "debt service requirements" set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements. The "principal" columns represent principal payments due bondholders from the trustee.

1990 General Obligation Bonds – In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ –	$ 4,377,240	$ 4,377,240
2009	–	4,377,240	4,377,240
2010	3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013-2017	27,110,000	13,834,080	40,944,080
2018-2020	21,410,000	3,154,680	24,564,680
Total	$ 60,795,000	$ 38,032,200	$ 98,827,200

1991 General Obligation Bonds – In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ –	$ 3,734,915	$ 3,734,915
2009	–	3,734,915	3,734,915
2010	–	3,734,915	3,734,915
2011	–	3,734,914	3,734,914
2012	$4,090,000	3,734,915	7,824,915
2013-2017	24,960,000	14,176,530	39,136,530
2018-2021	26,695,000	4,615,965	31,310,965
Total	$ 55,745,000	$ 37,467,069	$ 93,212,069

1992 General Obligation Bonds – In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 6,840,000	$ 2,636,360	$ 9,476,360
2009	7,480,000	1,991,960	9,471,960
2010	–	1,396,960	1,396,960
2011	–	863,040	863,040
2012	25,865,000	293,760	26,158,760
2013-2022	–	–	–
Total	$ 40,185,000	$ 7,182,080	$ 47,367,080

1994 General Obligation Bonds – In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008		$ 1,951,600	$ 1,951,600
2009		1,951,600	1,951,600
2010		1,951,600	1,951,600
2011		1,951,601	1,951,601
2012		1,951,600	1,951,600
2013-2024	24,395,000	7,844,199	32,239,199
Total	$ 24,395,000	$ 17,602,200	$ 41,997,200

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 4,420,000	$ 4,649,612	$ 9,069,612
2009	1,500,000	4,420,213	5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013-2017	28,170,000	15,775,514	43,945,514
2018-2025	22,855,000	2,209,331	25,064,331
Total	$ 62,205,000	$ 39,550,382	$ 101,755,382

1997 General Obligation Refunding Bonds – In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997A Refunding bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 4,875,000	$ 4,000,288	$ 8,875,288
2009	5,155,000	3,724,463	8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013-2017	18,810,000	11,636,700	30,446,700
2018-2022	25,380,000	5,054,400	30,434,400
2023	3,550,000	106,500	3,656,500
Total	$ 70,830,000	$ 33,996,102	$ 104,826,102

1999 General Obligation Refunding Bonds – In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund, in advance of maturity, the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 5,665,000	$ 15,920,137	$ 21,585,137
2009	7,670,000	15,586,762	23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013-2017	73,915,000	57,823,970	131,738,970
2018-2022	128,090,000	31,413,500	159,503,500
2023-2025	39,155,000	2,737,431	41,892,431
Total	$ 280,110,000	$ 167,512,745	$ 447,622,745

2000 General Obligation Bonds – In June, 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2000A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.75% to 6.25% on January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 4,995,000	$ 14,866,563	$ 19,861,563
2009	5,275,000	14,579,350	19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012-2016	6,245,000	13,601,475	19,846,475
2017-2021	37,255,000	61,669,877	98,924,877
2022-2026	50,125,000	48,524,251	98,649,251
2022-2026	67,860,000	30,582,788	98,442,788
2027-2030	51,830,000	6,874,725	58,704,725
Total	$ 235,060,000	$218,930,542	$453,990,542

2001 General Obligation Bonds – In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 6.00% on January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 1,880,000	$ 5,344,813	$ 7,224,813
2009	1,980,000	5,241,413	7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013-2017	13,745,000	22,139,738	35,884,738
2018-2022	18,090,000	17,654,650	35,744,650
2023-2027	23,820,000	11,758,500	35,578,500
2028-2031	24,380,000	3,757,500	28,137,500
Total	$ 90,510,000	$ 80,943,253	$ 171,453,253

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund, in advance of maturity, the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 1,630,000	$ 1,679,750	$ 3,309,750
2009		1,639,000	1,639,000
2010		1,639,000	1,639,000
2011		1,639,000	1,639,000
2012		1,639,000	1,639,000
2013-2017	9,990,000	7,134,051	17,124,051
2018-2022	16,035,000	3,340,014	19,375,014
2023	3,775,000	103,813	3,878,813
Total	$ 31,430,000	$ 18,813,628	$ 50,243,628

2002 General Obligation Bonds – In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 6.00% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2008	$ 2,835,000	$ 8,698,938	$ 11,533,938
2009	2,985,000	8,557,188	11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013-2017	20,660,000	37,090,375	57,750,375
2018-2022	27,280,000	30,306,300	57,586,300
2023-2027	36,150,000	21,117,600	57,267,600
2028-2032	47,890,000	8,943,300	56,833,300
Total	$ 147,760,000	$ 139,440,190	$ 287,200,190

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen-year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2008	$ 10,060,000	$ 8,053,513	$ 18,113,513
2009	10,450,000	7,515,125	17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013-2017	67,705,000	18,018,931	85,723,931
2018-2019	31,920,000	1,736,932	33,656,932
Total	$ 154,145,000	$ 54,293,089	$ 208,438,089

2003 General Obligation Bonds – In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.00% to 5.50% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2008	$ 4,555,000	$ 13,995,825	$ 18,550,825
2009	4,790,000	13,768,075	18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013-2017	32,980,000	60,338,400	93,318,400
2018-2022	43,095,000	50,245,750	93,340,750
2023-2027	56,160,000	36,962,850	93,122,850
2028-2032	72,565,000	18,569,400	91,134,400
2033	16,875,000	1,012,500	17,887,500
Total	$ 246,975,000	$ 234,708,525	$ 481,683,525

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
2008	$ 2,675,000	$ 7,763,925	$ 10,438,925
2009	2,810,000	7,654,225	10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013-2017	19,085,000	33,291,339	52,376,339
2018-2022	24,805,000	27,290,565	52,095,565
2023-2027	32,245,000	19,489,638	51,734,638
2028-2032	41,930,000	9,095,064	51,025,064
2033	9,790,000	281,463	10,071,463
Total	$ 142,665,000	$ 127,050,294	$ 269,715,294

In May 2003, the RTA issued $19 million in General Obligation Bonds, Series 2003C, to provide funds to refund, in advance of maturity, the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004-2009, in the aggregate amount of $19 million.

The Series 2003C Bonds mature on July 1 over a six-year period and interest is payable at rates ranging from 2.00% to 5.00% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003C Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 3,395,000	$ 348,000	$ 3,743,000
2009	3,565,000	178,250	3,743,250
Total	$ 6,960,000	$ 526,250	$ 7,486,250

2004 General Obligation Bonds – In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.00% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST	TOTAL
2008	$ 4,405,000	$ 13,751,163	$ 18,156,163
2009	4,635,000	13,525,163	18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013-2017	31,360,000	59,222,739	90,582,739
2018-2022	40,620,000	49,189,319	89,809,319
2023-2027	52,815,000	36,662,745	89,477,745
2028-2032	68,670,000	19,754,700	88,424,700
2033-2034	32,935,000	1,918,631	34,853,631
Total	$ 250,815,000	$ 233,124,949	$ 483,939,949

2005 General Obligation Bonds – In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million. The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly, based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST*	TOTAL
2008	$ 3,070,000	$ 4,647,720	$ 7,717,720
2009	6,535,000	4,489,238	11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013-2017	21,700,000	15,811,291	37,511,291
2018-2022	49,320,000	11,561,057	60,881,057
2023-2025	40,100,000	1,836,121	41,936,121
Total	$ 142,375,000	$ 50,442,402	$ 192,817,402

* Interest was calculated using a rate of 3.3%.

2006 General Obligation Bonds – In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

YEAR ENDING DECEMBER 31	DEBT SERVICE REQUIREMENTS		
	PRINCIPAL	INTEREST*	TOTAL
2008	$ 3,385,000	$ 12,210,531	$ 15,595,531
2009	3,625,000	12,041,281	15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013-2017	24,890,000	53,995,156	78,885,156
2018-2022	40,540,000	46,952,656	87,492,656
2023-2027	87,420,000	32,385,906	119,805,906
2028-2032	40,755,000	11,833,338	52,588,338
2033-2035	36,800,000	3,860,775	40,660,775
Total	$ 249,300,000	$ 208,283,988	$ 457,583,988

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $76 million in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2007.

10. PENSION

All eligible employees of the Combined Entities are covered under a pension plan. RTA employees, as well as nonunion employees of Metra and Pace, are covered under the RTA Pension Plan, which is a multi-employer, noncontributory, defined benefit cost sharing plan and trust. The union employees of Metra and Pace are covered under various other plans as required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union

and nonunion employees and Chicago Transit Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. The Supplemental Retirement Plan, which includes the Retirement Plan for Board Members and the Supplemental Retirement Plan for selected Officers, Executives, Supervisory and Professional Employees, provides benefits, in addition to the Employees' Retirement Plan, to management employees in certain employment classifications and Chicago Transit Board members.

11. REGION-WIDE FINANCIAL INFORMATION

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation-related operations in the Northeastern Illinois region. This information includes the transportation-related results of the Service Boards' affiliated carriers. Accordingly, this region-wide information is presented in the combining region-wide schedules of revenues and expenditures and the combining region-wide statement of revenues and expenditures—budget and actual.

The basic financial statements of the RTA and the Service Boards used to prepare the combining statement of revenues and expenses do not include the aggregate of system-generated revenues and costs. The combining region-wide schedules of revenues and expenditures include the aggregate of all system generated revenues and costs.

For purposes of the system-generated revenues recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with accounting principles generally accepted in the United States, with certain allowable adjustments as enumerated in the Act. Costs funded by Federal capital grants are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act.

The Act requires that the aggregate of all system-generated revenues equal at least 50% of the aggregated costs of providing such public transportation.

For 2007, the region-wide system-generated revenues recovery ratio is calculated from the Combining Region-Wide Schedules of Revenues and Expenditures—(Budget and Actual Budget Basis) as follows:

SYSTEM-GENERATED REVENUES RECOVERY RATIO
(in thousands)

	REVENUES	EXPENDITURES
CTA*	$ 580,182	$ 1,100,973
Metra**	291,841	525,397
Pace***	55,826	166,183
RTA****	11,504	27,891
Total	$ 939,353	$ 1,820,444

The RTA Board (Ordinance 2005-06) authorized the exclusion of added security costs from the Service Board expenditures including the allowable adjustments specified in the RTA Act. The amount that exceeds the RTA Act exclusion is added back to RTA system-generated expenses to calculate the System-Generated Revenue Recovery Ratio. The amount added to CTA and Metra expenditures was $16.2 million and $9.8 million, respectively. The region-wide system-generated revenues recovery ratio for 2007 equals 51.6%.

* The system-generated revenues recovery ratio for the CTA included leasehold revenues of $4.3 million and excluded CTA expenditures for security costs of $31.4 million. It also included in-kind services of $22 million, both as revenues and expenditures.

** Metra's $14.8 million security costs, $15.3 million costs for lease of transportation facilities and $2.7 million for funded (depreciation) to carriers were deducted from expenditures.

*** Pace included in-kind services of $3.7 million both as revenues and expenditures.

**** The RTA subtracted $9.4 million unrealized gain on swap valuation to its revenues. Also, the RTA excluded all capital related depreciation expenses of $228 thousand.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

Also, in the RTA Act section 4.01(b) requires the RTA Board to determine that the level of fares charged for ADA paratransit services is sufficient to cause the aggregate of all projected revenues from such fares charged and received in each fiscal year to equal at least 10% of the aggregate costs of providing such ADA paratransit services in fiscal years 2007. However, PACE did not meet the 10% recovery ratio for Regional ADA Paratransit Services that was established in the state legislature and in the 2007 RTA budget marks. Pace ended the year with an 8.4% recovery ratio for Regional ADA Paratransit Services. The 2008 budget for ADA paratransit service adopted by the RTA meets the 10% recovery ratio requirement.

12. RECONCILIATION OF GOVERNMENT-WIDE TO REGION-WIDE REVENUES AND EXPENDITURES

RTA's government-wide financial statements do not include fiduciary fund financial statement information which is added in the region-wide presentation. As also stated in Note 11, in-kind services are added in the system-generated revenues and expenditures.

The following data (in thousands) reconciles the combining government-wide to region-wide schedules of revenues and expenditures:

	RTA	CTA	METRA	PACE
Government-wide revenues (page 30)	$ 510,414	$ 1,600,852	$ 757,471	$ 286,445
Federal operating grants				
Sales tax agency fund	694,423			
Pension trust fund	14,957			
In-kind services		22,000		3,673
Unrealized gain on swap valuation	(9,418)			
Region-wide revenues (page 31)	1,210,375	1,622,852	757,471	290,118
Government-wide expenditures (page 30)	526,822	1,932,117	780,141	284,187
Sales tax agency fund	694,423			
Pension trust fund	7,878			
In-kind services		22,000		3,673
Security costs		(31,363)	(14,773)	
Lease of transportation facilities			(15,325)	
Capital (Depreciation, disposals/additions)	(228)		(2,749)	
Region-wide expenditures (page 31)	1,228,896	1,922,754	747,294	287,860
Net revenues (expenditures)	$ (18,521)	$ (299,902)	$ 10,177	$ 2,257

13. SUBSEQUENT EVENTS

On January 18, 2008, New Legislation Public Act 95-708 became law. As a result, the RTA Act was amended to:

(1) Authorize additional funds to be raised, primarily from the RTA region and

(2) Enhance the RTA's responsibilities and accountability with respect to regional planning, fiscal oversight, and fare and service coordination.

This legislation also includes provisions to stabilize the long-term financial health of the CTA pension and retiree healthcare system. The legislation requires that the funding for the pension and retiree healthcare are separated, employee and employer contributions are increased, benefits are adjusted, governance is strengthened, bonds are issued and ongoing financial oversight by the Illinois Auditor General is established. The Chicago Transit Board has not yet approved the issuance of these bonds, however the CTA is preparing for this issuance predicated on the assumption that the bonds will be repaid with the proceeds of the additional funds provided to the CTA from the legislation.

On February 29, 2008, Hybrid Bus Lease; CTA finalized an agreement to lease 150 New Flyer articulated hybrid buses. Delivery of the new buses is expected to occur between Fall 2008 and Spring 2009. The terms of the agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. The lease cost will be approximately $13.4 million per year with a total principal amount of $120,522,624. Lease payments are due every June 1 and December 1 of each year, beginning on December 1, 2008.

On March 12, 2008, Capital Grant Receipts Revenue Bonds, Series 2008; the Chicago Transit Board approved the issuance of $250 million in Capital Grant Receipt Revenue Bonds to accelerate funding of capital improvement projects including the purchase of buses and rail cars, and slow zone elimination. The Board's approval means the CTA will issue up to $250 million in tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program and 5309 Fixed Guideway Modernization Program Funds.

In January 2008, the Illinois legislature approved bill HB656 "Mass Transit Funding and Reform" to provide additional operating funding for the region beginning in 2008. Metra anticipates its share of these funds will be $46.7 million in 2008. This bill also authorizes Metra to issue $1 billion in bonds for capital projects.

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REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING GOVERNMENT-WIDE SCHEDULES OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2007
(in thousands)

	RTA GOVERNMENT-WIDE FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED
REVENUES:							
Service Boards operating revenues		$ 509,584	$ 291,841	$ 63,169	$ 921		$ 863,673
RTA financial assistance		548,249	256,688	164,201	889,928		79,210
Other public funding		42,048	150,316	24,230			216,594
Capital grants		375,914	40,365	28,365	113,328		331,316
Sales taxes	112,938					639,987	752,925
Interest on sales taxes	376						376
Public Transportation Fund	188,931						188,931
Operating Assistance CTA & Pace	54,252						54,252
State assistance	117,807						117,807
Investment income	32,744						32,744
Program revenues and other	3,366						3,366
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		120,795	18,261	6,480			145,536
Total revenues	510,414	1,600,852	757,471	286,445	1,004,177	639,987	2,790,992
EXPENDITURES:							
Operating		1,412,842	548,470	246,007		691	2,206,628
Depreciation		387,738	213,410	31,492			632,640
Financial Assistance to Service Boards	209,931					209,931	
Operating Grant - CTA & Pace	40,010					40,010	
Capital grants—discretionary	25,272					25,272	
Capital grants—bonds	88,056					88,056	
Insurance (JSIF)	4,855						4,855
Administrative expenses	6,967						6,967
Regional expenses	20,243					230	20,013
Technology program	1,409						1,409
Bond-related expenses	130,079	15,718					145,797
Interest expense				208			208
Interest expense from leasing transactions		115,819	18,261	6,480			140,560
Total expenditures	526,822	1,932,117	780,141	284,187		364,190	3,159,077
Net Revenues (Expenditures)	$ (16,408)	$ (331,265)	$ (22,670)	$ 2,258	$ 1,004,177	$ 1,004,177	$ (368,085)

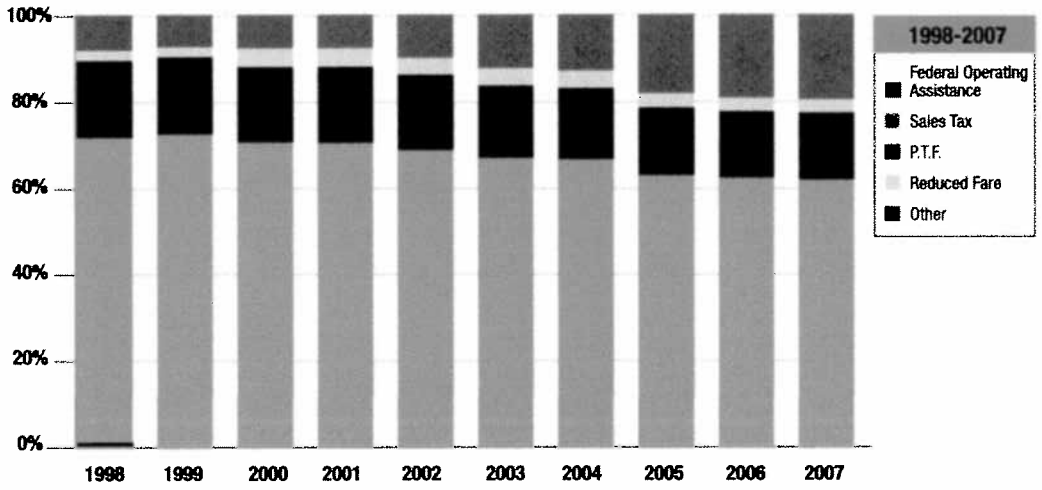
Note 1—Changes in net assets shown on page 12 and net revenues and expenditures shown on this page are similar.

Note 2—Government-wide to Region-wide revenues and expenditures shows on page 30 and 31, respectively, are reconciled in Note 12.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING REGION-WIDE SCHEDULES OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2007
(in thousands)

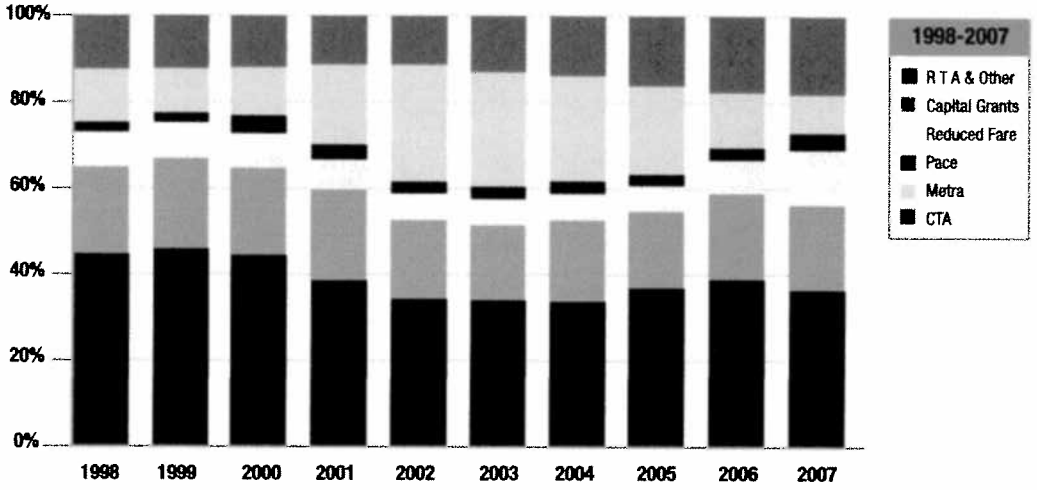
	RTA GOVERNMENT-WIDE AND FIDUCIARY FUNDS	SERVICE BOARDS: CHICAGO TRANSIT AUTHORITY	SERVICE BOARDS: COMMUTER RAIL DIVISION	SERVICE BOARDS: SUBURBAN BUS DIVISION	COMBINING ADJUSTMENTS: DEBIT	COMBINING ADJUSTMENTS: CREDIT	TOTAL COMBINED	TOTAL REGION-WIDE BUDGET
REVENUES:								
RTA financial assistance		$ 548,249	$ 256,688	$ 164,201	$ 889,928		$ 79,210	
Other public funding		42,048	150,316	24,230			216,594	
Capital grants		375,914	40,365	28,365	113,328		331,316	
Interest revenue from leasing transactions		120,795	18,261	6,480			145,536	
Sales taxes	752,922						752,922	745,937
Public Transportation Fund	188,931						188,931	186,484
Operating Assistance CTA & Pace	54,252						54,252	54,252
State assistance	117,807						117,807	122,836
State reduced fare reimbursement	52,309				52,309			
Pension contribution	9,137				1,000		8,137	
Investment income	21,384						21,384	
Interest on sales taxes to Service Boards	2,129				2,130			
Subtotal	1,198,871	1,087,006	465,630	223,276	1,058,695		1,916,089	1,109,509
Investment income	17,387						17,387	8,788
Other revenues	3,159			7,016			10,175	4,934
Interest on sales taxes	376						376	150
Service Boards revenues		509,584	291,841	56,153	921		856,657	895,272
Add (Subtract):								
In-kind services		22,000		3,673			25,673	22,000
Leasehold revenue		4,262					4,262	4,262
Unrealized Gain on swap valuation	(9,418)						(9,418)	
Subtotal	11,504	535,846	291,841	66,842	921		905,112	935,406
Total revenues	1,210,375	1,622,852	757,471	290,118	1,059,616		2,821,201	2,044,915
EXPENDITURES:								
Pension and other employee benefits		318,673					318,673	
Depreciation		387,738	213,410	31,493			632,641	
Interest expenses from leasing transactions		115,819	18,261	6,480			140,560	
Interest expenses from bond transactions		15,718					15,718	
Operating grants to Service Boards	849,915					849,915	–	
CTA & Pace Operating Grant	40,010					40,010	–	
Capital grants—discretionary	25,272					25,272	–	
Capital grants—bonds	88,056					88,056	–	
State reduced fare reimbursement	52,309					52,309	–	
Regional expenses	12,734					230	12,504	
Bond-related expenses	130,079						130,079	
Interest expense				208			208	
Interest on sales taxes to Service Boards	2,130					2,130		
Subtotal	1,200,505	837,948	231,671	38,181		1,057,922	1,250,383	
Operating expenses		1,094,169	548,470	246,007		691	1,887,955	1,821,325
Administrative expenses	6,967					1,000	5,967	7,048
Regional expenses	20,243						20,243	20,723
Technology program	1,409						1,409	2,728
Add (Subtract):								
In-kind services		22,000		3,673			25,673	26,758
Security costs		(31,363)	(14,773)				(46,136)	(48,863)
Lease of transportation facilities			(15,325)				(15,325)	(15,541)
Capital (Depreciation, disposals/additions)	(228)		(2,749)				(2,977)	(2,706)
Subtotal	28,391	1,084,806	515,623	249,680		1,691	1,876,809	1,811,472
Total expenditures	1,228.896	1,922,754	747,294	287,861		$ 1,059,613	3,127,192	1,811,472
NET REVENUES (EXPENDITURES)	$ (18,521)	$ (299,902)	$ 10,177	$ (2,257)	$ 1,059,616	$ 1,059,616	$ (305,991)	$ 233,443

RTA REVENUE BY SOURCE



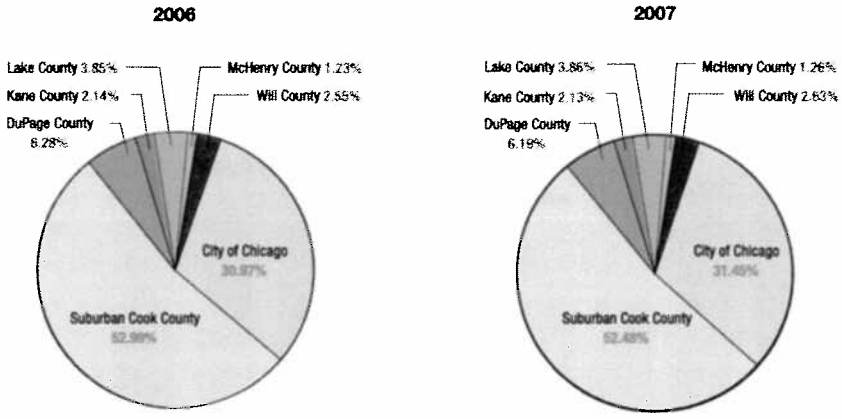
Last Ten Years (in thousands)	FEDERAL OPERATING ASSISTANCE	SALES TAX	PUBLIC TRANSPORTATION FUND	REDUCED FARE	OTHER	TOTAL
12 Months Ended 12/31/98	$ 6,746	$ 576,704	$ 144,846	$ 19,837	$ 66,980	$ 815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,624	849,867
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	0	653,522	164,987	39,531	71,742	929,782
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	0	647,685	165,665	36,260	95,167	944,777
Percentage of Total	0.00%	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	0	654,988	164,739	39,662	122,517	981,906
Percentage of Total	0.00%	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	0	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	0.00%	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	0	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	0.00%	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	0	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	0.00%	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	0	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	0.00%	61.73%	15.49%	3.01%	19.78%	100%

DISTRIBUTION OF EXPENDITURES



Last Ten Years (in thousands)	FINANCIAL ASSISTANCE CTA	METRA	PACE	TOTAL	REDUCED FARE	CAPITAL GRANTS	R T A AND OTHER	TOTAL
12 Months Ended 12/31/98	$ 377,265	$ 172,198	$ 69,100	$ 618,563	$ 19,837	$ 103,859	$ 106,464	$ 848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,436	842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.86%	8.77%	19.52%	100%

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO



Retailers' Occupation and Use Tax (Sales Tax) Revenues by County/City of Chicago

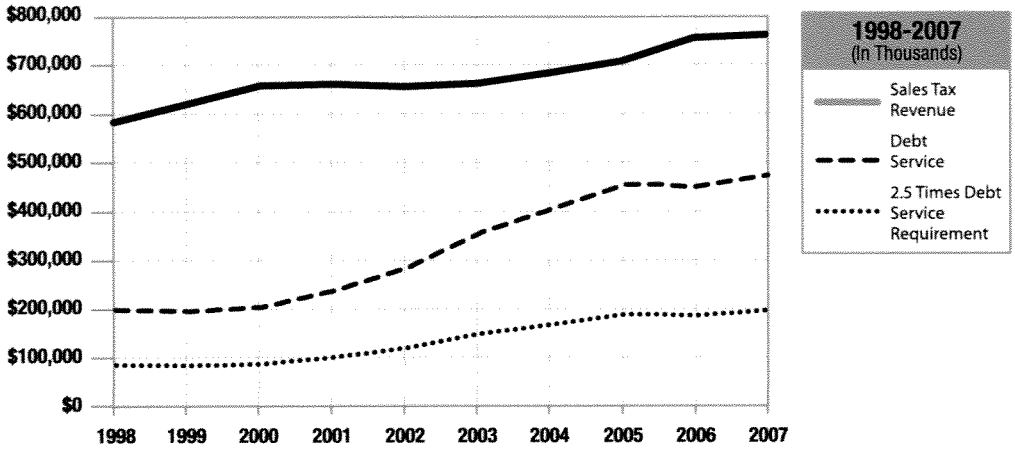
Last Ten Years (In Thousands)	CITY OF CHICAGO	SUBURBAN COOK COUNTY	DUPAGE COUNTY	KANE COUNTY	LAKE COUNTY	MCHENRY COUNTY	WILL COUNTY	TOTAL
12 Months Ended 12/31/98	$ 176,816	$ 314,886	$ 39,278	$ 10,011	$ 20,413	$ 5,760	$ 9,540	$ 576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
Percentage of Total	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%

LEGAL DEBT CAPACITY

2007

		BALANCE OUTSTANDING AT DECEMBER 31, 2007	ISSUED	
LEGAL DEBT MARGIN:				
Debt Limitation per Act for General Obligations				$ 2,600,000,000
DEBT APPLICABLE TO LIMITATION				
NON-SCIP BONDS:				
1990A	General Obligation Bonds	$ 60,795,000		
1991A	General Obligation Bonds	55,745,000		
1992B	General Obligation Bonds	5,535,000		
1994B	General Obligation Bonds	7,095,000		
1994D	General Obligation Bonds	32,260,000		
1997	General Obligation Refunding Bonds	70,830,000		
2002B	General Obligation Bonds	154,145,000		
2003B	General Obligation Bonds	142,665,000		
2003C	General Obligation Refunding Bonds	6,960,000		
2005B	General Obligation Refunding Bonds	142,375,000		
Total RTA Bonds Applicable to Limitation		$ 678,405,000		$ (678,405,000)
SCIP BONDS:				
1992A	General Obligation Bonds	$ 34,650,000	$ 188,000,000	
1993A	General Obligation Bonds		55,000,000	
1994A	General Obligation Bonds	17,300,000	195,000,000	
1994C	General Obligation Bonds	29,945,000	62,000,000	
1999	General Obligation Refunding Bonds	280,110,000		
2000	General Obligation Bonds	235,060,000	260,000,000	
2001A	General Obligation Bonds	90,510,000	100,000,000	
2001B	General Obligation Refunding Bonds	31,430,000		
2002A	General Obligation Bonds	147,760,000	160,000,000	
2003A	General Obligation Bonds	246,975,000	260,000,000	
2004A	General Obligation Bonds	250,815,000	260,000,000	
2006A	General Obligation Bonds	249,300,000	250,350,000	
Total SCIP Bonds Applicable to Limitation			$ 1,790,350,000	$ (1,790,350,000)
Total SCIP Bonds Outstanding		$ 1,613,855,000		
Total Bonds Outstanding		$ 2,292,260,000		
Debt Margin for General Obligations				$ 131,245,000
Debt Limitation per Act for Working Cash Notes				100,000,000
Total Legal Debt Margin				$ 231,245,000

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years
(in thousands)

YEAR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales Tax Revenue	$ 576,704	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829	$ 752,922
Debt Service Requirement	77,883	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551
2.5 Times Debt Service Requirement	$ 194,708	$ 194,665	$ 204,190	$ 237,968	$ 283,815	$ 351,518	$ 399,255	$ 448,840	$ 445,215	$ 471,378

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying 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.

TABLE 6

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years
(in thousands)

YEAR	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL	TOTAL EXPENDITURES	RATIO OF DEBT SERVICE TO TOTAL EXPENDITURES
1998	$ 16,124	$ 61,759	$ 77,883	$ 848,723	9.18%
1999	16,988	60,878	77,866	842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,302,664	14.47%

TABLE 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively)

Last Ten Years
(in millions)

FEDERAL FISCAL YEAR	TOTAL AWARDED	CHICAGO TRANSIT AUTHORITY	COMMUTER RAIL DIVISION	SUBURBAN BUS DIVISION
1998	$ 252.95	$ 142.97	$ 88.17	$ 21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
Total	$ 4,114.74	$ 2,339.87	$ 1,466.08	$ 308.79

Source of data: Information obtained from the Service Boards' records.

SERVICE BOARD OPERATING CHARACTERISTICS

2007

CHICAGO TRANSIT AUTHORITY

Rapid Transit
- 8 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 190.3 million riders per year
- 1331 STO* positions

Motor Bus
- 154 bus routes
- 2,222 buses
- 309.3 million riders per year
- 4,274 STO* positions

Other
- 1.1 billion passenger rail miles per year
- 12.1 million rail miles per year
- 762.3 million passenger miles per year
- 70.4 million vehicle miles per year
- 5,302 without STO* positions

* *STO is scheduled transit operators. This classification includes bus operators, motormen, conductors and customer assistants.*

*METRA COMMUTER RAIL DIVISION

- 489 route miles
- 1,185 miles of track
- 239 stations
- 144 locomotives
- 818 passenger cars
- 173 electric cars
- 702 weekly trains operated
- 95.7% on-time performance
- 33.5 million riders per year
- 83.3 million riders per year
- 3,978 full-time employees

Other
- 1.7 billion passenger miles per year
- 44.3 million vehicle miles per year

*All data excludes NICTD South Shore

PACE SUBURBAN BUS DIVISION

Fixed Route
- 152 regular routes
- 52 feeder routes
- 1 subscription routes
- 23 shuttle routes
- 584 vehicles in use during peak periods
- 33.5 million riders per year
- 1,322 full-time employees

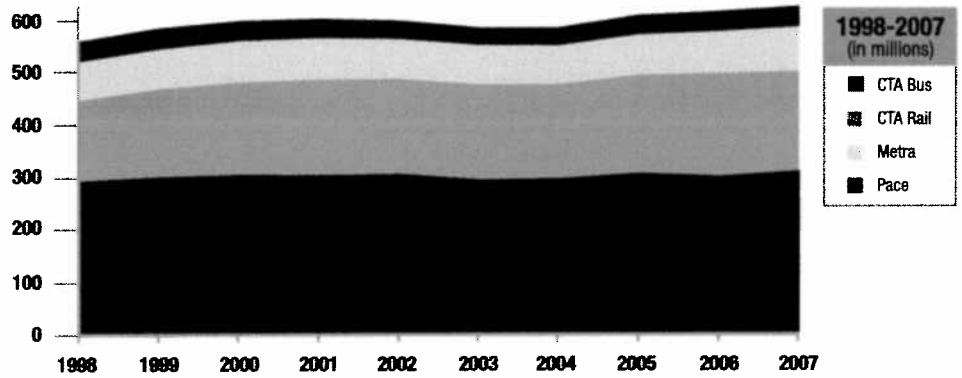
Paratransit
- 62 local services
- 380 Pace owned lift-equipped buses in service
- 228 communities served
- 3.7 millions of riders per year
- 28 full-time employees

Other
- 678 vanpools in operation
- *1.9 million riders for the year*
- *29.4 million passenger miles per year*
- *26.7 million vehicle miles per year*

Source of data: Information obtained from the Service Boards' records.

SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS

TABLE 9



Last Ten Years (in millions)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Service Consumed:										
CTA–Bus	291.7	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3
CTA–Rail	153.6	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3
Total CTA*	445.3	466.7	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6
Metra	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4
Pace**	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0
System Total	559.1	583.5	597.0	601.0	596.8	583.2	583.2	606.2	613.6	623.0
Percent Change	1.75%	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%

**CTA Stat amounts include rail-to-rail transfers.*
***PACE 2007 Stat amount includes ADA Paratransit rides.*
Source of data: Information obtained from the National Transit Database.

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

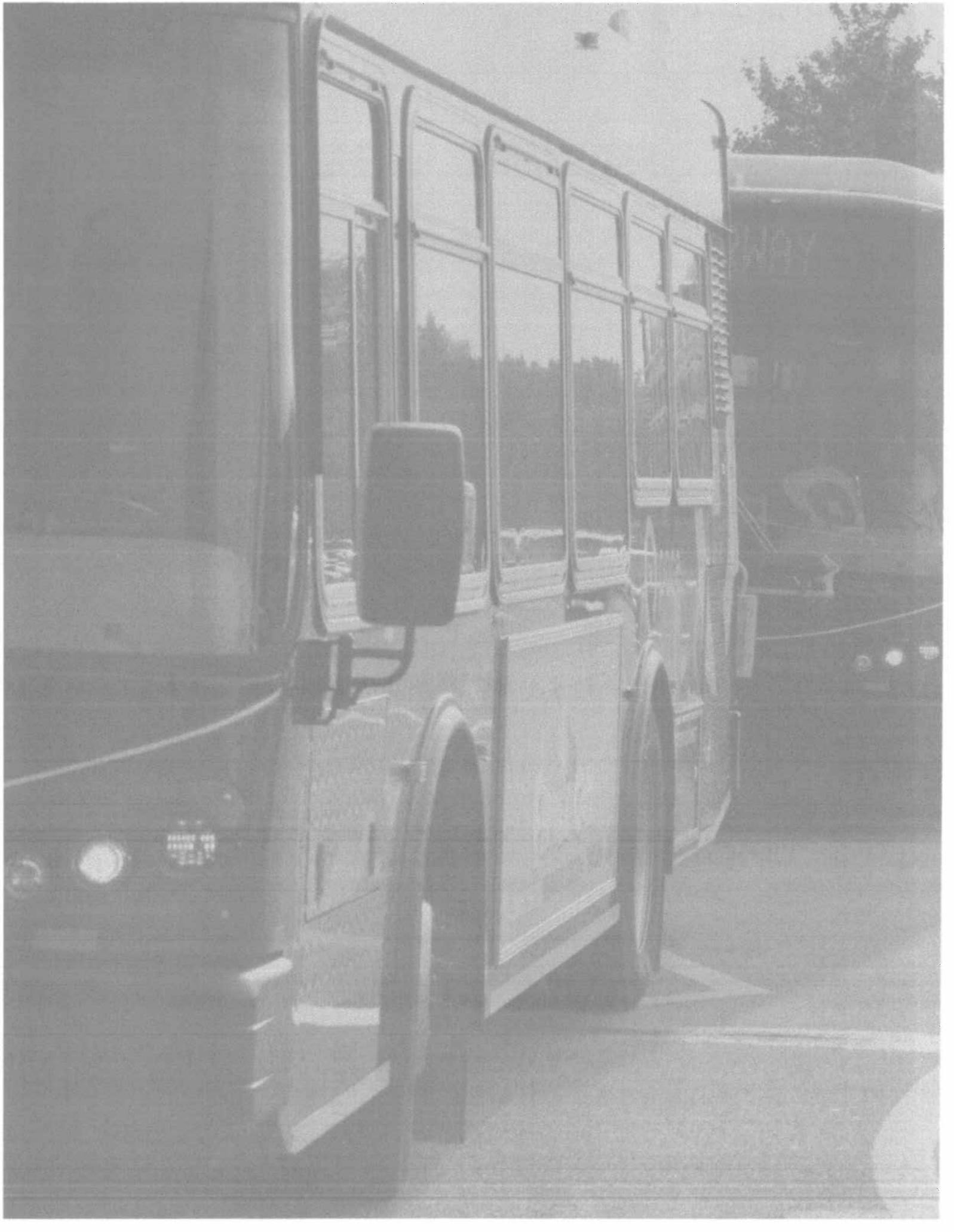
The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency, which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2007.

(in thousands)	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
METRA					
Union Pacific	$ 71,696	$ 159,810	$ (88,114)	$ $88,114	$ –
Burlington Northern/Santa Fe	43,377	63,628	(20,251)	20,251	–
Northern Indiana Commuter Transportation District (NICTD)	4,258	7,357	(3,100)	3,100	–
Total Metra	$ 119,330	$ 230,795	$ (111,465)	$ 111,465	$ –
PACE					
Summary of Services					
Fixed Route Public Funded Carriers	$ 1,406	$ 2,846	$ (1,440)	$ 3,089	$ 1,683
Fixed Route–Private Contract Carriers	3,387	10,115	(6,727)	6,727	–
Total Fixed Route Service	4,793	12,961	(8,167)	9,816	1,683
Private Contract Carriers					
DAR Services	$ 797	$ 8,124	$ (7,327)	$ 2,902	$ 4,425
DAR and Stable Services	6,738	76,908	(70,169)	70,169	–
Total Private Contract Carriers	7,535	85,032	(77,497)	73,072	4,425
Paratransit–Municipal Carriers	501	6,197	(5,696)	984	4,712
Total PACE	$ 12,830	$104,189	$(91,360)	$83,872	$10,820
PACE					
Detail of Services					
Fixed Route—Public Funded Carriers					
City of Highland Park	$ 425	$ 1,069	$ (643)	$ 1,196	$ 771
Village of Niles	488	1,229	(741)	1,346	858
Village of Downers Grove	429	477	(48)	477	48
Northwestern University	63	71	(7)	70	7
Total	$ 1,406	$ 2,846	$ (1,440)	$ 3,089	$ $1,683
Private Contract Carriers—Fixed Route					
Academy Coach Lines	$ 743	$ 3,176	$ (2,434)	$ 2,434	$ –
Colonial Coach Lines	150	690	(540)	540	–
Laidlaw Transit	1,714	5,342	(3,628)	3,628	–
M V Transportation	24	70	(46)	46	
Cook County School Bus	602	604	(2)	2	–
Village of Schaumburg	154	232	(78)	78	–
Total	$3,387	$10,115	$(6,727)	$6,727	$ –

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(in thousands)	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
PACE					
Detail of Services (continued)					
Private Contract Carriers—Dial-a-Ride Services					
Addison	$ 4	$ 60	$ (56)	$ 6	$ 50
Barrington	2	67	(65)	34	31
Bloomingdale Township	31	346	(316)	233	83
Central Lake	11	160	(150)	96	54
Central Will	66	637	(571)	401	170
Downers Grove	21	147	(126)	96	29
Dundee	7	85	(78)	78	–
Dupage County	8	72	(64)	64	–
Dupage Township	14	188	(174)	117	58
Elk Grove	27	314	(288)	50	238
Freemont Township	1	10	(9)	(0)	9
Hampshire Township	1	12	(11)	8	3
Hanover Township	4	27	(23)	0	23
Hometown	1	21	(19)	3	16
Leyden Township	26	253	(227)	29	199
McHenry Township	96	1,451	(1,355)	655	699
Milton Township	13	163	(150)	104	46
N. Suburban Cook	2	60	(57)	57	–
Naperville/Lisle	159	775	(615)	233	383
Northeast Lake-Warren	17	409	(391)	357	35
Northeast Lake-Zion	2	35	(33)	25	8
Northwest Lake	21	324	(303)	303	–
Northwest Suburban Cook	24	258	(234)	(7)	241
Ride DuPage	188	1,564	(1,376)	(138)	1,514
South Cook	–	–	–	–	–
Southwest Lake-Cuba	1	5	(4)	2	2
Southwest Lake-Wauconda	4	28	(23)	12	11
Southwest Will	1	19	(18)	13	5
Village of Bloomingdale	2	21	(19)	(1)	20
Village of Skokie/West Cook	-	225	(225)	(79)	304
Wayne Township	5	76	(71)	54	17
Woodstock	39	316	(277)	98	179
Total	$ 797	$ 8,124	$ (7,327)	$ 2,902	$ 4,425

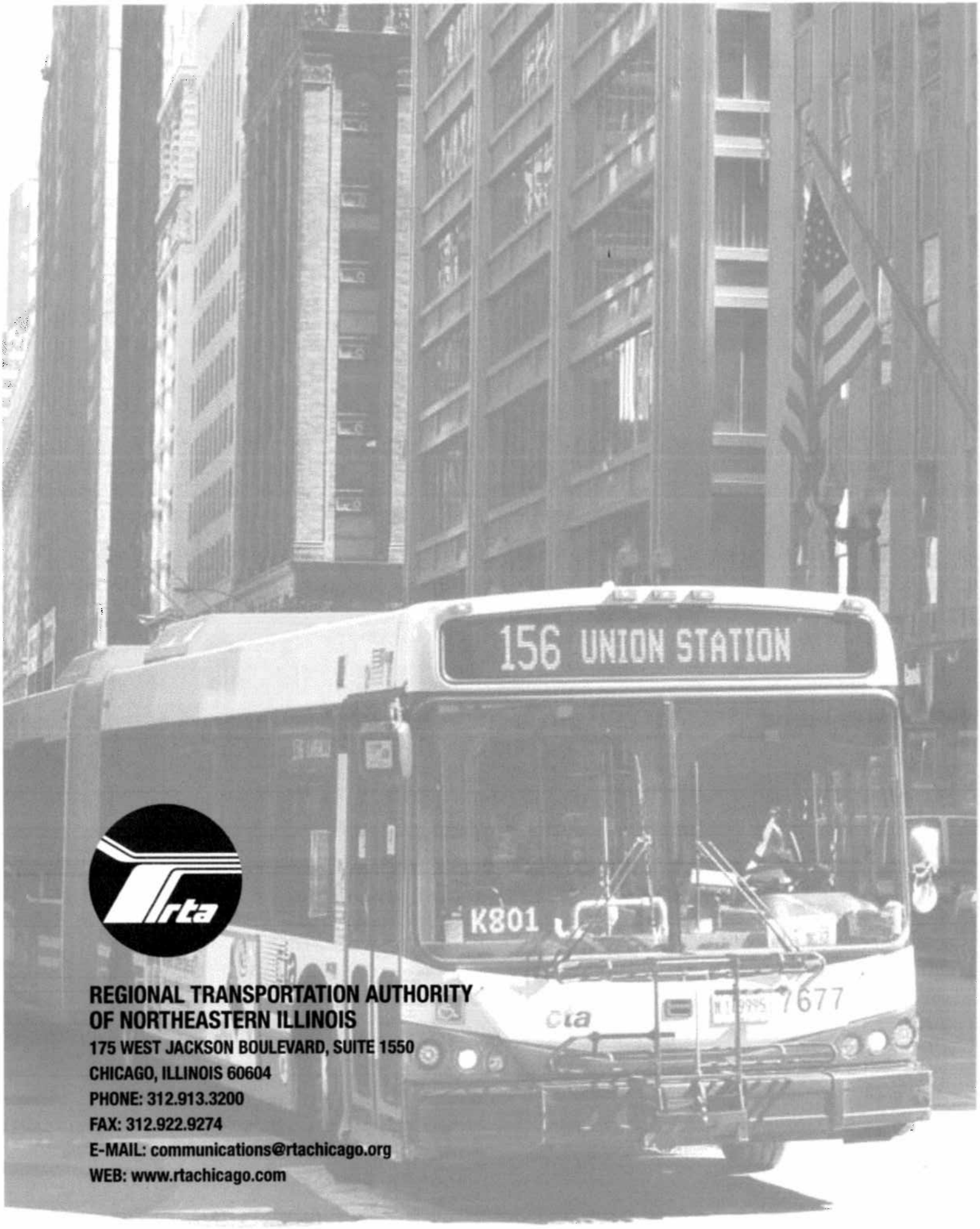
(in thousands)	OPERATING REVENUES	OPERATING EXPENDITURES	OPERATING DEFICIT	SERVICE BOARD FUNDING	OTHER PUBLIC FUNDING
PACE					
Detail of Services (continued)					
Private Contract Carriers—Dial-a-Ride and Stable Services (ADA Services)					
DuPage County	$ 65	$ 710	$ (645)	$ 645	$ –
Kane County	52	468	(417)	417	–
North Suburban Cook	421	4,413	(3,992)	3,992	–
Northeastern/Central Lake	119	1,103	(984)	984	–
South Cook	530	5,084	(4,554)	4,554	–
Chicago ADA	5,350	63,230	(57,880)	57,880	–
Southwest/Central Will	32	397	(365)	365	–
West Cook	170	1,502	(1,332)	1,332	–
Total	$ 6,738	$ 76,908	$(70,169)	$ 70,169	$ –
PACE					
Detail of Services					
Paratransit—Municipal Carriers					
Aurora	$ 25	$ 402	$ (377)	$ 60	$ 318
Batavia	3	61	(58)	7	51
Bensenville	26	242	(216)	48	168
Bloom	21	322	(301)	52	249
Crestwood	6	96	(90)	14	76
Elgin	23	139	(117)	54	63
Ela	11	149	(138)	18	120
Forest Park	13	145	(131)	32	99
Fox Lake/Grant	3	10	(6)	4	3
Frankfort	14	173	(159)	25	135
Harvard	14	117	(103)	24	79
Lemont	5	78	(73)	12	60
Lyons	12	287	(275)	32	243
Norridge	14	90	(76)	32	44
Oak Park	29	304	(276)	63	213
Orland Park	27	423	(396)	52	343
Palatine	10	237	(227)	23	204
Palos Hills	11	72	(61)	13	48
Park Forest	24	110	(86)	45	41
Peotone	29	282	(253)	58	195
Rich Township	65	593	(528)	51	477
Schaumburg	61	990	(928)	152	776
St. Charles	19	179	(160)	19	141
Stickney	18	323	(305)	46	259
Tinley Park	8	95	(87)	20	66
Vernon	4	112	(108)	7	101
Worth Township	8	167	(160)	20	140
Total	$ 501	$ 6,197	$ (5,696)	$ 984	$ 4,712



PRODUCED BY THE COMMUNICATIONS AND FINANCE DEPARTMENTS OF THE:
REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1550
CHICAGO, ILLINOIS 60604

EXECUTIVE DIRECTOR – STEPHEN E. SCHLICKMAN
CHIEF FINANCIAL OFFICER – JOSEPH G. COSTELLO
CONTROLLER – JOHN H. YU
DIRECTOR OF COMMUNICATIONS – DIANE J. PALMER
COMMUNICATIONS PROJECT MANAGER – JC VANNATTA
DESIGN AND ART DIRECTION – NEOMI VEMBU, CREATE ENVY GRAPHIC DESIGN
COVER PHOTO – DIANE SMUTNY, DMS PHOTOGRAPHY

THE RTA GRATEFULLY ACKNOWLEDGES THE COOPERATION OF THE CHICAGO TRANSIT AUTHORITY, METRA AND PACE IN THE ASSEMBLY OF THIS REPORT.



REGIONAL TRANSPORTATION AUTHORITY
OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1550
CHICAGO, ILLINOIS 60604
PHONE: 312.913.3200
FAX: 312.922.9274
E-MAIL: communications@rtachicago.org
WEB: www.rtachicago.com

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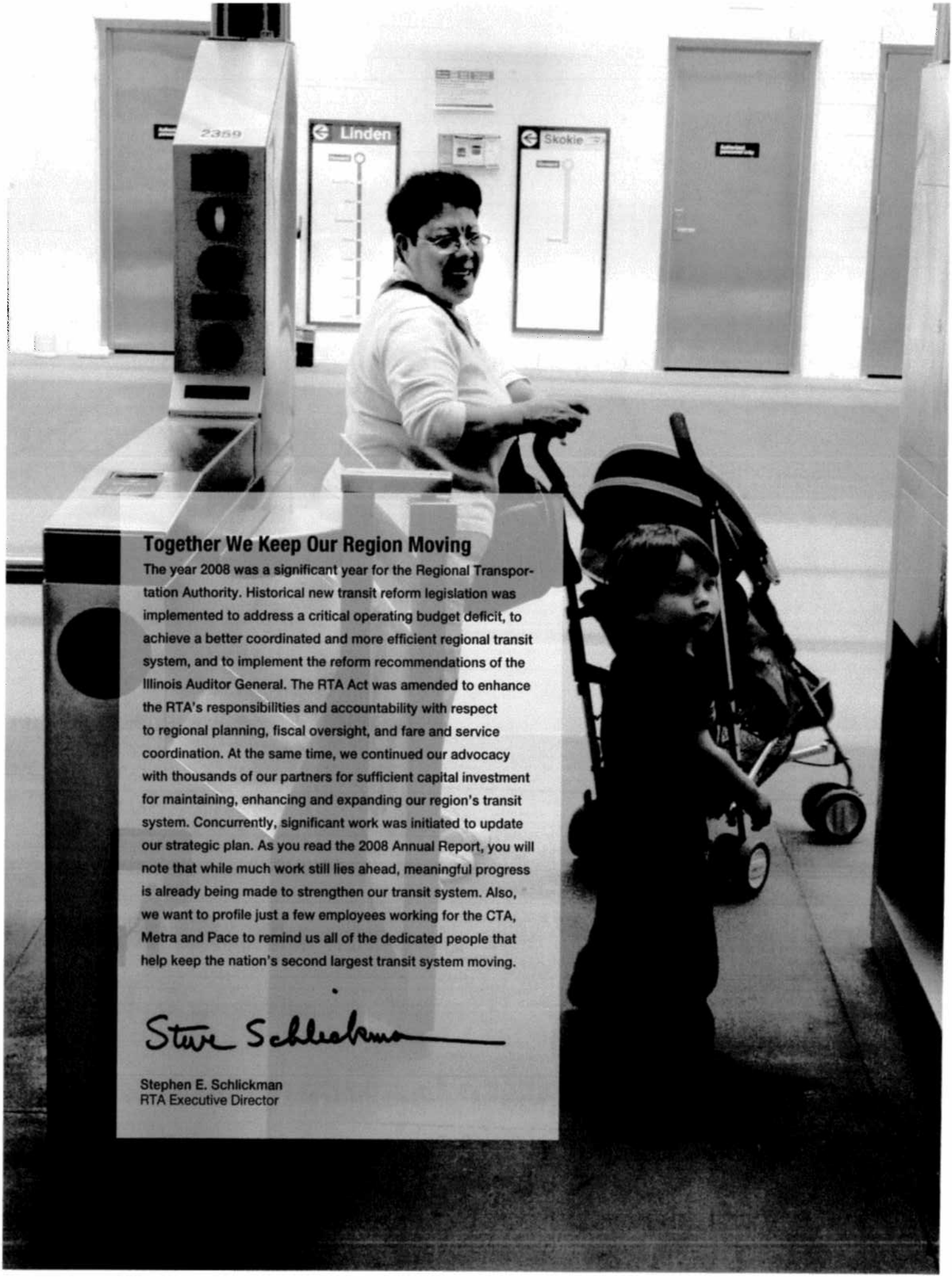
ANNUAL REPORT 2008

WE ARE THE RTA

REGIONAL TRANSPORTATION AUTHORITY



Together We Keep Our Region Moving

The year 2008 was a significant year for the Regional Transportation Authority. Historical new transit reform legislation was implemented to address a critical operating budget deficit, to achieve a better coordinated and more efficient regional transit system, and to implement the reform recommendations of the Illinois Auditor General. The RTA Act was amended to enhance the RTA's responsibilities and accountability with respect to regional planning, fiscal oversight, and fare and service coordination. At the same time, we continued our advocacy with thousands of our partners for sufficient capital investment for maintaining, enhancing and expanding our region's transit system. Concurrently, significant work was initiated to update our strategic plan. As you read the 2008 Annual Report, you will note that while much work still lies ahead, meaningful progress is already being made to strengthen our transit system. Also, we want to profile just a few employees working for the CTA, Metra and Pace to remind us all of the dedicated people that help keep the nation's second largest transit system moving.

Stephen E. Schlickman
RTA Executive Director

Over the past three years, the Regional Transportation Authority, in partnership with the CTA, Metra and Pace, has pursued a comprehensive effort to renew and remake our transit system. With the launch of our first joint strategic plan in 2006, through the adoption of operating funding legislation in January of 2008, and most recently with the approval of federal and state capital funds, we have embarked on this journey with a common goal of improving service for our 2 million daily riders.

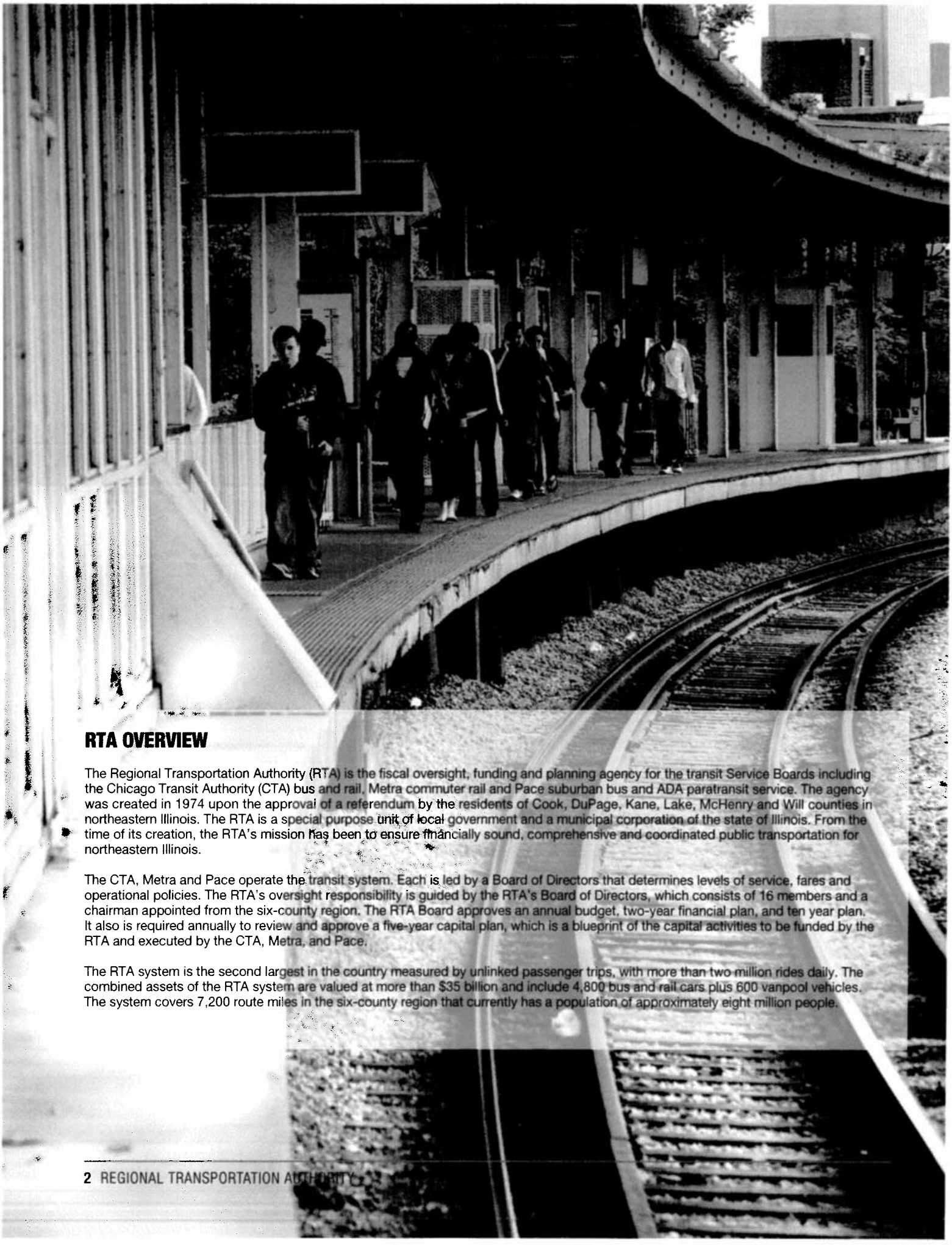
Real progress has been made to improve the efficiency and coordination of the regional transit system, and the RTA is working diligently to fulfill our new responsibilities while still maintaining a small work force:

- The RTA is developing a universal fare payment system and innovative services such as Bus Rapid Transit (BRT).
- Our agency is leading regional transit planning and assisting local municipalities to make their communities more livable and sustainable.
- We have worked with the Service Boards to develop long-term financial plans.
- Working with the Federal Transit Administration (FTA) we created an Internet based multi-modal trip planner which will serve as a model for other transit systems **(www.goroo.com)**.
- Working with the Service Boards, we have set performance measures for the regional transit system using objective criteria.
- We are performing a detailed market analysis to survey the future transit needs of the region, as well as an assessment of the condition of the system's infrastructure.
- We assisted the CTA and the transit unions to stabilize their pension and healthcare funds.

We greatly appreciate the leadership displayed by President Obama and our Congressional Delegation, and Governor Quinn and the Illinois General Assembly to approve critical capital funding during very difficult economic conditions. Newly awarded capital funding will allow us to make progress to bring the regional transit system to a state of good repair. Together, the RTA and the service boards will continue to work with the state and federal government to identify additional funds needed to expand the system and meet growing demand in the region and improve service for our riders. Transit plays an important role in growing our regional economy and improving our environment and our quality of life. With your continued support, we can achieve the world class status that the nation's second largest transit system deserves.

Sincerely,

James Reilly
Chair
RTA Board of Directors



RTA OVERVIEW

The Regional Transportation Authority (RTA) is the fiscal oversight, funding and planning agency for the transit Service Boards including the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail and Pace suburban bus and ADA paratransit service. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties in northeastern Illinois. The RTA is a special purpose unit of local government and a municipal corporation of the state of Illinois. From the time of its creation, the RTA's mission has been to ensure financially sound, comprehensive and coordinated public transportation for northeastern Illinois.

The CTA, Metra and Pace operate the transit system. Each is led by a Board of Directors that determines levels of service, fares and operational policies. The RTA's oversight responsibility is guided by the RTA's Board of Directors, which consists of 16 members and a chairman appointed from the six-county region. The RTA Board approves an annual budget, two-year financial plan, and ten year plan. It also is required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the RTA and executed by the CTA, Metra, and Pace.

The RTA system is the second largest in the country measured by unlinked passenger trips, with more than two million rides daily. The combined assets of the RTA system are valued at more than $35 billion and include 4,800 bus and rail cars plus 600 vanpool vehicles. The system covers 7,200 route miles in the six-county region that currently has a population of approximately eight million people.

TAKING A LOOK BACK AT 2008

Transit Operating Funding and Reform Legislation Signed into Law

The Illinois General Assembly approved key operating funding and reform legislation to avert significant service cuts, fare increases and layoffs.

Seniors Ride Free Program

Legislation requires free public transit rides on fixed routes for senior citizens ages 65 and over who live in the service region that includes the counties of Cook, DuPage, Kane, Lake, McHenry and Will. Approximately 500,000 seniors are enrolled.

Six Board Members Appointed to RTA Board

Six new members were appointed to the RTA Board of Directors: Jan Carlson, Rev. Tyrone L. Crider, Phil Fuentes, Al Jourdan, J.D. Ross, and Michael Scott. Transit reform legislation enacted in January 2008 expanded the agency's Board from 13 to 16.

Golden Trumpet Award for MBC Outreach Campaign

A Golden Trumpet Award was awarded to the RTA for its implementation of a regional, bipartisan issue campaign to secure new funding from the state legislature for the RTA, the Chicago Transit Authority (CTA), Metra and Pace.

RTA Hosts a Series of Public Hearings about Transit Budget

The general public was invited to attend one of 26 budget hearings to learn about the RTA 2009 budget, implementation of legislation reforms, updating the regional strategic plan, RTA Funding Programs and the status of a critically needed capital investment plan to fund transit projects.

Board of Directors Approves 43 Planning, Operating, and Capital Transit Projects

RTA Board approved 43 planning, operating and capital transit projects located throughout the six-country region. More than $18 million in federal, state and RTA funds support these innovative projects which aim to increase transit usage and provide multi-modal connections.

People with Disabilities Ride Free Program

Legislation requires free public transit rides on fixed routes for people with disabilities who are Illinois residents and have been enrolled as a person with a disability in the Illinois Circuit Breaker program. Approximately 90,000 people with disabilities are enrolled.

Rep. Julie Hamos wins APTA's Distinguished Public Service Award

The American Public Transportation Association (APTA) awarded Illinois State Representative Julie Hamos (D-Evanston) its Local Distinguished Service Award for her contributions to the public transportation industry at the local level though policy, legislative initiative and leadership.

Certificate of Achievement for Excellence in Financial Reporting

The RTA received the Certificate of Achievement for Excellence in Financial Reporting for the 14th consecutive year by the Government Finance Officers of the United States and Canada (GFOA) for its Comprehensive Annual Financial Report (CAFR). The award is the highest form of recognition in governmental accounting and financial reporting, and receiving the award represents a significant accomplishment by a unit of government and its management.

2008 TRANSIT LEGISLATION HIGHLIGHTS

The following are strategic plan and budget highlights in the new transit legislation that went into effect on January 17, 2008:

RTA REFORMS FOR COORDINATION, EFFICIENCY AND TRANSPARENCY

Adoption of Strategic Plan

Requires RTA Board to adopt a comprehensive, long-term Strategic Plan for regional transit, to be reviewed and updated periodically

The Plan will establish goals and objectives, e.g., ridership increases, service and fare coordination, job access for low-income communities, standards, measurements and reporting requirements related to achieving the goals, and criteria for evaluating which capital projects are included in the Five-Year Capital Program

The Plan also will include a 10-year assessment of the transit system's financial condition

RTA is authorized to adopt sub-regional or corridor plans

RTA must coordinate with the Chicago Metropolitan Agency for Planning in developing the Strategic Plan and capital program

Capital program

Capital projects can only be in the Five-Year Capital Program if they meet the criteria in the Strategic Plan and can be funded within amounts determined by the RTA to be available. The RTA is required to do "alternatives analysis" for any newly-proposed transit expansion projects with construction costs of over $25 million where potentially more than one Service Board could be the provider of the proposed service

Annual budgets

Annual Service Board budgets and two-year financial plans must be consistent with Strategic Plan as a condition for approval by RTA

Service Board budgets must include additional details, including long-term obligations such as pension and employee benefit expenses

Allows RTA to adopt required formats, financial practices and assumptions that Service Boards must use in preparing annual budgets and capital programs. If the Executive Director certifies that a Service Board has not submitted its budget in the required form, etc., and such certification is accepted by the Board the Service Board is limited to the previous year's operating funding levels

RTA is required to withhold 25% of sales tax and discretionary funding until a Service Board budget is approved by the RTA

CTA Pension and Retiree Health Care Reform

To stabilize the long-term financial health of the CTA pension and retiree health care system, the funding for pensions and retiree health care are separated, employee and employer contributions are increased, benefits are adjusted, governance is strengthened, bonds are issued, and ongoing financial oversight by the Auditor General is established

RTA BOARD OF DIRECTORS

Transit reform legislation, enacted in January 2008 expanded the Authority's Board from 13 to 16 members. These changes became effective April 1, 2008. The new appointees will serve in five-year terms. The following is a breakdown of the Board make up and the appointing authorities:

- 5 by Mayor of Chicago
  (appointee cannot be the Chairman of CTA)
- 4 by suburban members of the Cook County Board
- 1 by the President of the Cook County Board
  (from Suburban Cook County)
- 1 by the Chairman of the DuPage County Board
- 1 by the Chairman of the Lake County Board
- 1 by the Will County Executive
- 1 by the Chairman of the McHenry County Board
- 1 by the Chairman of Kane County Board
- The Board Chair is appointed by 11 members of the Board with at least 2 votes from Chicago, Suburban Cook and the collar counties.

Jim Reilly
Chairman

James Buchanan
City of Chicago

Jan Carlson
Kane County

William R. Coulson
Suburban Cook County

Rev. L. Tyrone Crider, Sr.
Suburban Cook County

Patrick J. Durante
DuPage County

Phil Fuentes
City of Chicago

Al Jourdan
McHenry County

Dwight A. Magalis
Kane, Lake, McHenry
and Will Counties

Patrick V. Riley, Jr.
Suburban Cook County

Michael Rosenberg
City of Chicago

J.D. Ross
Will County

Dr. Horace Smith
City of Chicago

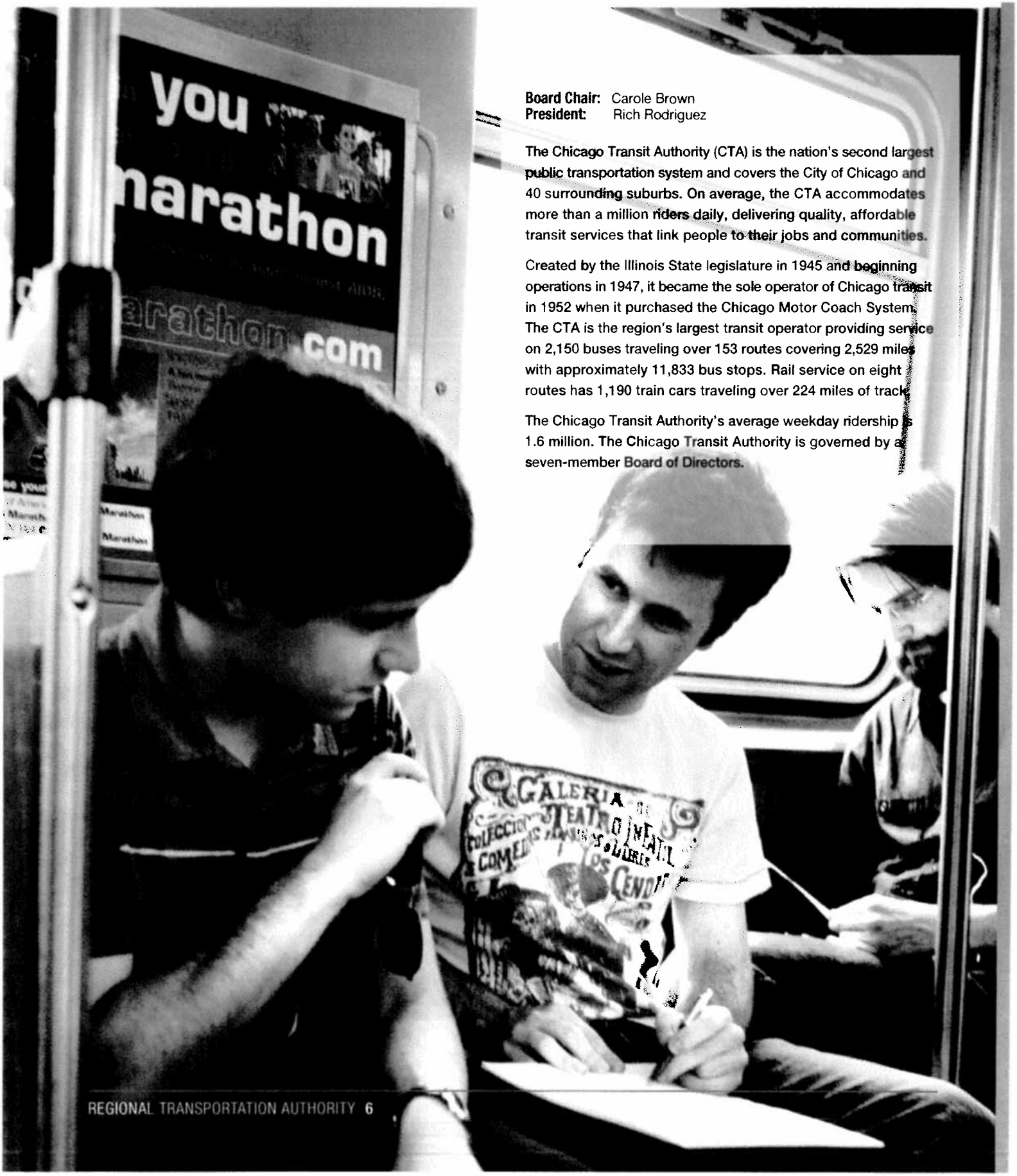
Michael Scott
City of Chicago

Judy Baar Topinka
Suburban Cook County

Douglas M. Troiani
Suburban Cook County

Stephen E. Schlickman
Executive Director

CHICAGO TRAN



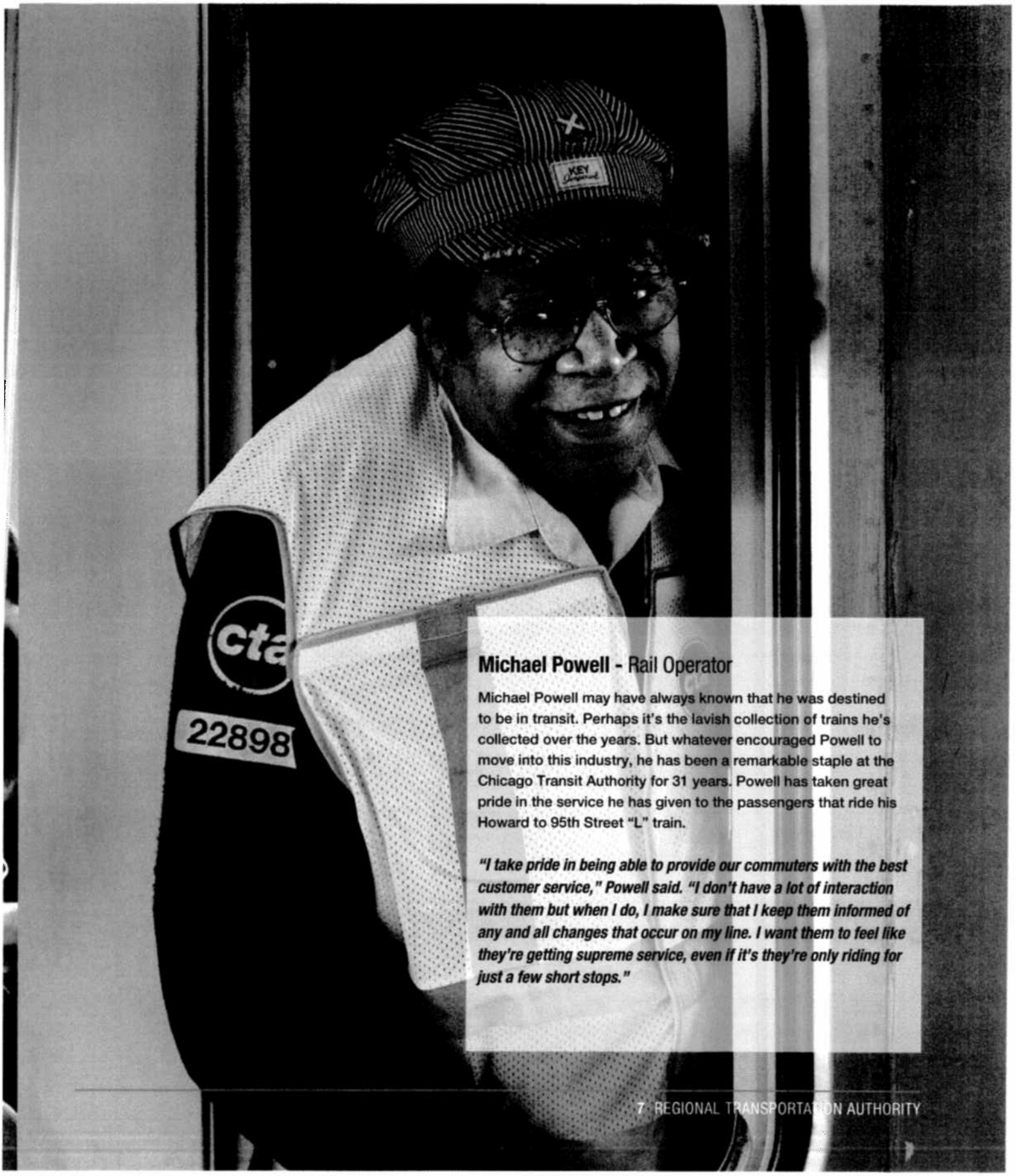
Board Chair: Carole Brown
President: Rich Rodriguez

The Chicago Transit Authority (CTA) is the nation's second largest public transportation system and covers the City of Chicago and 40 surrounding suburbs. On average, the CTA accommodates more than a million riders daily, delivering quality, affordable transit services that link people to their jobs and communities.

Created by the Illinois State legislature in 1945 and beginning 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 2,150 buses traveling over 153 routes covering 2,529 miles with approximately 11,833 bus stops. Rail service on eight routes has 1,190 train cars traveling over 224 miles of track.

The Chicago Transit Authority's average weekday ridership is 1.6 million. The Chicago Transit Authority is governed by a seven-member Board of Directors.

SIT AUTHORITY

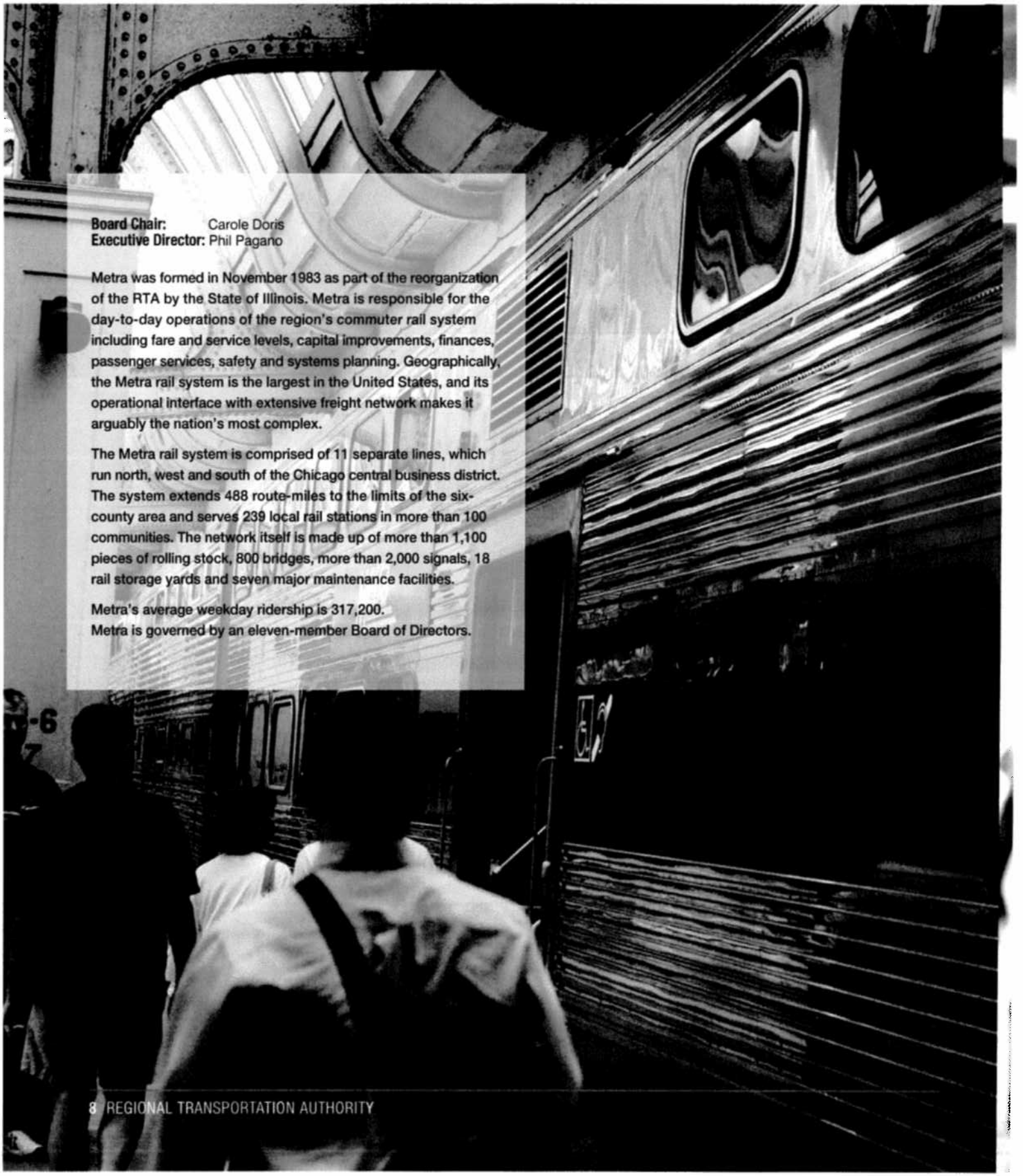


Michael Powell - Rail Operator

Michael Powell may have always known that he was destined to be in transit. Perhaps it's the lavish collection of trains he's collected over the years. But whatever encouraged Powell to move into this industry, he has been a remarkable staple at the Chicago Transit Authority for 31 years. Powell has taken great pride in the service he has given to the passengers that ride his Howard to 95th Street "L" train.

"I take pride in being able to provide our commuters with the best customer service," Powell said. "I don't have a lot of interaction with them but when I do, I make sure that I keep them informed of any and all changes that occur on my line. I want them to feel like they're getting supreme service, even if it's they're only riding for just a few short stops."

METRA

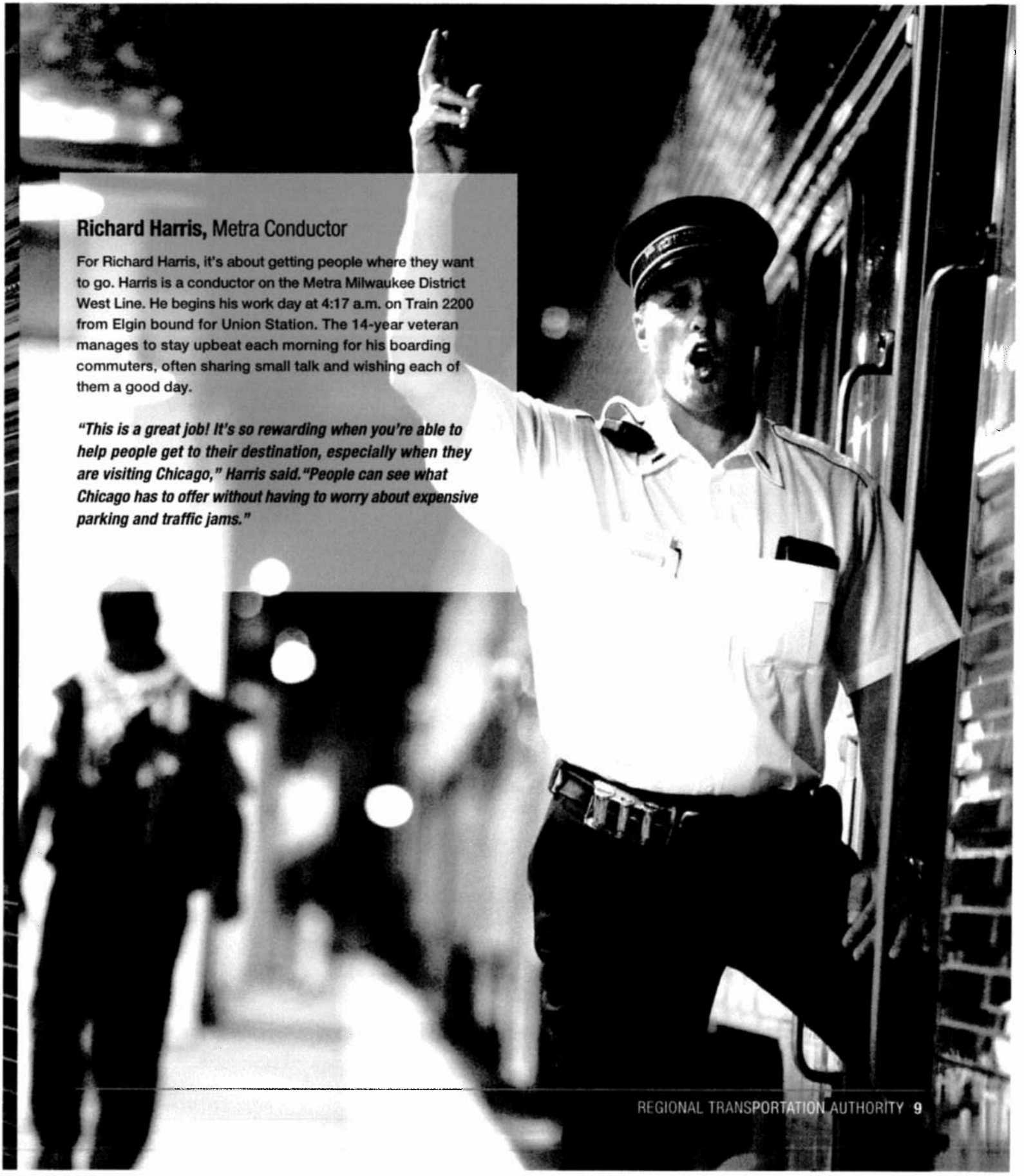


Board Chair: Carole Doris
Executive Director: Phil Pagano

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra 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. Geographically, the Metra rail system is the largest in the United States, and its operational interface with extensive freight network makes it arguably the nation's most complex.

The Metra rail system is comprised of 11 separate lines, which run north, west and south of the Chicago central business district. The system extends 488 route-miles to the limits of the six-county area and serves 239 local rail stations in more than 100 communities. The network itself is made up of more than 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 18 rail storage yards and seven major maintenance facilities.

Metra's average weekday ridership is 317,200.
Metra is governed by an eleven-member Board of Directors.

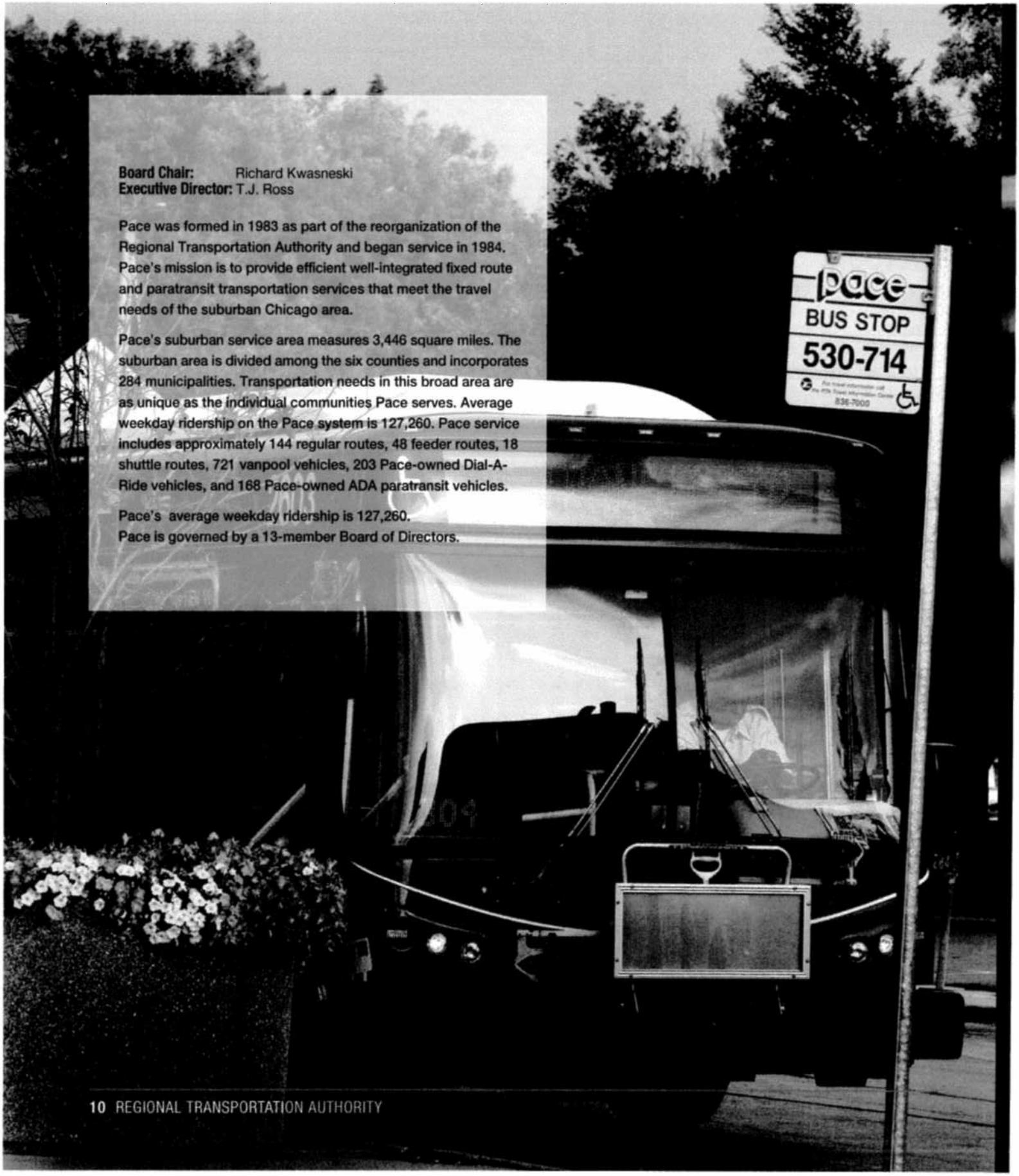


Richard Harris, Metra Conductor

For Richard Harris, it's about getting people where they want to go. Harris is a conductor on the Metra Milwaukee District West Line. He begins his work day at 4:17 a.m. on Train 2200 from Elgin bound for Union Station. The 14-year veteran manages to stay upbeat each morning for his boarding commuters, often sharing small talk and wishing each of them a good day.

"This is a great job! It's so rewarding when you're able to help people get to their destination, especially when they are visiting Chicago," Harris said."People can see what Chicago has to offer without having to worry about expensive parking and traffic jams."

PACE

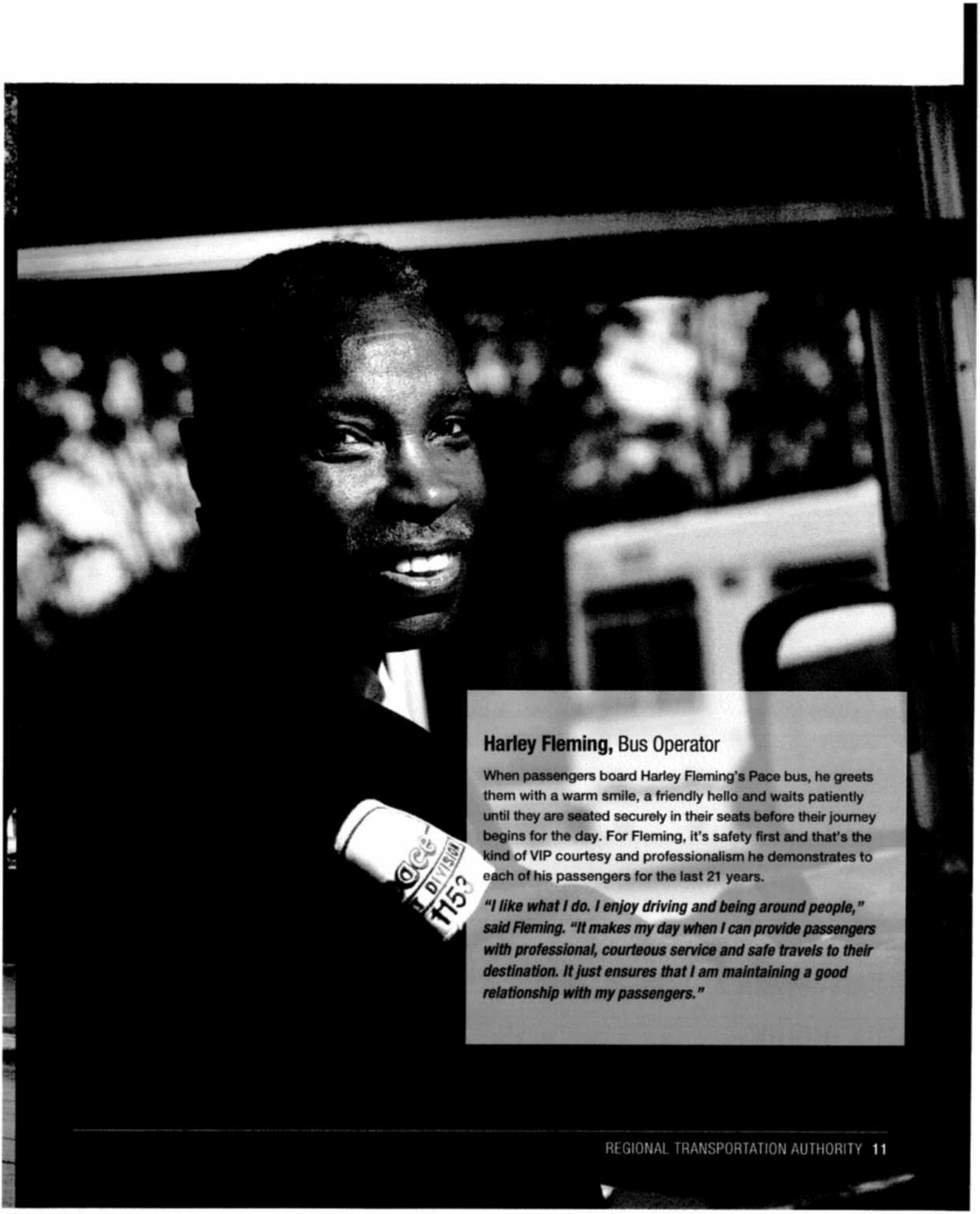


Board Chair: Richard Kwasneski
Executive Director: T.J. Ross

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority and began service in 1984. Pace's mission is to provide efficient well-integrated fixed route and paratransit transportation services that meet the travel needs of the suburban Chicago area.

Pace's suburban service area measures 3,446 square miles. The suburban area is divided among the six counties and incorporates 284 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Average weekday ridership on the Pace system is 127,260. Pace service includes approximately 144 regular routes, 48 feeder routes, 18 shuttle routes, 721 vanpool vehicles, 203 Pace-owned Dial-A-Ride vehicles, and 168 Pace-owned ADA paratransit vehicles.

Pace's average weekday ridership is 127,260.
Pace is governed by a 13-member Board of Directors.



Harley Fleming, Bus Operator

When passengers board Harley Fleming's Pace bus, he greets them with a warm smile, a friendly hello and waits patiently until they are seated securely in their seats before their journey begins for the day. For Fleming, it's safety first and that's the kind of VIP courtesy and professionalism he demonstrates to each of his passengers for the last 21 years.

"I like what I do. I enjoy driving and being around people," said Fleming. "It makes my day when I can provide passengers with professional, courteous service and safe travels to their destination. It just ensures that I am maintaining a good relationship with my passengers."

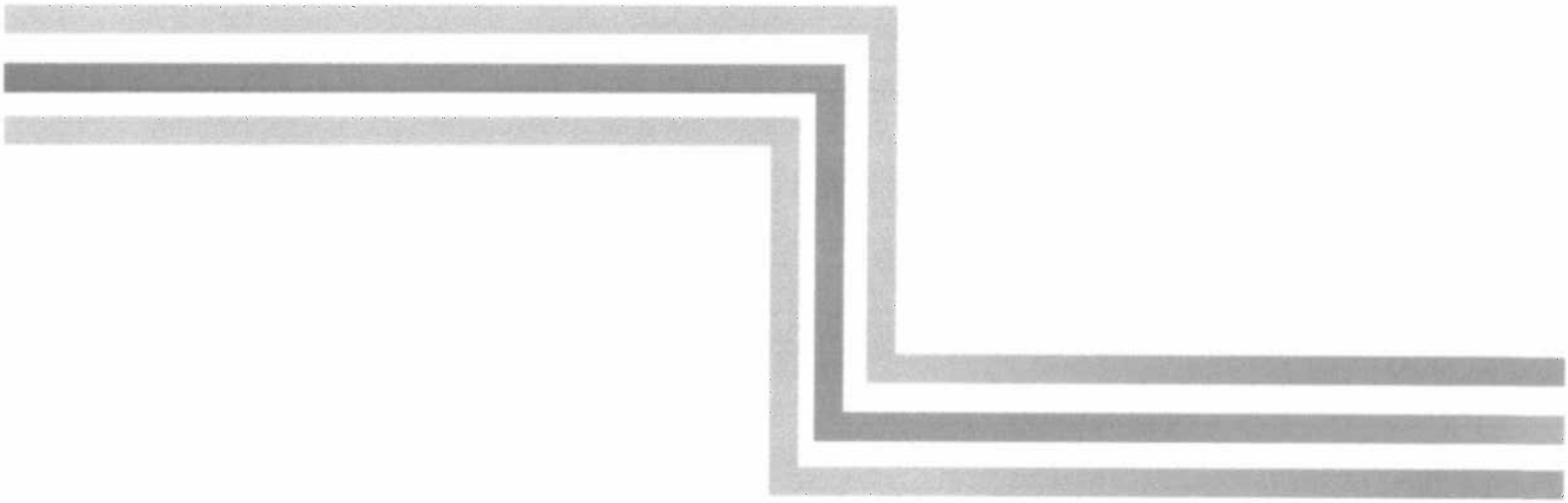
REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(See Independent Accountants' Compilation Report)

Prepared by:

Finance & Administration Department
Joseph G. Costello, CPA, CPFO
Senior Deputy Executive Director
and Controller Division



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For 2008

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Board of Directors
Regional Transportation Authority
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604

I have the pleasure to submit to you the Combining Financial Statements Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the year ending December 31, 2008. This Report fulfills the requirements of section 4.05 of the RTA Act. This Report represents the operations of our transit system in the aggregate and not as individual components. It shows the magnitude of the resources on hand and in use for public transportation in the northeastern Illinois Region. The RTA's independent accountants have compiled the Combining Financial Statements Report. They have not subjected these statements to audit. The audited financial statements of each individual organization are available upon request. As always, the RTA staff acknowledges the commitment by the RTA Board and the Service Boards to fiscal responsibility, to ensure financially sound public transportation in northeastern Illinois.

Joseph G. Costello
Senior Deputy Executive Director,

Finance & Administration
Regional Transportation Authority
June 10, 2009

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying special-purpose combining financial statements of the Regional Transportation Authority and Service Boards as of December 31, 2008, and for the year then ended, and the supplementary and statistical information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information that is the representation of management in the form of financial statements and supplementary and statistical information. We have not audited or reviewed the accompanying special-purpose combining financial statements and supplementary and statistical information and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying special-purpose financial statements and supplementary and statistical information were prepared for the purpose of complying with the statutory requirement of the Regional Transportation Authority Act as described in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 10, 2009

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS
YEAR ENDED DECEMBER 31,2008
(In Thousands)

	RTA Government-Wide Funds	SERVICE BOARDS: Chicago Transit Authority	SERVICE BOARDS: Commuter Rail Division	SERVICE BOARDS: Suburban Bus Division	Combining Debit	Adjustments Credit	Total Combined
ASSETS:							
Current Assets:							
CASH AND INVESTMENTS							
Restricted–cash and cash equivalents	$ -	$ 5,894	$ -	$ 22,350	$ -	$ -	$ 28,244
Unrestricted–cash and cash equivalents	14,301	61,672	60,012	9,388	-	-	145,373
Restricted–investments	262,774	-	-	-	-	-	262,774
Unrestricted–investments	142,663	1,000	-	-	-	-	143,663
Unamortized bond issue costs	579	-	-	-	-	-	579
RECEIVABLES:							
Due to general fund	19	-	-	-	-	-	19
Intergovernmental receivables	270,542	-	-	-	-	19,750	250,792
Grant projects		21,115	23,353	1,135	-	5,537	40,066
RTA financial assistance	-	258,832	60,867	42,748	-	164,991	197,456
Other carriers	-	-	8	-	-	-	8
Other receivables		88,727	10,964	11,592	-	872	110,411
Interest on investments	1,239	-	-	-	-	-	1,239
Loan to S.B. Note & Interest	1,358	-	-	-	-	-	1,358
Materials and supplies	-	102,919	13,950	5,809	-	-	122,678
Prepaid expenses	2,521	4,426	4,202	1,537	-	-	12,686
TOTAL CURRENT ASSETS	**695,996**	**544,585**	**173,356**	**94,559**	**-**	**191,150**	**1,317,346**
FIXED ASSETS:							
Plant, property and equipment	13,677	7,376,619	5,244,254	437,885	-	-	13,072,435
Capital projects in progress	-	904,892	9,081	12,724	-	-	926,697
Less accumulated depreciation	(2,559)	(4,262,861)	(2,653,837)	(262,340)	-	-	(7,181,597)
TOTAL FIXED ASSETS	**11,118**	**4,018,650**	**2,599,498**	**188,269**	**-**	**-**	**6,817,535**
OTHER ASSETS:							
Unamortized bond issue costs	$ 11,488	$ 26,916	-	-	-	-	$ 38,404
Note receivable	2,750	-	-	-	-	-	2,750
Investment relating to employee pension benefits plan	-	112,158	-	-	-	-	112,158
Restricted Assets	-	536,690	-	-	-	-	536,690
Amount due under sale / leaseback	-	1,613,435	182,532	85,739	-	-	1,881,706
TOTAL OTHER ASSETS	**14,238**	**2,289,199**	**182,532**	**85,739**	**-**	**-**	**2,571,708**
TOTAL ASSETS	**$ 721,352**	**$ 6,852,434**	**$2,955,386**	**$ 368,567**	**$ -**	**$ 191,150**	**$10,706,589**

(Continued)

	RTA Government-Wide Funds	SERVICE BOARDS: Chicago Transit Authority	SERVICE BOARDS: Commuter Rail Division	SERVICE BOARDS: Suburban Bus Division	Combining Debit	Adjustments Credit	Total Combined
LIABILITIES:							
Current Liabilities:							
Voucher payable	$ 145	$ 207,026	$ 43,318	$ 5,870	$ -	$ -	$ 256,359
Accrued interest payable	-	16,909	-	151	-	-	17,060
Intergovernmental payables	170,528	-	-	849	170,528	-	849
Due to other funds	15,369	-	-	-	-	-	15,369
Current portion of general obligation bonds payable	68,455	28,715	-	-	-	-	97,170
Current portion of unamortized bond premium	5,702	-	-	-	-	-	5,702
Other Current Liabilities:							
Accrued other expenses	4,557	95,456	32,011	31,515	16,872	-	146,667
Unrealized revenue, capital grant	-	10,949	-	-	-	-	10,949
Deferred revenue, assistance and other	61,682	63,551	14,010	1,014	-	-	140,257
Working Cash Note Payable	56,000	-	-	-	-	-	56,000
Capital lease obligation	-	99,688	14,660	-	-	-	114,348
Certificate of Participation	-	4,893	-	-	-	-	4,893
Claims liability	-	76,848	5,004	14,564	3,750	-	92,666
TOTAL CURRENT LIABILITIES	**382,438**	**604,035**	**109,003**	**53,963**	**191,150**	**-**	**958,289**
Long-Term Liabilities:							
General obligation bonds payable	2,159,120	2,794,550	-	-	-	-	4,953,670
Claims liability	-	120,018	20,206	13,417	-	-	153,641
Accrued interest payable	33,919	-	-	-	-	-	33,919
Capital lease obligation	-	1,680,171	167,872	85,739	-	-	1,933,782
Premium on capital lease payable	-	5,387	-	-	-	-	5,387
Deferred revenue	47,060	32,973	-	-	-	-	80,033
Accrued pension cost	-	17,769	-	1,991	-	-	19,760
Unamortized bond premium	119,502	54,146	-	-	-	-	173,648
Certificate of Participation	-	72,015	-	-	-	-	72,015
Deferred rent	2,076	-	-	-	-	-	2,076
Intergovernmental Payables	-	-	-	3,108	-	-	3,108
Other long-term liabilities	-	3,863	-	7,336	-	-	11,199
TOTAL LONG-TERM LIABILITIES	**2,361,677**	**4,780,892**	**188,078**	**111,591**	**-**	**-**	**7,442,238**
TOTAL LIABILITIES	**2,744,115**	**5,384,927**	**297,081**	**165,554**	**191,150**	**-**	**8,400,527**
NET ASSETS (DEFICIT):							
Invested in capital assets	11,118	3,086,337	2,599,498	188,269	-	-	5,885,222
FUND EQUITY RESTRICTED FOR:							
Payment on obligations and others	-	73,313	-	-	-	-	73,313
Accumulated unrestricted (deficit)	(2,033,881)	(1,692,143)	58,807	14,744	1,268,694	$1,268,694	(3,652,473)
TOTAL NET ASSETS (DEFICIT)	**$ (2,022,763)**	**$ 1,467,507**	**$ 2,658,305**	**$ 203,013**	**$1,268,694**	**$1,268,694**	**$ 2,306,062**

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	RTA Government-Wide Funds	SERVICE BOARDS: Chicago Transit Authority	SERVICE BOARDS: Commuter Rail Division	SERVICE BOARDS: Suburban Bus Division	Combining Debit	Adjustments Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 510,776	$ 315,859	$ 58,662	$ 618	$ -	$ 884,679
Sales taxes	109,003	-	-	-	-	840,613	949,616
Interest on sales taxes	1,081	-	-	-	-	-	1,081
Public Transportation Fund	227,201	-	-	-	-	-	227,201
Operating Assistance CTA & Pace	14,441	-	-	-	-	-	14,441
State assistance	121,870	-	-	-	-	-	121,870
Investment income	(725)	-	-	-	-	-	(725)
Program revenues and others	3,380	-	-	-	-	-	3,380
TOTAL REVENUES	**476,251**	**510,776**	**315,859**	**58,662**	**618**	**840,613**	**2,201,543**
EXPENSES:							
Operating expenses	-	1,194,390	594,603	279,431	-	352	2,068,072
Depreciation	-	403,248	220,883	33,186	-	-	657,317
Financial Assistance to Service Boards	249,948	-	-	-	-	249,948	-
Operating Grant - CTA & Pace	58,142	-	-	-	-	58,142	-
Capital grants–discretionary	26,288	-	-	-	-	26,288	-
Capital grants–bonds	93,085	-	-	-	-	93,085	-
Insurance (JSIF)	4,375	-	-	-	-	-	4,375
Administrative expenses	7,532	-	-	-	-	-	7,532
Regional expenses	20,656	-	-	-	-	266	20,390
Technology program	2,467	-	-	-	-	-	2,467
Bond-related expenses	127,495	-	-	-	-	-	127,495
TOTAL EXPENSES	**589,988**	**1,597,638**	**815,486**	**312,617**	**-**	**428,081**	**2,887,648**
OPERATING LOSS	**(113,737)**	**(1,086,862)**	**(499,627)**	**(253,955)**	**618**	**1,268,694**	**(686,105)**
NON-OPERATING REVENUE (EXPENSE):							
RTA financial assistance	-	641,832	287,181	215,370	1,148,703	-	(4,320)
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889
Interest expenses on leasing transactions	-	(116,767)	(14,808)	(5,119)	-	-	(136,694)
Interest expenses on bond transactions	-	(72,028)	-	-	-	-	(72,028)
Other public funding	-	37,650	98,952	3,357	-	-	139,959
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765
Investment income	-	9,330	-	1,085	-	-	10,415
Gain on sale of assets	-	350	-	-	-	-	350
TOTAL NON-OPERATING REVENUE (EXPENSE)	**-**	**1,142,111**	**405,105**	**247,458**	**1,268,076**	**-**	**526,598**
CHANGES IN NET ASSETS	**(113,737)**	**55,249**	**(94,522)**	**(6,497)**	**1,268,694**	**1,268,694**	**(159,507)**
NET ASSETS (DEFICIT):							
Beginning of year	(1,909,026)	1,412,258	2,752,827	209,510	-	-	2,465,569
End of year	$ (2,022,763)	$ 1,467,507	$ 2,658,305	$ 203,013	$1,268,694	$1,268,694	$ 2,306,062

See notes to special-purpose combining financial statements and independent accountants' compilation report.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

		SERVICE BOARDS			
	RTA Joint Self-Insurance Fund	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Total Combined
CASH FLOWS FROM OPERATING ACTIVITIES:					
Fares received from passengers	$ -	$ 475,443	$ 251,695	$ 43,013	$ 770,151
Payments to employees	-	(2,498,635)	(250,909)	(93,826)	(2,843,370)
Payments to vendors	(3,002)	(315,122)	(334,099)	(175,480)	(827,703)
Other receipts and payments	-	(18,896)	46,435	6,400	33,939
Net Cash From Operating Activities	(3,002)	(2,357,210)	(286,878)	(219,893)	(2,866,983)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Financial assistance–operating	-	509,072	275,928	199,653	984,653
Transfer from General Fund	3,920	-	-	-	3,920
Net Cash From Non-Capital Financing Activities	3,920	509,072	275,928	199,653	988,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of lease hold obligations	-	118,962	-	-	118,962
Repayment of lease / leaseback obligations	-	(207,852)	-	-	(207,852)
Increase / Decrease in assets restricted for payment of leasehold obligations	-	86,013	-	19,396	105,409
Payments of capital lease obligations	-	-	-	(19,396)	(19,396)
Proceeds from Capital Leases	-	120,523	-	-	120,523
Financial assistance–grant projects	-	603,624	117,684	32,962	754,270
Proceeds from the sale of property and equipment	-	350	-	-	350
Bond Proceeds (net)	-	2,349,739	-	-	2,349,739
Payments for capital acquisition	-	(1,000,845)	(148,655)	(29,846)	(1,179,346)
Net Cash From Capital And Related Financing Activities	-	2,070,514	(30,971)	3,116	2,042,659
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	786	9,330	2,627	1,236	13,979
Sales and purchases of investments, net	100	(424,301)	-	-	(424,201)
Net Cash From Investing Activities	886	(414,971)	2,627	1,236	(410,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,804	(192,595)	(39,294)	(15,888)	(245,973)
CASH AND CASH EQUIVALENTS–Beginning Of Year	12,497	260,161	99,306	47,626	419,590
CASH AND CASH EQUIVALENTS–End Of Year	$ 14,301	$ 67,566	$ 60,012	$ 31,738	$ 173,617
RECONCILIATION OF OPERATING ACTIVITIES:					
Net loss from operations	$ (4,224)	$ (1,086,862)	$ (499,627)	$ (253,955)	$ (1,844,668)
Adjustments to reconcile operating loss to net cash from operating activities					
Depreciation	-	403,248	220,883	33,186	657,317
Claims provision and settlement	-	-	(5,131)	-	(5,131)
State reduced fare assistance	-	-	(2,865)	-	(2,865)
Interest and dividends received	-	-	(2,627)	-	(2,627)
Changes in current assets and liabilities	1,222	(1,673,596)	2,489	876	(1,669,009)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (3,002)	$ (2,357,210)	$ (286,878)	$ (219,893)	$ (2,866,983)

1. BASIS OF ACCOUNTING

The accompanying special purpose combining financial statements are presented as required by the Regional Transportation Authority (RTA) Act (Act) and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America. The special purpose combining financial statements are not in accordance with accounting principles generally accepted in the United States of America primarily due to the RTA and Service Boards using a different basis of accounting and due to the omission of significant disclosures. The RTA and each individual Service Board receive a separate audit of their financial statements in accordance with accounting principles generally accepted in the United States of America. These individual statements describe the basis of accounting for each entity and contain the omitted disclosures.

Intergovernmental receivables, payables, revenues, expenses, and expenditures have been eliminated in the Combining Adjustments columns; however, there are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these combining financial statements, such differences are recorded as combining adjustments to net assets.

The columns presenting the combined balances for the RTA and Service Boards are statutorily required and do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America.

2. ORGANIZATIONAL STRUCTURE

RTA

The RTA was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois Region (Region). The operating responsibilities of the RTA are set forth in the 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. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority (CTA) and two operating divisions of the RTA: the Commuter Rail Division (Metra) and the Suburban Bus Division (Pace), each having its own independent board. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The 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 system as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost 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 monitoring the budgets and financial performance of the Service Boards.

CTA

The CTA was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The Chicago City Council has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

Metra

The Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC), a public corporation, was established in 1980 to serve as the RTA's commuter rail service. The RTA Act, as amended effective November 9, 1983, established the Commuter Rail Division (CRD) to operate commuter rail transportation services. Both the NIRCRC and the CRD act under the registered service mark known as "Metra."

Metra has the responsibility for policy making with respect to actual day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for its operations. Metra is responsible for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application, and administration activities. Metra is directly responsible for the operation and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and Metra Southwest Service commuter lines.

Metra also provides commuter rail service under Purchase of Service Agreements (PSA) with Union Pacific Railroad, Burlington Northern Santa Fe Railway Company, and Northern Indiana Commuter Transportation District. Under these agreements, Metra funds the commuter-related operating deficits (as defined) or is entitled to receive the commuter-related operating surpluses (as defined) of these carriers. In addition, Metra provides certain direct expenses such as fuel and insurance coverage considered to be "in-kind assistance." The title to the roadway and structure assets of the PSA carriers, other than capital improvements funded by federal and state agencies, the RTA, and Metra, is vested with the carriers. Accordingly, such assets are not reflected in these financial statements.

Pace

The RTA Act, as amended effective November 9, 1983, established the Suburban Bus Division (Pace) to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry, and Will. The independent operations of Pace commenced on July 1, 1984.

Pace determines the level, nature, and kind of public transportation services that should be provided in the suburban region. Pace operates suburban bus services using stock, structures, and equipment purchased through capital grants funded by federal and state agencies and the RTA.

Reporting Periods

The RTA, CTA, Metra and Pace (the Combined Entities) all report on a calendar-year basis. All statements enclosed herewith are based on each entity's December 31, 2008 year-end.

3. REPORTING ENTITY

The RTA and each of the Service Boards have adopted the provisions of the Governmental Accounting Standards Board's Statement No. 14 (Statement No. 14), The Financial Reporting Entity.

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

In arriving at this conclusion, the following factors were considered:

- 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 that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.
- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards, if such budgets meet specified system-generated revenue recovery ratios and other requirements as defined by the Act.
- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficit.

Accordingly, financial statements for the Service Boards are not included or combined with the RTA's financial statements under Statement No. 14. They are combined, however, in these Combining Financial Statements. Section 4.05 of the RTA Act requires that the RTA prepare a report combining "the audits of the Service Boards, and reviewing the state of the Authority, the Service Boards, and the public transportation agencies."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Combined Entities conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting—The RTA maintains records using a fund accounting model consisting of a General Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund, (Business-Type Activities), Agency Fund, and Pension Trust Fund. All Governmental Funds and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund and the Pension Trust Fund are accounted for using the accrual method of accounting. For the purpose of these combining financial statements, all RTA funds have been combined.

The Service Boards are accounted for on a Proprietary Fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these combining financial statements, the individual Service Board financial statements are combined with those of the RTA.

Cash and Cash Equivalents—All investments of the Combined Entities are recorded at fair market value, except short-term investments which are reported at cost or amortized cost that reasonably approximates fair market value.

For the purposes of the combining statements of cash flows, the Combined Entities consider all investments with original maturities of three months or less to be cash equivalents. Such amounts are included in the "Cash and Cash Equivalents" line items on the accompanying statement of net assets.

Capital Assets—All Capital assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in Capital assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of Capital asset. These useful lives range from more than one year to forty years.

Materials and Supplies—Each Service Board records its inventory at the lower of cost or market. The CTA and Metra use the average-cost method and Pace uses the first-in/first-out method to determine cost.

Compensated Absences—All four entities have recorded liabilities for vested vacation time in the year the time was earned. The entities account for compensated absences under GASB Statement No. 16, Accounting for Compensated Absences, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability.

Revenues—The Combined Entities have five principal sources of revenue and other financial sources: (1) farebox revenue; (2) retailers' occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Taxes); (3) funds appropriated to the RTA by statute through the state's Public Transportation Fund (PTF) established under the RTA Act; (4) state or federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the RTA Act; and (5) investment income and other miscellaneous revenue.

Farebox Revenue—A major source of revenue to the Service Boards is fares collected from riders. Each Service Board has its own fare structure and method for collection of fares. Farebox revenue is recognized when fares paid are initially valid for transportation services.

Sales Taxes
The Act authorizes the RTA to impose a retailers' occupation tax "ROT", a service occupation tax "SOT," and a use tax "UT." The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes. The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, .75% in collar counties.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas for the privilege of using a vehicle purchased outside the six county area that must be registered with the State. Unlike the state use tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

As indicated above, the RTA imposes a sales tax in the six-county northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1.25% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 1% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.5% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.5% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed that portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State, but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the "Replacement Fund"). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax, and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the "Reform Fund"). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected within Chicago	Collected within Cook County Outside Chicago	Collected in DuPage, Kane, Lake, McHenry, And Will Counties
CTA	100%	30%	
Metra		55%	70%
Pace		15%	30%

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008, the real estate transfer tax in the City of Chicago was increased 0.3% (e.g. for every $500 in sales price $1.50 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase rose from 5% to 30%

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling

the state and local car rental taxes may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax
The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above. Consequently, this tax has never been imposed.

Off-Street Parking Tax
The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax
The Act authorizes the RTA to impose a $50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2009 fiscal year which will end June 30, 2010. During 2008, the PTF was 30% on some sales tax and 5% on other sales tax and the RETT. The PTF is 30% on both sales tax and RETT beginning in 2009.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2009, which ends June 30, 2009, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2008 and June 30, 2009, the grants were in the amount of $36.7 million and $28.9 million, respectively. In 2007, the state provided the RTA with advanced reduced fare reimbursements in the amount of $15.6 million. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA recognized $39.7 million of ASA in 2008.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million in the State's fiscal years 2008 and 2009, per year. The RTA recognized $82 million of AFA in 2008.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Management's Use of Estimates—The preparation of financial statements in conformity with the Act requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. BUDGET AND BUDGETARY ACCOUNTING

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There were several amendments to the 2008 budget. The 2008 budget (Ordinance 2007-63) was last revised on December 18, 2008 (Ordinance 2008-81). This ordinance

amended the 2008 RTA budget and the budgets of the CTA, Metra, and Pace. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations / expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

6. LEASES

The RTA and CTA hold operating leases which are primarily for rent expense on the facilities they occupy. Metra has several operating leases, primarily for the use of passenger terminals. Pace has multi-year leases for vehicles and bus tires.

CTA

During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty foot New Flyer articulated hybrid buses and certain related parts and equipment at an estimated aggregate cost of $120.5 million. The terms of the agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year, beginning on December 1, 2008. The present value of the future payments to be made by the CTA under the lease of approximately $120.2 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In 2003, Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119 million. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters.

On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91.3 million. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111.1 million.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased debt service payment over the next 27 years by approximately $388 thousand resulting in an economic gain of approximately $20.4 million. Based upon the requirements of GASB Statement No.23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts, the CTA recorded a deferred amount (loss) on refunding of $2.4 million. This amount is recorded as a component of long-term debt in the accompanying balance sheets.

The bonds are payable from and secured by the lease entered into between the PBC and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. Bond issue costs and premium related to this transaction are presented as such on the balance sheets. The present value of the future payments to be made by the CTA under the lease of approximately $87.2 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In 2003, the CTA entered into a lease/leaseback agreement with a third party pertaining to certain buses with a book value of $17.6 million as of December 31, 2008. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $15.6 million is reflected in the accompanying December 31, 2008 balance sheet as capital lease obligation.

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of $30.2 million as of December 31, 2008. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $111.6 million is reflected in the accompanying December 31, 2008 balance sheet as capital lease obligation.

During 2002, the CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of $12.8 million as of December 31, 2008. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately $80.8 million is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligation.

During 1998, the CTA entered into a lease/leaseback agreement (1998 Agreement) with a third party pertaining to a rail line (Green Line), with a book value of $240.6 million as of December 31, 2008. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (1998 Equity Trust),

which would then lease the facilities back to another trust established by the CTA under a separate lease (1998 Lease). The present value of the future payments to be made by the CTA under the lease of approximately $251.4 million is reflected in the accompanying December 31, 2008 statement of net assets as a capital lease obligation.

During 1997, the CTA entered into four lease/leaseback agreements (1997 Agreements) with a third party pertaining to certain of its facilities having a book value of $47.6 million as of December 31, 2008. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (Leases). The CTA received certain funds as prepayments by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due from the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the Leases (net of the payment due from the Equity Trust in 2023 and 2024) of approximately $34.9 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. The Federal Transit Administration (FTA) has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease/leaseback agreements (1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of $51.4 million as of December 31, 2008. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $35 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1995, the CTA entered into sale/leaseback agreements (1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling $487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. As of December 31, 2008, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $1,043.3 billion. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

Change in Capital Lease Obligations:
Changes in capital leases for the year ended December 31, 2008 are as follows (in thousands of dollars):

2008	Beginning Balance	Additions*	Principal Paid	Ending Balance	Interest Paid	Due in One Year
2003 (Buses)	$ 15,022	$ 535	$ -	$ 15,557	$ 535	$ -
2002 (Buses)	106,255	5,356	-	111,611	5,356	-
2002 (QTE)	173,733	10,154	(103,094)	80,793	10,154	-
1998 (Green)	271,031	18,508	(38,184)	251,355	18,508	$25,885
1997 (Garages)	32,464	2,442	-	34,906	2,442	-
1996 (Skokie/Racine)	32,611	2,397	-	35,008	2,397	-
1995 (Pickle)	1,030,340	76,622	(63,698)	1,043,264	75,680	63,698
Total lease / lease backs	1,661,456	116,014	(204,976)	1,572,494	115,072	89,583
2005 PBC Lease	88,965		(1,790)	87,175	4,384	1,880
2008 Bus Lease	-	120,523	(333)	120,190	1,631	8,225
TOTAL CAPITAL LEASE OBLIGATION	**$1,750,421**	**$ 236,537**	**$(207,099)**	**$1,779,859**	**$121,087**	**$99,688**

*Additions include accretion of interest

The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2008, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2009	$ 109,209
2010	122,647
2011	112,647
2012	111,440
2013	191,063
2014-2018	1,750,021
2019-2023	311,950
2024-2028	139,834
2029-2033	30,942
TOTAL FUTURE MINIMUM PAYMENTS	**$ 2,879,753**
Less Interest	(1,099,894)
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 1,779,859**

The present value of all future payments to be made by the CTA under all its leases of approximately $1.8 million is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligations.

Metra

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors (headlease) and simultaneously subleased the railcars back (sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes.

At closing, the railcars had a fair market value of approximately $296.9 million and a book value of $262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately $274 million.

Metra transferred approximately $177.4 million and $52.9 million of the prepayment proceeds to third parties, in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies.

In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998.

In 2008, American International Group, Inc ('AIG') incurred a ratings downgrade undertaker ('DPU'), Equity Payment undertaker ('EPU'), and Standby Letter of Credit Provider ('SLOCP') for these transactions. Once AIG's rating fell below levels specified per the terms of the agreements, AIG was required to provide additional collateral to securitize the transactions. Later in 2008, AIG's credit ratings were further downgraded which triggered an event of default. No notices of default were or have been received; however, the investors can demand to have AIG replaced or that some other suitable arrangement be made.

On December 18, 2008, one of the investors terminated their transaction. A second investor has advised Metra that they are satisfied with AIG in its capacities. The remaining investor has sent notices demanding that AIG be replaced. Subsequently, the investor has been allowing Metra to pursue potential optics demanding that AIG be replaced. Subsequently, the investor has been allowing Metra to pursue potential options that could be mutually acceptable to both the investor and Metra. Metra does not anticipate a material adverse financial impact as a result.

The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet. The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2008, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2009	$ 14,660,341
2010	14,660,341
2011	14,660,341
2012	14,660,341
2013	14,660,341
2014-2018	73,301,706
2019-2021	154,316,955
TOTAL FUTURE MINIMUM PAYMENTS	**$ 300,920,366**
Less Interest	(118,388,183)
PRESENT VALUE OF MINIMUM PAYMENTS	**$ 182,532,183**

The present value of minimum lease payments of the Metra lease is $182.5 million which is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligations.

Pace

During 2003, Pace entered into two lease and leaseback agreements and realized a gain of $2.4 million from the proceeds. The transactions allowed Pace to earn up-front economic cash benefit for transferring ownership (not legal title) of a group of assets to a taxpayer that could take advantage of the benefits of tax ownership.

The first lease and leaseback agreement with a third party pertained to certain buses (lot 1, 2, and 3) with a book value of $25.3 million as of December 31, 2008. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $60.8 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of Capital lease obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) with a book value of $15.1 million as of December 31, 2008. Under the bus lease agreements, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $24.9 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of the Capital lease obligation.

2008	Beginning Balance	Additions	Reductions	Ending Balance	Interest Expense	Due in One Year
2003 (Buses)	$57,273,790	$3,573,739	$ -	$60,847,529	$3,573,739	$ -
2003 (Buses)	23,346,028	1,545,668	-	24,891,695	1,545,667	-
TOTAL	**$80,619,818**	**$5,119,407**	**$ -**	**$85,739,224**	**$5,119,406**	**$ -**

As described above, Pace entered into two lease financing agreements with a third party in 2003.

The following table sets forth the aggregate amounts due under the sublease agreements:

2009	$ -
2010	-
2011	-
2012	1,438,538
2013	
2014-2016	124,399,915
TOTAL FUTURE MINIMUM PAYMENTS	**125,838,453**
Less Interest	(40,099,229)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**85,739,224**
A Reconciliation of the Statement of Net Assets to amount presented above:	
Capital lease obligation	85,739,224
Capital lease obligation, long term portion	$ 85,739,224

The present value of the future payments including the purchase option to be made by Pace under these leases are approximately $85.7 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

7. COMMITMENTS AND CONTINGENCIES

Each of the entities has various commitments that have arisen in the normal course of operations. None is expected to have a material adverse impact on its financial position as presented.

Each of the entities has also established liabilities for potential legal judgments to satisfy claims against the entity.

The RTA has also established a Loss Financing Plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/1, et seq. Each of the Combined Entities has established its own investment policy which is in line with the State statute or, in some cases, more restrictive.

The Combined Entities have on hand, as of December 31, 2008, $581 million of cash and investments. Of this amount, $291 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims, and capital projects. In addition, CTA, Metra, and Pace hold $2.57 billion of investments in other assets for employee pension benefits, damage liabilities, and capital lease obligations, which are recorded as other assets in the financial statements.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2008	New Issues	Current Retirements	DECEMBER 31,2008
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000
1991A	55,745,000	-		55,745,000
1992A* &1992B	40,185,000	-	6,840,000	33,345,000
1994A* &1994B	24,395,000	-		24,395,000
1994C* &1994D	62,205,000	-	4,420,000	57,785,000
1997 Refunding	70,830,000	-	4,875,000	65,955,000
1999* Refunding	280,110,000	-	5,665,000	274,445,000
2000A*	235,060,000	-	4,995,000	230,065,000
2001A*	90,510,000	-	1,880,000	88,630,000
2001B Refunding*	31,430,000	-	1,630,000	29,800,000
2002A*	147,760,000	-	2,835,000	144,925,000
2002B*	154,145,000	-	10,060,000	144,085,000
2003A*	246,975,000	-	4,555,000	242,420,000
2003B	142,665,000	-	2,675,000	139,990,000
2003C Refunding	6,960,000	-	3,395,000	3,565,000
2004A*	250,815,000	-	4,405,000	246,140,000
2005B Refunding	142,375,000	-	3,070,000	139,305,000
2006A*	249,300,000	-	3,385,000	245,915,000
TOTAL	**$2,292,260,000**	**$ -**	**$ 64,685,000**	**$ 2,227,575,000**

*Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2008, the total general obligation bonds payable of $2,227,575,000 are classified as current and long-term in the Statement of Net Assets in the amounts of $68,455,000 and $2,159,120,000 respectively.

Advance Refundings—On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. 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 of the refunded debt. At December 31, 2008, $20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore, have been removed from the financial statements.

On January 19, 1996, the RTA advance refunded 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 of the refunded debt. At December 31, 2008, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore, have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded 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) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt

service payments of the refunded debt. At December 31, 2008, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series), and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore, have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore, have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore, have been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued $19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore, have been removed from the financial statements.

On May 2, 2005, the RTA issued $ 148 million in General Obligation bonds with a variable rate which resets weekly to refund $144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of $147 million (after payment of $892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Debt Service Requirements—The "debt service requirements" set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements. The "principal" columns represent principal payments due bondholders from the trustee.

1990 General Obligation Bonds—In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semi-annually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009		$ 4,377,240	$ 4,377,240
2010	$ 3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014-2018	29,060,000	11,882,160	40,942,160
2019-2020	14,765,000	1,613,160	16,378,160
TOTAL	**$ 60,795,000**	**$ 33,654,960**	**$ 94,449,960**

1991 General Obligation Bonds—In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semi-annually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009		$ 3,734,915	$ 3,734,915
2010		3,734,915	3,734,915
2011		3,734,914	3,734,914
2012	$ 4,090,000	3,734,915	3,734,915
2013	4,365,000	3,460,885	7,825,885
2014-2018	26,635,000	12,504,210	39,139,210
2019-2021	20,655,000	2,827,400	23,482,400
TOTAL	**$ 55,745,000**	**$ 33,732,154**	**$ 89,477,154**

1992 General Obligation Bonds—In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 7,480,000	$ 1,991,960	$ 9,471,960
2010		1,396,960	1,396,960
2011		863,040	863,040
2012-2022	25,865,000	293,760	26,158,760
TOTAL	**$ 33,345,000**	**$ 4,545,720**	**$ 37,890,720**

1994 General Obligation Bonds—In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009		$ 1,951,600	$ 1,951,600
2010		1,951,600	1,951,600
2011		1,951,601	1,951,601
2012		1,951,600	1,951,600
2013		1,951,600	1,951,600
2014-2024	$24,395,000	5,892,599	30,287,599
TOTAL	**$ 24,395,000**	**$ 15,650,600**	**$ 40,045,600**

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 1,500,000	$ 4,420,213	$ 5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014-2018	35,420,000	13,311,401	48,731,401
2019-2025	13,560,000	798,250	14,358,250
TOTAL	**$ 57,785,000**	**$ 34,900,770**	**$ 92,685,770**

1997 General Obligation Refunding Bonds—In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997A Refunding bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 5,155,000	$ 3,724,463	$ 8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014-2018	19,975,000	10,473,150	30,448,150
2019-2023	24,445,000	3,559,650	28,004,650
TOTAL	**$ 65,955,000**	**$ 29,995,814**	**$ 95,950,814**

1999 General Obligation Refunding Bonds—In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 7,670,000	$ 15,586,762	$ 23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014-2018	77,325,000	53,475,820	130,800,820
2019-2023	123,665,000	24,175,543	147,840,543
2024-2025	22,180,000	918,600	23,098,600
TOTAL	**$ 274,445,000**	**$ 151,592,608**	**$ 426,037,608**

2000 General Obligation Bonds— In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 5,275,000	$ 14,579,350	$ 19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014-2018	39,505,000	59,341,439	98,846,439
2019-2023	53,240,000	45,391,439	98,631,439
2024-2028	72,120,000	26,201,825	98,321,825
2029-2030	35,595,000	3,505,775	39,100,775
TOTAL	**$ 230,065,000**	**$ 204,063,979**	**$ 434,128,979**

2001 General Obligation Bonds—In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on January 2001 and semi-annually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 1,980,000	$ 5,241,413	$ 7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014-2018	14,520,000	21,295,563	35,815,563
2019-2023	19,115,000	16,639,575	35,754,575
2024-2028	25,165,000	10,329,300	35,494,300
2029-2031	18,780,000	2,294,700	21,074,700
TOTAL	**$ 88,630,000**	**$ 75,598,440**	**$ 164,228,440**

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ -	$ 1,639,000	$ 1,639,000
2010	-	1,639,000	1,639,000
2011	-	1,639,000	1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014-2018	12,855,000	6,505,814	19,378,064
2019-2023	16,945,000	2,433,064	19,378,064
TOTAL	**$ 29,800,000**	**$ 17,133,878**	**$ 46,933,878**

2002 General Obligation Bonds— In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semi-annually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 2,985,000	$ 8,557,188	$ 11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014-2018	21,830,000	35,902,425	57,732,425
2019-2023	28,860,000	28,669,500	57,529,500
2024-2028	38,240,000	18,948,600	57,188,600
2029-2033	39,360,000	6,069,900	45,429,900
TOTAL	**$ 144,925,000**	**$ 130,741,252**	**$ 275,666,252**

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 10,450,000	$ 7,515,125	$ 17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014-2018	70,935,000	14,285,272	85,220,272
2019	16,355,000	439,541	16,794,541
TOTAL	**$ 144,085,000**	**$ 46,239,576**	**$ 190,324,576**

2003 General Obligation Bonds—In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semi-annually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 4,790,000	$ 13,768,075	$ 18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014-2018	34,790,000	58,554,050	93,344,050
2019-2023	45,470,000	47,875,525	93,345,525
2024-2028	59,130,000	33,753,000	92,883,000
2029-2033	76,375,000	14,215,500	90,590,500
TOTAL	**$ 242,420,000**	**$ 220,712,700**	**$ 463,132,700**

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 2,810,000	$ 7,654,225	$ 10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014-2018	20,105,000	32,213,614	52,318,614
2019-2023	26,140,000	25,889,577	52,029,577
2024-2028	33,985,000	17,658,901	51,643,901
2029-2033	44,190,000	6,619,114	50,809,114
TOTAL	**$ 139,990,000**	**$ 119,286,369**	**$ 259,276,369**

In May 2003, the RTA issued $19 million in General Obligation Bonds, Series 2003C, to provide funds to refund in advance of maturity the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004-2009, in the aggregate amount of $19 million.

The Series 2003C Bonds mature on July 1 over a six year period and interest is payable at rates ranging from 2.0% to 5.0% on January 1, 2004 and semi-annually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 3,565,000	$ 178,250	$ 3,743,250
TOTAL	**$ 3,565,000**	**$ 178,250**	**$ 3,743,250**

2004 General Obligation Bonds—In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 4,635,000	$ 13,525,163	$ 18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014-2018	32,995,000	57,438,382	90,433,382
2019-2023	42,810,000	46,897,732	89,707,732
2024-2028	55,660,000	33,727,451	89,387,451
2029-2034	89,275,000	16,185,531	105,460,531
TOTAL	**$ 246,410,000**	**$ 219,373,786**	**$ 465,783,786**

2005 General Obligation Bonds—In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million.

The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest*	TOTAL
2009	$ 6,535,000	$ 4,489,238	$ 11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014-2018	18,475,000	15,148,404	33,623,404
2019-2023	59,200,000	9,770,477	68,970,477
2024-2025	25,485,000	753,968	26,238,968
TOTAL	**$ 139,305,000**	**$ 45,794,682**	**$ 185,099,682**

* Interest was calculated using a rate of 3.3%

2006 General Obligation Bonds—In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semi-annually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirement		
	Principal	Interest	TOTAL
2009	$ 3,625,000	$ 12,041,281	$ 15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014-2018	26,470,000	52,750,656	79,220,656
2019-2023	45,150,000	44,925,656	90,075,656
2024-2028	99,210,000	28,014,906	127,224,906
2029-2033	18,735,000	9,866,056	28,601,056
2033-2035	36,450,000	2,204,775	38,654,775
TOTAL	**$ 245,915,00**	**$ 196,073,456**	**$ 441,988,456**

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $78,391,542 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2008.

10. PENSION

All eligible employees of the Combined Entities are covered under a pension plan. RTA employees, as well as non-union employees of Metra and Pace, are covered under the RTA Pension Plan, which is a multi-employer, non-contributory, defined benefit cost sharing plan and trust. The union employees of Metra and Pace are covered under various other plans as required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union and non-union employees and Chicago Transit Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. The Supplemental Retirement Plan, which includes the Retirement Plan for Board Members and the Supplemental Retirement Plan for selected Officers, Executives, Supervisory and Professional Employees, provides benefits, in addition to the Employees' Retirement Plan, to management employees in certain employment classifications and Chicago Transit Board members.

11. REGION-WIDE FINANCIAL INFORMATION

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation-related operations in the northeastern Illinois region. This information includes the transportation-related results of the Service Boards' affiliated carriers. Accordingly, this region-wide information is presented in the combining region-wide schedules of revenues and expenditures and the combining region-wide statement of revenues and expenditures—budget and actual.

The basic financial statements of the RTA and the Service Boards used to prepare the combining statement of revenues and expenses do not include the aggregate of system-generated revenues and costs. The combining region-wide schedules of revenues and expenditures include the aggregate of all system generated revenues and costs.

For purposes of the system-generated revenues recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with accounting principles generally accepted in the United States, with certain allowable adjustments as enumerated in the Act. Costs funded by Federal capital grants are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act.

The Act requires that the aggregate of all system-generated revenues equal at least 50% of the aggregated costs of providing such public transportation.

For 2008, the region-wide system-generated revenues recovery

ratio is calculated from the Combining Region-Wide Schedules of Revenues and Expenditures—(Budget and Actual Budget Basis) as follows:

The region-wide system-generated revenues recovery ratio for

System-Generated Revenues Recovery Ratio
(In Thousands)

	Revenues	Expenditures
CTA*	$ 596,317	$ 1,204,005
Metra**	320,825	559,316
Pace***	61,139	179,627
RTA****	17,462	29,300
TOTAL	**$ 995,743**	**$ 1,972,248**

2008 equals 56.19%.

* The system-generated revenues recovery ratio for the CTA included leasehold revenues of $4.3 million and Senior Free Rides revenue of $17.5 million, but excluded CTA expenditures for security costs of $32.4 million. It also included in-kind services of $22 million, both as revenues and expenditures.

** Metra's system-generated revenues recovery ratio included Senior Free Rides revenue of $5 million, but excluded $16.6 million security costs, $16 million costs for lease of transportation facilities and $2.7 million for funded depreciation to carriers were deducted from expenditures.

*** Pace system-generated revenues recovery ratio included Senior Free Rides revenue of $1.5 million, and in-kind services of $7.7 million both as revenues and expenditures.

**** The RTA subtract back $15.9 million of unrealized loss on swap valuation to its revenues. Also, the RTA excluded all capital related depreciation expenses of $235 thousand.

**** $200 million of new expenses are exempted from the farebox recovery ratio to avoid the need to match each new dollar with a 50 cent fare increase. This exemption is phased out over 5 years, thereby requiring gradual fare increases.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

Also, in the RTA Act section 4.01(b) requires the RTA Board to determine that the level of fares charged for ADA paratransit services are sufficient to cause the aggregate of all projected revenues from such fares charged and received in each fiscal year to equal at least 10% of the aggregate costs of providing such ADA paratransit services in fiscal years 2008. Pace ended the year with a 10.0% recovery ratio for Regional ADA Paratransit Services. The 2008 budget for ADA paratransit service adopted by the RTA meets the 10% recovery ratio requirement.

12. RECONCILIATION OF GOVERNMENT-WIDE TO REGION-WIDE REVENUES AND EXPENDITURES

RTA's government-wide financial statements do not include fiduciary fund financial statement information which is added in the region-wide presentation. As also stated in Note 11, in-kind services are added in the system-generated revenues and expenditures.

The following data (in thousands) reconciles the combining government-wide to region-wide schedules of revenues and expenditures:

	RTA	CTA	Metra	Pace
Government-wide revenues (page 35)	$ 476,251	$1,841,682	$ 735,772	$ 311,391
Sales tax agency fund	871,535			
Pension trust fund	(16,185)	33,188		
Senior Free Rides		17,500		
In-kind services		22,000		7,671
ADA Regional Paratransit Funding				107,935
Interest on Bonds		4,385		
Unrealized loss on swap valuation	23,986			
Region-wide revenues (page 36)	1,355,587	1,918,755	735,772	426,997
Government-wide expenditures (page 35)	589,988	1,786,433	830,294	317,887
Sales tax agency fund	871,535			
Pension trust fund	9,858			
In-kind services		22,000		7,671
Security Costs		(32,282)	(16,558)	
Lease of transportation facilities			(15,985)	
Prior Year Positive Balance Lease proceeds		20,000		
Pension and other employee benefits		13,191		
Capital (Depreciation, disposals / additions)	(732)		(2,744)	
Region-wide expenditures (page 36)	1,470,649	1,809,242	795,007	325,558
NET REVENUES (EXPENDITURES)	**$ (115,062)**	**$ 109,513**	**$ (59,235)**	**$ 101,439**

13. SUBSEQUENT EVENTS

During 1998, the CTA entered into a lease and leaseback agreement (Green Line Lease) with three equity investors pertaining to the railway tracks, train stations and adjacent property on the Green Line. The CTA's payments associated with this agreement were guaranteed by American International Group, Inc (AIG). During 2008, AIG's credit rating was reduced amid the U.S. global economic crisis. Although each equity investor had the right to demand that the CTA replace AIG as guarantor, one of the investors decided to simply exercise the option to terminate the Green Line transaction with CTA. CTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account. These negotiations were finalized in 2009 and final payment was made and a termination agreement was executed. The restricted lease assets and associated lease liability related to this transaction were removed from CTA's financial statements upon termination and payment in 2009. CTA is in negotiations with the remaining two equity investors to determine whether to unwind the transaction or restructure the agreements with a new guarantor.

During 2008, CTA issued nearly $2 billion in Sales and Transfer Tax Receipts Revenue Bonds for the purpose of funding the pension and retiree healthcare. These bonds were initially executed as fixed rate bonds with a relatively high interest rate. In April 2009, CTA executed a basis swap transaction that has a net effect of changing the interest rate characteristics of the debt for a portion of the

bonds from a fixed rate to a variable interest rate. The transaction was structured such that CTA will receive upfront cash payments in 2009 and 2010. Beginning in 2011, CTA will pay a percentage of a tax-exempt index (SIFMA) and receive a taxable index (LIBOR) plus a fixed payment annually over 20 years based on the notional amount of the transaction of $567,130,000. CTA has the right to terminate this basis swap transaction at any time.

In January 2009, the RTA borrowed $24 million under the terms of the working cash note agreement. The funds were used to supplement CTA's cash flow.

On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority's (Illinois) (RTA, or the Authority) general obligation (GO) bond rating to 'AA-,' from 'AA,' and assigns a Negative Outlook to outstanding GO debt. In conjunction, Fitch assigned an 'F1+' rating to the Authority's approximately $132.8 million Series 2005B GO variable rate notes and an 'F1' rating to its approximately $260 million taxable GO working cash notes, Series 2009B. The Series 2009B and Series 2005B notes are during June 2009. The downgrade affects and the Negative Outlook applies to approximately $650.4 million of outstanding GO bonds.

On June 8, 2009, Moody's Investors Service assigned an Aa3 rating to the approximately $132.8 million remarketing of the Regional Transportation Authority (RTA) General Obligation Variable Rate Bonds, Series 2005B. At the same time, Moody's has downgraded the RTA's approximately $2.5 billion outstanding parity bonds to Aa3 from Aa2. The outlook is stable. The bonds are secured by a gross pledge of sales taxes and other state aid and constitute a full faith and credit obligation of the RTA.

In June 2009, the RTA intends to issue up to $260 million of Working Cash Notes that will mature not later than June 1, 2011. The purpose of the funding is to payoff an existing note and to provide timely operating funding for the RTA and the Service Boards necessitated by the economic downturn.

On July 1, 2009, the RTA will initiate a mandatory tender of all Series 2005B bonds ($132,770,000), modify the indenture, and reissue the bonds in a different mode. (This is not a refunding. The par value and maturity of Series 2005B will not be changed by the transaction.) The mandatory tender will allow the Authority to eliminate the need to have a liquidity provider, change the interest reset frequency from weekly to monthly and lengthen the extension period from seven days to 12 months.

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REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

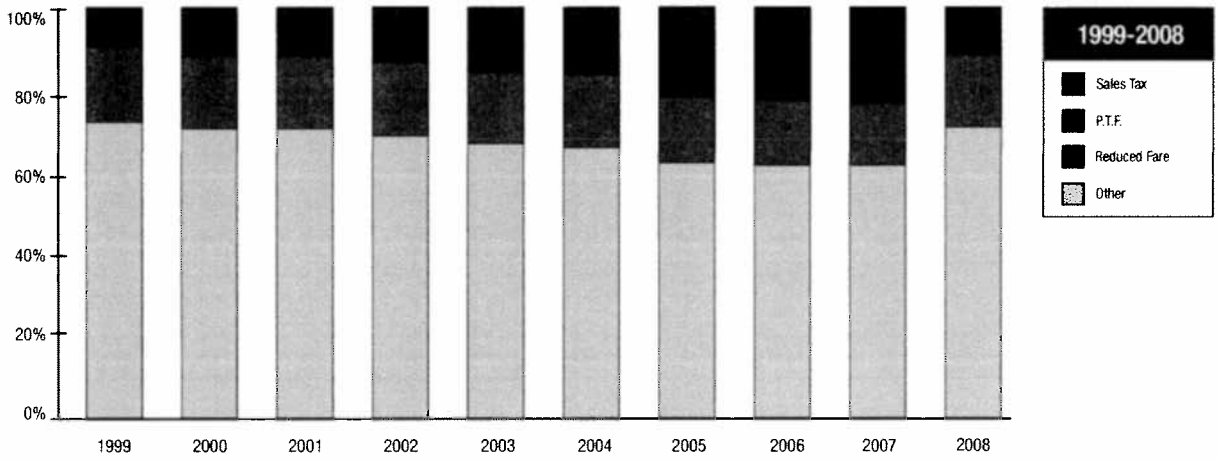
SPECIAL - PURPOSE COMBINING GOVERNMENT - WIDE SCHEDULES OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	RTA Government-Wide Funds	SERVICE BOARDS: Chicago Transit Authority	SERVICE BOARDS: Commuter Rail Division	SERVICE BOARDS: Suburban Bus Division	Combining Debit	Adjustments Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 520,456	$ 315,859	$ 58,662	$ 618	-	$ 894,359
RTA financial assistance	-	641,832	287,181	216,607	1,148,703	-	(3,083)
Other public funding	-	37,650	98,952	3,357		-	139,959
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765
Sales taxes	109,003	-	-	-	-	$ 840,613	949,616
Interest on sales taxes	1,081	-	-	-	-	-	1,081
Public Transportation Fund	227,201	-	-	-	-	-	227,201
Operating Assistance CTA & Pace	14,441	-	-	-	-	-	14,441
State assistance	121,870	-	-	-	-	-	121,870
Investment income	(725)	-	-	-	-	-	(725)
Program revenues and other	3,380	-	-	-	-	-	3,380
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889
TOTAL REVENUES	**476,251**	**1,841,682**	**735,772**	**311,391**	**1,268,694**	**840,613**	**2,937,015**
EXPENDITURES:							
Operating	-	1,194,390	594,603	279,432	-	352	2,068,073
Depreciation	-	403,248	220,883	33,186	-	-	657,317
Financial Assistance to Service Boards	249,948	-	-	-	-	249,948	-
Operating Assistance CTA & Pace	58,142	-	-	-	-	58,142	-
Capital grants–discretionary	26,288	-	-	-	-	26,288	-
Capital grants–bonds	93,085	-	-	-	-	93,085	-
Insurance (JSIF)	4,375	-	-	-	-	-	4,375
Administrative expenses	7,532	-	-	-	-	-	7,532
Regional expenses	20,656	-	-	-	-	266	20,390
Technology program	2,467	-	-	-	-	-	2,467
Bond-related expenses	127,495	72,028	-	-	-	-	199,523
Interest expense	-	-	-	150	-	-	150
Interest expense from leasing transactions	-	116,767	14,808	5,119	-	-	136,694
TOTAL EXPENDITURES	**589,988**	**1,786,433**	**830,294**	**317,887**	-	**428,081**	**3,096,521**
NET REVENUES (EXPENDITURES)	**$ (113,737)**	**$ 55,249**	**$ (94,522)**	**$ (6,496)**	**$ 1,268,694**	**$ 1,268,694**	**$ (159,508)**

Note 1–Changes in net assets shown on page 18 and net revenues and expenditures shown on this page are similar.
Note 2–Government-wide to Region-wide revenues and expenditures shows on page 35 and 36, respectively, are reconciled in Note 12.

	RTA	SERVICE BOARDS						
	Government-Wide And Fiduciary Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Debit	Adjustments Credit	Total Combined	Total Region-Wide Budget
REVENUES:								
RTA financial assistance	-	$ 641,832	$ 287,181	$ 216,607	$ 1,148,703	-	$ (3,083)	$ -
Other public funding	-	37,650	98,952	3,357	-	-	139,959	-
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765	-
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889	-
Sales taxes	$ 949,617	-	-	-	-	-	949,617	996,957
Public Transportation Fund	227,201	-	-	-	-	-	227,201	189,600
Operating Assistance CTA & Pace	14,441	-	-	-	-	-	14,441	10,000
State assistance	121,870	-	-	-	-	-	121,870	116,477
State reduced fare reimbursement	28,919	-	-	-	28,919	-	-	-
Pension & JSIF contribution	9,195	-	-	-	995	-	8,200	-
Pension and other employee benefits	-	33,188	-	-	-	-	33,188	-
Investment income	(15,120)	-	-	-	-	-	(15,120)	-
Interest on bond transactions	-	4,385	-	-	-	-	4,385	-
Interest on sales taxes to Service Boards	2,002	-	-	-	2,002	-	-	-
SUBTOTAL	**1,338,125**	**1,354,537**	**419,913**	**252,729**	**1,299,992**	**-**	**2,065,312**	**1,313,034**
Investment income	(10,834)	-	-	-	-	-	(10,834)	12,965
Other revenues	3,229	-	-	107,935	-	-	111,164	19,470
Interest on sales taxes	1,081	-	-	-	-	-	1,081	1,065
Service Boards revenues	-	520,456	315,859	58,662	618	-	894,359	1,020,817
ADD (SUBTRACT)								
Senior Free Rides	-	17,500	-	-	-	-	17,500	-
In-kind services	-	22,000	-	7,671	-	-	29,671	22,000
Leasehold revenue	-	4,262	-	-	-	-	4,262	4,262
Unrealized Gain on swap valuation	23,986		-	-	-	-	23,986	-
SUBTOTAL	**17,462**	**564,218**	**315,859**	**174,268**	**618**	**-**	**1,071,189**	**1,080,579**
TOTAL REVENUES	**1,355,587**	**1,918,755**	**735,772**	**426,997**	**1,300,610**	**-**	**3,136,501**	**2,393,613**
EXPENDITURES:								
Depreciation	-	403,248	220,883	33,186	-	-	657,317	-
Interest expenses from leasing transactions	-	116,767	14,808	5,119	-	-	136,694	-
Interest expenses from bond transactions	-	72,028	-	-	-	-	72,028	-
Operating grants to Service Boards	1,090,561	-	-	-	-	1,090,561	-	-
CTA & Pace (PTF) expenditures	58,142	-	-	-	-	58,142	-	-
Capital grants–discretionary	26,289	-	-	-	-	26,289	-	-
Capital grants–bonds	93,085	-	-	-	-	93,085	-	-
State reduced fare reimbursement	28,919	-	-	-	-	28,919	-	-
Regional expenses & other	14,233	-	-	-	-	266	13,967	-
Bond-related expenses	127,495	-	-	-	-	-	127,495	-
Interest expense	-	-	-	150	-	-	150	-
Interest on sales taxes to Service Boards	2,002	-	-	-	-	2,002	-	-
SUBTOTAL	**1,440,726**	**592,043**	**235,691**	**38,455**	**-**	**1,299,264**	**1,007,651**	**-**
Operating expenses	-	1,194,390	594,603	279,432	-	352	2,068,073	1,971,491
Prior year positive balance - lease proceeds	-	20,000	-	-	-	-	20,000	-
Pension, JSIF and other employee benefits		13,191	-	-	-	-	13,191	-
Administrative expenses	7,532	-	-	-	-	995	6,537	8,209
Regional expenses	20,656	-	-	-	-	-	20,656	25,403
Technology program	2,467	-	-	-	-	-	2,467	1,473
ADD (SUBTRACT)								
In-kind services	-	22,000	-	7,671	-	-	29,671	29,671
Security costs	-	(32,382)	(16,558)	-	-	-	(48,940)	(48,940)
Lease of transportation facilities	-	-	(15,985)	-	-	-	(15,985)	(15,985)
Capital (Depreciation, disposals / additions)	(732)	-	(2,744)	-	-	-	(3,476)	(3,476)
Subtotal	29,923	1,217,199	559,316	287,103	-	1,347	2,092,194	1,967,846
TOTAL EXPENDITURES	**1,470,649**	**1,809,242**	**795,007**	**325,558**	-	**1,300,611**	**3,099,845**	**1,967,846**
NET REVENUES (EXPENDITURES)	**$ (115,062)**	**$ 109,513**	**$ (59,235)**	**$ 101,439**	**$ 1,300,610**	**$ 1,300,610**	**36,656**	**$425,767**

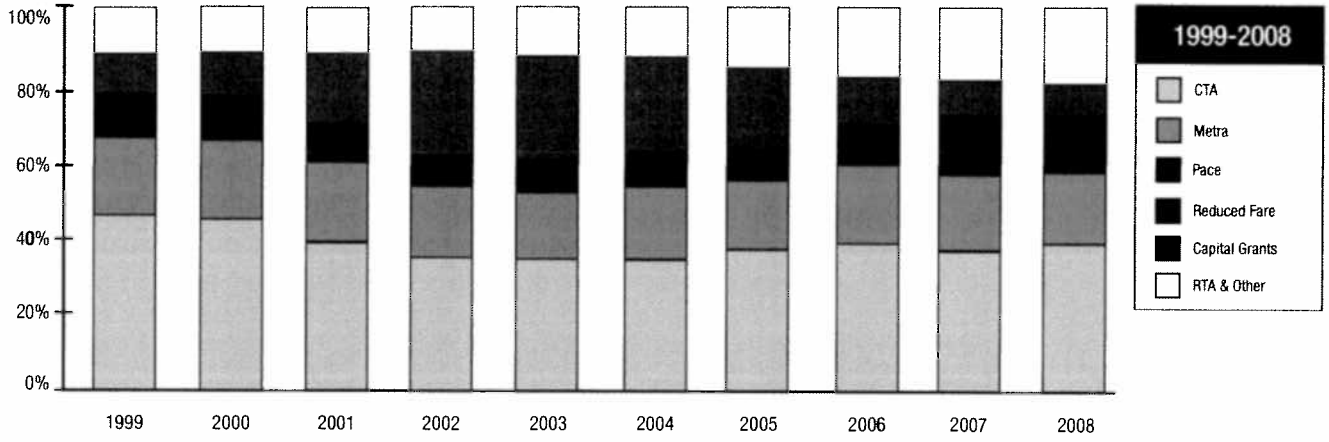
RTA REVENUE BY SOURCE



Last Ten Years (In Thousands)

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/99	613,514	153,343	19,386	63,624	849,867
Percentage of Total	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	**650,284**	**162,247**	**38,759**	**71,947**	**923,237**
Percentage of Total	**70.44%**	**17.57%**	**4.20%**	**7.79%**	**100%**
12 Months Ended 12/31/01	653,522	164,987	39,531	71,742	929,782
Percentage of Total	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	**647,685**	**165,665**	**36,260**	**95,167**	**944,777**
Percentage of Total	**68.55%**	**17.53%**	**3.84%**	**10.07%**	**100%**
12 Months Ended 12/31/03	654,988	164,739	39,662	122,517	981,906
Percentage of Total	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	**675,628**	**170,397**	**40,153**	**132,664**	**1,018,842**
Percentage of Total	**66.31%**	**16.72%**	**3.94%**	**13.02%**	**100%**
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	**746,829**	**186,136**	**37,327**	**232,193**	**1,202,485**
Percentage of Total	**62.11%**	**15.48%**	**3.10%**	**19.31%**	**100%**
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	**949,617**	**227,201**	**28,919**	**129,784**	**1,335,521**
Percentage of Total	**71.10%**	**17.01%**	**2.17%**	**9.72%**	**100%**

DISTRIBUTION OF EXPENDITURES

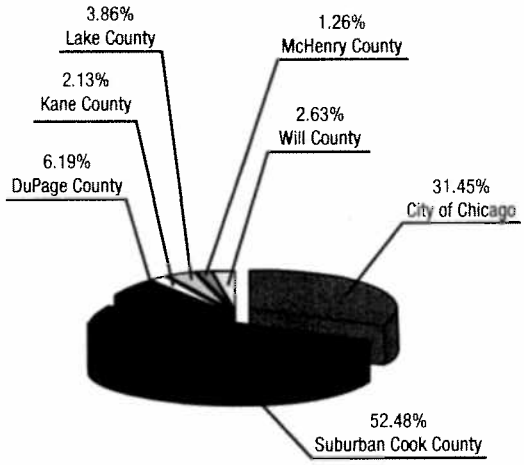


Last Ten Years (In Thousands)

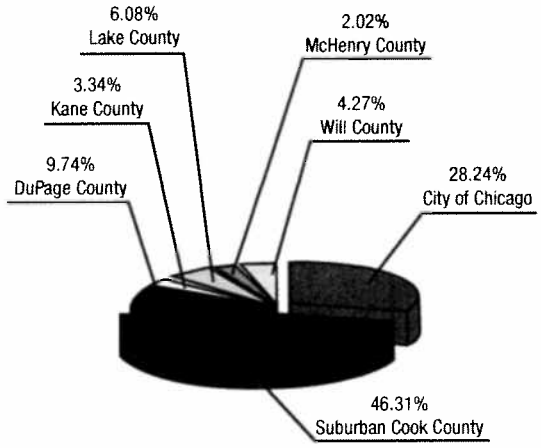
	FINANCIAL ASSISTANCE							
	CTA	Metra	Pace	Total	Reduced Fare	Capital Grants	RTA and Other	Total
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,436	842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.27%	100%
12 Months Ended 12/31/00	**402,126**	**184,559**	**71,772**	**658,457**	**38,759**	**102,806**	**108,546**	**908,568**
Percentage of Total	**44.26%**	**20.31%**	**7.90%**	**72.47%**	**4.27%**	**11.32%**	**11.96%**	**100%**
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.31%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	**441,632**	**238,955**	**79,052**	**759,639**	**36,260**	**351,041**	**147,086**	**1,294,026**
Percentage of Total	**34.13%**	**18.47%**	**6.11%**	**58.71%**	**2.80%**	**27.13%**	**11.36%**	**100%**
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	**441,630**	**252,493**	**79,051**	**773,174**	**40,153**	**323,869**	**182,417**	**1,319,613**
Percentage of Total	**33.47%**	**19.13%**	**5.99%**	**58.59%**	**3.04%**	**24.54%**	**13.82%**	**100%**
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	**496,690**	**256,301**	**98,500**	**851,490**	**37,327**	**165,436**	**227,481**	**1,281,735**
Percentage of Total	**38.75%**	**20.00%**	**7.68%**	**66.43%**	**2.91%**	**12.91%**	**17.75%**	**100%**
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	**591,760**	**287,181**	**211,620**	**1,090,561**	**28,919**	**119,374**	**308,308**	**1,547,161**
Percentage of Total	**38.25%**	**18.56%**	**13.68%**	**70.49%**	**1.87%**	**7.72%**	**19.93%**	**100%**

SALES TAX REVENUE SOURCE BY COUNTY / CITY OF CHICAGO

2007



2008



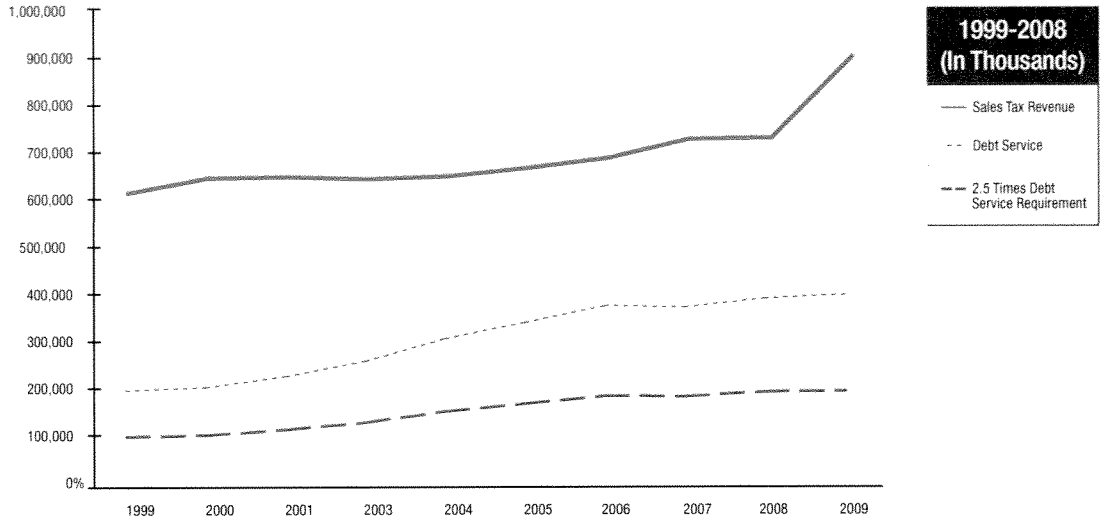
Last Ten Years (In Thousands)

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	**199,056**	**354,307**	**42,741**	**11,589**	**23,985**	**6,942**	**11,664**	**650,284**
Percentage of Total	**30.62%**	**54.48%**	**6.57%**	**1.78%**	**3.69%**	**1.07%**	**1.79%**	**100%**
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	**195,417**	**353,999**	**40,961**	**12,256**	**24,913**	**7,373**	**12,766**	**647,685**
Percentage of Total	**30.17%**	**54.66%**	**6.32%**	**1.89%**	**3.85%**	**1.14%**	**1.97%**	**100%**
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	**205,355**	**363,792**	**42,785**	**13,954**	**26,150**	**8,160**	**15,432**	**675,628**
Percentage of Total	**30.39%**	**53.85%**	**6.33%**	**2.07%**	**3.87%**	**1.21%**	**2.28%**	**100%**
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	**231,273**	**395,727**	**46,867**	**16,008**	**28,743**	**9,194**	**19,016**	**746,828**
Percentage of Total	**30.97%**	**52.99%**	**6.28%**	**2.14%**	**3.85%**	**1.23%**	**2.55%**	**100%**
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	**219,093**	**533,095**	**75,587**	**25,908**	**47,143**	**15,700**	**33,091**	**949,617**
Percentage of Total	**23.07%**	**56.14%**	**7.96%**	**2.73%**	**4.96%**	**1.65%**	**3.48%**	**100%**

LEGAL DEBT CAPACITY

	Balance Outstanding at December 31, 2008	Issued	
Legal debt margin:			
Debt Limitation per Act for General Obligations			$ 2,600,000,000
Debt applicable to limitation:			
Non-scip bonds:			
1990A General Obligation Bonds	$ 60,795,000	-	-
1991A General Obligation Bonds	55,745,000	-	-
1992B General Obligation Bonds	4,590,000	-	-
1994B General Obligation Bonds	7,095,000	-	-
1994D General Obligation Bonds	29,225,000	-	-
1997 General Obligation Refunding Bonds	65,955,000	-	-
2002B General Obligation Bonds	144,085,000	-	-
2003B General Obligation Bonds	139,990,000	-	-
2003C General Obligation Refunding Bonds	3,565,00	-	-
2005B General Obligation Refunding Bonds	139,305,000	-	-
TOTAL RTA BONDS APPLICABLE TO LIMITATION	**$ 650,350,000**		**$ (650,350,000)**
Scip bonds:			
1992A General Obligation Bonds	$ 28,755,000	$ 188,000,000	-
1993A General Obligation Bonds	-	55,000,000	-
1994A General Obligation Bonds	17,300,000	195,000,000	-
1994C General Obligation Bonds	28,560,000	62,000,000	-
1999 General Obligation Refunding Bonds	274,445,000	-	-
2000 General Obligation Bonds	230,065,000	260,000,000	-
2001A General Obligation Bonds	88,630,000	100,000,000	-
2001B General Obligation Refunding Bonds	29,800,000	-	-
2002A General Obligation Bonds	144,925,000	160,000,000	-
2003A General Obligation Bonds	242,420,000	260,000,000	-
2004A General Obligation Bonds	246,410,000	260,000,000	-
2006A General Obligation Bonds	245,915,000	250,350,000	-
TOTAL SCIP BONDS APPLICABLE TO LIMITATION	-	**$ 1,790,350,000**	**$ (1,790,350,000)**
TOTAL SCIP BONDS OUTSTANDING	**$ 1,577,225,000**	-	-
TOTAL BONDS OUTSTANDING	**$ 2,227,575,000**	-	-
Debt Margin for General Obligations	-	-	$ 159,300,000
Debt Limitation per Act for Working Cash Notes	-	-	400,000,000
TOTAL RTA WORKING CASH NOTES APPLICABLE TO LIMITATION	**$ 56,000,000**	**$ 56,000,000**	**$ (56,000,000)**
Debt Margin for Working Cash Notes	-	-	344,000,000
TOTAL LEGAL DEBT MARGIN	-	-	**$ 503,300,000**

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years (In Thousands)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Tax Revenue	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829	$ 752,922	$ 949,617
Debt Service Requirement	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551	192,555
2.5 Times Debt Service Requirement	$ 194,665	$ 204,190	$ 237,968	$ 283,815	$ 351,518	$ 399,255	$ 448,840	$ 445,215	$ 471,378	$ 481,388

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying 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.

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years (In Thousands)

Year	Debt Service Requirement Principal	Interest	Total	Total Expenditures	Ratio of Debt Service to Total Expenditures
1999	$ 16,988	$ 60,878	$ 77,866	$ 842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years (In Millions)

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively)

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1999	$ 299.59	$ 162.67	$ 111.49	$ 25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
2008	489.91	279.38	169.55	40.98
TOTAL	**$ 4,351.70**	**$ 2,476.28**	**$ 1,547.46**	**$ 327.96**

Source of data: Information obtained from the Service Boards' records.

SERVICE BOARD OPERATING CHARACTERISTICS

2008

Chicago Transit Authority

RAPID TRANSIT	MOTOR BUS	OTHER
8 rail routes	153 bus routes	1.2 billion passengers rail miles per year
143 stations served	2,150 buses	12.3 million rail miles per year
1,190 rapid transit cars	328.2 million riders per year	779.8 million passenger miles per year
198.1 million riders per year	4,346 STO* positions	70.8 million vehicle miles per year
1,288 STO* positions		5,233 without STO* positions

*STO is Scheduled Transit Operators. This classification includes bus operators,motormen, conductors, and customer assistants.

*Metra Commuter Rail Division

487.7 route miles	OTHER
1,155 miles of track	1.7 billion passenger miles per year
239 stations	44.7 million vehicle miles per year
144 locomotives	
823 passenger cars	
171 electric cars	
702 weekly trains operated	
95.4% on-time performance	
86.8 million riders per year	
4,007 full-time employees	

*All data excludes NICTD South Shore

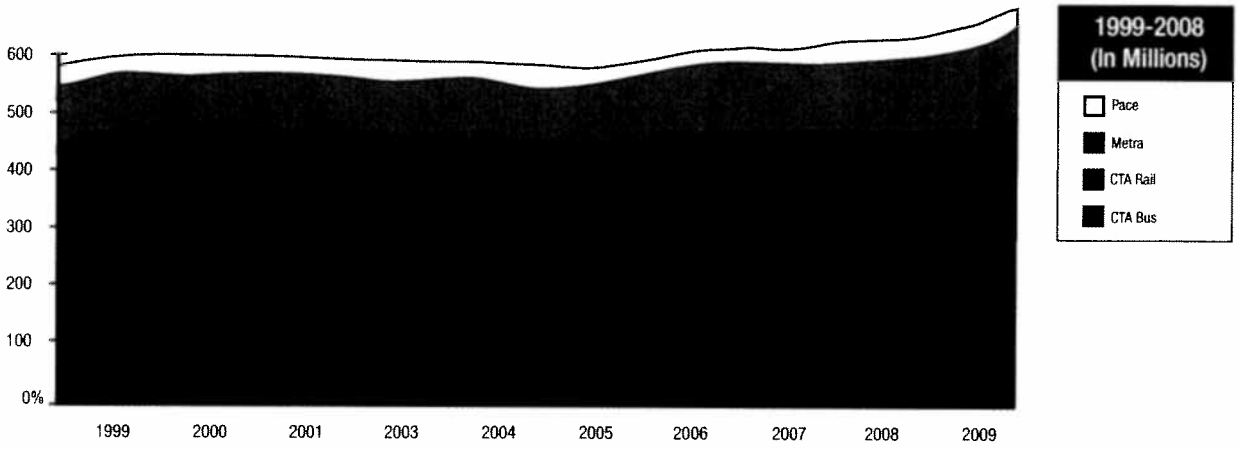
Pace Suburban Bus Division

FIXED ROUTE	PARATRANSIT**	DIAL-A-RIDE**	OTHER
144 regular routes	168 Pace owned lift-equipped buses in service	61 local services	721 vanpools in operation
48 feeder routes	3.7 millions of riders per year	203 Pace owned lift-equipped buses in service	2.0 million riders for the year
1 subscription routes	35 full-time employees	222 communities served	22.3 million passenger miles per year
19 shuttle routes		1.1 millions of riders per year	31.0 million vehicle miles per year
573 vehicles in use during peak periods		6.3 million passenger miles per year	
34.6 million riders per year		4.7 million vehicle miles per year	
12 seasonal routes			
703 Pace-owed buses			
1,358 full-time employees			

**Prior to 2008 ADA Paratransit and Dial-A-Ride were combined.

Source of data: Info obtained from the Service Boards' records.

SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS



Last Ten Years (In Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Service Consumed:										
CTA - Bus	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2
CTA - Rail	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1
TOTAL CTA*	**466.7**	**479.6**	**484.8**	**485.2**	**474.7**	**474.7**	**492.3**	**494.8**	**499.6**	**526.3**
Metra	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7
Pace**	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0	37.8
SYSTEM TOTAL	**583.5**	**597.0**	**601.0**	**596.8**	**583.2**	**583.2**	**606.2**	**613.6**	**623.0**	**651.8**
Percent Change	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%	4.62%

*CTA Stat amounts include rail-to-rail transfers.
**Pace 2008 Stat amount includes ADA Paratransit rides.
Source of data: Information obtained from the National Transit Database.

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency, which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2008.

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
METRA					
Union Pacific	$ 84,171	$ 187,214	$ (103,043)	$ 103,043	-
Burlington Northern / Santa Fe	50,480	71,209	(20,729)	20,729	-
Northern Indiana Commuter Transportation District (NICTD)	4,468	9,188	(4,720)	4,720	-
TOTAL METRA	**$ 139,119**	**$ 267,611**	**$ (128,492)**	**$ 128,492**	**-**
PACE					
Summary of Services					
Fixed Route - Public Funded Carriers	$ 1,973	$ 3,504	$ (1,531)	$ 3,908	$ 1,935
Fixed Route - Private Contract Carriers	2,728	9,748	(7,020)	7,020	-
TOTAL FIXED ROUTE SERVICE	**$ 4,701**	**$ 13,252**	**$ (8,551)**	**$ 10,928**	**$ 1,935**
PRIVATE CONTRACT CARRIERS					
DAR Services	$ 1,295	$ 10,536	$ (9,241)	4,827	$ 4,414
DAR and Stable Services	7,676	97,111	(89,435)	89,435	-
TOTAL PRIVATE CONTRACT CARRIERS	**8,970**	**107,646**	**(98,676)**	**94,262**	**4,414**
Paratransit - Municipal Carriers	454	5,866	(5,412)	895	4,517
TOTAL PACE	**$ 14,125**	**$ 126,764**	**$ (112,639)**	**$ 106,086**	**$ 10,866**
PACE					
Detail of Services					
FIXED ROUTE - PUBLIC FUNDED CARRIERS					
City of Highland Park	$ 447	$ 1,070	$ (623)	$ $1,269	$ 822
Village of Niles	524	1,384	(860)	1,587	1,063
Village of Downers Grove	428	476	(48)	476	48
Village of Schaumburg	573	573	-	576	3
TOTAL	**$ 1,973**	**$ 3,504**	**$ (1,531)**	**$ 3,908**	**$ 1,935**
PRIVATE CONTRACT CARRIERS - FIXED ROUTE					
Academy Coach Lines	$ 627	$ 3,123	$ (2,496)	$ 2,496	-
Colonial Coach Lines	145	694	(549)	549	-
First Student	1,657	4,852	(3,195)	3,195	-
M V Transportation	126	826	(699)	699	-
Village of Schaumburg	173	253	(80)	80	-
TOTAL	**$ 2,728**	**$ 9,748**	**$ (7,020)**	**$ 7,020**	**-**

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

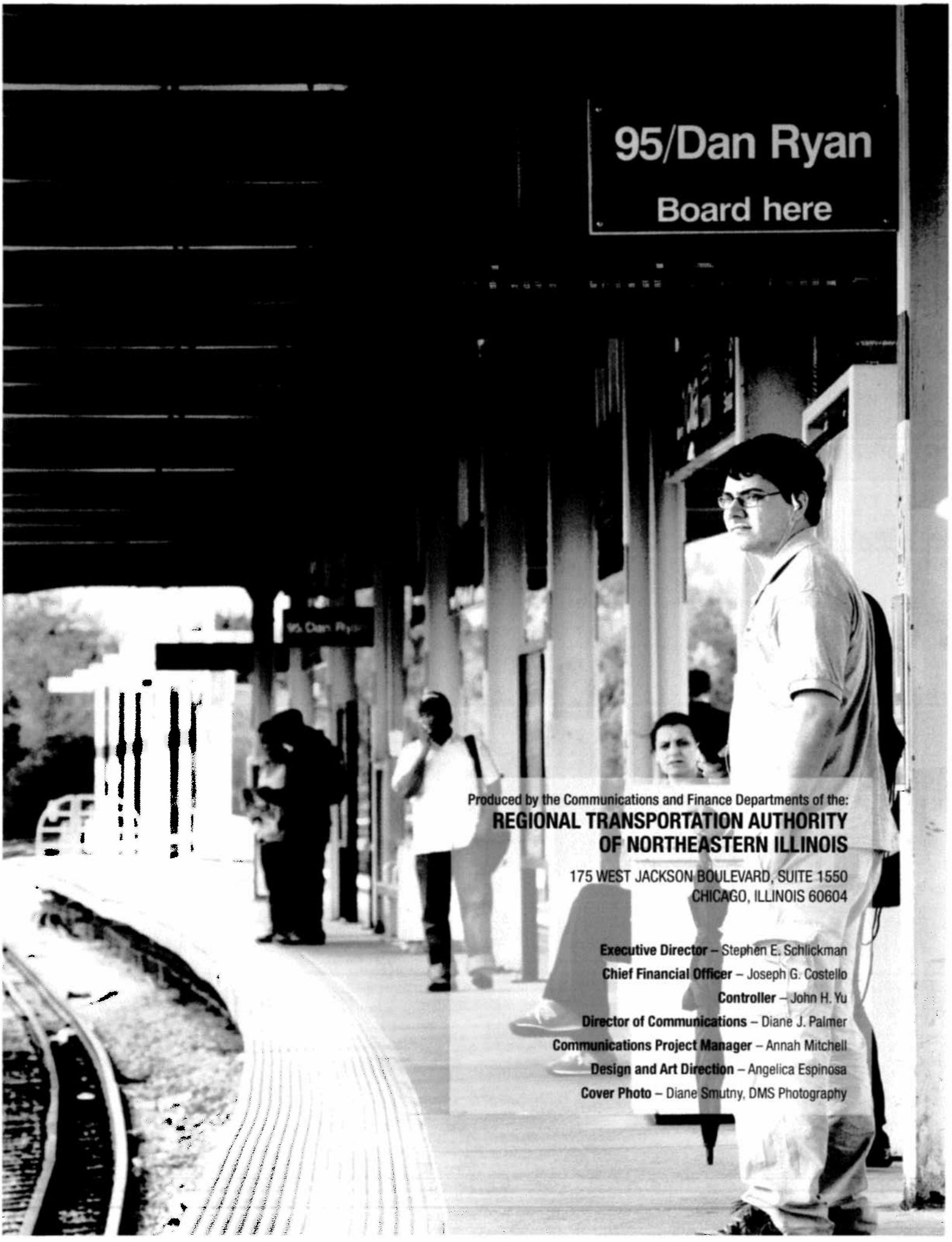
	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
PACE					
Detail of Services (continued)					
PRIVATE CONTRACT CARRIERS - DIAL-A-RIDE SERVICES					
Addison	$ 2	$ 50	$ (48)	$ 3	$ 45
Aurora Township	64	544	(481)	301	180
Barrington	2	70	(68)	29	39
Batavia Township	8	72	(64)	40	24
Bloomingdale Township	32	383	(351)	246	106
Central Lake	8	141	(133)	91	41
Central Will	61	658	(598)	399	199
Downers Grove	19	141	(127)	97	30
Dundee	14	124	(110)	67	43
DuPage County	9	90	(80)	80	-
DuPage Township	8	144	(136)	(99)	36
Elgin	53	365	(311)	248	63
Elk Grove	27	339	(312)	31	281
Freemont Township	1	9	(8)	(1)	9
Hampshire Township	1	19	(18)	14	5
Hanover Township	3	29	(26)	(0)	26
Hometown	1	22	(21)	4	17
Joliet Call in and Ride	1	15	(15)	15	-
Leyden Township	23	249	(226)	11	215
Marengo	-	10	(10)	10	-
McHenry Township	93	1,452	(1,360)	682	678
Milton Township	15	195	(181)	121	60
N. Suburban Cook	2	65	(63)	63	-
Naperville / Lisle	164	839	(675)	328	346
Northeast Lake-Warren	15	370	(355)	316	39
Northeast Lake-Zion	2	39	(37)	28	9
Northwest Lake	18	282	(264)	264	-
Pioneer Center	7	41	(34)	34	-
Northwest Suburban Cook	19	267	(248)	211	37
Ride DuPage	193	1,740	(1,547)	159	1,388
Ride in Kane	27	839	(812)	642	170
South Cook	-	-	-	-	-
Southwest Lake-Cuba	1	6	(5)	2	2
Southwest Lake-Wauconda	4	32	(28)	13	15
Southwest Will	1	18	(17)	13	5
Village of Bloomingdale	2	24	(22)	(2)	24
Village of Skokie / West Cook	318	232	87	(87)	-
Village of St. Charles	30	205	(175)	113	62
Wayne Township	5	82	(77)	59	19
Woodstock	39	329	(289)	88	202
TOTAL	**$ 1,295**	**$ 10,536**	**$ (9,241)**	**$ 4,827**	**$ 4,414**

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
PACE					
Detail of Services (continued)					
PRIVATE CONTRACT CARRIERS - DIAL-A-RIDE AND STABLE SERVICES (ADA SERVICES)					
DuPage County	$ 76	$ 865	$ (789)	$ 789	-
Kane County	50	578	(528)	528	-
North Suburban Cook	463	5,498	(5,035)	5,035	-
Northeastern / Central Lake	123	1,140	(1,016)	1,016	-
South Cook	898	6,169	(5,271)	5,271	-
Chicago ADA	5,846	80,411	(74,565)	74,565	-
Southwest / Central Will	34	449	(415)	415	-
West Cook	185	2,001	(1,816)	1,816	-
TOTAL	**$ 7,676**	**$ 97,111**	**$ (89,435)**	**$ 89,435**	**-**
PARATRANSIT - MUNICIPAL CARRIERS					
Aurora	$ 3	$ 58	$ (55)	$ 7	$ 48
Batavia	0	14	(14)	1	13
Bensenville	26	261	(235)	55	180
Bloom	23	365	(342)	56	286
Crestwood	6	102	(97)	15	82
Elgin	3	18	(16)	7	9
Ela	11	155	(144)	21	123
Forest Park	14	154	(140)	33	107
Fox Lake / Grant	3	8	(5)	3	2
Frankfort	25	198	(173)	26	147
Harvard	10	70	(60)	16	44
Lemont	5	78	(72)	13	59
Lyons	12	310	(298)	33	264
Norridge	13	102	(89)	32	57
Oak Park	30	349	(320)	65	255
Orland Park	25	426	(401)	47	354
Palatine	11	252	(241)	26	215
Palos Hills	10	88	(78)	14	65
Park Forest	23	106	(84)	45	39
Peotone	21	322	(300)	58	243
Rich Township	59	578	(519)	53	466
Schaumburg	84	1,092	(1,008)	172	835
St. Charles	1	23	(21)	2	19
Stickney	17	311	(294)	46	248
Tinley Park	8	108	(100)	21	79
Vernon	4	117	(112)	8	104
Worth Township	7	200	(193)	19	174
TOTAL	**$ 454**	**$ 5,866**	**$ (5,412)**	**$ 895**	**$ 4,517**

Speed
limit
20
mph
8



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REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1550
CHICAGO, ILLINOIS 60604

Executive Director – Stephen E. Schlickman
Chief Financial Officer – Joseph G. Costello
Controller – John H. Yu
Director of Communications – Diane J. Palmer
Communications Project Manager – Annah Mitchell
Design and Art Direction – Angelica Espinosa
Cover Photo – Diane Smutny, DMS Photography

REGIONAL TRANSPORTATION AUTHORITY
OF NORTHEASTERN ILLINOIS

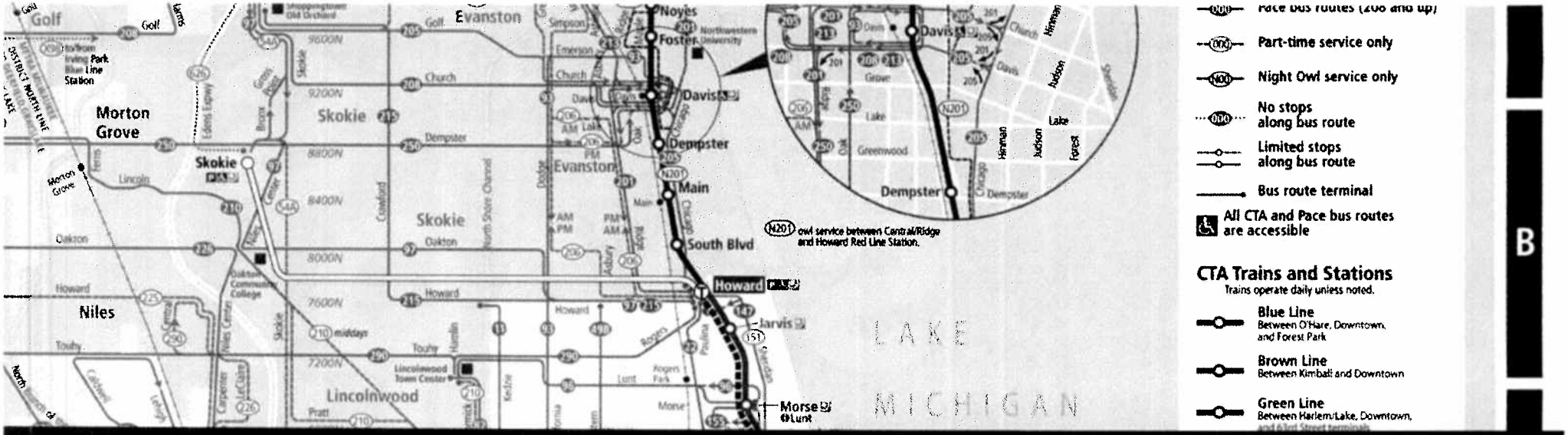
175 WEST JACKSON BOULEVARD, SUITE 1550
CHICAGO, ILLINOIS 60604

PH 312.913.3200
FX 312.922.9274

communications@rtachicago.org
www.rtachicago.com

Regional
Transportation
Authority
ANNUAL REPORT 2009
what
moves
us

R201



What moves the RTA?

We're in the business of overseeing how people are moved – from home to work, from the suburbs to the city, from point A to point B. But it's much more than that. Public transportation moves an area from separate towns and villages into a powerful region, united by the trains and buses that drive economic growth, ease traffic congestion and benefit the environment.

What keeps the entire process moving is the funding that supports transit: critical dollars that help the RTA manage improvements to infrastructure, acquisition of assets and completion of critical projects. We want to keep people, business, the economy and the entire northeastern Illinois region moving forward.

Ultimately, what moves us is our riders. They are why we do what we do. And in these difficult times, we pledge to go above and beyond to do what's best for them. We'll keep moving… and we won't stop.

LETTER FROM THE EXECUTIVE DIRECTOR

The economic crisis that has gripped our nation since the fall of 2008 has posed an extreme challenge to all levels of government. They have all confronted revenue shortfalls and have made difficult cuts to service, employees and other resources in order to deal with the deteriorating economy. Transit systems in particular, with their reliance on revenues closely tied to consumer spending, faced extremely daunting circumstances throughout 2009. Over 80 percent of our nation's transit systems have raised fares, reduced or eliminated service or both, according to the American Public Transportation Association.

Despite these challenges, the Regional Transportation Authority (RTA) has worked cooperatively with the Chicago Transit Authority (CTA), Metra and Pace to make strategic changes in operations and personnel in order to reduce costs, while avoiding the need for major cuts to transit services or significant fare increases. Through a combination of tight fiscal management, the prudent use of working cash and the imposition of unpaid furlough days and other internal policy changes, we have been able to navigate the most difficult economic period in nearly eight decades.

Additionally, the RTA supported this initiative to secure $2.7 billion in state capital funds, developed and implemented a regional performance metrics, conducted the first regional customer satisfaction measurement study and managed and monitored the implementation of the Office of the Auditor General recommendations to approve the system operation.

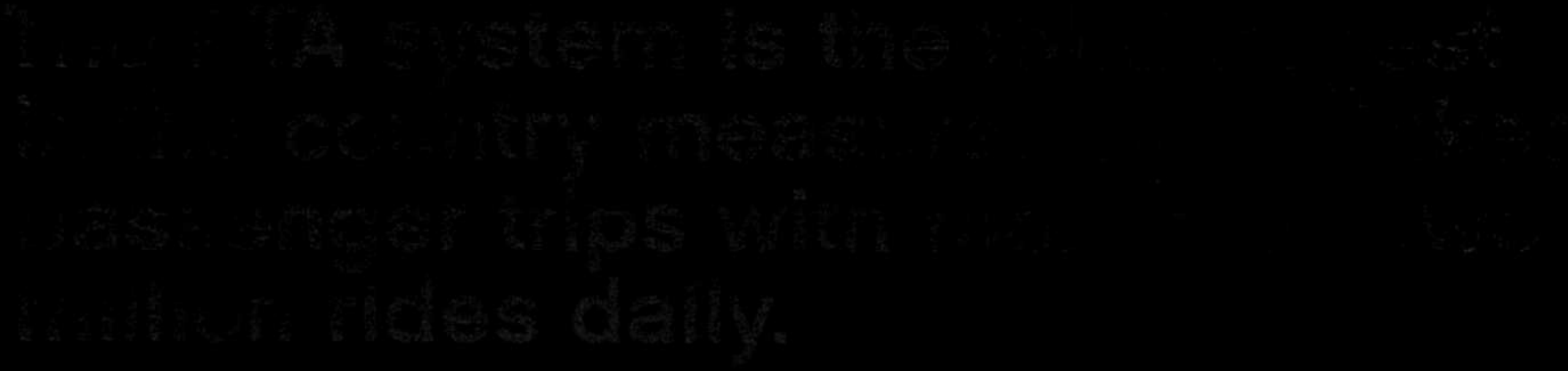
As the crisis has gradually lifted, economic and revenue indicators have improved. However, we remain in the midst of a very challenging fiscal climate and continue to plan for the future under the assumption of reduced revenue and slow recovery. This 2009 annual report details the steps we have taken to address the ongoing crisis.

We are eager to complete the capital investments approved in the 2009 capital plan in order to improve our transit system and help our economy recover. Initial capital funds have already been allocated to the individual transit agencies and we look forward to full implementation of the capital plan. We will continue to work with the State of Illinois to meet state transit operating funding commitments, which are lagging, as its own revenue situation improves. Our fiscal actions in 2009 to address our own transit revenue shortfalls leave the RTA and the service boards with little flexibility if state funding commitments continue to be delayed significantly.

Each day over two million riders rely on the transit system to support our economy, our environment and our quality of life. Together, we can continue to improve our transit network for riders, taxpayers and the millions of Illinois residents who benefit from the system.

STEPHEN E. SCHLICKMAN
Executive Director

The RTA system is the [illegible] largest in the country measured by unlinked passenger trips with more than two million rides daily.



THE REGIONAL TRANSPORTATION AUTHORITY

EXECUTIVE DIRECTOR: STEPHEN E. SCHLICKMAN

BOARD CHAIR: JIM REILLY

The Regional Transportation Authority (RTA) is the oversight, funding, and regional planning agency for the transit Service Boards including the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail and Pace suburban bus and paratransit. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties in northeastern Illinois. The RTA is a special purpose unit of local government and a municipal corporation of the State of Illinois. From the time of its creation, the RTA's mission has been to ensure financially sound, comprehensive and coordinated public transportation for northeastern Illinois.

The CTA, Metra and Pace handle their respective transit operations and fare responsibilities. Each is led by a Board of Directors that determines levels of service, fares and operational policies. The RTA's oversight responsibility is guided by the RTA's Board of Directors, who approves an annual budget and two-year financial plan that sets a strategic plan to guide all the agencies in achieving their common mission of providing the best transit system possible for the region. The Board consists of 16 members and a chairman appointed from the six-county region. The RTA Board also is required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the RTA and executed by the CTA, Metra and Pace.

The RTA regional system is the third largest in the country measured by unlinked passenger trips with more than two million rides daily. The combined assets of the RTA system are valued at more than $43 billion and include 5,640 buses and rail cars, plus 650 vanpool vehicles. The system covers 7,200 route miles in the six-county region that currently has a population of approximately eight million people.

Transit reform legislation, House Bill 656, enacted in January 2008 by the Illinois General Assembly, expanded the Authority's Board from 13 to 16 members. The new appointees will serve in five-year terms. The following is a breakdown of the Board make up and the appointing authorities:

- 5 by Mayor of Chicago (appointee cannot be the Chairman of CTA)
- 4 by suburban members of the Cook County Board
- 1 by the President of the Cook County Board (from Suburban Cook County)
- 1 by the Chairman of the DuPage County Board
- 1 by the Chairman of the Lake County Board
- 1 by the Will County Executive
- 1 by the Chairman of the McHenry County Board
- 1 by the Chairman of Kane County Board
- The Board Chair is appointed by 11 members of the Board with at least 2 votes from Chicago, Suburban Cook and the collar counties.

2009 MEMBERS

JIM REILLY
Chairman

JAMES BUCHANAN
City of Chicago

JAN CARLSON
Kane County

WILLIAM R. COULSON
Suburban Cook County

REV. L. TYRONE CRIDER, SR.
Suburban Cook County

PATRICK J. DURANTE
DuPage County

PHIL FUENTES
City of Chicago

AL JOURDAN
McHenry County

DWIGHT A. MAGALIS
Kane, Lake, McHenry and Will Counties

PATRICK V. RILEY, JR.
Suburban Cook County

MICHAEL ROSENBERG
City of Chicago

J.D. ROSS
Will County

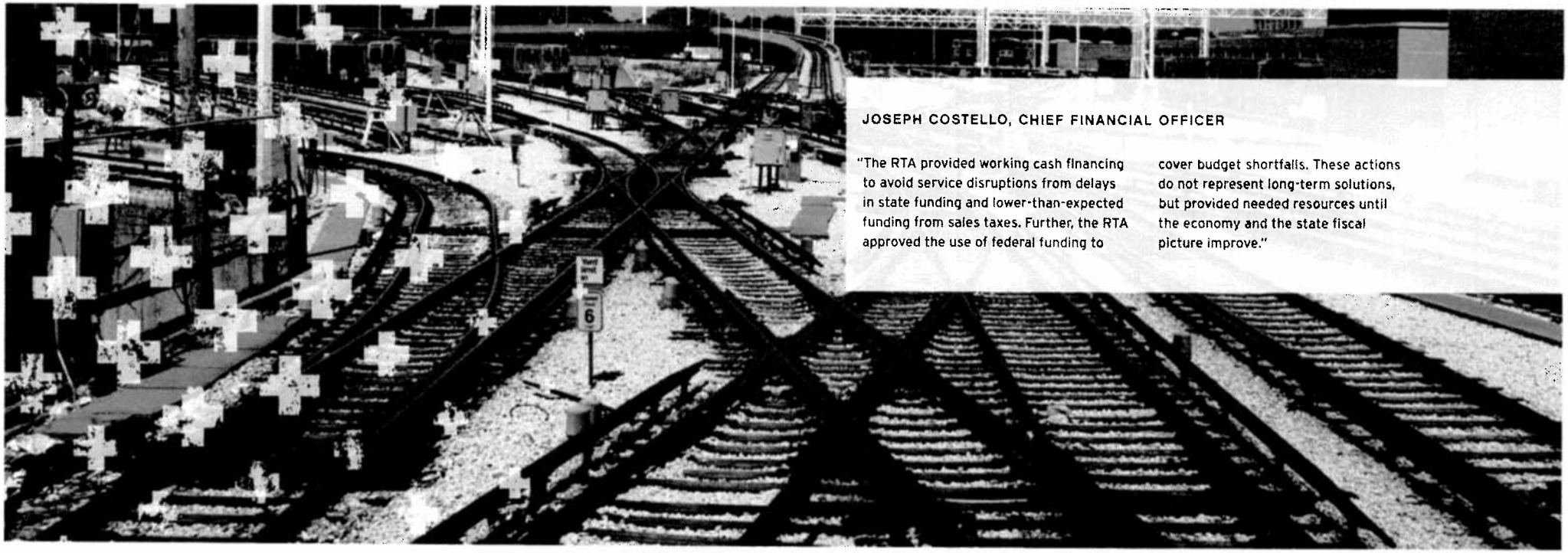
MICHAEL SCOTT (DECEASED)
City of Chicago

DR. HORACE SMITH
City of Chicago

JUDY BAAR TOPINKA
Suburban Cook County

DOUGLAS M. TROIANI
Suburban Cook County

STEPHEN E. SCHLICKMAN
Executive Director



JOSEPH COSTELLO, CHIEF FINANCIAL OFFICER

"The RTA provided working cash financing to avoid service disruptions from delays in state funding and lower-than-expected funding from sales taxes. Further, the RTA approved the use of federal funding to cover budget shortfalls. These actions do not represent long-term solutions, but provided needed resources until the economy and the state fiscal picture improve."

FISCAL RESPONSIBILITY

In 2009, the RTA made decisions that would be fiscally responsible for our riders. The RTA reduced revenue estimates downward by $61 million and immediately began working with the CTA, Metra and Pace to identify solutions to address revenue shortfalls resulting from the current economic crisis. The RTA reduced its own internal operating budget of $36.7 million by 12 percent, saving approximately $4.5 million.

The RTA was responsible for coordinating and managing the finances of the transit agencies, an effort that has become more critical as we continue to confront the impact of our historic economic crisis. We worked with the CTA, Metra and Pace to make every effort to identify solutions that would reduce the need to rely on fare increases or service reductions.

The recession hit all levels of government hard for the last two years and the transit agencies were not immune to the economic crisis. The RTA, like other transit agencies, adjusted to its changing conditions.

ANDREW GRUBER, FORMER SENIOR DEPUTY EXECUTIVE DIRECTOR
LEGAL AND GOVERNMENTAL AFFAIRS

"The capital bill provides essential funding to reinvest in the region's public transportation system. With these funds, more energy efficient buses and locomotives can be purchased, stations can be cleaned and repaired, and tracks can be rehabilitated to ensure continued safety and smooth operation."

REPRESENTATIVE LOU LANG
HOUSE CHIEF SPONSOR OF THE FIRST STATEWIDE CAPITAL BILL IN 10 YEARS

"The capital construction bill provides for $31 billion for the infrastructure needs of our great state. A significant share of these investments, $2.7 billion, will be for northeastern Illinois transit. These new investments will create many jobs and update and maintain services and equipment. Those who use our local transit will find that they have a more efficient and more convenient experience. This is a WIN-WIN for the taxpayers."

CAPITAL FUNDING

The year 2009 brought good news to transit riders with more capital funding than any previous year.

In 2009 the Illinois General Assembly and Governor Quinn approved $2.7 billion in capital funding for northeastern Illinois transit to repair and maintain the transit system. The last state capital bill passed 10 years ago, and the RTA will be using the latest capital funding to bring the regional transit system closer to a state of good repair by replacing outdated vehicles and equipment, aging stations and deteriorating rail ties that were resulting in slow zones.

The state funds were coupled with $414 million in federal stimulus funding that the regional transit system received. Working with the CTA, Metra and Pace, the RTA identified and prioritized the most pressing maintenance needs of the system.

BICYCLE COMMUTER: SERGE LUBOMUDROV

"Living in Chicago, I use the CTA for commuting and for getting around the city. Often, I take my bike along, and the ability to bring it on the train is quite important. Parking is a nightmare in my area; that's why I've never owned a car and don't want to. Public transportation allows me to avoid the hassle. I'll always ride the CTA!"

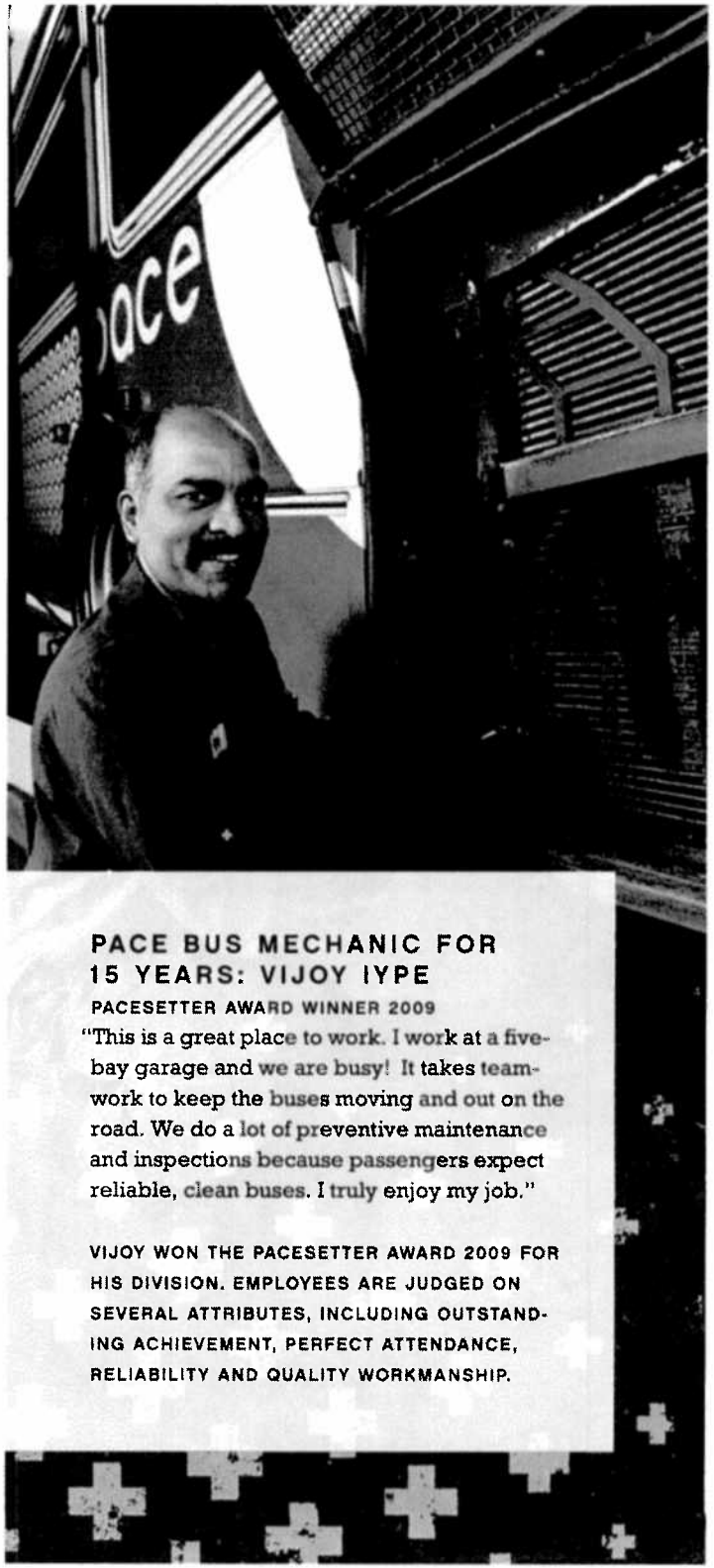
AIMEE LEE, DIVISION MANAGER, STRATEGIC & LONG RANGE PLANNING

"Public transit plays a critical role in the prosperity and vitality of our region. It connects people to jobs, education, health care services and many of the region's key major destinations, such as Midway and O'Hare airports. The benefits of transit are far reaching and go beyond regular riders. An investment in transit is an investment in the long-term well being of our region."

MARKET AND SYSTEMS ANALYSIS

As the RTA works toward a world-class transit system, it understands the importance of knowing the needs of its riders. In 2009, the RTA began a market analysis of travel in the six-county region. The study entailed examining the Chicago Metropolitan Agency for Planning (CMAP) Household Travel Tracker database and a 2009 RTA commissioned survey of riders and non-riders of transit that explored people's attitudes and behaviors about travel. The RTA concluded its data collection effort at the end of August 2009. Between the CMAP and RTA surveys, input from nearly 13,000 households across the region was captured to help paint a picture of regional travel.

The analysis shows that more than 26 million trips are made on an average weekday in our region. The region's travel patterns are highly geographically dispersed with over 60% of travel occurring within the suburban region. While transit accounts for approximately 6% of all trips, 38% of households in the region report using transit over the course of a regular week. Transit serves a critical role in the region's economy as it connects people with jobs, serving 14% of work trips. Survey findings indicate a broad base of support for transit investment. This support was even found to be true among those who do not take transit, pointing to the growing appreciation that the general public has for the broad reaching benefits of transit.



PACE BUS MECHANIC FOR 15 YEARS: VIJOY IYPE

PACESETTER AWARD WINNER 2009

"This is a great place to work. I work at a five-bay garage and we are busy! It takes teamwork to keep the buses moving and out on the road. We do a lot of preventive maintenance and inspections because passengers expect reliable, clean buses. I truly enjoy my job."

VIJOY WON THE PACESETTER AWARD 2009 FOR HIS DIVISION. EMPLOYEES ARE JUDGED ON SEVERAL ATTRIBUTES, INCLUDING OUTSTANDING ACHIEVEMENT, PERFECT ATTENDANCE, RELIABILITY AND QUALITY WORKMANSHIP.

JOHN GOODWORTH, DIVISION MANAGER, PROGRAM COMPLIANCE

"Every asset has an expected life span. Knowledge of an asset's condition allows a consistent method to determine expected comparative costs to either replace an asset at the appropriate time, or to defer and continue maintaining it. Proper maintenance of assets saves taxpayer funds by ensuring that equipment is repaired or replaced at the most cost-effective times."

ASSET CONDITION

The RTA began working on an 18-month assessment of its asset condition report in 2009 to assess the condition of existing capital assets for each of the region's service boards and surrounding suburb area rail system, and Pace (the suburban bus system). The report's intent was to provide the Regional Transportation Authority (RTA) with a plan for a capital asset condition assessment for each Service Board. The process established administrative criteria for the capital replacement, capital rehabilitation and capital maintenance of all assets.

Representatives from the Chicago Transit Authority, Metra and Pace assisted in all aspects of this process including: the design and development of the inventory tables, the condition ratings system based on useful life and industry standards, the definition of "State of Good Repair," the sampling plan and sampling data. Additionally, Asset Information Teams, consisting of representatives from the RTA and its service boards, worked to design and develop the inventory framework which looked at five asset types:

+ Track and Structures
+ Electrical/Subway Equipment
+ Signals/Communications/Fare Collection
+ Stations/Garages/Facilities
+ Rolling Stock

The initial 10-year capital needs assessment is based on cost components for backlog — assets that are still in service and typically have not been replaced within their useful life due to a lack of sufficient funding; normal replacement costs — which are the planned replacement cost for assets that will reach the end of their useful life during the 10-year program; capital maintenance — typically significant and anticipated costs associated with keeping the asset in service for the full term of its useful life; soft costs — includes in-house agency staff, government related support staff and the use of consultants for particular tasks; and contingency costs — unforeseen emergencies or design shortfalls typically identified after a project commences. The results of the study will be published in 2010.

GRACE GALLUCCI, DEPUTY EXECUTIVE DIRECTOR
RESEARCH, ANALYSIS & POLICY DEVELOPMENT

"The Performance Measures Report Card gives public officials and the public a level of confidence that transit system administrators are utilizing tax dollars in an effective way. For 2009, tight controls of costs led to improvements in efficiencies, and the quality of service delivered was maintained."

PERFORMANCE MEASURES

In 2009, the RTA developed and implemented the first phase of a comprehensive performance measure system with the objective of improving the transparency, accountability and overall service of the region's public transit system.

As part of this effort, the RTA compiled and released a report card which satisfied the requirements in the 2008 transit reform legislation and recommendations made by the Illinois Auditor General in a 2007 performance and funding audit. It was the first report of its kind to be created and published by the agency.

The report card found that the overall performance of the transit system is relatively good, but serious challenges still exist, primarily due to a lack of capital investment. The report highlights increases in the levels of service provided, as well as increases in ridership. It also demonstrates successful efforts to improve system maintenance.

Performance Measures are part of the RTA's oversight function to help manage the region's public transit system. They evaluate factors such as service coverage, efficiency and effectiveness, delivery, maintenance and capital investment, and service level solvency. Through aggregated data from the CTA, Metra and Pace, the RTA and the region's taxpayers will have a better sense of how these agencies are collectively meeting their mission, and thus the transit needs for the region.

STUDENT RIDER: GENIE BRYANT

"As a DePaul student, I ride the bus and train every day. I live near the Lincoln Park campus, but commute to the Loop for a class. Coming from the suburbs, I never used public transportation. Now, I use it all the time to explore Chicago. I go to Chinatown, to Loyola to meet friends, and even up to Evanston. It's more social than driving, and no traffic!"

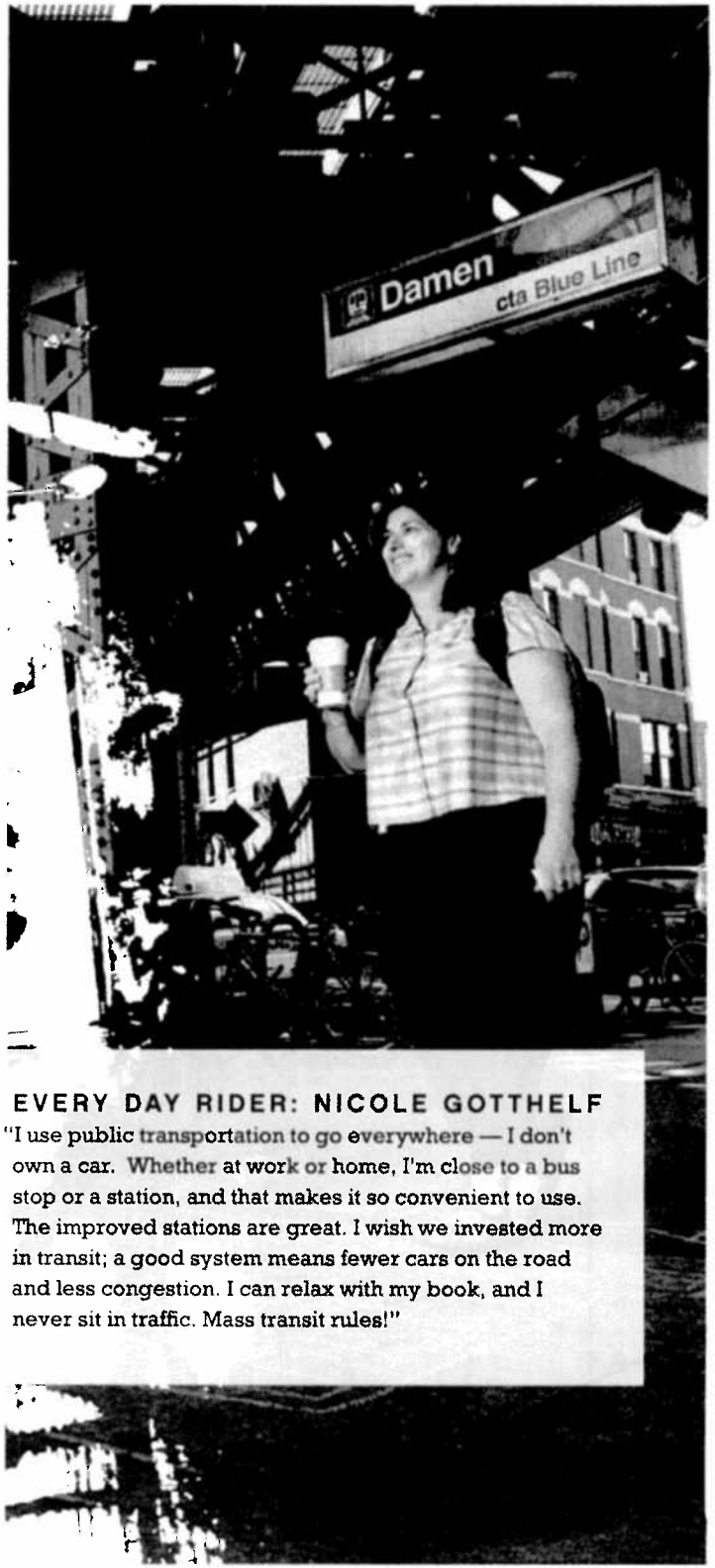
FUNDING PROGRAMS

The RTA's Funding Programs offer planning, operating, and capital grants for a variety of projects. The programs are consistent with the RTA's legislative mandates and Strategic Plan, and coordinated with the annual budget process. Two of the programs, Community Planning and Subregional Planning, provide funding for planning studies and initiatives. The other two programs, Innovation, Coordination and Enhancement (ICE) and Job Access Reverse Commute/New Freedom (JARC/NF), provide funding for transit operating and capital projects.

The Funding Programs provide value to a wide variety of recipients, including municipalities, counties, private non-profits, private transportation operators and the RTA Service Boards. Each recipient's needs are different, and the RTA Funding Programs offer support and a path to implementation. The Funding Programs also provide a unique opportunity for the RTA and its Service Boards to coordinate at the local level to not only create plans or implement projects, but to facilitate intergovernmental cooperation and relationship building. During the past decade, the RTA has leveraged its own funds with federal, state and local funds to program nearly 150 projects.

Each year, the RTA conducts a transparent process consisting of outreach, open houses, a "call for projects," the development of a preliminary program of projects, a public participation process, and ultimately the selection and approval of projects for inclusion in the Funding Programs. In 2009, the RTA Funding Programs funded 19 projects and allocated more than $11 million in federal, local and RTA funds.

The RTA Funding Programs are recognized nationally as a best practice of grant making in the public transportation field. The RTA approaches each potential applicant as a partner in achieving mutual goals. Potential applicants receive valuable guidance, support and advice from the RTA, even if not selected for the programs. For those that are awarded grants, the RTA maintains a strong and committed presence throughout the development, execution and implementation of the project.



EVERY DAY RIDER: NICOLE GOTTHELF

"I use public transportation to go everywhere — I don't own a car. Whether at work or home, I'm close to a bus stop or a station, and that makes it so convenient to use. The improved stations are great. I wish we invested more in transit; a good system means fewer cars on the road and less congestion. I can relax with my book, and I never sit in traffic. Mass transit rules!"

JAY CIAVARELLA
DIVISION MANAGER

"The RTA Funding Programs use a comprehensive set of selection criteria to ensure that critical projects are funded. These programs provide valuable planning for the increased use of public transit, a way to encourage sustainable growth, a proven method to seek investments that maximize beneficial returns, and improved access to jobs in our region."

CAPITAL PROGRAMS OVERVIEW

The RTA Act requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuous 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 primary emphasis of the 2009 Capital Program is to continue efforts to bring the system's assets to a State of Good Repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionalities of equipment, facilities and rolling stock. In addition, a balanced Capital Program is responsive to customer needs and shifting markets by including investment in system expansion. For the 2009 Capital Program, the percent of the budget for capital projects to maintain the system is 93 percent. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

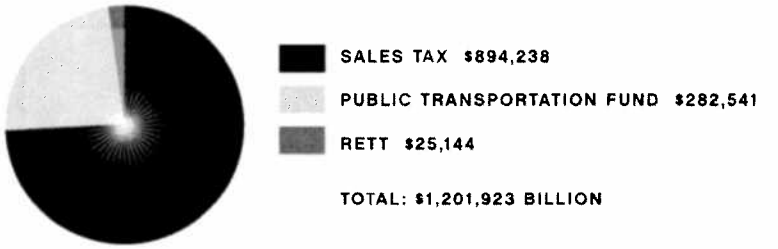
2009 CAPITAL PROGRAMS FOR THE CTA, METRA AND PACE SIGNIFICANT PROJECTS INCLUDED IN THE ADOPTED 2009 CAPITAL PROGRAM:

- $97.6 million for the repair of CTA track and structure
- $57.7 million for the continuation of the purchase of CTA buses
- $42.9 million for the upgrade of power distribution and signal systems
- $42.3 million for the expansion of the CTA Ravenswood Brown Line
- $27.4 million for the purchase of 406 CTA rail cars
- $26.5 million for the rehabilitation and overhaul of CTA rail cars
- $19.8 million for the rehabilitation and overhaul of CTA buses
- $19 million for the improvement of CTA facilities
- $74.1 million for Metra bridge rehabilitation and renewal
- $70.6 million for the rehabilitation and improvement of Metra locomotives
- $19.7 million for the rehabilitation of Metra commuter rail cars
- $18.1 million for the upgrade of Metra signal systems
- $16.2 million for the rehabilitation and improvement of stations
- $25.4 million for the purchase of Pace fixed route buses
- $15.8 million for the purchase of Pace paratransit vehicles
- $6.2 million for the purchase of Pace vans and community vehicles
- $4.4 million for the purchase of the replacement for the HPe3000 computer system and $3.2 million for improvements to Pace garages and facilities
- $1.7 million for the purchase of a replacement of Pace's fixed route radio system

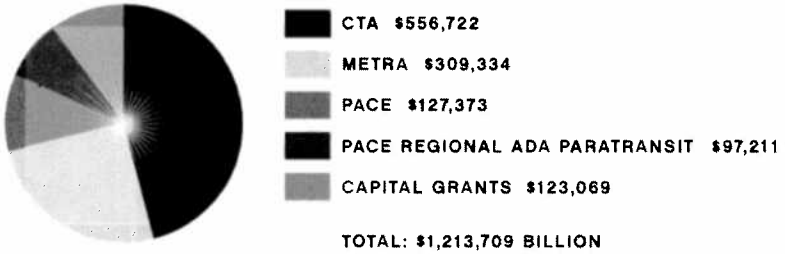
SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS ENDING DECEMBER 31, 2009

CTA—BUS	318.7
CTA—RAIL	202.6
METRA	83.1
PACE SUBURBAN SERVICE	32.3
PACE REGIONAL ADA PARATRANSIT	2.8
TOTAL:	639.5 MILLION RIDERS

RTA REVENUE BY SOURCE (IN MILLIONS) ENDING DECEMBER 31, 2009



DISTRIBUTION OF FUNDING (IN MILLIONS) ENDING DECEMBER 31, 2009



FINANCIAL OVERVIEW

Like most of the transit systems around the country, the 2009 recession and economic crisis had a dramatic impact on the RTA's regional transit system. The majority of operating funds produced by RTA sales tax, Public Transportation Funds (PTF) and the City of Chicago Real Estate Transfer Tax (RETT) fell significantly. These operating dollars support the daily operation of our transit system such as maintenance and repairs, fuel and other ongoing costs to keep our buses and trains operating. As the economy continued to struggle and revenues declined, the RTA updated revenue estimates in April and then again in June. Total revenues decreased by as much as 21.8% compared to our original recession projections, creating a shortfall of approximately $328.2 million.

The falling revenues forced the RTA to make serious cost-saving measures for our regional system that accommodated our more than two million daily riders. The RTA worked with the CTA, Metra and Pace to successfully shift funds from existing programs, reduce administrative expenses, provide working cash to the transit agencies and facilitate state and federal assistance to help close the budget gap.

These measures reduced each agency's budget, making it smaller than the previous year and minimizing the effects on the rider. Additionally, employees were required to take unpaid workdays and holidays, salaries were frozen, more than 1,000 employees were laid off, and service cuts and increased contributions from employees for benefits such as health care were implemented.

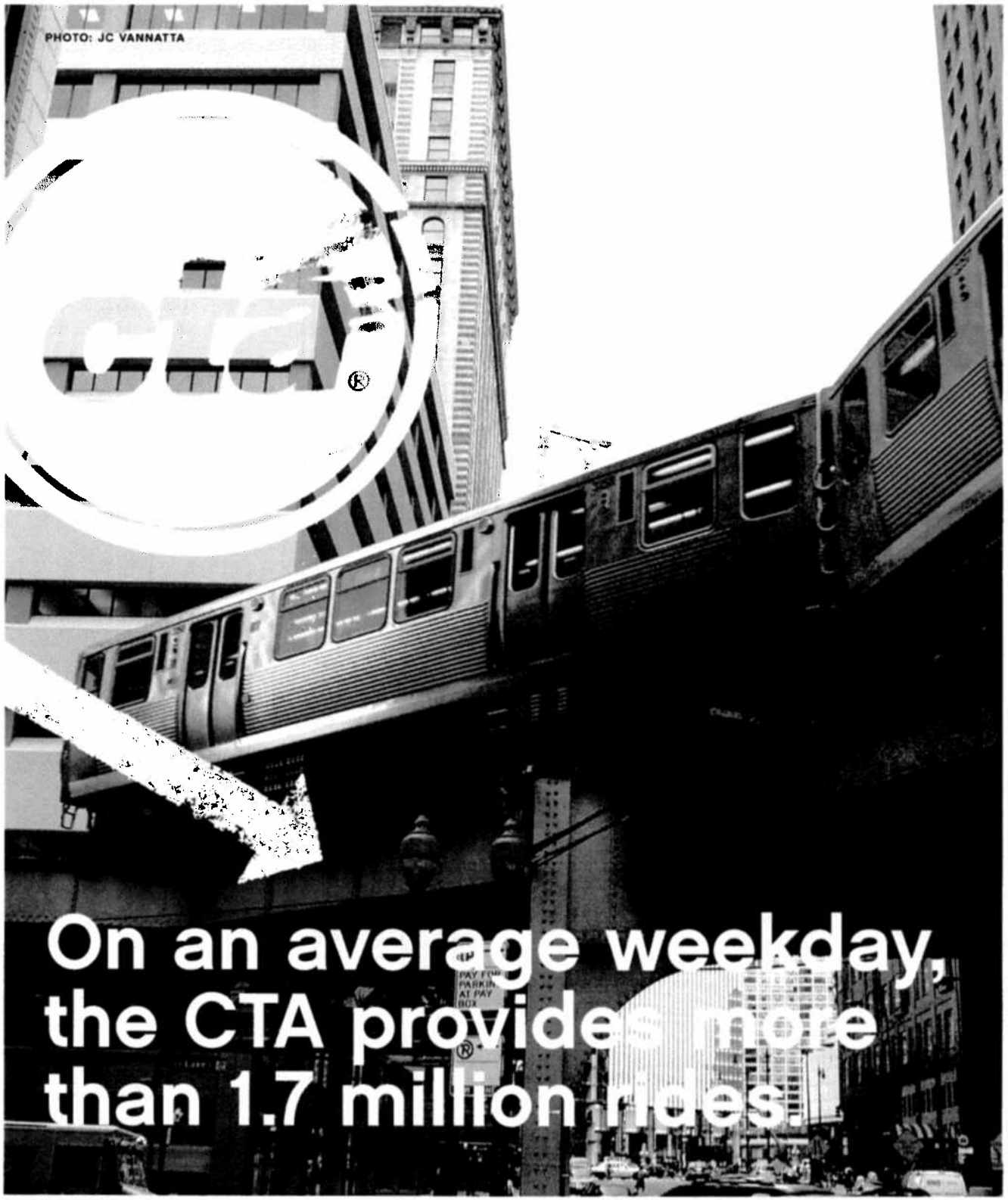
The RTA continues to make great strides in improving its transit system, working with each transit agency to ensure riders have safe and reliable service across the region.

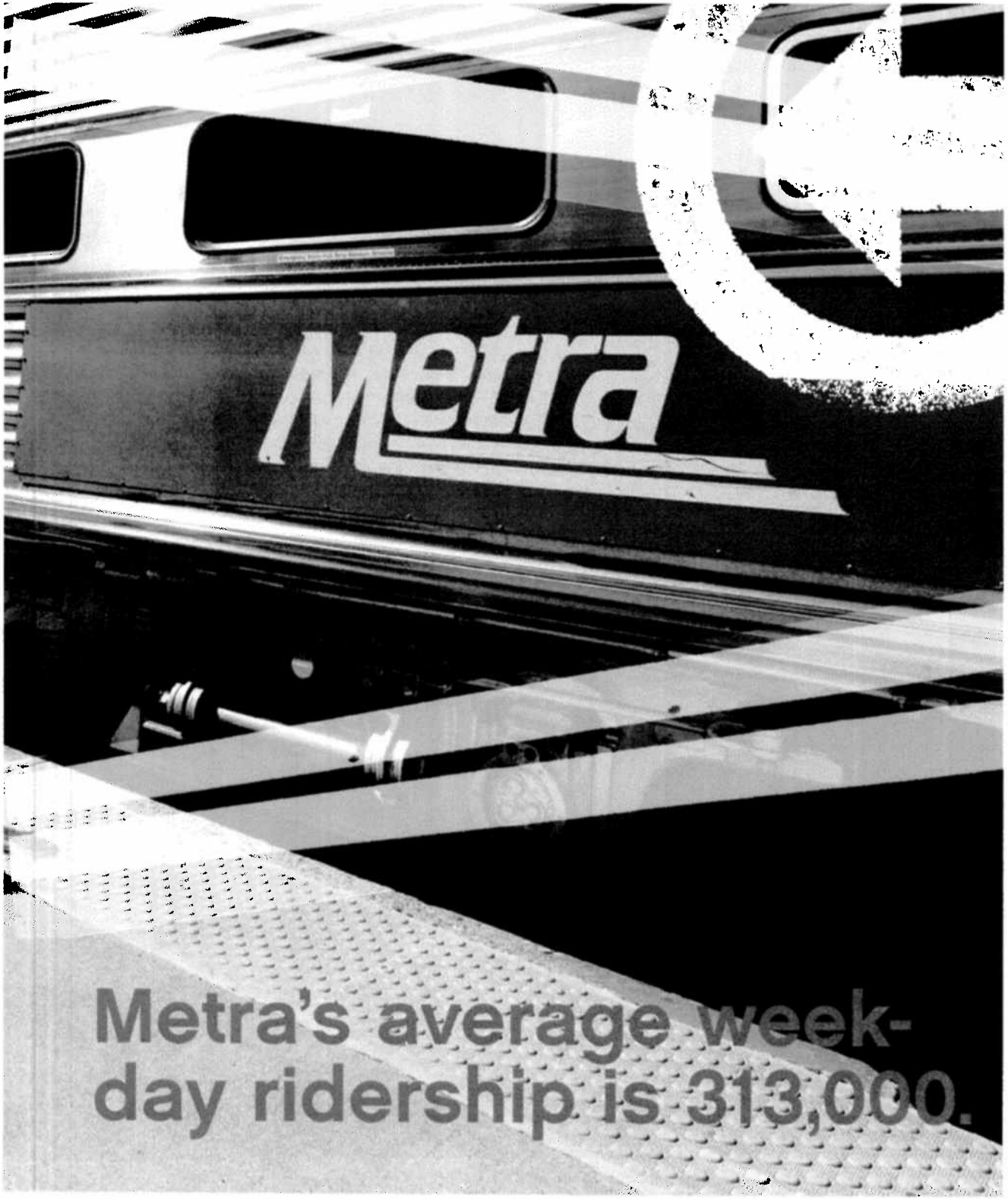
THE CHICAGO TRANSIT AUTHORITY

BOARD CHAIR: TERRY PETERSON
PRESIDENT: RICHARD L. RODRIGUEZ

The Chicago Transit Authority (CTA) is the nation's second largest public transportation system, covering the City of Chicago and 40 surrounding suburbs. On an average weekday, the CTA provides more than 1.7 million rides. With nearly 1,800 buses that operate over 140 routes and nearly 1,200 rail cars operating over eight rail lines, many of which operate 24 hours a day. CTA is responsible for providing more than 81 percent of public transit trips in the six-county region. The CTA was created by the Illinois State legislature in 1947 and became the predominant operator of Chicago transit after purchasing the Chicago Motor Coach system.

The Chicago Transit Authority is governed by a seven-member Chicago Transit Board.





METRA

BOARD CHAIR: CAROLE R. DORIS
EXECUTIVE DIRECTOR: PHIL PAGANO (DECEASED)

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra 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. Geographically, the Metra system is the largest in the United States, and its operational interface with an extensive freight network makes it arguably the nation's most complex.

The Metra rail system is comprised of 11 separate lines, which run north, west and south of the Chicago central business district. The system extends 565 route-miles to the limits of the six-county area and serves 239 local rail stations in more than 100 communities. The network itself is made up of more than 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 16 rail storage yards and six major maintenance facilities.

Metra's average weekday ridership is 313,000.

Metra is governed by an 11-member Board of Directors.

PACE

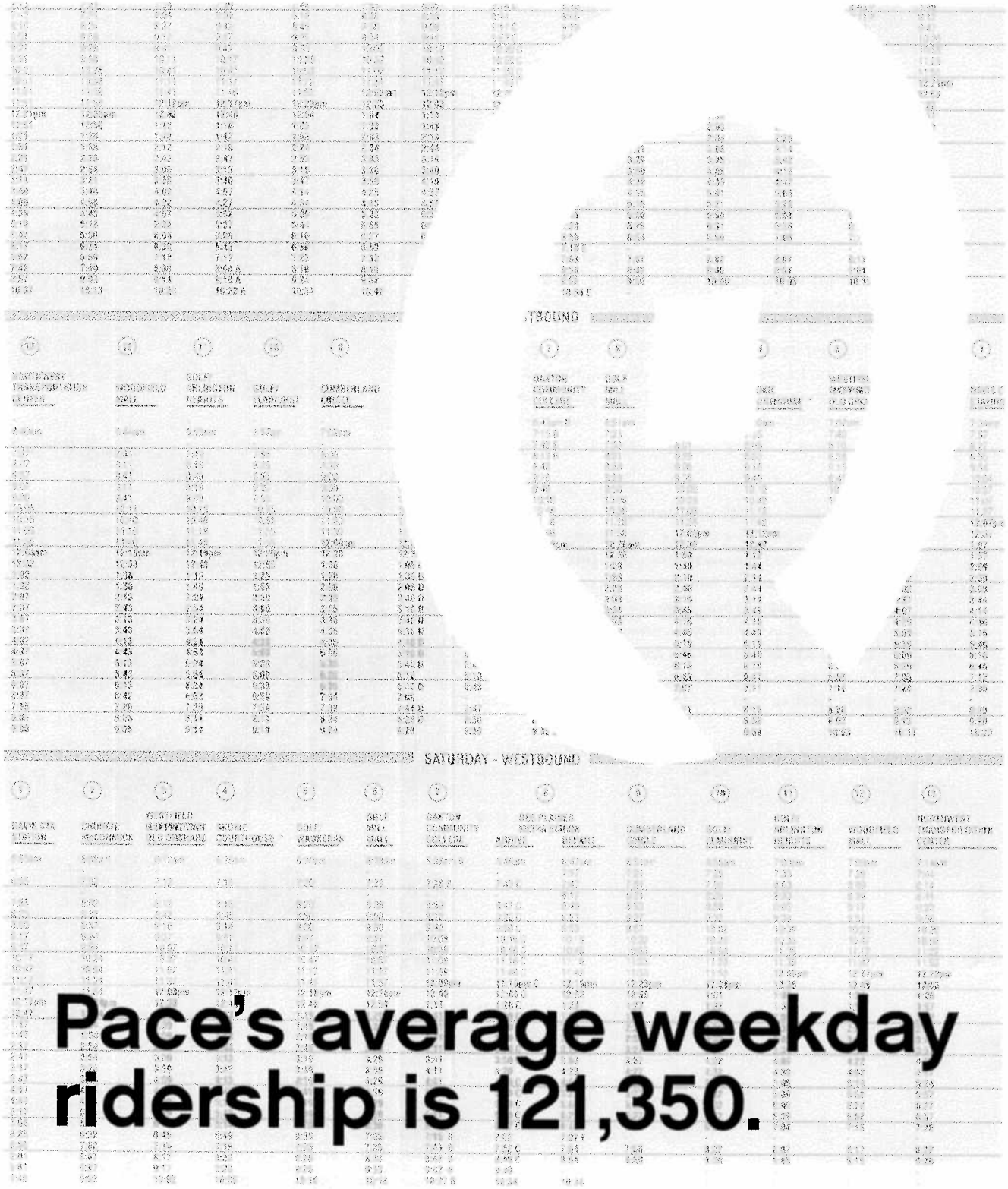
BOARD CHAIR: RICHARD KWASNESKI
EXECUTIVE DIRECTOR: T.J. ROSS

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority and began service in 1984. Pace's mission is to provide efficient well-integrated fixed route, vanpool and paratransit transportation services that meet the travel needs of the suburban Chicago area.

Pace's service area measures 3,700 square miles. The suburban area is divided among the six counties and incorporates 284 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Pace fixed route service includes approximately 143 regular routes, 50 feeder routes and 16 shuttle routes. The fleet is comprised of 701 buses, 610 vanpool vehicles, 366 Pace-owned ADA paratransit vehicles and 80 Community Transit Vehicles.

Pace's average weekday ridership is 121,350.

Pace is governed by a 13-member Board of Directors.



Pace's average weekday ridership is 121,350.

FAMILY RIDERS: STACEY CARAGHER AND SONS

"I've used Pace and Metra for 20 years, and I enjoy the ease of the ride, and the money I save! My children love taking the train to Brookfield Zoo and to Chicago — we enjoy seeing the towns the train goes through. I only wish we had more access to public transportation. We rely so much on our own vehicles and if we used public transportation more, the environmental effects would be great."

GREEN TRANSIT PLAN

The RTA teamed up with several regional partners to convene the Regional Sustainability Working Group, tasked with identifying ways to increase public transportation's role in reducing the impacts of climate change and protecting the region's environment. Consisting of representatives from the RTA, CTA, Metra, Pace, Illinois Department of Transportation (IDOT), Chicago Metropolitan Agency for Planning (CMAP), Chicago Department of Environment and Chicago Department of Transportation (CDOT), the working group is developing the Regional Green Transit Plan. Funded by an Illinois State Planning and Research grant, the plan will recommend strategies to improve the energy efficiency of the region's public transportation system and reduce the overall impact of transportation on the region's environment. The RTA intends to use the plan to educate the public about the environmental benefits of transit and demonstrate the ability of transit to reduce regional greenhouse gas emissions.

UNIVERSAL FARE PAYMENT SYSTEM

Fare coordination is one of the ways the RTA wants to promote seamless regional mobility. A major goal of fare coordination is to make it easier for customers to pay for travel on different segments of the RTA system by using one simple form of payment. The original idea was that a single transit card would accomplish this. Following the lead of the financial and retail merchants, the RTA is exploring the concept of open payment as a way to cost-effectively deliver a regionally coordinated fare payment system.

The open payment approach takes advantage of the financial and retail sectors' transition into open interoperable standards for contactless payments. Ultimately, we are seeking a "smart chip" technology that takes advantage of these open standards. We envision a suite of regionally coordinated fare products that would be available in a variety of formats (credit/debit cards, pre-loaded gift cards, cell phones, key fobs, etc.) that could be used interchangeably to pay for travel on CTA, Pace and Metra services. The RTA believes that the open payments approach would make transit travel more attractive from the customer's perspective, expanding our market share for regional travel.

BRT INITIATIVES

In 2009 the RTA launched a Phase I study in partnership with IDOT and Pace to explore the opportunity to run buses on the shoulder of I-55. The concept of running buses on the shoulder has been implemented in a handful of other regions such as Minneapolis and Cincinnati. It is proposed to be a low cost means to maximize the utility and capacity of the existing roadway infrastructure. By allowing buses to run on the shoulder, buses are able to bypass regular traffic and achieve greater travel time savings and better schedule adherence.

The Phase I study will focus on further development of the bus-on-shoulder concept, assess the opportunities for buses to run on the shoulder of I-55, explore cost implications, identify safety concerns and estimate travel time savings. The study is scheduled for completion by end of 2010.

PRODUCED BY THE COMMUNICATIONS AND FINANCE DEPARTMENTS OF THE:

REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1650
CHICAGO, ILLINOIS 60604

EXECUTIVE DIRECTOR — STEPHEN E. SCHLICKMAN
CHIEF FINANCIAL OFFICER — JOSEPH G. COSTELLO
CONTROLLER — JOHN H. YU
DIRECTOR OF COMMUNICATIONS — DIANE J. PALMER
COMMUNICATIONS MANAGER — ANNAH MITCHELL
DESIGN AND ART DIRECTION — WORDS&PICTURES, INC.
PHOTOGRAPHY — DIANE SMUTNY, DMS PHOTOGRAPHY

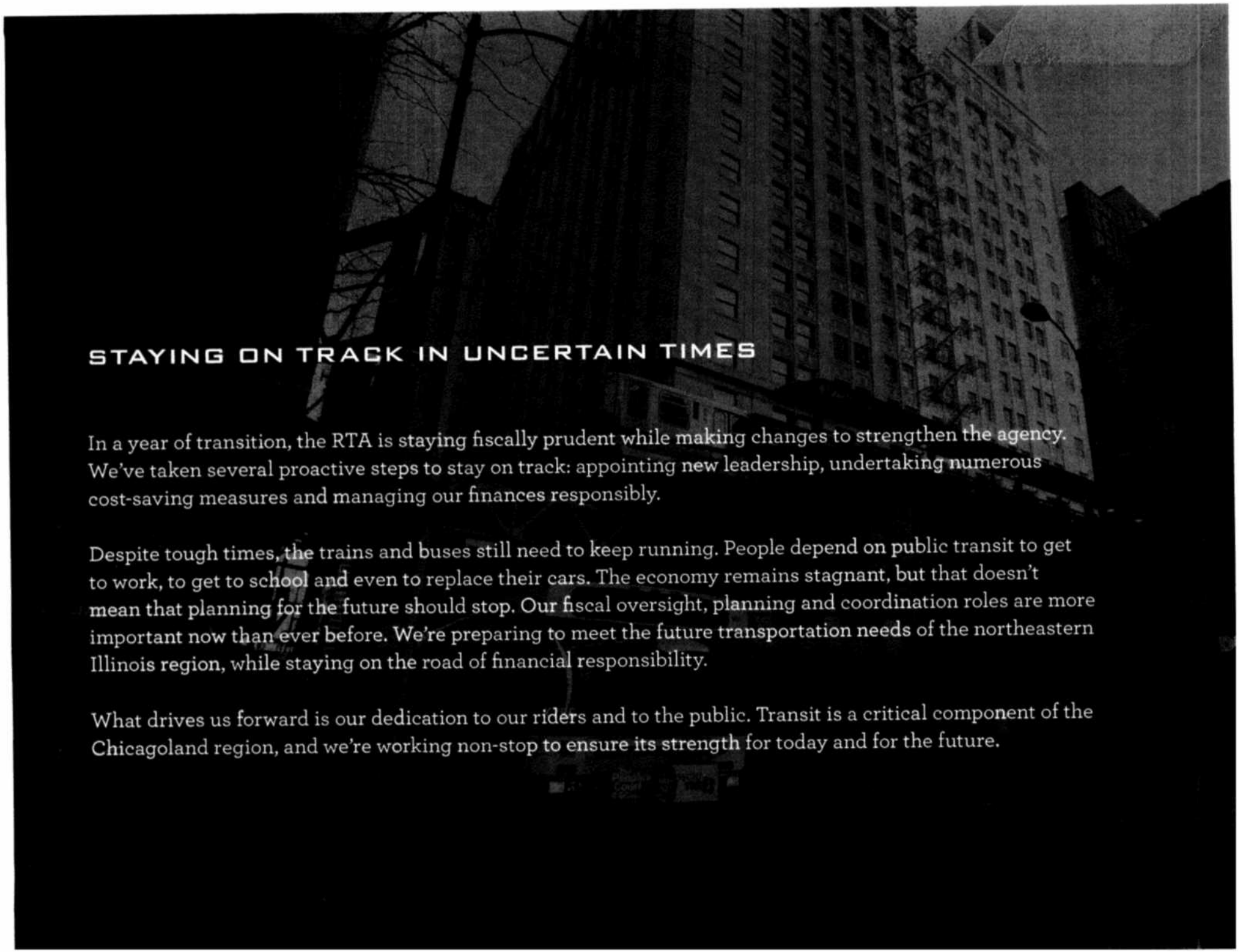
THE RTA GRATEFULLY ACKNOWLEDGES THE COOPERATION OF THE CHICAGO TRANSIT AUTHORITY, METRA AND PACE IN THE ASSEMBLY OF THIS REPORT.

REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1650
CHICAGO, ILLINOIS 60604
PHONE: 312.913.3200
FAX: 312.922.9274
E-MAIL: COMMUNICATIONS@RTACHICAGO.ORG
WEB: WWW.RTACHICAGO.COM

Regional Transportation Authority

TRANSIT: PLANNING FOR THE FUTURE

2010 POPULAR ANNUAL FINANCIAL REPORT



STAYING ON TRACK IN UNCERTAIN TIMES

In a year of transition, the RTA is staying fiscally prudent while making changes to strengthen the agency. We've taken several proactive steps to stay on track: appointing new leadership, undertaking numerous cost-saving measures and managing our finances responsibly.

Despite tough times, the trains and buses still need to keep running. People depend on public transit to get to work, to get to school and even to replace their cars. The economy remains stagnant, but that doesn't mean that planning for the future should stop. Our fiscal oversight, planning and coordination roles are more important now than ever before. We're preparing to meet the future transportation needs of the northeastern Illinois region, while staying on the road of financial responsibility.

What drives us forward is our dedication to our riders and to the public. Transit is a critical component of the Chicagoland region, and we're working non-stop to ensure its strength for today and for the future.

LETTER FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

JOHN S. GATES, JR.
RTA Board Chairman

JOE COSTELLO
RTA Executive Director

The ongoing economic recession has continued to have a significant impact on transit funding over the last three years. Revenue generated from the RTA sales tax, our largest source of public funding, has been hit hard by the effects of reduced consumer spending. Although 2010 saw an increase in sales tax funding over 2009 levels, funding for the RTA system is still significantly below the amounts anticipated when the state passed new funding and reform legislation for the RTA in 2008.

With the slight rebound we've seen as the economy struggles to improve, the RTA anticipates some modest gain in sales tax and the Chicago real estate transfer tax. Additionally, the recession has impacted the rate at which the State of Illinois has made payments to the RTA and most other state agencies. These long awaited funds caused the RTA to face greater challenges in meeting its financial obligations.

Due to the slower growth in revenue, the RTA, CTA, Metra and Pace took steps to constrain costs, including mandating employees to take unpaid workdays and holidays, freezing salaries, implementing more than 1,000 employee layoffs and increasing contributions from employees for benefits such as health care. Additionally, small fare increases and reductions in service were required in 2010 to avoid more painful, long-term cuts. Service eliminations were avoided wherever possible.

While the economic crisis greatly affected the RTA and transit agencies this year, important progress was made. In an ongoing effort to increase accountability and transparency, the RTA implemented recommendations made by the Illinois State Auditor General. The RTA continues to work with the CTA, Metra and Pace to establish performance measures that will evaluate each agency's on-time performance, ridership, safety metrics, service effectiveness and operating efficiency. Additionally, the RTA launched a comprehensive audit of all of the transit agencies and worked with state lawmakers to appoint an inspector general to monitor business practices for the entire system.

The work and analyses conducted in 2010 gave us a solid understanding of the transit system's infrastructure and riders' usage and needs. A capital asset condition assessment determined that the region's 10-year capital program need is $24.6 billion, presenting significant challenges with regard to achieving a state of good repair. The service boards have made progress in rolling stock with the purchase of upgraded vehicles including CTA hybrid buses, Pace vehicles and Metra cars which will enhance the customer experience.

In 2011, the RTA will focus on the state of good repair, reducing expenses and increasing efficiencies through the following five priority areas: Strategic Capital Investment, Economies of Scale, Increased Use of the Transit System, Enhanced Customer Experience and Coordinated Marketing and Government Affairs. The RTA and service boards have partnered on these initiatives which are expected to contribute to a more robust and efficient transit system.

As the RTA plans for the future on behalf of the system's two million daily riders, we appreciate your continued support.

This is the RTA's annual report, formally known as the Popular Annual Financial Report (PAFR). It is intended to help you understand the RTA's role in the provision of public transit to our customers and to taxpayers in the six-county service area of northeastern Illinois. This report does not provide all of the detailed information that is contained in the RTA's Comprehensive Annual Financial Report (CAFR). For those interested in a higher level of financial detail, the 2010 RTA CAFR is available on the RTA's website at http://rtachicago.com/about-the-rta/rta-documents.html.

RTA PROFILE

The Regional Transportation Authority (RTA) is the oversight, funding and regional planning agency for the three transit operators that serve northeastern Illinois: the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail, and Pace suburban bus and regional paratransit. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties. The RTA is a special purpose unit of local government and a municipal corporation of the State of Illinois. From the time of its inception, the RTA's mission has been to ensure financially sound, comprehensive and coordinated public transportation.

The CTA, Metra and Pace individually handle their respective transit operations and fare responsibilities. Each is led by a Board of Directors that determines levels of service, fares and operational policies. The RTA's oversight responsibility is guided by the agency's Board of Directors, which approves an annual budget, a two-year financial plan and a strategic plan to guide all the agencies in achieving their common mission of providing safe, affordable and reliable public transit.

The RTA Board consists of 16 members appointed from the six-county region, led by a chairman. The Board is also required annually to review and approve a five-year capital plan which is a blueprint of the capital activities to be executed by the CTA, Metra and Pace.

The RTA regional system is the third largest in the country as measured by unlinked passenger trips, with more than two million daily riders. The combined assets of the RTA system are valued at more than $42 billion, and include 3,230 buses, 2,200 rail cars, 146 locomotives and 667 vanpool vehicles. The system covers 7,200 route miles in the six-county region which currently has a population of approximately eight million.

The resources required on an annual basis to operate the region's public transportation system total approximately $2.2 billion. In addition, the RTA system has a five-year capital program funded at approximately $5.1 billion. The table below shows the breakdown for the transit agencies and RTA of annual operating expenses and the five-year capital program.

AGENCY	2010 ANNUAL OPERATING EXPENSES *(in millions)*	2010–2014 FIVE-YEAR CAPITAL PROGRAM *(in millions)*
CTA	$ 1,239.0	$ 2,740.8
Metra	$ 615.8	$ 2,016.4
Pace	$ 176.2	$ 304.6
Pace ADA	$ 115.1	$ 1.3
RTA	$ 33.7	–
TOTAL	**$2,179.8**	**$5,063.1**

2010 RTA BOARD OF DIRECTORS

John S. Gates, Jr.
RTA Board Chairman

James Buchanan
City of Chicago

Jan Carlson
Kane County

William R. Coulson
Suburban Cook County

Rev. L. Tyrone Crider, Sr.
Suburban Cook County

Patrick J. Durante
DuPage County

Phil Fuentes
City of Chicago

Al Jourdan
McHenry County

Dwight A. Magalis
Lake County

André Rice
City of Chicago

Patrick Riley
Suburban Cook County
(June 2005–June 2010)

Michael Rosenberg
City of Chicago

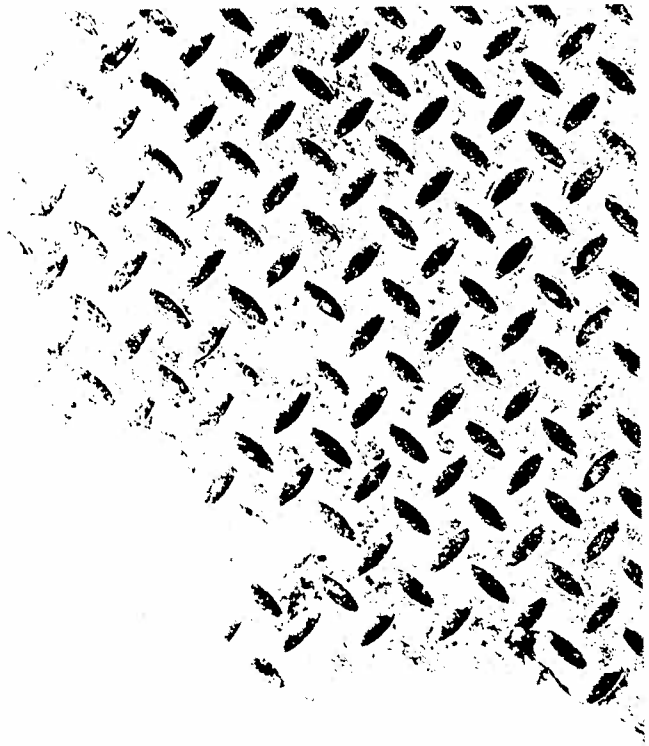
J.D. Ross
Will County

Dr. Horace E. Smith
City of Chicago

Judy Baar Topinka
Suburban Cook County

Donald L. Totten
Suburban Cook County
(Appointed July 2010)

Douglas M. Troiani
Suburban Cook County



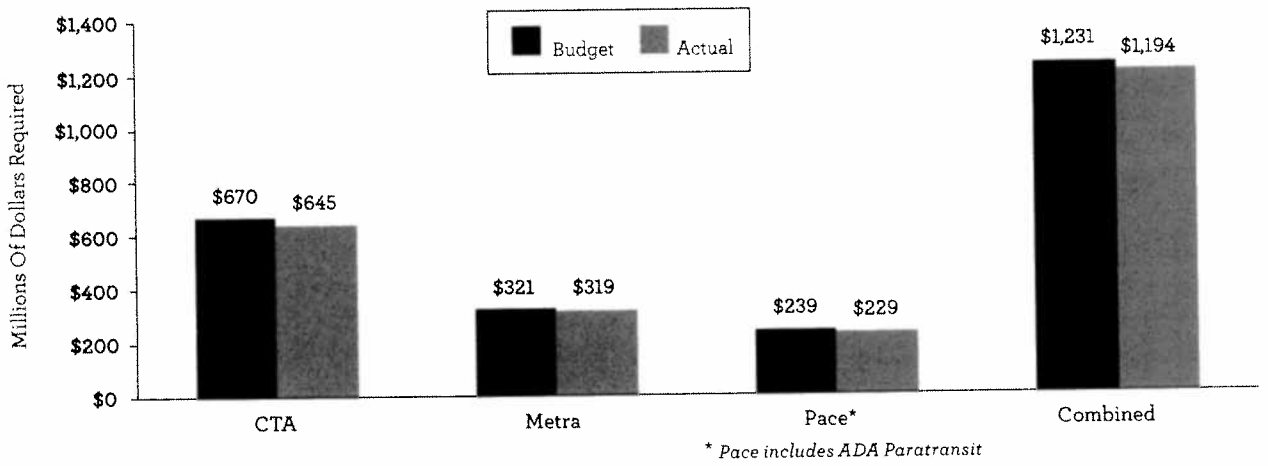
RTA'S FISCAL RESPONSIBILITY

The RTA is not a transit operator, but rather a planning, funding, coordination and oversight agency. Transit services are provided by the CTA, Metra and Pace, also referred to as the "service boards." The structural relationship of the RTA and the service boards is somewhat unique when compared to other major public transit systems around the country.

The service boards develop, adopt and submit to the RTA their own individual annual budgets. The RTA then monitors the financial and operational performance of each service board on a monthly and quarterly basis to ensure compliance with their adopted budgets.

For 2010, the service boards budgeted with consideration given to the impact that the weak economic environment would have on funding and ridership levels, and they operated within their budgets as the year progressed. Although system ridership was slightly lower than forecast, the final 2010 financial net results of all three service boards were favorable by a combined total of $37.0 million. This favorable balance means that their operating shortfalls were less than was projected during the budget process and, as a result, less financial assistance was needed than had been anticipated.

2010 SERVICE BOARD NET RESULTS (FUNDING REQUIREMENTS)



** Pace includes ADA Paratransit*

SERVICE DELIVERY AND RIDERSHIP

The RTA system carried a total of 634.2 million riders in 2010, a decrease of 0.8% from 2009, but 6% higher than year 2000 levels.

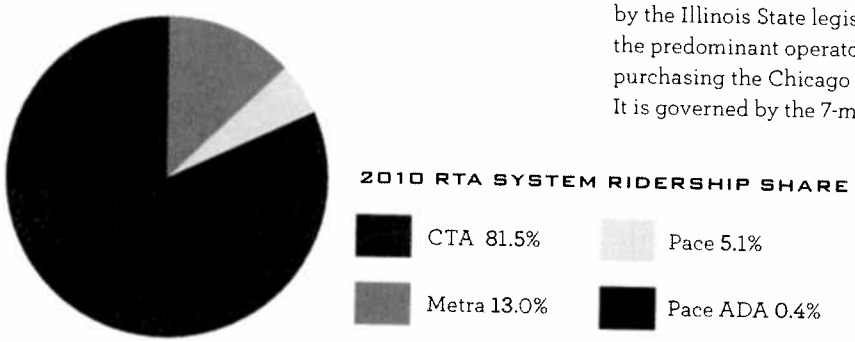
The CTA, with a weekday ridership of more than 1.6 million, carries the largest number of riders in the RTA system, but on relatively short urban trips. Its bus and rail operations comprise the nation's second largest transit agency, with service to the City of Chicago and 40 surrounding suburbs. The CTA was created by the Illinois State legislature in 1947 and became the predominant operator of Chicago transit after purchasing the Chicago Motor Coach system in 1952. It is governed by the 7-member Chicago Transit Board.

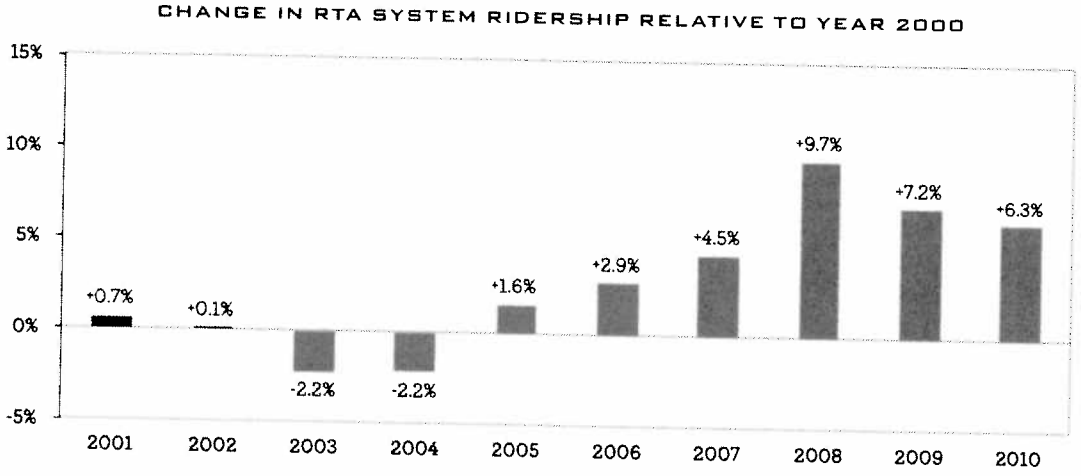
Metra was formed in 1983 and is responsible for the day to day operations of the region's commuter rail system. With 11 rail lines extending to the limits of the six-county area, it is geographically the largest commuter operation in the United States. Metra has a weekday ridership of more than 300,000 with an average trip distance of about 23 miles. It is governed by an 11-member Board of Directors.

Pace began service in 1984 and provides fixed-route bus, demand-response "dial-a-ride", and vanpool service to the suburban Chicago area. Pace is also responsible for ADA paratransit service in both the suburbs and the City of Chicago. Pace's weekday ridership is in excess of 100,000, and it is governed by a 13-member Board of Directors.

Over the course of the last decade, total RTA system ridership dipped in the wake of the 2001 recession, then recovered and peaked in 2008 prior to the financial crisis, when gasoline prices were at an all-time high. Overall, ridership still made gains during the decade, and the 634.2 million trips taken in 2010 were 37.7 million more than year 2000 levels.

RTA system capacity, as measured by vehicle miles of revenue service provided, increased steadily during the decade until CTA service cuts took effect in 2010, but also remains well above year 2000 levels.





2010 RTA & SERVICE BOARDS OPERATING CHARACTERISTICS

CHICAGO TRANSIT AUTHORITY

Rapid Transit

8 rail routes
143 stations served
1,190 rapid transit cars
198.1 million riders per year
1,158 STO* positions

Motor Bus

153 bus routes
2,150 buses
328.2 million riders per year
4,341 STO* positions

Other

1.2 billion passenger rail miles per year
12.3 million rail miles per year
779.8 million passenger miles per year
70.8 million vehicle miles per year
5,001 without STO* positions

**STO is scheduled transit operators. This classification includes bus operators, motormen, conductors and customer assistants.*

*METRA COMMUTER RAIL DIVISION

487.7 route miles
1,155 miles of track
241 stations
146 locomotives
839 passenger cars
171 electric cars
702 weekly trains operated
96.0% on-time performance
81.4 million riders per year
4,429 full-time employees

Other

1.8 billion passenger miles per year
43.1 million vehicle miles per year

**All data excludes NICTD South Shore*

PACE SUBURBAN BUS DIVISION

Fixed Route

135 regular routes
38 feeder routes
16 shuttle routes
579 vehicles in use during peak periods
29.3 million riders per year
3 seasonal routes
713 Pace-owned buses
1,422 full-time employees

Paratransit

210 Pace-owned lift-equipped buses in service
2.8 million riders per year
30 full-time employees

Dial-A-Ride

66 local services
157 Pace-owned lift-equipped buses in service
210 communities served
1.3 million riders per year
7.5 million passenger miles per year
5.7 million vehicle miles per year

Vanpool

667 vanpools in operation
1.8 million riders per year
37.8 million passenger miles per year
9.3 million vehicle miles per year

Track 2
Track 3

goroo® & Transit Tracker

In 2010, the RTA transitioned its primary trip planning system, from TripsWeb, which provided transit-only itineraries. As featured on goroo® — the RTA's online travel information site — the system provides side-by-side comparisons of trip itineraries using transit, driving, biking, walking or any combination of these transportation modes. It gives customers a comprehensive tool for choosing travel options that incorporate convenience, efficiency and cost — from the traveler's perspective. In 2011, goroo® started offering real-time arrival information. The CTA's BusTracker and TrainTracker were included in goroo's Next Train/Bus pages. Pace's WebWatch and Metra's future next train information system are next in line for inclusion.

Bus-on-Shoulder

Last year, the RTA completed a Phase I study in partnership with IDOT and Pace to explore the opportunity to run buses on the shoulder of I-55. The study focused on further development of the Bus-on-Shoulder concept, assess the opportunities for buses to run on the shoulder of I-55, explore cost implications, identify safety concerns and estimate travel time savings. The Bus-on-Shoulder model has been implemented in several cities throughout the Midwest including Minneapolis and Cincinnati. The concept serves to be a low-cost means to maximize the utility and capacity of the existing roadway infrastructure. Buses that run along the shoulder are able to bypass regular traffic and achieve better travel time savings and schedule adherence.

RTA Market Analysis

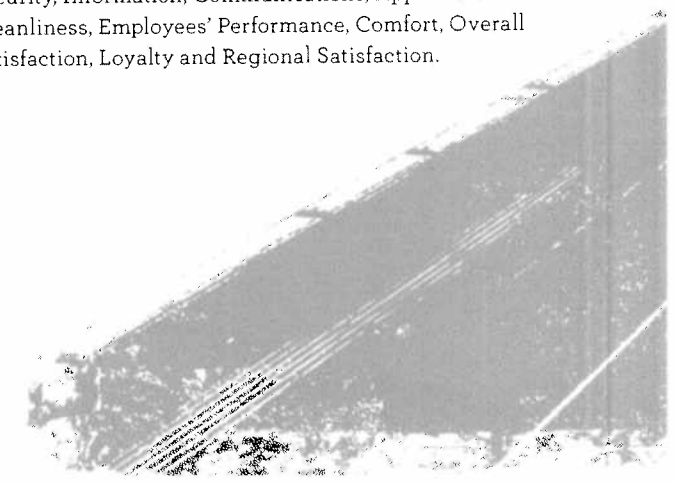
In 2010, the RTA completed a market analysis of travel in the six-county region. The study entailed examining the Chicago Metropolitan Agency for Planning (CMAP) Household Travel Tracker database and an RTA commissioned survey of riders and non-riders of transit that explored people's attitudes and behaviors about travel. Between the CMAP and RTA surveys, input from nearly 13,000 households across the region was captured to help paint a picture of regional travel.

Among highlights, the analysis shows that more than 26 million trips are made on an average weekday in our region. The region's travel patterns are highly geographically dispersed with over 60 percent of travel occurring within the suburban region. Thirty eight percent of households in the region report using transit weekly. Transit serves a critical role in the region's economy as it connects people with jobs, serving 14 percent of work trips. Survey findings indicate a broad base of support for transit investment. This support was even found to be true among those who do not take transit, pointing to the growing appreciation that the general public has for the broad reaching benefits of transit.

Holistic Customer Satisfaction Survey Program

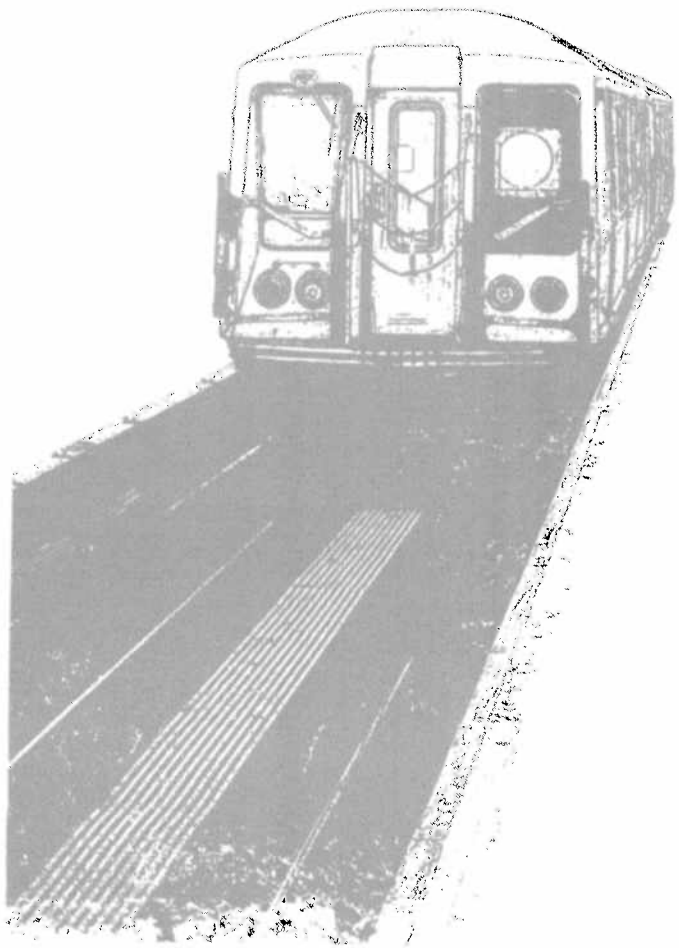
The RTA is mandated by the RTA Act to provide regional measures of customer satisfaction as part of its performance measurement program. In 2010, the RTA worked with the Service Boards to develop a common methodology for measuring customer satisfaction and successfully reached consensus on a unified approach to conducting the research with the goal of obtaining a regional perspective, as well as providing the Service Boards with unique evaluations of their own service. Historically, all three Service Boards have conducted customer satisfaction surveys for their individual agencies with their own set of questions, sampling plans, survey time intervals, and scales for question responses. The differences among the methodologies rendered the aggregation of results into one unified regional customer satisfaction performance index impossible. The new customer satisfaction survey program will be incorporated into the performance management process to initiate opportunities for improvement and drive business results. Furthermore, it is anticipated that this new approach will result in overall cost savings through capitalizing on economies of scale and process improvements.

The customer satisfaction survey for each Service Board will be implemented in 2011 and will include the following categories: Time & Reliability, Safety & Security, Information, Communications, Appearance & Cleanliness, Employees' Performance, Comfort, Overall Satisfaction, Loyalty and Regional Satisfaction.



RTA Funding Programs

The Funding Programs provide value to the transit region by offering planning, operating and capital grants for a variety of projects.



Two of the programs, Community Planning and Subregional Planning, provide funding for planning studies and initiatives. The other two programs, Innovation, Coordination and Enhancement (ICE) and Job Access Reverse Commute / New Freedom (JARC/NF), provide funding for transit operating and capital projects. The Funding Programs provide value to a wide variety of recipients, including municipalities, counties, private non-profits, private transportation operators and the RTA Service Boards. Each recipient's needs are different, and the RTA Funding Programs offer support and a path to implementation. The Funding Programs also provide a unique opportunity for the RTA and its Service Boards to coordinate at the local level to not only create plans or implement projects, but to facilitate intergovernmental cooperation and relationship building. Key project accomplishments in 2010 are highlighted below for each of the four programs.

The City of Joliet wrapped up the conceptual planning phase of a Community Planning study during the summer of 2010. Developed in conjunction with the RTA, Metra, Pace, Will County and other planning partners, the City's Plan calls for an intermodal transit facility located adjacent to the existing Union Station. The development of the Plan led to a $35 million grant from Illinois Jobs Now! to partially fund the facility, announced by Governor Quinn on October 28, 2010. The balance of the money needed for the $42 million estimated total project cost will come from a combination of City funds and other sources. Architectural and Engineering is scheduled to begin in the Fall of 2011.

Kane County, working in close coordination with Pace and the RTA, finalized a Subregional Planning Corridor Plan along Randall Road in December 2010. As a result of the Plan, Pace received a grant for $800,000 to install bus shelters and sidewalk connectors along Randall Road, which is currently served by Pace Route 529. Shelters will be installed at 23 stops along the route by Fall of 2011, along with necessary sidewalk connectors in certain locations as recommended in the Plan.

The Village of Skokie received an ICE grant from the RTA to fund improvements associated with the new Congestion Mitigation and Air Quality Improvement (CMAQ) funded Oakton Street station on the CTA Yellow Line. The ICE funded improvements will include bus stops, bus and taxi access lanes, sheltered waiting areas, pedestrian walkways, shared vehicle lanes, a kiss and ride, bicycle parking, and landscape improvements. The improvements are expected to be completed by Fall of 2011.

Lake County secured a JARC/NF grant to implement a new coordinated dial-a-ride service operating on weekdays in Antioch, Avon, Grant, and Lake Villa townships. A portion of the service is a flexible route connecting three Metra stations on the North Central and Milwaukee District North Lines with residential areas to offer greater access to employment opportunities primarily for individuals with limited mobility and other transit dependent populations. The service was implemented in January 2010 and provides nearly 1,500 trips per month.

Transit-Oriented Development (TOD) Implementation

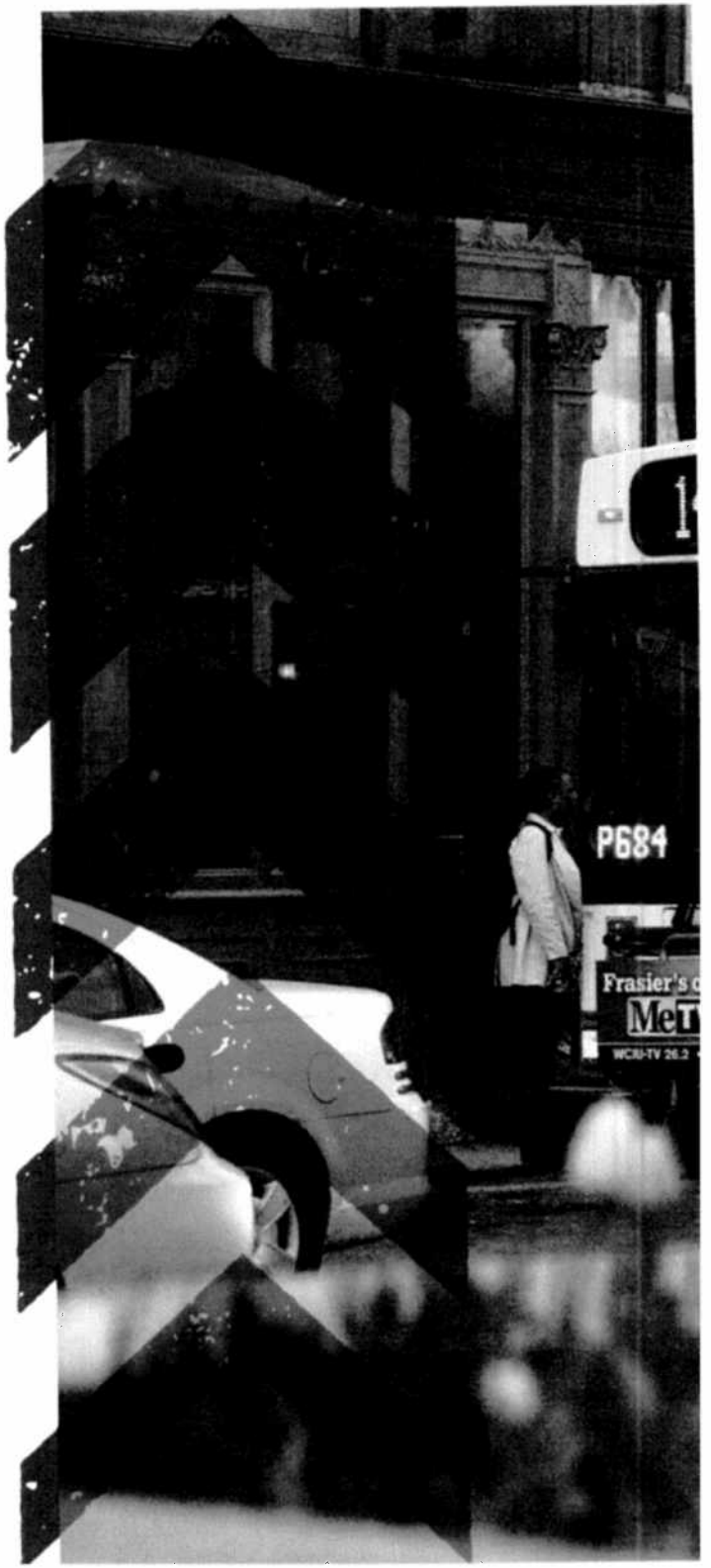
The RTA has invested almost $3 million of its own funds during the past 12 years to complete approximately 75 transit-oriented development (TOD) planning studies through the RTA's Community Planning and Subregional Planning funding programs. These programs fund TOD planning studies that promote walkable, mixed-income, mixed-use development co-located and/or well-connected to retail and business uses in transit station areas, while also increasing overall access to the transit system. Many communities within the RTA region, including those that have completed TOD planning studies through the RTA funding programs, have encountered obstacles and barriers to implementing recommendations found in their completed TOD plans.

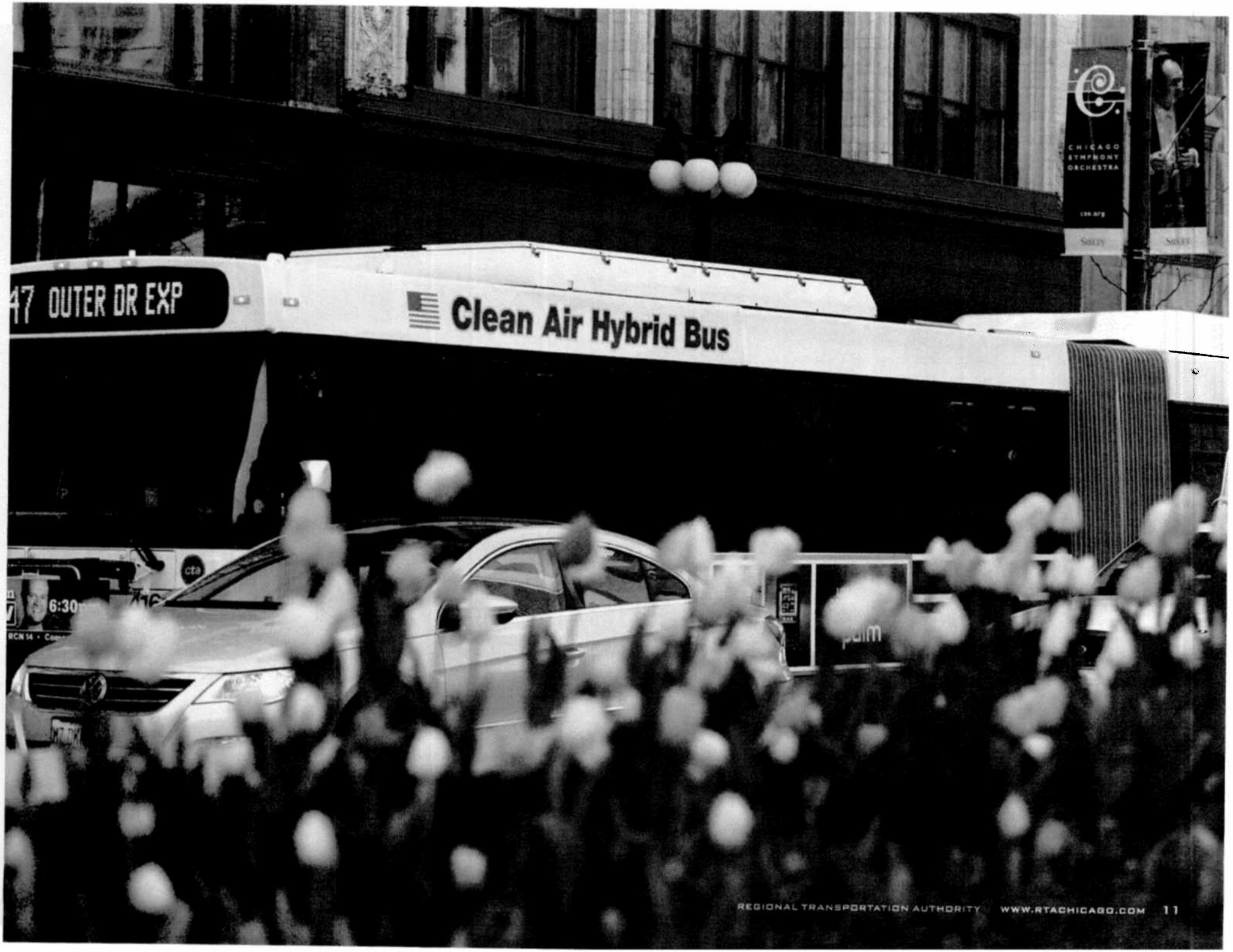
In 2010, the RTA developed a program that invests further in the communities we have worked with previously by offering an opportunity to receive additional technical assistance and support towards implementing their plans. This program, the first of its kind in our region, will help communities develop and update land control documents, attract developers and streamline development approval processes. From the RTA's perspective, pursuing and achieving implementation of these plans can result in more efficient transit operations, improved access to transit services and a potential for increased ridership for the CTA, Metra and Pace. Implementation efforts can also increase private investment in TOD areas while promoting the principles of sustainability and livability.

Sustainability and Climate Change

In 2010, RTA became a signatory of the American Public Transportation Association's (APTA) Sustainability Commitment, reaffirming the agency's commitment to reducing regional greenhouse gas emissions and improving the sustainability of the region's transit system. As part of this commitment, RTA and the service boards conducted the first comprehensive greenhouse gas inventory and displacement analysis of the region's transit system. The results of the analysis show that the RTA system is responsible for keeping 6.7 million metric tons of CO_2 from entering the atmosphere. That is equivalent to taking more than one million cars off the road, and is more than five times the amount of CO_2 produced by transit operations.

Working with the Illinois Department of Transportation (IDOT), Chicago Metropolitan Agency for Planning (CMAP), Chicago Department of Environment, Chicago Department of Transportation (CDOT) and other stakeholders, the transit agencies are using the results of the greenhouse gas emissions analysis to demonstrate the value of the transit system and identify strategies for improving the environmental benefits of transit, including increasing ridership and improving the efficiency of transit operations. In 2011, RTA and service boards will publish the first sustainability and climate action plan for the regional transit system in an effort to educate legislators, advocates and the public about the environmental value of transit in the region. The plan will also show how investments in transit can help the state and region meet their carbon emissions reduction goals, as well as how they enhance our customer experience.




47 OUTER DR EXP
Clean Air Hybrid Bus
CHICAGO SYMPHONY ORCHESTRA
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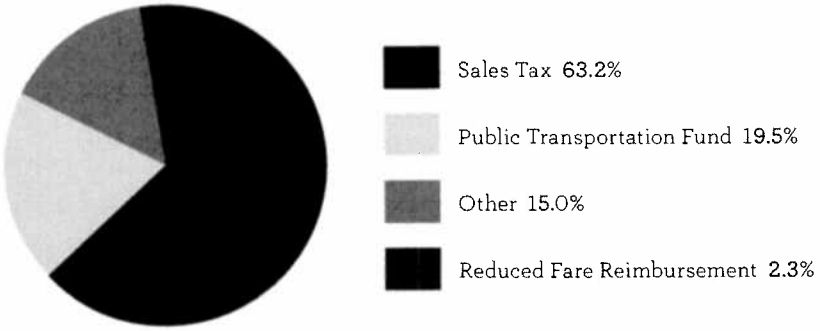
FUNDING PUBLIC TRANSPORTATION

2010 RTA REVENUE BY SOURCE



RTA REVENUE BY SOURCE DECEMBER 31, 2010 AND 2009 *(in thousands)*

	2010	2009	CHANGE
Sales Tax*	$ 931,435	$ 894,238	$37,197
Public Transportation Fund	$ 287,404	$ 282,541	$ 4,863
Reduced Fare Reimbursement	$ 33,570	$ 41,970	($ 8,400)
Other Sources	$ 220,737	$ 262,098	($41,361)
TOTAL REVENUE	**$1,473,146**	**$1,480,847**	**($7,701)**

*Includes all sales taxes retained by the RTA and passed through to the service boards

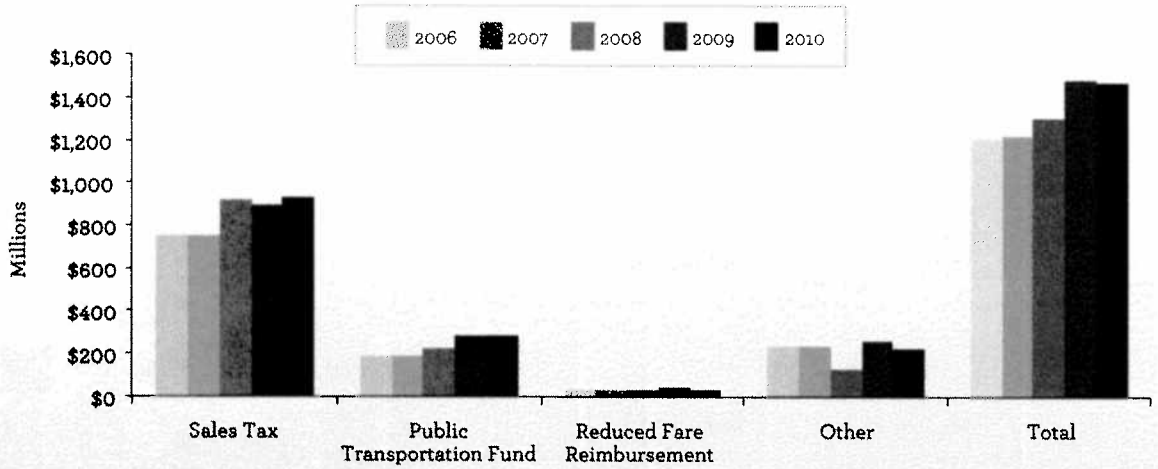
Revenue Sources

The RTA's primary source of operating funding is a regional sales tax which is matched by the State of Illinois via the Public Transportation Fund (PTF). A reduced fare reimbursement also comes from the State and is passed through to the service boards to help offset the revenue lost from the various required fare programs such as those for the elderly, disabled persons, and students. The final revenue category of "Other" shown in the chart includes items such as additional assistance from the State, investment income and contributions from local governments.

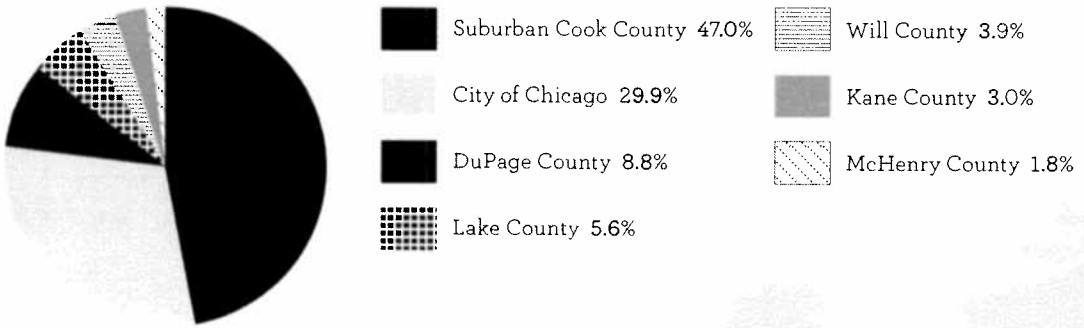
As the economy slightly improved in 2010, total RTA sales tax receipts of $931 million increased 4.2 percent from 2009 and exceeded budget projections. This growth was a positive development, since in 2009 the RTA sales tax receipts had declined 2.9 percent from 2008 due to the impact of the financial crisis. Reduced investment income drove the "Other" category lower. Overall, 2010 RTA revenues decreased by 0.5 percent from 2009.

Over the last five years, the RTA has experienced a steady increase in total revenues, driven by the increase in sales tax funding for public transit which took effect in 2008. This tax increase was necessary to ensure the sustainability of the RTA system and clearly helped the RTA weather the current economic downturn. Because it is a sales tax match, the PTF increased in line with sales tax, while Reduced Fare and Other categories remained relatively flat across the period.

5-YEAR TREND OF RTA REVENUE SOURCES



2010 RTA SALES TAX REVENUE BY COUNTY



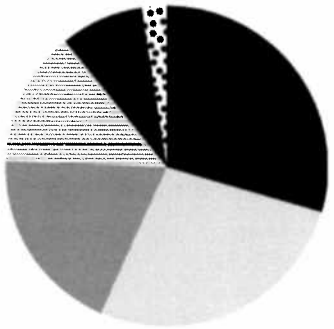
Sales Tax by County

The RTA sales tax is imposed region-wide, but at differing rates to reflect the differing levels of transit service provided throughout the constituent counties. In 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate from 1.0 percent to 1.25 percent in Cook County and from 0.25 percent to 0.5 percent in the collar counties.

In practical terms, this means that on a $50 purchase, some of the sales tax paid goes directly to the funding of public transit: 62.5 cents for residents of Cook County, and 25 cents for residents of the collar counties that include DuPage, Kane, Lake, McHenry and Will.

This same Act also designated an increase of the real estate transfer tax (RETT) within the City of Chicago to directly fund the CTA, and raised from 25 percent to 30 percent the portion of RTA sales tax and RETT revenues matched by the state PTF.

WHERE RTA EXPENDITURES GO



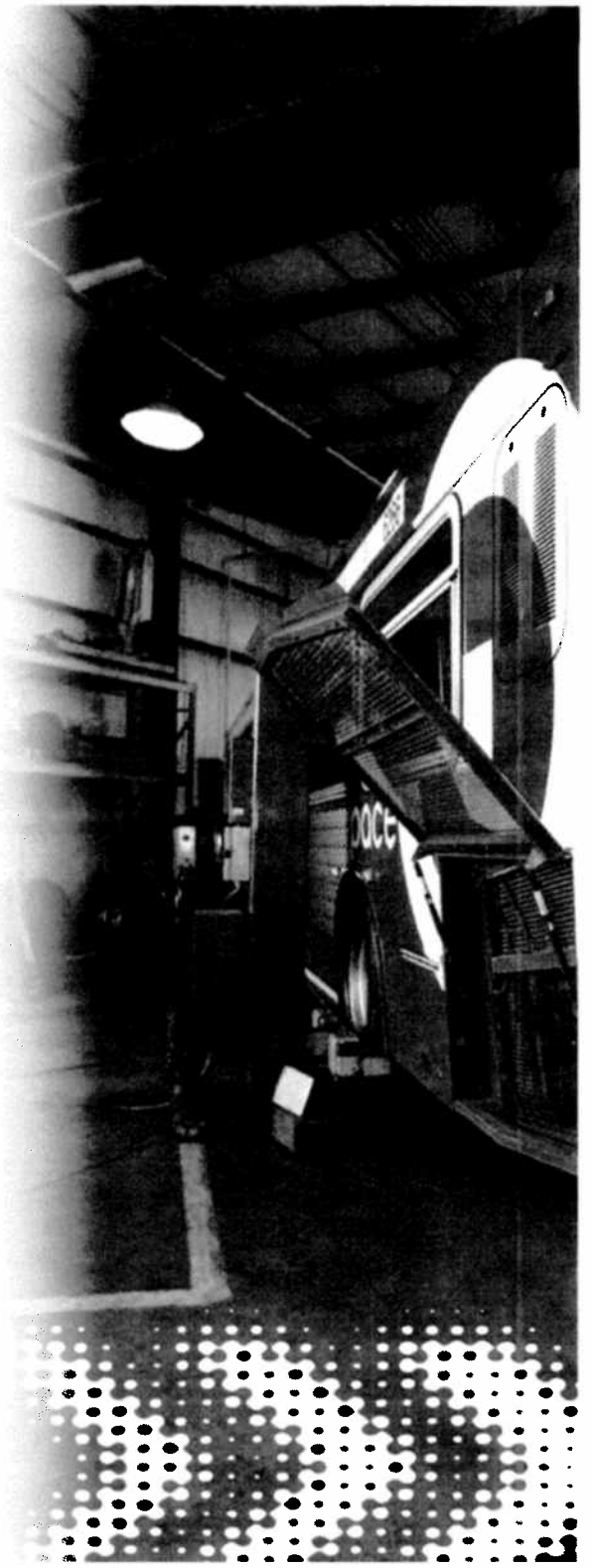
CTA 29.6%
RTA and Other 27.3%
Metra 18.8%
Capital Grants 8.3%
Pace 13.7%
Reduced Fare 2.3%

As stated in the previous section, the primary source of funding for public transportation in Chicago is sales tax. More than 85 percent of the public transportation sales tax collections pass directly through the RTA to the CTA, Metra and Pace according to pre-determined, statutory formulas. The remainder of the sales tax is initially retained at the RTA along with revenues from the Public Transportation Fund and additional state funding.

After funding the RTA's own administrative costs, regional services, special programs and debt servicing, the remainder of the retained sales tax and PTF is distributed to the service boards on a discretionary basis and within the context of their annual budgets. The service boards also generate fare revenue from their customers and have other direct funding sources such as the RETT, which, when combined with the funds flowing from the RTA, covers the cost of providing service.

RTA EXPENDITURES DECEMBER 31, 2010 AND 2009 *(in thousands)*

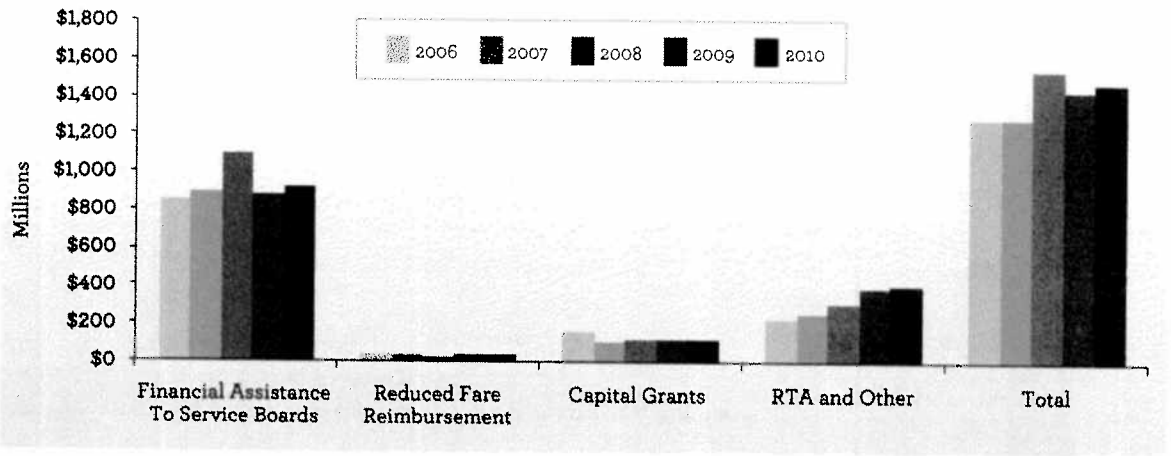
	2010	2009	CHANGE
CTA	$ 436,467	$ 417,288	$ 19,179
Metra	$ 277,506	$ 267,576	$ 9,930
Pace	$ 202,463	$ 194,698	$ 7,765
Reduced Fare	$ 33,570	$ 41,970	($ 8,400)
Capital Grants	$ 122,998	$ 123,069	($ 71)
RTA and Other	$ 402,956	$ 389,857	$ 13,099
TOTAL EXPENDITURES	**$1,475,960**	**$1,434,458**	**$41,502**



Financial assistance provided by the RTA to all three service boards, both statutory and discretionary, increased in 2010. As previously mentioned, the Reduced Fare pass-through from the State was lower. The "RTA and Other" category, which contains items such as interest on long term debt and the administrative costs of the RTA itself, was higher. Overall, 2010 RTA expenditures increased by 2.9 percent from 2009.

Over the last 5 years, the RTA increased the financial assistance provided to the service boards while Reduced Fare and Capital Grants remained fairly flat across the period; the "RTA and Other" category also trended higher. The increase in Financial Assistance occurring in 2008 was related to the new RTA funding legislation passed by the State of Illinois in that year.

5-YEAR TREND OF RTA EXPENDITURES BY CATEGORY



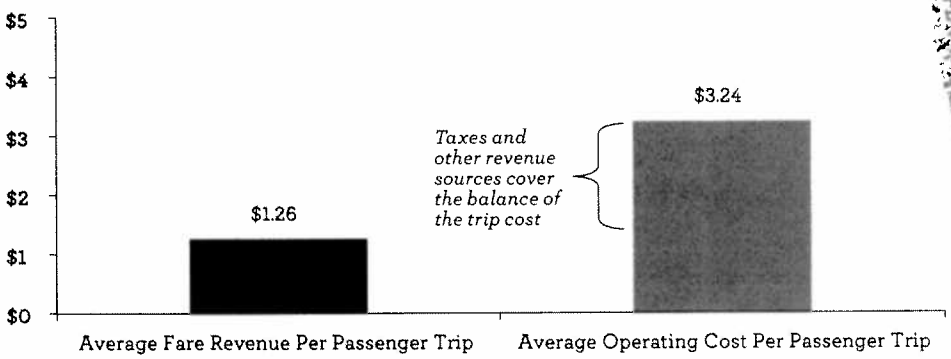
AVERAGE OPERATING COST AND FARE SUBSIDY

The challenge of financing public transportation is that customers pay only part of the cost of providing a given service level. Public funding, primarily from sales taxes in the case of the RTA, covers the majority of the cost. Increased usage of public transportation will decrease the average operating cost per passenger, allowing those tax dollars to be re-directed to other uses such as infrastructure upgrades and technology improvements.

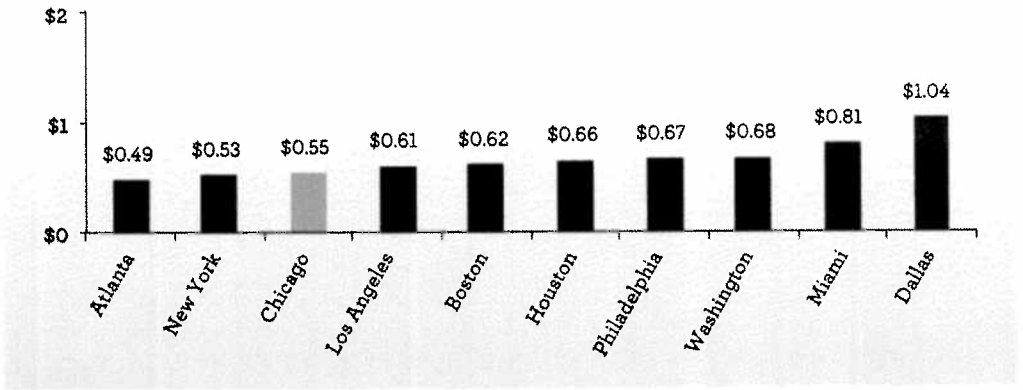
The RTA is required by law to offer several different fare discount programs, including those for seniors, the disabled and students, which contribute to a lower average fare actually paid.

While the average operating cost may, in this context, appear to be high, the RTA system actually compares very favorably to other public transit regions of the country on a cost per passenger-mile basis as shown in the second chart below.

AVERAGE FARE VS. AVERAGE COST PER PASSENGER TRIP
CTA, METRA AND PACE COMBINED
2010 preliminary (unaudited) data



AVERAGE REGIONAL OPERATING COST PER PASSENGER MILE
ALL TRANSIT MODES COMBINED
2009 data displayed since 2010 results are not yet published for peers



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332 RIVER/YORK
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pace
Test Drive America's
Most Reliable Network.
verizonwireless.com/testdrive

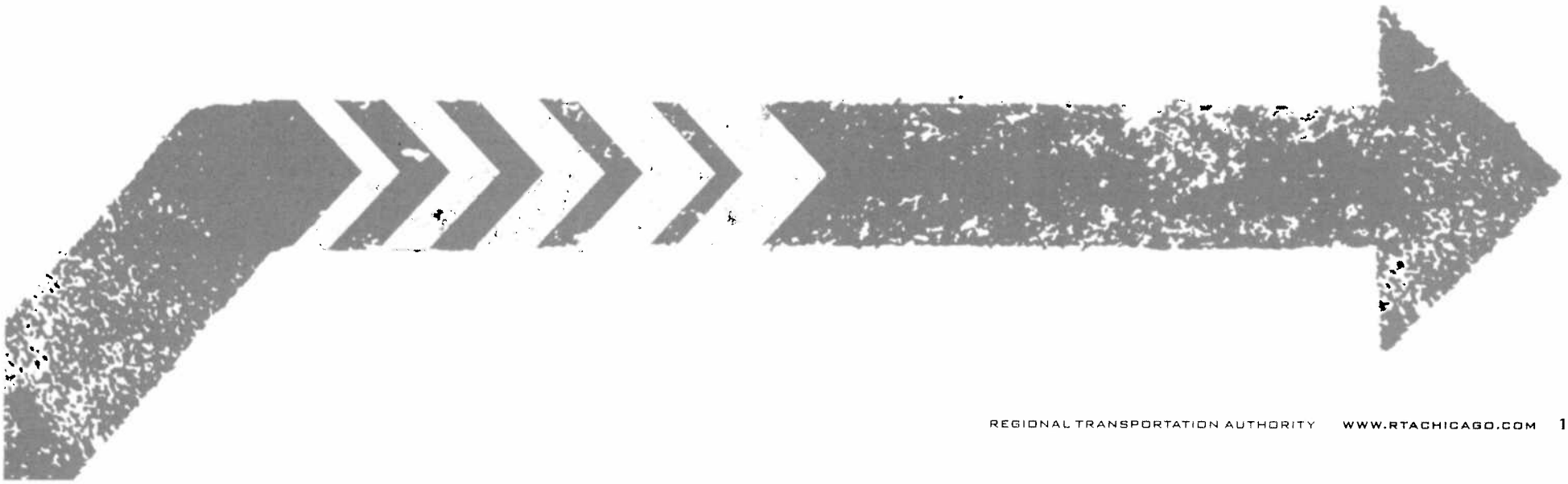
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activity of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2010. This analysis is based on the RTA's 2010 Comprehensive Annual Financial Report (CAFR), which contains all of the detailed financial statements surrounding the RTA's operations.

Two important tables from the 2010 RTA CAFR are included in the following pages with a discussion of significant year-over-year issues. For the sake of simplicity, only the sections of these tables related to governmental activities are shown. The CAFR also includes in these tables sections that relate to business-type activities (such as the RTA Joint Self-Insurance Fund), which only amount to approximately one percent of the RTA's total financial activity.

To better understand these financial statements, it is important to remember the role of the RTA as described earlier in the report. Specifically, the sales tax revenue figures include only that portion of the RTA sales tax which is retained by the RTA for discretionary distribution, and not the portion which is passed through to the CTA, Metra and Pace according to statutory formulas.

Similarly, in the expense section, the "financial assistance to service boards" excludes those same pass-through sales taxes and includes only discretionary funding, so that these statements encompass only those funds controlled by the RTA entity.



RTA STATEMENT OF ACTIVITIES

For the year ended December 31, 2010, the RTA statement of activities for the governmental activities shows expenses increasing by $12 million to $411 million from $399 million for the same period in 2009. This increase is due to an increase in financial assistance to the CTA, Metra and Pace of $4 million. Grant activity was higher by $5 million, while administrative expenses were lower by $3 million. Also, bond interest expense and the Regional and Technology Program expenses were higher by $4 million and $2 million respectively.

Revenues decreased by $4 million in 2010, driven by a $27 million decrease in investment income which was partially offset by a $21 million increase in PTF and State Assistance Revenues, as well as a $4 million increase in sales taxes.

The combined effect of higher expenses and lower revenues resulted in an increase in net assets of $81 million over the course of 2010, which was $16 million less than the increase in net assets which the RTA experienced over the course of 2009.

SUMMARY OF ACTIVITIES — DECEMBER 31, 2010 AND 2009 *(in thousands)*

	Governmental Activities		
	2010	2009	Change
EXPENSES			
Financial Assistance to Service Boards	$ 97,648	$ 93,453	$ 4,195
Grant Activity	$ 145,996	$ 141,261	$ 4,735
Administrative Expenses	$ 8,551	$ 12,014	($ 3,463)
Regional and Technology Program Expenses	$ 23,555	$ 21,209	$ 2,346
Interest Expense	$ 135,530	$ 131,775	$ 3,755
Total Expenses	**$ 411,280**	**$ 399,712**	**$ 11,568**
REVENUES AND TRANSFERS			
Sales Taxes	$ 103,168	$ 99,027	$ 4,141
PTF and State Assistance	$ 372,434	$ 351,509	$ 20,925
Operating Grant - CTA/Pace	$ 9,480	$ 9,101	$ 379
Regional Expenses	$ 582	$ 2,904	($ 2,322)
Investment Income and Other	$ 11,012	$ 37,749	($26,737)
Transfers	($ 4,425)	($ 3,575)	($ 850)
Total Revenues and Transfers	**$ 492,251**	**$ 496,715**	**($ 4,464)**
Change in Net Assets	$ 80,971	$ 97,003	($16,032)
Net Assets—Beginning of Year	($ 1,954,619)	($2,051,622)	$ 97,003
Net Assets—End of Year	($ 1,873,648)	($1,954,619)	$ 80,971

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The statement of net assets presents information on all of the RTA's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether an organization's financial position is improving or deteriorating.

The government-wide statement of net assets shows 2010 assets of $1.142 billion, a net increase of $351 million from 2009. The increase was mainly due to an increase in cash and investments which was caused by the timing of receipts.

2010 liabilities were $3.015 billion and also increased from 2009, but by a lesser amount of $270 million, which was primarily driven by an increase in general-obligation bonds payable in 2010. As a result, total net assets increased by $81 million over the course of 2010.

At the end of 2010, the government-wide statement of net assets shows a deficit of $1.9 billion for governmental activities. However, this does not represent a precarious financial position for the RTA, but rather is related to how the Governmental Accounting Standards Board (GASB) requires RTA's general obligation bonds to be presented in the government-wide statement of net assets. According to the GASB standard, the RTA must show the full liability of multi-year bonds in the current year, which drives a large net annual deficit. This deficit will not affect the availability of RTA fund resources for future use.

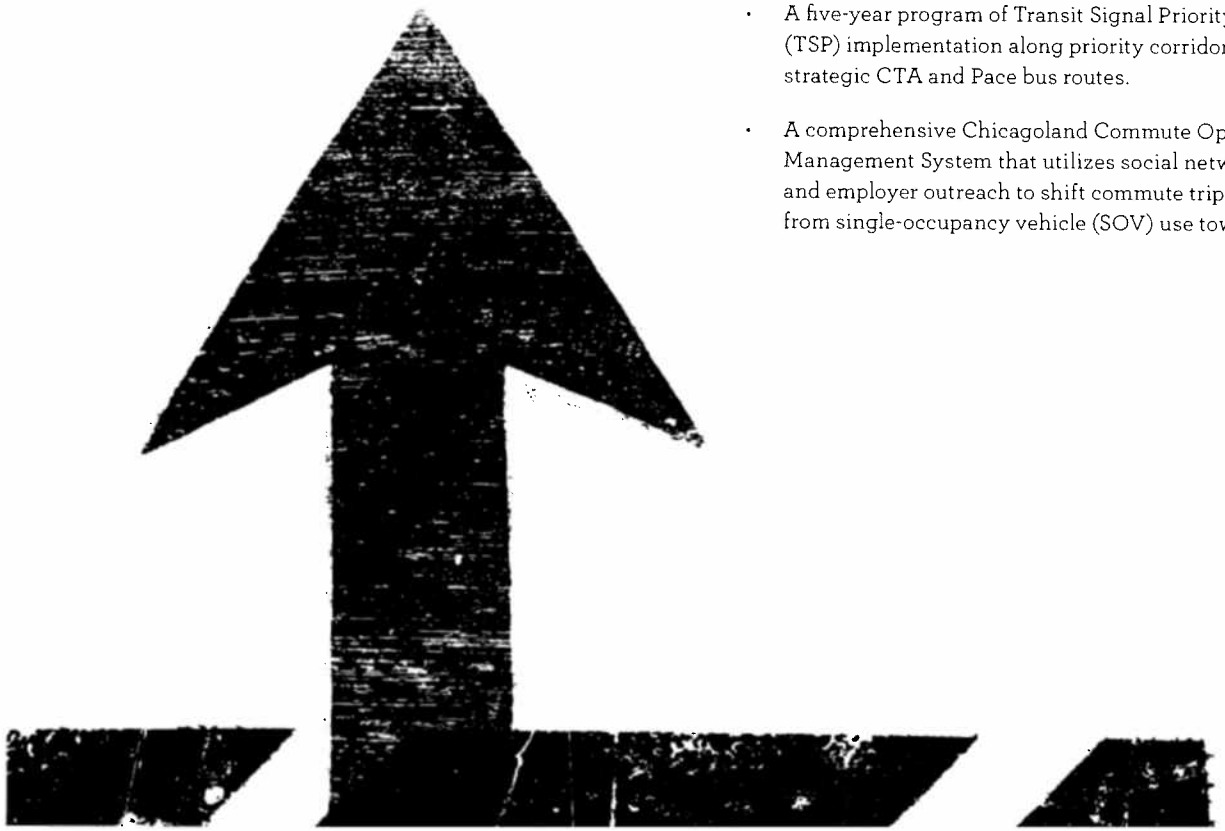
SUMMARY OF NET ASSETS — DECEMBER 31, 2010 AND 2009 *(in thousands)*

	Governmental Activities		
	2010	2009	Change
ASSETS			
Cash and Investments	$ 753,522	$ 494,670	$ 258,852
Noncurrent Assets/Other Assets	$ 372,820	$ 283,137	$ 89,683
Capital Assets—Net	$ 15,265	$ 12,660	$ 2,605
Total Assets	$ 1,141,607	$ 790,467	$ 351,140
LIABILITIES			
Current Bond & Non Bond-Related Liabilities	$ 80,409	$ 123,927	($ 43,518)
Current Bond Related Liabilities	$ 345,124	$ 69,827	$ 275,297
Long-Term Non Bond-Related Liabilities	$ 154,352	$ 49,133	$ 105,219
Long-Term Bond-Related Liabilities	$ 2,435,370	$ 2,502,199	($ 66,829)
Total Liabilities	$ 3,015,255	$ 2,745,086	$ 270,169
Net Assets (Deficit)			
Invested in Capital Assets	$ 15,265	$ 12,660	$ 2,605
Restricted	$ 83,277	$ 270,019	($186,742)
Unrestricted (Deficit)	($1,972,190)	($2,237,298)	$ 265,108
Total Net Assets (Deficit)	($1,873,648)	($ 1,954,619)	$ 80,971

SWANSO

CAPITAL IMPROVEMENTS

Future RTA capital projects are focused on the application of advanced technology to transportation in order to improve efficiency and passenger convenience. These new technology projects need to be balanced with bringing our system to a state of good repair.



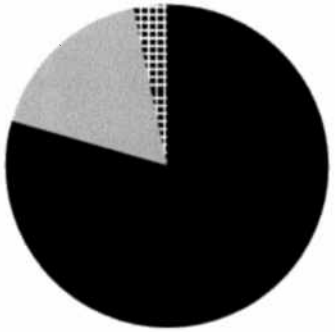
These applications include the following:

- A regional open fare payment system to promote seamless regional mobility, making it easier for transit customers to pay for travel on different segments of the RTA system with a simple, single payment method.
- A regional real-time information system that integrates CTA's Bus Tracker and Train Tracker, Pace's WebWatch and Metra's future next train information system.
- A five-year program of Transit Signal Priority (TSP) implementation along priority corridors and strategic CTA and Pace bus routes.
- A comprehensive Chicagoland Commute Options Management System that utilizes social networking and employer outreach to shift commute trips away from single-occupancy vehicle (SOV) use toward sustainable transportation modes like transit and vanpools.
- Interagency Transit Passenger Information Display (ITPID) that utilizes regional wayfinding and static information sign standards to promote seamless travel on multi-agency transit facilities.
- Multi-Modal Trip Planner System (MMTPS) to provide side-by-side comparisons of trip itineraries using transit, driving or any combination of non-motorized modes such as biking and walking.
- Transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections).
- Parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities).

REGIONAL ASSET CONDITION ASSESSMENT

In 2010, the RTA completed a condition assessment of the existing capital assets for each of the region's three Service Boards. The intent of the assessment was to provide the RTA region with the short- and long-term costs of maintaining the transit system in a State of Good Repair (SGR). The effort has provided a comprehensive capital asset inventory database representing all categories of public transportation infrastructure.

CONDITION FINDINGS BY MODE



The assessment shows that nearly 80 percent of the cost of maintaining our system in a state of good repair is related to rail, while less than 20 percent is for bus.

The initial 10-year capital needs assessment defined assets and their associated costs as backlog, normal replacement or capital maintenance, with the backlog assets characterized by an age greater than their useful life; normal replacement representing planned investments for assets that will reach the end of their useful life during the 10-year program; and capital maintenance representing activities associated with keeping an asset in a SGR during its normal useful life.

Condition ratings were assigned on a scale from 1 to 5, with 1 representing an asset "past its useful life" and 5 representing a relatively new asset in "excellent" condition. For the purposes of this asset condition assessment, the SGR is defined as a condition rating of 3, or "adequate with no backlog." The framework for the condition assessment defined the general data structure, categorized the assets into types, and identified the data fields required for each type. The asset database supported the recording of current assets by Service Board type, current asset value and age. In total, 80 inventory tables were developed to provide the basis for data collection and ultimately, condition ratings.

Data collected from the asset inventory/condition assessment have been used to assess the magnitude of the region's SGR needs. The Capital Asset Condition Assessment report concluded that the RTA region's 10-year capital program need is $24.6 billion, broken down to $15 billion for the CTA, $7.4 billion for Metra and $2.2 billion for Pace. $13.8 billion of the total need is dedicated to backlog costs, $6.9 billion to normal replacement costs and $3.9 billion for capital maintenance costs.

10-YEAR CAPITAL PROGRAM NEEDS SUMMARY *(in billions)*

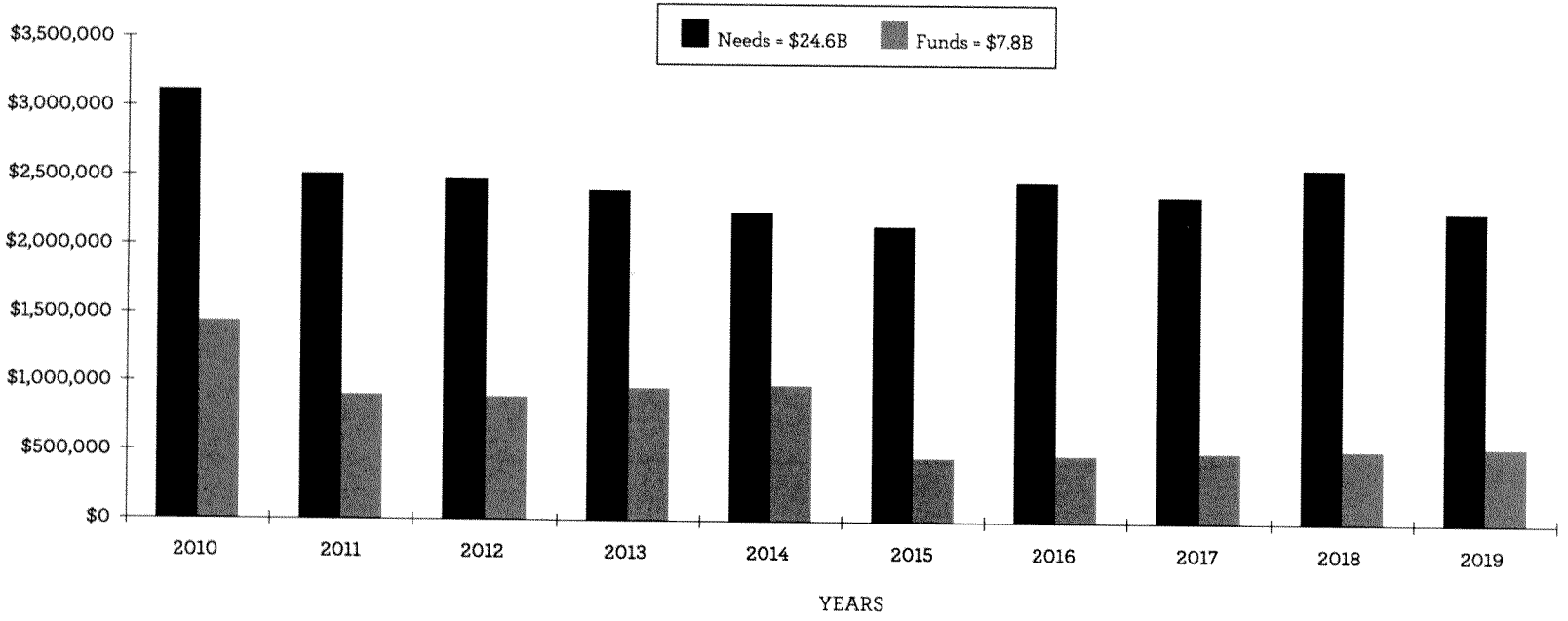
PROGRAM NEEDS	CTA	METRA	PACE	TOTAL RTA
Backlog	$10.0	$3.7	$ .1	$ 13.8
Normal Replacement	$ 3.2	$1.7	$1.9	$ 6.9
Capital Maintenance	$ 1.8	$2.0	$ .2	$ 3.9
Total	$15.0	$7.4	$2.3	$24.6
% of Total	61%	30%	9%	100%

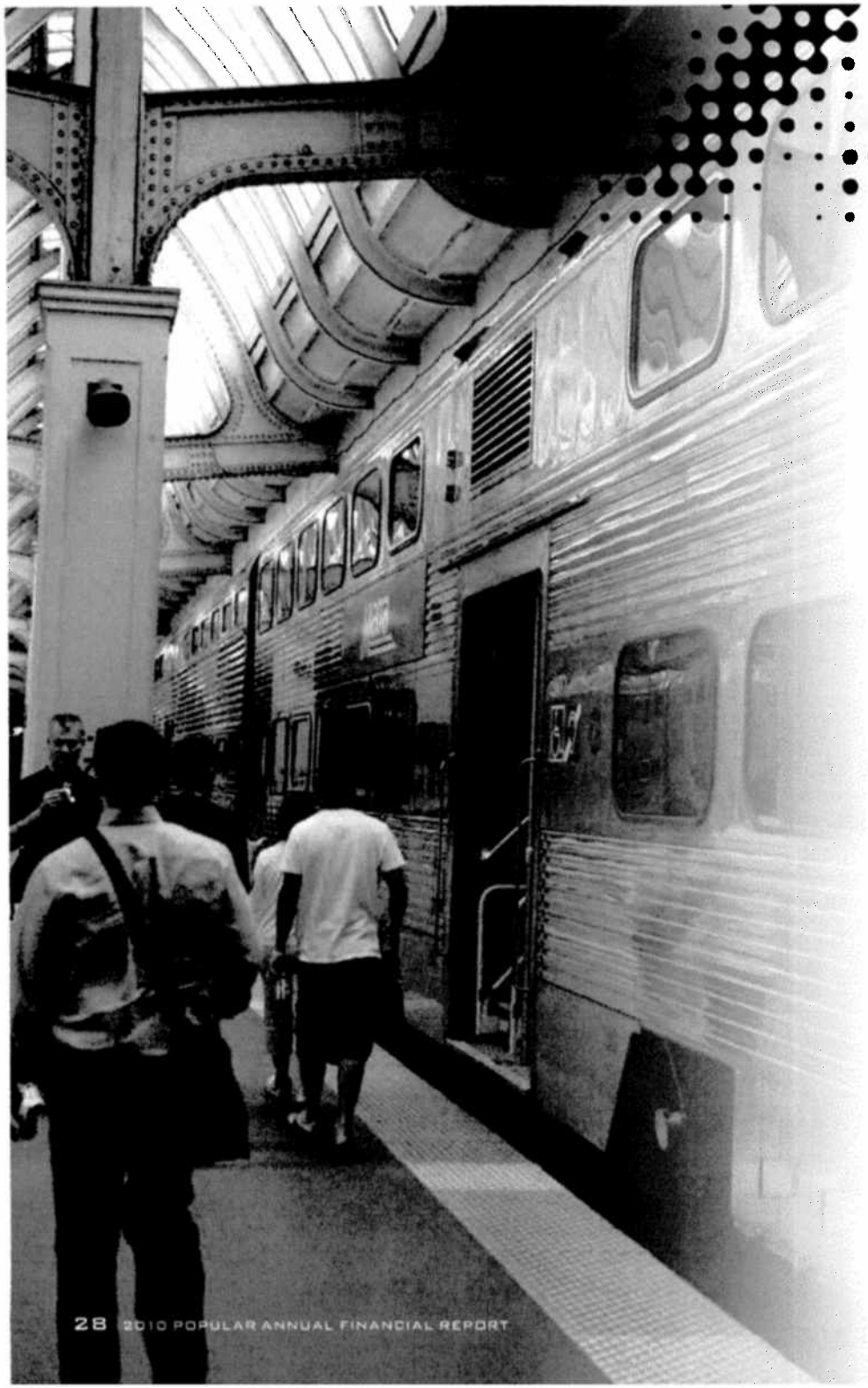
OVERALL RESULTS OF 10-YEAR NEEDS ASSESSMENT

Monitoring asset inventory data is essential to maintain the integrity of the asset management program. Thus, the RTA is currently proceeding with a process that continuously updates the database as current conditions change. The RTA is also developing a Decision Support Tool to set forth the process and establish the criteria necessary to focus capital efforts on improvements that are intended to bring the region's infrastructure toward a SGR, all of which ensures the allocation of the available financial resources to yield the greatest return to RTA customers and taxpayers.

The prioritization of capital expenditures is critical at this juncture. The condition assessment highlights the financial challenges that the RTA faces as it moves toward achieving and maintaining a state of good repair. The capital needs associated with this objective is massive at $24.6 billion over the next ten years. During that same time, however, revenue to support capital infrastructure is projected at $7.8 billion, representing the receipt of only one dollar for every three that is needed.

RTA SYSTEM 10-YEAR TOTAL CAPITAL NEEDS





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REGIONAL TRANSPORTATION AUTHORITY
OF NORTHEASTERN ILLINOIS

EXECUTIVE DIRECTOR – Joseph G. Costello
CHIEF FINANCIAL OFFICER – Grace Gallucci
CONTROLLER – John H. Yu
DIVISION MANAGER, PERFORMANCE MEASUREMENT – Donna Anderson
DEPUTY EXECUTIVE DIRECTOR OF COMMUNICATIONS – Diane J. Palmer
COMMUNICATIONS MANAGER – Annah Mitchell
DESIGN AND ART DIRECTION – Words&Pictures, Inc.
PHOTOGRAPHY – Diane Smutny, DMS Photography

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of the staff of the Finance and Performance Management Department.

309 LAKE STREET
6276
pace
pace
pace
LAKE/AUSTIN

The RTA gratefully acknowledges the cooperation of the Chicago Transit Authority, Metra and Pace in the assembly of this report.

REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1650
CHICAGO, ILLINOIS 60604

PHONE: 312.913.3200
FAX: 312.922.9274
E-MAIL: COMMUNICATIONS@RTACHICAGO.ORG
WEB: WWW.RTACHICAGO.COM

FOLLOW US ON FACEBOOK AND TWITTER

Regional
Transportation
Authority
ANNUAL REPORT 2009
what
moves
us

What moves the RTA?

We're in the business of overseeing how people are moved – from home to work, from the suburbs to the city, from point A to point B. But it's much more than that. Public transportation moves an area from separate towns and villages into a powerful region, united by the trains and buses that drive economic growth, ease traffic congestion and benefit the environment.

What keeps the entire process moving is the funding that supports transit: critical dollars that help the RTA manage improvements to infrastructure, acquisition of assets and completion of critical projects. We want to keep people, business, the economy and the entire northeastern Illinois region moving forward.

Ultimately, what moves us is our riders. They are why we do what we do. And in these difficult times, we pledge to go above and beyond to do what's best for them. We'll keep moving… and we won't stop.

LETTER FROM THE EXECUTIVE DIRECTOR

The economic crisis that has gripped our nation since the fall of 2008 has posed an extreme challenge to all levels of government. They have all confronted revenue shortfalls and have made difficult cuts to service, employees and other resources in order to deal with the deteriorating economy. Transit systems in particular, with their reliance on revenues closely tied to consumer spending, faced extremely daunting circumstances throughout 2009. Over 80 percent of our nation's transit systems have raised fares, reduced or eliminated service or both, according to the American Public Transportation Association.

Despite these challenges, the Regional Transportation Authority (RTA) has worked cooperatively with the Chicago Transit Authority (CTA), Metra and Pace to make strategic changes in operations and personnel in order to reduce costs, while avoiding the need for major cuts to transit services or significant fare increases. Through a combination of tight fiscal management, the prudent use of working cash and the imposition of unpaid furlough days and other internal policy changes, we have been able to navigate the most difficult economic period in nearly eight decades.

Additionally, the RTA supported this initiative to secure $2.7 billion in state capital funds, developed and implemented a regional performance metrics, conducted the first regional customer satisfaction measurement study and managed and monitored the implementation of the Office of the Auditor General recommendations to approve the system operation.

As the crisis has gradually lifted, economic and revenue indicators have improved. However, we remain in the midst of a very challenging fiscal climate and continue to plan for the future under the assumption of reduced revenue and slow recovery. This 2009 annual report details the steps we have taken to address the ongoing crisis.

We are eager to complete the capital investments approved in the 2009 capital plan in order to improve our transit system and help our economy recover. Initial capital funds have already been allocated to the individual transit agencies and we look forward to full implementation of the capital plan. We will continue to work with the State of Illinois to meet state transit operating funding commitments, which are lagging, as its own revenue situation improves. Our fiscal actions in 2009 to address our own transit revenue shortfalls leave the RTA and the service boards with little flexibility if state funding commitments continue to be delayed significantly.

Each day over two million riders rely on the transit system to support our economy, our environment and our quality of life. Together, we can continue to improve our transit network for riders, taxpayers and the millions of Illinois residents who benefit from the system.

STEPHEN E. SCHLICKMAN
Executive Director

THE REGIONAL TRANSPORTATION AUTHORITY

EXECUTIVE DIRECTOR: STEPHEN E. SCHLICKMAN

BOARD CHAIR: JIM REILLY

The Regional Transportation Authority (RTA) is the oversight, funding, and regional planning agency for the transit Service Boards including the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail and Pace suburban bus and paratransit. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties in northeastern Illinois. The RTA is a special purpose unit of local government and a municipal corporation of the State of Illinois. From the time of its creation, the RTA's mission has been to ensure financially sound, comprehensive and coordinated public transportation for northeastern Illinois.

The CTA, Metra and Pace handle their respective transit operations and fare responsibilities. Each is led by a Board of Directors that determines levels of service, fares and operational policies. The RTA's oversight responsibility is guided by the RTA's Board of Directors, who approves an annual budget and two-year financial plan that sets a strategic plan to guide all the agencies in achieving their common mission of providing the best transit system possible for the region. The Board consists of 16 members and a chairman appointed from the six-county region. The RTA Board also is required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the RTA and executed by the CTA, Metra and Pace.

The RTA regional system is the third largest in the country measured by unlinked passenger trips with more than two million rides daily. The combined assets of the RTA system are valued at more than $43 billion and include 5,640 buses and rail cars, plus 650 vanpool vehicles. The system covers 7,200 route miles in the six-county region that currently has a population of approximately eight million people.

Transit reform legislation, House Bill 656, enacted in January 2008 by the Illinois General Assembly, expanded the Authority's Board from 13 to 16 members. The new appointees will serve in five-year terms. The following is a breakdown of the Board make up and the appointing authorities:

- 5 by Mayor of Chicago (appointee cannot be the Chairman of CTA)
- 4 by suburban members of the Cook County Board
- 1 by the President of the Cook County Board (from Suburban Cook County)
- 1 by the Chairman of the DuPage County Board
- 1 by the Chairman of the Lake County Board
- 1 by the Will County Executive
- 1 by the Chairman of the McHenry County Board
- 1 by the Chairman of Kane County Board
- The Board Chair is appointed by 11 members of the Board with at least 2 votes from Chicago, Suburban Cook and the collar counties.

2009 MEMBERS

JIM REILLY
Chairman

JAMES BUCHANAN
City of Chicago

JAN CARLSON
Kane County

WILLIAM R. COULSON
Suburban Cook County

REV. L. TYRONE CRIDER, SR.
Suburban Cook County

PATRICK J. DURANTE
DuPage County

PHIL FUENTES
City of Chicago

AL JOURDAN
McHenry County

DWIGHT A. MAGALIS
Kane, Lake, McHenry and Will Counties

PATRICK V. RILEY, JR.
Suburban Cook County

MICHAEL ROSENBERG
City of Chicago

J.D. ROSS
Will County

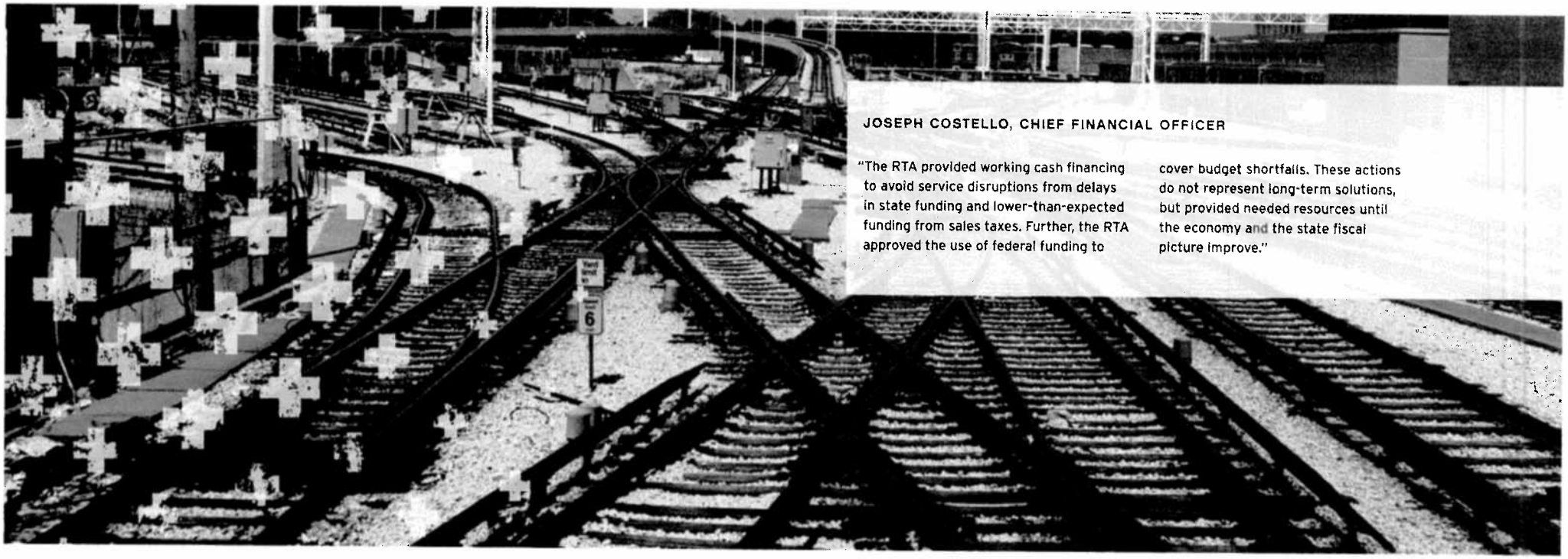
MICHAEL SCOTT (DECEASED)
City of Chicago

DR. HORACE SMITH
City of Chicago

JUDY BAAR TOPINKA
Suburban Cook County

DOUGLAS M. TROIANI
Suburban Cook County

STEPHEN E. SCHLICKMAN
Executive Director



JOSEPH COSTELLO, CHIEF FINANCIAL OFFICER

"The RTA provided working cash financing to avoid service disruptions from delays in state funding and lower-than-expected funding from sales taxes. Further, the RTA approved the use of federal funding to cover budget shortfalls. These actions do not represent long-term solutions, but provided needed resources until the economy and the state fiscal picture improve."

FISCAL RESPONSIBILITY

In 2009, the RTA made decisions that would be fiscally responsible for our riders. The RTA reduced revenue estimates downward by $61 million and immediately began working with the CTA, Metra and Pace to identify solutions to address revenue shortfalls resulting from the current economic crisis. The RTA reduced its own internal operating budget of $36.7 million by 12 percent, saving approximately $4.5 million.

The RTA was responsible for coordinating and managing the finances of the transit agencies, an effort that has become more critical as we continue to confront the impact of our historic economic crisis. We worked with the CTA, Metra and Pace to make every effort to identify solutions that would reduce the need to rely on fare increases or service reductions.

The recession hit all levels of government hard for the last two years and the transit agencies were not immune to the economic crisis. The RTA, like other transit agencies, adjusted to its changing conditions.

ANDREW GRUBER, FORMER SENIOR DEPUTY EXECUTIVE DIRECTOR
LEGAL AND GOVERNMENTAL AFFAIRS

"The capital bill provides essential funding to reinvest in the region's public transportation system. With these funds, more energy efficient buses and locomotives can be purchased, stations can be cleaned and repaired, and tracks can be rehabilitated to ensure continued safety and smooth operation."

REPRESENTATIVE LOU LANG
HOUSE CHIEF SPONSOR OF THE FIRST STATEWIDE CAPITAL BILL IN 10 YEARS

"The capital construction bill provides for $31 billion for the infrastructure needs of our great state. A significant share of these investments, $2.7 billion, will be for northeastern Illinois transit. These new investments will create many jobs and update and maintain services and equipment. Those who use our local transit will find that they have a more efficient and more convenient experience. This is a WIN-WIN for the taxpayers."

CAPITAL FUNDING

The year 2009 brought good news to transit riders with more capital funding than any previous year.

In 2009 the Illinois General Assembly and Governor Quinn approved $2.7 billion in capital funding for northeastern Illinois transit to repair and maintain the transit system. The last state capital bill passed 10 years ago, and the RTA will be using the latest capital funding to bring the regional transit system closer to a state of good repair by replacing outdated vehicles and equipment, aging stations and deteriorating rail ties that were resulting in slow zones.

The state funds were coupled with $414 million in federal stimulus funding that the regional transit system received. Working with the CTA, Metra and Pace, the RTA identified and prioritized the most pressing maintenance needs of the system.

BICYCLE COMMUTER: SERGE LUBOMUDROV

"Living in Chicago, I use the CTA for commuting and for getting around the city. Often, I take my bike along, and the ability to bring it on the train is quite important. Parking is a nightmare in my area; that's why I've never owned a car and don't want to. Public transportation allows me to avoid the hassle. I'll always ride the CTA!"

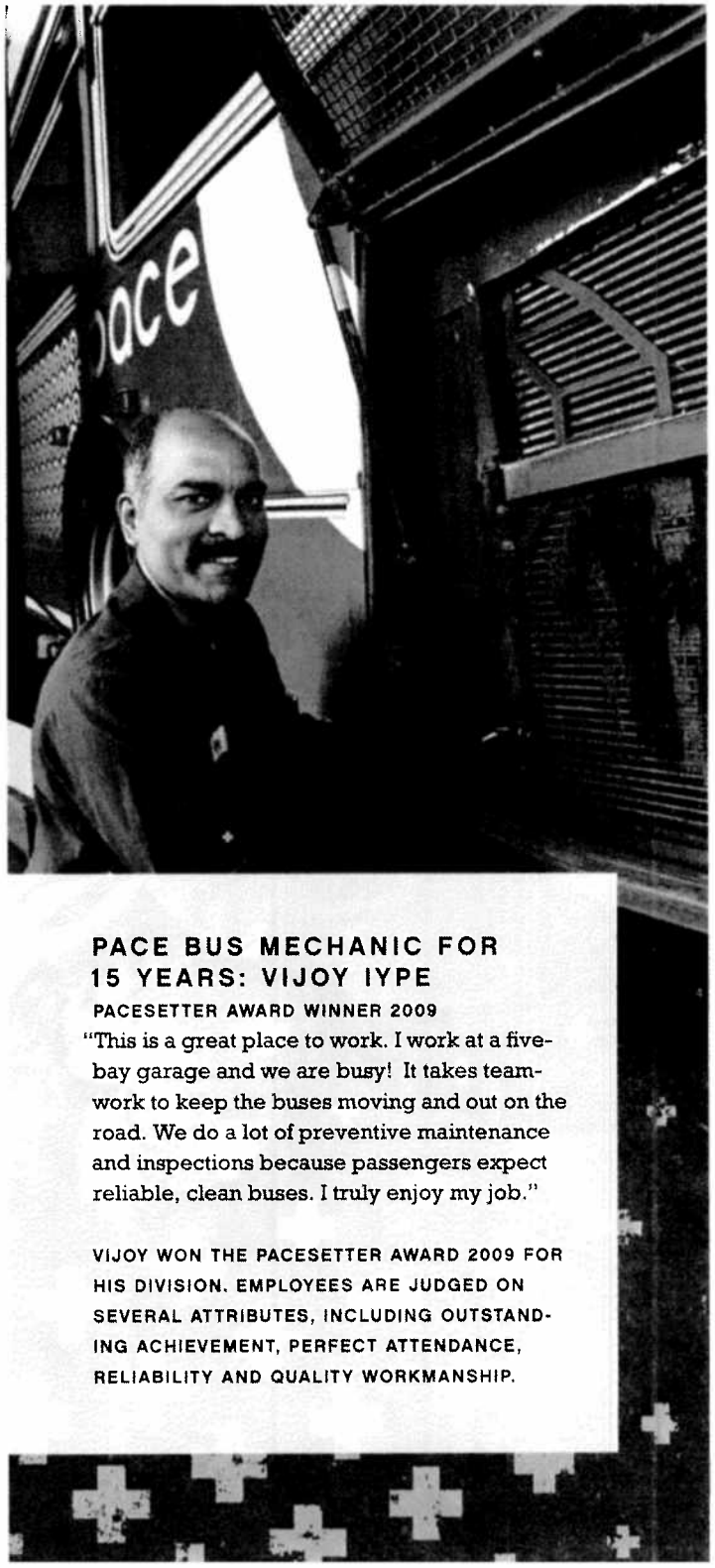
AIMEE LEE, DIVISION MANAGER, STRATEGIC & LONG RANGE PLANNING

"Public transit plays a critical role in the prosperity and vitality of our region. It connects people to jobs, education, health care services and many of the region's key major destinations, such as Midway and O'Hare airports. The benefits of transit are far reaching and go beyond regular riders. An investment in transit is an investment in the long-term well being of our region."

MARKET AND SYSTEMS ANALYSIS

As the RTA works toward a world-class transit system, it understands the importance of knowing the needs of its riders. In 2009, the RTA began a market analysis of travel in the six-county region. The study entailed examining the Chicago Metropolitan Agency for Planning (CMAP) Household Travel Tracker database and a 2009 RTA commissioned survey of riders and non-riders of transit that explored people's attitudes and behaviors about travel. The RTA concluded its data collection effort at the end of August 2009. Between the CMAP and RTA surveys, input from nearly 13,000 households across the region was captured to help paint a picture of regional travel.

The analysis shows that more than 26 million trips are made on an average weekday in our region. The region's travel patterns are highly geographically dispersed with over 60% of travel occurring within the suburban region. While transit accounts for approximately 6% of all trips, 38% of households in the region report using transit over the course of a regular week. Transit serves a critical role in the region's economy as it connects people with jobs, serving 14% of work trips. Survey findings indicate a broad base of support for transit investment. This support was even found to be true among those who do not take transit, pointing to the growing appreciation that the general public has for the broad reaching benefits of transit.



PACE BUS MECHANIC FOR 15 YEARS: VIJOY IYPE

PACESETTER AWARD WINNER 2009

"This is a great place to work. I work at a five-bay garage and we are busy! It takes teamwork to keep the buses moving and out on the road. We do a lot of preventive maintenance and inspections because passengers expect reliable, clean buses. I truly enjoy my job."

VIJOY WON THE PACESETTER AWARD 2009 FOR HIS DIVISION. EMPLOYEES ARE JUDGED ON SEVERAL ATTRIBUTES, INCLUDING OUTSTANDING ACHIEVEMENT, PERFECT ATTENDANCE, RELIABILITY AND QUALITY WORKMANSHIP.

JOHN GOODWORTH, DIVISION MANAGER, PROGRAM COMPLIANCE

"Every asset has an expected life span. Knowledge of an asset's condition allows a consistent method to determine expected comparative costs to either replace an asset at the appropriate time, or to defer and continue maintaining it. Proper maintenance of assets saves taxpayer funds by ensuring that equipment is repaired or replaced at the most cost-effective times."

ASSET CONDITION

The RTA began working on an 18-month assessment of its asset condition report in 2009 to assess the condition of existing capital assets for each of the region's service boards and surrounding suburb area rail system, and Pace (the suburban bus system). The report's intent was to provide the Regional Transportation Authority (RTA) with a plan for a capital asset condition assessment for each Service Board. The process established administrative criteria for the capital replacement, capital rehabilitation and capital maintenance of all assets.

Representatives from the Chicago Transit Authority, Metra and Pace assisted in all aspects of this process including: the design and development of the inventory tables, the condition ratings system based on useful life and industry standards, the definition of "State of Good Repair," the sampling plan and sampling data. Additionally, Asset Information Teams, consisting of representatives from the RTA and its service boards, worked to design and develop the inventory framework which looked at five asset types:

+ Track and Structures
+ Electrical/Subway Equipment
+ Signals/Communications/Fare Collection
+ Stations/Garages/Facilities
+ Rolling Stock

The initial 10-year capital needs assessment is based on cost components for backlog — assets that are still in service and typically have not been replaced within their useful life due to a lack of sufficient funding; normal replacement costs — which are the planned replacement cost for assets that will reach the end of their useful life during the 10-year program; capital maintenance — typically significant and anticipated costs associated with keeping the asset in service for the full term of its useful life; soft costs — includes in-house agency staff, government related support staff and the use of consultants for particular tasks; and contingency costs — unforeseen emergencies or design shortfalls typically identified after a project commences. The results of the study will be published in 2010.

GRACE GALLUCCI, DEPUTY EXECUTIVE DIRECTOR
RESEARCH, ANALYSIS & POLICY DEVELOPMENT

"The Performance Measures Report Card gives public officials and the public a level of confidence that transit system administrators are utilizing tax dollars in an effective way. For 2009, tight controls of costs led to improvements in efficiencies, and the quality of service delivered was maintained."

PERFORMANCE MEASURES

In 2009, the RTA developed and implemented the first phase of a comprehensive performance measure system with the objective of improving the transparency, accountability and overall service of the region's public transit system.

As part of this effort, the RTA compiled and released a report card which satisfied the requirements in the 2008 transit reform legislation and recommendations made by the Illinois Auditor General in a 2007 performance and funding audit. It was the first report of its kind to be created and published by the agency.

The report card found that the overall performance of the transit system is relatively good, but serious challenges still exist, primarily due to a lack of capital investment. The report highlights increases in the levels of service provided, as well as increases in ridership. It also demonstrates successful efforts to improve system maintenance.

Performance Measures are part of the RTA's oversight function to help manage the region's public transit system. They evaluate factors such as service coverage, efficiency and effectiveness, delivery, maintenance and capital investment, and service level solvency. Through aggregated data from the CTA, Metra and Pace, the RTA and the region's taxpayers will have a better sense of how these agencies are collectively meeting their mission, and thus the transit needs for the region.

STUDENT RIDER: GENIE BRYANT

"As a DePaul student, I ride the bus and train every day. I live near the Lincoln Park campus, but commute to the Loop for a class. Coming from the suburbs, I never used public transportation. Now, I use it all the time to explore Chicago. I go to Chinatown, to Loyola to meet friends, and even up to Evanston. It's more social than driving, and no traffic!"

FUNDING PROGRAMS

The RTA's Funding Programs offer planning, operating, and capital grants for a variety of projects. The programs are consistent with the RTA's legislative mandates and Strategic Plan, and coordinated with the annual budget process. Two of the programs, Community Planning and Subregional Planning, provide funding for planning studies and initiatives. The other two programs, Innovation, Coordination and Enhancement (ICE) and Job Access Reverse Commute/New Freedom (JARC/NF), provide funding for transit operating and capital projects.

The Funding Programs provide value to a wide variety of recipients, including municipalities, counties, private non-profits, private transportation operators and the RTA Service Boards. Each recipient's needs are different, and the RTA Funding Programs offer support and a path to implementation. The Funding Programs also provide a unique opportunity for the RTA and its Service Boards to coordinate at the local level to not only create plans or implement projects, but to facilitate intergovernmental cooperation and relationship building. During the past decade, the RTA has leveraged its own funds with federal, state and local funds to program nearly 150 projects.

Each year, the RTA conducts a transparent process consisting of outreach, open houses, a "call for projects," the development of a preliminary program of projects, a public participation process, and ultimately the selection and approval of projects for inclusion in the Funding Programs. In 2009, the RTA Funding Programs funded 19 projects and allocated more than $11 million in federal, local and RTA funds.

The RTA Funding Programs are recognized nationally as a best practice of grant making in the public transportation field. The RTA approaches each potential applicant as a partner in achieving mutual goals. Potential applicants receive valuable guidance, support and advice from the RTA, even if not selected for the programs. For those that are awarded grants, the RTA maintains a strong and committed presence throughout the development, execution and implementation of the project.

EVERY DAY RIDER: NICOLE GOTTHELF

"I use public transportation to go everywhere — I don't own a car. Whether at work or home, I'm close to a bus stop or a station, and that makes it so convenient to use. The improved stations are great. I wish we invested more in transit; a good system means fewer cars on the road and less congestion. I can relax with my book, and I never sit in traffic. Mass transit rules!"

JAY CIAVARELLA
DIVISION MANAGER

"The RTA Funding Programs use a comprehensive set of selection criteria to ensure that critical projects are funded. These programs provide valuable planning for the increased use of public transit, a way to encourage sustainable growth, a proven method to seek investments that maximize beneficial returns, and improved access to jobs in our region."

CAPITAL PROGRAMS OVERVIEW

The RTA Act requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuous 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 primary emphasis of the 2009 Capital Program is to continue efforts to bring the system's assets to a State of Good Repair. When replacing worn out items, it is imperative to utilize modern technologies that often result in improved functionalities of equipment, facilities and rolling stock. In addition, a balanced Capital Program is responsive to customer needs and shifting markets by including investment in system expansion. For the 2009 Capital Program, the percent of the budget for capital projects to maintain the system is 93 percent. While the current funding level does not satisfy all needs, an appropriate balance of investment is achieved in light of the current condition of the RTA system.

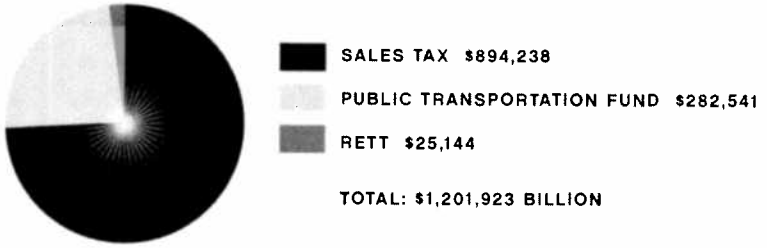
2009 CAPITAL PROGRAMS FOR THE CTA, METRA AND PACE SIGNIFICANT PROJECTS INCLUDED IN THE ADOPTED 2009 CAPITAL PROGRAM:

- $97.6 million for the repair of CTA track and structure
- $57.7 million for the continuation of the purchase of CTA buses
- $42.9 million for the upgrade of power distribution and signal systems
- $42.3 million for the expansion of the CTA Ravenswood Brown Line
- $27.4 million for the purchase of 406 CTA rail cars
- $26.5 million for the rehabilitation and overhaul of CTA rail cars
- $19.8 million for the rehabilitation and overhaul of CTA buses
- $19 million for the improvement of CTA facilities
- $74.1 million for Metra bridge rehabilitation and renewal
- $70.6 million for the rehabilitation and improvement of Metra locomotives
- $19.7 million for the rehabilitation of Metra commuter rail cars
- $18.1 million for the upgrade of Metra signal systems
- $16.2 million for the rehabilitation and improvement of stations
- $25.4 million for the purchase of Pace fixed route buses
- $15.8 million for the purchase of Pace paratransit vehicles
- $6.2 million for the purchase of Pace vans and community vehicles
- $4.4 million for the purchase of the replacement for the HPe3000 computer system and $3.2 million for improvements to Pace garages and facilities
- $1.7 million for the purchase of a replacement of Pace's fixed route radio system

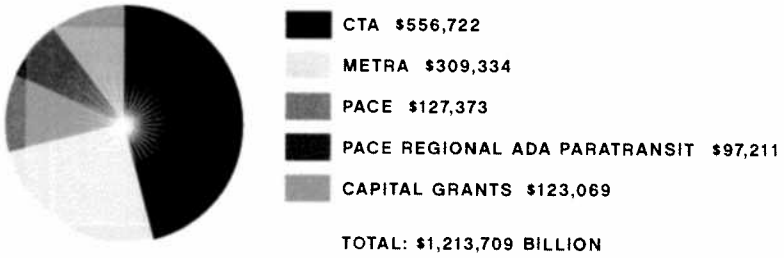
SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS ENDING DECEMBER 31, 2009

CTA—BUS	318.7
CTA—RAIL	202.6
METRA	83.1
PACE SUBURBAN SERVICE	32.3
PACE REGIONAL ADA PARATRANSIT	2.8
TOTAL:	639.5 MILLION RIDERS

RTA REVENUE BY SOURCE (IN MILLIONS) ENDING DECEMBER 31, 2009



DISTRIBUTION OF FUNDING (IN MILLIONS) ENDING DECEMBER 31, 2009



FINANCIAL OVERVIEW

Like most of the transit systems around the country, the 2009 recession and economic crisis had a dramatic impact on the RTA's regional transit system. The majority of operating funds produced by RTA sales tax, Public Transportation Funds (PTF) and the City of Chicago Real Estate Transfer Tax (RETT) fell significantly. These operating dollars support the daily operation of our transit system such as maintenance and repairs, fuel and other ongoing costs to keep our buses and trains operating. As the economy continued to struggle and revenues declined, the RTA updated revenue estimates in April and then again in June. Total revenues decreased by as much as 21.8% compared to our original recession projections, creating a shortfall of approximately $328.2 million.

The falling revenues forced the RTA to make serious cost-saving measures for our regional system that accommodated our more than two million daily riders. The RTA worked with the CTA, Metra and Pace to successfully shift funds from existing programs, reduce administrative expenses, provide working cash to the transit agencies and facilitate state and federal assistance to help close the budget gap.

These measures reduced each agency's budget, making it smaller than the previous year and minimizing the effects on the rider. Additionally, employees were required to take unpaid workdays and holidays, salaries were frozen, more than 1,000 employees were laid off, and service cuts and increased contributions from employees for benefits such as health care were implemented.

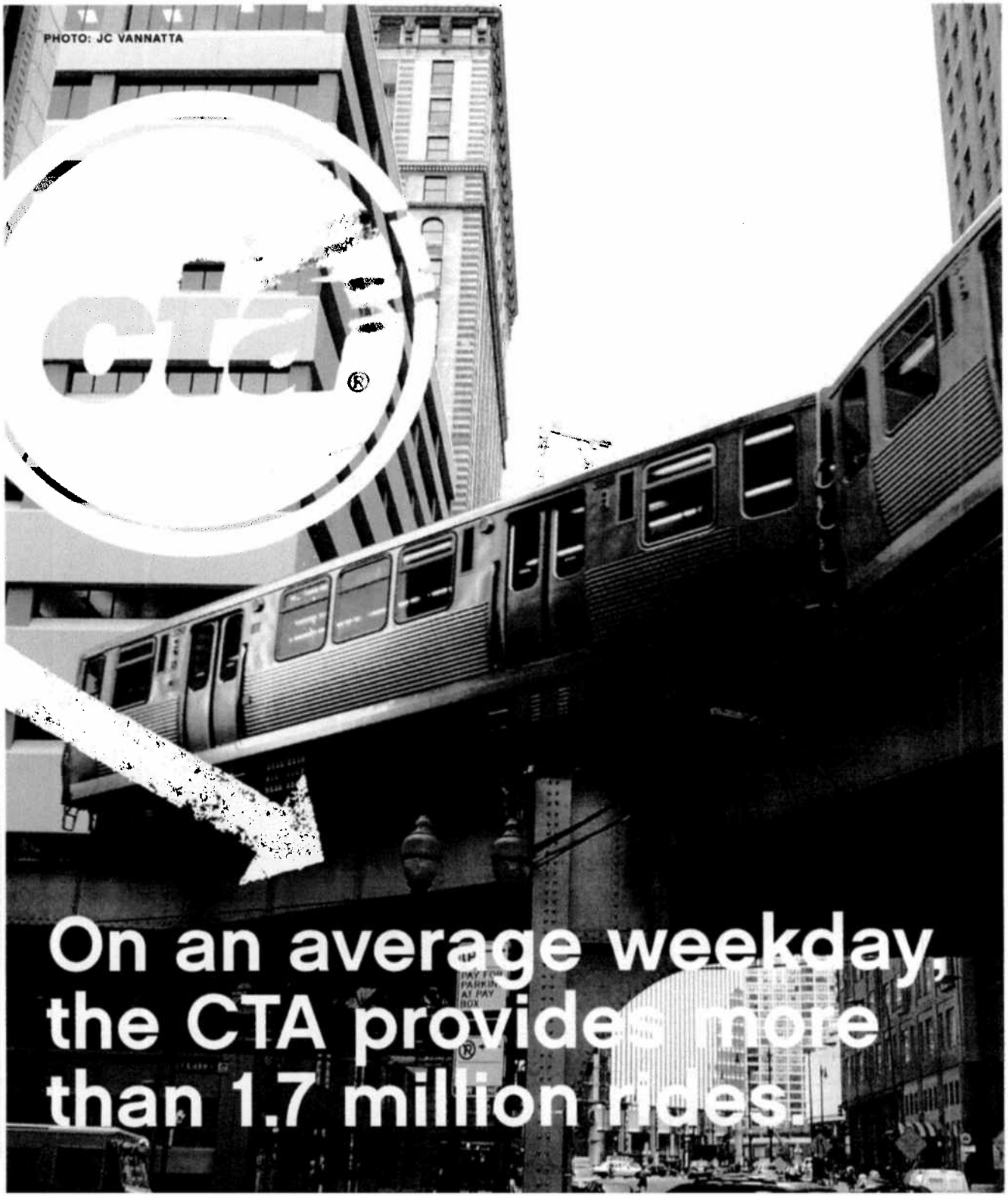
The RTA continues to make great strides in improving its transit system, working with each transit agency to ensure riders have safe and reliable service across the region.

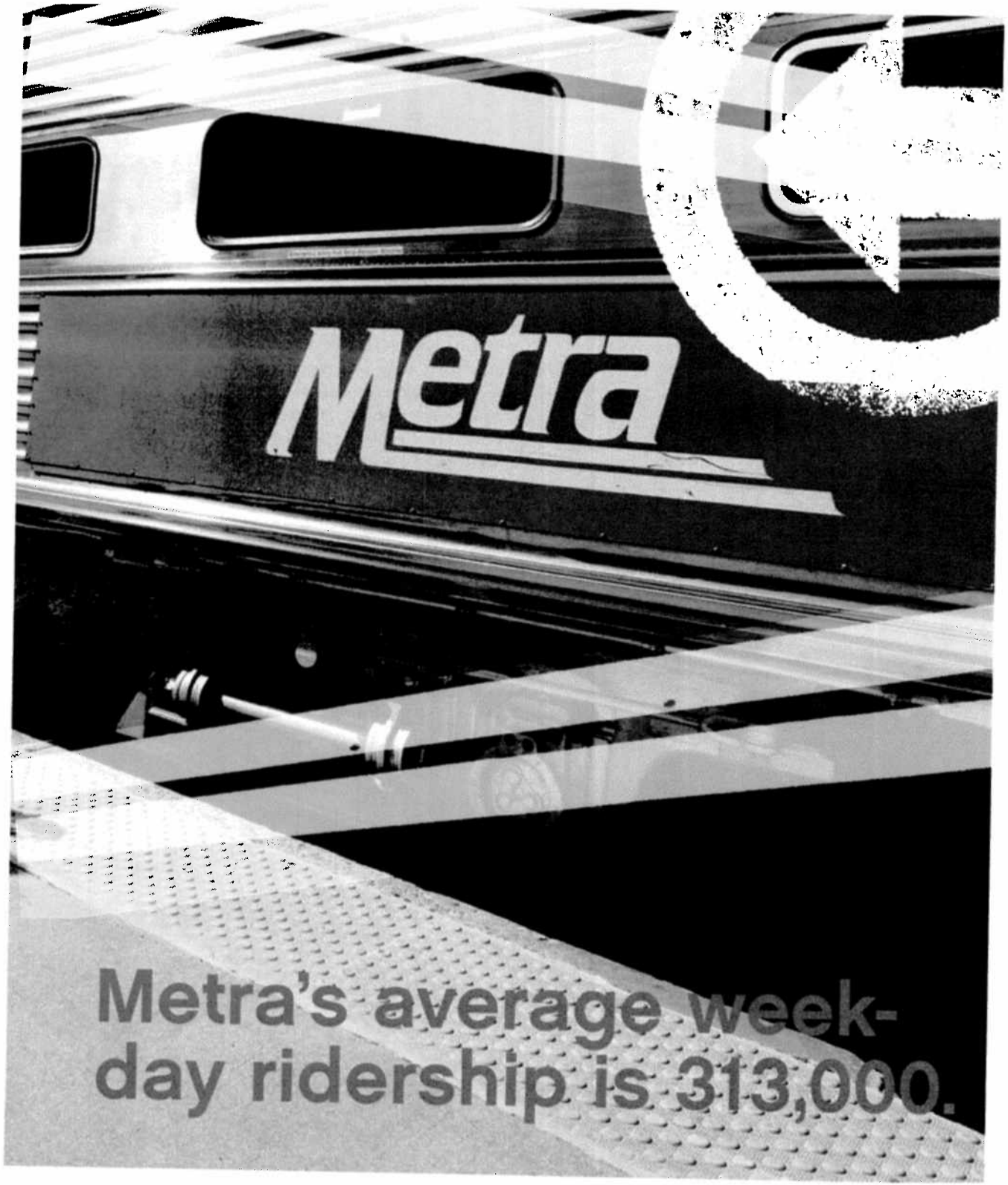
THE CHICAGO TRANSIT AUTHORITY

BOARD CHAIR: TERRY PETERSON
PRESIDENT: RICHARD L. RODRIGUEZ

The Chicago Transit Authority (CTA) is the nation's second largest public transportation system, covering the City of Chicago and 40 surrounding suburbs. On an average weekday, the CTA provides more than 1.7 million rides. With nearly 1,800 buses that operate over 140 routes and nearly 1,200 rail cars operating over eight rail lines, many of which operate 24 hours a day. CTA is responsible for providing more than 81 percent of public transit trips in the six-county region. The CTA was created by the Illinois State legislature in 1947 and became the predominant operator of Chicago transit after purchasing the Chicago Motor Coach system.

The Chicago Transit Authority is governed by a seven-member Chicago Transit Board.





METRA

BOARD CHAIR: CAROLE R. DORIS
EXECUTIVE DIRECTOR: PHIL PAGANO (DECEASED)

Metra was formed in November 1983 as part of the reorganization of the RTA by the State of Illinois. Metra 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. Geographically, the Metra system is the largest in the United States, and its operational interface with an extensive freight network makes it arguably the nation's most complex.

The Metra rail system is comprised of 11 separate lines, which run north, west and south of the Chicago central business district. The system extends 565 route-miles to the limits of the six-county area and serves 239 local rail stations in more than 100 communities. The network itself is made up of more than 1,100 pieces of rolling stock, 800 bridges, more than 2,000 signals, 16 rail storage yards and six major maintenance facilities.

Metra's average weekday ridership is 313,000.

Metra is governed by an 11-member Board of Directors.

PACE

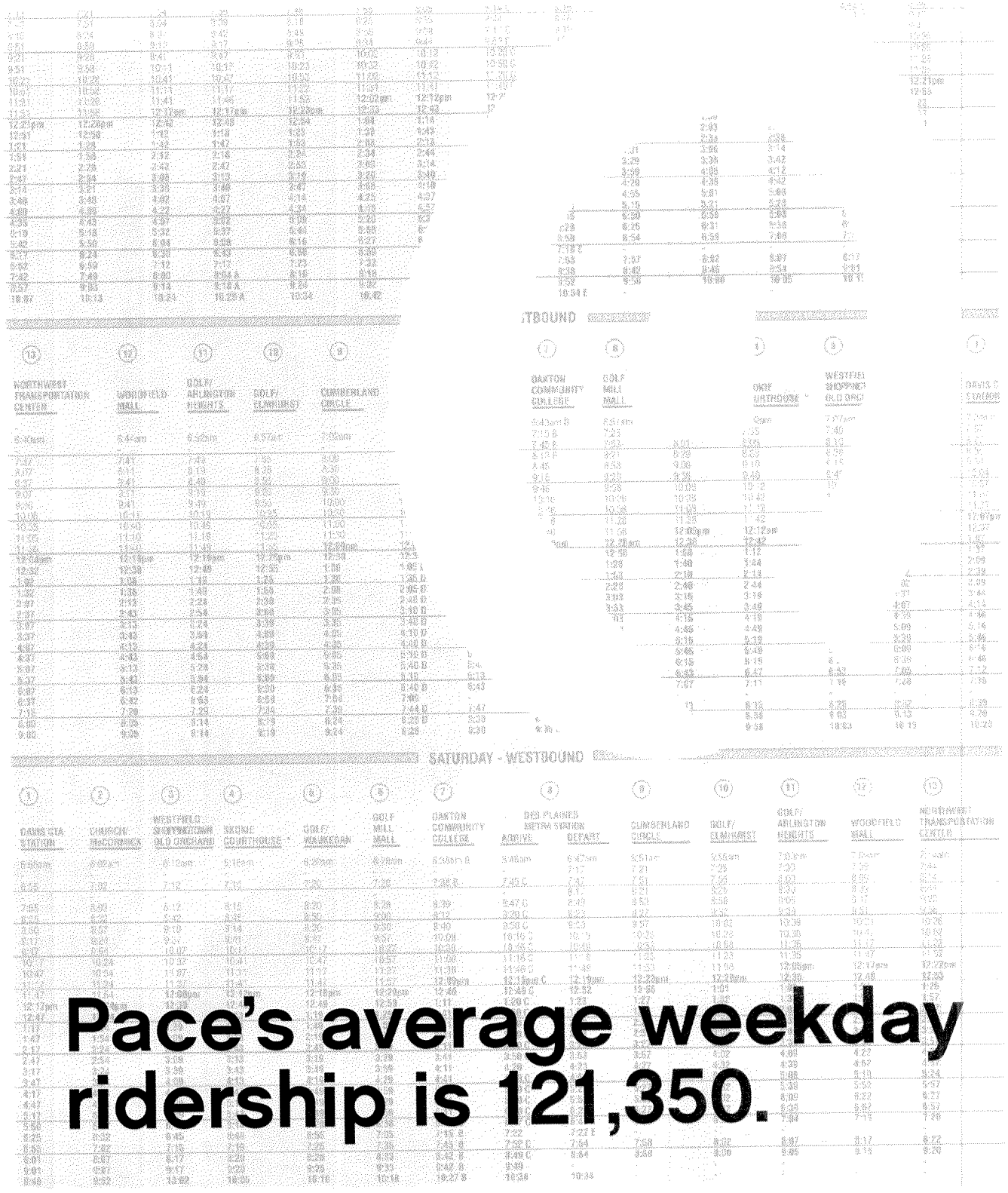
BOARD CHAIR: RICHARD KWASNESKI
EXECUTIVE DIRECTOR: T.J. ROSS

Pace was formed in 1983 as part of the reorganization of the Regional Transportation Authority and began service in 1984. Pace's mission is to provide efficient well-integrated fixed route, vanpool and paratransit transportation services that meet the travel needs of the suburban Chicago area.

Pace's service area measures 3,700 square miles. The suburban area is divided among the six counties and incorporates 284 municipalities. Transportation needs in this broad area are as unique as the individual communities Pace serves. Pace fixed route service includes approximately 143 regular routes, 50 feeder routes and 16 shuttle routes. The fleet is comprised of 701 buses, 610 vanpool vehicles, 366 Pace-owned ADA paratransit vehicles and 80 Community Transit Vehicles.

Pace's average weekday ridership is 121,350.

Pace is governed by a 13-member Board of Directors.



Pace's average weekday ridership is 121,350.

FAMILY RIDERS: STACEY CARAGHER AND SONS

"I've used Pace and Metra for 20 years, and I enjoy the ease of the ride, and the money I save! My children love taking the train to Brookfield Zoo and to Chicago — we enjoy seeing the towns the train goes through. I only wish we had more access to public transportation. We rely so much on our own vehicles and if we used public transportation more, the environmental effects would be great."

GREEN TRANSIT PLAN

The RTA teamed up with several regional partners to convene the Regional Sustainability Working Group, tasked with identifying ways to increase public transportation's role in reducing the impacts of climate change and protecting the region's environment. Consisting of representatives from the RTA, CTA, Metra, Pace, Illinois Department of Transportation (IDOT), Chicago Metropolitan Agency for Planning (CMAP), Chicago Department of Environment and Chicago Department of Transportation (CDOT), the working group is developing the Regional Green Transit Plan. Funded by an Illinois State Planning and Research grant, the plan will recommend strategies to improve the energy efficiency of the region's public transportation system and reduce the overall impact of transportation on the region's environment. The RTA intends to use the plan to educate the public about the environmental benefits of transit and demonstrate the ability of transit to reduce regional greenhouse gas emissions.

UNIVERSAL FARE PAYMENT SYSTEM

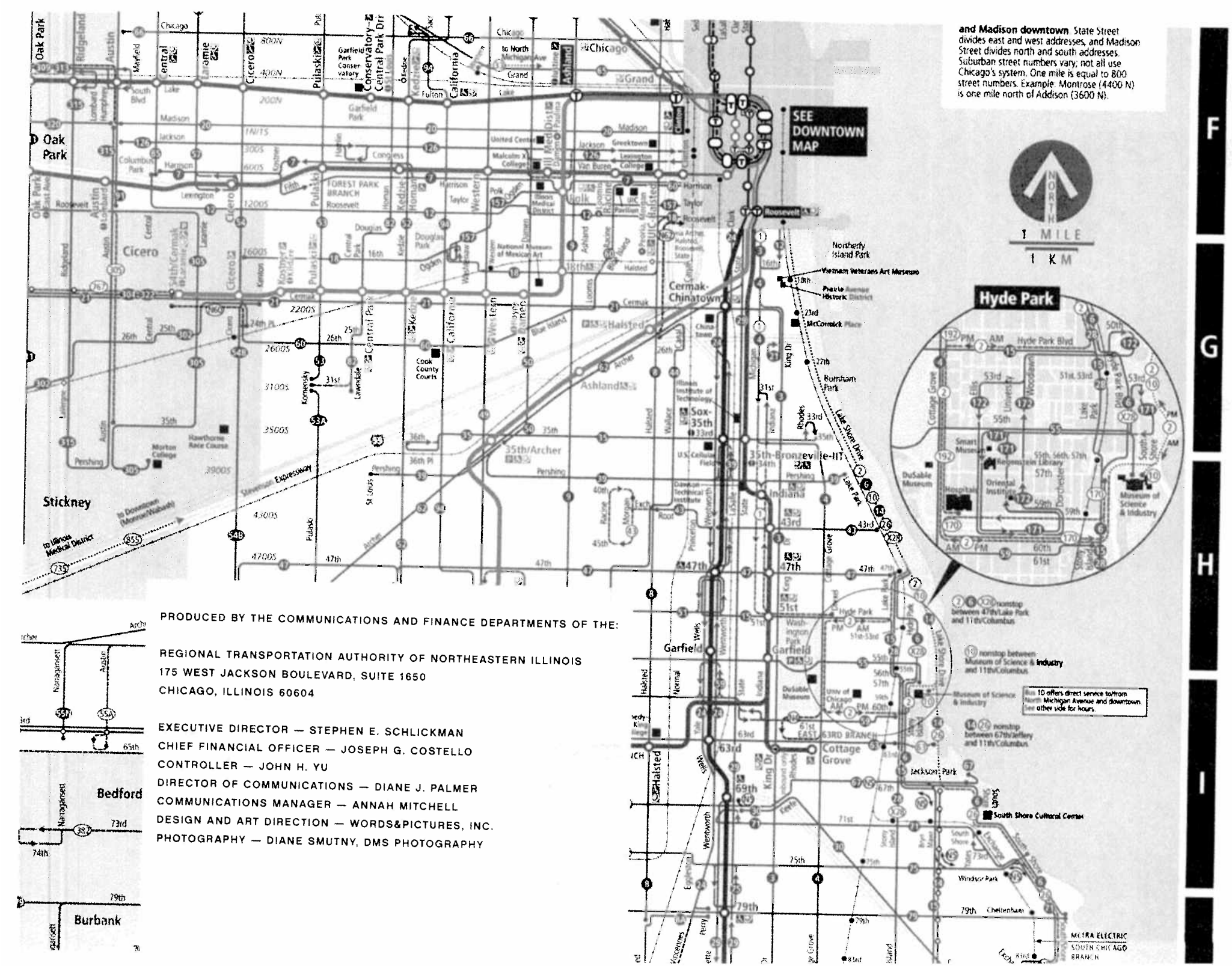
Fare coordination is one of the ways the RTA wants to promote seamless regional mobility. A major goal of fare coordination is to make it easier for customers to pay for travel on different segments of the RTA system by using one simple form of payment. The original idea was that a single transit card would accomplish this. Following the lead of the financial and retail merchants, the RTA is exploring the concept of open payment as a way to cost-effectively deliver a regionally coordinated fare payment system.

The open payment approach takes advantage of the financial and retail sectors' transition into open interoperable standards for contactless payments. Ultimately, we are seeking a "smart chip" technology that takes advantage of these open standards. We envision a suite of regionally coordinated fare products that would be available in a variety of formats (credit/debit cards, pre-loaded gift cards, cell phones, key fobs, etc.) that could be used interchangeably to pay for travel on CTA, Pace and Metra services. The RTA believes that the open payments approach would make transit travel more attractive from the customer's perspective, expanding our market share for regional travel.

BRT INITIATIVES

In 2009 the RTA launched a Phase I study in partnership with IDOT and Pace to explore the opportunity to run buses on the shoulder of I-55. The concept of running buses on the shoulder has been implemented in a handful of other regions such as Minneapolis and Cincinnati. It is proposed to be a low cost means to maximize the utility and capacity of the existing roadway infrastructure. By allowing buses to run on the shoulder, buses are able to bypass regular traffic and achieve greater travel time savings and better schedule adherence.

The Phase I study will focus on further development of the bus-on-shoulder concept, assess the opportunities for buses to run on the shoulder of I-55, explore cost implications, identify safety concerns and estimate travel time savings. The study is scheduled for completion by end of 2010.



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REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1650
CHICAGO, ILLINOIS 60604

EXECUTIVE DIRECTOR — STEPHEN E. SCHLICKMAN
CHIEF FINANCIAL OFFICER — JOSEPH G. COSTELLO
CONTROLLER — JOHN H. YU
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COMMUNICATIONS MANAGER — ANNAH MITCHELL
DESIGN AND ART DIRECTION — WORDS&PICTURES, INC.
PHOTOGRAPHY — DIANE SMUTNY, DMS PHOTOGRAPHY

F G H I

THE RTA GRATEFULLY ACKNOWLEDGES THE COOPERATION OF THE CHICAGO TRANSIT AUTHORITY, METRA AND PACE IN THE ASSEMBLY OF THIS REPORT.

REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 WEST JACKSON BOULEVARD, SUITE 1650
CHICAGO, ILLINOIS 60604
PHONE: 312.913.3200
FAX: 312.922.9274
E-MAIL: COMMUNICATIONS@RTACHICAGO.ORG
WEB: WWW.RTACHICAGO.COM

102f

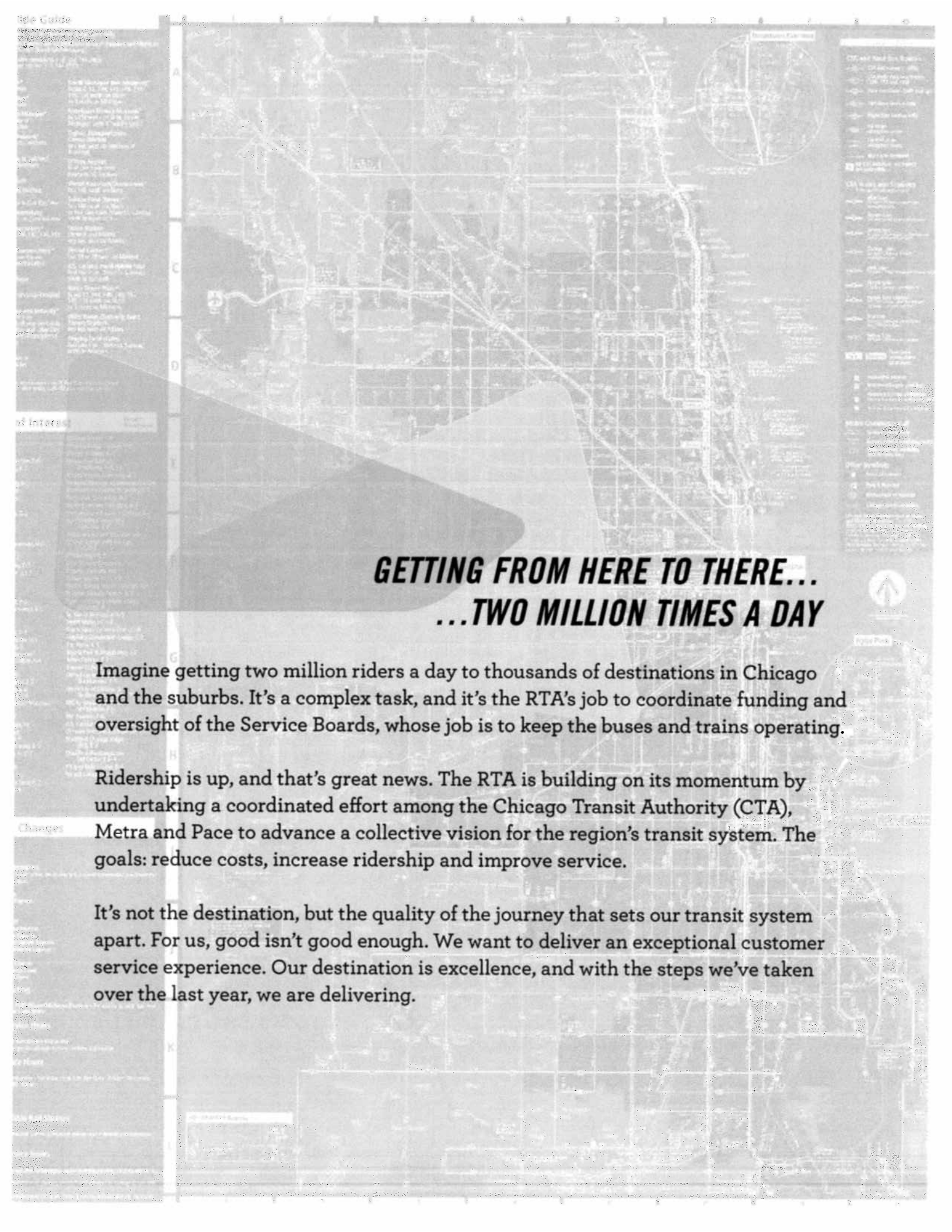
Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

2011 POPL

Fiscal Year Ended December 31, 2011

DESTINATION: EXCELLENCE



GETTING FROM HERE TO THERE...
...TWO MILLION TIMES A DAY

Imagine getting two million riders a day to thousands of destinations in Chicago and the suburbs. It's a complex task, and it's the RTA's job to coordinate funding and oversight of the Service Boards, whose job is to keep the buses and trains operating.

Ridership is up, and that's great news. The RTA is building on its momentum by undertaking a coordinated effort among the Chicago Transit Authority (CTA), Metra and Pace to advance a collective vision for the region's transit system. The goals: reduce costs, increase ridership and improve service.

It's not the destination, but the quality of the journey that sets our transit system apart. For us, good isn't good enough. We want to deliver an exceptional customer service experience. Our destination is excellence, and with the steps we've taken over the last year, we are delivering.

JOHN S. GATES, JR.
RTA Board Chairman

JOSEPH G. COSTELLO
RTA Executive Director

LETTER FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

We're happy to report that many more people are using public transportation in Chicago, and that resulted in better news for the region's transit system in 2011. In fact, we experienced the second-highest annual ridership since 1990, just slightly below our peak 2008 levels. Ridership increased 2.9% over 2010, to 651.8 million riders.

While the increases are attributed to skyrocketing gas prices and a slight uptick in the economy and employment, it was nonetheless good news for the CTA, Metra and Pace, collectively known as the "Service Boards." Higher ridership at each Service Board resulted in increased fare revenues. This, in turn, helped offset higher operating expenses, such as fuel, as the Service Boards managed their budgets over the course of the year.

As ridership increases, so does the responsibility of the RTA to our customers. We launched an effort with the CTA, Metra and Pace to operate guided by five priorities in order to advance a collective vision for the region's transit system. Leadership from all three agencies provided input and endorsed this collaborative effort to reduce costs, increase transit ridership and improve service.

The five priorities are:

STRATEGIC CAPITAL INVESTMENT
Paradoxically, one sometimes needs to spend money to save it. This priority will focus on an objective and systemic approach to support capital projects that could result in reductions in operating expenditures and recommending priority projects based on available capital funds.

ECONOMIES OF SCALE
Unifying our purchasing efforts with the three Service Boards and joining with other government agencies could achieve cost savings and improve efficiency with purchases such as fuel, insurance and utilities.

MAXIMIZE USE OF THE TRANSIT SYSTEM
The goal is to attract more riders by better tapping markets that will use the system at non-peak periods and where capacity has not been maximized. By improving coordination in marketing and access to transit, we are exploring opportunities to better reach the reverse commute markets, as well as increasing ridership in the evening and on weekends.

ENHANCED CUSTOMER EXPERIENCE
How do we make the commute more convenient and enjoyable? By focusing on targeted capital and technology related projects that deliver a superior experience, such as Wi-Fi, improved wayfinding signage, expanded service information and fare payment coordination. In serving our customers better, we can increase system usage.

COORDINATED GOVERNMENT AFFAIRS, MARKETING, AND OUTREACH
Pooling our efforts ultimately strengthens our reach. We're coordinating with the CTA, Metra and Pace on customer information and better leveraging our partners and other stakeholders.

As we strive to further improve the customer experience, we continue to advocate for critically needed federal funding that will allow us to achieve a State of Good Repair. Only with the appropriation of increased, stable and long-term funding can we successfully provide the level and quality of service that our two million daily riders deserve. At the state level, we are still faced with delinquent payments that are tied to financial malaise affecting all agencies. We appreciate the efforts of state and federal legislators that support our transit system and who understand that it fuels our regional economy, helps reduce traffic congestion and improves our quality of life.

All of the agencies have been working to achieve efficiencies, but having the five priorities in place will help maximize results and reduce expenses. Specifically, this effort means that the RTA will be able to provide greater mobility, transit that is even more accessible and state-of-the-art technology that will deliver a better overall customer experience.

Thank you for your continued support.

This is the RTA's annual report, formally known as the Popular Annual Financial Report (PAFR). It is intended to help you understand the RTA's role in the provision of public transit to our customers and to taxpayers in the six-county service area of northeastern Illinois. This report does not provide all of the detailed information that is contained in the RTA's Comprehensive Annual Financial Report (CAFR). For those interested in a higher level of financial detail, the 2011 RTA CAFR and 2011 RTA PAFR are available on the RTA's website at http://rtachicago.com/about-the-rta/rta-documents.html.

RTA PROFILE

The Regional Transportation Authority (RTA) is the oversight, funding, and regional planning agency for the three transit operators which serve northeastern Illinois: the Chicago Transit Authority (CTA) bus and rail, Metra commuter rail, and Pace suburban bus and regional paratransit. The agency was created in 1974 upon the approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry, and Will counties. The RTA is a special purpose unit of local government and a municipal corporation of the State of Illinois. From the time of its inception, the RTA's mission has been to ensure financially sound, comprehensive, and coordinated public transportation for northeastern Illinois.

The CTA, Metra, and Pace autonomously manage their respective transit operations. Each is led by a Board of Directors that determines levels of service, passenger fares, and operational policies. The RTA's oversight responsibility is guided by the RTA's Board of Directors, which approves an annual budget, a two-year financial plan, and a strategic plan to guide all the agencies in achieving their common mission of providing a convenient, affordable, reliable, and safe transit system for the region. The Board consists of sixteen members appointed from the six-county region and led by a chairman. The RTA Board is also required to review and approve a five-year capital plan annually, providing a blueprint of the capital activities to be executed by the CTA, Metra, and Pace.

The RTA regional system is the third largest in the country as measured by unlinked passenger trips, with more than two million daily riders. The combined assets of the RTA system are valued at more than $142 billion and include 2,728 buses, 2,419 rail cars, 157 locomotives, and 696 vanpool vehicles. The system covers 7,200 route miles in the six-county region, which currently has a population of approximately 8.3 million.

The annual resources required to operate the region's public transportation system total approximately $2.5 billion. In addition, the RTA system has a five-year capital program funded at approximately $4.4 billion. The following table shows the breakdown of 2011 actual annual operating expenses and the five-year capital program for the Service Boards and RTA.

AGENCY	2011 ANNUAL OPERATING EXPENSES *(in millions)*	2011–2015 FIVE-YEAR CAPITAL PROGRAM *(in millions)*
CTA	$ 1,292.3	$ 2,242.5
Metra	$ 644.3	$ 1,747.1
Pace	$ 179.7	$ 333.5
Pace ADA	$ 128.1	$ 31.7
RTA Agency	$ 32.0	—
Regional (debt, insurance, capital)	$ 245.6	---
TOTAL	$ 2,522.0	$ 4,354.8

2011 BOARD OF DIRECTORS

John S. Gates, Jr.
RTA Board Chairman

Carole Brown
City of Chicago (Appointed December 2011)

James Buchanan
City of Chicago

Jan Carlson
Kane County

William R. Coulson
Suburban Cook County

Rev. L. Tyrone Crider, Sr.
Suburban Cook County

Patrick Durante
DuPage County

John V. Frega
Suburban Cook County

Phil Fuentes
City of Chicago

Al Jourdan
McHenry County

Dwight A. Magalis
Lake County

Sam Mencoff
City of Chicago (Appointed December 2011)

André Rice
City of Chicago

Michael Rosenberg
City of Chicago (October 1995 - December 2011)

J.D. Ross
Will County

Dr. Horace E. Smith
City of Chicago (February 2009 - December 2011)

Donald L. Totten
Suburban Cook County

Douglas M. Troiani
Suburban Cook County

Joseph G. Costello
Executive Director

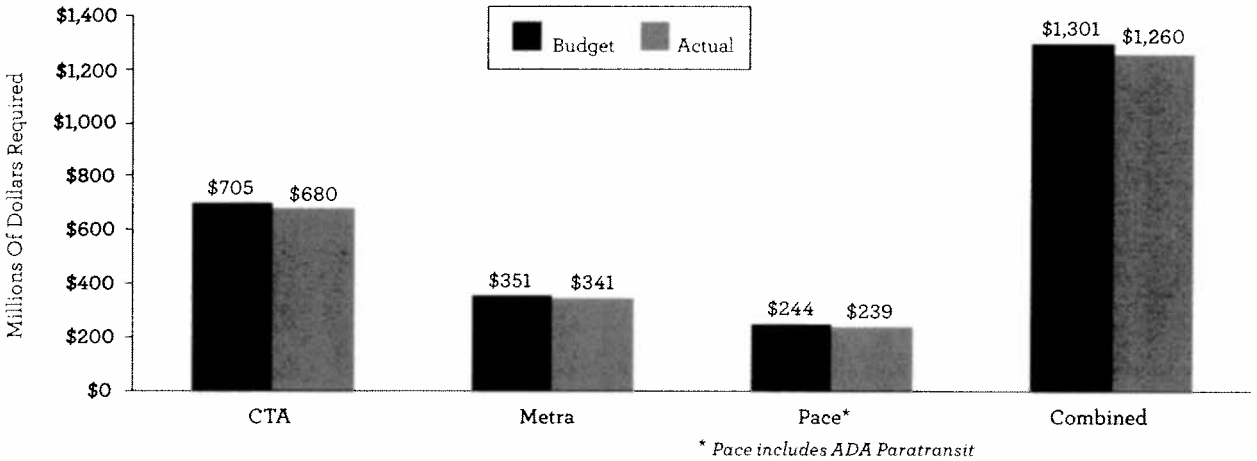
RTA'S FISCAL RESPONSIBILITY

The RTA is not a transit operator, but rather a planning, funding, and oversight agency. Transit services are provided by the CTA, Metra, and Pace, also referred to as the "Service Boards." The relationship of the RTA and the Service Boards is somewhat unique when compared to other major public transit systems around the country.

The Service Boards develop, adopt, and submit to the RTA their own individual annual budgets, which the RTA Board must review, approve, and adopt. The RTA then monitors the financial and operational performance of each Service Board on a monthly and quarterly basis to ensure compliance with their adopted budgets. In the event of significant non-compliance to budgetary goals, the RTA may require a revised budget to be submitted by the Service Board. This review can even lead to the withholding of up to 25% of regional sales tax funding from the Service Board until the RTA is satisfied that the revised budget is back in compliance.

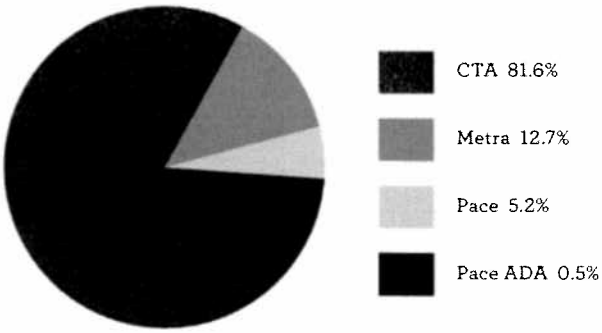
The Service Boards' 2011 budgets were developed with the ongoing weak economic environment in mind. As 2011 progressed, the regional employment picture began to improve and ridership exceeded projections at all three Service Boards. Higher fuel prices impacted Metra's expenses to the extent that the RTA required an amended 2011 Metra budget using the process described above. For the full year, all three Service Boards had operating deficits that were favorable to final budgets by a combined $71 million, allowing for the transfer of some Service Board funds to support needed capital projects.

2011 SERVICE BOARD OPERATING DEFICITS (FUNDING REQUIREMENTS)



** Pace includes ADA Paratransit*

2011 RIDERSHIP SHARE BY SERVICE BOARD: 651.8 MILLION RIDES



SERVICE DELIVERY AND RIDERSHIP

Higher gas prices and a slowly improving economy in 2011 led to the second-highest annual ridership since 1990, just slightly below 2008 levels. The RTA system carried a total of 651.8 million riders, an increase of 2.9% from 2010.

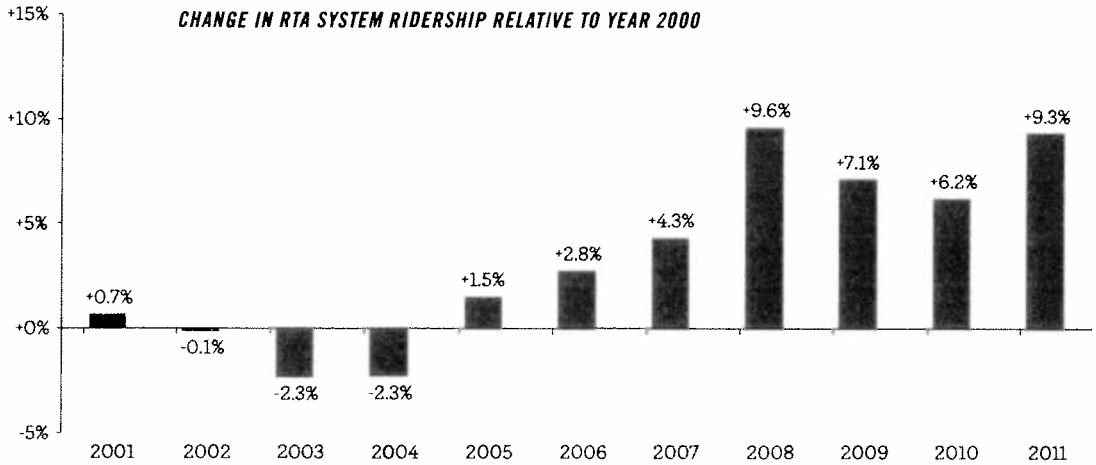
The CTA, with weekday ridership of more than 1.6 million, carries the largest number of customers in the RTA system, but on relatively short urban trips. Its bus and rail operations comprise the nation's second largest transit agency, with service to the City of Chicago and 40 surrounding suburbs. The CTA was created by the Illinois State legislature in 1947 and became the predominant operator of Chicago transit after purchasing the Chicago Motor Coach system in 1952. It is governed by the 7-member Chicago Transit Board.

Metra was formed in 1983 and is responsible for the day-to-day operations of the region's commuter rail system. With 11 rail lines extending to the limits of the six-county area, it is geographically the largest commuter operation in the United States. Metra has weekday ridership of more than 300,000 with an average passenger trip distance of about 23 miles. It is governed by an 11-member Board of Directors.

Pace began service in 1984 and provides fixed-route bus, demand-response "dial-a-ride," and vanpool services within and between the suburbs and the City of Chicago. Pace is also responsible for ADA paratransit service for the entire region. Pace's weekday ridership is in excess of 125,000, with over 12,000 of those rides provided on ADA paratransit. Pace is governed by a 13-member Board of Directors.

Over the course of the last decade, total RTA system ridership dipped in the wake of the 2001 recession, then recovered and peaked in 2008 prior to the financial crisis, when gasoline prices were near record high levels. The 651.8 million trips taken in 2011 were 55.6 million more than year 2000 levels.

CHANGE IN RTA SYSTEM RIDERSHIP RELATIVE TO YEAR 2000



OPERATING CHARACTERISTICS

CHICAGO TRANSIT AUTHORITY

Rapid Transit

8 rail routes
143 stations served
1,142 rapid transit cars
221.6 million riders per year
1,598 STO* positions

Motor Bus

140 bus routes
1,780 buses
310.4 million riders per year
3,710 STO* positions

CTA Totals

1.4 billion rail passenger miles per year
712.9 million bus passenger miles per year
116.7 million vehicle revenue miles per year
3,784 without STO* positions

**STO is Scheduled Transit Operators. This classification includes bus operators, motormen, conductors and customer assistants.*

METRA COMMUTER RAIL DIVISION*

11 rail routes
487.7 route miles
1,155 miles of track
241 stations
157 locomotives
1,086 passenger cars
191 electric cars
703 weekday trains operated
95.9% on-time performance
82.7 million riders per year
4,380 full-time employees
1.6 billion passenger miles per year
42.9 million vehicle miles per year

**All data excludes NICTD South Shore*

PACE SUBURBAN BUS DIVISION

Fixed Route Bus

137 regular routes
35 feeder routes
15 shuttle routes
579 vehicles in use at peak
30.6 million riders per year
7 seasonal routes
589 Pace-owned buses
1,416 full-time employees

ADA Paratransit

212 vehicles in service
3.4 million riders per year
36 full-time employees

Dial-A-Ride

68 local services
157 vehicles in service
210 communities served
1.2 million riders per year

Vanpool

696 vanpools in operation
1.8 million riders per year

AUTHORITY
WWW.RTACHICAGO.COM

SYSTEM INITIATIVES

The following initiatives demonstrate how the RTA is coordinating to increase ridership and efficiencies while reducing expenses. Here are updates on these programs:

WAYFINDING AND INFORMATIONAL SIGNAGE

As you are getting off of a Metra train, would you know how to find a CTA or Pace bus to get you to your final destination? Having easily understandable signage to help riders transfer between transit systems enhances the customer experience. It makes the commute easier, and could potentially increase ridership between CTA trains and buses, Metra trains and Pace buses.

Interagency Transit Passenger Information Design (ITPID) is a project to provide coordinated information at major transit locations to promote seamless regional travel between CTA, Metra and Pace. It is funded by a grant from the Congestion Mitigation and Air Quality (CMAQ) program. The grant covers design and installation of wayfinding and informational signage.

As part of the ITPID pilot site work, the RTA formulated interagency design standards in consultation with the CTA, Metra and Pace. In 2011, after extensive user testing and feedback, manufacturing of the signage began. Four pilot sites for signage installation include:

- 95th Street and Western Avenue (for CTA and Pace buses)
- The Van Buren Street Station in Chicago (for CTA bus and rail, and Metra)
- The Davis Street Station in Evanston (for CTA bus and rail, Metra and Pace)
- Union Station in Joliet (for Metra and Pace)

The pilot sites will enable the RTA to get feedback from riders about the content and design of the signs and maps. Also being reviewed are the physical materials used to construct the signs, from the hardware that secures them to how the materials stand up to the weather. As feedback is gathered, changes will be made to refine the signs and maps, which will be reflected in finalized interagency design standards.

Also during 2011, other elements completed include:

- RTA System Maps were updated at Union, Ogilvie and LaSalle stations.
- A $3.3 million CMAQ grant was received by the RTA for 19 additional ITPID locations.
- Area Maps were added to Union Station.
- The Union Station Downtown Connection Signage Plan was completed by RTA, CTA, Metra, Amtrak and Jones Lang LaSalle (Union Station's Property Manager). Signage installation is underway in 2012.

Signs installed in spring of 2012.

SENIORS RIDE FREE PROGRAM TRANSITION

In 2011, Governor Pat Quinn signed Senate Bill 3778 to amend the RTA Act allowing only low-income seniors (aged 65 or older) to continue riding free on fixed-route service operated by the Chicago Transit Authority (CTA), Metra and Pace. All other seniors ride at reduced fares.

The RTA worked with all three Service Boards to transition the Seniors Ride Free program. Tasks included communicating the changes and ensuring that seniors who qualified would be able to continue free rides without interruption. Under the new program, seniors had to be registered in the Illinois Department of Aging's Circuit Breaker Program to qualify for free rides. Income eligibility amounts set by the Circuit Breaker Program determine if a senior can continue to ride for free.

The RTA worked with the Illinois Department of Aging to determine which seniors enrolled in the Circuit Breaker program would be eligible for free rides on the region's transit system. The RTA sent out new fare cards, with 85,000 permits issued to qualified seniors to allow them to continue free rides. Another group of 348,000 seniors received Reduced Fare permits.

Partnering with the Service Boards helped the RTA seamlessly transition seniors to a program that is now based on income eligibility. This change allows low-income seniors to continue receiving this important benefit.

The program became effective September 1, 2011. Currently, there are more than 433,000 seniors enrolled in the free ride and reduced fare programs.

Field work was done on Pace Suburban Bus service in the spring of 2011 and CTA and Metra services in the fall and winter of 2011. Analysis and reporting of the results took place in 2012. These results are being used to help management allocate resources based on customers' priorities.

The CSS was undertaken to satisfy the State legislature's reporting requirements, and will be conducted on a regular basis every two years. This will enable the RTA and Service Boards to keep a "finger on the pulse" of the issues that transit customers think are important.

CUSTOMER SATISFACTION SURVEY

Keeping transit customers satisfied is vital to keeping ridership up; knowing where customers are dissatisfied is key to guiding management priorities and investments from a customer perspective. That's why the RTA oversaw the first region-wide Customer Satisfaction Survey (CSS) in 2011.

This coordinated CSS was conducted with each of the three Service Boards – CTA, Metra and Pace. Previously, each Service Board would do its own survey. This year marked the first time the survey was a regional effort, designed to allow for standardization of information where appropriate, without losing depth of analysis at the Service Board level.

The RTA CSS project began in 2010 with the goal of coordinating the individual customer satisfaction surveying efforts of each of the Service Boards into one unified approach. A common questionnaire was developed incorporating the similar elements of each of the Service Boards' individual surveys. It addressed the areas of travel time, reliability, safety, security, communication, cleanliness, comfort and employee performance. In addition, the survey was broadened to include questions regarding regional mobility issues and the interconnectivity of services. Each Service Board also included unique questions that were applicable to its individual service operations.

This successful collaborative work among the Service Boards and the RTA was done to improve the quality of customer satisfaction data and analysis, while realizing cost savings by merging the CSS into one project. The ability to analyze service from a regional perspective and gain an understanding of the way the Service Boards' combined services address the mobility needs of the region's residents were important aspects of this undertaking.

REGIONAL ACCESSIBILITY INITIATIVES

Travel independence is vital to older adults, riders with disabilities and others who rely on public transportation to meet some or all of their mobility needs. The RTA's Regional Travel Training Program provides instruction (either one-on-one or in a group setting) to help these riders learn to ride CTA, Metra or Pace routes independently.

This program, as well as the ADA Paratransit Certification Program, is operated by the RTA's Regional Accessibility Division. Formed in 2011, the Division was created as a focal point for programs designed to enhance mobility. This regional priorities initiative speaks to maximizing use of the transit system.

The Regional Travel Training Program offers both one-on-one and group travel instructions for people with disabilities and older adults who wish to use fixed route transit services for some or all of their trips. This encourages people to use existing transit services and reduces their reliance on having to arrange curb-to-curb ADA Paratransit service.

The RTA Travel Training Program features one-on-one training tailored to an individual rider who has physical, visual, intellectual and/or memory related disabilities. One of the five trainers will literally ride with the participant, showing him or her the exact route, how to transfer if needed, how to

access transit using mobility devices and address any other accessibility concerns during their commute. The Group Travel Training Program provides classroom training at agencies throughout the region that serve people with disabilities and/or older adults and gives an introductory education on how to use accessible fixed route transit services. This program provided transit orientation for more than 2,000 people throughout the RTA service area in 2011.

The Division also manages the ADA Paratransit Certification Program, which determines eligibility for using the region's ADA Paratransit service. ADA Paratransit provides origin to destination service for people with disabilities who are unable to use fixed route service. In 2011, the ADA Paratransit Certification Program received 13,891 applications, a 10% increase over 2010. Recently, a team of national experts conducted a comprehensive review of this program, and found it to be "very well designed and administered" with several components described as "best practices" nationally.

Additionally, last year the Division began laying the foundation for development of a regional mobility management initiative to identify and foster transportation options for customers throughout the RTA service area. The Division also spearheaded a Regional Priority Seating Signage Project to develop a new set of policy and marker signs to help the public identify seating areas that are designated for use by people with disabilities and seniors. Installation of the signs began in late 2011 and will continue through 2012.

FTA GRANT FOR STATE OF GOOD REPAIR

Maintaining transit system assets in a State of Good Repair is a daunting task. With the help of an $800,000 Transit Asset Management (TAM) grant, the RTA is enhancing the development of two projects that will help transit agencies across the country in this endeavor.

The Federal Transit Administration (FTA) awarded the RTA a one-time grant to advance TAM nationally. The first enhancement is developing a how-to manual for conducting an asset condition assessment. This guide provides information on how to inventory and categorize assets, assess their conditions, and determine the cost of bringing a system into a State of Good Repair. The manual will be ready by the end of 2013, and the FTA will share this information with other transit systems in the United States.

The grant will also provide for the enhancement of a Capital Decision Prioritization Support Tool that the RTA is developing. This technology-based solution is all inclusive in terms of capital asset data. It will allow for various criteria (i.e., asset condition, cost constraints, safety and reliability, ridership impact) to be input into a software program, and the system will help prioritize which projects to advance in order to optimize limited resources. This information is critical so that projects can be ranked in order of importance when capital is limited. Using this tool, transit agencies are better able to spend scarce funds on projects that will have the most impact on riders. The grant funding is allowing the RTA to improve the decision tool by adding additional capabilities. The program is in its final development phase, and supports the regional priorities initiative for strategic capital investment.

The TAM grant was awarded partially because both RTA projects were already in development. Upon completion, both the Asset Condition Assessment Update and the Capital Decision Prioritization Support Tool will serve as a blueprint for other national transit systems.

SALES TAX LAWSUIT/LEGISLATION

In August 2011, the RTA filed suit in the Circuit Court of Cook County to recoup more than $100 million of revenue lost to tax avoidance scams operating in the municipalities of Kankakee and Channahon. The lawsuit arises from the utilization of tax sharing agreements which have induced companies operating within the six-county RTA region and across the State to claim that their sales are sourced through sham offices set up in Kankakee and Channahon. Under these agreements, the two municipalities kick back a large portion of their local share of the statewide sales tax to participating companies. These companies do not create jobs, promote economic development or have any operations in Kankakee or Channahon.

Other than the State of Illinois, the RTA is the largest recipient of sales tax revenue, and depends on this source for almost 50% of its funding. These tax avoidance scams are costing the RTA millions in lost revenue every year. The RTA Executive Director Joe Costello stated that, "This case is about fairness. Businesses that utilize our transit system because their company and their employees are located in our service area should pay their proper share of taxes, and not try to shift that burden on to others." Since the initial lawsuit by the RTA and Cook County, the City of Chicago and a host of other municipalities have joined the RTA lawsuit.

At the heart of the suit is the issue of where a sale is "sourced." Unlike most states, Illinois imposes its sales tax at the location where the seller operates its business, not the location where the buyer is. The distinction doesn't matter when a sale is made over the counter, because the sale is simply sourced at the store. If the buyer and seller are at different locations when a sale happens, however, the sourcing rules are vague and have allowed corporations to play games with them. The location of where the tax is collected determines not just the rate of sales tax that applies, but also which local government gets a portion of the tax collected.

The difference in sales tax rates occasionally leads a company to relocate, and in Illinois a municipality is allowed to compete for that business by offering to share sales tax revenues if the company moves inside its borders. Legislation passed in 2004 forbids any municipality from entering into a tax sharing agreement with a company if that company isn't engaged in any legitimate business within the municipality and should be rightfully paying its taxes to another local government. Aggressive tax consultants have set up shop in Kankakee and Channahon to provide a local address and phone number to businesses that actually operate in other cities around the state, including Chicago. In exchange for falsely claiming that their sales were made by these do-nothing consultants, participating companies are rewarded with 75-85% of the local sales tax with the tax consultants taking a hefty cut off the top.

As RTA Chairman John Gates noted in the press release, "[The lawsuit] is an attempt by the RTA Board to fulfill its fiduciary responsibility to our riders by collecting every penny that is owed to the transit system. We would prefer not to go to court, but these municipalities, and others engaged in this practice, have made it clear that they will not stop unless we make them." The case is making its way to trial.

To ensure that the public has access to the sales tax rebate agreements (such as those entered into by Kankakee and Channahon with tax consulting firms), the RTA worked diligently to pass House Bill 3859. It requires municipalities to publicly disclose all of the details of their tax rebate agreements – including the names of retailers and the terms of each deal.

TECHNOLOGY LEGISLATION

In spring 2011, the Illinois Legislature amended the Regional Transportation Authority (RTA) Act to enhance the use of technology across the RTA system and make it easier for customers to transfer between Service Boards. This regional priorities initiative speaks to achieving economies of scale.

Specifically, the legislation requires RTA to:

- Have obtained real-time vehicle arrival information from all three Service Boards by July 1, 2012.
- Implement a regional fare payment system that allows customers to pay fares using contactless credit, debit and prepaid cards on all fixed-route transit service by January 1, 2015.
- Recommend a regional interagency fare policy by January 1, 2013.
- Submit a report to the Governor and General Assembly on the feasibility of implementing Wi-Fi on fixed-route transit.

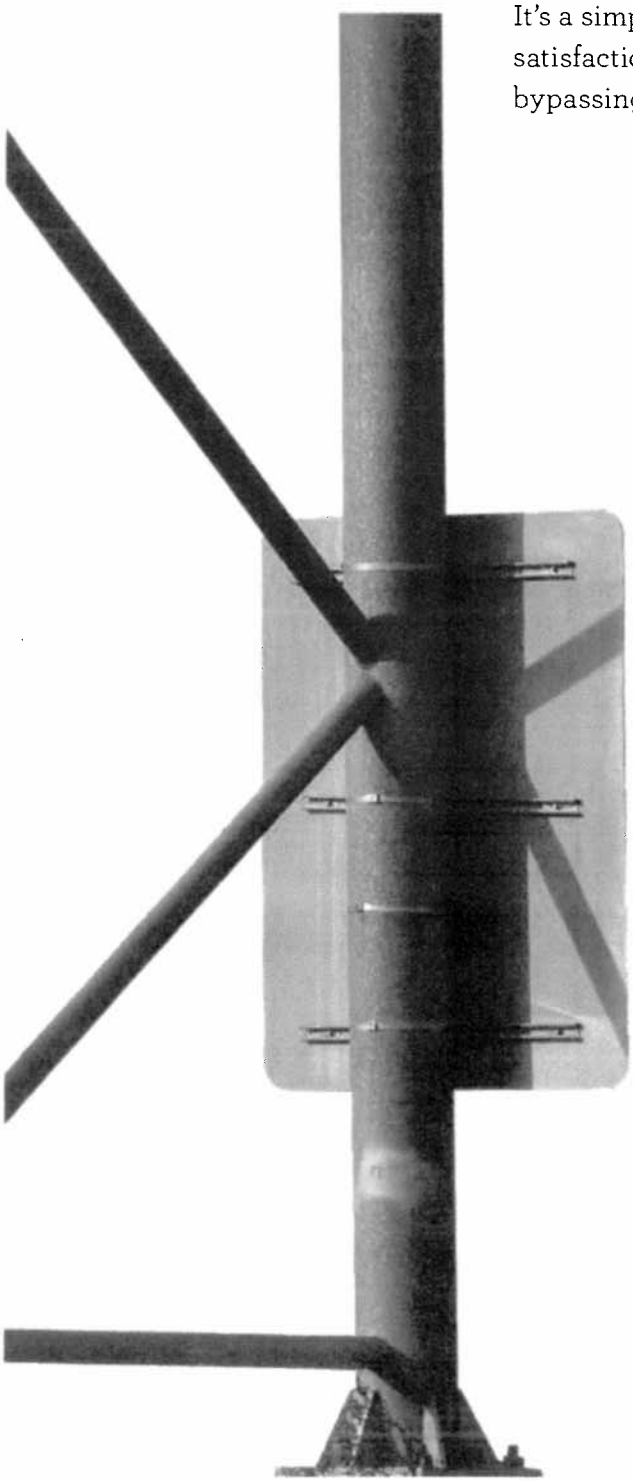
RTA, in collaboration with the Service Boards, made significant strides in meeting the requirements of the legislation in 2011.

- Using a data feed provided by CTA, RTA was able to make CTA BusTracker and TrainTracker real-time information available on goroo® (www.goroo.com), the region's transit travel information website. Additionally, in December 2011, RTA and Pace began developing a real-time vehicle arrival data feed from Pace's Intelligent Bus System.
- A regional working group led by RTA, with representatives from CTA, Metra and Pace, began developing a regional fare model that will evaluate the ridership and revenue impacts of potential enhancements to existing interagency fare products and policies.
- A report on the feasibility of adding Wi-Fi to all buses and trains was submitted to Governor Quinn and the Illinois General Assembly in December 2011. The report concluded that supplementing cellular data networks with Wi-Fi on Metra commuter trains, at Downtown Metra stations and Pace's express buses has the potential to enhance the customer experience and increase transit ridership.

Implementing the customer focused technologies required by the legislation will help achieve the region's priorities by enhancing the customer experience and increasing transit ridership.

SHOULDER
pace
BUSES
ALLOWED
5AM-9AM
MON-FRI

I-55 BUS ON SHOULDER



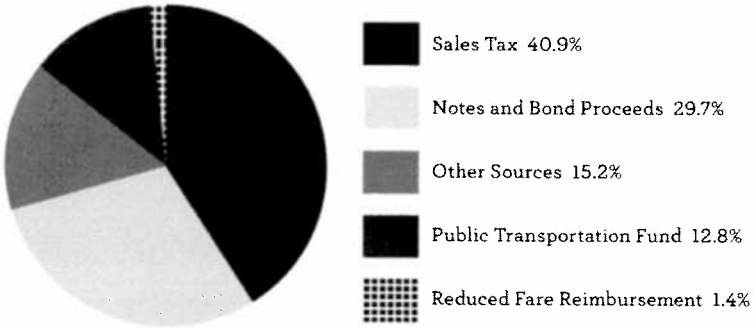
It's a simple idea that can decrease commuting times and increase rider satisfaction: run selected bus routes on the shoulder of the interstate, bypassing rush hour traffic.

The RTA led a planning effort for Bus On Shoulder operations on the I-55/Stevenson Expressway operated by Pace. Following the completion of that planning study, on November 14, 2011, the RTA, IDOT, and Pace, in coordination with the Illinois State Police (ISP), launched a two-year pilot demonstration of transit bus operations on the I-55/Stevenson Expressway shoulder as a priority treatment for transit under congested highway conditions. This demonstration adds transit as an allowed use to the I-55/Stevenson Expressway shoulders roughly between Kedzie Avenue and I-355. This shoulder option is an added feature of Pace routes 755 and 855 that can be used on an as-available basis and at the bus driver's discretion. The purpose of this pilot is two-fold: to determine whether using the highway shoulder for transit can improve transit service while maintaining the primary function of the shoulder and overall traffic safety; and to capitalize on the capacity of the existing urban transportation system.

This regional priorities initiative speaks to enhancing the customer experience. So far, the results have been positive. Some riders reported saving up to 30 minutes during their commutes. But more important to riders is that travel time reliability has improved. As a result, ridership on these Pace routes is at historical highs.

Although using highway shoulders for transit is a new concept in Illinois, Bus on Shoulder is successfully operating in a number of major metropolitan areas around the country such as Minneapolis-St. Paul and Cincinnati. The advantage of a Bus on Shoulder Program is that the major capital facilities are already in place and it is unlikely to have major environmental or community impacts. It is generally a low cost, quick-to-implement capacity addition that does not require costly expansion of the highway.

2011 RTA REVENUE BY SOURCE: $2.386 BILLION*



* *Includes $709 million of financing proceeds.*

FUNDING PUBLIC TRANSPORTATION

REVENUE SOURCES

The RTA's primary source of operating funding is a regional sales tax which is matched by the State of Illinois via the Public Transportation Fund (PTF). A reduced fare reimbursement also comes from the State and is passed through to the Service Boards to help offset the revenue lost from various mandated fare programs such as those for the elderly, disabled persons, and students. The "Other Sources" revenue category shown in the chart includes items such as additional assistance from the State, investment income, and contributions from local governments. An additional category, Note and Bond Proceeds, has been shown here in order to reflect income associated with debt refinancing undertaken in 2011.

As the economic recovery gained traction in 2011, total RTA sales tax receipts increased 4.7% from 2010 to $975.7 million, exceeding budget projections. The "Other Sources" category was sharply higher in 2011 as State funding for capital projects was received by the RTA for distribution to the Service Boards. As a result, overall 2011 RTA revenues increased by 12.1% from 2010. Note and Bond Proceeds more than doubled in 2011 as the RTA took advantage of low interest rates to refinance existing debt.

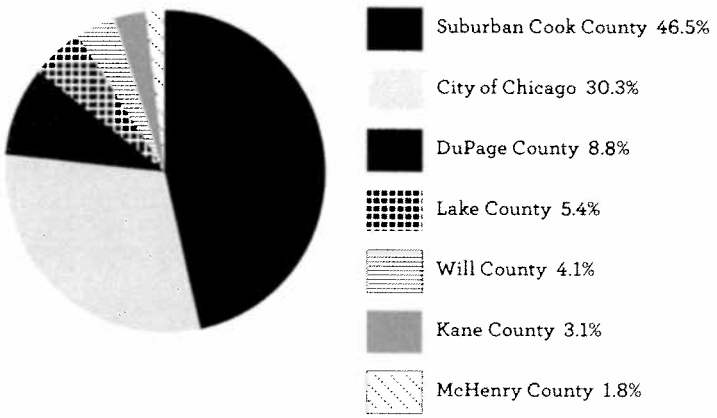
Over the last 5 years, the RTA has experienced a steady increase in total revenues, driven by the increase in sales tax funding for public transit which took effect in 2008. This tax increase was necessary to ensure the sustainability of the RTA

RTA REVENUE BY SOURCE, DECEMBER 31, 2011 AND 2010 (in thousands)

	2011	2010	CHANGE
Sales tax*	$ 975,671	$ 931,435	$ 44,236
Public Transportation Fund	$ 305,395	$ 287,404	$ 17,991
Reduced Fare Reimbursement	$ 34,070	$ 33,570	$ 500
Other sources	$ 361,930	$ 243,846	$118,084
TOTAL REVENUE	**$1,677,066**	**$1,496,255**	**$180,811**
Note and Bond Proceeds	$ 709,019	$ 321,946	$387,073
TOTAL REVENUE AND PROCEEDS	**$2,386,085**	**$1,818,201**	**$567,884**

* *Includes all sales taxes retained by the RTA and passed through to Service Boards.*

2011 RTA SALES TAX REVENUE BY COUNTY: $975.7 MILLION



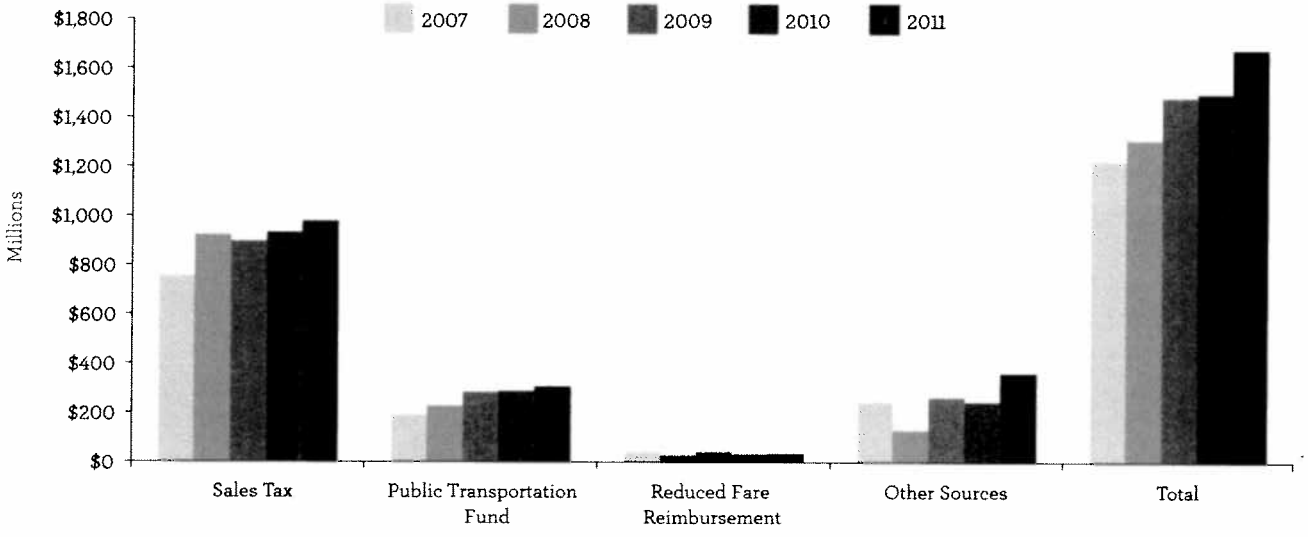
system and clearly helped the RTA weather the subsequent economic downturn. Because it is a sales tax match, the PTF increased in line with sales tax. The State Reduced Fare Reimbursement was flat across the period, while the "Other Sources" category fluctuated from year to year due primarily to the timing of the release of capital funds by the State.

SALES TAX BY COUNTY

The RTA sales tax is imposed region-wide, but at differing rates to reflect the differing levels of transit service provided throughout the constituent counties. In 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate from 1.0% to 1.25% in Cook County and from 0.25% to 0.5% in the collar counties of DuPage, Kane, Lake, McHenry, and Will. In practical terms, this means that on a $50 purchase, some of the sales tax paid goes directly to the funding of public transit; 62.5 cents for residents of Cook County, and 25 cents for residents of the collar counties.

This same Act also designated an increase of the Real Estate Transfer Tax (RETT) within the City of Chicago to directly fund the CTA, and raised the portion of RTA sales tax and RETT revenues matched by the state PTF from 25% to 30%.

5-YEAR TREND OF RTA REVENUE SOURCES* (in millions)



* *Excludes financing proceeds for all years.*

WHERE RTA EXPENDITURES GO

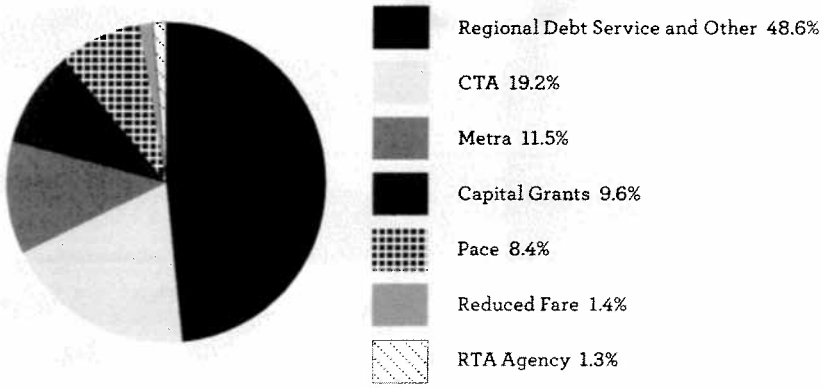
As stated in the previous section, the primary source of funding for public transportation in the region is sales tax. More than 85% of the public transportation sales tax collections pass directly through the RTA to the CTA, Metra, and Pace according to pre-determined, statutory formulas. The remainder of the sales tax is initially retained at the RTA along with revenues from the Public Transportation Fund and additional state funding.

After funding the RTA's own administrative costs, regional services, special programs, and debt servicing, the remainder of the retained sales tax and PTF is distributed to the Service Boards on a discretionary basis and within the context of their annual budgets. The Service Boards also generate fare revenue from their customers and have other direct funding sources such as the RETT, which, when combined with the funds flowing from the RTA, covers the cost of providing service.

Financial assistance provided by the RTA to the Service Boards, both statutory and discretionary, increased in 2011, enabled by increased sales tax revenues. The Reduced Fare Reimbursement pass-through from the State also increased slightly, while Capital Grants expenditures increased significantly as more State capital funding became available. The "Regional Debt Service and Other" category was sharply higher, as the RTA took advantage of low interest rates and re-financed its existing debt. The payoff of principal related to this refinancing was a one-time expense which caused the 2011 share of this expenditure category to be much larger than normal. As a result of the re-financing, overall 2011 RTA expenditures increased by over 71% from 2010.

Over the last five years, the RTA has increased the financial assistance provided to the Service Boards while the State Reduced Fare Reimbursement remained fairly flat across the period. The increase in financial assistance occurring in 2008 was related to the new RTA funding legislation passed by the State of Illinois in that year. Capital grant expenditures were flat until 2011, while Regional Debt Service and Other expenditures had been trending steadily higher until the sharp 2011 increase related to debt re-financing.

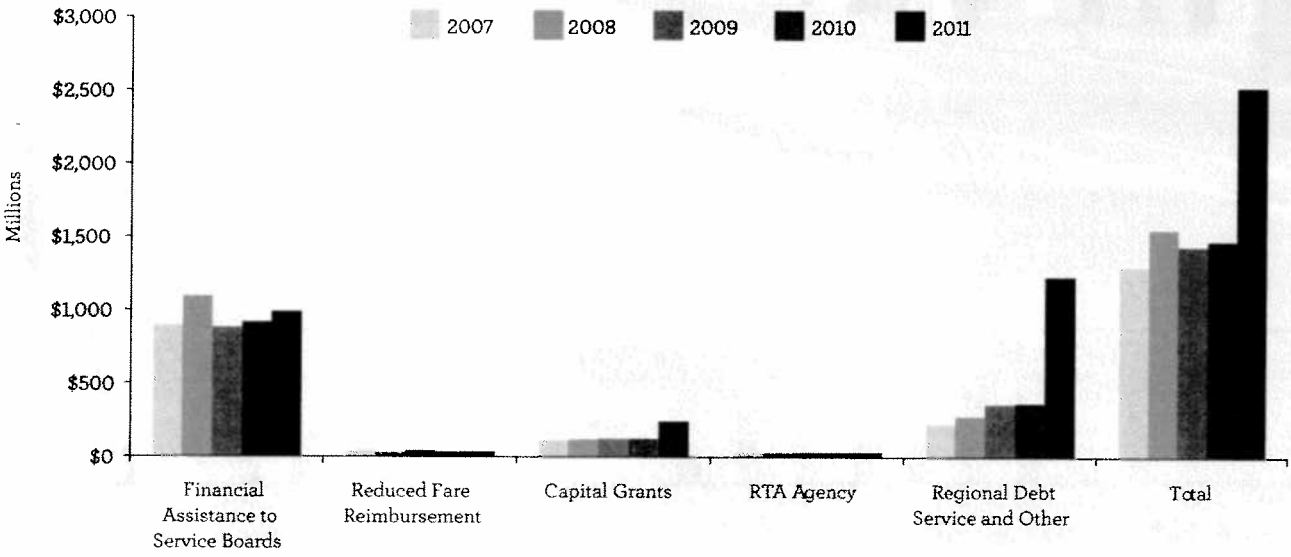
2011 RTA EXPENDITURES: $2.522 BILLION



RTA EXPENDITURES BY SOURCE, DECEMBER 31, 2011 AND 2010 (in thousands)

	2011	2010	CHANGE
CTA	$ 485,117	$ 436,467	$ 48,650
Metra	$ 289,179	$ 277,506	$ 11,673
Pace	$ 212,253	$ 202,463	$ 9,790
Reduced Fare	$ 34,070	$ 33,570	$ 500
Capital Grants	$ 241,047	$ 122,998	$ 118,049
RTA Agency	$ 31,980	$ 31,410	$ 570
Regional Debt Service and Other	$1,228,504	$ 367,121	$ 861,383
TOTAL EXPENDITURES	$2,522,150	$1,471,535	$ 1,050,615

5-YEAR TREND OF RTA EXPENDITURES BY CATEGORY

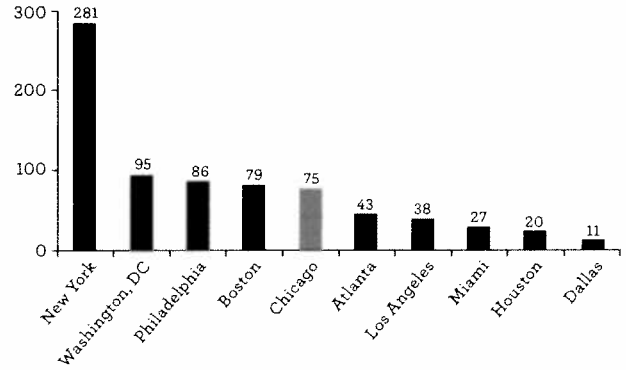


PERFORMANCE MEASUREMENT AND PEER COMPARISONS

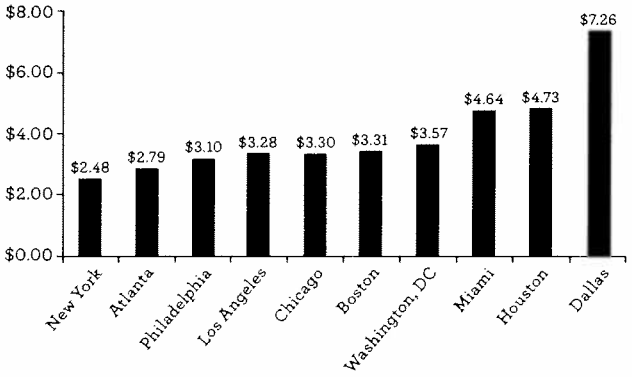
The 2008 legislation which increased funding for public transit in northeastern Illinois also required the RTA to evaluate the impact and effectiveness of public transit in the region. A performance measurement system has been developed which includes a regional peer report card, in which the RTA compares the combined performance of the Service Boards to carefully selected peer agencies in the other nine largest U.S. metropolitan areas.

The National Transit Database (NTD) is used to measure regional performance relative to peers in fifteen metrics across four broad areas; Service Coverage, Service Efficiency and Effectiveness, Service Maintenance and Capital Investment, and Service Level Solvency. For 2010, the latest year for which NTD data are available, the RTA region ranked as well as or better than its peers in fourteen of the fifteen measures. A sample of these 2010 regional peer comparisons is included on this page.

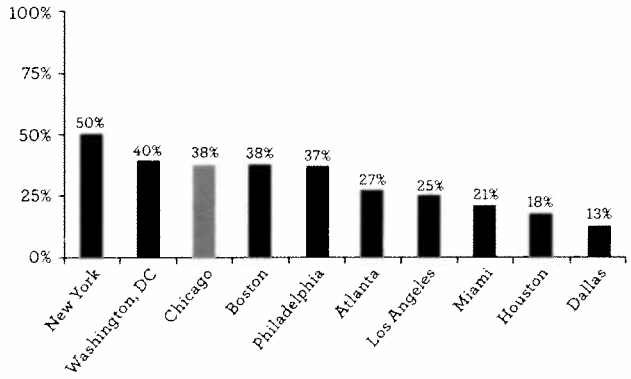
ANNUAL PASSENGER TRIPS PER AREA RESIDENT – 2010



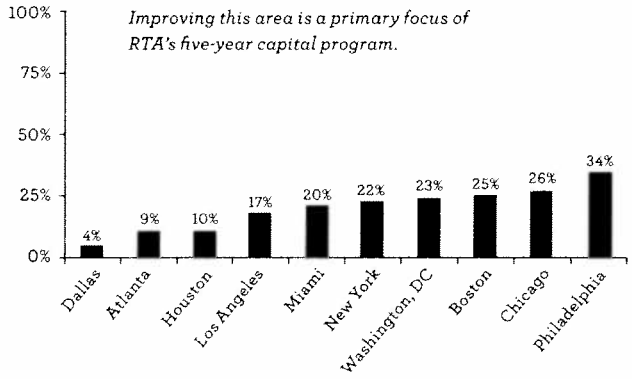
OPERATING COST PER PASSENGER TRIP – 2010

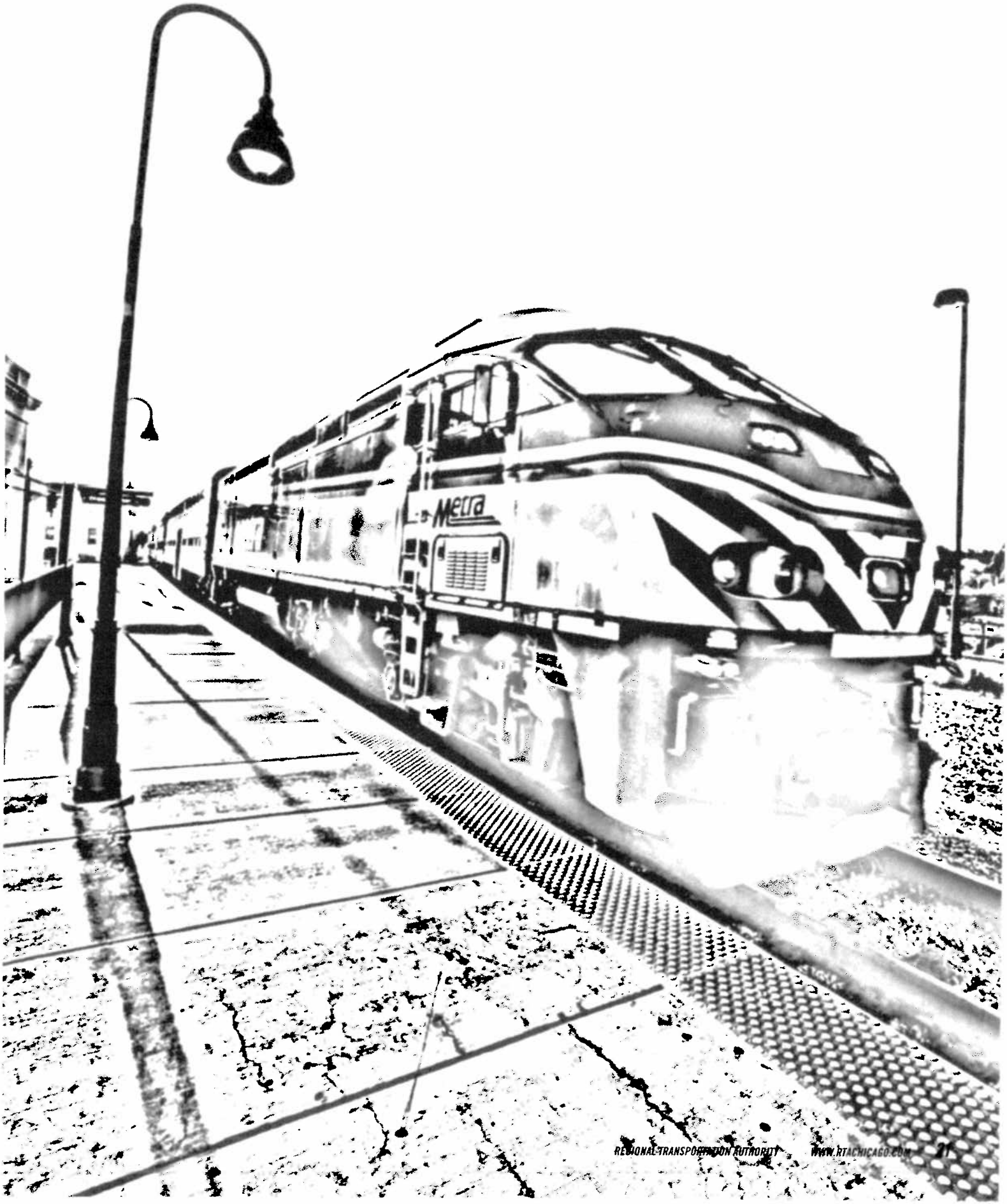


FARE RECOVERY RATIO – 2010



PERCENT OF VEHICLES BEYOND USEFUL LIFE – 2010



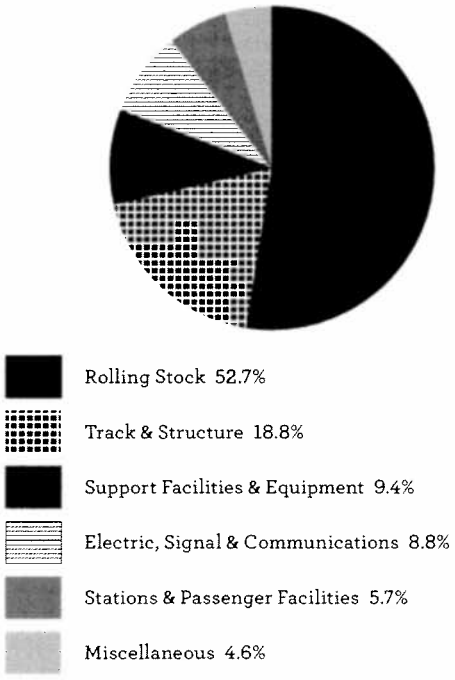

Metra

CAPITAL PLAN

With over $142 billion in assets, the infrastructure of the RTA system is comprised of everything from buses to locomotives to railroad tracks to bridges to subway tunnels. Such an extensive system is very expensive to maintain. More than $1 billion per year is required just to preserve the existing system, as the RTA and Service Boards continuously strive to achieve a State of Good Repair.

The funding sources for the RTA capital program include the Federal Transit Administration, the Illinois Department of Transportation, the RTA itself, and the Service Boards. The 2011-2015 capital program totals $4.355 billion, with the majority of funds planned to be spent on new rolling stock, that is, the replacement of railcars, buses, and other vehicles.

2011-2015 CAPITAL PROGRAM: $4.355 BILLION



2011-2015 FIVE-YEAR CAPITAL PROGRAM USES (in millions)

	CTA	METRA	PACE	PACE ADA	TOTAL
Rolling Stock	$1,261	$763	$238	$32	$2,294
Track & Structure	$454	$367	$-	$-	$821
Electric, Signal, & Communications	$173	$199	$14	$-	$386
Support Facilities & Equipment	$178	$159	$71	$-	$408
Stations & Passenger Facilities	$105	$138	$4	$-	$247
Miscellaneous	$72	$121	$6	$-	$199
TOTAL	$2,243	$1,747	$333	$32	$4,355

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activity of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2011. This analysis is based on the RTA's 2011 Comprehensive Annual Financial Report (CAFR), which contains all of the detailed financial statements surrounding the RTA's operations.

Two important tables from the 2011 RTA CAFR are shown on the following pages with a discussion of significant year over year issues. For the sake of simplicity, only the sections of these tables related to governmental activities are shown here. The CAFR also includes in these tables sections that relate to business-type activities (such as the RTA Joint Self-Insurance Fund and Pension Trust Fund), which only amount to approximately 1% of the RTA's total financial activity.

To better understand these financial statements, it is important to remember the role of the RTA as described earlier in the report. Specifically, the sales tax revenue figures include only that portion of the RTA sales tax which is retained by the RTA for discretionary distribution, and not the portion which is passed through to the CTA, Metra, and Pace according to statutory formulas.

Similarly, in the expense section, the "Financial Assistance to Service Boards" excludes those same pass-through sales taxes and includes only discretionary funding, so that these statements encompass only those funds controlled by the RTA.

The CAFR can be viewed at www.RTAchicago.com/about-the-rta/rta-documents.html.

RTA STATEMENT OF ACTIVITIES

For the year ended December 31, 2011, the RTA statement of activities for the governmental activities shows expenses increasing by $153 million to $564 million from $411 million for the same period in 2010. This increase is due to an increase in financial assistance to the CTA, Metra, and Pace (the "Service Boards") of $31 million. Grant activity was higher by $113 million, as the RTA passed State capital funding through to the Service Boards, while administrative expenses were only slightly higher, by $764 thousand. Also, Regional and Technology Program and bond interest expenses were each higher by $4 million.

Revenues increased by $153 million in 2011, driven primarily by a $133 million increase in State capital funds. Sales taxes increased by $5 million, while higher income from regional programs and investments also contributed to the year-over-year revenue increase.

2011 revenues exceeded expenses by $81 million, resulting in an increase in net assets which was very similar to the increase in net assets which the RTA experienced over the course of 2010.

SUMMARY OF ACTIVITIES - DECEMBER 31, 2011 AND 2010 (in thousands)

	GOVERNMENTAL ACTIVITIES*		
	2011	2010	CHANGE
EXPENSES			
Financial assistance to Service Boards	$ 128,786	$ 97,648	$ 31,138
Grant activity	$ 258,609	$ 145,996	$ 112,613
Administrative expenses	$ 9,315	$ 8,551	$ 764
Regional and Technology Program expenses	$ 27,914	$ 23,555	$ 4,359
Interest expense	$ 139,314	$ 135,530	$ 3,784
Total expenses	$ 563,938	$ 411,280	$ 152,658
REVENUES AND TRANSFERS			
Sales taxes	$ 107,977	$ 103,168	$ 4,809
PTF and State assistance	$ 505,588	$ 372,434	$ 133,154
Innovation, Coordination, and Enhancement (ICE)	$ 9,930	$ 9,480	$ 450
Regional programs	$ 2,385	$ 582	$ 1,803
Investment income and other	$ 24,598	$ 11,012	$ 13,586
Transfers	$ (5,380)	$ (4,425)	$ (955)
Total Revenues and Transfers	$ 645,098	$ 492,251	$ 152,847
Change in Net Assets	$ 81,160	$ 80,971	$ 189
Net Assets—Beginning of Year	$ (1,873,648)	$ (1,954,619)	$ 80,971
Net assets—End of Year	$ (1,792,488)	$ (1,873,648)	$ 81,160

* *Governmental activities are activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.*

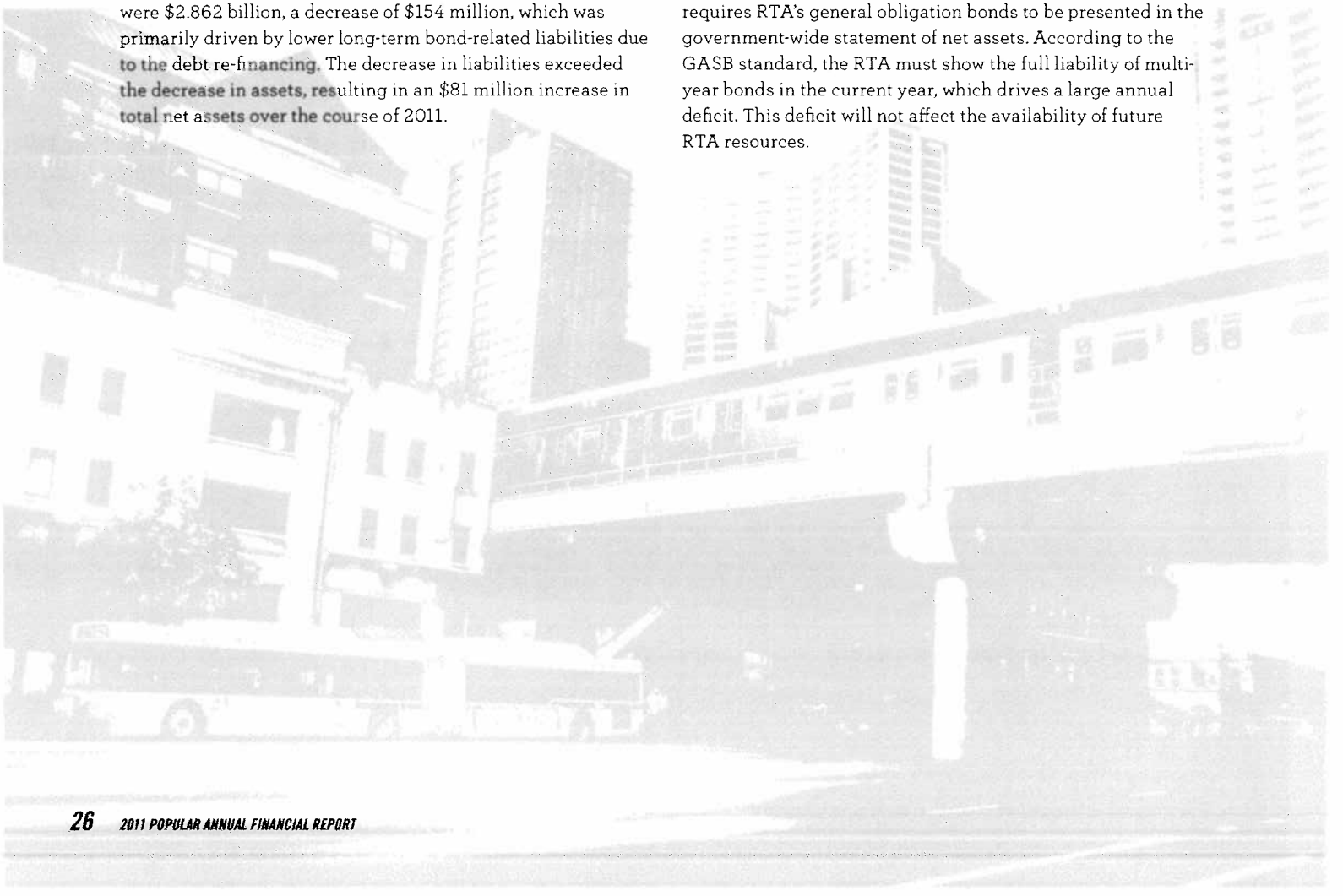
2746
pace
820

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The statement of net assets presents information on all of the RTA's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether an organization's financial position is improving or deteriorating.

The government-wide statement of net assets shows 2011 assets of $1.069 billion, a net decrease of $73 million from 2010. Cash and investments decreased by $117 million due to bond-related expenses. This was partially offset by an increase of $45 million in noncurrent and other assets. 2011 liabilities were $2.862 billion, a decrease of $154 million, which was primarily driven by lower long-term bond-related liabilities due to the debt re-financing. The decrease in liabilities exceeded the decrease in assets, resulting in an $81 million increase in total net assets over the course of 2011.

At the end of 2011, the government-wide statement of net assets shows a deficit of $1.8 billion for governmental activities. However, this does not represent a precarious financial position for the RTA, but rather is related to how the Governmental Accounting Standards Board (GASB) requires RTA's general obligation bonds to be presented in the government-wide statement of net assets. According to the GASB standard, the RTA must show the full liability of multi-year bonds in the current year, which drives a large annual deficit. This deficit will not affect the availability of future RTA resources.



SUMMARY OF NET ASSETS - DECEMBER 31, 2011 AND 2010 (in thousands)

	GOVERNMENTAL ACTIVITIES		
	2011	2010	CHANGE
ASSETS			
Cash and investments	$ 636,759	$ 753,522	$ (116,763)
Noncurrent assets / other assets	$ 417,781	$ 372,820	$ 44,961
Capital assets - net	$ 14,491	$ 15,265	$ (774)
Total Assets	$ 1,069,031	$ 1,141,607	$ (72,576)
LIABILITIES			
Current non-bond-related liabilities	$ 128,256	$ 80,409	$ 47,847
Current bond-related liabilities	$ 394,645	$ 345,124	$ 49,521
Long-term non-bond-related liabilities	$ 128,710	$ 154,352	$ (25,642)
Long-term bond-related liabilities	$ 2,209,908	$ 2,435,370	$ (225,462)
Total Liabilities	$ 2,861,519	$ 3,015,255	$ (153,736)
NET ASSETS (DEFICIT)			
Invested in capital assets	$ 14,491	$ 15,265	$ (774)
Restricted	$ 326,598	$ 83,277	$ 243,321
Unrestricted (deficit)	$ (2,133,577)	$ (1,972,190)	$ (161,387)
Total Net Assets (Deficit)	$ (1,792,488)	$ (1,873,648)	$ 81,160

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Regional Transportation Authority, Illinois

for the Fiscal Year Ended

December 31, 2010

The 2010 RTA Popular Annual Financial Report (PAFR) received the PAFR award from the Government Finance Officers Association of the United States and Canada. This is the RTA's first award of its kind. The award was presented to the RTA based on creativity, presentation, understandability and reader appeal.

Produced by the Communications and the Finance and Performance Management Departments of the:

REGIONAL TRANSPORTATION AUTHORITY

OF NORTHEASTERN ILLINOIS

EXECUTIVE DIRECTOR – Joseph G. Costello

CHIEF FINANCIAL OFFICER – Grace Gallucci

CONTROLLER – John H. Yu

DIVISION MANAGER, BUDGET, PERFORMANCE, AND BUSINESS ANALYSIS – Donna Anderson

DEPUTY EXECUTIVE DIRECTOR OF COMMUNICATIONS – Diane J. Palmer

COMMUNICATIONS MANAGER – Annah Mitchell

DESIGN AND ART DIRECTION – Words&Pictures, Inc.

PHOTOGRAPHY – Diane Smutny, DMS Photography

A very special thanks to Doug Anderson, Lalaine Alvarez, the Planning Department, and the rest of the staff of the Finance and Performance Management Department.

The RTA gratefully acknowledges the cooperation of the Chicago Transit Authority, Metra and Pace in the assembly of this report.

REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS
175 West Jackson Boulevard, Suite 1650
Chicago, Illinois 60604

PHONE: 312.913.3200

FAX: 312.922.9274

E-MAIL: communications@rtachicago.org

WEB: www.rtachicago.com

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2012

POPULAR ANNUAL FINANCIAL REPORT

Regional Transportation Authority

GETTING FROM HERE TO THERE... TWO MILLION TIMES A DAY

Moving two million riders every day to thousands of destinations across Chicago and its suburbs takes vision: plans for today and goals for tomorrow.

That's why the RTA is taking steps toward sustainability. After all, in order to keep the RTA moving, the region as a whole must continue to thrive.

Public transportation is key to the foundation of the region. It is the network that brings people to work and back home again, helps grow the economy and encourages investment in communities.

We strive to be a world-class regional transportation system that is socially, financially and environmentally sustainable.

This is the RTA's annual report, formally known as the Popular Annual Financial Report (PAFR). It is intended to help you understand the RTA's role in the provision of public transit to our customers and to taxpayers in the six-county service area of northeastern Illinois. This report does not provide all of the detailed information that is contained in the RTA's Comprehensive Annual Financial Report (CAFR). For those interested in a higher level of financial detail, the 2012 RTA CAFR and 2012 RTA PAFR are available on the RTA's website at www.RTAchicago.org.

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LETTER FROM THE CHAIRMAN & EXECUTIVE DIRECTOR

At the Regional Transportation Authority, we are working for today and planning for tomorrow. With our Service Board partners at the Chicago Transit Authority (CTA), Metra and Pace, our common goals are to provide a foundation for prosperity and sustainability in the region.

That is why we are very pleased to report that the RTA, along with the Service Boards, took important steps toward making transit operations in the region fiscally sustainable. For the first time in a decade, capital funds were not diverted to support operational expenses.

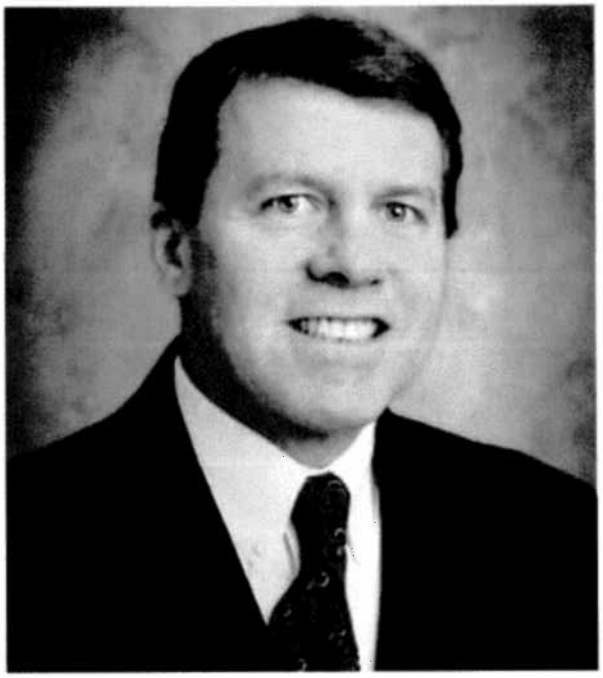
In order to keep the existing system operating efficiently, the region's growing capital funding needs are estimated to total $30.9 billion over the next decade. We must ensure money is available for improvements. Many more billions of dollars are required to expand our transit system to meet current and future demand.

Attention to budgets, new fare structures and negotiated labor agreements, as well as rebounding ridership, all contributed to this collective achievement, and each Service Board played a role by taking steps toward financial sustainability. As a result, the RTA's credit ratings, which allow it to finance future capital expenditures, have improved significantly.

After careful consideration, Metra instituted a significant fare increase as a component of its 2012 operating budget. Faced with the choice of cutting service or raising fares, Metra surveyed its customers and found that service reductions were the least desirable course of action. Metra then compared its fare structure to peer agencies across the country and found that, over time, Metra's fares had fallen well below the national average and had failed to keep up with inflationary increases in operating expenses. Public hearings on the proposed fare increase resulted in some modifications to the plan. In the end, this necessary fare adjustment contributed to a 17 percent increase in Metra's operating revenues for 2012, producing a balanced budget by the RTA.

The CTA worked over the course of 2012 to address rising labor expenses by pursuing work rule reforms with its various labor unions. These efforts culminated in a December 2012 agreement that eliminated outdated and costly work rules and enhanced job security for its workers. This agreement will allow the CTA to lower costs over time and ensure slower growth in labor expenses over the four-year contract period. At $900 million per year, labor is the CTA's single largest operating

John S. Gates Jr., RTA Board Chairman



Joseph G. Costello, RTA Executive Director

category. This new stability will help produce balanced operating budgets in the years to come.

Finally, ridership is the most important measure of a transit system, and in 2012 the RTA region enjoyed its highest ridership since 1990. Pace led the way with a 5.0 percent ridership increase for its Suburban Service, as well as a 7.2 percent increase in demand for its regional ADA Paratransit Service. The CTA experienced ridership growth of 2.6 percent in 2012, thanks to increases of 1.3 percent for bus and 4.3 percent for rail. Due in part to its fare increase, Metra saw a 1.7 percent decrease in ridership for the year. But overall, the combined Service Board ridership increased by 2.2 percent in 2012, following a 2.9 percent increase in 2011 to 2.2 million rides per day utilizing 8,000 buses, elevated trains and train cars.

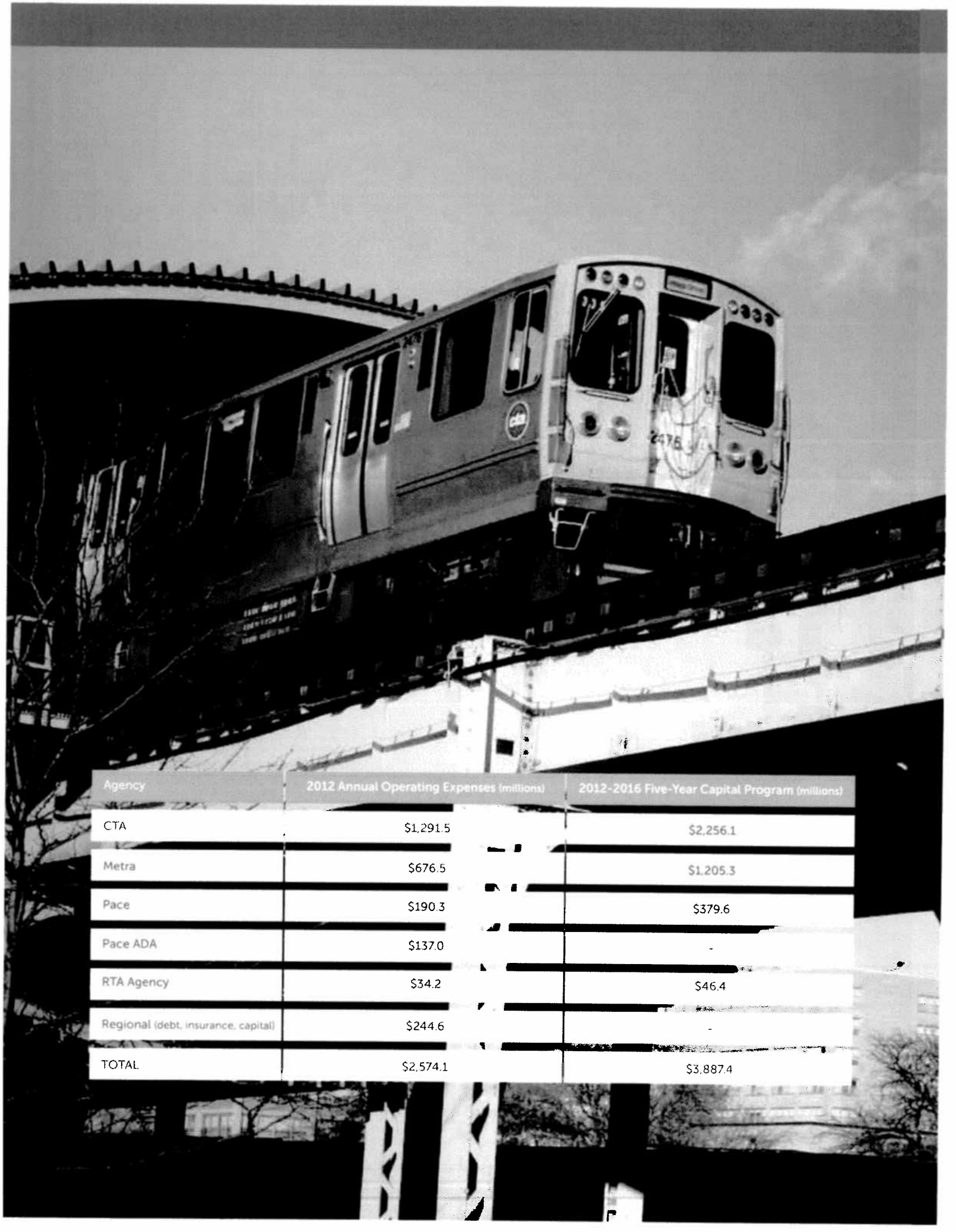
In the spirit of looking ahead, in 2012 the RTA launched an update to the region's Transit Strategic Plan. A roadmap for the future of the region's transit system, the Strategic Plan prioritizes initiatives so the RTA can make informed decisions about infrastructure and operations in the near and long terms. Last updated in 2008, the plan will build from various studies, analyses and public input to affirm the region's vision and goals for transit as well as serve as a guide for decision making over the next five years.

The RTA sought input from partner agencies, stakeholders and the general public. This initiative continued through the first half of 2013. Please read on to learn more about the RTA, its programs and priorities. Let's move forward together.

Thank you for your continued support.

John S. Gates Jr.
RTA Board Chairman

Joseph G. Costello
RTA Executive Director



Agency	2012 Annual Operating Expenses (millions)	2012-2016 Five-Year Capital Program (millions)
CTA	$1,291.5	$2,256.1
Metra	$676.5	$1,205.3
Pace	$190.3	$379.6
Pace ADA	$137.0	-
RTA Agency	$34.2	$46.4
Regional (debt, insurance, capital)	$244.6	-
TOTAL	$2,574.1	$3,887.4

RTA PROFILE

The RTA moves Chicagoland. The RTA serves as the oversight, funding and regional planning agency for the three transit operators that serve Northeastern Illinois — CTA bus and rail, Metra commuter rail, and Pace suburban bus and regional ADA paratransit. The RTA provides a foundation for the region's prosperity.

Created in 1974 upon approval of a referendum by the residents of Cook, DuPage, Kane, Lake, McHenry and Will counties, the RTA oversees a world-class transportation system that provides a foundation for the region's prosperity, livability and vitality.

The CTA, Metra and Pace (collectively the Service Boards) manage their respective systems, and each is led by a Board of Directors that determines levels of service, passenger fares and operational policies. The RTA's Board of Directors approves an annual budget and two-year financial plan, as well as a strategic plan to guide the Service Boards in achieving their common missions of providing convenient, affordable, reliable and safe transit in the region. Composed of 15 members appointed from the six-county region plus an elected chairman, the RTA Board is also required to review and approve a five-year capital program updated annually, providing a blueprint of the capital activities to be executed by the CTA, Metra and Pace.

The RTA system is the third largest in the country, with combined assets valued at more than $151 billion, including 2,468 buses, 410 paratransit vehicles, 2,210 rail cars, 146 locomotives and 694 vanpool vehicles. The system covers 7,200 route miles in the six-county region, which currently has a population of approximately 8.3 million. The annual resources required to operate the region's public transportation system total approximately $2.6 billion. In addition, the RTA system has a five-year capital program funded at approximately $3.9 billion. The table on page six shows the breakdown of 2012 annual operating expenses and the five-year capital program for the Service Boards and RTA.

2012 AND 2013 BOARD OF DIRECTORS

John S. Gates, Jr. - Chairman

Anthony K. Anderson - Director

Carole Brown* - Director

James Buchanan - Director

Jan Carlson* - Director

William R. Coulson - Director

Rev. L. Tyrone Crider, Sr. - Director

Patrick J. Durante - Director

Nabi R. Fakroddin - Director

John V. Frega - Director

Phil Fuentes - Director

Al Jourdan- Director

Dwight A. Magalis- Director

Samuel Mencoff* - Director

Christopher C. Melvin, Jr. - Director

Sarah Pang - Director

André Rice* - Director

J.D. Ross - Director

Donald L. Totten - Director

Douglas M. Troiani - Director

Joseph G. Costello - Executive Director

**Trustees who no longer serve on the RTA Board*

RTA'S FISCAL RESPONSIBILITY

The mission of the RTA is to ensure delivery of financially sound, comprehensive and coordinated public transportation for Northeastern Illinois.

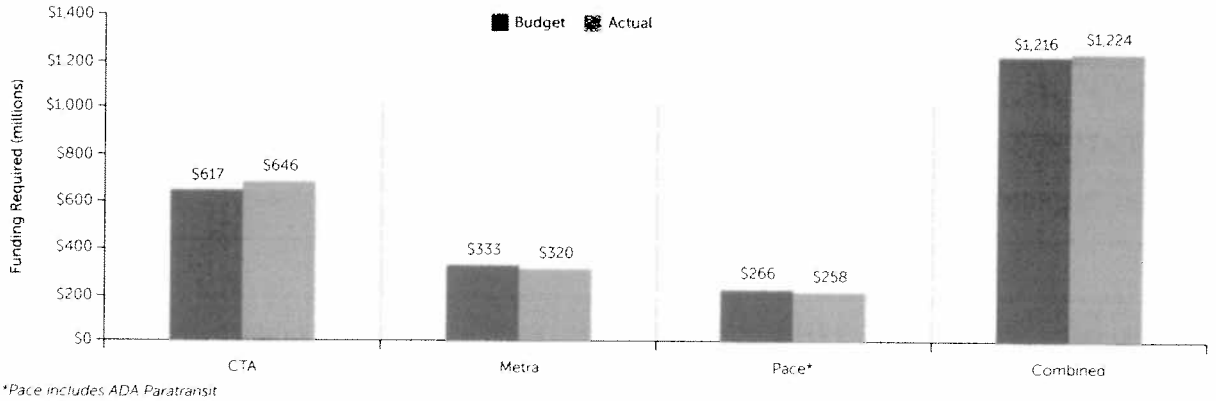
The RTA is a planning, funding and oversight agency. The CTA, Metra and Pace (collectively the Service Boards) provide transit services. The relationship between the RTA and the Service Boards is unique but ultimately provides for a regional system that allows its agencies to work together for the future of transit.

Collaboration, transparency and accountability characterize interactions between the Service Boards — which develop, adopt and submit individual annual budgets to the RTA — and the RTA, which reviews, approves and adopts them. The RTA then monitors the financial and operational performance of each Service Board on a monthly and quarterly basis to ensure compliance with its adopted budgets. In the event of significant non-compliance to budgetary goals, the RTA may require the Service Board to submit a revised budget. This can lead to the withholding of up to 25 percent of regional sales tax funding from the Service Board until the RTA is satisfied that the revised budget is back in compliance.

The Service Boards' 2012 budgets were developed with the struggling economy in mind, but as the year progressed and regional employment improved, ridership exceeded projections at all three Service Boards.

The CTA's actual funding requirement exceeded budget by almost $30 million largely due to a delay in achieving new labor agreements, but this shortfall was offset by higher than expected funding from sales tax receipts. Metra and Pace had operating deficits that were favorable to the budget by $13 million and $8 million, respectively, meaning that less financial assistance was needed than had been anticipated during the 2012 budget process.

2012 SERVICE BOARD OPERATING DEFICITS (FUNDING REQUIREMENTS)



*Pace includes ADA Paratransit

SERVICE DELIVERY & RIDERSHIP

Thanks to an improving economy in 2012, the RTA enjoyed its highest annual ridership since 1990. The RTA system carried a total of 666.0 million riders, an increase of 2.2 percent from 2011.

Each of the Service Boards had an important part to play in moving so many people throughout the region in 2012.

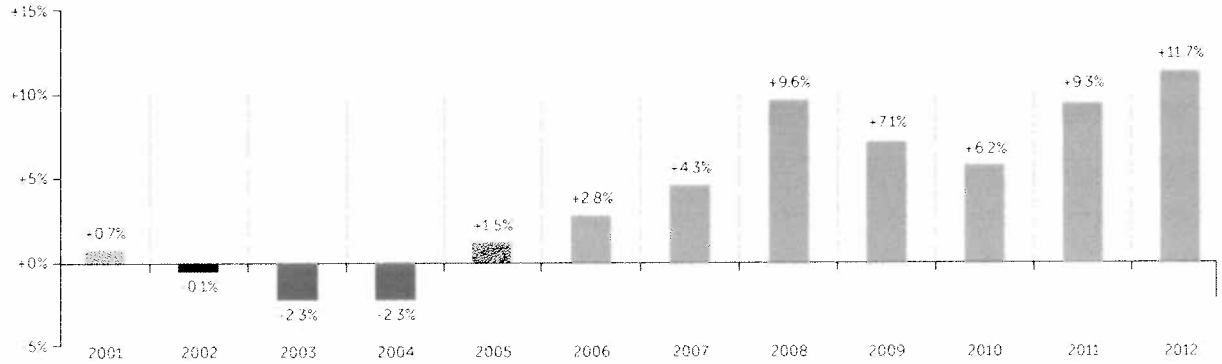
The CTA, with weekday ridership of more than 1.6 million, carries the largest number of customers in the RTA system, mostly on relatively short urban trips. Its bus and rail operations compose the nation's second largest transit agency, with service to the City of Chicago and 40 surrounding suburbs.

Metra has weekday ridership of more than 300,000 with an average passenger trip distance of about 23 miles. Formed in 1983, Metra commuter rail operates 11 lines extending to the limits of the six-county area, making it geographically the largest commuter operation in the United States. It is governed by an 11-member Board of Directors.

Pace's weekday ridership exceeds 125,000, of which more than 12,000 are pre-arranged trips for riders certified by the RTA to receive paratransit services as required by the Americans with Disabilities Act. Pace began service in 1984 and provides fixed-route bus, demand-response "dial-a-ride," vanpool services within and between the suburbs and the City of Chicago, and ADA paratransit service for the entire region. Pace is governed by a 13-member Board of Directors.

Over the course of the last decade, total RTA system ridership has experienced highs and lows that closely mirror national economic trends. For example, ridership dipped in the wake of the 2001 recession, then recovered and peaked in 2008 prior to the financial crisis when gas prices were setting new records and urban congestion was at an all-time high. The 666.0 million trips taken in 2012 exceeded the 2008 peak and represented nearly 70 million more trips than year 2000 levels.

CHANGE IN RTA SYSTEM RIDERSHIP RELATIVE TO YEAR 2000



METRA
2793
408

OPERATING CHARACTERISTICS

CHICAGO TRANSIT AUTHORITY

Heavy Rail

8 rail routes

145 stations served

1,200 rapid transit cars

231.1 million riders per year

1,090 STO* positions

Bus

129 bus routes

1,781 buses

314.4 million riders per year

3,688 STO* positions

CTA

1.4 billion rail passenger miles per year

712.9 million bus passenger miles per year

119.1 million vehicle revenue miles per year

4,428 without STO* positions

**STO is Scheduled Transit Operators. This classification includes bus operators, motormen, conductors and customer assistants.*

METRA COMMUTER RAIL DIVISION*

Commuter Rail

11 rail routes

488 route miles

1,155 miles of track

241 stations

146 locomotives

839 passenger cars

171 electric cars

703 weekday trains operated

95.8 percent on-time performance

81.3 million riders per year

4,380 full-time employees

1.6 billion passenger miles per year

43.1 million vehicle revenue miles per year

**All data excludes Northern Indiana Commuter Transportation District South Shore.*

PACE SUBURBAN BUS DIVISION

Fixed-Route Bus

138 regular routes

35 feeder routes

14 shuttle routes

7 seasonal routes

32.1 million riders per year

581 vehicles in use at peak

687 Pace-owned buses

1,460 full-time employees

ADA Paratransit

234 Pace-owned lift-equipped vehicles

3.8 million riders per year

35 full-time employees

Dial-a-Ride

68 local services

176 Pace-owned lift-equipped vehicles

210 communities served

1.3 million riders per year

Vanpool

694 Vanpool vehicles in operation

2.0 million riders per year

Sources: Service Board websites, Service Board budget books, National Transit Databse, and RTA records

***Operating characteristics as of December 31, 2012*

REGIONAL INITIATIVES

RTA Continues to Fight Sales Tax Avoidance Schemes

One of the RTA's most critical functions is to collect and distribute sales tax proceeds to the CTA, Metra and Pace, who rely on this revenue for approximately half of their annual operating budgets.

But there are obstacles to collecting these funds. Illinois is one of the few states that collect sales taxes based on where a company reports a purchase was "accepted." Some companies, looking to exploit this provision, set up sham offices outside the RTA region to avoid paying the higher tax that supports their businesses.

Over the last few years, the RTA has filed suits against companies engaging in this practice and has worked with the Illinois legislature to clarify the state tax code to put an end to these illegal tax avoidance schemes. In 2011 the RTA introduced HB 3859, a bill that requires counties and municipalities to provide the Illinois Department of Revenue details of sales tax rebate agreements between companies and municipalities. The legislation received overwhelming bipartisan support and went into effect on January 1, 2013.

The RTA will be closely monitoring these agreements and will take further actions when appropriate. The RTA is committed to ensuring that every penny that is owed to the region's transit system is collected and that businesses that enjoy it pay their fair share.

Advocating for Federal Funding for Transit: *Getting America to Work*

The RTA spearheaded the creation of the *Getting America to Work* (GATW) coalition in 2012 to help advocate for additional federal funding needed to bring America's public transit systems, including those in Chicago, into a State of Good Repair. GATW is working to make transit a national priority by raising local awareness of capital funding needs, developing advocacy tools that can be replicated and used by transit supporters across the country, and encouraging other transit agencies and supporters to join the coalition.

GATW's initial messaging focused on how investing in public transit will preserve and create jobs, as well as spur economic development. In 2012, GATW successfully recruited dozens of transit agencies, advocacy groups, councils of government and labor groups in Illinois to support vital investments in transportation. This coalition helped to build Illinois' legislative delegation support of H.R. 4348, the Surface Transportation Extension Act that reauthorized federal funding for transit. GATW initiatives resulted in teleconferences, speaking tours, media stories and events with numerous congressmen, community leaders and transit agencies—all in an effort to increase capital investment in public transit and help keep our economy on the right track. In 2013, GATW plans to broaden its focus beyond Illinois to address the challenges of increased ridership and aging assets facing the country's commuters.

Greening the Future of Transit in the Chicago Region

Taking public transportation is good for the environment and good for passengers and their wallets. In an effort to assess the environmental benefit of mass transit, the RTA and several of its transportation partners released the *Chicago Regional Green Transit Plan* in May 2012. Crafted by the RTA, the CTA, Metra, Pace, the Illinois Department of Transportation (IDOT), the Chicago Department of Transportation (CDOT) and the Chicago Metropolitan Agency for Planning (CMAP), the *Chicago Regional Green Transit Plan* quantifies the environmental benefits of the region's public transit system and serves as a roadmap to a sustainable future for transit in the region. As noted in the plan, the region's transit system saves 6.7 million metric tons of carbon from being emitted into the atmosphere annually, the equivalent of saving 750 million gallons of gas or taking one million automobiles off

the roads. Additionally, the RTA system improved its carbon-emissions efficiency up to five percent between 2005 and 2008, due to increased ridership and more fuel-efficient vehicles such as hybrid buses.

The plan also provides a vision for a more environmentally-friendly transit system that builds on the environmental benefits of transit by growing ridership and market share, promoting transit oriented development, improving operational efficiency, and greening the transit system. The plan's recommendations include:

- Bringing the region's system into a state of good repair
- Expanding real-time bus and train arrival information
- Modernizing fare payment systems
- Expanding technical assistance and funding efforts related to transit-oriented development
- Studying and piloting more efficient locomotives, trains and buses
- Installing additional pollution control technologies on buses and trains

The *Chicago Regional Green Transit Plan* is just one example of the RTA and its partners' commitment to the environment for the future health and prosperity of the region.

Building Communities around Transit

Over the past 15 years, the RTA has leveraged $2.7 million of its own funds with federal, state and local funds to complete approximately 70 transit oriented development (TOD) planning studies through the RTA's Community Planning program. This funding program provides financial support for planning and implementation studies and initiatives that promote walkable, mixed-income, mixed-use developments well-connected to retail, business and transit access. In 2012, the RTA produced four educational publications and a video that promoted benefits of TOD for the region.

- In August, the RTA, in cooperation with the CTA, Metra, Pace and the Chicago Metropolitan Agency for Planning, released *Setting the Stage for Transit*—a guide for municipal officials looking to make their communities more transit friendly. The report recommends that communities without existing service can create environments conducive to transit by conducting transit-supportive planning and making local financial investments in transit. For communities with existing service, the report suggests they can make themselves more competitive for increased transit service by planning for developments that have sufficient populations and a mix of land uses to support more riders.

- In November, the RTA released *Streamlining the Entitlement Process: A Best Practices Report* to clarify for municipal officials the submission and review requirements for TOD project proposals. An efficient and predictable approval process can make a community more attractive to private developers. Streamlining and expediting the approval process for TOD projects will also help encourage more developers to pursue TOD projects over traditional projects.
- In December, the *Making Way Access to Transit Guide* was released to encourage and empower municipalities to implement small scale capital access improvements, such as the installation of sidewalks and crosswalks near existing transit facilities to promote pedestrian mobility and provide added access to transit.
- Also in December, the RTA released a TOD video promoting the various benefits of TODs, including increased transit ridership, decreased traffic congestion, and improved walkability and economic development opportunities for communities. The video also depicts what TOD efforts are underway in the region and how local communities can plan for TODs.

RTA Funding Programs: Setting Ideas in Motion

The Funding Programs administered by the RTA target innovative projects that increase transit usage, improve the efficiency and effectiveness of the region's current transit system, provide for better mobility for seniors and people with disabilities, and improve job access. These programs provide value to the region by offering planning, plan implementation, and operating and capital grants. The range of programs funded is consistent with the RTA's legislative mandates and Strategic Plan and is part of the annual budget process. The RTA Funding Programs allow the RTA, the CTA, Metra and Pace to coordinate at the local level to create plans, implement projects, facilitate intergovernmental cooperation and build new relationships. Since 1998, the RTA has leveraged its own funds with federal, state and local capital to support more than 200 projects. In 2012 the Funding Programs helped improve transit experiences for Metra riders as well as disabled commuters.

- In June, Metra unveiled its "Rail-Time Tracker," a major new enhancement to its website that allows riders to check the status of trains at every station in the system. The Rail-Time Tracker was funded through the RTA's Innovation, Coordination and Enhancement Program, which provides funding for transit operating and capital projects, and represents an important step forward in enhancing transit customers' experiences—a key element of the RTA's Regional Priorities Initiative.
- In November, the RTA and the City of Chicago announced the Taxi Wheelchair Accessible Vehicle Cost Reimbursement Program, which will put more than 130 additional wheelchair accessible taxicabs on the streets of Chicago. The program, funded through a $1.7 million federal New Freedom grant, will reimburse expenses accrued in converting taxicabs to accommodate wheelchairs. Partial funding can also be used toward the purchase of new factory manufactured wheelchair accessible vehicles. The program is scheduled to begin in 2013.

Pointing the Way to Seamless Interagency Travel Across the Region

Easy navigation of the regional transit system is one of the RTA's core missions. However, current and potential customers are frequently confronted with inconsistent messages or gaps in information when transferring from one service to another. For many this confusion reduces the appeal of taking public transportation.

To address this problem, the RTA, in cooperation with the CTA, Metra and Pace and our municipal partners in Chicago, Evanston, Joliet and Evergreen Park, worked together to develop a new system of wayfinding signage and informational products designed specifically for major transit hubs where passengers make transfers between services.

The first phase of this project was substantially completed in 2012, with new prototype interagency signage and wayfinding products installed at the following four demonstration locations:

- Van Buren in the Chicago Loop, where Metra and CTA rapid transit and buses connect
- Davis Street in Evanston, where Metra, CTA rapid transit, CTA buses and Pace buses connect
- Joliet, where Metra and Pace buses connect
- 95th and Western on Chicago's southwest border, where CTA and Pace buses connect

Customer input was vital to the development of signs and informational products. User testing, including a last round of user and functional evaluations at the demonstration locations, will help update the final design standards and engineering specifications. Additional interagency signs will be installed at 20 transit hubs across the region, thanks to funding from the federal Congestion Mitigation Air Quality program the RTA received in 2012.

Looking forward, these products could be installed at up to 100 different locations throughout the region, such as downtown Chicago terminal stations (Union, Ogilvie, LaSalle and Millennium stations) as well as major train-to-train and bus-to-train connection points.

The ultimate goal of the program is to enhance the customer experience so that all of our passengers—from regular riders and reverse commuters to occasional riders, visitors and tourists—can seamlessly navigate the entire RTA system.

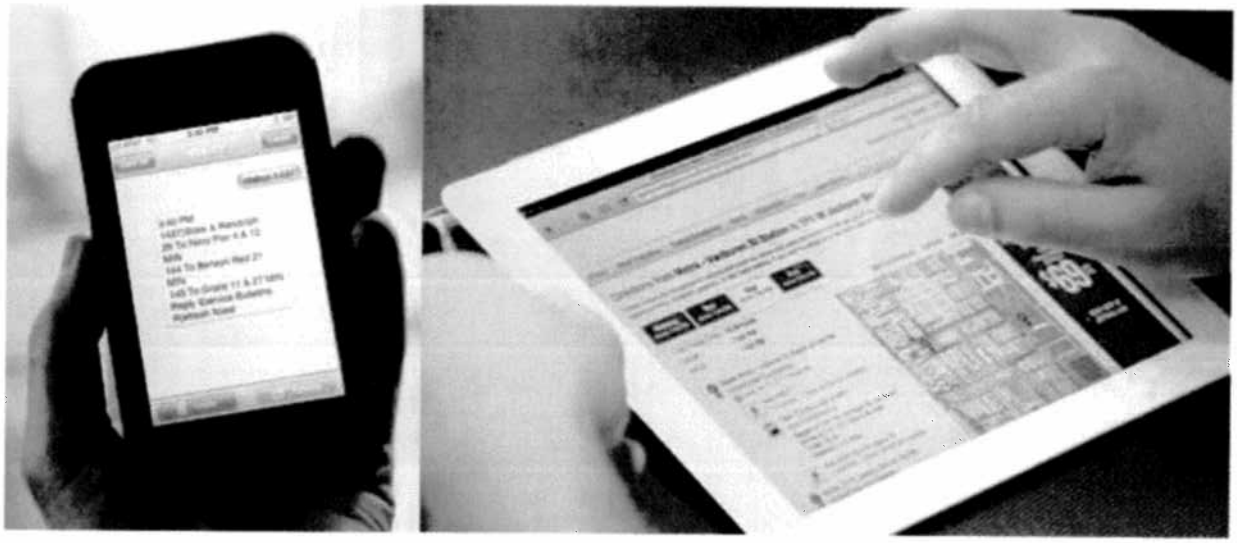
A Shoulder to Ride On

First launched in 2011, the I-55 Bus-On-Shoulder (BOS) pilot allows Pace routes 755 and 855 to bypass congestion in the general purpose lanes on I-55 by traveling on the inside shoulder. During calendar year 2012, the first full year of the pilot, partnering agencies Pace, the Illinois Department of Transportation and the Illinois State Police monitored the program to assess the impact of BOS on overall roadway safety, winter operations, typical shoulder functions (such as emergency response) and, of course, transit operations.

The first full year of the pilot was heralded as a success. Transit operations continued to be safe under winter conditions. Also, typical shoulder functions were not impacted. Since the pilot began, transit ridership on Pace routes 755 and 855 has hit historical highs, doubling previous levels. The initial success of the pilot has led to expansion of the program, including eliminating the current time restrictions and making the shoulder available to Pace buses whenever there is congestion. (In the initial launch phase of the pilot, BOS operations were limited to peak periods and in peak directions.) As this pilot continues, assessment of operations, modifications and enhancements will inform regional standards for BOS operations and could lead to the concept being implemented on a highway shoulder near you.

Improvements to the I-90 Corridor Just Around the Bend

The RTA, the Illinois State Toll Highway Authority (ISTHA) and Pace partnered in 2011 to integrate transit in the reconstruction of the I-90 Jane Addams Tollway. The I-90 Corridor is essential to the region's continued economic growth and vitality. Since 1970, the volume of traffic in this corridor has more than quadrupled and is projected to continue to grow.



Work in 2012 built on a framework laid in the *I-90 Transit Value Planning Study*, which outlined a strategy for implementing enhanced bus transit service using new managed lanes and establishing basic design requirements for the reconstruction of the Jane Addams Tollway. These requirements were included in the ISTHA's Five-Year Capital Plan adopted by the ISTHA Board in August 2011.

The *Transit and Supporting Highway Infrastructure Study* conducted in 2012 provides additional technical analysis and will enable completion of final engineering for the tollway reconstruction. A survey of tollway users in the corridor included in the study was used to help understand travel behavior and to build computer models and simulations. Plans to enhance service in the corridor include provisions for bus service to operate without being delayed by congestion as well as improved access, including park and ride lots and bus stations.

Planning Your Trip Just Got Easier

The RTA, in collaboration with the CTA, Metra and Pace, made significant strides in 2012 to enhance the RTA's online travel information system at RTAchicago.org. These improvements include:

- Enhanced Site Navigation: Clearer access points to the trip planner features such as Transit Trackers, Transit Schedules and Travel Alerts has improved overall site navigation.
- Improved Home Page: Users can now choose among train, bus, driving, driving to transit, bicycling and walking options when planning trips.
- Improved Itineraries: The RTA simplified trip directions, increased the prominence of the itinerary map and created tabs to distinguish travelers' options at a glance.
- Metra Train Tracker and Pace Bus Tracker: Real-time arrival information for Metra trains and Pace buses was added to the existing CTA Train and Bus Trackers on the site.
- RTA Trip Planner is Mobile: The RTA released a free web app for RTAchicago.org that includes the same great features that travelers in the region have been enjoying on the RTA trip planner desktop site. The app can be accessed by logging on to RTAchicago.org from the browser of any web-enabled smart phone, including devices powered by Apple's iOS, Google's Android and Microsoft's Windows Phone software.

Improving Access across the Region

The Regional Accessibility Division of the RTA was created in 2011 to enhance mobility options for people with disabilities and older adults in the region. The RTA ADA Paratransit Certification Program and the RTA Travel Training program are two regional services operated within this Division.

The RTA ADA Paratransit Certification Program determines who is eligible for the region's ADA Paratransit service. Pace ADA Paratransit provides origin-to-destination service for people with disabilities who are unable to use fixed-route service. In 2012, the RTA ADA Paratransit Certification Program received 14,868 applications, a seven percent increase over 2011 levels.

In 2012, the RTA Travel Training Program taught more than 2,000 people with disabilities and older adults how to travel independently on CTA, Metra and Pace buses and trains. The program also expanded its offerings and partnered with Chicago Public Schools to educate students about public transportation. The Travel Training Program expanded in 2012 to offer three services tailored to meet the varying needs of travel training participants:

- Trip Training: Participants in this program work one-on-one with an RTA Travel Trainer to practice using buses and trains to travel to locations they go to on a regular basis. During Trip Training sessions, participants learn how to recognize landmarks to know when to get off the bus or train and how to interact with transit personnel and other riders.
- Individual Transit Orientation: The goal of Individual Transit Orientation is to educate and empower participants to use the entire transit system. Working one-on-one with an RTA Travel Trainer, participants receive a general introduction to bus and train accessibility. During Individual Transit Orientation sessions, a Travel Trainer will explain how to use accessibility features in transit vehicles and train stations, as well as how to plan trips on the CTA, Metra and Pace. In addition to building participants' confidence, Travel Trainers may take them to a bus garage or rail station to practice boarding transit vehicles or practice using buses and trains.
- Group Transit Orientation: The Travel Training Program offers group presentations at agencies that serve people with disabilities and older adults throughout the six-county region. The goal of Group Transit Orientation is to give participants and agency staff an introduction to the accessible services of the CTA, Metra and Pace and to demonstrate the benefits of using fixed-route buses and trains. In 2012, Group Transit Orientation Presentations took place at more than 75 locations throughout the region.

The RTA also partnered in 2012 with the Chicago Public Schools in a pilot project made possible by Easter Seals Project ACTION, a national training and technical assistance center funded by the Federal Transit Administration to develop a curriculum for public transportation education in the schools. The final curriculum was distributed nationally in 2012 and can be adapted for use at any school in the country.

The goal of this project was to develop a school-based public transportation education program to give students the knowledge and skills needed to use public transit so they can participate in community activities and have greater access to career-related experiences while they are in high school. This project also helps increase school personnel's awareness of public transportation options, gives educators content for curriculum development related to public transportation and provides suggestions for integration of that content into existing school curriculums.

Customer Satisfaction High Across RTA System

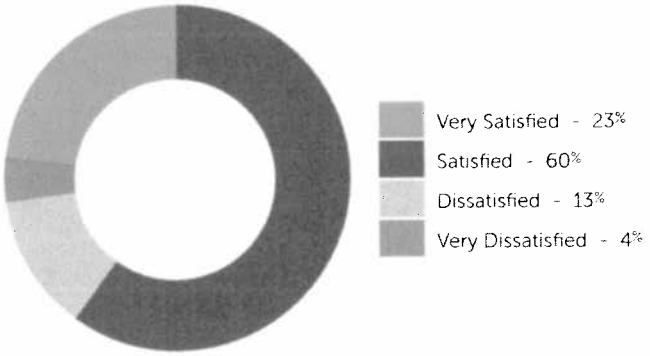
In 2012 the RTA completed the first-ever region-wide survey of customer satisfaction. Conducted collaboratively by the CTA, Metra and Pace, the surveys were administered on trains and buses in the spring and fall of 2011 as well as through online invitations.

Results were analyzed and reported in May 2012. While in past years, each of the Service Boards implemented its own independent assessment tool using different methodologies, questions, timing and scale that made aggregation of results impossible, the 2012 study standardized the process so that data could be analyzed. The surveys asked questions about customer satisfaction, travel time, reliability, safety, security, communications, cleanliness, comfort and employee performance.

Overall, customers were satisfied with the services provided, both at the regional level and Service Board level. The vast majority of riders (91 percent) would recommend using the services to others and more than three-quarters (83 percent) reported overall satisfaction with transit services. In general, customers reported the highest levels of satisfaction in the safety and employee performance categories and somewhat lower satisfaction in the comfort and cleanliness categories. A breakdown of some of the survey's findings follows.

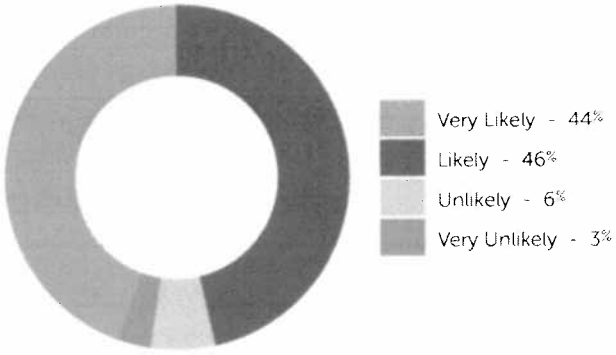
CUSTOMER SATISFACTION RATING

Customers' ratings of satisfaction with the transit service overall.



CUSTOMER LOYALTY RATING

The likelihood that a transit customer would recommend the transit service to others.



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HOW THE RTA MEASURES UP

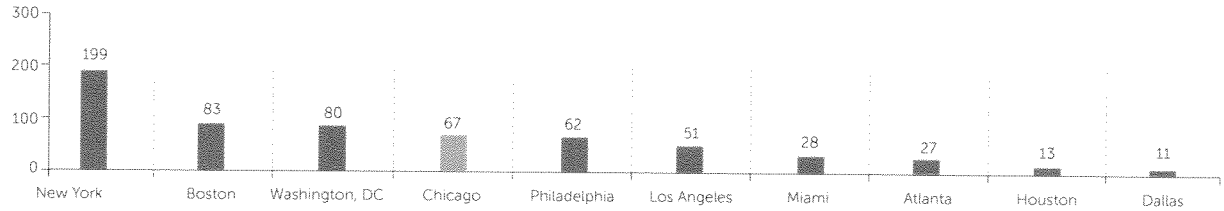
As part of its role supporting the evaluation and management of the region's public transit system while emphasizing both transparency and accountability, the RTA has developed a series of reports that show how transit in the Chicago region measures up against peer municipalities across the United States.

Data are culled from the National Transit Database (NTD).

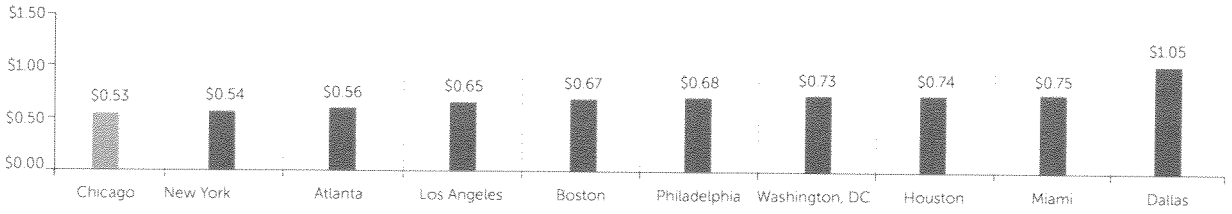
To measure and describe regional performance relative to peers, the RTA developed fifteen metrics across four broad areas: Service Coverage, Service Efficiency and Effectiveness, Service Maintenance and Capital Investment, and Service Level Solvency (the financial ability to provide quality services). For 2011, the most recent year for which NTD data are available, the RTA region ranked in the top half of the peer group in twelve of fifteen measures and was in the top three for six of the measures.

Several of these 2011 regional peer comparisons charts follow.

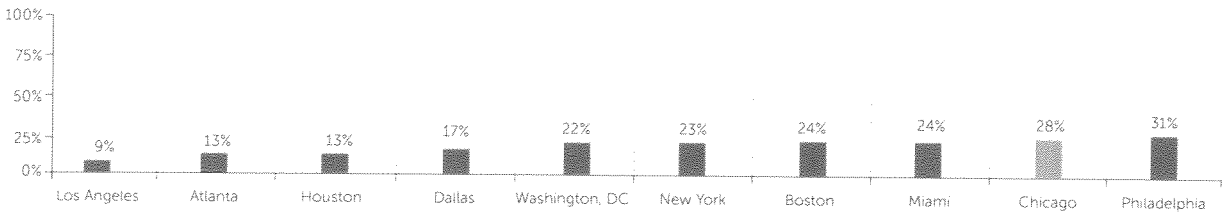
ANNUAL PASSENGER TRIPS PER AREA RESIDENT



OPERATING COST PER PASSENGER MILE



PERCENT OF VEHICLES BEYOND USEFUL LIFE



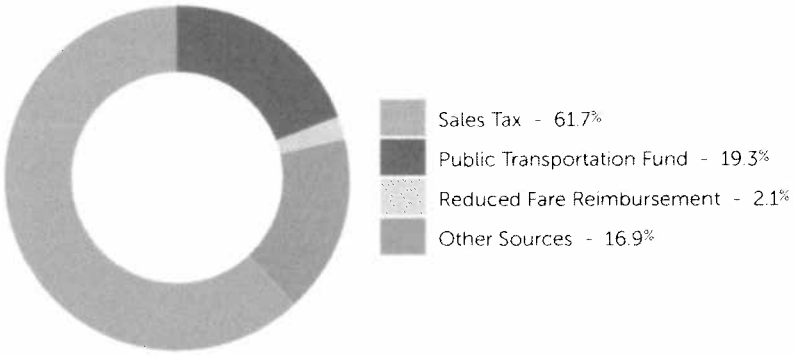
FUNDING PUBLIC TRANSPORTATION

Revenue Sources

The RTA's primary source of operating funding is a regional sales tax that is matched by the state of Illinois via the Public Transportation Fund (PTF). A reduced fare reimbursement also comes from the state and is passed through to the CTA, Metra and Pace to help offset the revenue lost from mandated fare programs for seniors, people with disabilities and students. The "Other Sources" revenue category shown in the chart below includes items such as additional assistance from the state, investment income and grants.

As the economy improved in 2012, total RTA sales tax receipts increased 4.7 percent from 2011 to $1.022 billion, exceeding budget projections. Receipts from the PTF also increased 4.7 percent.

2012 RTA REVENUE BY SOURCE: $1.655 BILLION



The "Other Sources" category was sharply lower in 2012 because the RTA received less state funding for capital projects. This decrease offset the higher sales tax receipts and, as a result, overall 2012 RTA revenues decreased by $19.9 million, or 1.2 percent, from 2011.

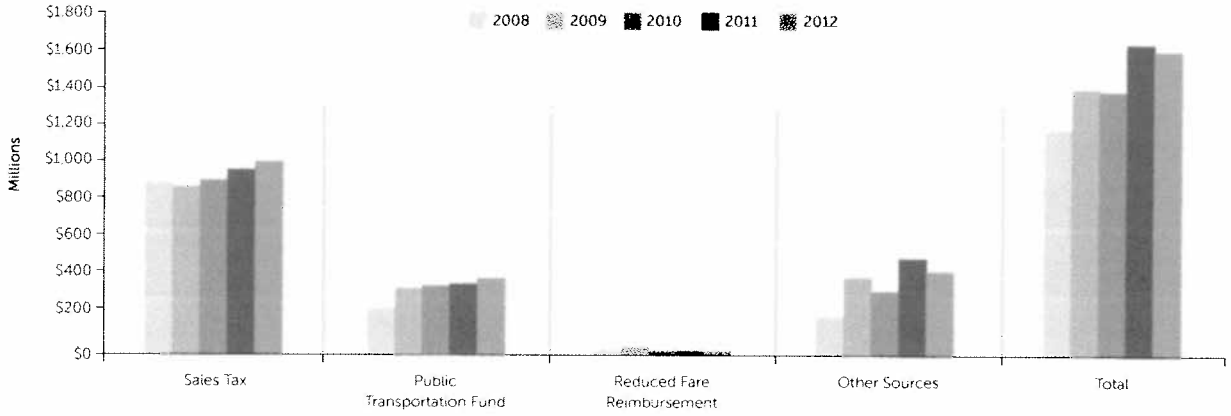
Over the last five years, the RTA has experienced a general increase in total revenues. After a sharp drop in 2009 related to the recession, sales tax receipts have increased steadily and exceeded 4 percent growth in each of the last three years; because

RTA REVENUE BY SOURCE, DECEMBER 31, 2012 AND 2011 (IN THOUSANDS)

	2011	2012	Change
Sales Tax*	$975,671	$1,021,686	$46,015
Public Transportation Fund	$305,395	$319,892	$14,497
Reduced Fare Reimbursement	$34,070	$34,070	-
Other Sources	$360,002	$279,571	$(80,431)
TOTAL REVENUE	**$1,675,138**	**$1,655,219**	**$(19,919)**

**Includes sales taxes retained by the RTA and sales taxes passed through to Service Boards. See Management Discussion and Analysis on page 29 for revenues received directly by the RTA.*

5-YEAR TREND OF RTA REVENUE SOURCES

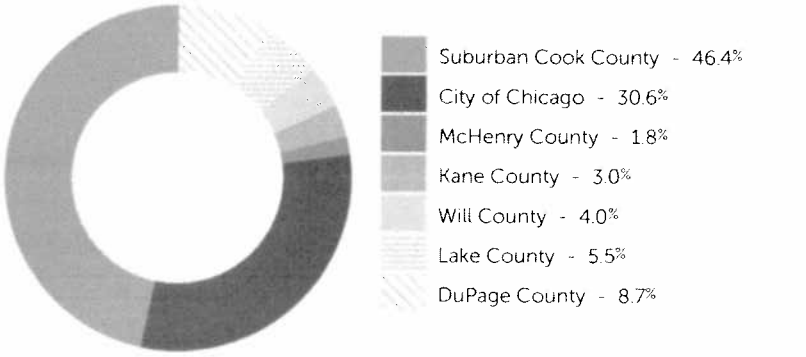


PTF matches sales tax receipts, this increased as well. The State Reduced Fare Reimbursement was flat across the period, while the "Other Sources" category fluctuated from year to year due primarily to the timing of the release of capital funds by the state.

Sales Tax by County

Though region-wide, the RTA sales tax is imposed at differing rates to reflect the various levels of transit service provided throughout the constituent counties. In 2008, the RTA Act increased the RTA sales tax rate from 1.0 percent to 1.25 percent in Cook County and from 0.25 percent to 0.5 percent in the collar counties of DuPage, Kane, Lake, McHenry and Will. In practical terms, this means that on a $100 purchase in Cook County, $1.25 of the sales tax paid goes directly to the funding of public transit; in the collar counties, 50 cents of sales tax related to that purchase goes to the RTA. This same act also increased the Real Estate Transfer Tax (RETT) within the City of Chicago to directly fund the CTA and raised the portion of RTA sales tax and RETT revenues matched by the state PTF from 25 percent to 30 percent.

2012 RTA SALES TAX REVENUE BY COUNTY: $1.022 BILLION

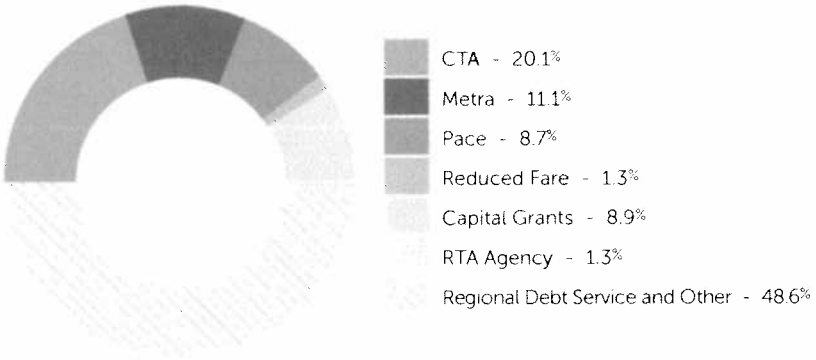


WHERE RTA EXPENDITURES GO

The primary source of funding for public transportation in the region is sales tax. More than 85 percent of the public transportation sales tax collections pass directly through the RTA to the CTA, Metra and Pace according to pre-determined, statutory formulas.

The remainder is initially retained by the RTA along with revenues from the Public Transportation Fund (PTF) and additional state funding. After funding regional debt service, special programs and the RTA's own administrative costs, the remainder of the retained sales tax and PTF is distributed to the Service Boards on a discretionary basis and within the context of their annual budgets.

2012 RTA EXPENDITURES: $2.675 BILLION



The Service Boards also generate fare revenue from their customers and have other direct funding sources such as the RETT, which, when combined with the funds managed by the RTA, covers the cost of providing service.

RTA EXPENDITURES, DECEMBER 31, 2012 AND 2011 (IN THOUSANDS)

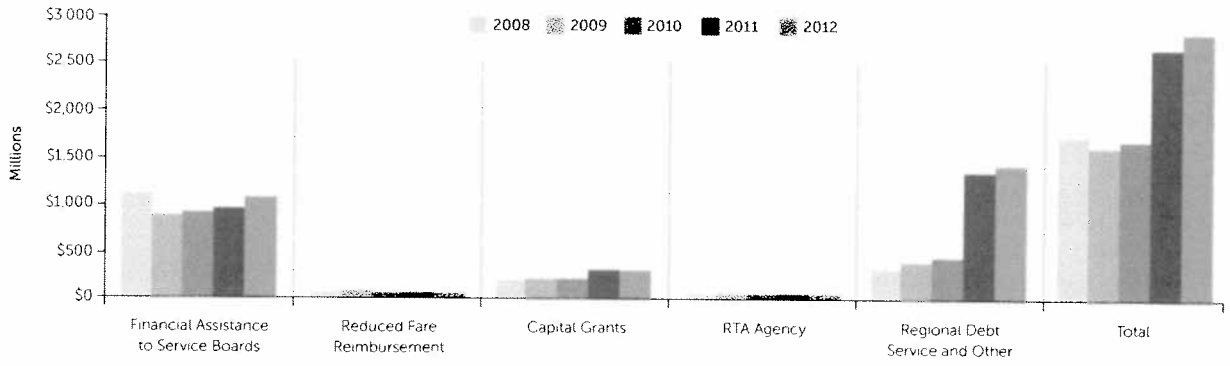
	2011	2012	Change
CTA*	$485,117	$538,594	$53,477
Metra*	$289,179	$297,369	$8,190
Pace*	$212,253	$233,871	$21,618
Reduced Fare	$34,070	$34,070	-
Capital Grants	$241,047	$237,717	(3,330)
RTA Agency	$31,980	$34,178	$2,198
Regional Debt Service and Other	$1,226,280	$1,298,896	72,616
TOTAL EXPENDITURES	$2,519,926	$2,674,695	154,769

*Includes sales taxes passed through to Service Boards. See Management Discussion and Analysis on page 29 for expenditures made directly by the RTA.

Thanks to increased sales tax revenues, financial assistance provided by the RTA to the Service Boards, both statutory and discretionary, increased in 2012. The Reduced Fare Reimbursement from the state was unchanged, and capital grant expenditures decreased slightly. The "Regional Debt Service and Other" category was almost $73 million higher as the RTA continued to take advantage of low interest rates to refinance existing long-term debt. Overall, RTA expenditures in 2012 increased by 6.1 percent from the previous year.

Following a recession-related drop in 2009, financial assistance provided by the RTA to the Service Boards has steadily increased over the last four years. While the State Reduced Fare Reimbursement remained fairly flat across the period, the Capital Grants expenditures increased slightly. Regional Debt Service and Other expenditures had been trending steadily higher until the sharp increase in 2011 and 2012 (related to debt re-financing).

5-YEAR TREND OF RTA EXPENDITURES BY CATEGORY

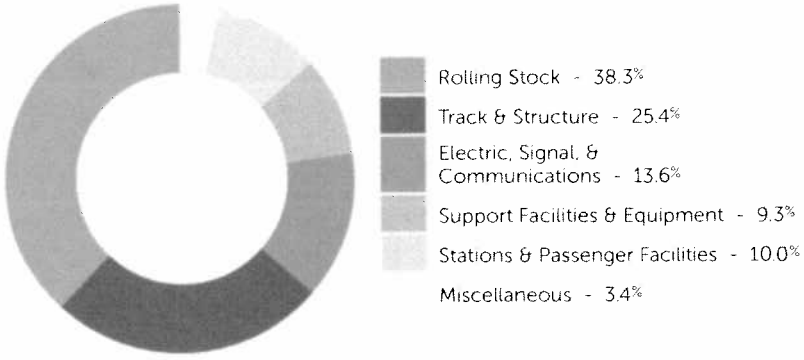


CAPITAL PLAN

Capital Infrastructure and Asset Condition Assessment

In 2012, the CTA, Metra and Pace made significant investments and improvements in their capital infrastructure. The CTA opened a new rail station in Skokie at Oakton Street on the Yellow Line, replaced viaducts in Evanston at Dempster and Grove streets on the Purple Line, and replaced rail and track components on the Wells and Van Buren legs of the Loop elevated system. In Chicago, the CTA completed rehabilitation of seven stations on the Howard Branch of the Red Line at Jarvis, Morse, Granville, Thorndale, Berwyn, Argyle and Lawrence, and the CTA awarded a contract to completely reconstruct the tracks and track beds of the Dan Ryan Branch of the Red Line.

2012 - 2016 CAPITAL PROGRAM: $3.887 BILLION



Metra began reconstruction of the Ravenswood Station on the Union Pacific North Line, the Fox River Grove Station on the Union Pacific Northwest Line and the Cicero Station on the BNSF Line.

In 2012, Pace received 27 fixed route buses, 142 vanpool vans and eight community vehicles.

2012-2016 FIVE YEAR CAPITAL PROGRAM USES (IN MILLIONS)

	CTA	Metra	Pace	RTA	Total
Rolling Stock	$1,040	$200	$251	-	$1,491
Track & Structure	$650	$338	-	-	$988
Electric, Signal, & Communications	$162	$324	$2	$42	$530
Support Facilities and Equipment	$120	$127	$113	-	$361
Stations & Passenger Facilities	$221	$157	$5	$4	$387
Miscellaneous	$63	$60	$9	-	$131
TOTAL	$2,256	$1,205	$380	$46	$3,887

In evaluating infrastructure as part of the 2012 Asset Condition Assessment, approved by the RTA board, the RTA concluded:

- State of Good Repair (SGR) backlog is $18.7 billion
- Normal reinvestment for 2012 – 2021 is $12.4 billion
- Ten-year total capital SGR needs for the region is $31.1 billion
- SGR Backlog is 36 percent higher and ten-year total capital SGR needs are 26 percent higher than estimated during the 2010 baseline assessment. (This is primarily due to more precision in estimating methods, improved data, additional assets reported, additional and improved sampling, and the completion of necessary inventory records. The estimate should be viewed as a snapshot in time, with the underlying data and methods of analysis continually improving.)

Overall, despite positive changes made to the infrastructure of the CTA, Metra and Pace in 2012, the shortage of capital funds needed to support the RTA system will continue to present challenges to the achievement of a State of Good Repair.

MANAGEMENT DISCUSSION & ANALYSIS

The following Management Discussion and Analysis (MD&A) provides an overview of the financial activity of the RTA for the fiscal year ended December 31, 2012. This analysis is based on the RTA's 2012 Comprehensive Annual Financial Report (CAFR), which contains detailed financial statements. Two important tables from the 2012 RTA CAFR are shown on the following pages with a discussion of significant year over year issues. For the sake of simplicity, only the sections of these tables related to governmental activities are shown on the proceeding pages. The CAFR also includes in these tables sections that relate to business-type activities (such as the RTA Joint Self-Insurance Fund and Pension Trust Fund), which amount to approximately 1 percent of the RTA's total financial activity. In order to better understand these financial statements, it is important to remember the role of the RTA as described earlier in the report and keep in mind that the sales tax revenue figures include only that portion of the RTA sales tax which is retained by the RTA for discretionary distribution, and not the portion which is passed through to the CTA, Metra and Pace according to statutory formulas.

Similarly, in the expense section, the "Financial Assistance to Service Boards" excludes those same pass-through sales taxes and includes only discretionary funding, so that these statements encompass only those funds controlled by the RTA.

The 2012 RTA CAFR can be viewed in its entirety at: www.RTAchicago.org.

RTA STATEMENT OF ACTIVITIES

For the year ended December 31, 2012, governmental activities expenses show an increase of $16 million. Financial assistance to Service Boards expenses increased by $43 million.

Grant activity expense decreased by $3 million, while Regional and Technology Program and bond interest expenses were lower by $9 million and $22 million, respectively. Administrative expenses show an increase of $7 million primarily because of a new, more comprehensive categorization of administrative expenses.

Revenues and transfers decreased by $52 million in 2012, driven primarily by a $63 million decrease in Public Transportation Fund and state assistance, some of which was reclassified as deferred revenue due to the continuing lag in payments from the state. This decrease was partially offset by higher sales tax receipts, regional program revenue and investment income.

2012 revenues exceeded expenses by $14 million, resulting in a significantly smaller increase in net assets in 2012 than the RTA experienced in 2011.

SUMMARY OF ACTIVITIES - DECEMBER 31, 2011 AND 2012 (in thousands)

	GOVERNMENTAL ACTIVITIES		
	2011	2012	Change
EXPENSES			
Financial assistance to Service Boards	$128,786	$171,700	$42,914
Grant activity	$258,609	$255,491	$(3,118)
Administrative expenses	$9,315	$16,507	$7,192
Regional and Technology Program expenses	$27,914	$19,015	$(8,899)
Interest expense	$139,314	$117,254	$(22,060)
Total expenses	$563,938	$579,967	$16,029
REVENUES AND TRANSFERS			
Sales taxes	$107,977	$113,152	$5,175
PTF and State assistance	$505,588	$442,143	$(63,445)
Innovation, Coordination, and Enhancement (ICE)	$9,930	$10,398	$468
Regional programs	$2,385	$4,077	$1,692
Investment income and other	$24,598	$28,768	$4,170
Transfers	$(5,380)	$(5,000)	$380
Total Revenues and Transfers	$645,098	$593,538	$(51,560)
Change in Net Assets	$81,160	$13,571	$(67,589)
Net Assets—Beginning of Year	$(1,873,648)	$(1,792,488)	$81,160
Net assets—End of Year	$(1,792,488)	$(1,778,917)	$13,571

GOVERNMENT-WIDE STATEMENT OF NET POSITION

The government-wide statement of net assets shows 2012 assets of $1.076 billion, an increase of $8 million from 2011. Cash and investments increased by $23 million, while non-current and other assets decreased by $15 million. 2012 liabilities were $2.856 billion, a decrease of $6 million from 2011. The increase in assets and decrease in liabilities resulted in a $14 million increase in total net position over the course of 2012.

At the end of 2012, the government-wide statement of net assets shows a deficit of $1.8 billion for governmental activities. However, this does not represent a precarious financial position for the RTA; rather it is related to the Governmental Accounting Standards Board's (GASB) requirement that the RTA's general obligation bonds be presented in the government-wide statement of net position. According to the GASB standard, the RTA must show the full liability of multi-year bonds in the current year, which drives a large annual deficit. This deficit will not affect the availability of future RTA resources, and in fact the RTA will use future funding to extinguish this liability.

SUMMARY OF NET POSITION - DECEMBER 31, 2011 AND 2012 (in thousands)

	GOVERNMENTAL ACTIVITIES		
	2011	2012	Change
ASSETS			
Cash and investments	$636,759	$659,287	$22,528
Noncurrent assets / other assets	$417,781	$402,608	$(15,173)
Capital assets - net	$14,491	$14,809	$318
Total Assets	**$1,069,031**	**$1,076,704**	**$7,673**
LIABILITIES			
Current non-bond-related liabilities	$128,256	$154,380	$26,124
Current bond-related liabilities	$394,645	$137,384	$(257,261)
Long-term non-bond-related liabilities	$128,710	$162,439	$33,729
Long-term bond-related liabilities	$2,209,908	$2,401,418	$191,510
Total Liabilities	**$2,861,519**	**$2,855,621**	**$(5,898)**
NET POSITION (DEFICIT)			
Invested in capital assets	$14,491	$14,809	$318
Restricted*	$326,598	$175,643	$(150,955)
Unrestricted (deficit)	$(2,133,577)	$(1,969,369)	$164,208
Total Net Position (Deficit)	**$(1,792,488)**	**$(1,778,917)**	**$13,571**

**Resources restricted for specific use as imposed by creditors, grantors, contributors, laws or regulations of other government, Board of Directors and Service Boards.*

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Regional Transportation Authority, Illinois

for the Fiscal Year Ended

December 31, 2011

Christopher P. Morrill
President

Jeffrey L. Esser
Executive Director

The RTA gratefully acknowledges the cooperation of the RTA staff, the Chicago Transit Authority, Metra and Pace in the assembly of this report.

Regional Transportation Authority of Northeastern Illinois
175 West Jackson Boulevard, Suite 1650
Chicago, Illinois 60604

Phone: 312 913 3200
Fax: 312 922 9274
Email: communications@rtachicago.org

www.RTAchicago.org

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Comprehensive Annual Financial Report

2008

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

Fiscal Year Ended December 31, 2008

REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Prepared by:

Department of Finance and Administration

Joseph G. Costello, CPA, CPFO
Senior Deputy Executive Director

and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY
2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Regional Transportation Authority

June 10, 2009

175 W. Jackson Blvd.
Suite 1550
Chicago, IL 60604
(312) 913-3200
www.rtachicago.com

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

I have the pleasure to submit to you the Comprehensive Annual Financial Report ("CAFR") of the Regional Transportation Authority ("RTA") for the year ended December 31, 2008. The RTA staff has prepared this report as required by, and in accordance with, the RTA Act. This state law requires that the RTA publish financial statements presented in conformity with generally accepted accounting principles and audited by an independent certified public accountant.

This report consists of RTA management's representations concerning its finances. The responsibility for the accuracy, completeness, and fairness of the data rests with management. To the best of our knowledge and belief, this report contains data complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of the RTA has established an internal control structure designed to provide reasonable assurance that assets are safeguarded from loss, theft, or misuse, and that adequate and reliable accounting data is compiled to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits of that control, and that the valuation of costs and benefits requires estimates and judgments by management.

In addition to the statutory requirement of the RTA Act for an annual audit by independent certified public accountants, the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, require the RTA to undergo an annual Single Audit. The RTA has engaged the firm of McGladrey & Pullen LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States of America and the standards set forth in the above circular in conducting the engagement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the RTA's financial statements for the year ended December 31, 2008 are presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first part of the financial section of this report.

A separately issued Single Audit report contains a schedule of expenditures of federal awards, the independent auditor's report on internal controls and compliance with applicable laws, regulations, contracts and grants, a schedule of findings and questioned costs, and other information related to the Single Audit.

Accounting principles generally accepted in the United States require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal complements management's discussion and analysis, and should be read in conjunction with it. The RTA management's discussion and analysis ("MD &A") can be found immediately following the report of the independent auditors.

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

Illinois State law (the RTA Act, as amended) created the RTA as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system for Northeastern Illinois.

> "It is the purpose of [the RTA] Act to provide for, aid and assist public transportation in the northeastern area of the State without impairing the overall quality of existing public transportation by providing for the creation of a single authority responsive to the people and elected officials of the area and with the power and the competence to provide financial review of the providers of public transportation in the metropolitan region and facilitate public transportation provided by Service Boards which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and State plans."

History

In 1974, upon approval of a referendum in the six counties of metropolitan Chicago (Cook, DuPage, Kane, Lake, McHenry, and Will), the Act created the RTA as a unit of local government, body politic, political subdivision, and municipal corporation. Initially, the RTA provided financial assistance to the then existing public transportation operators. Subsequently, the role of the RTA expanded to include the acquisition and operation of such public transportation providers, as well as contract with operators to provide service through the purchase of service agreements.

In 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The Act placed operating responsibilities with the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"). These three entities are defined in the Act as the "Service Boards."

The CTA provides bus and rail transportation services within Chicago and 38 adjacent suburbs. Illinois State law (the Metropolitan Transportation Authority Act) created the CTA in 1945. The law established the CTA as an Illinois municipal corporation "separate and apart from all other government agencies" to consolidate Chicago's public and private transportation carriers. The CTA commenced operations in 1947 and completed the consolidation of public transportation in 1952 upon purchasing the Chicago Motor Coach System.

The Northeast Illinois Regional Commuter Railroad Corporation ("NIRCRC"), a public corporation created in 1980 and operating under the service name of Metra, provides public transportation by commuter rail. The 1983 RTA restructuring formed a Commuter Rail Division, "responsible for providing public transportation by commuter rail." The Commuter Rail Division continued the operation of NIRCRC to provide this transportation. Metra contracts with the Union Pacific Railroad, Burlington Northern Santa Fe, and Northern Indiana Commuter Transportation District to provide service through the purchase of service agreements. In addition, Metra operates the services provided on its North Central Service and South West Service rail lines, as well as the services formerly provided by Rock Island, Milwaukee Road, and Illinois Central Gulf.

The 1983 RTA restructuring also formed a Suburban Bus Division, "responsible for providing public transportation by bus and as may be provided in [the RTA] Act." As such, the Division - operating under the service name Pace - provides non-rail public transportation throughout DuPage, Kane, Lake, McHenry, and Will counties, as well as the suburban area of Cook County.

Collectively, we refer to the RTA, the CTA, Metra, and Pace as the "RTA System."

Mission

The Act sets forth the responsibilities of the RTA. These responsibilities encompass planning, funding, and oversight duties. The Board of Directors has developed the following goals to carry out the RTA legislative mandates:

Plan—Ensure an integrated regional public transportation system through comprehensive planning and coordination with the service providers.

Fund—Develop and allocate resources among the Service Boards to ensure they provide quality and cost-effective service.

Oversee—Monitor and evaluate Service Boards' performance to ensure that service is provided efficiently and effectively.

The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program. This obligation incorporates planning, funding, and oversight duties. The Act enumerates a number of requirements with respect to the budget, plan, and program. These include a requirement that the budget and plan reflect operating revenues of at least 50% of operating costs (a farebox recovery ratio of at least 50%). In addition, the budget and plan must show a balance between revenues, including subsidies, and costs (a balanced budget).

Other responsibilities include establishing policies regarding the allocation of public transportation funding in the Chicago metropolitan region, developing system-wide plans and service standards, coordinating services among different modes of transportation, and ensuring compliance with Federal and State mandates.

Budget

The Act establishes budgetary controls. The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program.

> "Each year the Authority shall prepare and publish a comprehensive annual budget and program document describing the state of the Authority and presenting for the forthcoming fiscal year the Authority's plans for such operations and capital expenditures as the Authority intends to undertake and the means by which it intends to finance them."

The Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the Five-Year Capital Program must specify capital improvements exceeding $250,000 along with pertinent information. The budget calendar and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.

Budget Calendar

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 the next two following years, the times when the amounts will be available, and the cost recovery ratio for the next year. The recovery ratio for the region must meet a minimum standard of 50%.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document, and a financial plan for the two following years. "The proposed budget and financial plan shall be based on the RTA's estimate of funds that will 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 its budget to the RTA, each Service Board must hold at least one public hearing in each of the counties in which it provides service, and at least one meeting with each respective county board. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA. "Not later than... November 15 prior to the commencement of such fiscal year, each Service Board shall submit to the Authority its proposed budget for the fiscal year and its proposed financial plan for the two following years."

The RTA must also hold at least one public hearing in the metropolitan region and one meeting with each county board on its own proposed budget. After conducting these hearings and taking into consideration the comments, the RTA must adopt its budget and the budgets submitted by the service boards, each of which meets the statutory criteria summarized below. Unless the RTA passes a budget and financial plan for a Service Board, "the Board shall not release to that Service Board any funds for the periods covered by such budget and financial plan," except for the sales tax directly allocated to the Service Board by statute.

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*: A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services and of funding any operating deficits or encumbrances incurred in prior periods;

- *Cash Flow*: 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*: A level of fares or charges, and operating or administrative costs, to allow the Service Board to meet its required system-generated revenue recovery ratio;

- *Assumptions*: Employ assumptions and projections which are reasonable and prudent;

- *Financial Practices*: Prepared in accordance with sound financial practices as determined by the Board; and

- *Other Requirements*: Other financial, budgetary, or fiscal requirements that the Board may establish by rule or regulation.

Oversight

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

- 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 such quarter. If in compliance, the 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 such period as adopted by the RTA, the Board shall so advise the Service Board and the service board "shall, within the period specified by the Board, submit a revised budget incorporating such results."

- Once a Service Board submits a revised budget, the RTA must determine if it meets the six statutory budget criteria necessary to pass an annual budget. If not, the RTA must withhold from the Service Board (i) 25% of the cash proceeds of taxes imposed by the RTA and (ii) 25% of any state matching funds that are allocated to each Service Board.

- If a Service Board then submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period, the RTA "shall release any such withheld funds to the Service Board."

Amendment

When prudent, the RTA Board may revise estimates of amounts of funds available to the Service Boards during a fiscal year due to shifts in the economic climate, governmental funding programs, or new projects. Upon receiving notice of such a revision, the Service Boards must submit amended budgets to the RTA Board within 30 days. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budget.

Reporting Entity

As defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government (the RTA, as legally defined), as well as its component units—legally separate entities for which the primary government has financial accountability.

Although part of the RTA System, the CTA, Metra, and Pace do not represent component units of the RTA under GASB Statement No. 14. Accordingly, the Comprehensive Annual Financial Report of the Regional Transportation Authority does not include the financial statements of the Service Boards. However, a Combining Annual Financial Report does combine the financial statements of the RTA, the CTA, Metra, and Pace as required by the RTA Act.

RTA System Characteristics

The six-county area served by the RTA system covers 3,700 square miles. Based on the 2000 census, the region has 8 million residents. Regional employment totaled 5 million in 2000. The RTA system carried 651.8 million riders in 2008, an increase of 4.62% compared to the prior year.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of fifteen appointed members and one elected member from the six-county region. The Mayor of the City of Chicago appoints five directors. The suburban members of the Cook County Board appoint five directors. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry and Will counties, each appoint a director. These fifteen directors, with a minimum concurrence of eleven directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of ninety-eight. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit was set at $5 million for 1985 and has increased at a rate of 5% per year. The RTA has always held its administrative expenses under the prescribed limit.

The Chicago Transit Board, consisting of seven members, governs the CTA. Its members are appointed pursuant to the Metropolitan Transit Authority Act. The Governor of Illinois appoints three members, subject to the approval of the Illinois Senate and the Mayor of Chicago. The Mayor of Chicago, with the consent of the Chicago City Council and the Governor of Illinois, appoints four members, including the CTA Chairman.

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of eleven members, governs Metra. The suburban members of the Cook County Board appoint four members. The Chairmen or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry and Will counties each appoint one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These eleven directors, with a minimum concurrence of eight directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of thirteen members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will counties each appoint one director. The RTA Act requires that each of these directors must be a current or former "chief executive officer of a municipality" from the area that appoints the member. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board.

Financing

The RTA Act specifies the funding responsibilities of the RTA, appointing the RTA as the primary public body in the metropolitan region to secure funds for public transportation.

Sections 4.03 and 4.03.1 of the Regional Transportation Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

Sales Taxes

The Act authorizes the RTA to impose a retailers' occupation tax "ROT," a service occupation tax "SOT," and a use tax "UT." The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook County and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.
The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result, the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, and .75% in collar counties.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas for the privilege of using a vehicle purchased outside the six county area that must be registered with the State. Unlike the state use tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above. Consequently, this tax has never been imposed.

Off-Street Parking Tax

The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax

The Act authorizes the RTA to impose a $50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

As indicated above, the RTA imposes a sales tax in the six-county Northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

FACTORS AFFECTING ECONOMIC CONDITION

Financing

The RTA's primary source of operating funding is a regional (occupation and use) sales tax and a sales tax match from the State of Illinois. Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region (from the equivalent of 1.0% in Cook County and 0.25% in the remainder of the region to the equivalent of 1.25% in Cook County and 0.5% in the remainder of the region) beginning on April 1, 2008, created a real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25 percent to 30 percent the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). In 2008, RTA sales tax receipts of $921 million exceeded prior year by 22.4% because of the rate increase but lagged budget by 4.5% because of the economic downturn during the second half of the year. In 2007, 2006, 2005, 2004, and 2003, the RTA sales tax increased 0.8%, 6.6%, 3.7%, 3.2%, and 1.1%, respectively.
The RTA 2009 operating budget approved by the Board of Directors on December 18, 2008, assumes sales tax revenue of $1,040 million, an increase of 12.9% and 7.8% over the 2008 actual and 2008 budget, respectively. In addition to the 30% sales tax match from the PTF, the State of Illinois will provide $116 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds and $37 million as partial reimbursement to the Service Boards for discounted and free fares (mandated by law) for student, elderly, and disabled riders.

Regional and Illinois Economy

The Chicago region is the home to one of the most economically diversified economies in the United States. According to World Business Chicago, the area leads the U.S. in many economic measurements, including high technology employment and output, manufacturing output, and truck, inter-modal, rail, and air distribution. Second only to New York, the region is home to 96 major publicly-traded headquarters, including 30 Fortune 500 companies. Noted strengths of the Chicago area economy include construction, transportation, utilities, manufacturing, information technology, wholesale and retail trade, leisure and hospitality, professional and business services, education, and healthcare.

Like the nation, both Illinois and the Chicago region posted significant declines in the unemployment rate earlier this decade. However, the unemployment rate in Illinois increased from 4.6% in 2006 to 5.1% in 2007 to 6.5% in 2008, while the unemployment rate in the Chicago region increased from 4.5% in 2006 to 4.9% in 2007 to 6.2% in 2008. The February 2008 Monthly Revenue Briefing issued by the State

Commission on Government Forecasting and Accountability noted that during the first nine months of the State's 2009 fiscal year, sales tax receipts of $5.2 billion decreased $241 million or 4.5% compared to the same period during the State's previous fiscal year.

National Economy

Through 2000, the real gross domestic product (GDP), the output of goods and services produced in the United States, grew in the neighborhood of 4% annually for several consecutive years. In 2001, the annual growth rate plunged to 0.8% before rebounding to a modest 1.6% in 2002 and 2.5% in 2003. The annual growth rate of 3.6% in 2004 declined to 2.9% in 2005, 2.8% in 2006, 2.0% in 2007 and 1.1% in 2008. The Congressional Budget Office (CBO) predicts real GDP contraction of 2.2% in 2009 followed by growth of 1.5% in 2010.

The national unemployment rate averaged 5.8% in 2008, rising from 4.6% in 2007 and 2006 after falling from 5.1% in 2005, 5.5% in 2004 and 6.0% in 2003, the highest average annual rate since 1994. The national unemployment rate rose from 8.1% in February to 8.5% in March 2009. The CBO forecasts national average unemployment rates of 8.3% and 9.0% in 2009 and 2010, respectively.

In 2008, the consumer price index (CPI), a measure of the pace of inflation, increased 3.8% following increases of 2.8% in 2007, 3.2% in 2006, 3.4% in 2005, 2.7% in 2004 and 2.3% in 2003. The CBO expects the CPI to increase 0.1% in 2009 and 1.7% in 2010.

Cash Management

RTA cash management policies and practices vary by fund.

General and Agency Funds

The RTA Board has adopted an investment policy that governs the investment of cash for these funds. The RTA policy which complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, as well as the other areas required by Illinois law. The policy lists permitted investments and prescribes safekeeping, collateralization, and reporting requirements. RTA staff manages the investment of these funds.

The RTA policy establishes the following objectives:

- ***Safety of Principal***—Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.

- ***Liquidity***—Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA.

- ***Rate of Return***—A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.

- ***Public Trust***—The RTA and its officers should avoid any investment transaction or practice which in appearance or may impair public confidence in its stewardship of public funds.

- ***Investments in Local and Disadvantaged Institutions***—Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

Debt Service Fund

Each bond issue has a separate debt service account, administered by a trustee, to accumulate the amount necessary for the next bondholder payment. The trust agreement establishes the requirements for the administration of the account, and requires that the trustee invest in securities that are legal investments under the laws of the State of Illinois at the time of investment.

Capital Projects Fund

The RTA usually contracts with an investment institution to manage the proceeds of its bond issues. A separate contract, awarded on a competitive basis, governs each issue. The contract requires full collateralization, limited to securities guaranteed by the full faith and credit of the United States government as to principal and interest, the Export-Import Bank of the United States, and selected agencies created pursuant to an Act of Congress, with weekly mark-to-market.

Joint Self-Insurance Fund

An RTA ordinance was passed to govern this fund. RTA staff manages the investment of these funds in compliance with this ordinance and the RTA investment policy. The joint self-insurance fund maintains a separate account for these funds. Cash and cash equivalents of the Joint Self-Insurance Fund are held in separate accounts and not commingled with other RTA assets.

Pension Fund

An RTA ordinance was passed to govern this fund. The ordinance requires that the RTA Board appoint the trustees to oversee the investment of the pension fund. A representative from the RTA, Metra, and Pace, plus four individuals not employed in the RTA system, comprise the trustees. The trustees have adopted an investment policy and have apportioned the pension fund among a number of investment institutions to execute this policy. In addition, the trustees utilize an independent firm to monitor the performance of the investment institutions.

Risk Management

The RTA, CTA, Metra, and Pace established a Loss Financing Plan in 1986. The Plan operates as a self-insurance program to provide a source from which to temporarily finance catastrophic losses and other claims incurred by the RTA and the Service Boards, arising out of personal injuries, property damage, and certain other losses. The participating entities (RTA, CTA, Metra, and Pace) administer the Plan, with a representative from the RTA acting as the Fund Manager and representatives from the CTA, Metra, and Pace acting as Fund Advisors.

The Plan required the creation of a Joint Self-Insurance Fund. The Fund has entered into a multi-year, claims-paid insurance agreement to insure against certain losses in excess of $5 million. The Fund pays premiums for this coverage. The participating entities must repay the Fund for submitted claims paid by the Fund that are not covered by the insurance agreement.

Pension and Other Post Employment Benefits

The RTA sponsors a multi-employer defined benefit pension plan for substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively) who are not otherwise covered by a union pension plan. RTA, Metra, and Pace are collectively referred to hereinafter as the Employer. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that each employer must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. In 2007 and 2008, the employer's pension costs equal the required and actual contributions which were $9,137,000 and $9,195,000, respectively. The required contributions were determined as part of the January 1, 2007 and 2008 actuarial valuations.

The RTA also offers eligible retirees the option to continue participation in its group health insurance plan. Election to participate is voluntary with the RTA incurring no additional obligations except that the RTA will pay each eligible retiree the sum of up to $78 per month toward the cost of his/her health insurance. There are 20 participants eligible to receive benefits at December 31, 2008. The RTA recognized retiree health care benefits as expenses as they are paid and are not material in amount at the present time.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2007. This was the fourteenth consecutive year that the RTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the RTA received the GFOA Award for Distinguished Budget Presentation for its annual budget for the year ending December 31, 2008. This marks the twelfth consecutive year that the RTA has achieved this accomplishment. The Distinguished Budget Presentation Award requires that the GFOA judge the budget document as proficient in several categories, including policy documentation, financial planning, and organization.

I would like to express my appreciation to the RTA staff for their efforts in preparing this report.

J H Costello

Joseph G. Costello
Senior Deputy Executive Director
Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

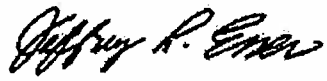
Presented to

Regional Transportation Authority, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

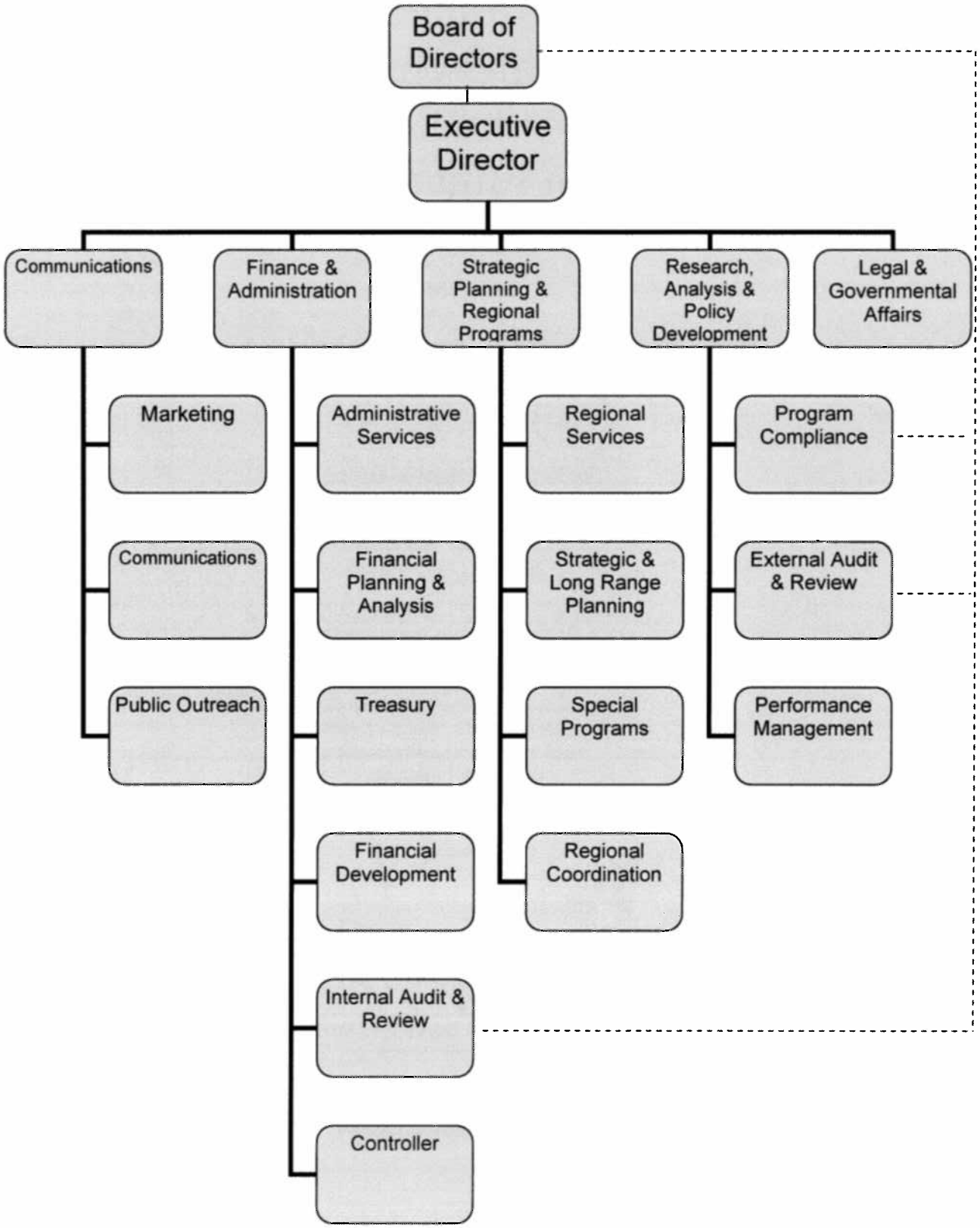
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

REGIONAL TRANSPORTATION AUTHORITY
ORGANIZATION CHART
December 31, 2008



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2008

Board of Directors	
Chairman	James R. Reilly
Directors	James Buchanan Jan Carlson William R. Coulson Rev. L. Tyrone Crider, Sr Patrick J. Durante Phil Fuentes Al Jourdan Dwight A. Magalis Patrick V. Riley, Jr. Michael Rosenberg J.D. Ross Michael Scott Judy Baar Topinka Douglas M. Troiani
Administration	
Executive Director	Stephen E. Schlickman
Senior Deputy Executive Director Finance and Administration	Joseph G. Costello
Senior Deputy Executive Director Strategic Planning and Regional Programs	Leanne P. Redden
Senior Deputy Executive Director Legal and Government Affairs	Andrew S. Gruber
Senior Deputy Executive Director Research Analysis and Policy Development	Grace Gallucci
Director of Communications	Diane J. Palmer

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority ("RTA") as of and for the year ended December 31, 2008, which collectively comprise the RTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 10, 2009 on our consideration of the RTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Required Supplementary Information and the Management's Discussion and Analysis listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTA's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules are the responsibility of the RTA's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 10, 2009

REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activity affecting the operation of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2008. Please read it in conjunction with the RTA's basic financial statements which follow this section.

Financial Highlights

- For the year ended December 31, 2008, the RTA statement of activities for the governmental activities shows expenses increasing $68 million to $590 million from $522 million for the same period in 2007. This increase is due to an increase in financial assistance to the CTA, Metra, and Pace ("Service Boards") by $58 million. Revenues decreased by $34 million from 2007. The decrease was primarily due to lower operating grants and lower investment income offset by more PTF and state assistance.

- The government-wide statement of net assets shows assets of $693 million for the governmental activities, a net increase of $23 million. The increase is mainly due to an increase in receivables of $144 million offset by a decrease in cash and investments of $123 million. The increase in receivables was due to the timing of receipts. The decrease in cash and investments is due to capital expenditures activity in 2008. In the government-wide statement of net assets, bond-related liabilities decreased by $71 million due to payments for general obligation bonds in 2008.

- At the end of 2008, the government-wide statement of net assets shows a deficit of $2.1 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of $313 million. There is a $2.4 billion difference between the fund balance and the net deficit. This does not in any way represent a precarious financial position for the RTA. Rather, it is the result of the presentation of RTA financial statements required by the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments ("GASB Statement No. 34")*, as it relates to the recording of the RTA general obligation bonds in the government-wide statement of net assets.

- The RTA has the obligation to pay the bonds it has issued to fund the Service Boards' capital expenditures. These expenditures and the related assets appear in the Service Boards' financial statements. The sales taxes imposed by the RTA in the region represent the primary source of payment for the bond obligations.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Overview of the CAFR—The RTA CAFR consists of three parts:

1. Introductory Section—This section includes the letter of transmittal, the GFOA Certificate of Achievement, the organizational chart, and the list of principal officials.

2. Financial Section—This section is comprised of the independent auditor's report, the management's discussion and analysis, the basic financial statements, and the required supplementary information and combining and individual fund schedules.

3. Statistical Section (Unaudited)—This section provides additional analysis and is not a required part of the basic financial statements of the RTA.

The basic financial statements contain three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. A discussion of the basic financial statements is included in this CAFR as follows:

Government-wide Financial Statements—The government-wide financial statements provide a broad overview of the RTA finances in a manner similar to those of a private-sector business. The statements are prepared following the full accrual basis of accounting.

- ***Statement of Net Assets***—The statement of net assets presents information on all of the RTA's assets and liabilities. The statement subtracts liabilities from assets to compute—in the case of the RTA—a net deficit. This net deficit reflects the recording of bonds issued by the RTA for capital grants to the Service Boards to acquire and construct assets used to provide public transportation. These assets appear in the financial statements of the Service Boards. The bonds represent general obligations of the RTA to which the RTA has pledged its full faith and credit.

  The size of the net deficit will increase as the RTA continues to issue bonds to fund the RTA System capital program.

- ***Statement of Activities***—The statement of activities shows the change in net assets of the governmental and business-type activities. Governmental activities include operating and capital asset funding (capital grants) to the Service Boards, RTA administrative expenses, the RTA Travel Information Center, certification of riders for paratransit service under the Americans with Disabilities Act (regional expenses), and interest expense on bonds issued by the RTA. Business-type activities consist of the RTA Joint Self-Insurance Fund.

  The government-wide financial statements include only the RTA (the "primary government"). There are no "component units" (separate legal entities for which the RTA is financially accountable) that the RTA government-wide financial statements are required to include.

  The RTA does not consider the CTA, Metra, or Pace to be component units, therefore, the RTA government-wide financial statements do not incorporate the financial data of the Service Boards. See Letter of Transmittal and Note 1 to the financial statements for further details.

Fund Financial Statements—A fund refers to a set of related self-balancing accounts used to maintain control over resources segregated for specific activities or objectives. The RTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The RTA's funds are accounted for in three fund types: governmental funds, proprietary

funds, and fiduciary funds. These financial statements are prepared following the modified accrual basis of accounting.

- ***Governmental Funds***—Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year.

  Unlike the information presented for governmental funds, information presented for governmental activities in the government-wide financial statements, includes the long-term impact of near-term financing decisions. The governmental funds financial statements provide reconciliations to facilitate comparison between governmental funds and government-wide financial statements.

  In the fund level basic financial statements, the RTA presents three major governmental funds: a general fund, a debt service fund, and a capital projects fund. The governmental funds financial statements present information for each major fund separately. Individual fund data for each of the RTA governmental funds is presented in this CAFR in the section labeled "Combining and Individual Fund Schedules."

  The RTA adopts an annual appropriated budget for its general fund. The Required Supplementary Information and Combining and Individual Fund Schedules include a budgetary comparison.

- ***Proprietary Funds***—The RTA maintains a proprietary fund to account for the RTA Joint Self-Insurance Fund. This type of proprietary fund, referred to as an enterprise fund, reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. As required by Article II of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separate audited financial statements.

- ***Fiduciary Funds***—Fiduciary funds account for resources held for the benefit of parties outside the government activity. In the case of the RTA, the fiduciary fund accounts for the assets of the RTA defined-benefit Pension Plan and the Sales Tax Agency Fund. The government-wide financial statements do not reflect fiduciary funds as these funds are not available to support the programs and operations of the RTA. The RTA Pension Plan issues audited financial statements separately.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Assets:

SUMMARY OF NET ASSETS
DECEMBER 31, 2008 AND 2007
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2008	2007	Variance	2008	2007	Variance	2008	2007	Variance
Assets:									
Cash and investments	$ 396,836	$ 519,578	$ (122,742)	$ 22,902	$ 21,199	$ 1,703	$ 419,738	$ 540,777	$ (121,039)
Other assets	284,539	140,387	144,152	3,207	3,444	(237)	287,746	143,831	143,915
Noncurrent assets	-	-	-	2,750	3,750	(1,000)	2,750	3,750	(1,000)
Capital assets—net	11,118	9,754	1,364	-	-	-	11,118	9,754	1,364
Total assets	692,493	669,719	22,774	28,859	28,393	466	721,352	698,112	23,240
Liabilities:			-						
Current non bond-related liabilities	307,281	97,933	209,348	-	-	-	307,281	97,933	209,348
Current bond related liabilities	74,157	70,387	3,770	-	-	-	74,157	70,387	3,770
Long-term non-bond-related liabilities	50,136	51,442	(1,306)	-	-	-	50,136	51,442	(1,306)
Long-term bond-related liabilities	2,312,541	2,387,376	(74,835)	-	-	-	2,312,541	2,387,376	(74,835)
Total liabilities	2,744,115	2,607,138	136,977	-	-	-	2,744,115	2,607,138	136,977
Net assets (deficit):									
Invested in capital assets	11,118	9,754	1,364	-	-	-	11,118	9,754	1,364
Unrestricted (deficit)	(2,062,740)	(1,947,173)	(115,567)	28,859	28,393	466	(2,033,881)	(1,918,780)	(115,101)
Total net assets (deficit)	$ (2,051,622)	$ (1,937,419)	$ (114,203)	$ 28,859	$ 28,393	$ 466	$ (2,022,763)	$ (1,909,026)	$ (113,737)

As of December 31, 2008, cash and investments for governmental activities decreased by $123 million over the previous year. During 2008, the Capital Projects Fund decreased by $93 million, conversely the Debt Service Fund increased by $2.8 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

As of December 31, 2008, the current non bond-related liabilities increased by $209 million from the previous year due to timing differences in funds distributed to the Service Boards.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition in the statement of net assets of $2.4 billion in current and long-term general obligation bonds payable. Prior to the implementation of GASB Statement No. 34, these bonds were recorded in the general long-term debt account group and presented, prior to the 2001, as credits, with an equal amount of other debits (i.e., amount available and amount to be provided for the retirement of long-term debt). This was a result of the recording of bonds issued by the RTA under its bonding authority. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation within the RTA region.

The size of the net deficit will continue to increase over time as the RTA progresses with its bond financing to fund the RTA System capital program. This deficit will not affect the availability of RTA fund resources for future use. In fact, the RTA maintains its operations funding levels for 2009 as established in September 2008 during the 2009 budget process.

The following table summarizes the RTA Statement of Activities presented in this CAFR:

SUMMARY OF ACTIVITIES
DECEMBER 31, 2008 AND 2007
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2008	2007	Variance	2008	2007	Variance	2008	2007	Variance
Expenses:									
Financial assistance to Service Boards	$ 249,948	$ 249,941	$ 7	$ -	$ -	$ -	$ 249,948	$ 249,941	$ 7
Administration of capital grants	119,373	113,328	6,045	-	-	-	119,373	113,328	6,045
Administration of operating grant	58,142	-	58,142	-	-	-	58,142	-	58,142
Administrative expenses	7,532	6,967	565	4,375	4,855	(481)	11,907	11,822	84
Regional and technology program expenses	23,123	21,652	1,471	-	-	-	23,123	21,652	1,471
Interest expense	127,495	130,079	(2,584)	-	-	-	127,495	130,079	(2,584)
						-	-	-	
Total expenses	585,613	521,967	63,646	4,375	4,855	(481)	589,988	526,822	63,165
Revenues and transfers:									
Sales taxes	109,003	112,938	(3,935)	-	-	-	109,003	112,938	(3,935)
PTF and state assistance	349,071	306,738	42,333	-	-	-	349,071	306,738	42,333
Note interest	-	-	-	151	207	(56)	151	207	(56)
Operating grant - CTA/PACE	14,441	54,252	(39,811)	-	-	-	14,441	54,252	(39,811)
Regional expenses	1,361	1,153	208	-	-	-	1,361	1,153	208
Investment income and other	1,454	33,916	(32,462)	770	1,210	(440)	2,224	35,126	(32,902)
Transfers	(3,920)	-	(3,920)	3,920	-	3,920	-	-	-
Total revenues and transfers	471,410	508,997	(37,587)	4,841	1,417	3,424	476,251	510,414	(34,163)
Change in net assets	(114,203)	(12,970)	(101,233)	466	(3,438)	3,904	(113,737)	(16,408)	(97,329)
Net assets—beginning of year	(1,937,419)	(1,924,449)	(12,970)	28,393	31,831	(3,438)	(1,909,026)	(1,892,618)	(16,408)
							-	-	
Net assets—end of year	$ (2,051,622)	$ (1,937,419)	$ (114,203)	$ 28,859	$ 28,393	$ 466	$ (2,022,763)	$ (1,909,026)	$ (113,737)

Financial assistance to the Service Boards increased by $58 million from $250 million in 2007 to $308 million in 2008. Capital grants to the Service Boards increased by $6 million, from $113 million in 2007 to $119 million in 2008, which reflects the activity in capital expenditures to the Service Boards during 2008. The amount of bond interest expense decreased by $3 million from $130 million to $127 million. PTF and state assistance increased by $42 million, offset by the sales tax decrease of $4 million, a decrease in investment income of $32 million, and the decrease in operating grant revenue of $40 million, resulting in a decrease of $34 million in total revenue from 2007.

During 2008, a total of $3.9 million was transferred to the Joint Self-Insurance Fund for excess liability. Insurance premiums represent the only major expense, and investment income represents the only revenue for the Business-type activities (insurance financing).

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the RTA employs three fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. See the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances on pages 27 and 29, respectively, for further details.

General Fund—Assets in the general fund primarily represent the amounts for Service Boards' operations and capital projects. Assets increased by $83 million from $264 million in 2007 to $347 million in 2008, mainly due to timing differences. Also, intergovernmental receivables increased $144 million due to timing differences.

At December 31, 2008, the majority of RTA's liabilities of $293 million are comprised of intergovernmental payables, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and deferred revenue and notes payable.

The total fund balance of the General Fund equals $53 million at December 31, 2008. The General Fund balance decreased by $96 million primarily due to decreases in sales taxes, operating assistance - CTA/PACE ADA Paratransit and increases in financial assistance to the Service Boards.

Reserved for other includes $25 million in interest rate swap expenses, $15 million in RTA capital, $47 million in Debt Service Deposit Agreement ("DSDA"), and $370 thousand in prepaid items. The amount reserved for RTA capital projects is for projects focusing on the application of advanced technology on transportation systems to improve the efficiency of such systems. The transit industry views such technology as having the potential for increasing ridership and revenues by making transit systems more attractive to customers.

These applications include the following:

- Active transit station signs, Phase III expansion and evaluation (variable message signs designed to provide real-time "next train" or "next bus" service information at transit stops).
- Transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections).
- Transit management systems (voice/data communication functions, computer-aided dispatching, and automatic vehicle location technologies to improve transit operating efficiency, increase service reliability, and ensure schedule adherence).
- Parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities).
- Transit signal priority (gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs).

- Multi-Modal Trip Planner System (MMTPS) to provide side by side comparisons of trip itineraries using transit, driving, or any combination of non-motorized modes such as biking and walking. It will give customers a comprehensive decision support tool for choosing travel options that incorporate convenience, efficiency, and cost – from the traveler's perspective.

- Traveler Resource and Itinerary Planning System (TRIPS) is a traveler information system which matches regional attractions with transit directions using interactive electronic kiosks.

The remaining unreserved and undesignated fund balances total ($53) million.

Debt Service Fund—The RTA establishes a Debt Service Fund to account for transfers received from the General Fund, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2008, the RTA has nineteen series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2008 Debt Service Fund balance increased by $2.8 million from 2007 to $80 million.

Capital Projects Fund—The RTA has established a Capital Projects Fund to account for bond proceeds, earnings on the investment of such proceeds (except noted otherwise), and the expenditure of such monies for capital assets of the Service Boards. In addition, the RTA can use a portion of these funds to pay for debt service on the related bonds. During 2008, the Capital Projects Fund decreased by $93 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

Proprietary Fund—The RTA has established a proprietary fund to account 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 fund which relates to the activities of the Joint Self-Insurance Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, revenues are lower than the budget goal by $45.8 million. A poor economic environment during 2008 resulted in lower than budgeted sales tax receipts, hence, higher PTF receipts. The RTA receives reimbursement from the State for debt service on bonds issued under the Strategic Capital Improvement Plan (SCIP). Such reimbursement, termed ASA and AFA, is included in the State assistance line item in the financial statements, which recognized a total of $121.9 million in 2008. In 2008, the investment income was $23.8 million less than budgeted, which was due mainly to interest rate swap valuation cost of $124 million in 2008. Total financial assistance to the Service Boards was lower than budget by $53 million in 2008. Other non-administration and technology program expenditures did not reach budgeted levels by $3.4 million, primarily due to delays in some program initiatives.

By policy established by the RTA ordinance, the annual budget and two-year financial plan adopted by the RTA each year must reflect an unreserved and undesignated fund balance of its general fund equal to or greater than 5% of the RTA total operating expenditures by the end of the planning period. The RTA has consistently met this requirement each year since its establishment.

SERVICE BOARDS CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The financial statements of the Service Boards reflect the capital assets discussed in this section. The statement of net assets for the RTA reflects the RTA bonds issued to provide a portion of the funding for these assets. The details of the RTA bond program are discussed further in Note 10 of this report.

Service Boards Capital Assets—The RTA System provides 651.8 million unlinked passenger trips annually. This has the beneficial impact of reducing road congestion, improving the flow of goods and services, and enhancing air quality. In addition, the RTA System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with replacement cost estimated at more than $31.3 billion for the entire region. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order. The RTA Five-Year Capital Program report contains the details of this investment. The Five-Year Capital Program report is updated and adopted annually by the RTA Board, as required by the RTA Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of capital funding from Federal as well as State programs has risen, reflecting the increasing recognition of the importance of public transportation. In recent years, the RTA and the Service Boards have also been able to direct funds to capital projects by successfully constraining operating costs.

Long-Term Debt Activity—Under the RTA Act, the RTA has authority to issue General Obligation Bonds for the improvement and expansion of the RTA System. This authority resulted from successful RTA efforts to demonstrate to the State legislature the need for capital reinvestment. The authorization identified two types of bonds: Strategic Capital Improvement Program ("SCIP") bonds and RTA ("Non-SCIP") bonds.

Prior to January 1, 2000, the RTA had the authority to issue up to $500 million in SCIP bonds and to have up to $500 million in Non-SCIP bonds outstanding. Effective January 1, 2000, the RTA Act was amended to increase the RTA authorization by an additional $260 million of SCIP bonds in each year for the period of 2000 through 2004, and to issue and have outstanding up to $800 million of Non-SCIP bonds. As of year-end 2008, the RTA has issued $1.790 billion in SCIP bonds, with total SCIP bonds outstanding of $1.577 billion. The remaining $650.4 million bonds outstanding relate to Non-SCIP bonds.

For 2008, the bonds issued by the RTA carried a rating of "AA+" from Standard & Poor's, Aa2 by Moody's Investors Service, Inc and AA by Fitch, Inc. On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority general obligation bond rating to AA- from AA and assigned a negative outlook to outstanding general obligation debt. On June 8, 2009, Moody's Investors Service downgraded the Regional Transportation Authority's approximately $2.5 billion of outstanding parity bonds to Aa3 from Aa2.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the RTA. Users of the CAFR should address questions concerning the information, or requests for additional financial information, to the Regional Transportation Authority, c/o Senior Deputy Executive Director, Finance and Administration 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604 or visit our website at www.rtachicago.org.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
DECEMBER 31, 2008
(In Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current portion of:			
Cash and investments:			
Cash and cash equivalents	$ -	$ 14,301	$ 14,301
Restricted—investments	262,774	-	262,774
Unrestricted—investments	134,062	8,601	142,663
Due from fiduciary funds	19	-	19
Intergovernmental receivables	270,542	-	270,542
Unamortized bond issue costs	579	-	579
Accrued interest on investments	1,011	228	1,239
Loan to SB-Note and interest	-	1,358	1,358
Internal balances	18	(18)	-
Prepaid expenses and other assets	882	1,639	2,521
Non-current portion of:			
Unamortized bond issue costs	11,488	-	11,488
Note receivable	-	2,750	2,750
Capital assets—net of accumulated depreciation	1,402	-	1,402
Capital assets—non-depreciable	9,716	-	9,716
Total assets	692,493	28,859	721,352
LIABILITIES:			
Current portion of:			
Vouchers payable	145	-	145
General obligation bonds payable	68,455	-	68,455
Unearned revenue	1,701	-	1,701
Unamortized bond premium	5,702	-	5,702
Due to fiduciary funds	15,369	-	15,369
Intergovernmental payables	170,528	-	170,528
Accrued other expenses	4,557	-	4,557
Working cash note payable	56,000	-	56,000
Other liabilities	59,981	-	59,981
Non-current portion of:			
Deferred rent	2,076	-	2,076
Accrued interest payable	33,919	-	33,919
Unearned revenue	47,060	-	47,060
Unamortized bond premium	119,502	-	119,502
General obligation bonds payable	2,159,120	-	2,159,120
Total liabilities	2,744,115	-	2,744,115
NET ASSETS (DEFICIT):			
Invested in capital assets	11,118	-	11,118
Accumulated unrestricted (deficit)	(2,062,740)	28,859	(2,033,881)
TOTAL NET ASSETS (DEFICIT)	$ (2,051,622)	$ 28,859	$(2,022,763)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets		
			Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	$ 249,948	$ -	$ 249,948	$ -	$ 249,948
Administration of capital grants					
Discretionary	26,288	-	26,288	-	26,288
Bonds	93,085	-	93,085	-	93,085
Administration of operating grant					
CTA/PACE	58,142	14,441	43,701	-	43,701
Administrative expenses	7,532	-	7,532	-	7,532
Regional expenses	20,656	1,361	19,295	-	19,295
Technology program expenses	2,467	-	2,467	-	2,467
Interest expense	127,495	-	127,495	-	127,495
Total governmental activities	585,613	15,802	569,811	-	569,811
Business-type activities—					
insurance financing	4,375	-	-	4,375	4,375
TOTAL PRIMARY GOVERNMENT	$ 589,988	$ 15,802	569,811	4,375	574,186
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
Sales taxes			109,003	-	109,003
Interest on sales taxes			1,081	-	1,081
State assistance (PTF)			227,201	-	227,201
State assistance (ASA/AFA)			121,870	-	121,870
Investment income			(1,495)	770	(725)
Other revenues			1,868	151	2,019
Transfers			(3,920)	3,920	-
Total general revenues and transfers			455,608	4,841	460,449
CHANGES IN NET ASSETS (DEFICIT)			(114,203)	466	(113,737)
NET ASSETS (DEFICIT):					
Beginning of year			(1,937,419)	28,393	(1,909,026)
End of year			$ (2,051,622)	$ 28,859	$ (2,022,763)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Investments:				
Restricted investments	$ -	$ 78,392	$ 184,383	$ 262,775
Unrestricted—investments	75,081	-	-	75,081
Due from other funds	37	662	8,014	8,713
Intergovernmental receivables	270,542	-	-	270,542
Accrued interest on investments	101	910	-	1,011
Other recievable	512	-	-	512
Prepaid items and other assets	370	-	-	370
TOTAL ASSETS	$ 346,643	$ 79,964	$ 192,397	$ 619,004
LIABILITIES:				
Vouchers payable	$ 145	$ -	$ -	$ 145
Due to other funds	15,369	-	8,676	24,045
Intergovernmental payables	166,008	-	4,520	170,528
Notes payable	56,000	-	-	56,000
Accrued items				
Deferred revenue	48,761	-	-	48,761
Accrued liability	3,629	-	-	3,629
Other accrued items	3,391	-	-	3,391
Total liabilities	293,303	-	13,196	306,499
FUND BALANCES:				
Reserved for:				
Service boards capital projects	16,054	-	-	16,054
CTA operating assistance ADA	4,072	-	-	4,072
Prepaid items	370	-	-	370
Debt service	-	79,964	-	79,964
Bond Capital Projects	-	-	179,201	179,201
RTA Non-Cap Tech	2,282	-	-	2,282
CTAP Capital	8,058	-	-	8,058
Debt Svc Deposit Agrmt Reserve (DSDA)	46,987	-	-	46,987
RTA capital projects	4,329	-	-	4,329
Interest rate swap	24,670	-	-	24,670
Unreserved, undesignated	(53,482)	-	-	(53,482)
Total fund balances	53,340	79,964	179,201	312,505
TOTAL LIABILITIES AND FUND BALANCES	$ 346,643	$ 79,964	$ 192,397	$ 619,004

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008
(In Thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS	$ 312,505
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net assets.	11,118
Bond issue costs are paid in the current year and, therefore, are reported in the funds. This asset represents the unamortized portion recognized in the statement of net assets.	12,067
General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net assets.	(2,227,575)
Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net assets.	(125,204)
Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net assets.	(33,919)
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(614)
TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES	$ (2,051,622)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	$ 109,003	$ -	$ -	$ 109,003
Interest on sales taxes	1,081	-	-	1,081
Public Transportation Fund	188,829	-	-	188,829
New 5% PTF Advance Recovery	38,372	-	-	38,372
Innovation, Coordination & Enhancement (ICE)	10,000	-	-	10,000
Operating Assistance - CTA/PACE ADA Paratransit	4,441	-	-	4,441
State assistance	121,870	-	-	121,870
Investment income	(10,834)	9,339	-	(1,495)
Other revenues	3,229	-	-	3,229
Total revenues	465,991	9,339	-	475,330
EXPENDITURES:				
Financial assistance to Service Boards	249,948	-	-	249,948
Capital grants—discretionary	26,288	-	-	26,288
South Suburban Job Access Program- (PACE)	3,750	-	-	3,750
5% PTF/RETT & ADA Paratransit (New Sales Tax)	42,813	-	-	42,813
Innovation, Coordination, & Enhancement (ICE)	10,000	-	-	10,000
PACE (PTF) expenditures	1,579	-	-	1,579
Capital grants—bonds	-	-	93,086	93,086
Administrative	7,258	-	-	7,258
Regional	24,509	-	-	24,509
Capital outlay	263	-	-	263
Debt service:				
Principal	-	64,685	-	64,685
Interest	3,835	127,870	-	131,705
Debt related costs	1,387	203	-	1,590
Total expenditures	371,630	192,758	93,086	657,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	94,361	(183,419)	(93,086)	(182,144)
OTHER FINANCING SOURCES (USES):				
Tranfers out	(190,188)	-	-	(190,188)
Transfers in	-	186,268	-	186,268
Total other financing sources (uses)	(190,188)	186,268	-	(3,920)
NET CHANGE IN FUND BALANCES	(95,827)	2,849	(93,086)	(186,064)
FUND BALANCES:				
Beginning of year	149,167	77,115	272,287	498,569
End of year	$ 53,340	$ 79,964	$ 179,201	$ 312,505

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS	$ (186,064)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($2,096) exceeded depreciation expense ($732) in the current period.	1,364
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net assets.	64,685
Accrued interest on bonds reported in the statement of activites does not require the use of current financial resources and, therefore, is not reported expenditures in governmental funds.	678
Governmental funds report bond premiums as financing source. However, in the statement of activities, the premiums are amortized over the life of the bonds and recorded as a reduction of bond interest expense.	5,702
Unamortized bond issue costs reported in the statement of activities require the use of current financial resources and therefore, are fully recognized in the governmental funds.	(579)
Expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.	11
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (114,203)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
DECEMBER 31, 2008
(In Thousands)

ASSETS:	
Current:	
Cash and cash equivalents	$ 14,301
Investments	8,601
Note receivable	1,000
Note accrued interest	358
Accrued interest on investments	228
Prepaid insurance	1,639
Total current assets	26,127
Noncurrent assets:	
Note receivable non-current	2,750
Total noncurrent assets	2,750
Total assets	28,877
LIABILITIES:	
Current:	
Due to General Fund	18
Total current liabilities	18
NET ASSETS—Unrestricted	$ 28,859

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

OPERATING REVENUES:	
Note interest	$ 151
OPERATING EXPENSES:	
Insurance expense	4,281
Professional services	93
Bank charges and miscellaneous	1
Total operating expenses	4,375
OPERATING LOSS	(4,224)
NON-OPERATING REVENUES	
Investment income	770
Transfer from General Fund	3,920
Total nonoperating revenues	4,690
CHANGE IN NET ASSETS	466
NET ASSETS:	
Beginning of year	28,393
End of year	$ 28,859

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to insurance vendor	$ (3,926)
Payments received from PACE	1,000
Payments to other vendors	(76)
Net cash flows from operating activities	(3,002)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(49,886)
Sales of investments	49,986
Investment income	786
Net cash flows from investing activities	886
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from General Fund	3,920
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,804
CASH AND CASH EQUIVALENTS:	
Beginning of year	12,497
End of year	$ 14,301
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (4,224)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in:	
Prepaid insurance	354
Note receivable	1,000
Note accrued interest	(151)
Due to General Fund	18
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (3,002)

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:
There were no investing, capital, or financing activites that did not result in cash flows.

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008
(In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	$ 2,894	$ -
Investments, at fair value:		
Corporate fixed income mutual fund	36,075	-
Equity mutual funds and common stocks	49,382	-
Total Investments	85,457	-
Intergovernmental receivables:		
Sales tax	-	152,228
New sales tax	-	59,271
Interest on sales tax	-	539
Reduced fare reimbursement	-	28,919
Advances to Service Boards	-	54,552
Pension contribution from Service Boards	8,200	-
Due from General Fund	995	14,374
Accrued dividends and interest	20	-
Total Receivables	9,215	309,883
Total assets	97,566	309,883
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards	-	152,228
New sales tax due to Service Boards	-	59,271
Interest on sales taxes due to Service Boards	-	539
Reduced fare reimbursement	-	28,919
Advances from State	-	54,552
ADA Paratransit funding (Future years)	-	14,374
Due to General Fund	19	-
Accrued other items	76	-
Total liabilities	95	309,883
Net assets held in trust for pension benefits	$ 97,471	$ -

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	Pension Trust Fund
ADDITIONS:	
Investment gain:	
Net depreciation in fair value of investments	$ (27,806)
Interest and dividends	2,426
	(25,380)
Less investment expenses:	
Investment managers	239
Trust fees	44
Investment advisor	54
Total investment expenses	337
Net investment loss	(25,717)
Contributions:	
Metra pension contributions	4,734
Pace pension contributions	3,466
RTA pension contributions	995
Total contributions	9,195
Total net additions	(16,522)
DEDUCTIONS:	
Benefit payments	9,185
Administrative expenses	336
Total deductions	9,521
NET DECREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	(26,043)
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	123,514
End of year	$ 97,471

The notes to financial statements are an integral part of this statement.

1. REPORTING ENTITY

The Regional Transportation Authority ("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 ("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. However, on November 9, 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"), each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Service Boards provide services to different geographic areas within the six-county region. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace's primary service area is the suburban communities, with limited services to areas within the City of Chicago. The CTA provides service to the City of Chicago and 38 neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a minority of those taken.

The 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 System as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity,* the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

> Appointment of a voting majority of the component unit's board, and either: (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government; or fiscal dependency on the primary government.

In addition, a component unit also includes certain organizations that the primary government is not financially accountable for if the nature and significance of their relationship, including ongoing financial support are such that exclusion from the financial reporting entity would render the entity's financial statements incomplete or misleading.

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

In arriving at this conclusion, the following factors were considered:

- 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 that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.

- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.

- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios and other requirements as defined by the Act.

- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficits.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management of the RTA does not consider the Service Boards to be component units and, accordingly, the financial data of the Service Boards have been excluded from the RTA reporting entity. The RTA is not aware of any entity which is financially accountable for the RTA that would result in the RTA's being considered a component unit of such entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the RTA conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting—The accounts of the RTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing 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 as follows:

Governmental Fund Types—The RTA's Governmental Fund Types consist of the General Fund, Debt Service Fund, and Capital Projects Fund.

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.

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.

Capital Projects Fund—In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of $500 million of Strategic Capital Improvement Program ("SCIP") bonds, and to have a maximum of $500 million RTA bonds outstanding. The Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of the bond issues. The Capital Projects Fund was first established in 1990 with the issuance of $100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly's authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. 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.

In 1999, the Illinois General Assembly passed additional bonding authorization, thereby increasing the RTA bond authority to $800 million outstanding effective January 1, 2000. It also increased SCIP bond issues by $260 million each year for five years from 2000 to 2006 for a total of $1.5 billion additional bond issues.

Proprietary Fund Type—Proprietary Funds are used to account 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 Fund which relates to the activities of the Joint Self-Insurance Fund.

Joint Self-Insurance Fund—The Joint Self-Insurance Fund ("Fund") is used to account for the financing of claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The Fund is essentially a financing mechanism providing a source from which to borrow or to pay for the first $5 million of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage, and certain other losses. This Fund is reported as an Enterprise Fund since the predominant participants are outside of the RTA.

Fiduciary Fund Type—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 one Agency (Sales Tax) Fund and a Pension Trust Fund.

Agency Fund—The Sales Tax Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, and reduced fare reimbursement grants. For RTA budgetary purposes, sales tax receipts are recorded in the Sales Tax Agency Fund and are equally offset by amounts recorded as disbursements reflecting the pass-through to the Service Boards.

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

Government-wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of

interfund activities has been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards. Likewise, the fiduciary fund type - RTA Pension Trust Fund and Sales Tax Agency Fund are presented separately and are not included in the government-wide financial statements of the RTA.

The statement of activities shows certain direct program expenses which are offset by program revenues. Governmental program activities include expenses such as financial assistance and capital asset funding (capital grants) to CTA, Metra, and Pace; administrative expenses; operating the RTA Travel Information Center, certifying riders for paratransit service under the Americans with Disabilities Act ("ADA") and other services (regional expenses); and payment of debt service on bonds issued by the RTA. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of a particular program (i.e., technology and non-technology programs). Sales taxes, Public Transportation Fund ("PTF"), state assistance ("ASA/AFA") investment income and other items properly excluded from program revenues are reported instead as general revenues.

Fund level financial statements are provided for governmental funds, proprietary fund, and fiduciary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (Joint Self-Insurance Fund) and the Pension Trust Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues if collected by the retailers by year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

The Joint Self-Insurance Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues (interest charged to Service Boards) and expenses (administrative expenses including insurance premium and professional services) generally result from providing services in connection with the proprietary fund's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sales Tax Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Governmental fund financial statements use the current financial resources measurement focus. The funds are accounted for using the modified accrual basis of accounting; i.e., revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or shortly thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. ASA/AFA are considered measurable and available if billed and received within 180 days after year-end. Sales taxes and ASA/AFA are susceptible to full accrual. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The RTA reports three major governmental funds—General Fund, Debt Service Fund, and Capital Projects Fund; one proprietary fund—Joint Self-Insurance Fund; and two fiduciary funds—Pension Trust Fund and Sales Tax Agency Fund.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Assets, Liabilities and Fund Equity

Cash and Investments—All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. All investments are reported at fair value which is determined using various sources. Short-term investments are reported at cost, which approximates fair value due to their short-term nature. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Intergovernmental Receivables—Receivables include amounts due from State and local governments for sales taxes, specific programs or projects, and services.

Capital Assets—The RTA sets a capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation. The RTA uses the straight-line method for computing depreciation expense. Leasehold improvements made to RTA's office facilities are capitalized, and their costs amortized during the life of the lease. Leasehold improvements and major equipment repairs, if any, are also capitalized during the remaining life of the lease or the extended useful life of the equipment. The Capital-Technology Program's capitalized assets are for projects in progress; therefore, the assets are non-depreciable.

Description	Useful Life
Furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements	Life of the lease

Restricted Assets—Bond proceeds and amounts set aside for general obligation debt service are classified as restricted assets since their use is limited by the bond indentures. When both restricted and unrestricted resources are available for use, it is RTA's policy to use restricted resources first, then unrestricted resources as needed.

Compensated Absences—Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest. The RTA accounts for compensated absences under GASB No. 16, entitled Accounting for Compensated Absences, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. Compensated absences are recorded in the General Fund only if they have matured (i.e., unused leave still outstanding at time of an employee's resignation or retirement).

Intergovernmental Payables—These amounts include accrued financial assistance, sales taxes, capital and other grants due to the Service Boards.

Fund Balances—Portions of the fund balances of the Governmental Funds are reserved by the RTA for specific purposes as follows:

Reserved for Service Boards Capital Projects represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source. It also includes the remaining bond proceeds, investment income committed for capital projects of the Service Boards, and any interest rate swap proceeds for capital projects of the Service Boards.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for RTA Capital Projects represents the portion of the RTA fund balance for the unspent portion of capital authorized by the RTA's current and prior years' budgets and the portion of the interest rate swap proceeds for RTA funded capital projects.

Reserved for Interest Rate Swap expense represents the portion of the interest rate swap proceeds set aside for future expenses relating to swap transactions such as fees and interest expenses.

Revenues—The RTA has four principal sources of revenue: (1) retailer's occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Tax); (2) funds appropriated to the RTA by statute through the PTF established under the Act; (3) State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (4) investment income on unexpended funds held by the RTA, and other miscellaneous revenue.

Sales Tax—The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1¼ % of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 1% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.5% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.5% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed that portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State, but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the "Replacement Fund"). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax, and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the "Reform Fund"). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected Within Chicago	Collected within Cook County Outside Chicago	Collected in DuPage, Kane, Lake McHenry and Will Counties
CTA	100 %	30 %	
Metra		55 %	70 %
Pace		15 %	30 %

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008,

the real estate transfer tax in the City of Chicago was increased 0.3% (e.g. for every $500 in sales price $1.50 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase will rise from 5% to 30%.

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2009 fiscal year which will end June 30, 2010. During 2008, the PTF was 30% on some sales tax and 5% on other sales tax and the RETT. The PTF is 30% on both sales tax and RETT beginning in 2009.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2009, which ends June 30, 2009, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2008 and June 30, 2009, the grants were in the amount of $36.7 million and $28.9 million, respectively. In 2007, the state provided the RTA with advanced reduce fare reimbursements in the amount of $15.6 million. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA recognized $39.7 million of ASA in 2008.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million in the State's fiscal years 2008 and 2009, per year. The RTA recognized $82.1 million of AFA in 2008.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Expenditures and Expenses—Operating grants consist of financial assistance to the Service Boards. The RTA provides operating assistance to the Service Boards to fund, in part, their RTA-approved budgets.

Capital grants consist of the RTA local match of Federal Transit Administration ("FTA") and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA, SCIP bonds, and investment income on bonds. Capital payments of approximately $10 million for sales tax funding are due to Metra based on a statutory formula. This formula consists of the budgeted sales tax revenues in excess of Metra's budgeted operating deficit. This amount is presented in the Sales Tax Agency Fund.

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to $15,357,619 for the year ended December 31, 2008.

Non-administration, listed as regional and technology program expenses in the statement of activities, consists of those costs of the RTA which are exempt from the statutory limit defined in the RTA Act. These costs include the operation of the Travel Information Center, Transit Check Program, Americans with Disabilities Act ("ADA"), reduced fare registration, capital development and other program costs incurred on behalf of the Service Boards and not for the benefit of RTA itself.

Cash Flows—For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated $14.3 million at December 31, 2008 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining $8.6 million constitutes investments in the Joint Self-Insurance Fund with original maturities in excess of three months.

Management's Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements—In September 1993, the GASB released Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.* The statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure. The RTA has elected to apply only FASB, APB and ARB statements and interpretations issued on or before November 30, 1989.

Interfund Transactions—The governmental fund's balance sheet reports all outstanding balances between funds, as "due to/from other funds." The government-wide financial statements report any residual balances outstanding between the governmental activities and business-type activities as "internal balances." Government-wide financial statements and the Statement of Fiduciary Net Assets report a "due to/from general fund" outstanding for pension contributions.

New Accounting Pronouncements— RTA implemented GASB Statement No. 50, *Pension Disclosures- an amendment to GASB Statements No. 25 and No. 27.* The object of this Statement is to amend note disclosure and required supplementary information (RSI) standards of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with applicable changes adopted in Statement No. 43, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers.

3. BUDGETARY INFORMATION

Excess of Expenditures over Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations in the General Fund as follows:

Budget	Actual	Variance
$278,423,012	$365,829,249	$(87,406,237)

4. CASH AND INVESTMENTS

Governmental and Joint Self Insurance Fund Investments

Cash and investments in the statement of net assets are externally restricted by bond covenants, restricted by the RTA through board action, or unrestricted when no restrictions as to their use apply.

Deposits and Investments—Section 2.20(a)(ii) of the RTA Act authorizes the RTA to invest any funds or monies not required for immediate use or disbursement. The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq.

The RTA investment policy is in accordance with the Illinois statutes and allows the RTA to invest in:

- Certain obligations of the U.S. Government and its agencies.

- Interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any FDIC insured bank as defined by the Illinois Banking Act.
- Short-term obligations of corporations organized in the United States with assets exceeding $500 million and rated within the highest classification established by at least two standard rating services.
- Certain money market mutual funds.
- The Illinois Funds.
- Repurchase agreements.

Custodial Credit Risk — Custodial credit risk is the risk that in the event of a bank failure, the RTA's deposits may not be returned to it. The RTA's policy for custodial credit risk states collateral will be valued at market value (excluding accrued interest) on the trade date. Collateral required will be 100% of the investment or such greater percentage as may be appropriate based upon the financial stability of the institution and the term of the collateral (i.e., maturity), less any insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Certificates of deposit with initial maturities greater than three months amounting to $8,601,935 are reported as investments in the Statement of Net Assets.

Investments

Interest Rate Risk — To mitigate losses caused by changing interest rates, the maturities of the RTA's investments are limited. Per the RTA's investment policy, investments in corporations are limited to maturities of 180 days or less. Other investment maturities can not exceed three years.

As of December 31, 2008, the RTA's investments were as follows:

Investment Type	**Fair Value**
Commerical Paper	$ 33,443,909
Domestic corporate fixed-income securities	193,054,370
Illinois Funds	16,295,578
Money market fund	19,901,290
Short term money market securities	19,869,104
U.S. Agency securities	11,970,344
Total	$ 294,534,595

The weighted average maturity of the above investments is less than 90 days, for each investment type.

Credit Risk — The RTA's policy for credit risk states no investment shall be made in short-term obligations of corporations unless such obligations are rated at the time of purchase within the highest classification established by at least two standard rating services, the investment matures no later than 180 days from the date of purchase and the issuer is domiciled in the United States.

As of December 31, 2008, the RTA's investments were as follows:

Investment Type	Fair Value	Credit Rating Moody's	Credit Rating Standard & Poor's	Credit Rating Fitch
Commerical Paper	$ 33,443,909	P-1	A-1	F-1
Domestic corporate fixed-income securities	193,054,370	Aaa	AAA	AAA
Illinois Funds	16,295,578	*	AAAm	*
Money market fund	19,901,290	Aaa	AAA	AAA
Short term money market investments	19,869,104	Aaa	AAAm	*
U.S. Agency securities	11,970,344	Aaa	AAA	AAA
Total	$ 294,534,595			

* Rating not available

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Except for commercial paper, the RTA's investment policy does not specifically address a limitation of investments in a single issuer; instead the policy addresses credit risk using broad categories of investments. The RTA's policy states the maximum percentage of the portfolio invested in commercial paper should not exceed 33.3%, money market mutual funds should not exceed 20.0%, U.S. Government Agency obligations should not exceed 20.0%, The Illinois Funds should not exceed 20% and Repurchase Agreements should not exceed 50.0%.

The RTA has investments in the following issuers that exceed 5% of the total investments:

Joint Self-Insurance Fund Investment	Amount	% of Portfolio
Autobahn Funding Corp (Commercial Paper)	$ 2,988,582	21%
Fountain Square Funding (Commerical Paper)	2,988,799	21%
Starbird Funding (Commerical Paper)	1,493,291	11%

In the Governmental fund, there is no single investment that exceeds 5% of the total investments.

The RTA's investments in money market funds are for liquidity and offer an alternative to other investment vehicles. Management has reviewed the investments in the money market funds and has determined that the types of investments included in the money market funds are consistent with the RTA's investment policy. These funds consist of U.S. Treasury Securities and Agencies.

The Illinois Funds investment pool is managed by the Treasurer of the State of Illinois and is not registered with the SEC. The Illinois Funds maintains a $1 per share net asset value (NAV) at all times. The fair market of the investment pool is equal to the number of pool shares owned.

Interest Rate Swaps (General Fund)—The RTA, under board ordinances adopted in 2001 through 2006, has entered into interest rate swap agreements to modify the interest rate characteristics of its outstanding bonds. The agreements involve the exchange of variable and fixed-rate interest payments over the life of selected RTA bonds without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and is recognized as interest expense or interest income. The related amount payable to or receivable from the counterparty is included in other payable/ receivables.

On August 1, 2002, the RTA adopted an ordinance establishing an Interest Rate Risk Management Policy. The policy limits the amount of variable rate exposure to 20% of the total RTA bonds outstanding. The RTA clarified this policy on December 13, 2002 to include interest rate swap agreements with delayed starts, up-front cash settlements, interest rate caps and/or floors, hedging arrangements to lock in interest savings, options, or other alternatives (collectively referred to in the ordinance as "interest rate swap agreements").

The RTA has entered three fixed-to-floating swaps. These agreements have the net effect of changing the interest rate characteristics of a portion of the RTA bonds from a fixed-rate to a variable-rate of interest equal to the Securities Industry and Financial Markets Association (formerly BMA) Swap Index averaged over six months. One such swap agreement was entered into on November 20, 2001. The swap has a notional amount of $97,115,000 (as of December 31, 2008) and matures on June 1, 2020. Two additional fixed-to-floating swaps were entered in June 2007. The 2007 swaps mature July 1, 2030 with a semi-annual call option beginning July 1, 2016. At year-end the aggregate notional value of the 2007 swaps was $256.6 million. For the year ended December 31, 2008, the three basis swaps produced a cash flow of $(6,871,341).

The RTA has one floating-to-fixed swap. This transaction was entered in 2005. The purpose was to lock-in historically low interest rates for the current refunding of the 1996 bonds.

During 2008, the RTA had three basis rate swaps in which the RTA assumed a different variable interest rate index than counterparties. The transactions are a hedge against higher interest rates. Anticipated revenues from the basis rate swaps during a period of rising rates will offset the anticipated decline in revenue from the fixed-to-floating swaps. Basis swaps do not change the notional amount of variable-rate exposure. As of December 31, 2008, the notional value of the three variable-rate swaps was $433,353,000. Cash flow produced during 2008 was a positive $453,226.

Board ordinances direct the RTA to use the net payments received under swap agreements in the following priority:

- Reimburse the RTA for transaction costs relating to the swap rather than use operating funds.

- Accumulate funds in an account as a reserve to secure counterparties. In this manner, the RTA would minimize the use of operating funds for payments or collateral due counterparties.

- Use the remaining amounts—the net proceeds from the transaction—for capital investment in the RTA system. This follows the principle of using proceeds from long-term transactions for long-term benefit. However, if operating funds are not adequate to meet senior debt obligations, funds currently dedicated for capital could be used.

The interest rate swaps have an estimated valuation of ($15,923,959) as of December 31, 2008.

Pension Fund Investments

Cash and investments in the Pension Fund provide sufficient funds to meet the obligations promised to the current and future beneficiaries of RTA's defined benefit pension plan.

Risk Posture - The RTA evaluated the assets and liabilities of the Pension Plan in order to determine an asset allocation that provides a high likelihood of achieving the responsibilities noted above. The obligations of current and future beneficiaries were evaluated under various market scenarios to develop an allocation that can be expected to generate a solid rate of return without incurring undue risk. In

general, the risk posture of the Pension Plan is such that the portfolio is structured to maintain funding requirements and modestly grow assets through a low to moderate level of risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the RTA's pension deposits may not be returned to it. The RTA's Pension Plan policy does not explicitly indicate custodial credit risk. As of December 31, 2008, none of the Plan's cash and investments was at risk.

Interest Rate Risk — Per the RTA's Pension Plan investment policy, the duration of the fixed income portfolio should be within 20% of the duration of the benchmark index.

As of December 31, 2008, the RTA's pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	$ 36,074,915	67
Money market fund	2,985,790	1
Total fair value	$ 39,060,705	
Portfolio weighted average maturity		62

Credit Risk — The RTA's pension policy for credit risk states at least 85% of the fixed income investments should be limited to securities with ratings of at least investment grade as defined by both Moody's and Standard & Poor's. Split rated bonds are to be governed by the lower rating. Unrated securities of the U.S. Treasury and government agencies are a permissible investment. No more than 15% of the portfolio may be invested in investment-grade securities of foreign entities domiciled in countries included in the Salomon Brothers World Government Bond Index.

As of December 31, 2008, the credit ratings for RTA pension investments were as follows:

		Credit Rating (where available)		
Investment Type	Total Fair Value	Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	$ 36,074,915	Aa	AA+	*
Money market fund	2,985,790	Aa1	*	AA+
Total	$ 39,060,705			

* Not available

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The RTA's pension investment policy states that fixed income securities of a single issuer (excluding obligations of the United States Government and its agencies) should be limited to 5% of the fixed income portfolio, measured at market value. The RTA's pension policy states the asset allocation policy has been developed based on the objectives and characteristics of the pension liabilities, capital market expectations, and asset-liability projections. This policy is long-term oriented and consistent with the risk posture. The pension fund did not have any investments in a single issuer which were greater than 5% of the total plan's net assets.

5. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The intergovernmental receivables and payables in the statement of net assets comprise the following:

Receivable	**Amount**
General Fund:	
Sales taxes	$ 27,223,033
Interest on sales taxes	403,719
State assistance (ASA & AFA)	99,813,111
PTF/RETT	120,995,533
ADA/Paratransit	20,441,065
Illinois Department of Transportation (IDOT) grants and others	1,665,988
Total Intergovernmental Receivables	$ 270,542,449

Payable	
General Fund:	
Financial assistance	$ 160,918,500
Capital grants	1,017,624
CTA Operating Assistance (ADA)	4,071,581
Total General Fund	166,007,705
Capital Projects Fund:	
Capital grants, (CTA, METRA, PACE)	4,520,151
Total Intergovernmental Payables	$ 170,527,856

6. DUE TO/FROM OTHER FUNDS

Various transactions result in "due to/from other funds" balances. In most cases, the General Fund advances payments on behalf of other funds.

Due to/from balances between the Debt Service Fund and the Capital Projects Fund represent interest earned in the Capital Projects Fund which is transferred to the Debt Service Fund for payment of long-term debt. The General Fund also makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. The General Fund owes the Pension Trust Fund for its share of contributions during the period. Cash receipts and payments on behalf of the Sales Tax Agency Fund originate in the General Fund.

On December 31, 2008, the amounts due to/from other funds presented in the Governmental Funds Balance Sheet, the Joint Self-Insurance Fund Statement of Net Assets, and the Fiduciary Funds Statement of Fiduciary Net Assets are as follows:

Receivable Fund	Payable Fund	Amount
General	Joint Self-Insurance	$ 18,400
General	Pension Trust	19,300
Pension Trust	General	995,402
Agency	General	14,374,000

7. INTERFUND TRANSFERS

Various transactions result in "transfer in/out" balances from funds. Transfer in/out balances presented on the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances and the Business Type Activities Fund's Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Debt Service	$ 186,268,073
General	Joint Self-Insurance	3,920,000

The purpose of Interfund transfers from the General Fund to Debt Service is to satisfy the RTA's obligations to bondholders for principal and interest. The purpose of the Interfund transfer from the General Fund to the Joint Self-Insurance Fund is to make a capital contribution to the fund to purchase insurance.

8. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue ("IDOR") sends a "13th month" sales tax advance to compensate for the delayed processing of sales tax payments to the RTA. Each year, IDOR calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	$ 25,214,717
Metra	22,316,658
Pace	7,020,219
Total Service Board Advances	$ 54,551,594

Sales tax advances have also been reported as current liabilities in the Agency Sales Tax Fund.

9. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance at January 1, 2008	Additions	Retirements	Balance at December 31, 2008
Depreciable:				
Office furniture and equipment	$ 297,619	$ 15,401	$ -	$ 313,020
Computer equipment	2,064,027	156,009	-	2,220,036
Leasehold improvements	1,337,064	91,671	-	1,428,735
Subtotal	3,698,710	263,081	-	3,961,791
Less accumulated depreciation:				
Office furniture and equipment	193,533	44,580	-	238,114
Computer equipment	1,607,881	179,273	-	1,787,154
Leasehold improvements	422,332	111,823	-	534,154
Subtotal	2,223,746	335,676	-	2,559,421
Total Depreciable	1,474,964	(72,595)	-	1,402,370
Non-depreciable:				
Capital -Technology Program	8,279,092	1,833,362	397,012	9,715,442
Total Capital assets—net of accumulated depreciation	$ 9,754,056	$ 1,760,767	$ 397,012	$ 11,117,811

All capital assets are associated with governmental activities.

During 2008, total depreciation expense of $335,676 was allocated between two functions; $50,369 to regional expenditures and $285,307 to administrative expenditures.

10. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2008	New Issues	Current Retirements	December 31, 2008
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000
1991A	55,745,000	-	-	55,745,000
1992A* & 1992B	40,185,000	-	6,840,000	33,345,000
1994A* & 1994B	24,395,000	-	-	24,395,000
1994C* & 1994D	62,205,000	-	4,420,000	57,785,000
1997 Refunding	70,830,000	-	4,875,000	65,955,000
1999* Refunding	280,110,000	-	5,665,000	274,445,000
2000A*	235,060,000	-	4,995,000	230,065,000
2001A*	90,510,000	-	1,880,000	88,630,000
2001B Refunding*	31,430,000	-	1,630,000	29,800,000
2002A*	147,760,000	-	2,835,000	144,925,000
2002B	154,145,000	-	10,060,000	144,085,000
2003A*	246,975,000	-	4,555,000	242,420,000
2003B	142,665,000	-	2,675,000	139,990,000
2003C Refunding	6,960,000	-	3,395,000	3,565,000
2004A*	250,815,000	-	4,405,000	246,410,000
2005B Refunding	142,375,000	-	3,070,000	139,305,000
2006A*	249,300,000	-	3,385,000	245,915,000
Total	$2,292,260,000	$ -	$ 64,685,000	$2,227,575,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2008, the total general obligation bonds payable of $2,227,575,000 are classified as current and long-term in the Statement of Net Assets in the amounts of $68,455,000 and $2,159,120,000, respectively.

Advance Refundings—On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. 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 of the refunded debt. At December 31, 2008, $20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore, have been removed from the financial statements.

On January 19, 1996, the RTA advance refunded 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 of the refunded debt. At December 31, 2008, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore, have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded 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) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series), and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore, have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore, have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore, have been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued $19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, $19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore, have been removed from the financial statements.

On May 2, 2005, the RTA issued $148 million in General Obligation bonds with a variable rate which resets weekly to refund $144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of $147 million (after payment of $892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Debt Service Requirements—The "debt service requirements" set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements. The "principal" columns represent principal payments due bondholders from the trustee.

1990 General Obligation Bonds—In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ -	$ 4,377,240	$ 4,377,240
2010	3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014-2018	29,060,000	11,882,160	40,942,160
2019-2020	14,765,000	1,613,160	16,378,160
Total	$ 60,795,000	$ 33,654,960	$ 94,449,960

1991 General Obligation Bonds—In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ -	$ 3,734,915	$ 3,734,915
2010	-	3,734,915	3,734,915
2011	-	3,734,914	3,734,914
2012	4,090,000	3,734,915	7,824,915
2013	4,365,000	3,460,885	7,825,885
2014-2018	26,635,000	12,504,210	39,139,210
2019-2021	20,655,000	2,827,400	23,482,400
Total	$ 55,745,000	$ 33,732,154	$ 89,477,154

1992 General Obligation Bonds—In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 7,480,000	$ 1,991,960	$ 9,471,960
2010	-	1,396,960	1,396,960
2011	-	863,040	863,040
2012	25,865,000	293,760	26,158,760
Total	$ 33,345,000	$ 4,545,720	$ 37,890,720

1994 General Obligation Bonds—In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ -	$ 1,951,600	$ 1,951,600
2010	-	1,951,600	1,951,600
2011	-	1,951,601	1,951,601
2012	-	1,951,600	1,951,600
2013	-	1,951,600	1,951,600
2014-2024	24,395,000	5,892,599	30,287,599
Total	$ 24,395,000	$ 15,650,600	$ 40,045,600

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 1,500,000	$ 4,420,213	$ 5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014-2018	35,420,000	13,311,401	48,731,401
2019-2025	13,560,000	798,250	14,358,250
Total	$ 57,785,000	$ 34,900,770	$ 92,685,770

1997 General Obligation Refunding Bonds—In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997A Refunding bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 5,155,000	$ 3,724,463	$ 8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014-2018	19,975,000	10,473,150	30,448,150
2019-2023	24,445,000	3,559,650	28,004,650
Total	$ 65,955,000	$ 29,995,814	$ 95,950,814

1999 General Obligation Refunding Bonds—In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 7,670,000	$ 15,586,762	$ 23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014-2018	77,325,000	53,475,820	130,800,820
2019-2023	123,665,000	24,175,543	147,840,543
2024-2025	22,180,000	918,600	23,098,600
Total	$ 274,445,000	$ 151,592,608	$ 426,037,608

2000 General Obligation Bonds—In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 5,275,000	$ 14,579,350	$ 19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014-2018	39,505,000	59,341,439	98,846,439
2019-2023	53,240,000	45,391,439	98,631,439
2024-2028	72,120,000	26,201,825	98,321,825
2029-2030	35,595,000	3,505,775	39,100,775
Total	$ 230,065,000	$ 204,063,979	$ 434,128,979

2001 General Obligation Bonds—In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 1,980,000	$ 5,241,413	$ 7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014-2018	14,520,000	21,295,563	35,815,563
2019-2023	19,115,000	16,639,575	35,754,575
2024-2028	25,165,000	10,329,300	35,494,300
2029-2031	18,780,000	2,294,700	21,074,700
Total	$ 88,630,000	$ 75,598,440	$ 164,228,440

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ -	$ 1,639,000	$ 1,639,000
2010	-	1,639,000	1,639,000
2011	-	1,639,000	1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014-2018	12,855,000	6,505,814	19,360,814
2019-2023	16,945,000	2,433,064	19,378,064
Total	$ 29,800,000	$ 17,133,878	$ 46,933,878

2002 General Obligation Bonds—In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 2,985,000	$ 8,557,188	$ 11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014-2018	21,830,000	35,902,425	57,732,425
2019-2023	28,860,000	28,669,500	57,529,500
2024-2028	38,240,000	18,948,600	57,188,600
2029-2032	39,360,000	6,069,900	45,429,900
Total	$ 144,925,000	$ 130,741,252	$ 275,666,252

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 10,450,000	$ 7,515,125	$ 17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014-2018	70,935,000	14,285,272	85,220,272
2019	16,355,000	439,541	16,794,541
Total	$ 144,085,000	$ 46,239,576	$ 190,324,576

2003 General Obligation Bonds—In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 4,790,000	$ 13,768,075	$ 18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014-2018	34,790,000	58,554,050	93,344,050
2019-2023	45,470,000	47,875,525	93,345,525
2024-2028	59,130,000	33,753,000	92,883,000
2029-2033	76,375,000	14,215,500	90,590,500
Total	$ 242,420,000	$ 220,712,700	$ 463,132,700

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 2,810,000	$ 7,654,225	$ 10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014-2018	20,105,000	32,213,614	52,318,614
2019-2023	26,140,000	25,889,577	52,029,577
2024-2028	33,985,000	17,658,901	51,643,901
2029-2033	44,190,000	6,619,114	50,809,114
Total	$ 139,990,000	$ 119,286,369	$ 259,276,369

In May 2003, the RTA issued $19 million in General Obligation Bonds, Series 2003C, to provide funds to refund in advance of maturity the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004-2009, in the aggregate amount of $19 million.

The Series 2003C Bonds mature on July 1 over a six year period and interest is payable at rates ranging from 2.0% to 5.0% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003C Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 3,565,000	$ 178,250	$ 3,743,250

2004 General Obligation Bonds—In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 4,635,000	$ 13,525,163	$ 18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014-2018	32,995,000	57,438,382	90,433,382
2019-2023	42,810,000	46,897,732	89,707,732
2024-2028	55,660,000	33,727,451	89,387,451
2029-2034	89,275,000	16,185,531	105,460,531
Total	$246,410,000	$219,373,786	$465,783,786

2005 General Obligation Bonds— In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million.

The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2009	$ 6,535,000	$ 4,489,238	$ 11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014-2018	18,475,000	15,148,404	33,623,404
2019-2023	59,200,000	9,770,477	68,970,477
2024-2025	25,485,000	753,968	26,238,968
Total	$139,305,000	$ 45,794,682	$185,099,682

** Interest was calculated using a rate of 3.3%.*

2006 General Obligation Bonds—In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	$ 3,625,000	$ 12,041,281	$ 15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014-2018	26,470,000	52,750,656	79,220,656
2019-2023	45,150,000	44,925,656	90,075,656
2024-2028	99,210,000	28,014,906	127,224,906
2029-2033	18,735,000	9,866,056	28,601,056
2033-2035	36,450,000	2,204,775	38,654,775
Total	$ 245,915,000	$ 196,073,456	$ 441,988,456

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $78,391,542 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2008.

11. OTHER LONG-TERM OBLIGATIONS

Changes in other long-term obligations for the year ended December 31, 2008 were as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008	Due Within One Year
Deferred rent	$ 1,911,000	$ 165,000	$ -	$ 2,076,000	$ -
Accrued interest payable	34,597,000	33,919,000	34,597,000	33,919,000	-
Deferred revenue	51,232,000	230,000	1,701,000	49,761,000	1,701,000
Unamortized bond premium	130,906,000	-	5,702,000	125,204,000	5,702,000

The long-term liabilities will be paid by the General Fund.

The RTA has a working cash note agreement with a limit of $80 million to provide cash flow needs. Draws under the agreement bear short-term interest at a variable rate benchmarked to one-month LIBOR. The agreement expires August 2009. The outstanding balance at December 31, 2008 is $56 million at an interest rate of 1.90%.

12. PENSION

Plan Description—Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a cost-sharing multi-employer noncontributory defined benefit pension plan, the Regional Transportation Authority Pension Plan ("Plan"), covering substantially all employees not otherwise covered by a union pension plan. The responsibilities for establishing, administering, and amending the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors ("Plan Administrators").

The Plan is classified as a "governmental plan" and is, therefore, generally exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Internal Revenue Service has issued a letter of determination dated September 30, 1988 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code ("Code") and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan operates on a calendar fiscal year.

Pension Benefits—Participants are entitled to annual pension benefits upon normal retirement at age 65. Such benefits are generally based on a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

The Plan provides that, upon retirement, benefits payable will be reduced by a defined percentage of pension benefits payable to participants who received credit for prior service with an eligible employer. Because information with respect to these benefits is not readily available until retirement, the information included in the accumulated plan benefits and changes in accumulated plan benefits with respect to active and terminated participants does not reflect a reduction of these benefits.

The Plan permits early retirement at age 55 after completing ten years of credited service with reduced benefits. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age and credited years of service equals 85 or higher.

The Plan provides for benefit payments to beneficiaries equal to or reduced from the participant's monthly benefit payment subject to the election of the participant.

Disability Benefits—An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2007, the RTA Board approved a resolution that a contribution of $9,195,000 be made to the Plan. The contribution is allocated as follows: Metra - $4,733,557; Pace - $ 3,466,041; RTA - $995,402. As of December 31, 2008, $9,195,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2008 contribution levels were within the actuarially determined ranges for the respective years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to determine the actuarial accrued liability presented in the note to the Required Supplementary Information.

Participating employees do not contribute to the Plan. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

The complete Plan financial report, including all required disclosures can be obtained from the Plan Administrators at the following address:

Regional Transportation Authority Pension Plan
175 West Jackson Boulevard, Suite 1550
Chicago, IL 60604

Funding Policy—Prior to July 1, 1979, contributions were made on the basis of non-actuarial estimates. The Plan's initial actuarial study found that those estimates were in excess of actuarial requirements. As a result, pension expense is being reduced by amortization of the excess over 30 years.

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

Related-Party Transactions—There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

Annual Pension Cost and Net Pension Obligation—For 2005, 2006 and 2007, the RTA's annual pension costs equal the required contributions which were $8,777,000, $ 9,137,000 and $9,195,000, respectively. The required contributions were determined as part of the January 1, 2006, 2007 and 2008 actuarial valuations.

In accordance with the GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the RTA determined its net pension obligation at transition (January 1, 1997). There was no net pension obligation for the Plan at transition or at year-end.

Significant Actuarial Assumptions—The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	January 1, 2008	January 1, 2007	January 1, 2006
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	8.5%	8.5%	8.5%
Salary increases:			
Attributed to inflation	*	4.00%	4.0%
Attributed to seniority/merit	*	0.5%	0.5%
Age graded scale	Range of 3.5% to 7.5% based on attained age.		
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47% at age 20 to 0.39% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94 % at age 20 to 0.09% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94 % at age 20 to 0.09% at age 60 for males.

* The actuarial assumption changed from a flat rate to rates based on an age scale.

Funded Status and Funding Progress – As of December 31, 2008, the most recent actuarial valuation date, the plan was 77.88 percent funded. The actuarial accrued liability for benefits was $146,417,404 and the actuarial value of assets was $114,031,540, resulting in an underfunded actuarial accrued liability (UAAL) of $(32,385,864). The covered payroll (annual payroll of active employees covered by the Plan) was $61,364,198 and the ratio of the UAAL to the covered payroll was 52.8 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

13. OTHER POSTEMPLOYMENT BENEFITS

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with 10 years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with 10 years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan, depending on their age (providing they were covered as dependents immediately prior to the employee's retirement).

Election to participate is voluntary with the RTA incurring no additional obligations, except that the RTA will pay each eligible retiree the sum of up to $78 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expenses as they are paid and are not material in amount at the present time.

For 2008, the RTA incurred $14,820 in other post employment benefit expenditures. There are 20 participants eligible to receive benefits as of December 31, 2008.

14. RISK MANAGEMENT

The RTA is exposed to various risks including, but not limited to, losses from workers' compensation, employee health insurance, and general liability/property. Commercial insurance coverage is procured to limit the RTA's exposure to such losses.

The Workers' Compensation and Employers' Liability Insurance Policy is procured through RTA's insurance policy with Traveler's. The RTA is insured for $500,000 each accident for bodily injury by accident, $500,000 each employee for bodily injury by disease and $500,000 policy limit. The RTA property is insured through Pace's Property Insurance with St. Paul Fire & Marine. The RTA's portion of insurance premiums is paid to Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years. There have been no significant reductions in the amount of coverage from the prior year.

In addition, the RTA is a participant in RTA's Joint Self-Insurance Fund. The Fund was created as required by Article Two of the Loss Financing Plan (Plan) of the RTA and the three Service Boards. The Plan is intended primarily to serve as a mechanism for funding catastrophic losses and, by capitalizing the Fund in advance of such losses, to smooth their impact over time. The Fund is essentially a self-insurance program that provides a means for financing losses that are normally insured, and is included in the RTA's reporting entity as a proprietary fund type (enterprise fund). The Plan is administered by the RTA, CTA, Metra, and Pace (Participating Entities) utilizing a Fund Manager appointed by the RTA and three Fund Advisors, one appointed by each of the Service Boards.

Each participating entity (RTA, CTA, Metra, and Pace) is only responsible to repay the Fund for submitted claims paid by the Fund. The Fund acts exclusively as a claims-service, and financing mechanism, not an insurer, with respect to claims presented.

The limit of liability to the Fund is established at $50 million less the retained limit (deductible portion) as described below:

General Liability—The categories of general liability that are covered, with certain defined exclusions, by the joint agreement are:

- Personal injury
- Property damage
- Advertising injury
- Evacuation, evacuation expenses and loss of use

The retained limit (deductible portion) for each Participating Entity is:

CTA	$ 2,500,000
Metra	2,500,000
Pace	250,000
RTA	100,000

Officer and Employee Liability—All directors, officers or employees of each Participating Entity are covered, with certain defined exclusions, by the Plan. The retained limits are $100,000 for each covered person. If a loss is covered under both types of liability, then the retained limit for general liability will apply.

15. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. In 2008, the total rent paid by the RTA was $1,418,140. Minimum required annual rental payments by the RTA are as follows:

Year Ending December 31	Amount
2009	$ 1,460,684
2010	1,504,505
2011	1,549,640
2012	1,596,129
2013	1,644,013
2014-2017	7,084,274
Total	$ 14,839,245

16. SUBSEQUENT EVENTS

In January 2009, the RTA borrowed $24 million under the terms of the working cash note agreement. The funds were used to supplement CTA's cash flow.

On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority's (Illinois) (RTA, or the Authority) general obligation (GO) bond rating to 'AA-,' from 'AA,' and assigned a Negative Outlook to outstanding GO debt. In conjunction, Fitch assigned an 'F1+' rating to the Authority's approximately $132.8 million Series 2005B GO variable rate notes and an 'F1' rating to its approximately $260 million taxable GO working cash notes, Series 2009B. The Series 2009B and Series 2005B notes are expected to price during June 2009. The downgrade affects and the Negative Outlook applies to approximately $650.4 million of outstanding GO bonds.

On June 8, 2009, Moody's Investors Service assigned an Aa3 rating to the approximately $132.8 million remarketing of the Regional Transportation Authority (RTA) General Obligation Variable Rate Bonds, Series 2005B. At the same time, Moody's has downgraded the RTA's approximately $2.5 billion outstanding parity bonds to Aa3 from Aa2. The outlook is stable. The bonds are secured by a gross pledge of sales taxes and other state aid and constitute a full faith and credit obligation of the RTA.

In June 2009 the RTA intends to issue up to $260 million of Working Cash Notes that will mature not later than June 1, 2011. The purpose of the funding is to payoff an existing note and to provide timely operating funding for RTA and the Service Boards necessitated by the economic downturn.

On July 1, 2009 the RTA will initiate a mandatory tender of all Series 2005B bonds ($132,770,000), modify the indenture, and reissue the bonds in a different mode. (This is not a refunding. The par value and maturity of Series 2005B will not be changed by the transaction.) The mandatory tender will allow the Authority to eliminate the need to have a liquidity provider, change the interest reset frequency from weekly to monthly and lengthen the extension period from seven days to 12 months.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—(BUDGETARY BASIS)—GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	General Fund			
	Budget			
	Original	Amended	Actual	Variance
REVENUES:				
Sales taxes	$ 114,911,000	$ 113,760,000	$ 109,003,303	$ (4,756,697)
Interest on sales taxes	135,000	159,749	1,081,230	921,481
Public Transportation Fund	191,519,000	189,600,000	188,829,500	(770,500)
New 5% PTF Advance Recovery	-	-	38,371,935	38,371,935
Innovation, Coordination & Enhancement (ICE)	-	10,000,000	10,000,000	-
PACE Operating Assistance (ADA)	-	-	4,441,065	4,441,065
State assistance (AFA & ASA)	116,477,000	116,477,000	121,869,671	5,392,671
Investment income	-	12,965,000	(10,834,312)	(23,799,312)
Other Revenues	17,500,000	19,470,000	3,228,684	(16,241,316)
Total revenues	440,542,000	462,431,749	465,991,076	3,559,327
EXPENDITURES:				
Financial assistance to Service Boards	169,355,000	208,837,000	249,948,000	(41,111,000)
Capital grants—current year	20,353,000	20,353,000	20,353,000	-
5% PTF/RETT & ADA Paratransit (New Sales Tax	-	-	42,813,000	(42,813,000)
South Suburban Job Access Program-PACE	-	3,750,000	3,750,000	-
Innovation, Coordination & Enhancement	-	10,000,000	10,000,000	-
Pace (PTF) Expenditures	-	-	1,579,000	(1,579,000)
Administration	8,198,433	8,209,433	7,258,082	951,351
Non-Administration:				
Regional Services and Coordination Programs	21,754,000	21,609,243	19,844,724	1,764,519
Regional Technical Assistance Program	-	3,794,189	2,197,264	1,596,925
Capital outlay	427,500	397,500	397,500	-
Technology program	1,472,647	1,472,647	2,466,675	(994,028)
Debt related costs	-	-	5,222,004	(5,222,004)
Total expenditures	221,560,580	278,423,012	365,829,249	(87,406,237)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	218,981,420	184,008,737	100,161,827	(83,846,910)
OTHER FINANCING USES—				
Transfers out	-	-	(190,188,073)	(190,188,073)
Total other financing uses	-	-	(190,188,073)	(190,188,073)
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 218,981,420	$ 184,008,737	(90,026,246)	$ (274,034,983)
Budgetary basis to GAAP basis adjustments			(5,800,926)	
NET CHANGE IN FUND BALANCE—GAAP BASIS			(95,827,172)	
FUND BALANCE:				
Beginning of year			149,167,516	
End of year			$ 53,340,344	

REGIONAL TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

BUDGET AND BUDGETARY ACCOUNTING

The budgetary basis of the general fund's budget and actual presentation is included as required supplementary information. For comparison of the combined budgets as required for board presentation, the combined schedule of revenues, expenditures, and changes in fund balance—budget and actual—general and the sales tax agency funds are presented in the combining and individual fund schedules section of the CAFR. Additional budget detail is used by management for monitoring purposes which is provided in this section as the schedule of expenditures—budget and actual—general fund.

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There were several amendments to the 2008 budget. The 2008 budget (Ordinance 2007-63) was last revised on December 18, 2008 (Ordinance 2008-81). This ordinance amended the 2008 RTA budget and the budgets of the CTA, Metra, and Pace.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

The accompanying schedule of revenues, expenditures, and changes in fund balance, budget and actual-general fund (this section), and combining schedule of revenues, expenditures and changes in fund balance-budget and actual-general and agency funds (in combining and individual fund schedules section) present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ with accounting principles generally accepted in the United States of America, a reconciliation of timing differences in the excess of revenues over expenditures and other financing uses is presented below:

	General Fund
Excess of expenditures over revenues and other financing use-budgetary basis	$ (90,026,246)
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(5,961,708)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	26,363
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	134,419
Budgetary basis to GAAP basis adjustments	(5,800,926)
Net change in fund balance - GAAP basis	$ (95,827,172)

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2003	$ 80,974,751	$ 87,815,116	$ (6,840,365)	92.21%	$ 53,969,194	12.7%
January 1, 2004	87,998,878	97,275,818	(9,276,940)	90.46%	54,983,472	16.9%
January 1, 2005	90,334,371	105,976,209	(15,641,838)	85.24%	56,417,461	27.7%
January 1, 2006	94,697,937	124,521,129	(29,823,192)	76.05%	58,883,678	50.6%
January 1, 2007	102,523,735	133,905,851	(31,382,116)	76.56%	61,357,214	51.1%
January 1, 2008	114,031,540	146,417,404	(32,385,864)	77.88%	61,364,198	52.8%

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2008

Year Ended:	Annual Required Contribution		Percentage Contributed
2003	$3,511,000		100%
2004	6,022,000		100%
2005	6,800,000		100%
2006	8,777,000		100%
2007	9,137,000		100%
2008	9,195,000	*	100%

* Contributions for the plan year ended December 31, 2008 will be paid during 2009.

COMBINING AND INDIVIDUAL FUND SCHEDULES

A. GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund. A budget and actual schedule of general fund expenditures is presented in this section.

The RTA Board approves a comprehensive budget which includes the activity in the general fund and the Sales Tax Agency Fund. For comparison of the combined budgets, the combined budget and actual schedule of revenues, expenditures and changes in fund balance for both funds is also presented in this section.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES— BUDGET AND ACTUAL—GENERAL FUND YEAR ENDED DECEMBER 31, 2008

	General Fund			
	Budget			
	Original	Amended	Actual	Variance
EXPENDITURES:				
Financial assistance to Service Boards	$ 169,355,000	$ 208,837,000	$ 249,948,000	$ (41,111,000)
Capital grants—current year	20,353,000	20,353,000	20,353,000	-
5% PTF/RETT & ADA Paratransit	-	-	42,813,000	(42,813,000)
South Suburban Job Access Program PACE	-	3,750,000	3,750,000	-
Innovation, Coordination & Enhancement	-	10,000,000	10,000,000	-
PACE (PTF) expenditures	-	-	1,579,000	(1,579,000)
Total grant expenditures	189,708,000	242,940,000	328,443,000	(85,503,000)
Administration:				
Salaries and benefits	5,913,608	5,924,608	5,360,250	564,358
Business expenses	238,000	238,000	231,080	6,920
Office expenses	1,402,425	1,402,425	1,319,052	83,373
Professional services	644,400	644,400	347,700	296,700
Total administration	8,198,433	8,209,433	7,258,082	951,351
Non-Administration:				
Travel Information Center	5,335,000	5,335,000	5,322,068	12,932
Other:				
Public Affairs	3,758,030	3,758,030	2,629,548	1,128,482
Customer Service Center	84,800	84,800	223,606	(138,806)
Reduced fare registration	2,788,500	2,788,500	2,687,547	100,953
Americans with Disabilities Act (ADA)	2,241,001	2,241,001	3,121,276	(880,275)
Other regional projects	7,546,669	11,196,101	8,057,943	3,138,158
Total other	16,419,000	20,068,432	16,719,920	3,348,512
Total Non-Administration	21,754,000	25,403,432	22,041,988	3,361,444
Capital outlay	427,500	397,500	397,500	-
Technology program	1,472,647	1,472,647	2,466,675	(994,028)
Debt related costs	-	-	5,222,004	(5,222,004)
TOTAL EXPENDITURES	$ 221,560,580	$ 278,423,012	$ 365,829,249	$ (87,406,237)

REGIONAL TRANSPORTATION AUTHORITY

COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008

	General Fund		
	Budget	Actual	Variance
REVENUES:			
Sales taxes	$ 113,760,000	$ 109,003,303	$ (4,756,697)
New Sales Tax	-	-	-
Interest on sales taxes	159,749	1,081,230	921,481
Public Transportation Fund	189,600,000	188,829,500	(770,500)
New 5% PTF Advance Recovery	-	38,371,935	38,371,935
Innovation, Coordination & Enhancement (ICE)	10,000,000	10,000,000	-
PACE Operating Assistance (ADA)	-	4,441,065	4,441,065
State assistance (AFA & ASA)	116,477,000	121,869,671	5,392,671
Reduced fare reimbursement	-	-	-
Investment income/other revenues	12,965,000	(10,834,312)	(23,799,312)
Other revenue	19,470,000	3,228,684	(16,241,316)
Total revenues	462,431,749	465,991,076	3,559,327
EXPENDITURES:			
Financial assistance to Service Boards	208,837,000	249,948,000	(41,111,000)
Capital grants—current year	20,353,000	20,353,000	-
5% PTF/RETT & ADA Paratransit (New Sales Tax)	-	42,813,000	(42,813,000)
Paratransit funding (PACE)	-	-	-
Suburban Community Mobility Fund	-	-	-
Paratransit funding -PACE (future funds)	-	-	-
South Suburban Job Access program	3,750,000	3,750,000	-
Innovation, Coordination and Enhancement (ICE)	10,000,000	10,000,000	-
Reduced fare reimbursement	-	-	-
PACE (PTF) expenditures	-	1,579,000	(1,579,000)
Administration	8,209,433	7,258,081	951,352
Non-Administration:			
Regional Services and Coordination Programs	21,609,243	19,844,724	1,764,519
Regional Technical Assitance Program	3,794,189	2,197,264	1,596,925
Interest on sales taxes to Service Boards	-	-	-
Capital outlay	397,500	397,500	-
Technology program	1,472,647	2,466,675	(994,028)
Debt related costs	-	5,222,004	(5,222,004)
Total expenditures	278,423,012	365,829,249	(87,406,237)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	184,008,737	100,161,827	(83,846,910)
OTHER FINANCING USES—			
Transfers out	-	(190,188,073)	(190,188,073)
Total other financing uses	-	(190,188,073)	(190,188,073)
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 184,008,737	(90,026,246)	$ (274,034,983)
Budgetary basis to GAAP basis adjustments		(5,800,926)	
NET CHANGE IN FUND BALANCE—GAAP BASIS		(95,827,172)	
FUND BALANCE:			
Beginning of year		149,167,516	
End of year		$ 53,340,344	

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
$ 644,640,000	$ 617,685,386	$ (26,954,614)	$ 758,400,000	$ 726,688,689	$ (31,711,311)
238,557,000	222,927,859	(15,629,141)	238,557,000	222,927,859	(15,629,141)
905,251	2,002,326	1,097,075	1,065,000	3,083,556	2,018,556
-	-	-	189,600,000	188,829,500	(770,500)
-	-	-	-	38,371,935	38,371,935
-	-	-	10,000,000	10,000,000	-
-	-	-	-	4,441,065	4,441,065
-	-	-	116,477,000	121,869,671	5,392,671
36,800,000	28,918,527	(7,881,473)	36,800,000	28,918,527	(7,881,473)
-	-	-	12,965,000	(10,834,312)	(23,799,312)
-	-	-	19,470,000	3,228,684	(16,241,316)
920,902,251	871,534,097	(49,368,154)	1,383,334,000	1,337,525,174	(45,808,826)
763,197,000	720,613,246	42,583,754	972,034,000	970,561,246	(1,472,754)
-	-	-	20,353,000	20,353,000	-
-	-	-	-	42,813,000	42,813,000
100,000,000	85,626,000	14,374,000	100,000,000	85,626,000	(14,374,000)
20,000,000	20,000,000	-	20,000,000	20,000,000	-
-	14,374,000	(14,374,000)	-	14,374,000	14,374,000
-	-	-	3,750,000	3,750,000	-
-	-	-	10,000,000	10,000,000	-
36,800,000	28,918,527	7,881,473	36,800,000	28,918,527	(7,881,473)
-	-	-	-	1,579,000	1,579,000
-	-	-	8,209,433	7,258,081	(951,352)
-	-	-	21,609,243	19,844,724	(1,764,519)
-	-	-	3,794,189	2,197,264	(1,596,925)
905,251	2,002,326	(1,097,075)	905,251	2,002,326	1,097,075
-	-	-	397,500	397,500	-
-	-	-	1,472,647	2,466,675	994,028
-	-	-	-	5,222,004	5,222,004
920,902,251	871,534,098	49,368,153	1,199,325,263	1,237,363,347	(38,038,084)
-	-	-	184,008,737	100,161,827	(83,846,910)
-	-	-	-	(190,188,073)	(190,188,073)
-	-	-	-	(190,188,073)	(190,188,073)
$ -	-	$ -	$ 184,008,737	(90,026,246)	$ 274,034,983
	-			(5,800,926)	
	-			(95,827,172)	
	-			149,167,516	
	$ -			$ 53,340,344	

B. DEBT SERVICE FUND

Debt Service Fund Accounts:

1990A—to account for transfers received, investment income and principal and interest payments made for 1990A general obligation bonds.

1991A—to account for transfers received, investment income and principal and interest payments made for 1991A general obligation bonds.

1992A and B*—to account for transfers received, investment income and principal and interest payments made for 1992A & B general obligation bonds.

1994A and B*—to account for transfers received, investment income and principal and interest payments made for 1994A & B general obligation bonds.

*1994C * and D*—to account for transfers received, investment income and principal and interest payments made for 1994C & D general obligation bonds.

1997—to account for transfers received, investment income and principal and interest payments made for 1997 refunding general obligation bonds.

1999—to account for transfers received, investment income and principal and interest payments made for 1999 refunding general obligation bonds.

*2000A**—to account for transfers received, investment income and principal and interest payments made for 2000A general obligation bonds.

*2001A**—to account for transfers received, investment income and principal and interest payments made for 2001A general obligation bonds.

*2001B**—to account for transfers received, investment income and principal and interest payments made for 2001B refunding general obligation bonds.

*2002A**—to account for transfers received, investment income and principal and interest payments made for 2002A general obligation bonds.

2002B —to account for transfers received, investment income and principal and interest payments made for 2002B refunding general obligation bonds.

*2003A** —to account for transfers received, investment income and principal and interest payments made for 2003A refunding general obligation bonds.

2003B—to account for transfers received, investment income and principal and interest payments made for 2003B refunding general obligation bonds.

2003C — to account for transfers received, investment income and principal and interest payments made for 2003C refunding general obligation bonds.

*2004A** — to account for transfers received, investment income and principal and interest payments made for 2004A refunding general obligation bonds.

2005B—to account for transfers received, investment income and principal and interest payments made for 2005B refunding general obligation bonds.

*2006A**—to account for transfers received, investment income and principal and interest payments made for 2006A general obligation bonds.

*Strategic Capital Improvement Program (SCIP) Bonds

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS

December 31, 2008

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D	1997	1999	2000A	2001 A
ASSETS:									
Cash and investments	$ 933,531	$ 764,548	$4,865,558	$ 322,459	$1,402,379	$3,667,077	$6,458,761	$10,166,948	$3,700,708
Due from other funds	-	-	-	-	-	-	-	-	-
Accrued interest	-	16	-	-	-	-	-	-	-
Total Assets	$ 933,531	$ 764,564	$4,865,558	$ 322,459	$1,402,379	$3,667,077	$6,458,761	$10,166,948	$3,700,708
LIABILITIES:									
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-	-	-	-	-
FUND BALANCES:									
Reserved for debt service	933,531	764,564	4,865,558	322,459	1,402,379	3,667,077	6,458,761	10,166,948	3,700,708
TOTAL LIABILITIES AND FUND BALANCE	$ 933,531	$ 764,564	$4,865,558	$ 322,459	$1,402,379	$3,667,077	$6,458,761	$10,166,948	$3,700,708

SCHEDULE B-1

	2001 B	2002 A	2002 B	2003 A	2003 B	2003 C	2004 A	2005 B	2006 A	Total
ASSETS:										
Cash and investments	$ 163,902	$5,906,777	$7,428,944	$9,496,766	$2,559,225	$2,033,671	$5,055,924	$ 5,442,505	$8,021,856	$ 78,391,539
Due from other funds	-	-	-	-	661,385	-	-	-	-	661,385
Accrued interest	-	-	-	-	18,503	-	17,061	744	874,501	910,825
Total Assets	$ 163,902	$5,906,777	$7,428,944	$9,496,766	$3,239,113	$2,033,671	$5,072,985	$ 5,443,249	$8,896,357	$ 79,963,749
LIABILITIES:										
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-	-	-	-	-	-
FUND BALANCES:										
Reserved for debt service	163,902	5,906,777	7,428,944	9,496,766	3,239,113	2,033,671	5,072,985	5,443,249	8,896,357	79,963,749
TOTAL LIABILITIES AND FUND BALANCES	$ 163,902	$5,906,777	$7,428,944	$9,496,766	$3,239,113	$2,033,671	$5,072,985	$ 5,443,249	$8,896,357	$ 79,963,749

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2008

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D
REVENUE:					
Investment income	$ 1,915	$ 394	$ 2,800	$ 598	$ 1,979
Total Revenue	1,915	394	2,800	598	1,979
EXPENDITURES:					
Debt Service - Principal	-	-	6,840,000	-	4,420,000
Debt Service - Interest	4,377,240	3,734,915	2,636,360	1,951,600	4,649,613
Other debt related costs	-	-	-	-	-
Total Expenditures	4,377,240	3,734,915	9,476,360	1,951,600	9,069,613
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,375,325)	(3,734,521)	(9,473,560)	(1,951,002)	(9,067,634)
OTHER FINANCING SOURCES :					
Principal	-	-	7,247,273	-	2,561,818
Interest	4,377,240	3,734,473	2,572,000	1,951,002	4,613,379
Other	-	-	-	-	-
Total Other Financing Sources	4,377,240	3,734,473	9,819,273	1,951,002	7,175,197
NET CHANGE IN FUND BALANCES	1,915	(48)	345,713	-	(1,892,437)
FUND BALANCES:					
Beginning of year	931,616	764,612	4,519,845	322,459	3,294,816
End of year	$ 933,531	$ 764,564	$ 4,865,558	$ 322,459	$ 1,402,379

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2008

	1997	1999	2000 A	2001 A	2001 B
REVENUE:					
Investment income	$ 2,623	$ 6,878	$ 276	$ 104	$ 600
Total Revenue	2,623	6,878	276	104	600
EXPENDITURES:					
Debt Service - Principal	4,875,000	5,665,000	4,995,000	1,880,000	1,630,000
Debt Service - Interest	4,000,288	15,920,138	14,866,563	5,344,813	1,679,750
Other debt related costs	-	-	-	-	-
Total Expenditures	8,875,288	21,585,138	19,861,563	7,224,813	3,309,750
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,872,665)	(21,578,260)	(19,861,287)	(7,224,709)	(3,309,150)
OTHER FINANCING SOURCES :					
Principal	5,053,182	6,940,909	5,147,727	1,934,546	592,727
Interest	3,970,852	15,884,935	14,722,791	5,293,049	1,671,000
Other	-	-	-	-	-
Total Other Financing Sources	9,024,034	22,825,844	19,870,518	7,227,595	2,263,727
NET CHANGE IN FUND BALANCES	151,369	1,247,584	9,231	2,886	(1,045,423)
FUND BALANCES:					
Beginning of year	3,515,708	5,211,177	10,157,717	3,697,822	1,209,325
End of year	$ 3,667,077	$ 6,458,761	$ 10,166,948	$ 3,700,708	$ 163,902

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2008

	2002 A	2002 B	2003 A	2003 B	2003 C
REVENUE:					
Investment income	$ 156	$ 5,311	$ 251	$1,110,927	$ 187
Total Revenue	156	5,311	251	1,110,927	187
EXPENDITURES:					
Debt Service - Principal	2,835,000	10,060,000	4,555,000	2,675,000	3,395,000
Debt Service - Interest	8,698,938	8,053,513	13,995,825	7,763,925	348,000
Other debt related costs	-	-	-	-	-
Total Expenditures	11,533,938	18,113,513	18,550,825	10,438,925	3,743,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,533,782)	(18,108,202)	(18,550,574)	(9,327,998)	(3,742,813)
OTHER FINANCING SOURCES :					
Principal	2,916,818	10,308,182	4,683,182	2,760,909	3,487,727
Interest	8,627,971	7,995,386	13,881,803	7,213,860	262,958
Other	-	-	-	-	-
Total Other Financing Sources	11,544,789	18,303,568	18,564,985	9,974,769	3,750,685
NET CHANGE IN FUND BALANCES	11,007	195,366	14,411	646,771	7,872
FUND BALANCES:					
Beginning of year	5,895,770	7,233,578	9,482,355	2,592,342	2,025,799
End of year	$ 5,906,777	$ 7,428,944	$ 9,496,766	$3,239,113	$ 2,033,671

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2008

	2004A	2005 B	2006 A	Total
REVENUE:				
Investment income	$ 174,385	$ 13,823	$ 8,016,193	$ 9,339,400
Total Revenue	174,385	13,823	8,016,193	9,339,400
EXPENDITURES:				
Debt Service - Principal	4,405,000	3,070,000	3,385,000	64,685,000
Debt Service - Interest	13,751,163	3,886,807	12,210,531	127,869,982
Other debt related costs	-	203,435	-	203,435
Total Expenditures	18,156,163	7,160,242	15,595,531	192,758,417
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,981,778)	(7,146,419)	(7,579,338)	(183,419,017)
OTHER FINANCING SOURCES :				
Principal	4,551,364	5,275,000	3,515,909	66,977,273
Interest	14,189,944	4,363,612	3,761,109	119,087,364
Other	-	203,435	-	203,435
Total Other Financing Sources	18,741,308	9,842,047	7,277,018	186,268,072
NET CHANGE IN FUND BALANCES	759,530	2,695,628	(302,320)	2,849,055
FUND BALANCES:				
Beginning of year	4,313,455	2,747,621	9,198,677	77,114,694
End of year	$ 5,072,985	$ 5,443,249	$ 8,896,357	$ 79,963,749

C. CAPITAL PROJECTS FUND

Capital Projects Fund Accounts:

Strategic Capital Improvement Program (SCIP)—to account for 1992 through 1994, 2000, 2001, 2002, 2003, and 2004 bond sales proceeds and related SCIP capital grants made to the Service Boards as expenditures are incurred. Investment income earned on SCIP bonds is recorded in the related Debt Service Fund accounts.

Non-SCIP—to account for 1990 through 1994, 2002, and 2005 bond sale proceeds, investment income earned and related Non-SCIP investment income capital grants made to the Service Boards as expenditures are incurred.

Investment Income on Bonds—to account for transfers of investment income from SCIP Bonds fund accounts through June 30, 1999 and Non-SCIP Bonds fund accounts except those issued under Illinois First program and related capital grants made to the Service Boards as expenditures are incurred.

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE
CAPITAL PROJECTS FUND ACCOUNTS
DECEMBER 31, 2008

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
ASSETS:				
Cash and investments	$ 164,513,315	$ 19,869,104	$ -	$184,382,419
Due from other funds	-	-	8,014,373	8,014,373
TOTAL ASSETS	$ 164,513,315	$ 19,869,104	$ 8,014,373	$192,396,792
LIABILITIES:				
Due to Service Boards	$ 3,863,995	$ 569,921	$ 86,235	$ 4,520,151
Due to other funds	1,627,426	7,048,332	-	8,675,758
Total liabilities	5,491,421	7,618,253	86,235	13,195,909
FUND BALANCES:				
Reserved for Service Boards capital projects	159,021,894	12,250,851	7,928,138	179,200,883
TOTAL LIABILITIES AND FUND BALANCES	$ 164,513,315	$ 19,869,104	$ 8,014,373	$192,396,792

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND ACCOUNTS
YEAR ENDED DECEMBER 31, 2008

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital grants—bonds	86,099,022	5,181,176	1,805,335	93,085,533
Total expenditures	86,099,022	5,181,176	1,805,335	93,085,533
NET CHANGE IN FUND BALANCES	(86,099,022)	(5,181,176)	(1,805,335)	(93,085,533)
FUND BALANCES:				
Beginning of year	245,120,916	17,432,027	9,733,473	272,286,416
End of year	$ 159,021,894	$ 12,250,851	$ 7,928,138	$ 179,200,883

D. AGENCY FUND

Sales Tax Agency Fund—to account for the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, reduced fare reimbursement grants and advances to Service Boards.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
SALES TAX AGENCY FUND
YEAR ENDED DECEMBER 31, 2008

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
ASSETS:				
Intergovernmental receivables:				
Sales taxes	$170,265,946	$617,685,386	$635,723,549	$152,227,783
New sales tax	-	208,553,859	149,282,839	59,271,020
Interest on sales taxes	354,837	2,002,326	1,818,021	539,142
Reduced fare reimbursement	-	28,918,527	-	28,918,527
Advances to Service Boards	68,882,452	-	14,330,858	54,551,594
Due from General Fund	-	14,374,000	-	14,374,000
TOTAL ASSETS	$239,503,235	$871,534,098	$801,155,267	$309,882,066
LIABILITIES:				
Intergovernmental payables:				
Sales taxes due to Service Boards	$170,265,946	$617,685,386	$635,723,549	$152,227,783
New sales tax due to Service Boards	-	102,927,859	43,656,839	59,271,020
Interest on sales taxes due to Service Boards	354,837	2,002,326	1,818,021	539,142
Reduced fare reimbursement	-	28,918,527	-	28,918,527
Advances from State	68,882,452	-	14,330,858	54,551,594
Paratransit Funding PACE	-	85,626,000	85,626,000	-
Suburban Community Mobility Fund-SBD	-	20,000,000	20,000,000	-
ADA Paratransit Funding (Future Years)	-	14,374,000	-	14,374,000
TOTAL LIABILITIES	$239,503,235	$871,534,098	$801,155,267	$309,882,066

E. CAPITAL ASSETS

Capital Assets—are used in the operations of the governmental funds.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CAPITAL ASSETS—BY FUNCTION
DECEMBER 31, 2008

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Capital In Progress Technology Progam	Total
Administrative	$ 313,020	$ 1,087,126	$ 1,428,735	$ 9,715,442	$ 12,544,323
Travel Information Center	-	1,132,909	-	-	1,132,909
Total capital assets	313,020	2,220,036	1,428,735	9,715,442	13,677,233
Less accumulated depreciation:					
Administrative	238,114	792,940	534,154	-	1,565,208
Travel Information Center	-	994,214	-	-	994,214
Total accumulated depreciation	238,114	1,787,154	534,154	-	2,559,421
Total capital assets—net	$ 74,906	$ 432,882	$ 894,581	$ 9,715,442	$ 11,117,811

STATISTICAL SECTION
(UNAUDITED)

CONTENTS

Financial Trends (Tables 1, 2, 3, 4)

An analysis of Net Assets by component and Change in Net Assets are presented as an indicator of RTA's financial performance and to show the overall change in financial position over time. The schedules begin with fiscal year 2001 which is the first year that RTA presented their financials statements in accordance with GASB 34.

Revenue and Expense Capacity (Tables 5, 6, 7)

Revenues and expenditures presented in the following tables include the activities in the government-wide and fiduciary fund statements. Additions to and disbursements from the Sales Tax Agency Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables. The schedules show the overall distribution of expenses and revenues by source over the past 10 years, the breakout of revenues by county and the federal allocation of capital funds.

Debt Capacity (Tables 8, 9, 10, 11)

Schedules in this section provide an overview of RTA's general obligation bonds (SCIP versus Non-SCIP) outstanding balances as of December 31, 2008 and a 10-year analysis of the debt service requirement to revenues and expenses.

Demographic and Economic Information (Tables 12, 13, 14, 15)

Schedules in this section provide economic information on the population and the ten largest employers in the six-county area to help readers understand the environment within which the RTA's financial activities take place.

Operating Information (Tables 16, 17)

Schedules in this section provide various statistics on passenger services offered by the service boards for fiscal year 2008 and a look at system ridership over the last ten years.

REGIONAL TRANSPORTATION AUTHORITY
NET ASSETS BY COMPONENT
LAST EIGHT YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities—								
Cash and investments, net of related debt	$ (900,705)	$ (1,272,094)	$ (1,629,591)	$ (1,800,413)	$ (2,019,602)	$ (2,097,374)	$ (2,087,178)	$ (2,346,268)
Restricted Net Assets	43,246	56,355	70,481	64,727	-	-	-	-
Unrestricted Net Assets	44,565	85,317	98,035	20,766	125,013	172,925	149,759	294,645
Total Net Assets-Governmental Activities	$ (812,894)	$ (1,130,422)	$ (1,461,075)	$ (1,714,920)	$ (1,894,589)	$ (1,924,449)	$ (1,937,419)	$ (2,051,622)
Business-type activities—								
Cash and investments, net of related debt	$ 45,329	$ 44,538	$ 39,937	$ 36,028	$ 28,230	$ 25,718	$ 21,442	$ 23,113
Unrestricted Net Assets	5,200	2,197	4,334	3,593	7,781	6,113	6,951	5,747
Total Net Assets-Business-Type Activities	$ 50,529	$ 46,735	$ 44,271	$ 39,621	$ 36,011	$ 31,831	$ 28,393	$ 28,859
Primary government—								
Cash and investments, net of related debt	$ (855,376)	$ (1,227,556)	$ (1,589,654)	$ (1,764,385)	$ (1,991,372)	$ (2,071,656)	$ (2,065,736)	$ (2,323,155)
Restricted Net Assets	43,246	56,355	70,481	64,727	-	-	-	-
Unrestricted Net Assets	49,765	87,514	102,369	24,359	132,794	179,038	156,710	300,392
Total Net Assets-Primary government	$ (762,365)	$ (1,083,687)	$ (1,416,804)	$ (1,675,299)	$ (1,858,578)	$ (1,892,618)	$ (1,909,026)	$ (2,022,763)

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

TABLE 2

REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN NET ASSETS
LAST EIGHT YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
EXPENSES:								
Governmental activities:								
Financial assistance to Service Boards	$ 168,857	$ 209,106	$ 213,127	$ 179,799	$ 168,076	$ 162,434	$ 209,931	$ 249,948
Administration capital grants								
Discretionary	31,736	31,096	34,830	33,767	25,437	26,730	25,272	26,288
Bonds	169,812	319,945	319,253	290,102	251,693	138,706	88,056	93,085
Administration of operating grant								
CTA/PACE	-	-	-	-	54,252	54,252	40,010	58,142
Administrative expenses	5,402	6,510	6,666	6,554	6,534	7,561	6,967	7,532
Regional expenses	13,265	15,071	13,378	14,781	17,920	20,674	20,243	20,656
Technology program expenses	1,277	3,570	1,786	3,265	1,822	1,890	1,409	2,467
Interest expense	90,960	88,038	109,981	114,574	126,027	122,790	130,079	127,495
Total governmental activities	481,309	673,336	699,021	642,842	651,761	535,037	521,967	585,613
Business-type activities:								
Insurance Financing	5,012	4,849	3,082	5,319	4,624	5,566	4,855	4,375
Total business-type activities	5,012	4,849	3,082	5,319	4,624	5,566	4,855	4,375
Total primary government expenses	$ 486,321	$ 678,185	$ 702,103	$ 648,161	$ 656,385	$ 540,603	$ 526,822	$ 589,988
General:								
Sales taxes	$ 98,028	$ 97,153	$ 98,248	$ 101,344	$ 105,059	$ 112,024	$ 112,938	$ 109,003
Interest on sales taxes	131	68	41	53	137	317	376	1,081
Operating grant -(ADA)	-	-	-	-	54,252	54,252	54,252	14,441
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931	227,201
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807	121,870
Regional program reimbursement	712	1,484	1,058	1,033	866	1,053	1,153	1,361
Technology program reimbursement	258	1,664	-	-	-	-	-	-
Investment income	25,283	20,595	16,548	27,538	24,608	35,534	31,534	(1,495)
Other revenues	900	1,724	2,509	1,847	83	3,118	2,006	1,868
Transfers out	(3,000)	-	-	-	-	-	-	(3,920)
Total governmental activities revenues	330,961	355,808	368,368	388,997	472,092	505,177	508,997	471,410
Business-type activities:								
General:								
Investment income	1,838	1,055	618	669	1,014	1,386	1,210	770
Other revenues	-	-	-	-	-	-	207	151
Transfers in	3,000	-	-	-	-	-	-	3,920
Total business-type activities revenues	4,838	1,055	618	669	1,014	1,386	1,417	4,841
Total primary government revenues	335,799	356,863	368,986	389,666	473,106	506,563	510,414	476,251
Governmental activities:								
CHANGES IN NET ASSETS (DEFICIT)	(150,348)	(317,528)	(330,653)	(253,845)	(179,669)	(29,860)	(12,970)	(114,203)
NET ASSETS (DEFICIT):								
Beginning of year	(662,546)	(812,894)	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)
End of year	(812,894)	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)	(2,051,622)
Business-type activities:								
CHANGES IN NET ASSETS (DEFICIT)	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466
NET ASSETS (DEFICIT):								
Beginning of year	50,703	50,529	46,735	44,271	39,621	36,011	31,831	28,393
End of year	50,529	46,735	44,271	39,621	36,011	31,831	28,393	28,859
Total primary government	$ (762,365)	$ (1,083,687)	$ (1,416,804)	$ (1,675,299)	$ (1,858,578)	$ (1,892,618)	$ (1,909,026)	$ (2,022,763)
CHANGE IN NET ASSETS:								
Govermental activities	$ (150,348)	$ (317,528)	$ (330,653)	$ (253,845)	$ (179,669)	$ (29,860)	$ (12,970)	$ (114,203)
Business-type activities	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466
Total primary government	$ (150,522)	$ (321,322)	$ (333,117)	$ (258,495)	$ (183,279)	$ (34,040)	$ (16,408)	$ (113,737)

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

TABLE 3

REGIONAL TRANSPORTATION AUTHORITY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
General Fund								
Reserved	$ 76,056	$ 54,463	$ 66,406	$ 58,955	$ 93,384	$ 102,765	$ 107,948	$ 106,822
Unreserved	77,827	65,491	4,889	12,507	1,654	38,828	41,220	(53,482)
Total general fund balances	$ 153,883	$ 119,954	$ 71,295	$ 71,462	$ 95,038	$ 141,592	$ 149,167	$ 53,340
All other governmental funds								
Reserved	$ 337,213	$ 418,454	$ 569,278	$ 567,100	$ 308,345	$ 433,055	$ 349,402	$ 259,165
Total all other governmental funds	$ 337,213	$ 418,454	$ 569,278	$ 567,100	$ 308,345	$ 433,055	$ 349,402	$ 259,165

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

TABLE 4

REGIONAL TRANSPORTATION AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT YEARS
(in thousands)

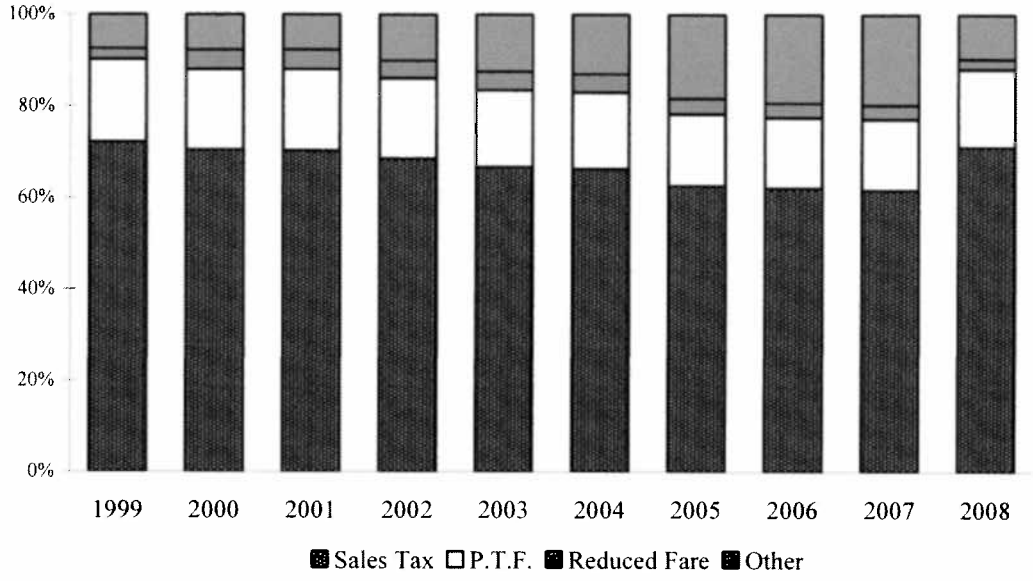
	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES:								
Sales taxes	$ 98,028	$ 97,153	$ 98,248	$ 101,344	$ 105,059	$ 112,024	$ 112,938	$ 109,003
Interest on sales taxes	131	68	41	53	137	317	376	1,081
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931	188,829
New 5% PTF Advance Recovery	-	-	-	-	-	-	-	38,372
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	-	-	10,000
Operating assistance -CTA/PACE	-	-	-	-	54,252	54,252	54,252	4,441
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807	121,870
Investment income	25,283	20,595	16,548	27,538	24,608	35,533	31,534	(1,495)
Other revenues	1,870	4,872	3,469	2,839	912	4,172	3,159	3,229
Total revenues	333,961	355,808	368,270	388,956	472,055	505,176	508,997	475,330
EXPENDITURES:								
Financial assistance to Service Boards	168,857	209,106	213,127	179,799	168,076	162,434	209,931	249,948
Capital grants—discretionary	31,736	31,096	34,830	33,767	25,437	26,731	25,272	26,288
South Suburban Job Access Program - (PACE)	-	-	-	-	-	-	-	3,750
5% PTF/RETT & ADA Paratransit (New Sales Tax)	-	-	-	-	-	-	-	42,813
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	-	-	10,000
PACE (PTF) expenditures	-				54,252	54,252	40,010	1,579
Capital grants—bonds	169,812	319,945	319,253	290,103	251,693	138,706	88,055	93,086
Administrative	5,030	5,997	6,480	6,370	6,380	6,747	6,772	7,258
Regional	14,301	18,395	16,833	20,617	19,705	23,967	22,528	24,509
Capital outlay	72	1,115	214	160	1,438	373	610	263
Debt service:								
Principal	19,805	25,560	37,940	40,430	49,570	55,110	59,135	64,685
Interest	74,969	84,310	102,668	119,271	128,852	125,155	131,233	131,705
Debt related costs	-	-	-	-	1,798	44	-	-
Debt issuance costs	1,326	3,458	4,240	3,424	975	2,222	1,529	1,590
Total expenditures	485,908	698,982	735,585	693,941	708,176	595,740	585,075	657,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,947)	(343,174)	(367,315)	(304,985)	(236,121)	(90,563)	(76,078)	(182,144)
OTHER FINANCING SOURCES (USES):								
Bond proceeds (gross)	111,209	390,486	457,167	260,000	-	250,350	-	-
Refunding bond proceeds (gross)	41,067	-	12,313	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	148,110	-	-	-
Payment to refunded bond escrow agent	(39,736)	-	-	-	(147,186)	-	-	-
SCIP II bond proceeds (gross)	-	-	-	-	-	1,826	-	-
Other financing sources (premium)	-	-	-	42,974	18	9,652	-	-
Transfers out				-	-	-	-	-
Capital Projects Fund		-	-	(6,225)	(70)	-	-	-
Debt Service Fund	(84,099)		(136,006)	(140,786)	(171,240)	(175,995)	(179,116)	186,268
General Fund	-	-	-	-	(540)	-	179,116	(190,188)
Joint Self-Insurance Fund	(3,000)	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	(41)	-	-
Transfers in								
Capital Projects Fund	306	-	(85)	-	8,541	3,315	-	-
Debt Service Fund	-	-	-	6,225	610	41	-	-
General Fund	83,793	-	136,091	140,786	162,699	172,680	-	-
Total other financing (uses) sources	109,540	390,486	469,480	302,974	942	261,827	-	(3,920)
NET CHANGE IN FUND BALANCES	$ (42,407)	$ 47,312	$ 102,165	$ (2,011)	$ (235,179)	$ 171,264	$ (76,078)	$ (186,064)
Debt Service as a percentage of noncapital expenditures	19.78%	16.24%	19.70%	23.51%	25.64%	30.66%	32.83%	30.12%

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

Table 5

RTA REVENUE BY SOURCE

1999-2008



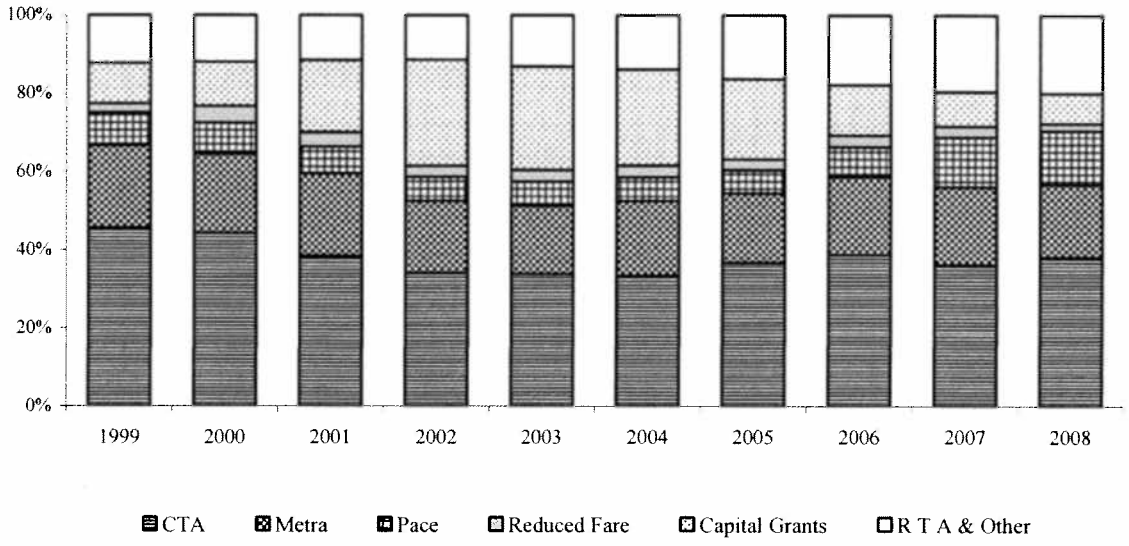
Last Ten Years *(In Thousands)*

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/99	$613,514	$153,343	$19,386	$63,624	$849,867
Percentage of Total	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	650,284	162,247	38,759	71,947	923,237
Percentage of Total	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	653,522	164,987	39,531	71,742	929,782
Percentage of Total	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	647,685	165,665	36,260	95,167	944,777
Percentage of Total	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	654,988	164,739	39,662	122,517	981,906
Percentage of Total	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	949,617	227,201	28,919	129,784	1,335,521
Percentage of Total	71.10%	17.01%	2.17%	9.72%	100%

Table 6

DISTRIBUTION OF EXPENDITURES

1999-2008



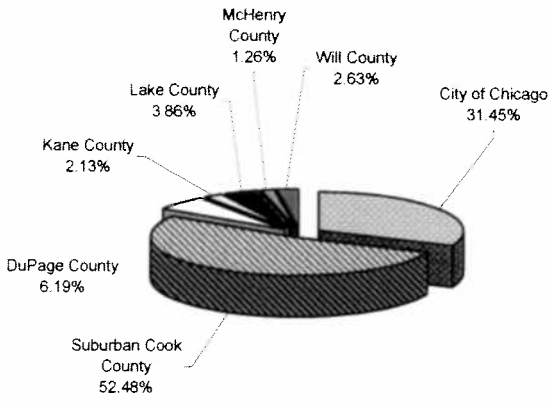
Last Ten Years *(In Thousands)*

	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/99	$384,810	$177,784	$70,482	$633,076	$19,386	$86,913	$103,436	$842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%

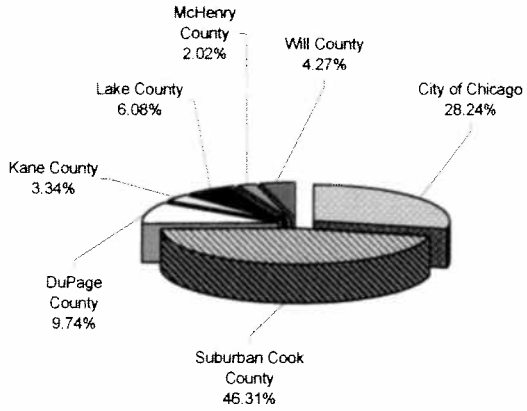
Table 7

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

2007



2008



Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/99	$187,966	$333,513	$41,764	$10,761	$22,238	$6,528	$10,744	$613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
Percentage of Total	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	219,093	533,095	75,587	25,908	47,143	15,700	33,091	949,617
Percentage of Total	23.07%	56.14%	7.96%	2.73%	4.96%	1.65%	3.48%	100%

Table 8

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(dollars in thousands, except per capita)

	Governmental Activities					
Fiscal Year	General Obligation Bonds [a]	Working Cash Notes [a]	Total Primary Government	Percentage of Sales Tax	Percentage of Personal Income [b]	Per Capita [b]
1999	$ 958,510	$ -	$ 958,510	64.01 %	389.55 %	$ 8
2000	1,195,780	-	1,195,780	54.38	334.82	10
2001	1,125,940	-	1,125,940	58.04	361.70	9
2002	1,160,380	-	1,160,380	55.82	356.53	9
2003	1,982,345	-	1,982,345	33.04	215.34	16
2004	2,201,915	-	2,201,915	30.68	202.17	17
2005	2,156,155	-	2,156,155	32.48	215.26	17
2006	2,351,395	-	2,351,395	31.76	208.58	18
2007	2,292,260	56,000	2,348,260	32.06	223.96	18
2008	2,227,575	40,000	2,267,575	41.88	241.22	18

Note:

[a] Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

[b] See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

LEGAL DEBT CAPACITY

2008

Legal Debt Margin:	Balance Outstanding at December 31, 2008	Issued	
Debt Limitation per Act for General Obligations			$2,600,000,000
Debt applicable to limitation :			
Non-SCIP Bonds:			
1990A General Obligation Bonds	$60,795,000		
1991A General Obligation Bonds	55,745,000		
1992B General Obligation Bonds	4,590,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	29,225,000		
1997 General Obligation Refunding Bonds	65,955,000		
2002B General Obligation Bonds	144,085,000		
2003B General Obligation Bonds	139,990,000		
2003C General Obligation Refunding Bonds	3,565,000		
2005B General Obligation Refunding Bonds	139,305,000		
Total RTA Bonds Applicable to Limitation	$650,350,000		(650,350,000)
SCIP Bonds:			
1992A General Obligation Bonds	$28,755,000	$188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	28,560,000	62,000,000	
1999 General Obligation Refunding Bonds	274,445,000		
2000 General Obligation Bonds	230,065,000	260,000,000	
2001A General Obligation Bonds	88,630,000	100,000,000	
2001B General Obligation Refunding Bonds	29,800,000		
2002A General Obligation Bonds	144,925,000	160,000,000	
2003A General Obligation Bonds	242,420,000	260,000,000	
2004A General Obligation Bonds	246,410,000	260,000,000	
2006A General Obligation Bonds	245,915,000	250,350,000	
Total SCIP Bonds Applicable to Limitation		$1,790,350,000	(1,790,350,000)
Total SCIP Bonds Outstanding	$1,577,225,000		
Total Bonds Outstanding	$2,227,575,000		
Debt Margin for General Obligations			$159,300,000
Debt Limitation per Act for Working Cash Notes			$400,000,000
Total RTA Working Cash Notes Applicable to Limitation	$56,000,000	$56,000,000	(56,000,000)
Debt Margin for Working Cash Notes			$344,000,000
Total Legal Debt Margin			$503,300,000

TABLE 10

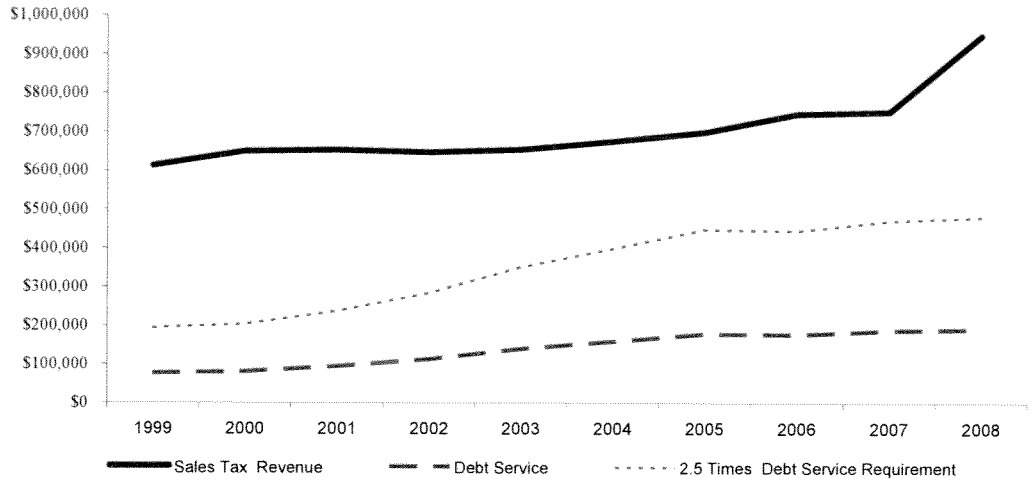
REGIONAL TRANSPORTATION AUTHORITY
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS
(in thousands)

	Fiscal Year									
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Debt limit for General Obligations	$1,000,000	$1,560,000	$1,820,000	$2,080,000	$2,340,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000
Total net debt applicable to limit	971,700	1,222,635	1,312,605	1,661,975	2,051,930	2,291,115	2,270,665	2,495,485	2,468,755	2,440,700
Debt margin for General Obligations	28,300	337,365	507,395	418,025	288,070	308,885	329,335	104,515	131,245	159,300
Debt limit for Working Cash Notes	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	400,000
Total net debt applicable to limit	-	-	-	-	-	-	-	-	40,000	56,000
	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	60,000	344,000
Legal debt margin	$ 128,300	$ 437,365	$ 607,395	$ 518,025	$ 388,070	$ 408,885	$ 429,335	$ 204,515	$ 191,245	$ 503,300
Total net debt applicable to the limit as a percentage of debt limit	11.66%	26.35%	31.64%	23.76%	15.90%	15.14%	15.90%	7.57%	7.08%	16.78%

Table 11

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1999 - 2008
(In Thousands)



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years *(In Thousands)*

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Tax Revenue	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829	$ 752,922	$ 949,617
Debt Service Requirement	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551	192,555
2.5 Times Debt Service Requirement	$194,665	$204,190	$237,968	$283,815	$351,518	$399,255	$448,840	$445,215	$471,378	$481,388

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying 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.

Table 12

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years *(In Thousands)*

	Debt Service Requirements			Total	Ratio of Debt Service to Total
Year	Principal	Interest	Total	Expenditures	Expenditures
1999	$ 16,988	$ 60,878	$ 77,866	$ 842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%

Table 13

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively) *(In Millions)*

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1999	$ 299.59	$ 162.67	$ 111.49	$ 25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
2008	489.91	279.38	169.55	40.98
Total	$ 4,351.70	$ 2,476.28	$ 1,547.46	$ 327.96

Source of data: Information obtained from the Service Boards' records.

REGIONAL TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population [1]	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate [2]
1999	12,359,020	$ 373,384,640	$ 30,212	4.5%
2000	12,439,219	400,373,280	32,186	4.5%
2001	12,516,683	407,253,595	32,537	5.4%
2002	12,578,317	413,710,753	32,891	6.5%
2003	12,625,246	426,876,687	33,811	6.7%
2004	12,680,053	445,151,182	35,106	6.2%
2005	12,719,550	464,124,942	36,489	5.8%
2006	12,777,042	490,450,096	38,385	4.6%
2007	12,852,548	525,919,549	40,919	5.1%
2008	12,901,563	546,984,646	42,397	6.5%

(1) Source : Bureau of Economic Analysis U.S. Department of Commerce

(2) Source: Bureau of Labor Statistics Data U.S. Department of Labor

REGIONAL TRANSPORTATION AUTHORITY

PRINCIPAL EMPLOYERS

CURRENT YEAR				Eight Years Ago [3]			
	2008				2000		
Employer [1]	Employees	Rank	% of Total Region Employment	Employer [2]	Employees	Rank	% of Total Region Employment
United States Government	78,000	1	1.97%	United States Government	49,500	1	1.23%
Chicago Public Schools	43,910	2	1.11%	United States Post Office	46,600	2	1.16%
City of Chicago	35,570	3	0.90%	Chicago School Board	45,000	3	1.12%
Wal-Mart Stores	23,453	4	0.59%	City of Chicago	41,700	4	1.04%
Cook County	22,142	5	0.56%	Jewel/Osco	38,900	5	0.97%
Advocate Healthcare	15,660	6	0.39%	Wal-Mart	27,100	6	0.67%
University of Chicago	15,660	7	0.39%	Cook County	26,900	7	0.67%
Walgreen Co.	14,287	8	0.36%	Motorola	26,800	8	0.67%
AT&T	14,254	9	0.36%	Advocate Healthcare	22,000	9	0.55%
United Airline Co.	14,000	10	0.35%	Sears	20,600	10	0.51%
Total	276,936		6.98%		345,100		8.59%

Note: RTA service area includes Cook and the five collar Counties. The information obtained from the sources below has been adjusted to reflect only employers from these areas.

(1) Crain's Chicago Business

(2) 2000 Illinois Statistical Abstract

(3) Latest available information

Table 16

SERVICE BOARD OPERATING CHARACTERISTICS

2008

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 143 stations served
- 1,190 rapid transit cars
- 198.1 million riders per year
- 1,288 STO* positions

Motor Bus

- 153 bus routes
- 2,150 buses
- 328.2 million riders per year
- 4,346 STO* positions

Other

- 1.2 billion passenger rail miles per year
- 12.3 million rail miles per year
- 779.8 million passenger miles per year
- 70.8 million vehicle miles per year
- 5,233 without STO* Postions

*STO is Scheduled transit operators. This classification includes bus operators, motormen, conductors, and customer assistants.

*Metra Commuter Rail Division

- 487.7 route miles
- 1,155 miles of track
- 239 stations
- 144 locomotives
- 823 passenger cars
- 171 electric cars
- 702 weekly trains operated
- 95.4% on-time performance
- 86.8 million riders per year
- 4,007 full-time employees

Other

- 1.7 billion passenger miles per year
- 44.7 million vehicle miles per year

**All data excludes NICTD South Shore*

Pace Suburban Bus Division

Fixed Route

- 144 regular routes
- 48 feeder routes
- 1 subscription routes
- 19 shuttle routes
- 573 vehicles in use during peak periods
- 34.6 million riders per year
- 12 seasonal routes
- 703 Pace-owed busses
- 1,358 full-time employees

Paratransit**

- 168 Pace owned lift-equipped buses in service
- 3.7 millions of riders per year
- 35 full-time employees

Dial-A-Ride**

- 61 local services
- 203 Pace owned lift-equipped buses in service
- 222 communities served
- 1.1 millions of riders per year
- 6.3 million passenger miles per year
- 4.7 million vehicle miles per year

Other

- 721 vanpools in operation
- 2.0 million riders for the year
- 22.3 million passenger miles per year
- 31.0 million vehicle miles per year

**Prior to 2008 ADA Paratransit and Dial-A-Ride were combined.

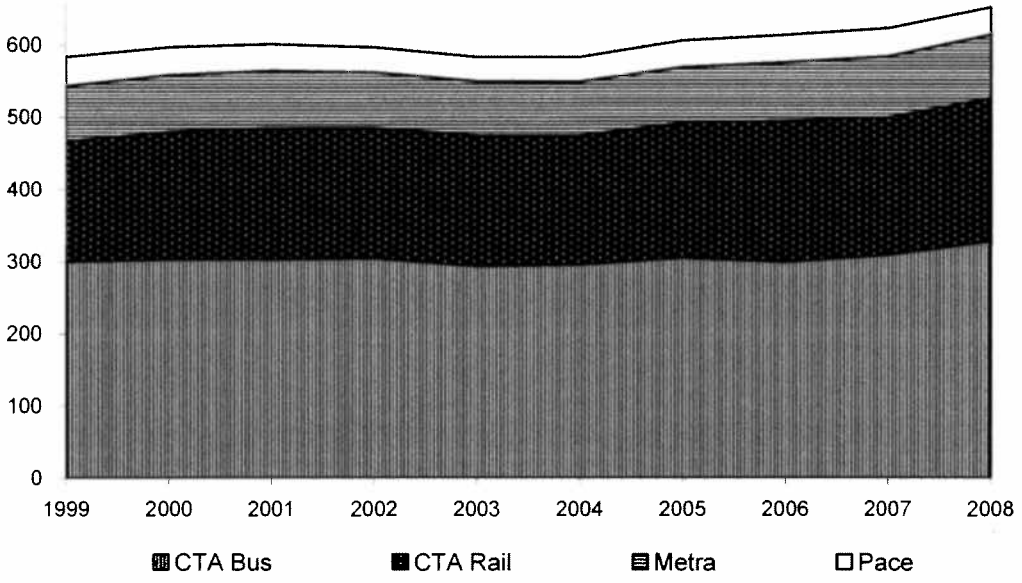
Source of data: Information obtained from the Service Boards' records.

Table 17

1999-2008

(In Millions)

SYSTEM RIDERSHIP
UNLINKED PASSENGER TRIPS



Last Ten Years *(In Millions)*

Service Consumed:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA - Bus	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2
CTA - Rail	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1
Total CTA*	466.7	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6	526.3
Metra	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7
Pace**	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0	37.8
System Total	583.5	597.0	601.0	596.8	583.2	583.2	606.2	613.6	623.0	651.8
Percent Change	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%	4.62%

CTA Stat amounts include rail-to-rail transfers.

****PACE 2007 Stat amount includes ADA Paratransit rides.***

Source of data: Information obtained from the National Transit Database.

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

RTA Main Office
175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service
165 N. Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

Community Outreach
(312) 913-3237

RTA ADA Certification Helpline
Voice (312) 663- 4357
TTY (312) 913-3122

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any area code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Program
(800) 531-2828

Chicago Transit Authority
567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6777
www.metrarail.com

Pace
550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 364-7223
www.pacebus.com

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Comprehensive Annual Financial Report

2009

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

Fiscal Year Ended December 31, 2009

REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Prepared by:

Department of Finance

Joseph G. Costello, CPA, CPFO
Senior Deputy Executive Director

and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY
2009 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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REGIONAL TRANSPORTATION AUTHORITY
2009 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Regional Transportation Authority

175 W. Jackson Blvd.
Suite 1550
Chicago, IL 60604
(312) 913-3200
www.rtachicago.com

June 30, 2010

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

I have the pleasure to submit to you the Comprehensive Annual Financial Report ("CAFR") of the Regional Transportation Authority ("RTA") for the year ended December 31, 2009. The RTA staff has prepared this report as required by, and in accordance with, the RTA Act. This state law requires that the RTA publish financial statements presented in conformity with generally accepted accounting principles and audited by an independent certified public accountant.

This report consists of RTA management's representations concerning its finances. The responsibility for the accuracy, completeness, and fairness of the data rests with management. To the best of our knowledge and belief, this report contains data complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of the RTA has established an internal control structure designed to provide reasonable assurance that assets are safeguarded from loss, theft, or misuse, and that adequate and reliable accounting data is compiled to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits of that control, and that the valuation of costs and benefits requires estimates and judgments by management.

In addition to the statutory requirement of the RTA Act for an annual audit by independent certified public accountants, the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, require the RTA to undergo an annual Single Audit. The RTA has engaged the firm of McGladrey & Pullen LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States of America and the standards set forth in the above circular in conducting the engagement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the RTA's financial statements for the year ended December 31, 2009 are presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first part of the financial section of this report.

A separately issued Single Audit report contains a schedule of expenditures of federal awards, the independent auditor's report on internal controls and compliance with applicable laws, regulations, contracts and grants, a schedule of findings and questioned costs, and other information related to the Single Audit.

Accounting principles generally accepted in the United States require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal complements management's discussion and analysis, and should be read in conjunction with it. The RTA management's discussion and analysis ("MD&A") can be found immediately following the report of the independent auditors.

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

Illinois State law (the RTA Act, as amended) created the RTA as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system for Northeastern Illinois.

> "It is the purpose of [the RTA] Act to provide for, aid and assist public transportation in the northeastern area of the State without impairing the overall quality of existing public transportation by providing for the creation of a single authority responsive to the people and elected officials of the area and with the power and the competence to provide financial review of the providers of public transportation in the metropolitan region and facilitate public transportation provided by Service Boards which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and State plans."

History

In 1974, upon approval of a referendum in the six counties of metropolitan Chicago (Cook, DuPage, Kane, Lake, McHenry, and Will), the Act created the RTA as a unit of local government, body politic, political subdivision, and municipal corporation. Initially, the RTA provided financial assistance to the then existing public transportation operators. Subsequently, the role of the RTA expanded to include the acquisition and operation of such public transportation providers, as well as contract with operators to provide service through the purchase of service agreements.

In 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The Act placed operating responsibilities with the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"). These three entities are defined in the Act as the "Service Boards."

The CTA provides bus and rail transportation services within Chicago and 38 adjacent suburbs. Illinois State law (the Metropolitan Transportation Authority Act) created the CTA in 1945. The law established the CTA as an Illinois municipal corporation "separate and apart from all other government agencies" to consolidate Chicago's public and private transportation carriers. The CTA commenced operations in 1947 and completed the consolidation of public transportation in 1952 upon purchasing the Chicago Motor Coach System.

The Northeast Illinois Regional Commuter Railroad Corporation ("NIRCRC"), a public corporation created in 1980 and operating under the service name of Metra, provides public transportation by commuter rail. The 1983 RTA restructuring formed a Commuter Rail Division, "responsible for providing public transportation by commuter rail." The Commuter Rail Division continued the operation of NIRCRC to provide this transportation. Metra contracts with the Union Pacific Railroad, Burlington Northern Santa Fe, and Northern Indiana Commuter Transportation District to provide service through the purchase of service agreements. In addition, Metra operates the services provided on its North Central Service and South West Service rail lines, as well as the services formerly provided by Rock Island, Milwaukee Road, and Illinois Central Gulf.

The 1983 RTA restructuring also formed a Suburban Bus Division, "responsible for providing public transportation by bus and as may be provided in [the RTA] Act." As such, the Division - operating under the service name Pace - provides non-rail public transportation throughout DuPage, Kane, Lake, McHenry, and Will counties, as well as the suburban area of Cook County.

Collectively, we refer to the RTA, the CTA, Metra, and Pace as the "RTA System."

Mission

The Act sets forth the responsibilities of the RTA. These responsibilities encompass planning, funding, and oversight duties. The Board of Directors has developed the following goals to carry out the RTA legislative mandates:

Plan—Ensure an integrated regional public transportation system through comprehensive planning and coordination with the service providers.

Fund—Develop and allocate resources among the Service Boards to ensure they provide quality and cost-effective service.

Oversee—Monitor and evaluate Service Boards' performance to ensure that service is provided efficiently and effectively.

The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program. This obligation incorporates planning, funding, and oversight duties. The Act enumerates a number of requirements with respect to the budget, plan, and program. These include a requirement that the budget and plan reflect operating revenues of at least 50% of operating costs (a farebox recovery ratio of at least 50%). In addition, the budget and plan must show a balance between revenues, including subsidies, and costs (a balanced budget).

Other responsibilities include establishing policies regarding the allocation of public transportation funding in the Chicago metropolitan region, developing system-wide plans and service standards, coordinating services among different modes of transportation, and ensuring compliance with Federal and State mandates.

Budget

The Act establishes budgetary controls. The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program.

> "Each year the Authority shall prepare and publish a comprehensive annual budget and program document describing the state of the Authority and presenting for the forthcoming fiscal year the Authority's plans for such operations and capital expenditures as the Authority intends to undertake and the means by which it intends to finance them."

The Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the Five-Year Capital Program must specify each capital improvement undertaken by or on behalf of the service boards. The budget calendar as adopted as part of the RTA Business Plan Call and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.

Budget Calendar

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 the next two following years, the times when the amounts will be available, and the cost recovery ratio for the next year. The recovery ratio for the region must meet a minimum standard of 50%.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document, and a financial plan for the two following years. "The proposed budget and financial plan shall be based on the RTA's estimate of funds that will 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 its budget to the RTA, each Service Board must hold at least one public hearing in each of the counties in which it provides service, and at least one meeting with each respective county board. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA. "Not later than... November 15 prior to the commencement of such fiscal year, each Service Board shall submit to the Authority its proposed budget for the fiscal year and its proposed financial plan for the two following years."

The RTA must also hold at least one public hearing in the metropolitan region and one meeting with each county board on its own proposed budget. After conducting these hearings and taking into consideration the comments, the RTA must adopt its budget and the budgets submitted by the service boards, each of which meets the statutory criteria summarized below. Unless the RTA passes a budget and financial plan for a Service Board, "the Board shall not release to that Service Board any funds for the periods covered by such budget and financial plan," except for the sales tax directly allocated to the Service Board by statute.

Statutory Requirements

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

- *Balanced Budget*: A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services 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*: Cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenditures as incurred;

- *Recovery Ratio*: A level of fares or charges, and operating or administrative costs, to allow the Service Board to meet its required recovery ratio;

- *Assumptions*: Employ assumptions and projections which are reasonable and prudent;

- *Financial Practices*: Prepared in accordance with sound financial practices as determined by the Board

- *Strategic Plan:* Maintain consistency with the goals and objectives adopted by the RTA in the Strategic Plan; and

- *Other Requirements*: Other financial, budgetary, or fiscal requirements that the Board may establish by rule or regulation.

Oversight

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

- 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 such quarter. If in compliance, the 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 such period as adopted by the RTA, the Board shall so advise the Service Board and the service board "shall, within the period specified by the Board, submit a revised budget incorporating such results."

- Once a Service Board submits a revised budget, the RTA must determine if it meets the seven statutory budget criteria necessary to pass an annual budget. If not, the RTA must withhold from the Service Board (i) 25% of the cash proceeds of taxes imposed by the RTA and (ii) 25% of any state matching funds that are allocated to each Service Board.

- If a Service Board then submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period, the RTA "shall release any such withheld funds to the Service Board."

Amendment

When prudent, the RTA Board may revise estimates of amounts of funds available to the Service Boards during a fiscal year due to shifts in the economic climate, governmental funding programs, or new projects. Upon receiving notice of such a revision, the Service Boards must submit amended budgets to the RTA Board within 30 days. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budget.

Reporting Entity

As defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government (the RTA, as legally defined), as well as its component units—legally separate entities for which the primary government has financial accountability.

Although part of the RTA System, the CTA, Metra, and Pace do not represent component units of the RTA under GASB Statement No. 14. Accordingly, the Comprehensive Annual Financial Report of the Regional Transportation Authority does not include the financial statements of the Service Boards. However, a Combining Annual Financial Report does combine the financial statements of the RTA, the CTA, Metra, and Pace as required by the RTA Act.

RTA System Characteristics

The six-county area served by the RTA system covers 3,700 square miles. Based on the 2000 census, the region has 8 million residents. Regional employment totaled 5 million in 2000. The RTA system carried 639.1 million riders in 2009, a decrease of 1.95% compared to the prior year.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of fifteen appointed members and one elected member from the six-county region. The Mayor of the City of Chicago appoints five directors. The suburban members of the Cook County Board appoint five directors. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry and Will counties, each appoint a director. These fifteen directors, with a minimum concurrence of eleven directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of one hundred two. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit was set at $5 million for 1985 and has increased at a rate of 5% per year. The RTA has always held its administrative expenses under the prescribed limit.

The Chicago Transit Board, consisting of seven members, governs the CTA. Its members are appointed pursuant to the Metropolitan Transit Authority Act. The Governor of Illinois appoints three members, subject to the approval of the Illinois Senate and the Mayor of Chicago. The Mayor of Chicago, with the consent of the Chicago City Council and the Governor of Illinois, appoints four members, including the CTA Chairman.

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of eleven members, governs Metra. The suburban members of the Cook County Board appoint four members. The Chairmen or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry and Will counties each appoint one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These eleven directors, with a minimum concurrence of eight directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of thirteen members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will counties each appoint one director. The RTA Act requires that each of these directors must be a current or former "chief executive officer of a municipality" from the area that appoints the member. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board.

Financing

The RTA Act specifies the funding responsibilities of the RTA, appointing the RTA as the primary public body in the metropolitan region to secure funds for public transportation.

Sections 4.03 and 4.03.1 of the Regional Transportation Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

Sales Taxes

The Act authorizes the RTA to impose a retailers' occupation tax "ROT," a service occupation tax "SOT," and a use tax "UT." The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook County and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.
The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result, the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, and .75% in collar counties.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas for the privilege of using a vehicle purchased outside the six county area that must be registered with the State. Unlike the state use tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above. Consequently, this tax has never been imposed.

Off-Street Parking Tax

The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax

The Act authorizes the RTA to impose a $50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

As indicated above, the RTA imposes a sales tax in the six-county Northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

FACTORS AFFECTING ECONOMIC CONDITION

Financing

The RTA's primary source of operating funding is a regional (occupation and use) sales tax and a sales tax match from the State of Illinois. Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region (from the equivalent of 1.0% in Cook County and 0.25% in the remainder of the region to the equivalent of 1.25% in Cook County and 0.5% in the remainder of the region) beginning on April 1, 2008, created a real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25 percent to 30 percent the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). In 2009, RTA sales tax receipts of $894 million declined 2.9% from prior year despite the rate increase but exceeded budget by 1.9%. In 2008, RTA sales tax receipts exceeded prior year by 22.4% because of the rate increase. In 2007, 2006, 2005, 2004, and 2003, the RTA sales tax increased 0.8%, 6.6%, 3.7%, 3.2%, and 1.1%, respectively.

The RTA 2010 operating budget approved by the Board of Directors on December 17, 2009, assumes sales tax revenue of $890 million, an increase of 1.5% over the 2009 budget but a decline of 0.4% from 2009 actual receipts. In addition to the 30% tax match from the PTF, the budget recognizes these funds from the State of Illinois: $122 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds, $36.8 million as partial reimbursement to the Service Boards for discounted and free fares (mandated by law) for student, elderly, and disabled riders, $8.5 million for ADA Paratransit service operations, and $5.4 million of capital funds for the CTA.

Regional and Illinois Economy

The Chicago region is the home to one of the most economically diversified economies in the United States. According to World Business Chicago, the area leads the U.S. in many economic measurements, including high technology employment and output, manufacturing output, and truck, inter-modal, rail, and air distribution. The region is home to more than 400 major corporate headquarters, including 29 Fortune 500 companies. Noted strengths of the Chicago area economy include construction, transportation, utilities, manufacturing, information technology, wholesale and retail trade, leisure and hospitality, professional and business services, education, and healthcare.

Like the nation, both Illinois and the Chicago region posted significant declines in the unemployment rate earlier this decade. However, the unemployment rate in the Chicago region increased from 4.5% in 2006 to 4.9% in 2007 to 6.2% in 2008 to 10.0% in 2009. Similarly, the unemployment rate in Illinois increased from 4.6% in 2006 to 5.1% in 2007 to 6.4% in 2008 to 10.1% in 2009.

The March 2009 Monthly Revenue Briefing issued by the State Commission on Government Forecasting and Accountability noted that during the first nine months of the State's 2010 fiscal year, sales tax receipts of $4.7 billion decreased $506 million or 9.8% compared to the same period during the State's previous fiscal year.

National Economy

Through 2000, the real gross domestic product (GDP), the output of goods and services produced in the United States, grew in the neighborhood of 4% annually for several consecutive years. In 2001, the annual growth rate fell to 1.1% before rebounding to a modest 1.8% in 2002 and 2.5% in 2003. The annual growth rate of 3.6% in 2004 declined to 3.1% in 2005, 2.7% in 2006, and 2.1% in 2007, before plunging to 0.4% in 2008. In 2009, the real gross domestic product contracted 2.4%. The Congressional Budget Office (CBO) predicts real GDP growth of 2.2% in 2010 followed by growth of 1.9% in 2011.

The national unemployment rate averaged 9.3% in 2009, the highest average annual rate since 1994, rising from 5.8% in 2008 and 4.6% in 2007 and 2006. The national unemployment rate held at 9.7% during the first quarter of 2010 declining from 10.0% during November and December of 2009. The CBO forecasts national unemployment rates of 10.1% and 9.5% in 2010 and 2011.

In 2009, the consumer price index (CPI), a measure of the pace of inflation, declined 0.4%. In 2008, the CPI increased 3.8% following increases of 2.8% in 2007, 3.2% in 2006, 3.4% in 2005, 2.7% in 2004 and 2.3% in 2003. The CBO expects the CPI to increase 2.4% in 2010 and 1.3% in 2011, respectively.

Risk Management

The RTA, CTA, Metra, and Pace established a Loss Financing Plan in 1986. The Plan operates as a self-insurance program to provide a source from which to temporarily finance catastrophic losses and other claims incurred by the RTA and the Service Boards, arising out of personal injuries, property damage, and certain other losses. The participating entities (RTA, CTA, Metra, and Pace) administer the Plan, with a representative from the RTA acting as the Fund Manager and representatives from the CTA, Metra, and Pace acting as Fund Advisors.

The Plan required the creation of a Joint Self-Insurance Fund. The Fund has entered into a multi-year, claims-paid insurance agreement to insure against certain losses in excess of $5 million. The Fund pays premiums for this coverage. The participating entities must repay the Fund for submitted claims paid by the Fund that are not covered by the insurance agreement.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2008. This was the fifteenth consecutive year that the RTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the RTA received the GFOA Award for Distinguished Budget Presentation for its annual budget for the year ending December 31, 2009. This marks the thirteenth consecutive year that the RTA has achieved this accomplishment. The Distinguished Budget Presentation Award requires that the GFOA judge the budget document as proficient in several categories, including policy documentation, financial planning, and organization.

I would like to express my appreciation to the RTA staff for their efforts in preparing this report.

J G Costello

Joseph G. Costello
Senior Deputy Executive Director
Finance, CFO

Certificate of Achievement for Excellence in Financial Reporting

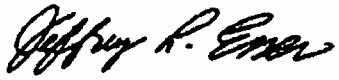
Presented to

Regional Transportation Authority, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

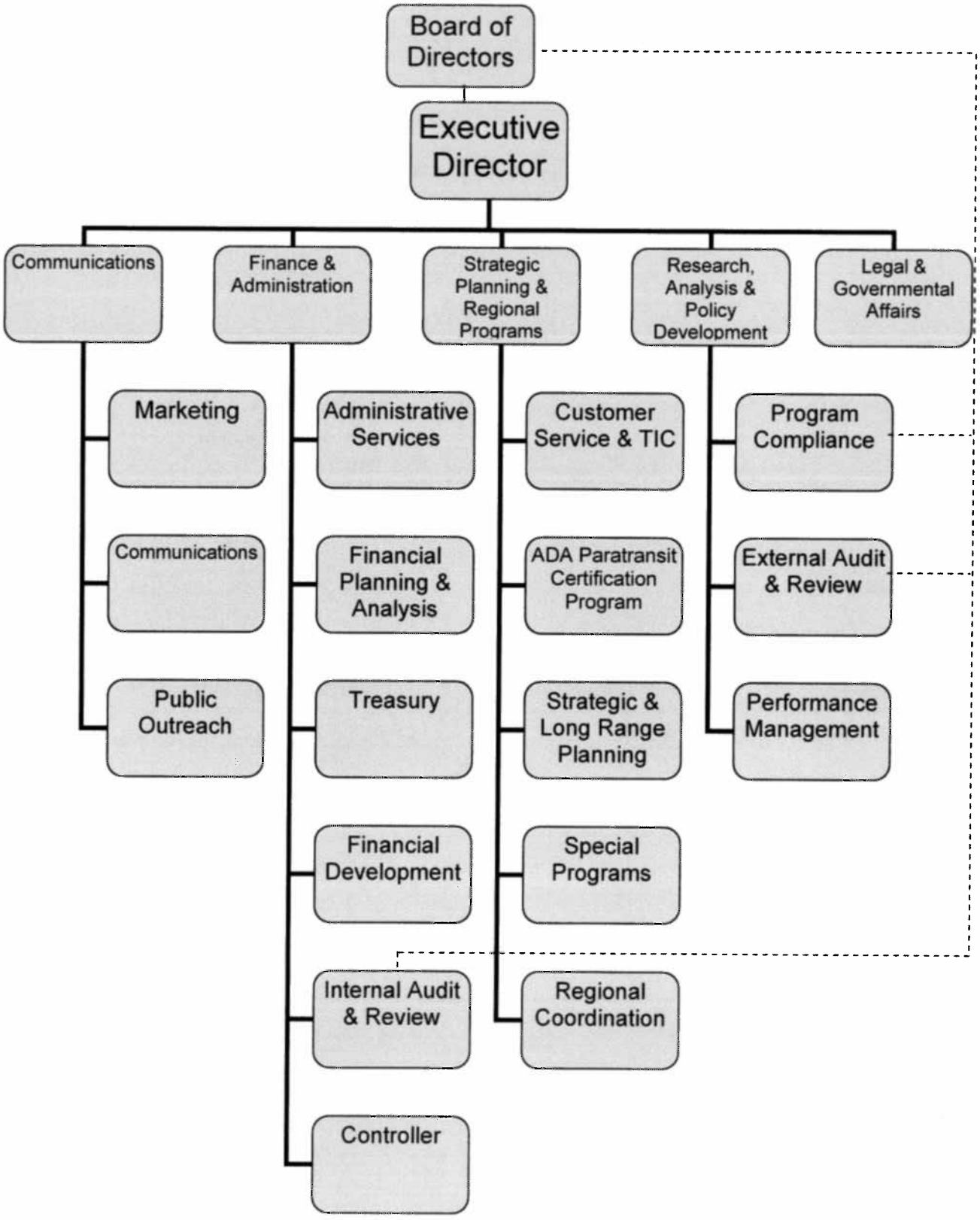
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

REGIONAL TRANSPORTATION AUTHORITY
ORGANIZATION CHART
December 31, 2009



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2009

Board of Directors

Chairman	James R. Reilly
Directors	James Buchanan Jan Carlson William R. Coulson Rev. L. Tyrone Crider, Sr Patrick J. Durante Phil Fuentes Al Jourdan Dwight A. Magalis Patrick V. Riley, Jr. Michael Rosenberg J.D. Ross Bishop Horace E. Smith M.D. Judy Baar Topinka Douglas M. Troiani

Administration

Executive Director	Stephen E. Schlickman
Senior Deputy Executive Director Finance, CFO	Joseph G. Costello
Senior Deputy Executive Director Strategic Planning and Regional Programs	Leanne P. Redden
Senior Deputy Executive Director Legal and Government Affairs	Andrew S. Gruber
Senior Deputy Executive Director Research Analysis and Policy Development	Grace Gallucci
Director of Communications	Diane J. Palmer

INDEPENDENT AUDITOR'S REPORT

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority ("RTA") as of and for the year ended December 31, 2009, which collectively comprise the RTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Required Supplementary Information and the Management's Discussion and Analysis listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTA's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules are the responsibility of the RTA's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 30, 2010

REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activity affecting the operation of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2009. Please read it in conjunction with the RTA's basic financial statements which follow this section.

Financial Highlights

- For the year ended December 31, 2009, the RTA statement of activities for the governmental activities shows expenses decreasing $187 million to $399 million from $586 million for the same period in 2008. This decrease is due to a decrease in financial assistance to the CTA, Metra, and Pace ("Service Boards") by $156 million. Revenues increased by $28 million from 2008. The increase was primarily due to an increase in the market value of swap investments.

- The government-wide statement of net assets shows assets of $794 million for the governmental activities, a net increase of $101 million. The increase is mainly due to an increase in cash and investments of $101 million. The increase in cash and investments was due to the timing of receipts. In the government-wide statement of net assets, bond-related liabilities increased by $185 million, which reflects the issuance of bonds of $260 million offset by bond liability reductions.

- At the end of 2009, the government-wide statement of net assets shows a deficit of $2.0 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of $596 million. There is a $2.6 billion difference between the fund balance and the net deficit. This does not in any way represent a precarious financial position for the RTA. Rather, it is the result of the presentation of RTA financial statements required by the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments ("GASB Statement No. 34")*, as it relates to the recording of the RTA general obligation bonds in the government-wide statement of net assets.

- The RTA has the obligation to pay the bonds it has issued to fund the Service Boards' capital expenditures. These expenditures and the related assets appear in the Service Boards' financial statements. The sales taxes imposed by the RTA in the region represent the primary source of payment for the bond obligations.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Overview of the CAFR—The RTA CAFR consists of three parts:

1. Introductory Section—This section includes the letter of transmittal, the GFOA Certificate of Achievement, the organizational chart, and the list of principal officials.

2. Financial Section—This section is comprised of the independent auditor's report, the management's discussion and analysis, the basic financial statements, and the required supplementary information and combining and individual fund schedules.

3. Statistical Section (Unaudited)—This section provides additional analysis and is not a required part of the basic financial statements of the RTA.

The basic financial statements contain three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. A discussion of the basic financial statements is included in this CAFR as follows:

Government-wide Financial Statements—The government-wide financial statements provide a broad overview of the RTA finances in a manner similar to those of a private-sector business. The statements are prepared following the full accrual basis of accounting.

- ***Statement of Net Assets***—The statement of net assets presents information on all of the RTA's assets and liabilities. The statement subtracts liabilities from assets to compute—in the case of the RTA—a net deficit. This net deficit reflects the recording of bonds issued by the RTA for capital grants to the Service Boards to acquire and construct assets used to provide public transportation. These assets appear in the financial statements of the Service Boards. The bonds represent general obligations of the RTA to which the RTA has pledged its full faith and credit.

  The size of the net deficit will increase as the RTA continues to issue bonds to fund the RTA System capital program.

- ***Statement of Activities***—The statement of activities shows the change in net assets of the governmental and business-type activities. Governmental activities include operating and capital asset funding (capital grants) to the Service Boards, RTA administrative expenses, the RTA Travel Information Center, certification of riders for paratransit service under the Americans with Disabilities Act (regional expenses), and interest expense on bonds issued by the RTA. Business-type activities consist of the RTA Joint Self-Insurance Fund.

  The government-wide financial statements include only the RTA (the "primary government"). There are no "component units" (separate legal entities for which the RTA is financially accountable) that the RTA government-wide financial statements are required to include.

  The RTA does not consider the CTA, Metra, or Pace to be component units, therefore, the RTA government-wide financial statements do not incorporate the financial data of the Service Boards. See Letter of Transmittal and Note 1 to the financial statements for further details.

Fund Financial Statements—A fund refers to a set of related self-balancing accounts used to maintain control over resources segregated for specific activities or objectives. The RTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The RTA's funds are accounted for in three fund types: governmental funds, proprietary

funds, and fiduciary funds. These financial statements are prepared following the modified accrual basis of accounting.

- ***Governmental Funds***—Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year.

  Unlike the information presented for governmental funds, information presented for governmental activities in the government-wide financial statements, includes the long-term impact of near-term financing decisions. The governmental funds financial statements provide reconciliations to facilitate comparison between governmental funds and government-wide financial statements.

  In the fund level basic financial statements, the RTA presents three major governmental funds: a general fund, a debt service fund, and a capital projects fund. The governmental funds financial statements present information for each major fund separately. Individual fund data for each of the RTA governmental funds is presented in this CAFR in the section labeled "Combining and Individual Fund Schedules."

  The RTA adopts an annual appropriated budget for its general fund. The Required Supplementary Information and Combining and Individual Fund Schedules include a budgetary comparison.

- ***Proprietary Funds***—The RTA maintains a proprietary fund to account for the RTA Joint Self-Insurance Fund. This type of proprietary fund, referred to as an enterprise fund, reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. As required by Article II of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separate audited financial statements.

- ***Fiduciary Funds***—Fiduciary funds account for resources held for the benefit of parties outside the government activity. In the case of the RTA, the fiduciary fund accounts for the assets of the RTA defined-benefit Pension Plan and the Sales Tax Agency Fund. The government-wide financial statements do not reflect fiduciary funds as these funds are not available to support the programs and operations of the RTA. The RTA Pension Plan issues audited financial statements separately.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Assets:

SUMMARY OF NET ASSETS

DECEMBER 31, 2009 AND 2008

(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2009	2008	Variance	2009	2008	Variance	2009	2008	Variance
Assets:									
Cash and investments	$ 497,841	$ 396,836	$ 101,005	$ 20,612	$ 22,902	$ (2,290)	$ 518,453	$ 419,738	$ 98,715
Other assets	283,137	284,539	(1,402)	6,347	3,207	3,140	289,484	287,746	1,738
Noncurrent assets	-	-	-	2,108	2,750	(642)	2,108	2,750	(642)
Capital assets—net	12,660	11,118	1,542	-	-	-	12,660	11,118	1,542
Total assets	793,638	692,493	101,145	29,067	28,859	208	822,705	721,352	101,353
Liabilities:			-						
Current non bond-related liabilities	123,927	307,281	(183,354)	-	-	-	123,927	307,281	(183,354)
Current bond related liabilities	69,827	74,157	(4,330)	-	-	-	69,827	74,157	(4,330)
Long-term non-bond-related liabilities	49,133	50,136	(1,003)	-	-	-	49,133	50,136	(1,003)
Long-term bond-related liabilities	2,502,199	2,312,541	189,658	-	-	-	2,502,199	2,312,541	189,658
Total liabilities	2,745,086	2,744,115	971	-	-	-	2,745,086	2,744,115	971
Net assets (deficit):									
Invested in capital assets	12,660	11,118	1,542	-	-	-	12,660	11,118	1,542
Unrestricted (deficit)	(1,964,108)	(2,062,740)	98,632	29,067	28,859	208	(1,935,041)	(2,033,881)	98,840
Total net assets (deficit)	$ (1,951,448)	$ (2,051,622)	$ 100,174	$ 29,067	$ 28,859	$ 208	$ (1,922,381)	$ (2,022,763)	$ 100,382

As of December 31, 2009, cash and investments for governmental activities increased by $101 million over the previous year. During 2009, the Capital Projects Fund decreased by $47 million, conversely the Debt Service Fund increased by $156 million mainly due to 2009 cash note borrowings. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

As of December 31, 2009, the current non bond-related liabilities decreased by $183 million from the previous year due to timing differences in funds distributed to the Service Boards and the payoff of the working cash note.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition in the statement of net assets of $2.6 billion in current and long-term general obligation bonds payable. Prior to the implementation of GASB Statement No. 34, these bonds were recorded in the general long-term debt account group and presented, prior to the 2001, as credits, with an equal amount of other debits (i.e., amount available and amount to be provided for the retirement of long-term debt). This was a result of the recording of bonds issued by the RTA under its bonding authority. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation within the RTA region.

This deficit will not affect the availability of RTA fund resources for future use. In fact, the RTA maintains its operations funding levels for 2010 as established in September 2009 during the 2010 budget process.

The following table summarizes the RTA Statement of Activities presented in this CAFR:

SUMMARY OF ACTIVITIES
DECEMBER 31, 2009 AND 2008
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2009	2008	Variance	2009	2008	Variance	2009	2008	Variance
Expenses:									
Financial assistance to Service Boards	$ 93,453	$ 249,948	$ (156,495)	$ -	$ -	$ -	$ 93,453	$ 249,948	$ (156,495)
Administration of capital grants	67,123	119,373	(52,250)	-	-	-	67,123	119,373	(52,250)
Administration of operating grant	74,138	58,142	15,996	-	-	-	74,138	58,142	15,996
Administrative expenses	12,014	7,532	4,482	3,827	4,375	(549)	15,841	11,907	3,933
Regional and technology program expenses	21,209	23,123	(1,914)	-	-	-	21,209	23,123	(1,914)
Interest expense	131,775	127,495	4,280	-	-	-	131,775	127,495	4,280
Total expenses	399,712	585,613	(185,901)	3,827	4,375	(549)	403,539	589,988	(186,450)
Revenues and transfers:									
Sales taxes	99,027	109,003	(9,976)	-	-	-	99,027	109,003	(9,976)
PTF and state assistance	351,509	349,071	2,438	-	-	-	351,509	349,071	2,438
Note interest	-	-	-	58	151	(93)	58	151	(93)
Operating grant - CTA/PACE	9,101	14,441	(5,340)	-	-	-	9,101	14,441	(5,340)
Regional expenses	2,904	1,361	1,543	-	-	-	2,904	1,361	1,543
Investment income and other	40,920	1,454	39,466	402	770	(368)	41,322	2,224	39,098
Transfers	(3,575)	(3,920)	345	3,575	3,920	(345)	-	-	-
Total revenues and transfers	499,886	471,410	28,476	4,035	4,841	(806)	503,921	476,251	27,670
Change in net assets	100,174	(114,203)	214,377	208	466	(258)	100,382	(113,737)	214,119
Net assets—beginning of year	(2,051,622)	(1,937,419)	(114,203)	28,859	28,393	466	(2,022,763)	(1,909,026)	(113,737)
Net assets—end of year	$ (1,951,448)	$ (2,051,622)	$ 100,174	$ 29,067	$ 28,859	$ 208	$ (1,922,381)	$ (2,022,763)	$ 100,382

Financial assistance to the Service Boards decreased by $157 million from $250 million in 2008 to $93 million in 2009. Capital grants to the Service Boards also decreased by $52 million, from $119 million in 2008 to $67 million in 2009, which reflects the activity in capital expenditures to the Service Boards during 2009. The amount of bond interest increased by $4 million from $127 million to $131 million. PTF and state assistance increased by $2 million, offset by the sales tax decrease of $10 million, an increase in investment income of $39 million was due to an increase in swap investments market value and appreciation in market value of investments, and the decrease in operating grant revenue of $5 million, resulting in an increase of $27 million in total revenue from 2008.

During 2009, a total of $3.5 million was transferred to the Joint Self-Insurance Fund for excess liability. Insurance premiums represent the only major expense, and investment income represents the only revenue for the Business-type activities (insurance financing).

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the RTA employs three fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. See the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances on pages 26 and 28, respectively, for further details.

General Fund—Assets in the general fund primarily represent the amounts for Service Boards' operations and capital projects. Assets increased by $1 million from $347 million in 2008 to $348 million in 2009, mainly due to timing differences. Also, intergovernmental receivables decreased $53 million due to timing differences.

At December 31, 2009, the majority of RTA's liabilities of $220 million are comprised of intergovernmental payables and due to other fund, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and deferred revenue and notes payable.

The total fund balance of the General Fund equals $127 million at December 31, 2009. The General Fund balance increased by $74 million primarily due to increases in public funding and higher investment income.

Reserved for other includes $38 million in interest rate swap expenses, $31 million in capital, $47 million in Debt Service Deposit Agreement ("DSDA"), and $485 thousand in prepaid items. The amount reserved for RTA capital projects is for projects focusing on the application of advanced technology on transportation systems to improve the efficiency of such systems. The transit industry views such technology as having the potential for increasing ridership and revenues by making transit systems more attractive to customers.

These applications include the following:

- Active transit station signs, Phase III expansion and evaluation (variable message signs designed to provide real-time "next train" or "next bus" service information at transit stops).
- Transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections).
- Transit management systems (voice/data communication functions, computer-aided dispatching, and automatic vehicle location technologies to improve transit operating efficiency, increase service reliability, and ensure schedule adherence).
- Parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities).
- Transit signal priority (gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs).

- Multi-Modal Trip Planner System (MMTPS) to provide side by side comparisons of trip itineraries using transit, driving, or any combination of non-motorized modes such as biking and walking. It will give customers a comprehensive decision support tool for choosing travel options that incorporate convenience, efficiency, and cost – from the traveler's perspective.

- Traveler Resource and Itinerary Planning System (TRIPS) is a traveler information system which matches regional attractions with transit directions using interactive electronic kiosks.

The remaining unreserved and undesignated fund balances total ($28) million.

Debt Service Fund—The RTA establishes a Debt Service Fund to account for transfers received from the General Fund, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2009, the RTA has eighteen series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2009 Debt Service Fund balance increased by $256 million to $337 million.

Capital Projects Fund—The RTA has established a Capital Projects Fund to account for bond proceeds, earnings on the investment of such proceeds (except noted otherwise), and the expenditure of such monies for capital assets of the Service Boards. In addition, the RTA can use a portion of these funds to pay for debt service on the related bonds. During 2009, the Capital Projects Fund decreased by $47 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

Proprietary Fund—The RTA has established a proprietary fund to account 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 fund which relates to the activities of the Joint Self-Insurance Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, revenues are higher than the budget goal by $44 million. Despite a poor economic environment during 2009 sales tax and PTF receipts exceeded budget. The RTA receives reimbursement from the State for debt service on bonds issued under the Strategic Capital Improvement Plan (SCIP). Such reimbursement, termed ASA and AFA, is included in the State assistance line item in the financial statements, which recognized a total of $123 million in 2009. In 2009, the investment income exceeded budget by $26 million which was due mainly to interest rate swap valuation gain of $20 million in 2008. Total financial assistance to the Service Boards exceeded budget by $9 million in 2009. Other non-administration and technology program expenditures were under budget by $1 million, primarily due to delays in some program initiatives.

SERVICE BOARDS CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The financial statements of the Service Boards reflect the capital assets discussed in this section. The statement of net assets for the RTA reflects the RTA bonds issued to provide a portion of the funding for these assets. The details of the RTA bond program are discussed further in Note 10 of this report.

Service Boards Capital Assets—The RTA System provides 639.1 million unlinked passenger trips annually. This has the beneficial impact of reducing road congestion, improving the flow of goods and services, and enhancing air quality. In addition, the RTA System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with replacement cost estimated at more than $36.4 billion for the entire region. Prior year's asset values of $31.3 billion were inflated using Engineering News Record's Chicago Construction Cost Index. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order. The RTA Five-Year Capital Program report contains the details of this investment. The Five-Year Capital Program report is updated and adopted annually by the RTA Board, as required by the RTA Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of capital funding from Federal as well as State programs has risen, reflecting the increasing recognition of the importance of public transportation. In recent years, the RTA and the Service Boards have also been able to direct funds to capital projects by successfully constraining operating costs.

RTA Capital Assets—For more detailed information on capital asset activity, please see Note 9 in the notes to the financial statements.

Long-Term Debt Activity—Under the RTA Act, the RTA has authority to issue General Obligation Bonds for the improvement and expansion of the RTA System. This authority resulted from successful RTA efforts to demonstrate to the State legislature the need for capital reinvestment. The authorization identified two types of bonds: Strategic Capital Improvement Program ("SCIP") bonds and RTA ("Non-SCIP") bonds.

Prior to January 1, 2000, the RTA had the authority to issue up to $500 million in SCIP bonds and to have up to $500 million in Non-SCIP bonds outstanding. Effective January 1, 2000, the RTA Act was amended to increase the RTA authorization by an additional $260 million of SCIP bonds in each year for the period of 2000 through 2004, and to issue and have outstanding up to $800 million of Non-SCIP bonds. As of year-end 2009, the RTA has issued $1.790 billion in SCIP bonds, with total SCIP bonds outstanding of $1.538 billion. The remaining $620.8 million bonds outstanding relate to Non-SCIP bonds.

For 2009, the bonds issued by the RTA carried a rating of "AA+" from Standard & Poor's, Aa3 by Moody's Investors Service, Inc and AA- by Fitch, Inc. On January 21, 2010, the RTA issued $175.1 million of Non-SCIP bonds.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the RTA. Users of the CAFR should address questions concerning the information, or requests for additional financial information, to the Regional Transportation Authority, c/o Senior Deputy Executive Director, Finance and Administration 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604 or visit our website at www.rtachicago.org.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(In Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current portion of:			
Cash and investments:			
Cash and cash equivalents	$ -	$ 12,862	$ 12,862
Restricted—investments	339,846	-	339,846
Unrestricted—investments	157,995	7,750	165,745
Intergovernmental receivables	217,278	-	217,278
Unamortized bond issue costs	1,035	-	1,035
Accrued interest on investments	142	243	385
Loan to SB-Note and interest	-	1,058	1,058
Internal balances	(3,556)	3,556	-
Prepaid expenses and other assets	56,872	1,490	58,362
Total Current Assets	769,612	26,959	796,571
Non-current portion of:			
Unamortized bond issue costs	11,366	-	11,366
Note receivable	-	2,108	2,108
Capital assets—net of accumulated depreciation	2,002	-	2,002
Capital assets—non-depreciable	10,658	-	10,658
Total Non-current assets	24,026	2,108	26,134
Total assets	793,638	29,067	822,705
LIABILITIES:			
Current portion of:			
Vouchers payable	56	-	56
General obligation bonds payable	64,125	-	64,125
Unearned revenue	1,701	-	1,701
Unamortized bond premium	5,702	-	5,702
Due to fiduciary funds	1,137	-	1,137
Intergovernmental payables	87,641	-	87,641
Accrued other expenses	4,444	-	4,444
Other liabilities	28,948	-	28,948
Total Current liabilities	193,754	-	193,754
Non-current portion of:			
Deferred rent	2,160	-	2,160
Accrued interest payable	33,404	-	33,404
Unearned revenue	46,973	-	46,973
Unamortized bond premium	113,800	-	113,800
General obligation bonds payable	2,354,995	-	2,354,995
Total Non-current liabilities	2,551,332	-	2,551,332
Total liabilities	2,745,086	-	2,745,086
NET ASSETS (DEFICIT):			
Invested in capital assets	12,660	-	12,660
Accumulated unrestricted (deficit)	(1,964,108)	29,067	(1,935,041)
TOTAL NET ASSETS (DEFICIT)	$ (1,951,448)	$ 29,067	$ (1,922,381)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009
(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets		
			Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	$ 93,453	$ -	$ 93,453	$ -	$ 93,453
Administration of capital grants					
Discretionary	19,166	-	19,166	-	19,166
Bonds	47,957	-	47,957	-	47,957
Administration of operating grant					
CTA/PACE	74,138	9,101	65,037	-	65,037
Administrative expenses	12,014	-	12,014	-	12,014
Regional expenses	19,793	2,904	16,889	-	16,889
Technology program expenses	1,416	-	1,416	-	1,416
Interest expense	131,775	-	131,775	-	131,775
Total governmental activities	399,712	12,005	387,707	-	387,707
Business-type activities—					
insurance financing	3,827	-	-	3,827	3,827
TOTAL PRIMARY GOVERNMENT	$ 403,539	$ 12,005	387,707	3,827	391,534
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
Sales taxes			99,027	-	99,027
Interest on sales taxes			309	-	309
State assistance (PTF)			228,501	-	228,501
State assistance (ASA/AFA)			123,008	-	123,008
Investment income			39,174	402	39,576
Other revenues			1,437	58	1,495
Transfers			(3,575)	3,575	-
Total general revenues and transfers			487,881	4,035	491,916
CHANGES IN NET ASSETS (DEFICIT)			100,174	208	100,382
NET ASSETS (DEFICIT):					
Beginning of year			(2,051,622)	28,859	(2,022,763)
End of year			$ (1,951,448)	$ 29,067	$ (1,922,381)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Investments:				
Restricted investments	$ -	$ 200,412	$ 139,434	$ 339,846
Unrestricted—investments	130,047	-	-	130,047
Due from other funds	19	80,057	7,149	87,225
Intergovernmental receivables	217,278	-	-	217,278
Accrued interest on investments	134	11	1	146
Other receivable	239	56,147	-	56,386
Prepaid items and other assets	485	-	-	485
TOTAL ASSETS	$ 348,202	$ 336,627	$ 146,584	$ 831,413
LIABILITIES:				
Vouchers payable	$ 56	$ -	$ -	$ 56
Due to other funds	84,770	-	7,149	91,919
Intergovernmental payables	80,164	-	7,477	87,641
Accrued items				
Deferred revenue	48,674	-	-	48,674
Accrued liability	3,683	-	-	3,683
Other accrued items	3,197	-	3	3,200
Total liabilities	220,544	-	14,629	235,173
FUND BALANCES:				
Reserved for:				
Service boards capital projects	17,241	-	-	17,241
CTA operating assistance ADA	2,664	-	-	2,664
Prepaid items	485	-	-	485
Debt service	-	336,627	-	336,627
Bond Capital Projects	-	-	131,955	131,955
RTA Non-Cap Tech	2,588	-	-	2,588
CTAP Capital	7,715	-	-	7,715
Debt Svc Deposit Agrmt Reserve (DSDA)	46,987	-	-	46,987
RTA capital projects	5,865	-	-	5,865
Unreserved, designated swap valuation	20,000	-	-	20,000
Interest rate swap	38,008	-	-	38,008
ICE Reserve	13,998	-	-	13,998
Unreserved, undesignated	(27,893)	-	-	(27,893)
Total fund balances	127,658	336,627	131,955	596,240
TOTAL LIABILITIES AND FUND BALANCES	$ 348,202	$ 336,627	$ 146,584	$ 831,413

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(In Thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS	$ 596,240
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net assets.	12,660
Bond issue costs are paid in the current year and, therefore, are reported in the funds. This asset represents the unamortized portion recognized in the statement of net assets.	12,401
General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net assets.	(2,419,120)
Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net assets.	(119,502)
Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net assets.	(33,404)
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(723)
TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES	$ (1,951,448)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	$ 99,027	$ -	$ -	$ 99,027
Interest on sales taxes	309	-	-	309
Public Transportation Fund	169,354	-	-	169,354
Innovation, Coordination & Enhancement (ICE)	9,101	-	-	9,101
PACE Loan PTF Advance Recovery	3,000			3,000
CTA Loan PTF Advance Recovery	-	56,147	-	56,147
State assistance	123,008	-	-	123,008
Investment income	36,969	1,494	711	39,174
Other revenues	4,341	-	-	4,341
Total revenues	445,109	57,641	711	503,461
EXPENDITURES:				
Financial assistance to Service Boards	93,453	-	-	93,453
Capital grants-discretionary	19,166	-	-	19,166
Capital Projects -Working Cash Note	-	56,147	-	56,147
South Suburban Job Access Program-(PACE)	7,500	-	-	7,500
Innovation, Coordination & Enhancement (ICE)	9,101	-	-	9,101
PACE (PTF) expenditures	1,390	-	-	1,390
Capital grants-bonds	-	-	47,957	47,957
Administrative	11,441	-	-	11,441
Regional	22,105	-	-	22,105
Capital outlay	1,110	-	-	1,110
Debt service:				
Principal	-	68,455	-	68,455
Interest	6,287	129,074	-	135,361
Debt related costs	402	2,563	-	2,965
Total expenditures	171,955	256,239	47,957	476,151
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	273,154	(198,598)	(47,246)	27,310
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	260,000	-	260,000
Transfers out	(198,836)	-	-	(198,836)
Transfers in	-	195,261	-	195,261
Total other financing sources (uses)	(198,836)	455,261	-	256,425
NET CHANGE IN FUND BALANCES	74,318	256,663	(47,246)	283,735
FUND BALANCES:				
Beginning of year	53,340	79,964	179,201	312,505
End of year	$ 127,658	$ 336,627	$ 131,955	$ 596,240

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009
(In Thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS	$ 283,735
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($2,053) exceeded depreciation expense ($510) in the current period.	1,543
The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets.	(260,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net assets.	68,455
Accrued interest on bonds reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	515
Governmental funds report bond premiums as financing source. However, in the statement of activities, the premiums are amortized over the life of the bonds and recorded as a reduction of bond interest expense.	5,702
Unamortized bond issue costs reported in the statement of activities require the use of current financial resources and therefore, are fully recognized in the governmental funds.	334
Expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.	(110)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 100,174

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
DECEMBER 31, 2009
(In Thousands)

ASSETS:	
Current:	
Cash and cash equivalents	$ 12,862
Investments	7,750
Note receivable	1,000
Note accrued interest	58
Accrued interest on investments	243
Due from RTA General Fund	3,575
Prepaid insurance	1,490
Total current assets	26,978
Noncurrent assets:	
Note receivable non-current	2,108
Total noncurrent assets	2,108
Total assets	29,086
LIABILITIES:	
Current:	
Due to General Fund	19
Total current liabilities	19
NET ASSETS—Unrestricted	$ 29,067

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2009
(In Thousands)

OPERATING REVENUES:	
Note interest	$ 58
OPERATING EXPENSES:	
Insurance expense	3,724
Professional services	101
Bank charges and miscellaneous	2
Total operating expenses	3,827
OPERATING LOSS	(3,769)
NON-OPERATING REVENUES	
Investment income	402
Total nonoperating revenues	402
Transfer from General Fund	3,575
CHANGE IN NET ASSETS	208
NET ASSETS:	
Beginning of year	28,859
End of year	$ 29,067

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2009
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to insurance vendor	$ (3,575)
Payments received from PACE	1,000
Payments to other vendors	(102)
Net cash flows from operating activities	(2,677)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(31,615)
Sales of investments	32,467
Investment income	386
Net cash flows from investing activities	1,238
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,439)
CASH AND CASH EQUIVALENTS:	
Beginning of year	14,301
End of year	$ 12,862
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (3,769)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in:	
Prepaid insurance	149
Note receivable	642
Note accrued interest	300
Due to General Fund	1
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (2,677)

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:
There were no investing, capital, or financing activities that did not result in cash flows.

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009
(In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	$ 3,063	$ -
Investments, at fair value:		
Corporate fixed income mutual fund	37,832	-
Equity mutual funds and common stocks	68,315	-
Total Investments	106,147	-
Intergovernmental receivables:		
Sales taxes	-	147,483
New sales tax	-	61,837
Interest on sales taxes	-	36
Reduced fare reimbursement	-	33,570
PTF (New Sales Tax/RETT)	-	57,506
Advances to Service Boards	-	65,887
Pension contribution from Service Boards	9,690	-
Due from General Fund	1,137	-
Accrued dividends and interest	15	-
Total Receivables	10,842	366,319
Total assets	120,052	366,319
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards	-	147,483
New sales tax due to Service Boards	-	59,386
Interest on sales taxes due to Service Boards	-	36
Reduced fare reimbursement	-	33,570
PTF (New Sales Tax/RETT)	-	57,506
Advances from State	-	65,887
Paratransit Funding PACE	-	2,043
Suburban Community Mobility Fund-SBD	-	408
Accrued other items	134	-
Total liabilities	134	366,319
Net assets held in trust for pension benefits	$ 119,918	$ -

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2009
(In Thousands)

	Pension Trust Fund
ADDITIONS:	
Investment gain:	
Net appreciation in fair value of investments	$ 19,264
Interest and dividends	2,208
	21,472
Less investment expenses:	
Investment managers	256
Trust fees	33
Investment advisor	78
Total investment expenses	367
Net investment gain	21,105
Contributions:	
Metra pension contributions	5,652
Pace pension contributions	4,038
RTA pension contributions	1,137
Total contributions	10,827
Total net additions	31,932
DEDUCTIONS:	
Benefit payments	9,081
Administrative expenses	404
Total deductions	9,485
NET DECREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	22,447
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	97,471
End of year	$ 119,918

The notes to financial statements are an integral part of this statement.

1. REPORTING ENTITY

The Regional Transportation Authority ("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 ("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. However, on November 9, 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"), each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Service Boards provide services to different geographic areas within the six-county region. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace's primary service area is the suburban communities, with limited services to areas within the City of Chicago. The CTA provides service to the City of Chicago and 38 neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a minority of those taken.

The 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 System as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity,* the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

> Appointment of a voting majority of the component unit's board, and either: (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government; or fiscal dependency on the primary government.

In addition, a component unit also includes certain organizations that the primary government is not financially accountable for if the nature and significance of their relationship, including ongoing financial support are such that exclusion from the financial reporting entity would render the entity's financial statements incomplete or misleading.

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

In arriving at this conclusion, the following factors were considered:

- 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 that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.

- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.

- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios and other requirements as defined by the Act.

- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficits.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management of the RTA does not consider the Service Boards to be component units and, accordingly, the financial data of the Service Boards have been excluded from the RTA reporting entity. The RTA is not aware of any entity which is financially accountable for the RTA that would result in the RTA's being considered a component unit of such entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the RTA conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting—The accounts of the RTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing 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 as follows:

Governmental Fund Types—The RTA's Governmental Fund Types consist of the General Fund, Debt Service Fund, and Capital Projects Fund.

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.

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.

Capital Projects Fund—In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of $500 million of Strategic Capital Improvement Program ("SCIP") bonds, and to have a maximum of $500 million RTA bonds outstanding. The Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of the bond issues. The Capital Projects Fund was first established in 1990 with the issuance of $100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly's authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. 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.

In 1999, the Illinois General Assembly passed additional bonding authorization, thereby increasing the RTA bond authority to $800 million outstanding effective January 1, 2000. It also increased SCIP bond issues by $260 million each year for five years from 2000 to 2006 for a total of $1.5 billion additional bond issues.

Proprietary Fund Type—Proprietary Funds are used to account 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 Fund which relates to the activities of the Joint Self-Insurance Fund.

Joint Self-Insurance Fund—The Joint Self-Insurance Fund ("Fund") is used to account for the financing of claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The Fund is essentially a financing mechanism providing a source from which to borrow or to pay for the first $5 million of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage, and certain other losses. This Fund is reported as an Enterprise Fund since the predominant participants are outside of the RTA.

Fiduciary Fund Type—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 one Agency (Sales Tax) Fund and a Pension Trust Fund.

Agency Fund—The Sales Tax Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, and reduced fare reimbursement grants. For RTA budgetary purposes, sales tax receipts are recorded in the Sales Tax Agency Fund and are equally offset by amounts recorded as disbursements reflecting the pass-through to the Service Boards.

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

Government-wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of

interfund activities have been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards. Likewise, the fiduciary fund type - RTA Pension Trust Fund and Sales Tax Agency Fund are presented separately and are not included in the government-wide financial statements of the RTA.

The statement of activities shows certain direct program expenses which are offset by program revenues. Governmental program activities include expenses such as financial assistance and capital asset funding (capital grants) to CTA, Metra, and Pace; administrative expenses; operating the RTA Travel Information Center, certifying riders for paratransit service under the Americans with Disabilities Act ("ADA") and other services (regional expenses); and payment of debt service on bonds issued by the RTA. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of a particular program (i.e., technology and non-technology programs). Sales taxes, Public Transportation Fund ("PTF"), state assistance ("ASA/AFA"), investment income and other items properly excluded from program revenues are reported instead as general revenues.

Fund level financial statements are provided for governmental funds, proprietary fund, and fiduciary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (Joint Self-Insurance Fund) and the Pension Trust Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues if collected by the retailers by year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

The Joint Self-Insurance Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues (interest charged to Service Boards) and expenses (administrative expenses including insurance premium and professional services) generally result from providing services in connection with the proprietary fund's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sales Tax Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Governmental fund financial statements use the current financial resources measurement focus. The funds are accounted for using the modified accrual basis of accounting; i.e., revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or shortly thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. ASA/AFA is considered measurable and available if billed and received within 180 days after year-end. Sales taxes and ASA/AFA are susceptible to full accrual. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The RTA reports three major governmental funds—General Fund, Debt Service Fund, and Capital Projects Fund; one proprietary fund—Joint Self-Insurance Fund; and two fiduciary funds—Pension Trust Fund and Sales Tax Agency Fund.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Assets, Liabilities and Fund Equity

Cash and Investments—All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. All investments are reported at fair value which is determined using various sources. Short-term investments are reported at cost, which approximates fair value due to their short-term nature. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Intergovernmental Receivables—Receivables include amounts due from State and local governments for sales taxes, specific programs or projects, and services.

Capital Assets—The RTA sets a capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation. The RTA uses the straight-line method for computing depreciation expense. Leasehold improvements made to RTA's office facilities are capitalized, and their costs amortized during the life of the lease. Leasehold improvements and major equipment repairs, if any, are also capitalized during the remaining life of the lease or the extended useful life of the equipment. The Capital-Technology Program's capitalized assets are for projects in progress; therefore, the assets are non-depreciable.

Description	Useful Life
Furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements	Life of the lease

Restricted Assets—Bond proceeds and amounts set aside for general obligation debt service are classified as restricted assets since their use is limited by the bond indentures. When both restricted and unrestricted resources are available for use, it is RTA's policy to use restricted resources first, then unrestricted resources as needed.

Compensated Absences—Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest. The RTA accounts for compensated absences under GASB No. 16, entitled Accounting for Compensated Absences, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. Compensated absences are recorded in the General Fund only if they have matured (i.e., unused leave still outstanding at time of an employee's resignation or retirement).

Intergovernmental Payables—These amounts include accrued financial assistance, sales taxes, capital and other grants due to the Service Boards.

Fund Balances—Portions of the fund balances of the Governmental Funds are reserved by the RTA for specific purposes as follows:

Reserved for Service Boards Capital Projects represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source. It also includes the remaining bond proceeds, investment income committed for capital projects of the Service Boards, and any interest rate swap proceeds for capital projects of the Service Boards.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for RTA Capital Projects represents the portion of the RTA fund balance for the unspent portion of capital authorized by the RTA's current and prior years' budgets and the portion of the interest rate swap proceeds for RTA funded capital projects.

Reserved for Interest Rate Swap expense represents the portion of the interest rate swap proceeds set aside for future expenses relating to swap transactions such as fees and interest expenses.

Revenues—The RTA has four principal sources of revenue: (1) retailer's occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Tax); (2) funds appropriated to the RTA by statute through the PTF established under the Act; (3) State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (4) investment income on unexpended funds held by the RTA, and other miscellaneous revenue.

Sales Tax—The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1¼ % of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 1% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.5% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.5% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed that portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State, but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the "Replacement Fund"). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax, and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the "Reform Fund"). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected Within Chicago	Collected within Cook County Outside Chicago	Collected in DuPage, Kane, Lake McHenry and Will Counties
CTA	100 %	30 %	
Metra		55 %	70 %
Pace		15 %	30 %

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008,

the real estate transfer tax (RETT) in the City of Chicago was increased 0.3% (i.e. for every $500 in sales price $1.50 in tax is collected).

In February 2008, the PTF match of the pre-2008 RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. In January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase rose from 5% to 30%.

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 30% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes) and RETT. These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2010 fiscal year which will end June 30, 2011.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2010, which ends June 30, 2010, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2009 and June 30, 2010, the grants were in the amount of $28.9 million and $42 million, respectively.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA recognized $39.7 million of ASA in 2009.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million in the State's fiscal years 2009 and 2010, per year. The RTA recognized $83.3 million of AFA in 2009.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Expenditures and Expenses—Operating grants consist of financial assistance to the Service Boards. The RTA provides operating assistance to the Service Boards to fund, in part, their RTA-approved budgets.

Capital grants consist of the RTA local match of Federal Transit Administration ("FTA") and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA, SCIP bonds, and investment income on bonds. Capital payments of approximately $10 million for sales tax funding are due to Metra based on a statutory formula. This formula consists of the budgeted sales tax revenues in excess of Metra's budgeted operating deficit. This amount is presented in the Sales Tax Agency Fund.

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to $16,125,371 for the year ended December 31, 2009.

Non-administration, listed as regional and technology program expenses in the statement of activities, consists of those costs of the RTA which are exempt from the statutory limit defined in the RTA Act. These costs include the operation of the Travel Information Center, Transit Check Program, Americans with Disabilities Act ("ADA"), reduced fare registration, capital development and other program costs incurred on behalf of the Service Boards and not for the benefit of RTA itself.

Cash Flows—For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated $12.8 million at December 31, 2009 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining $7.8 million constitutes investments in the Joint Self-Insurance Fund with original maturities in excess of three months.

Management's Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements—In September 1993, the GASB released Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.* The statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure. The RTA has elected to apply only FASB, APB and ARB statements and interpretations issued on or before November 30, 1989.

Interfund Transactions—The governmental fund's balance sheet reports all outstanding balances between funds, as "due to/from other funds." The government-wide financial statements report any residual balances outstanding between the governmental activities and business-type activities as "internal balances." Government-wide financial statements and the Statement of Fiduciary Net Assets report a "due to/from general fund" outstanding for pension contributions.

New Accounting Pronouncements— Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* will be effective for the Authority beginning with its year ending December 31, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* was issued to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The Authority is required to implement this Statement for the fiscal year ending December 31, 2011.

Subsequent Events: The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 30, 2010, the date the financial statements were available to be issued.

3. BUDGETARY INFORMATION

Excess of Expenditures over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the General Fund as follows:

Budget	Actual	Variance
$164,131,662	$174,110,753	$ (9,979,091)

4. CASH AND INVESTMENTS

Governmental and Joint Self Insurance Fund Investments

Cash and investments in the statement of net assets are externally restricted by bond covenants, restricted by the RTA through board action, or unrestricted when no restrictions as to their use apply.

Deposits and Investments—Section 2.20(a)(ii) of the RTA Act authorizes the RTA to invest any funds or monies not required for immediate use or disbursement. The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq.

The RTA investment policy is in accordance with the Illinois statutes and allows the RTA to invest in:

- Certain obligations of the U.S. Government and its agencies.
- Interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any FDIC insured bank as defined by the Illinois Banking Act.
- Short-term obligations of corporations organized in the United States with assets exceeding $500 million and rated within the highest classification established by at least two standard rating services.
- Certain money market mutual funds.
- The Illinois Funds.
- Repurchase agreements.

Custodial Credit Risk — Custodial credit risk is the risk that in the event of a bank failure, the RTA's deposits may not be returned to it. The RTA's policy for custodial credit risk states collateral will be valued at market value (excluding accrued interest) on the trade date. Collateral required will be 100% of the investment or such greater percentage as may be appropriate based upon the financial stability of the institution and the term of the collateral (i.e., maturity), less any insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Certificates of deposit with initial maturities greater than three months amounting to $7,750,000 are reported as investments in the Statement of Net Assets.

Investments

Interest Rate Risk — To mitigate losses caused by changing interest rates, the maturities of the RTA's investments is limited. Per the RTA's investment policy, investments in corporations are limited to maturities of 180 days or less. Other investment maturities can not exceed three years.

As of December 31, 2009, the RTA's investments were as follows:

Investment Type	Fair Value
Commercial paper	$ 47,564,583
Domestic corporate fixed-income securities	189,377,327
Illinois Funds	24,519,409
Money market fund	30,283,735
Short term money market securities	9,998,632
Total	$ 301,743,686

The weighted average maturity of the above investments is less than 90 days, for each investment type.

Credit Risk — The RTA's policy for credit risk states no investment shall be made in short-term obligations of corporations unless such obligations are rated at the time of purchase within the highest classification established by at least two standard rating services, the investment matures no later than 180 days from the date of purchase and the issuer is domiciled in the United States.

As of December 31, 2009, the RTA's investments were as follows:

Investment Type	Fair Value	Credit Rating Moody's	Credit Rating Standard & Poor's	Credit Rating Fitch
Commercial paper	$ 47,564,583	P-1	A-1	F-1
Domestic corporate fixed-income securities	189,377,327	AAA	AAAm	*
Illinois Funds	24,519,409	*	AAAm	*
Money market fund	30,283,735	Aaa	AAA	AAA
Short term money market investments	9,998,632	Aaa	AAA	AAA
Total	$ 301,743,686			

* Rating not available

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Except for commercial paper, the RTA's investment policy does not specifically address a limitation of investments in a single issuer; instead the policy addresses credit risk using broad categories of investments. The RTA's policy states the maximum percentage of the portfolio invested in commercial paper should not exceed 33.3%, money market mutual funds should not exceed 20.0%, U.S. Government Agency obligations should not exceed 20.0%, The Illinois Funds should not exceed 20% and Repurchase Agreements should not exceed 50.0%.

The RTA has investments in the following issuers that exceed 5% of the total investments:

Joint Self-Insurance Fund Investment	Amount	% of Portfolio
Silver Tower U.S. Funding (Commercial Paper)	$ 2,998,281	24%
Paradigm Funding LLC (Commercial Paper)	2,496,107	20%
White Point Funding, Inc. (Commercial Paper)	998,649	8%

In the Governmental fund, there is no single investment that exceeds 5% of the total investments.

The RTA's investments in money market funds are for liquidity and offer an alternative to other investment vehicles. Management has reviewed the investments in the money market funds and has determined that the types of investments included in the money market funds are consistent with the RTA's investment policy. These funds consist of U.S. Treasury Securities and Agencies.

The Illinois Funds investment pool is managed by the Treasurer of the State of Illinois and is not registered with the SEC. The Illinois Funds maintains a $1 per share net asset value (NAV) at all times. The fair market of the investment pool is equal to the number of pool shares owned.

Interest Rate Swaps (General Fund)—The RTA, under board ordinances adopted in 2001 through 2006, has entered into interest rate swap agreements to modify the interest rate characteristics of its outstanding bonds. The agreements involve the exchange of variable and fixed-rate interest payments over the life of selected RTA bonds without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and is recognized as interest expense or interest income. The related amount payable to or receivable from the counterparty is included in other payables/ receivables.

On August 1, 2002, the RTA adopted an ordinance establishing an Interest Rate Risk Management Policy. The policy limits the amount of variable rate exposure to 20% of the total RTA bonds outstanding. The RTA clarified this policy on December 13, 2002 to include interest rate swap agreements with delayed starts, up-front cash settlements, interest rate caps and/or floors, hedging arrangements to lock in interest savings, options, or other alternatives (collectively referred to in the ordinance as "interest rate swap agreements").

The RTA has entered three fixed-to-floating swaps. These agreements have the net effect of changing the interest rate characteristics of a portion of RTA bonds from a fixed-rate to a variable-rate of interest equal to the Securities Industry and Financial Markets Association (formerly BMA) Swap Index. One such swap agreement was entered into on November 20, 2001. The swap has a notional amount of $97,115,000 (as of December 31, 2009) and matures on June 1, 2020. Two additional fixed-to-floating swaps were entered in June 2007. The 2007 swaps mature July 1, 2030 with a semi-annual call option beginning July 1, 2016. At year-end the aggregate notional value of the 2007 swaps was $253 million. For the year ended December 31, 2009, the three fixed-to-floating swaps produced a cash flow of $(13,705,975).

The RTA has one floating-to-fixed swap. This transaction was entered in 2005. The purpose was to lock-in historically low interest rates for the current refunding of the 1996 bonds.

During 2009, the RTA had three basis rate swaps in which the RTA assumed a different variable interest rate index than counterparties. The transactions are a hedge against higher interest rates. Anticipated revenues from the basis rate swaps during a period of rising rates will offset the anticipated decline in revenue from the fixed-to-floating swaps. Basis swaps do not change the notional amount of variable-rate exposure. As of December 31, 2009, the notional value of the three basis-rate swaps was $433.4 million. Cash flow produced during 2009 was ($363,871).

Board ordinances direct the RTA to use the net payments received under swap agreements in the following priority:

- Reimburse the RTA for transaction costs relating to the swap rather than use operating funds.
- Accumulate funds in an account as a reserve to secure counterparties. In this manner, the RTA would minimize the use of operating funds for payments or collateral due counterparties.
- Use the remaining amounts—the net proceeds from the transaction—for capital investment in the RTA system. This follows the principle of using proceeds from long-term transactions for long-term benefit. However, if operating funds are not adequate to meet senior debt obligations, funds currently dedicated for capital could be used.

The interest rate swaps have an estimated valuation of $4,677,816 as of December 31, 2009.

Pension Fund Investments

Cash and investments in the Pension Fund provide sufficient funds to meet the obligations promised to the current and future beneficiaries of RTA's defined benefit pension plan.

Risk Posture - The RTA evaluated the assets and liabilities of the Pension Plan in order to determine an asset allocation that provides a high likelihood of achieving the responsibilities noted above. The obligations of current and future beneficiaries were evaluated under various market scenarios to develop an allocation that can be expected to generate a solid rate of return without incurring undue risk. In

general, the risk posture of the Pension Plan is such that the portfolio is structured to maintain funding requirements and modestly grow assets through a low to moderate level of risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the RTA's pension deposits may not be returned to it. The RTA's Pension Plan policy does not explicitly indicate custodial credit risk. As of December 31, 2009, none of the Plan's cash and investments was at risk.

Interest Rate Risk — Per the RTA's Pension Plan investment policy, the duration of the fixed income portfolio should be within 20% of the duration of the benchmark index.

As of December 31, 2009, the RTA's pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	$ 37,832,156	81
Money market fund	3,063,300	1
Total fair value	$ 40,895,456	
Portfolio weighted average maturity		75

Credit Risk — The RTA's pension policy for credit risk states at least 85% of the fixed income investments should be limited to securities with ratings of at least investment grade as defined by both Moody's and Standard & Poor's. Split rated bonds are to be governed by the lower rating. Unrated securities of the U.S. Treasury and government agencies are a permissible investment. No more than 15% of the portfolio may be invested in investment-grade securities of foreign entities domiciled in countries included in the Salomon Brothers World Government Bond Index.

As of December 31, 2009, the credit ratings for RTA pension investments were as follows:

		Credit Rating (where available)		
Investment Type	Total Fair Value	Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	$ 37,832,156	Aa	Aa	*
Money market fund	3,063,300	Aa2	*	AA
Total	$ 40,895,456			

* Not available

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The RTA's pension investment policy states that fixed income securities of a single issuer (excluding obligations of the United States Government and its agencies) should be limited to 5% of the fixed income portfolio, measured at market value. The RTA's pension policy states the asset allocation policy has been developed based on the objectives and characteristics of the pension liabilities, capital market expectations, and asset-liability projections. This policy is long-term oriented and consistent with the risk posture. The pension fund did not have any investments in a single issuer which were greater than 5% of the total plan's net assets.

5. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The intergovernmental receivables and payables in the statement of net assets comprise the following:

Receivable	**Amount**
General Fund:	
Sales taxes	$ 26,026,465
Interest on sales taxes	34,668
State assistance (ASA & AFA)	100,988,968
PTF	85,167,833
ADA	3,000,000
Illinois Department of Transportation (IDOT) grants and others	2,059,590
Total Intergovernmental Receivables	$ 217,277,524

Payable	
General Fund:	
Financial assistance	$ 75,488,193
Capital grants	2,011,555
CTA Operating Assistance (ADA)	2,663,684
Total General Fund	80,163,432
Capital Projects Fund:	
Capital grants, (CTA, METRA, PACE)	7,477,181
Total Intergovernmental Payables	$ 87,640,613

6. DUE TO/FROM OTHER FUNDS

Various transactions result in "due to/from other funds" balances. In most cases, the General Fund advances payments on behalf of other funds.

Due to/from balances between the Debt Service Fund and the Capital Projects Fund represent interest earned in the Capital Projects Fund which is transferred to the Debt Service Fund for payment of long-term debt. The General Fund also makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. The General Fund owes the Pension Trust Fund for its share of contributions during the period. Cash receipts and payments on behalf of the Sales Tax Agency Fund originate in the General Fund.

On December 31, 2009, the amounts due to/from other funds presented in the Governmental Funds Balance Sheet, the Joint Self-Insurance Fund Statement of Net Assets, and the Fiduciary Funds Statement of Fiduciary Net Assets are as follows:

Receivable Fund	Payable Fund	Amount
General	Joint Self-Insurance	$ 19,285
Joint Self-Insurance	General	3,574,621
Pension Trust	General	1,137,400
Debt Service	General	80,057,596

7. INTERFUND TRANSFERS

Various transactions result in "transfer in/out" balances from funds. Transfer in/out balances presented on the Governmental Fund's Statement of Revenues, Expenditures and Changes in Fund Balances and the Business Type Activities Fund's Statement of Revenues, Expenses and Changes in Net Assets are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Debt Service	$ 195,260,981
General	Joint Self-Insurance	3,574,621

The purpose of Interfund transfers from the General Fund to Debt Service is to satisfy the RTA's obligations to bondholders for principal and interest. The purpose of the Interfund transfer from the General Fund to the Joint Self-Insurance Fund is to make a capital contribution to the fund to purchase insurance.

8. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue ("IDOR") sends a "13th month" sales tax advance to compensate for the delayed processing of sales tax payments to the RTA. Each year, IDOR calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	$ 30,582,743
Metra	26,837,594
Pace	8,466,595
Total Service Board Advances	$ 65,886,931

Sales tax advances have also been reported as current liabilities in the Agency Sales Tax Fund.

9. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance at January 1, 2009	Additions	Retirements	Balance at December 31, 2009
Depreciable:				
Office furniture and equipment	$ 313,020	$ -	$ -	$ 313,020
Computer equipment	2,220,036	1,100,134	-	3,320,170
Leasehold improvements	1,428,735	10,009	-	1,438,744
Subtotal	3,961,791	1,110,143	-	5,071,934
Less accumulated depreciation:				
Office furniture and equipment	238,114	28,628	-	266,741
Computer equipment	1,787,154	368,993	-	2,156,147
Leasehold improvements	534,154	113,074	-	647,228
Subtotal	2,559,421	510,694	-	3,070,116
Total Depreciable	1,402,370	599,449	-	2,001,818
Non-depreciable:				
Capital -Technology Program	9,715,442	942,619	-	10,658,061
Total Capital assets—net of accumulated depreciation	$11,117,811	$ 1,542,068	$ -	$ 12,659,879

All capital assets are associated with governmental activities.

During 2009, total depreciation expense of $510,694 was allocated between two functions; $46,232 to regional expenditures and $464,462 to administrative expenditures.

10. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2009	New Issues	Current Retirements	December 31, 2009	Due Within 1 Year
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000	$ 3,810,000
1991A	55,745,000	-	-	55,745,000	-
1992A* & 1992B	33,345,000	-	7,480,000	25,865,000	-
1994A* & 1994B	24,395,000	-	-	24,395,000	-
1994C* & 1994D	57,785,000	-	1,500,000	56,285,000	1,620,000
1997 Refunding	65,955,000	-	5,155,000	60,800,000	5,445,000
1999* Refunding	274,445,000	-	7,670,000	266,775,000	8,065,000
2000A*	230,065,000	-	5,275,000	224,790,000	5,575,000
2001A*	88,630,000	-	1,980,000	86,650,000	2,090,000
2001B Refunding*	29,800,000	-	-	29,800,000	-
2002A*	144,925,000	-	2,985,000	141,940,000	3,150,000
2002B	144,085,000	-	10,450,000	133,635,000	10,870,000
2003A*	242,420,000	-	4,790,000	237,630,000	5,045,000
2003B	139,990,000	-	2,810,000	137,180,000	2,955,000
2003C Refunding	3,565,000	-	3,565,000	-	-
2004A*	246,410,000	-	4,635,000	241,775,000	4,870,000
2005B Refunding	139,305,000	-	6,535,000	132,770,000	6,850,000
2006A*	245,915,000	-	3,625,000	242,290,000	3,780,000
2009B Cash Notes	-	260,000,000	-	260,000,000	-
Total	$2,227,575,000	$ 260,000,000	$ 68,455,000	$ 2,419,120,000	$ 64,125,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2009, the total general obligation bonds payable of $2,419,120,000 are classified as current and long-term in the Statement of Net Assets in the amounts of $64,125,000 and $2,354,995,000, respectively.

Advance Refundings—On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. 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 of the refunded debt. At December 31, 2009, $20,350,000 of outstanding general obligation bonds (1990A Series) is considered defeased, and therefore, has been removed from the financial statements.

On January 19, 1996, the RTA advance refunded 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 of the refunded debt. At December 31, 2009, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore, have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded 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) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2009, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series), and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore, have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2009, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore, have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2009, $37,750,000 of outstanding general obligation bonds (1993A) is considered defeased, and therefore, has been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued $19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2009, $19,150,000 of outstanding general obligation bonds (1993C) is considered defeased, and therefore, has been removed from the financial statements.

On May 2, 2005, the RTA issued $148 million in General Obligation bonds with a variable rate which resets weekly to refund $144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of $147 million (after payment of $892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Debt Service Requirements—The "debt service requirements" set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements. The "principal" columns represent principal payments due bondholders from the trustee.

1990 General Obligation Bonds—In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 3,810,000	$ 4,377,240	$ 8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014	5,035,000	3,155,400	8,190,400
2015-2019	31,150,000	9,789,840	40,939,840
2020	7,640,000	550,080	8,190,080
Total	$ 60,795,000	$ 29,277,720	$ 90,072,720

1991 General Obligation Bonds—In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ -	$ 3,734,915	$ 3,734,915
2011	-	3,734,914	3,734,914
2012	4,090,000	3,734,915	7,824,915
2013	4,365,000	3,460,885	7,825,885
2014	4,660,000	3,168,430	7,828,430
2015-2019	28,420,000	10,719,665	39,139,665
2020-2021	14,210,000	1,443,515	15,653,515
Total	$ 55,745,000	$ 29,997,239	$ 85,742,239

1992 General Obligation Bonds—In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ -	$ 1,396,960	$ 1,396,960
2011	-	863,040	863,040
2012	25,865,000	293,760	26,158,760
Total	$ 25,865,000	$ 2,553,760	$ 28,418,760

1994 General Obligation Bonds—In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ -	$ 1,951,600	$ 1,951,600
2011	-	1,951,601	1,951,601
2012	-	1,951,600	1,951,600
2013	-	1,951,600	1,951,600
2014	-	1,951,600	1,951,600
2015-2017	24,395,000	3,940,999	28,335,999
Total	$ 24,395,000	$ 13,699,000	$ 38,094,000

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 1,620,000	$ 4,299,312	$ 5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014	2,210,000	3,710,313	5,920,313
2015-2019	43,250,000	10,262,937	53,512,937
2020-2024	3,520,000	136,401	3,656,401
Total	$ 56,285,000	$ 30,480,557	$ 86,765,557

1997 General Obligation Refunding Bonds—In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997 Refunding bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 5,445,000	$ 3,432,963	$ 8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014	3,530,000	2,559,300	6,089,300
2015-2019	21,210,000	9,237,600	30,447,600
2020-2023	19,680,000	2,235,900	21,915,900
Total	$ 60,800,000	$ 26,271,351	$ 87,071,351

1999 General Obligation Refunding Bonds—In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding

Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 8,065,000	$ 15,163,144	$ 23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014	16,735,000	12,406,594	29,141,594
2015-2019	83,240,000	48,859,576	132,099,576
2020-2024	118,975,000	17,177,193	136,152,193
2025	4,220,000	126,600	4,346,600
Total	$ 266,775,000	$ 136,005,846	$ 402,780,846

2000 General Obligation Bonds—In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 5,575,000	$ 14,276,038	$ 19,851,038
2011	5,900,000	13,955,475	19,855,475
2012	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014	7,005,000	12,798,038	19,803,038
2015-2019	41,905,000	56,872,376	98,777,376
2020-2024	56,560,000	42,063,939	98,623,939
2025-2029	76,650,000	21,514,025	98,164,025
2030	18,340,000	1,192,100	19,532,100
Total	$ 224,790,000	$ 189,484,629	$ 414,274,629

2001 General Obligation Bonds—In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 2,090,000	$ 5,132,513	$ 7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014	2,595,000	4,597,813	7,192,813
2015-2019	15,340,000	20,427,175	35,767,175
2020-2024	20,195,000	15,546,850	35,741,850
2025-2029	26,590,000	8,819,400	35,409,400
2030-2031	12,860,000	1,167,900	14,027,900
Total	$ 86,650,000	$ 70,357,027	$ 157,007,027

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ -	$ 1,639,000	$ 1,639,000
2011	-	1,639,000	1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014	2,295,000	1,575,888	3,870,888
2015-2019	13,585,000	5,778,714	19,363,714
2020-2023	13,920,000	1,584,276	15,504,276
Total	$ 29,800,000	$ 15,494,878	$ 45,294,878

2002 General Obligation Bonds—In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 3,150,000	$ 8,407,938	$ 11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014	3,900,000	7,654,975	11,554,975
2015-2019	23,070,000	34,635,050	57,705,050
2020-2024	30,535,000	26,937,900	57,472,900
2025-2029	40,450,000	16,654,200	57,104,200
2030-2032	30,335,000	3,708,300	34,043,300
Total	$ 141,940,000	$ 122,184,064	$ 264,124,064

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 10,870,000	$ 6,941,888	$ 17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014	12,900,000	4,345,150	17,245,150
2015-2019	74,390,000	10,379,663	84,769,663
Total	$ 133,635,000	$ 38,724,451	$ 172,359,451

2003 General Obligation Bonds—In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 5,045,000	$ 13,528,575	$ 18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014	6,235,000	12,435,325	18,670,325
2015-2019	36,700,000	56,640,600	93,340,600
2020-2024	47,975,000	45,374,675	93,349,675
2025-2029	62,235,000	30,314,475	92,549,475
2030-2033	62,620,000	9,633,000	72,253,000
Total	$ 237,630,000	$ 206,944,625	$ 444,574,625

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 2,955,000	$ 7,538,925	$ 10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014	3,610,000	6,873,125	10,483,125
2015-2019	21,190,000	31,078,002	52,268,002
2020-2024	27,545,000	24,413,239	51,958,239
2025-2029	35,820,000	15,710,520	51,530,520
2030-2033	36,255,000	4,306,320	40,561,320
Total	$ 137,180,000	$ 111,632,144	$ 248,812,144

2004 General Obligation Bonds—In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 4,870,000	$ 13,287,538	$ 18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014	5,950,000	12,208,788	18,158,788
2015-2019	34,730,000	55,523,207	90,253,207
2020-2024	45,120,000	44,515,863	89,635,863
2025-2029	58,660,000	30,575,413	89,235,413
2030-2034	76,280,000	11,425,825	87,705,825
Total	$ 241,775,000	$ 205,848,623	$ 447,623,623

2005 General Obligation Bonds— In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million.

The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly based on current market rates.

Debt service requirements on the Series 2005B Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2010	$ 6,850,000	$ 4,268,385	$ 11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014	8,425,000	3,265,268	11,690,268
2015-2019	15,005,000	14,595,984	29,600,984
2020-2024	69,625,000	7,644,864	77,269,864
2025	10,105,000	166,733	10,271,733
Total	$ 132,770,000	$ 41,305,444	$ 174,075,444

** Interest was calculated using a rate of 3.3%.*

2006 General Obligation Bonds—In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ 3,780,000	$ 11,860,031	$ 15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014	4,630,000	11,046,281	15,676,281
2015-2019	28,135,000	51,427,156	79,562,156
2020-2024	56,335,000	42,668,156	99,003,156
2025-2029	92,705,000	23,054,406	115,759,406
2030-2034	31,665,000	9,001,525	40,666,525
2035	12,545,000	564,525	13,109,525
Total	$ 242,290,000	$ 184,032,175	$ 426,322,175

2009 Working Cash Notes—In June 2009, the RTA issued $260 million in General Obligation Working Cash Notes, Series 2009B, to provide funds to be used to manage the cash flow needs of the RTA and the Service Boards, including if necessary, the refinancing of any existing Authority obligations for such purpose and pay the costs of issuance.

The Series 2009B Working Cash Notes mature on April 1, 2011 and June 1, 2011 and interest is payable at 2.879% and 2.979%, respectively.

Debt service requirements on the Series 2009B Working Cash Notes to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2010	$ -	$ 7,615,400	$ 7,615,400
2011	260,000,000	3,183,917	263,183,917
Total	$ 260,000,000	$ 10,799,317	$ 270,799,317

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $200,411,612 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2009.

11. OTHER LONG-TERM OBLIGATIONS

Changes in other long-term obligations for the year ended December 31, 2009 were as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009	Due Within One Year
Deferred rent	$ 2,706,000	$ 84,000	$ -	$ 2,160,000	$ -
Accrued interest payable	33,919,000	33,404,000	33,919,000	33,404,000	-
Unearned revenue	48,761,000	1,614,000	1,701,000	48,674,000	1,701,000
Unamortized bond premium	125,204,000	-	5,702,000	119,502,000	5,702,000

The long-term liabilities will be paid by the General Fund.

The RTA had a working cash note agreement with a limit of $80 million to provide cash flow needs. Draws under the agreement bear short-term interest at a variable rate benchmarked to one-month LIBOR. The agreement expired August 2009. The outstanding balance at December 31, 2008 was $56 million. In January 2009, the RTA borrowed $24 million under the terms of the working cash note agreement. In June 2009, the RTA paid the entire $80 million outstanding balance. The outstanding balance at December 31, 2009 was $0.

12. PENSION

Plan Description—Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a cost-sharing multi-employer noncontributory defined benefit pension plan, the Regional Transportation Authority Pension Plan ("Plan"), covering substantially all employees not otherwise covered by a union pension plan. The responsibilities for establishing, administering, and amending the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors ("Plan Administrators").

The Plan is classified as a "governmental plan" and is, therefore, generally exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Internal Revenue Service has issued a letter of determination dated September 30, 1988 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code ("Code") and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan operates on a calendar fiscal year.

Pension Benefits—Participants are entitled to annual pension benefits upon normal retirement at age 65. Such benefits are generally based on a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

The Plan provides that, upon retirement, benefits payable will be reduced by a defined percentage of pension benefits payable to participants who received credit for prior service with an eligible employer. Because information with respect to these benefits is not readily available until retirement, the information included in the accumulated plan benefits and changes in accumulated plan benefits with respect to active and terminated participants does not reflect a reduction of these benefits.

The Plan permits early retirement at age 55 after completing ten years of credited service with reduced benefits. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age and credited years of service equals 85 or higher.

The Plan provides for benefit payments to beneficiaries equal to or reduced from the participant's monthly benefit payment subject to the election of the participant.

Disability Benefits—An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2009, the RTA Board approved a resolution that a contribution of $10,827,000 be made to the Plan. The contribution is allocated as follows: Metra - $5,652,000; Pace - $ 4,038,000; RTA - $1,137,000. As of December 31, 2009, $10,827,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2009 contribution levels were within the actuarially determined ranges for the respective years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to determine the actuarial accrued liability presented in the note to the Required Supplementary Information.

Participating employees do not contribute to the Plan. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

The complete Plan financial report, including all required disclosures can be obtained from the Plan Administrators at the following address:

Regional Transportation Authority Pension Plan
175 West Jackson Boulevard, Suite 1550
Chicago, IL 60604

Funding Policy—Prior to July 1, 1979, contributions were made on the basis of non-actuarial estimates. The Plan's initial actuarial study found that those estimates were in excess of actuarial requirements. As a result, pension expense is being reduced by amortization of the excess over 30 years.

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

Related-Party Transactions—There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

Annual Pension Cost and Net Pension Obligation—For 2007, 2008 and 2009, the RTA's annual pension costs equal the required contributions which were, $ 9,137,000, $9,195,000 and $10,827,000, respectively. The required contributions were determined as part of the January 1, 2007, 2008 and 2009 actuarial valuations.

In accordance with the GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the RTA determined its net pension obligation at transition (January 1, 1997). There was no net pension obligation for the Plan at transition or at year-end.

Significant Actuarial Assumptions—The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	January 1, 2009	January 1, 2008	January 1, 2007
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	8.5%	8.5%	8.5%
Projected salary increases:			
Attributed to inflation	*	*	4.0%
Attributed to seniority/merit	*	*	0.5%
Age graded scale	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.	
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47% at age 20 to 0.39% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94 % at age 20 to 0.09% at age 60 for males.

* The actuarial assumption changed from a flat rate to rates based on an age scale.

Funded Status and Funding Progress – As of December 31, 2009, the most recent actuarial valuation date, the plan was 69.17 percent funded. The actuarial accrued liability for benefits was $153,284,576 and the actuarial value of assets was $106,021,198, resulting in an underfunded actuarial accrued liability (UAAL) of $(47,263,378). The covered payroll (annual payroll of active employees covered by the Plan) was $66,010,613 and the ratio of the UAAL to the covered payroll was 71.60 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

13. OTHER POSTEMPLOYMENT BENEFITS

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with 10 years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with 10 years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan, depending on their age (providing they were covered as dependents immediately prior to the employee's retirement).

Election to participate is voluntary with the RTA incurring no additional obligations, except that the RTA will pay each eligible retiree the sum of up to $78 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expenses as they are paid and are not material in amount at the present time.

For 2009, the RTA incurred $19,032 in other post employment benefit expenditures. There are 22 participants eligible to receive benefits as of December 31, 2009.

14. RISK MANAGEMENT

The RTA is exposed to various risks including, but not limited to, losses from workers' compensation, employee health insurance, and general liability/property. Commercial insurance coverage is procured to limit the RTA's exposure to such losses.

The Workers' Compensation and Employers' Liability Insurance Policy is procured through RTA's insurance policy with The Hartford. The RTA is insured for $500,000 each accident for bodily injury by accident, $500,000 each employee for bodily injury by disease and $500,000 policy limit. The RTA property is insured through Pace's Property Insurance with Mesirow Insurance Services, Inc. The RTA's portion of insurance premiums is paid to Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years. There have been no significant reductions in the amount of coverage from the prior year.

In addition, the RTA is a participant in RTA's Joint Self-Insurance Fund. The Fund was created as required by Article Two of the Loss Financing Plan (Plan) of the RTA and the three Service Boards. The Plan is intended primarily to serve as a mechanism for funding catastrophic losses and, by capitalizing the Fund in advance of such losses, to smooth their impact over time. The Fund is essentially a self-insurance program that provides a means for financing losses that are normally insured, and is included in the RTA's reporting entity as a proprietary fund type (enterprise fund). The Plan is administered by the RTA, CTA, Metra, and Pace (Participating Entities) utilizing a Fund Manager appointed by the RTA and three Fund Advisors, one appointed by each of the Service Boards.

Each participating entity (RTA, CTA, Metra, and Pace) is only responsible to repay the Fund for submitted claims paid by the Fund. The Fund acts exclusively as a claims-service, and financing mechanism, not an insurer, with respect to claims presented.

The limit of liability to the Fund is established at $50 million less the retained limit (deductible portion) as described below:

General Liability—The categories of general liability that are covered, with certain defined exclusions, by the joint agreement are:

- Personal injury
- Property damage
- Advertising injury
- Evacuation, evacuation expenses and loss of use

The retained limit (deductible portion) for each Participating Entity is:

CTA	$ 2,500,000
Metra	2,500,000
Pace	250,000
RTA	100,000

Officer and Employee Liability—All directors, officers or employees of each Participating Entity are covered, with certain defined exclusions, by the Plan. The retained limits are $100,000 for each covered person. If a loss is covered under both types of liability, then the retained limit for general liability will apply.

15. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. In 2009, the total rent paid by the RTA was $1,460,684. Minimum required annual rental payments by the RTA are as follows:

Year Ending December 31	Amount
2010	$ 1,739,740
2011	1,822,918
2012	1,906,161
2013	1,989,448
2014	2,072,800
2015-2017	6,190,540
Total	$ 15,721,607

16. SUBSEQUENT EVENTS

On January 21, 2010, the RTA issued $175.1 million of Non-SCIP bonds.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—(BUDGETARY BASIS)—GENERAL FUND
YEAR ENDED DECEMBER 31, 2009

	General Fund			
	Budget			
	Original	Amended	Actual	Variance
REVENUES:				
Sales taxes	$ 113,760,000	$ 96,000,000	$ 99,027,378	$ 3,027,378
Interest on sales taxes	293,250	-	308,753	308,753
Public Transportation Fund	189,600,000	160,000,000	169,353,495	9,353,495
PTF (New Sales Tax (RETT)	21,000,000	-	-	-
Innovation, Coordination & Enhancement (ICE)	-	9,101,000	9,101,236	236
PACE Loan Advance Recovery	-	-	3,000,000	3,000,000
State assistance (AFA & ASA)	116,500,000	122,000,000	123,008,009	1,008,009
Investment income	13,055,000	10,354,000	36,968,456	26,614,456
Other revenues	3,430,000	3,450,000	4,340,862	890,862
Total revenues	457,638,250	400,905,000	445,108,189	44,203,189
EXPENDITURES:				
Financial assistance to Service Boards	201,217,000	102,554,000	93,452,739	9,101,261
Capital grants-current year	20,353,000	20,353,000	20,353,000	-
PACE Discr (CMAQ) Grant RTA share	-	-	200,579	(200,579)
South Suburban Job Access Program-PACE	-	7,500,000	7,500,000	-
Innovation, Coordination & Enhancement (ICE)	9,900,000	-	9,101,236	(9,101,236)
PACE (PTF) Expenditures	-	-	1,390,000	(1,390,000)
Administration	8,783,985	8,033,720	11,441,481	(3,407,761)
Non-Administration:				
Regional Services and Coordination Programs	19,839,578	18,968,442	15,556,267	3,412,175
Regional Technical Assistance Program	3,535,600	3,125,000	5,133,386	(2,008,386)
Capital outlay	2,645,499	1,877,500	1,877,500	-
Technology program	1,920,000	1,720,000	1,415,884	304,116
Debt related costs	-	-	6,688,681	(6,688,681)
Total expenditures	268,194,662	164,131,662	174,110,753	(9,979,091)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	189,443,588	236,773,338	270,997,436	34,224,098
OTHER FINANCING USES—				
Transfers out	-	(3,900,000)	(198,835,602)	(194,935,602)
Total other financing uses	-	(3,900,000)	(198,835,602)	(194,935,602)
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 189,443,588	$ 232,873,338	72,161,834	$ (160,711,504)
Budgetary basis to GAAP basis adjustments			2,155,474	
NET CHANGE IN FUND BALANCE—GAAP BASIS			74,317,308	
FUND BALANCE:				
Beginning of year			53,340,344	
End of year			$ 127,657,652	

REGIONAL TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2009

BUDGET AND BUDGETARY ACCOUNTING

The budgetary basis of the general fund's budget and actual presentation is included as required supplementary information. For comparison of the combined budgets as required for board presentation, the combined schedule of revenues, expenditures, and changes in fund balance—budget and actual—general and the sales tax agency funds are presented in the combining and individual fund schedules section of the CAFR. Additional budget detail is used by management for monitoring purposes which is provided in this section as the schedule of expenditures—budget and actual—general fund.

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There were several amendments to the 2009 budget. The 2009 budget (Ordinance 2008-83) was last revised on May 20, 2010 (Ordinance 2010-42). This ordinance amended the 2009 budget for ADA Paratransit service.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is generally the policy of the RTA (ordinance 91-9) to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. However, unfavorable economic conditions created the need to waive, for purposes of the adoption of the 2009 budget and 2010-2011 financial plan, the provision of the RTA funding policy adopted by Ordinance 98-15 that requires that the RTA annual budget and two-year financial plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period. This waiver removed the ability of the RTA to fund the operating budgets of the Service Boards at the levels established in the operating budget marks. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;

- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and

- The third source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

The accompanying schedule of revenues, expenditures, and changes in fund balance, budget and actual-general fund (this section), and combining schedule of revenues, expenditures and changes in fund balance-budget and actual-general and agency funds (in combining and individual fund schedules section) present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ with accounting principles generally accepted in the United States of America, a reconciliation of timing differences in the excess of revenues over expenditures and other financing uses is presented below:

	General Fund
Excess of expenditures over revenues and other financing use-budgetary basis	$ 72,161,834
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(4,506,113)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	5,894,230
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	767,357
Budgetary basis to GAAP basis adjustments	2,155,474
Net change in fund balance - GAAP basis	$ 74,317,308

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2004	$ 87,998,878	$ 97,275,818	$ (9,276,940)	90.46%	$ 54,983,472	16.9%
January 1, 2005	90,334,371	105,976,209	(15,641,838)	85.24%	56,417,461	27.7%
January 1, 2006	94,697,937	124,521,129	(29,823,192)	76.05%	58,883,678	50.6%
January 1, 2007	102,523,735	133,905,851	(31,382,116)	76.56%	61,357,214	51.1%
January 1, 2008	114,031,540	146,417,404	(32,385,864)	77.88%	61,364,198	52.8%
January 1, 2009	106,021,198	153,284,576	(47,263,378)	69.17%	66,010,613	71.6%

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2009

Year Ended:	Annual Required Contribution		Percentage Contributed
2004	$6,022,000		100%
2005	6,800,000		100%
2006	8,777,000		100%
2007	9,137,000		100%
2008	9,195,000		100%
2009	10,827,000	*	100%

* Contributions for the plan year ended December 31, 2009 will be paid during 2010.

COMBINING AND INDIVIDUAL FUND SCHEDULES

A. GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund. A budget and actual schedule of general fund expenditures is presented in this section.

The RTA Board approves a comprehensive budget which includes the activity in the general fund and the Sales Tax Agency Fund. For comparison of the combined budgets, the combined budget and actual schedule of revenues, expenditures and changes in fund balance for both funds is also presented in this section.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES— BUDGET AND ACTUAL—GENERAL FUND YEAR ENDED DECEMBER 31, 2009

	General Fund			
	Budget			
	Original	Amended	Actual	Variance
EXPENDITURES:				
Financial assistance to Service Boards	$ 201,217,000	$ 102,554,000	$ 93,452,739	$ 9,101,261
Capital grants-current year	20,353,000	20,353,000	20,353,000	-
PACE Discr (CMAQ) Grant RTA share	-	-	200,579	(200,579)
South Suburban Job Access Program PACE	-	7,500,000	7,500,000	-
Innovation, Coordination & Enhancement	9,900,000	-	9,101,236	(9,101,236)
PACE (PTF) expenditures	-	-	1,390,000	(1,390,000)
Total grant expenditures	231,470,000	130,407,000	131,997,554	(1,590,554)
Administration:				
Salaries and benefits	6,655,201	6,321,471	7,968,846	(1,647,375)
Business expenses	243,000	168,000	140,812	27,188
Office expenses	1,248,434	1,083,899	2,893,058	(1,809,159)
Professional services	637,350	460,350	438,765	21,585
Total administration	8,783,985	8,033,720	11,441,481	(3,407,761)
Non-Administration:				
Travel Information Center	4,217,000	4,057,012	4,023,604	33,408
Other:				
Public Affairs	3,468,153	3,601,007	1,263,094	2,337,913
Customer Service Center	79,799	79,799	256,951	(177,152)
Reduced fare registration	1,297,000	1,265,000	1,635,088	(370,088)
Americans with Disabilities Act (ADA)	2,410,000	2,410,000	3,502,087	(1,092,087)
Other regional projects	11,903,226	10,680,624	10,008,829	671,795
Total other	19,158,178	18,036,430	16,666,049	1,370,381
Total Non-Administration	23,375,178	22,093,442	20,689,653	1,403,789
Capital outlay	2,645,499	1,877,500	1,877,500	-
Technology program	1,920,000	1,720,000	1,415,884	304,116
Debt related costs	-	-	6,688,681	(6,688,681)
TOTAL EXPENDITURES	$ 268,194,662	$ 164,131,662	$ 174,110,753	$ (9,979,091)

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2009

	General Fund		
	Budget	Actual	Variance
REVENUES:			
Sales taxes	$ 96,000,000	$ 99,027,378	$ 3,027,378
New sales tax	-	-	-
Interest on sales taxes	-	308,753	308,753
Public Transportation Fund	160,000,000	169,353,495	9,353,495
PTF (New Sales Tax/RETT)	-	-	-
Innovation, Coordination & Enhancement (ICE)	9,101,000	9,101,236	236
PACE Loan PTF Advance Recovery	-	3,000,000	3,000,000
State assistance (AFA & ASA)	122,000,000	123,008,009	1,008,009
Reduced fare reimbursement	-	-	-
Advance from State	-	-	-
Investment income	10,354,000	36,968,456	26,614,456
Other revenue	3,450,000	4,340,862	890,862
Total revenues	400,905,000	445,108,189	44,203,189
EXPENDITURES:			
Financial assistance to Service Boards	102,554,000	93,452,739	9,101,261
Capital grants-current year	20,353,000	20,353,000	-
PTF (New Sales Tax/RETT)	-	-	-
Pace Discr (CMAQ) Grant RTA share	-	200,579	(200,579)
Paratransit funding -PACE	-	-	-
Suburban Community Mobility Fund	-	-	-
South Suburban Job Access Program	7,500,000	7,500,000	-
Innovation, Coordination and Enhancement (ICE)	-	9,101,236	(9,101,236)
Reduced fare reimbursement	-	-	-
Advance to Service Boards	-	-	-
PACE (PTF) expenditures	-	1,390,000	(1,390,000)
Administration	8,033,720	11,441,481	(3,407,761)
Non-Administration:			
Regional Services and Coordination Programs	18,968,442	15,556,267	3,412,175
Regional Technical Assistance Program	3,125,000	5,133,386	(2,008,386)
Interest on sales taxes to Service Boards	-	-	-
Capital outlay	1,877,500	1,877,500	-
Technology program	1,720,000	1,415,884	304,116
Debt related costs	-	6,688,681	(6,688,681)
Total expenditures	164,131,662	174,110,753	(9,979,091)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	236,773,338	270,997,436	34,224,098
OTHER FINANCING USES—			
Transfers out	(3,900,000)	(198,835,602)	(194,935,602)
Total other financing uses	(3,900,000)	(198,835,602)	(194,935,602)
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 232,873,338	72,161,834	$ (160,711,504)
Budgetary basis to GAAP basis adjustments		2,155,474	
NET CHANGE IN FUND BALANCE—GAAP BASIS		74,317,308	
FUND BALANCE:			
Beginning of year		53,340,344	
End of year		$ 127,657,652	

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
$ 544,000,000	$ 561,155,156	$ 17,155,156	$ 640,000,000	$ 660,182,534	$ 20,182,534
232,643,000	224,954,175	(7,688,825)	232,643,000	224,954,175	(7,688,825)
1,550,000	471,046	(1,078,954)	1,550,000	779,799	(770,201)
-	-	-	160,000,000	169,353,495	9,353,495
107,012,000	113,187,619	6,175,619	107,012,000	113,187,619	6,175,619
-	-	-	9,101,000	9,101,236	236
-	-	-	-	3,000,000	3,000,000
-	-	-	122,000,000	123,008,009	1,008,009
33,570,000	41,969,572	8,399,572	33,570,000	41,969,572	8,399,572
-	11,335,337	11,335,337	-	11,335,337	11,335,337
-	-	-	10,354,000	36,968,456	26,614,456
-	-	-	3,450,000	4,340,862	890,862
918,775,000	953,072,905	34,297,905	1,319,680,000	1,398,181,094	78,501,094
774,851,000	676,896,903	97,954,097	877,405,000	770,349,642	(107,055,358)
-	-	-	20,353,000	20,353,000	-
-	113,187,619	(113,187,619)	-	113,187,619	113,187,619
-	-	-	-	200,579	200,579
91,010,000	91,010,356	(356)	91,010,000	91,010,356	356
17,794,000	18,202,072	(408,072)	17,794,000	18,202,072	408,072
-	-	-	7,500,000	7,500,000	-
-	-	-	-	9,101,236	9,101,236
33,570,000	41,969,572	(8,399,572)	33,570,000	41,969,572	8,399,572
-	11,335,337	(11,335,337)	-	11,335,337	11,335,337
-	-	-	-	1,390,000	1,390,000
-	-	-	8,033,720	11,441,481	3,407,761
-	-	-	18,968,442	15,556,267	(3,412,175)
-	-	-	3,125,000	5,133,386	2,008,386
1,550,000	471,046	1,078,954	1,550,000	471,046	(1,078,954)
-	-	-	1,877,500	1,877,500	-
-	-	-	1,720,000	1,415,884	(304,116)
-	-	-	-	6,688,681	6,688,681
918,775,000	953,072,905	(34,297,905)	1,082,906,662	1,127,183,658	(44,276,996)
-	-	-	236,773,338	270,997,436	34,224,098
-	-	-	(3,900,000)	(198,835,602)	(194,935,602)
-	-	-	(3,900,000)	(198,835,602)	(194,935,602)
$ -	-	$ -	$ 232,873,338	72,161,834	$ 160,711,504
	-			2,155,474	
	-			74,317,308	
	-			53,340,344	
	$ -			$ 127,657,652	

B. DEBT SERVICE FUND

Debt Service Fund Accounts:

1990A—to account for transfers received, investment income and principal and interest payments made for 1990A general obligation bonds.

1991A—to account for transfers received, investment income and principal and interest payments made for 1991A general obligation bonds.

1992A and B*—to account for transfers received, investment income and principal and interest payments made for 1992A & B general obligation bonds.

1994A and B*—to account for transfers received, investment income and principal and interest payments made for 1994A & B general obligation bonds.

*1994C * and D*—to account for transfers received, investment income and principal and interest payments made for 1994C & D general obligation bonds.

1997—to account for transfers received, investment income and principal and interest payments made for 1997 refunding general obligation bonds.

1999—to account for transfers received, investment income and principal and interest payments made for 1999 refunding general obligation bonds.

*2000A**—to account for transfers received, investment income and principal and interest payments made for 2000A general obligation bonds.

*2001A**—to account for transfers received, investment income and principal and interest payments made for 2001A general obligation bonds.

*2001B**—to account for transfers received, investment income and principal and interest payments made for 2001B refunding general obligation bonds.

*2002A**—to account for transfers received, investment income and principal and interest payments made for 2002A general obligation bonds.

2002B —to account for transfers received, investment income and principal and interest payments made for 2002B refunding general obligation bonds.

*2003A** —to account for transfers received, investment income and principal and interest payments made for 2003A refunding general obligation bonds.

2003B—to account for transfers received, investment income and principal and interest payments made for 2003B refunding general obligation bonds.

2003C — to account for transfers received, investment income and principal and interest payments made for 2003C refunding general obligation bonds.

*2004A** — to account for transfers received, investment income and principal and interest payments made for 2004A refunding general obligation bonds.

2005B—to account for transfers received, investment income and principal and interest payments made for 2005B refunding general obligation bonds.

*2006A**—to account for transfers received, investment income and principal and interest payments made for 2006A general obligation bonds.

2009B –to account for transfers received, investment income and principal interest payments made for 2009B cash note borrowings.

*Strategic Capital Improvement Program (SCIP) Bonds

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS

December 31, 2009

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D	1997	1999	2000A	2001 A	2001 B
ASSETS:										
Cash and investments	$ 1,627,415	$ 764,549	$ 5,176,299	$ 322,336	$ 1,466,563	$ 3,822,732	$ 6,670,445	$ 10,178,927	$ 3,706,257	$ 163,702
Due from other funds	-	-	-	-	-	-	-	-	-	-
Accrued interest	2	-	-	-	-	-	-	-	-	-
Other receivable	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 1,627,417	$ 764,549	$ 5,176,299	$ 322,336	$ 1,466,563	$ 3,822,732	$ 6,670,445	$ 10,178,927	$ 3,706,257	$ 163,702
LIABILITIES:										
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-	-	-	-	-	-
FUND BALANCES:										
Reserved for debt service	1,627,417	764,549	5,176,299	322,336	1,466,563	3,822,732	6,670,445	10,178,927	3,706,257	163,702
TOTAL LIABILITIES AND FUND BALANCES	$ 1,627,417	$ 764,549	$ 5,176,299	$ 322,336	$ 1,466,563	$ 3,822,732	$ 6,670,445	$ 10,178,927	$ 3,706,257	$ 163,702

SCHEDULE B-1

	2002 A	2002 B	2003 A	2003 B	2003 C	2004 A	2005 B	2006 A	2009B Note	Total
ASSETS:										
Cash and investments	$ 5,922,152	$ 7,640,260	$ 9,516,107	$ 2,645,310	$ -	$ 4,439,541	$ 5,172,921	$ 7,988,613	$ 123,187,481	$ 200,411,610
Due from other funds	-	-	-	-	-	-	-	-	80,057,596	80,057,596
Accrued interest	-	-	-	-	-	24	4	6,753	4,119	10,902
Other receivable	-	-	-	-	-	-	-	-	56,147,000	56,147,000
Total Assets	$ 5,922,152	$ 7,640,260	$ 9,516,107	$ 2,645,310	$ -	$ 4,439,565	$ 5,172,925	$ 7,995,366	$ 259,396,196	$ 336,627,108
LIABILITIES:										
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-	-	-	-	-	-
FUND BALANCES:										
Reserved for debt service	5,922,152	7,640,260	9,516,107	2,645,310	-	4,439,565	5,172,925	7,995,366	259,396,196	336,627,108
TOTAL LIABILITIES AND FUND BALANCES	$ 5,922,152	$ 7,640,260	$ 9,516,107	$ 2,645,310	$ -	$ 4,439,565	$ 5,172,925	$ 7,995,366	$ 259,396,196	$ 336,627,108

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2009

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D
REVENUE:					
CTA Loan PTF Advance Recovery	$ -	$ -	$ -	$ -	$ -
Investment income	1,150	25	-	-	-
Total Revenue	1,150	25	-	-	-
EXPENDITURES:					
CTA Capital Projects	-	-	-	-	-
Debt Service - Principal	-	-	7,480,000	-	1,500,000
Debt Service - Interest	4,377,231	3,734,915	1,992,164	1,951,645	4,420,533
Other debt related costs	-	-	-	-	-
Total Expenditures	4,377,231	3,734,915	9,472,164	1,951,645	5,920,533
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,376,081)	(3,734,890)	(9,472,164)	(1,951,645)	(5,920,533)
OTHER FINANCING SOURCES :					
Debt proceeds	-	-	-	-	-
Principal	692,727	-	7,858,636	-	1,576,364
Interest	4,377,240	3,734,875	1,924,269	1,951,522	4,408,353
Transfers in	-	-	-	-	-
Total Other Financing Sources	5,069,967	3,734,875	9,782,905	1,951,522	5,984,717
NET CHANGE IN FUND BALANCES	693,886	(15)	310,741	(123)	64,184
FUND BALANCES:					
Beginning of year	933,531	764,564	4,865,558	322,459	1,402,379
End of year	$ 1,627,417	$ 764,549	$ 5,176,299	$ 322,336	$ 1,466,563

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2009

	1997	1999	2000 A	2001 A	2001 B
REVENUE:					
CTA Loan PTF Advance Recovery	$ -	$ -	$ -	$ -	$ -
Investment income	-	-	675	250	-
Total Revenue	-	-	675	250	-
EXPENDITURES:					
CTA Capital Projects	-	-	-	-	-
Debt Service - Principal	5,155,000	7,670,000	5,275,000	1,980,000	-
Debt Service - Interest	3,724,654	15,587,178	14,579,350	5,241,413	1,639,135
Other debt related costs	-	-	-	-	-
Total Expenditures	8,879,654	23,257,178	19,854,350	7,221,413	1,639,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,879,654)	(23,257,178)	(19,853,675)	(7,221,163)	(1,639,135)
OTHER FINANCING SOURCES :					
Debt proceeds	-	-	-	-	-
Principal	5,339,545	7,921,364	5,438,636	2,040,000	-
Interest	3,695,764	15,547,498	14,427,018	5,186,712	1,638,935
Transfers in	-	-	-	-	-
Total Other Financing Sources	9,035,309	23,468,862	19,865,654	7,226,712	1,638,935
NET CHANGE IN FUND BALANCES	155,655	211,684	11,979	5,549	(200)
FUND BALANCES:					
Beginning of year	3,667,077	6,458,761	10,166,948	3,700,708	163,902
End of year	$ 3,822,732	$ 6,670,445	$ 10,178,927	$ 3,706,257	$ 163,702

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2009

	2002 A	2002 B	2003 A	2003 B	2003 C
REVENUE:					
CTA Loan PTF Advance Recovery	$ -	$ -	$ -	$ -	$ -
Investment income	387	-	621	-	314
Total Revenue	387	-	621	-	314
EXPENDITURES:					
CTA Capital Projects	-	-	-	-	-
Debt Service - Principal	2,985,000	10,450,000	4,790,000	2,810,000	3,565,000
Debt Service - Interest	8,557,188	7,515,521	13,768,075	8,328,649	178,250
Other debt related costs	-	-	-	-	-
Total Expenditures	11,542,188	17,965,521	18,558,075	11,138,649	3,743,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,541,801)	(17,965,521)	(18,557,454)	(11,138,649)	(3,742,936)
OTHER FINANCING SOURCES :					
Debt proceeds	-	-	-	-	-
Principal	3,075,000	10,717,273	4,929,091	2,902,273	1,620,455
Interest	8,482,176	7,459,564	13,647,704	7,642,573	88,810
Transfers in	-	-	-	-	-
Total Other Financing Sources	11,557,176	18,176,837	18,576,795	10,544,846	1,709,265
NET CHANGE IN FUND BALANCES	15,375	211,316	19,341	(593,803)	(2,033,671)
FUND BALANCES:					
Beginning of year	5,906,777	7,428,944	9,496,766	3,239,113	2,033,671
End of year	$ 5,922,152	$ 7,640,260	$ 9,516,107	$ 2,645,310	$ -

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts
Year Ended December 31, 2009

	2004A	2005 B	2006 A	2009 B Note	Total
REVENUE:					
CTA Loan PTF Advance Recovery	$ -	$ -	$ -	$ 56,147,000	$ 56,147,000
Investment income	-	398,100	1,031,871	60,108	1,493,501
Total Revenue	-	398,100	1,031,871	56,207,108	57,640,501
EXPENDITURES:					
CTA Capital Projects	-	-	-	56,147,000	56,147,000
Debt Service - Principal	4,635,000	6,535,000	3,625,000	-	68,455,000
Debt Service - Interest	13,533,014	4,603,422	12,041,281	3,300,007	129,073,625
Other debt related costs	88,191	1,104,841	-	1,369,463	2,562,495
Total Expenditures	18,256,205	12,243,263	15,666,281	60,816,470	256,238,120
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,256,205)	(11,845,163)	(14,634,410)	(4,609,362)	(198,597,619)
OTHER FINANCING SOURCES :					
Debt proceeds	-	-	-	260,000,000	260,000,000
Principal	4,784,545	7,306,364	3,709,545	-	69,911,818
Interest	12,750,049	3,163,634	10,023,874	4,005,558	124,156,128
Transfers in	88,191	1,104,841	-	-	1,193,032
Total Other Financing Sources	17,622,785	11,574,839	13,733,419	264,005,558	455,260,978
NET CHANGE IN FUND BALANCES	(633,420)	(270,324)	(900,991)	259,396,196	256,663,359
FUND BALANCES:					
Beginning of year	5,072,985	5,443,249	8,896,357	-	79,963,749
End of year	$ 4,439,565	$ 5,172,925	$ 7,995,366	$ 259,396,196	$ 336,627,108

C. CAPITAL PROJECTS FUND

Capital Projects Fund Accounts:

Strategic Capital Improvement Program (SCIP)—to account for 1992 through 1994, 2000, 2001, 2002, 2003, and 2004 bond sales proceeds and related SCIP capital grants made to the Service Boards as expenditures are incurred. Investment income earned on SCIP bonds is recorded in the related Debt Service Fund accounts.

Non-SCIP—to account for 1990 through 1994, 2002, and 2005 bond sale proceeds, investment income earned and related Non-SCIP investment income capital grants made to the Service Boards as expenditures are incurred.

Investment Income on Bonds—to account for transfers of investment income from SCIP Bonds fund accounts through June 30, 1999 and Non-SCIP Bonds fund accounts except those issued under Illinois First program and related capital grants made to the Service Boards as expenditures are incurred.

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE
CAPITAL PROJECTS FUND ACCOUNTS
DECEMBER 31, 2009

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
ASSETS:				
Cash and investments	$ 124,838,881	$ 14,595,096	$ -	$139,433,977
Due from other funds	-	-	7,149,370	7,149,370
Accrued interest	-	934	-	934
TOTAL ASSETS	$ 124,838,881	$ 14,596,030	$ 7,149,370	$146,584,281
LIABILITIES:				
Due to other funds	$ 1,627,426	$ 5,521,944	$ -	$ 7,149,370
Due to Service Boards	7,379,214	72,180	25,787	7,477,181
Other accrued items	3,222	-	-	3,222
Total liabilities	9,009,862	5,594,124	25,787	14,629,773
FUND BALANCES:				
Reserved for Service Boards capital projects	115,829,019	9,001,906	7,123,583	131,954,508
TOTAL LIABILITIES AND FUND BALANCES	$ 124,838,881	$ 14,596,030	$ 7,149,370	$146,584,281

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND ACCOUNTS
YEAR ENDED DECEMBER 31, 2009

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	$ -	$ 710,937	$ -	$ 710,937
Total revenues	-	710,937	-	710,937
EXPENDITURES:				
Capital grants—bonds	43,192,875	3,959,882	804,555	47,957,312
Total expenditures	43,192,875	3,959,882	804,555	47,957,312
NET CHANGE IN FUND BALANCES	(43,192,875)	(3,248,945)	(804,555)	(47,246,375)
FUND BALANCES:				
Beginning of year	159,021,894	12,250,851	7,928,138	179,200,883
End of year	$ 115,829,019	$ 9,001,906	$ 7,123,583	$ 131,954,508

D. AGENCY FUND

Sales Tax Agency Fund—to account for the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, reduced fare reimbursement grants and advances to Service Boards.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
SALES TAX AGENCY FUND
YEAR ENDED DECEMBER 31, 2009

	Balance January 1, 2009	Additions	Deductions	Balance December 31, 2009
ASSETS:				
Intergovernmental receivables:				
Sales taxes	$152,227,783	$561,155,156	$565,899,639	$147,483,300
New sales tax	59,271,020	224,954,175	222,388,654	61,836,541
Interest on sales taxes	539,142	471,046	974,572	35,616
Reduced fare reimbursement	28,918,527	41,969,572	37,318,099	33,570,000
PTF (New Sales Tax/RETT)	-	113,187,619	55,681,124	57,506,495
Advances to Service Boards	54,551,594	11,335,337	-	65,886,931
Due from General Fund	14,374,000	-	14,374,000	-
TOTAL ASSETS	$309,882,066	$953,072,905	$896,636,088	$366,318,883
LIABILITIES:				
Intergovernmental payables:				
Sales taxes due to Service Boards	$152,227,783	$561,155,156	$565,899,639	$147,483,301
New sales tax due to Service Boards	59,271,020	115,741,746	115,626,655	59,386,111
Interest on sales taxes due to Service Boards	539,142	471,046	974,572	35,616
Reduced fare reimbursement	28,918,527	41,969,572	37,318,099	33,570,000
PTF (New Sales Tax /RETT)	-	113,187,619	55,681,124	57,506,495
Advances from State	54,551,594	11,335,337	-	65,886,931
Paratransit Funding PACE	-	91,010,357	88,967,999	2,042,358
Suburban Community Mobility Fund-SBD	-	18,202,072	17,794,000	408,072
ADA Paratransit Funding (Future Years)	14,374,000	-	14,374,000	-
TOTAL LIABILITIES	$309,882,066	$953,072,905	$896,636,088	$366,318,883

E. CAPITAL ASSETS

Capital Assets—are used in the operations of the governmental funds.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CAPITAL ASSETS—BY FUNCTION
DECEMBER 31, 2009

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Capital In Progress Technology Program	Total
Administrative	$ 313,020	$ 2,187,261	$ 1,438,744	$10,658,061	$ 14,597,086
Travel Information Center	-	1,132,909	-	-	1,132,909
Total capital assets	313,020	3,320,170	1,438,744	10,658,061	15,729,995
Less accumulated depreciation:					
Administrative	266,741	1,115,701	647,228	-	2,029,670
Travel Information Center	-	1,040,446	-	-	1,040,446
Total accumulated depreciation	266,741	2,156,147	647,228	-	3,070,116
Total capital assets—net	$ 46,279	$ 1,164,023	$ 791,516	$10,658,061	$ 12,659,879

STATISTICAL SECTION
(UNAUDITED)

CONTENTS

Financial Trends (Tables 1, 2, 3, 4)

An analysis of Net Assets by component and Change in Net Assets are presented as an indicator of RTA's financial performance and to show the overall change in financial position over time. The schedules begin with fiscal year 2001 which is the first year that RTA presented their financial statements in accordance with GASB 34.

Revenue and Expense Capacity (Tables 5, 6, 7)

Revenues and expenditures presented in the following tables include the activities in the government-wide and fiduciary fund statements. Additions to and disbursements from the Sales Tax Agency Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables. The schedules show the overall distribution of expenses and revenues by source over the past 10 years, the breakout of revenues by county and the federal allocation of capital funds.

Debt Capacity (Tables 8, 9, 10, 11)

Schedules in this section provide an overview of RTA's general obligation bonds (SCIP versus Non-SCIP) outstanding balances as of December 31, 2009 and a 10-year analysis of the debt service requirement to revenues and expenses.

Demographic and Economic Information (Tables 12, 13, 14, 15)

Schedules in this section provide economic information on the population and the ten largest employers in the six-county area to help readers understand the environment within which the RTA's financial activities take place.

Operating Information (Tables 16, 17, 18)

Schedules in this section provide various statistics on passenger services offered by the service boards for fiscal year 2009, a look at system ridership over the last ten years and the RTA's full-time employees by function over the last four years.

TABLE 1

REGIONAL TRANSPORTATION AUTHORITY

NET ASSETS BY COMPONENT

LAST NINE YEARS

(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities—									
Cash and investments, net of related debt	$ (900,705)	$ (1,272,094)	$ (1,629,591)	$ (1,800,413)	$ (2,019,602)	$ (2,097,374)	$ (2,087,178)	$ (2,346,268)	$ (2,250,678)
Restricted Net Assets	43,246	56,355	70,481	64,727	-	-	-	-	-
Unrestricted Net Assets	44,565	85,317	98,035	20,766	125,013	172,925	149,759	294,645	299,230
Total Net Assets-Governmental Activities	$ (812,894)	$ (1,130,422)	$ (1,461,075)	$ (1,714,920)	$ (1,894,589)	$ (1,924,449)	$ (1,937,419)	$ (2,051,622)	$ (1,951,448)
Business-type activities—									
Cash and investments, net of related debt	$ 45,329	$ 44,538	$ 39,937	$ 36,028	$ 28,230	$ 25,718	$ 21,442	$ 23,113	$ 24,430
Unrestricted Net Assets	5,200	2,197	4,334	3,593	7,781	6,113	6,951	5,747	4,637
Total Net Assets-Business-Type Activities	$ 50,529	$ 46,735	$ 44,271	$ 39,621	$ 36,011	$ 31,831	$ 28,393	$ 28,859	$ 29,067
Primary government—									
Cash and investments, net of related debt	$ (855,376)	$ (1,227,556)	$ (1,589,654)	$ (1,764,385)	$ (1,991,372)	$ (2,071,656)	$ (2,065,736)	$ (2,323,155)	$ (2,226,248)
Restricted Net Assets	43,246	56,355	70,481	64,727	-	-	-	-	-
Unrestricted Net Assets	49,765	87,514	102,369	24,359	132,794	179,038	156,710	300,392	303,867
Total Net Assets-Primary government	$ (762,365)	$ (1,083,687)	$ (1,416,804)	$ (1,675,299)	$ (1,858,578)	$ (1,892,618)	$ (1,909,026)	$ (2,022,763)	$ (1,922,381)

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

TABLE 2

REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN NET ASSETS
LAST NINE YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
EXPENSES:									
Governmental activities:									
Financial assistance to Service Boards	$ 168,857	$ 209,106	$ 213,127	$ 179,799	$ 168,076	$ 162,434	$ 209,931	$ 249,948	$ 93,453
Administration capital grants									
Discretionary	31,736	31,096	34,830	33,767	25,437	26,730	25,272	26,288	19,166
Bonds	169,812	319,945	319,253	290,102	251,693	138,706	88,056	93,085	47,957
Administration of operating grant									
CTA/PACE	-	-	-	-	54,252	54,252	40,010	58,142	74,138
Administrative expenses	5,402	6,510	6,666	6,554	6,534	7,561	6,967	7,532	12,014
Regional expenses	13,265	15,071	13,378	14,781	17,920	20,674	20,243	20,656	19,793
Technology program expenses	1,277	3,570	1,786	3,265	1,822	1,890	1,409	2,467	1,416
Interest expense	90,960	88,038	109,981	114,574	126,027	122,790	130,079	127,495	131,775
Total governmental activities	481,309	673,336	699,021	642,842	651,761	535,037	521,967	585,613	399,712
Business-type activities:									
Insurance Financing	5,012	4,849	3,082	5,319	4,624	5,566	4,855	4,375	3,827
Total business-type activities	5,012	4,849	3,082	5,319	4,624	5,566	4,855	4,375	3,827
Total primary government expenses	$ 486,321	$ 678,185	$ 702,103	$ 648,161	$ 656,385	$ 540,603	$ 526,822	$ 589,988	$ 403,539
REVENUES:									
General:									
Sales taxes	$ 98,028	$ 97,153	$ 98,248	$ 101,344	$ 105,059	$ 112,024	$ 112,938	$ 109,003	$ 99,027
Interest on sales taxes	131	68	41	53	137	317	376	1,081	309
Operating grant -(ADA)	-	-	-	-	54,252	54,252	54,252	14,441	9,101
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931	227,201	228,501
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807	121,870	123,008
Regional program reimbursement	712	1,484	1,058	1,033	866	1,053	1,153	1,361	2,904
Technology program reimbursement	258	1,664	-	-	-	-	-	-	-
Investment income	25,283	20,595	16,548	27,538	24,608	35,534	31,534	(1,495)	39,174
Other revenues	900	1,724	2,509	1,847	83	3,118	2,006	1,868	1,437
Transfers out	(3,000)	-	-	-	-	-	-	(3,920)	(3,575)
Total governmental activities revenues	330,961	355,808	368,368	388,997	472,092	505,177	508,997	471,410	499,886
Business-type activities:									
General:									
Investment income	1,838	1,055	618	669	1,014	1,386	1,210	770	402
Other revenues	-	-	-	-	-	-	207	151	58
Transfers in	3,000	-	-	-	-	-	-	3,920	3,575
Total business-type activities revenues	4,838	1,055	618	669	1,014	1,386	1,417	4,841	4,035
Total primary government revenues	335,799	356,863	368,986	389,666	473,106	506,563	510,414	476,251	503,921
Governmental activities:									
CHANGES IN NET ASSETS (DEFICIT)	(150,348)	(317,528)	(330,653)	(253,845)	(179,669)	(29,860)	(12,970)	(114,203)	100,174
NET ASSETS (DEFICIT):									
Beginning of year	(662,546)	(812,894)	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)	(2,051,622)
End of year	(812,894)	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)	(2,051,622)	(1,951,448)
Business-type activities:									
CHANGES IN NET ASSETS (DEFICIT)	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466	208
NET ASSETS (DEFICIT):									
Beginning of year	50,703	50,529	46,735	44,271	39,621	36,011	31,831	28,393	28,859
End of year	50,529	46,735	44,271	39,621	36,011	31,831	28,393	28,859	29,067
Total primary government	$ (762,365)	$ (1,083,687)	$ (1,416,804)	$ (1,675,299)	$ (1,858,578)	$ (1,892,618)	$ (1,909,026)	$ (2,022,763)	$ (1,922,381)
CHANGE IN NET ASSETS:									
Governmental activities	$ (150,348)	$ (317,528)	$ (330,653)	$ (253,845)	$ (179,669)	$ (29,860)	$ (12,970)	$ (114,203)	$ 100,174
Business-type activities	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466	208
Total primary government	$ (150,522)	$ (321,322)	$ (333,117)	$ (258,495)	$ (183,279)	$ (34,040)	$ (16,408)	$ (113,737)	$ 100,382

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

TABLE 3

REGIONAL TRANSPORTATION AUTHORITY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund									
Reserved	$ 76,056	$ 54,463	$ 66,406	$ 58,955	$ 93,384	$ 102,765	$ 107,948	$ 106,822	$ 155,551
Unreserved	77,827	65,491	4,889	12,507	1,654	38,828	41,220	(53,482)	(27,893)
Total general fund balances	$ 153,883	$ 119,954	$ 71,295	$ 71,462	$ 95,038	$ 141,592	$ 149,167	$ 53,340	$ 127,658
All other governmental funds									
Reserved	$ 337,213	$ 418,454	$ 569,278	$ 567,100	$ 308,345	$ 433,055	$ 349,402	$ 259,165	$ 468,582
Total all other governmental funds	$ 337,213	$ 418,454	$ 569,278	$ 567,100	$ 308,345	$ 433,055	$ 349,402	$ 259,165	$ 468,582

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

TABLE 4

REGIONAL TRANSPORTATION AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT YEARS
(in thousands)

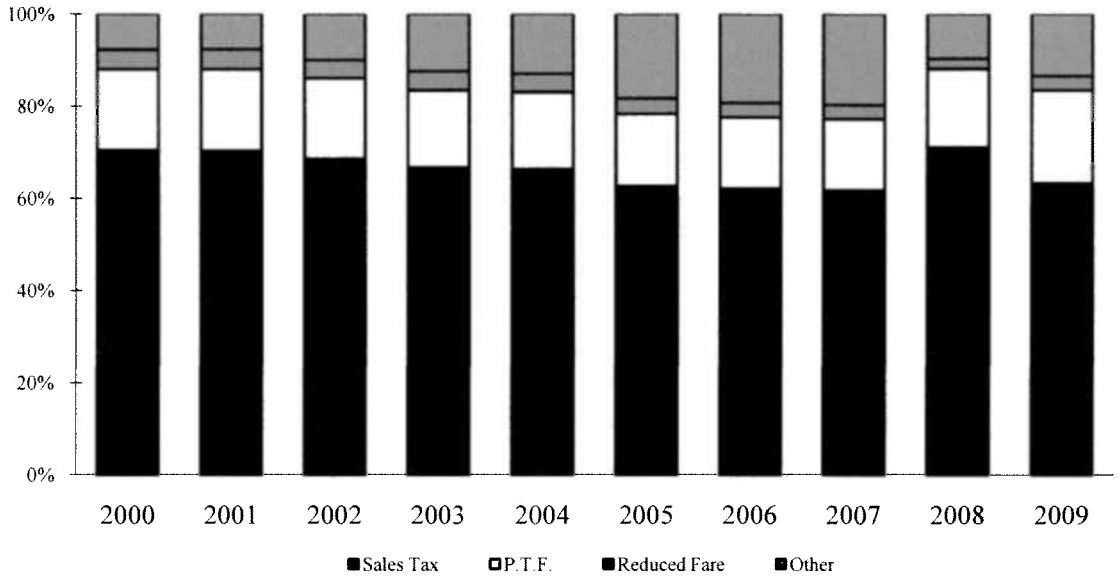
	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES:									
Sales taxes	$ 98,028	$ 97,153	$ 98,248	$ 101,344	$ 105,059	$ 112,024	$ 112,938	$ 109,003	$ 99,027
Interest on sales taxes	131	68	41	53	137	317	376	1,081	309
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931	188,829	169,354
New 5% PTF Advance Recovery	-	-	-	-	-	-	-	38,372	-
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	-	-	10,000	9,101
Operating assistance -CTA/PACE	-	-	-	-	54,252	54,252	54,252	4,441	-
PACE Loan PTF Advance Recovery	-	-	-	-	-	-	-	-	3,000
CTA Loan PTF Advance Recovery	-	-	-	-	-	-	-	-	56,147
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807	121,870	123,008
Investment income	25,283	20,595	16,548	27,538	24,608	35,533	31,534	(1,495)	38,489
Other revenues	1,870	4,872	3,469	2,839	912	4,172	3,159	3,229	4,341
Total revenues	333,961	355,808	368,270	388,956	472,055	505,176	508,997	475,330	502,776
EXPENDITURES:									
Financial assistance to Service Boards	168,857	209,106	213,127	179,799	168,076	162,434	209,931	249,948	93,453
Capital grants—discretionary	31,736	31,096	34,830	33,767	25,437	26,731	25,272	26,288	19,166
Capital Projects Expense-Working Cash Note	-	-	-	-	-	-	-	-	56,147
South Suburban Job Access Program - (PACE)	-	-	-	-	-	-	-	3,750	7,500
5% PTF/RETT & ADA Paratransit (New Sales Tax)	-	-	-	-	-	-	-	42,813	-
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	-	-	10,000	9,101
PACE (PTF) expenditures	-	-	-	-	54,252	54,252	40,010	1,579	1,390
Capital grants—bonds	169,812	319,945	319,253	290,103	251,693	138,706	88,055	93,086	47,957
Administrative	5,030	5,997	6,480	6,370	6,380	6,747	6,772	7,258	11,441
Regional	14,301	18,395	16,833	20,617	19,705	23,967	22,528	24,509	22,105
Capital outlay	72	1,115	214	160	1,438	373	610	263	1,110
Debt service:									
Principal	19,805	25,560	37,940	40,430	49,570	55,110	59,135	64,685	68,455
Interest	74,969	84,310	102,668	119,271	128,852	125,155	131,233	131,705	134,677
Debt related costs	-	-	-	-	1,798	44	-	-	-
Debt issuance costs	1,326	3,458	4,240	3,424	975	2,222	1,529	1,590	2,964
Total expenditures	485,908	698,982	735,585	693,941	708,176	595,740	585,075	657,474	475,466
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,947)	(343,174)	(367,315)	(304,985)	(236,121)	(90,563)	(76,078)	(182,144)	27,310
OTHER FINANCING SOURCES (USES):									
Bond proceeds (gross)	111,209	390,486	457,167	260,000	-	250,350	-	-	-
Refunding bond proceeds (gross)	41,067	-	12,313	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	148,110	-	-	-	-
Payment to refunded bond escrow agent	(39,736)	-	-	-	(147,186)	-	-	-	-
SCIP II bond proceeds (gross)	-	-	-	-	-	1,826	-	-	-
Other financing sources (premium)	-	-	-	42,974	18	9,652	-	-	-
2009B Note Proceeds	-	-	-	-	-	-	-	-	260,000
Transfers out									
Capital Projects Fund		-	-	(6,225)	(70)	-	-	-	-
Debt Service Fund	(84,099)		(136,006)	(140,786)	(171,240)	(175,995)	(179,116)	186,268	195,261
General Fund	-	-	-	-	(540)	-	179,116	(190,188)	(198,836)
Joint Self-Insurance Fund	(3,000)	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	(41)	-	-	-
Transfers in									
Capital Projects Fund	306	-	(85)	-	8,541	3,315	-	-	-
Debt Service Fund	-	-	-	6,225	610	41	-	-	-
General Fund	83,793	-	136,091	140,786	162,699	172,680	-	-	-
Total other financing (uses) sources	109,540	390,486	469,480	302,974	942	261,827	-	(3,920)	256,425
NET CHANGE IN FUND BALANCES	$ (42,407)	$ 47,312	$ 102,165	$ (2,011)	$ (235,179)	$ 171,264	$ (76,078)	$ (186,064)	$ 283,735
Debt Service as a percentage of noncapital expenditures	19.78%	16.24%	19.70%	23.51%	25.64%	30.66%	32.83%	30.12%	43.45%

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

Table 5

RTA REVENUE BY SOURCE

2000-2009



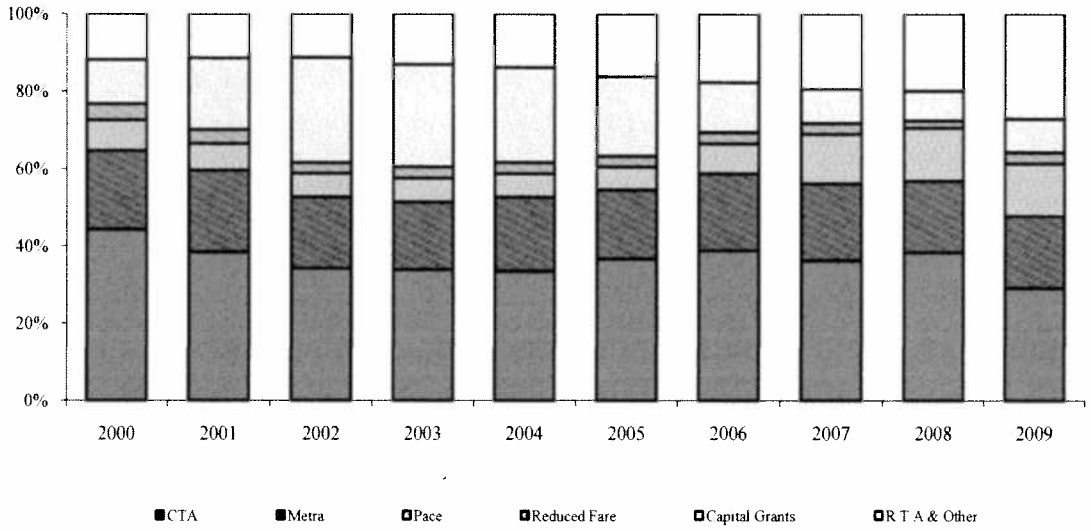
Last Ten Years *(In Thousands)*

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/00	$ 650,284	$ 162,247	$ 38,759	$ 71,947	$ 923,237
Percentage of Total	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	653,522	164,987	39,531	71,742	929,782
Percentage of Total	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	647,685	165,665	36,260	95,167	944,777
Percentage of Total	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	654,988	164,739	39,662	122,517	981,906
Percentage of Total	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	949,617	227,201	28,919	129,784	1,335,521
Percentage of Total	71.10%	17.01%	2.17%	9.72%	100%
12 Months Ended 12/31/09	894,238	282,541	41,970	188,534	1,398,181
Percentage of Total	63.96%	20.21%	3.00%	13.48%	101%

Table 6

DISTRIBUTION OF EXPENDITURES

2000-2009

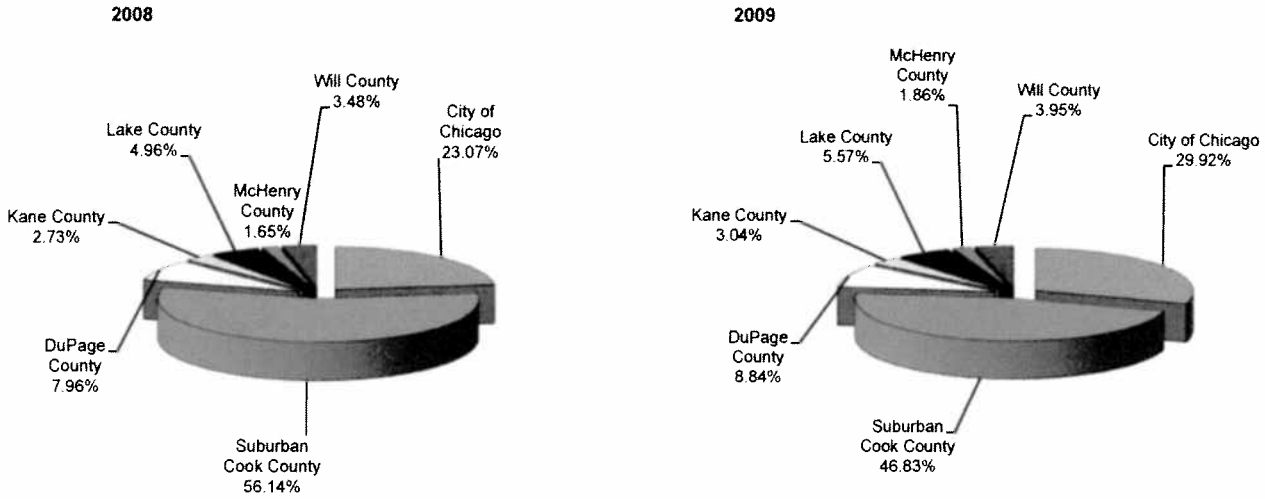


Last Ten Years *(In Thousands)*

	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/00	$ 402,126	$ 184,559	$ 71,772	$ 658,457	$ 38,759	$ 102,806	$ 108,546	$ 908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%
12 Months Ended 12/31/09	417,288	267,576	194,698	879,562	41,970	123,069	389,857	1,434,457
Percentage of Total	29.09%	18.65%	13.57%	61.32%	2.93%	8.58%	27.18%	100%

Table 7

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO



Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/00	$199,056	$354,307	$42,741	$11,589	$23,985	$6,942	$11,664	$650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
Percentage of Total	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	219,093	533,095	75,587	25,908	47,143	15,700	33,091	949,617
Percentage of Total	23.07%	56.14%	7.96%	2.73%	4.96%	1.65%	3.48%	100%
12 Months Ended 12/31/09	267,553	418,793	79,060	27,144	49,782	16,627	35,279	894,238
Percentage of Total	29.92%	46.83%	8.84%	3.04%	5.57%	1.86%	3.95%	100%

Table 8

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(dollars in thousands, except per capita)

	Governmental Activities					
Fiscal Year	General Obligation Bonds [a]	Working Cash Notes [a]	Total Primary Government	Percentage of Sales Tax	Percentage of Personal Income [b]	Per Capita [b]
2000	$ 1,195,780	$ -	$ 1,195,780	54.38 %	334.82 %	$ 10
2001	1,125,940	-	1,125,940	58.04	361.70	9
2002	1,160,380	-	1,160,380	55.82	356.53	9
2003	1,982,345	-	1,982,345	33.04	215.34	16
2004	2,201,915	-	2,201,915	30.68	202.17	17
2005	2,156,155	-	2,156,155	32.48	215.26	17
2006	2,351,395	-	2,351,395	31.76	208.58	18
2007	2,292,260	56,000	2,348,260	32.06	223.96	18
2008	2,227,575	40,000	2,267,575	41.88	241.22	18
2009	2,419,120	-	2,419,120	36.59	221.01	19

Note:

[a] Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

[b] See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

LEGAL DEBT CAPACITY

2009

Legal Debt Margin:	Balance Outstanding at December 31, 2009	Issued	
Debt Limitation per Act for General Obligations			$2,600,000,000
Debt applicable to limitation :			
Non-SCIP Bonds:			
1990A General Obligation Bonds	$60,795,000		
1991A General Obligation Bonds	55,745,000		
1992B General Obligation Bonds	3,560,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	29,225,000		
1997 General Obligation Refunding Bonds	60,800,000		
2002B General Obligation Bonds	133,635,000		
2003B General Obligation Bonds	137,180,000		
2005B General Obligation Refunding Bonds	132,770,000		
Total RTA Bonds Applicable to Limitation	$620,805,000		(620,805,000)
SCIP Bonds:			
1992A General Obligation Bonds	$22,305,000	$188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	27,060,000	62,000,000	
1999 General Obligation Refunding Bonds	266,775,000		
2000 General Obligation Bonds	224,790,000	260,000,000	
2001A General Obligation Bonds	86,650,000	100,000,000	
2001B General Obligation Refunding Bonds	29,800,000		
2002A General Obligation Bonds	141,940,000	160,000,000	
2003A General Obligation Bonds	237,630,000	260,000,000	
2004A General Obligation Bonds	241,775,000	260,000,000	
2006A General Obligation Bonds	242,290,000	250,350,000	
Total SCIP Bonds Applicable to Limitation		$1,790,350,000	(1,790,350,000)
Total SCIP Bonds Outstanding	$1,538,315,000		
Total Bonds Outstanding	$2,159,120,000		
Debt Margin for General Obligations			$188,845,000
Debt Limitation per Act for Working Cash Notes			$400,000,000
Total RTA Working Cash Notes Applicable to Limitation	$260,000,000	$260,000,000	(260,000,000)
Debt Margin for Working Cash Notes			$140,000,000
Total Legal Debt Margin			$328,845,000

TABLE 10

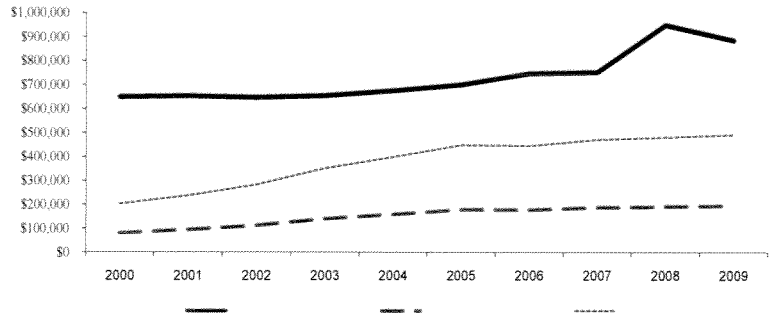
REGIONAL TRANSPORTATION AUTHORITY
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS
(in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Debt limit for General Obligations	$ 1,560,000	$ 1,820,000	$ 2,080,000	$ 2,340,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000
Total net debt applicable to limit	1,222,635	1,312,605	1,661,975	2,051,930	2,291,115	2,270,665	2,495,485	2,468,755	2,440,700	2,411,155
Debt margin for General Obligations	337,365	507,395	418,025	288,070	308,885	329,335	104,515	131,245	159,300	188,845
Debt limit for Working Cash Notes	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	400,000	400,000
Total net debt applicable to limit	-	-	-	-	-	-	-	40,000	56,000	260,000
	100,000	100,000	100,000	100,000	100,000	100,000	100,000	60,000	344,000	140,000
Legal debt margin	$ 437,365	$ 607,395	$ 518,025	$ 388,070	$ 408,885	$ 429,335	$ 204,515	$ 191,245	$ 503,300	$ 328,845
Total net debt applicable to the limit as a percentage of debt limit	26.35%	31.64%	23.76%	15.90%	15.14%	15.90%	7.57%	7.08%	16.78%	10.96%

Table 11

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

2000 - 2009
(In Thousands)



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years *(In Thousands)*

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales Tax Revenue	$ 650,284	$ 653,522	$ 647,685	$ 654,985	$ 675,628	$ 700,395	$ 746,829	$ 752,922	$ 949,617	$ 894,238
Debt Service Requirement	$ 81,676	$ 95,187	$ 113,526	$ 140,607	$ 159,702	$ 179,536	$ 178,086	$ 188,551	$ 192,555	$ 196,845
2.5 Times Debt Service Requirement	$204,190	$237,968	$283,815	$351,518	$399,255	$448,840	$445,215	$471,378	$481,388	$492,112

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying 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.

Table 12

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years *(In Thousands)*

	Debt Service Requirements			Total	Ratio of Debt Service to Total
Year	Principal	Interest	Total	Expenditures	Expenditures
2000	$ 22,949	$ 58,727	$ 81,676	$ 908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%
2009	68,455	128,390	196,845	1,434,457	13.72%

Table 13

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

Sections 5309, 5307, and Title 1 including CMAQ and STP (Formerly Section 3, 9, & 23, respectively) *(In Millions)*

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
2000	$ 336.65	$ 177.17	$ 132.89	$ 26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
2008	489.91	279.38	169.55	40.98
2009	917.78	535.32	297.57	84.89
Total	$ 4,969.89	$ 2,848.93	$ 1,733.54	$ 387.42

Source of data: Information obtained from the Service Boards' records.

REGIONAL TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population [1]	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate [2]
2000	12,439,219	$ 400,373,280	$ 32,186	4.5%
2001	12,516,683	407,253,595	32,537	5.4%
2002	12,578,317	413,710,753	32,891	6.5%
2003	12,625,246	426,876,687	33,811	6.7%
2004	12,680,053	445,151,182	35,106	6.2%
2005	12,719,550	464,124,942	36,489	5.8%
2006	12,777,042	490,450,096	38,385	4.6%
2007	12,852,548	525,919,549	40,919	5.1%
2008	12,901,563	546,984,646	42,397	6.4%
2009	12,910,409	534,638,483	41,411	10.1%

(1) Source : Bureau of Economic Analysis U.S. Department of Commerce

(2) Source: Bureau of Labor Statistics Data U.S. Department of Labor

REGIONAL TRANSPORTATION AUTHORITY

PRINCIPAL EMPLOYERS

CURRENT YEAR				Nine Years Ago [3]			
	2009				2000		
Employer [1]	Employees	Rank	% of Total Region Employment	Employer [2]	Employees	Rank	% of Total Region Employment
United States Government	77,000	1	1.99%	United States Government	49,500	1	1.23%
Chicago Public Schools	43,740	2	1.13%	United States Post Office	46,600	2	1.16%
City of Chicago	36,242	3	0.94%	Chicago School Board	45,000	3	1.12%
Cook County	23,416	4	0.60%	City of Chicago	41,700	4	1.04%
Wal-Mart Stores	19,990	5	0.52%	Jewel/Osco	38,900	5	0.97%
Advocate Health Care	14,784	6	0.38%	Wal-Mart	27,100	6	0.67%
Walgreen Co.	13,281	7	0.34%	Cook County	26,900	7	0.67%
J.P. Morgan Chase & Co.	13,142	8	0.34%	Motorola	26,800	8	0.67%
Abbott Laboratories	13,000	9	0.34%	Advocate Healthcare	22,000	9	0.55%
AT&T Inc.	13,000	10	0.34%	Sears	20,600	10	0.51%
Total	267,595		6.91%		345,100		8.59%

Note: RTA service area includes Cook and the five collar Counties. The information obtained from the sources below has been adjusted to reflect only employers from these areas.

[1] Crain's Chicago Business

[2] 2000 Illinois Statistical Abstract

[3] Earliest available information

Table 16

RTA & SERVICE BOARDS OPERATING CHARACTERISTICS

2009

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 143 stations served
- 1,190 rapid transit cars
- 202.6 million riders per year
- 1,158 STO* positions

Motor Bus

- 150 bus routes
- 2,077 buses
- 318.7 million riders per year
- 4,341 STO* positions

Other

- 1.2 billion passenger rail miles per year
- 12.4 million rail miles per year
- 739.3 million passenger miles per year
- 69.4 million vehicle miles per year
- 5,001 without STO* Postions

*STO is Scheduled transit operators. This classification includes bus operators, motormen, conductors, and customer assistants.

*Metra Commuter Rail Division

- 487.7 route miles
- 1,155 miles of track
- 240 stations
- 146 locomotives
- 841 passenger cars
- 171 electric cars
- 702 weekly trains operated
- 95.7% on-time performance
- 82.3 million riders per year
- 4,429 full-time employees

Other

- 1.7 billion passenger miles per year
- 45.1 million vehicle miles per year

All data excludes NICTD South Shore

Pace Suburban Bus Division

Fixed Route

- 149 regular routes
- 46 feeder routes
- 17 shuttle routes
- 629 vehicles in use during peak periods
- 34.6 million riders per year
- 6 seasonal routes
- 712 Pace-owed busses
- 1,584 full-time employees

Paratransit**

- 173 Pace owned lift-equipped buses in service
- 2.8 millions of riders per year
- 29 full-time employees

Dial-A-Ride**

- 61 local services
- 203 Pace owned lift-equipped buses in service
- 222 communities served
- 1.2 millions of riders per year
- 7.8 million passenger miles per year
- 5.8 million vehicle miles per year

Other

- 643 vanpools in operation
- 1.8 million riders for the year
- 21.7 million passenger miles per year
- 31.1 million vehicle miles per year

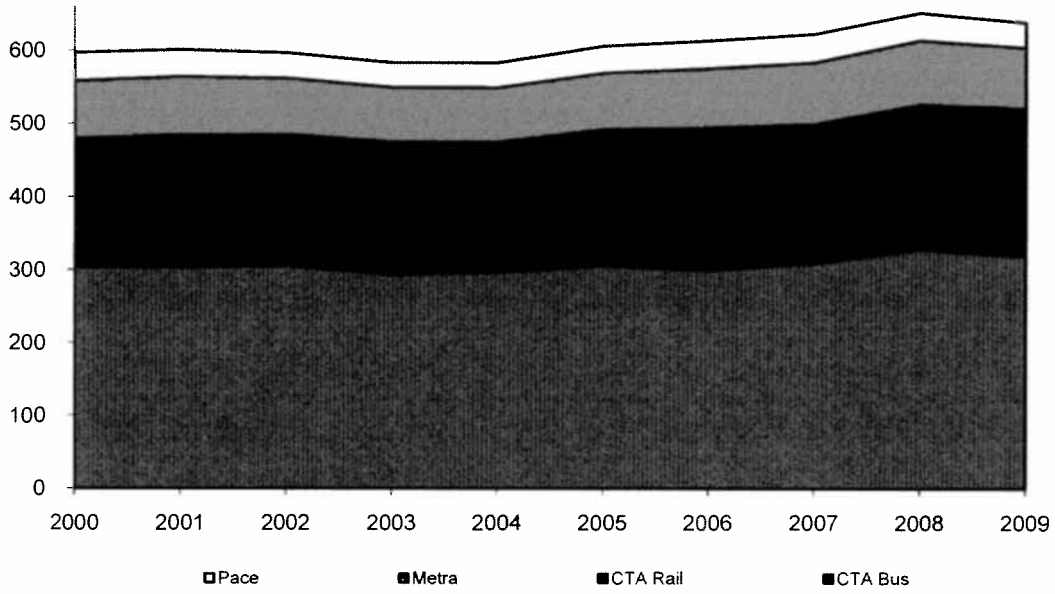
**Prior to 2008 ADA Paratransit and Dial-A-Ride were combined.

Source of data: Information obtained from the Service Boards' and RTA records.

Table 17

2000-2009

(In Millions)



Last Ten Years *(In Millions)*

Service Consumed:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CTA - Bus	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2	318.7
CTA - Rail	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1	202.6
Total CTA*	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6	526.3	521.2
Metra	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7	83.1
Pace**	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0	40.5	34.2
System Total	597.0	601.0	596.8	583.2	583.2	606.2	613.6	623.0	654.5	638.5
Percent Change	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%	5.06%	-2.44%

CTA Stat amounts include rail-to-rail transfers.

****PACE 2007 Stat amount includes ADA Paratransit rides.***

Source of data: Information obtained from the National Transit Database.

Table 18

Regional Transportation Authority
Full-time Employee by Function

Last Four Fiscal Years

	[1] 2006	2007	2008	2009
Executive Office	3	3	3	3
Communications	3	4	4	6
Finance & Administration	31	33	30	30
Legal & Governmental Affairs	3	5	4	5
Planning & Regional Programs	48	46	38	43
Research, Analysis & Policy Development	0	0	6	6
Totals	**88**	**91**	**85**	**93**

[1] Earliest available information

Source: RTA HR records

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

RTA Main Office
175 W. Jackson Blvd, Ste. 1550
Chicago, Illinois 60604
312-913-3200
www.RTAchicago.com

RTA Customer Service
165 N. Jefferson St.
Chicago, Illinois 60661
312-913-3110

Community Outreach
312-913-3237

RTA ADA Certification Helpline
Voice 312-663- 4357
TTY 312-913-3122

Travel Information Center and RTA Reduced Fare Card
Call 836-7000 from any area code in the six-county region
TTY 312-836-4949
www.RTAchicago.com

RTA Transit Benefit Program
800-531-2828
www.LessTaxingCommute.com

Chicago Transit Authority
567 W. Lake St.
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com

Metra
547 W. Jackson Blvd.
Chicago, Illinois 60661
312-322-6777
www.metrarail.com

Pace
550 W. Algonquin Rd.
Arlington Heights, Illinois 60005
847-364-7223
www.pacebus.com

103c

Comprehensive Annual Financial Report

2010

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

Fiscal Year Ended December 31, 2010

REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Prepared by:

Department of Finance and Performance Management

Grace Gallucci, CFO
Senior Deputy Executive Director

and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY
2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Regional Transportation Authority

175 W. Jackson Blvd.
Suite 1650
Chicago, IL 60604
(312) 913-3200
www.rtachicago.com

June 29, 2011

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

I have the pleasure to submit to you the Comprehensive Annual Financial Report ("CAFR") of the Regional Transportation Authority ("RTA") for the year ended December 31, 2010. The RTA staff has prepared this report as required by, and in accordance with, the RTA Act. This state law requires that the RTA publish financial statements presented in conformity with generally accepted accounting principles and audited by an independent certified public accountant.

This report consists of RTA management's representations concerning its finances. The responsibility for the accuracy, completeness, and fairness of the data rests with management. To the best of our knowledge and belief, this report contains data complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of the RTA has established an internal control structure designed to provide reasonable assurance that assets are safeguarded from loss, theft, or misuse, and that adequate and reliable accounting data is compiled to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits of that control, and that the valuation of costs and benefits requires estimates and judgments by management.

In addition to the statutory requirement of the RTA Act for an annual audit by independent certified public accountants, the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, require the RTA to undergo an annual Single Audit. The RTA has engaged the firm of McGladrey & Pullen LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States of America and the standards set forth in the above circular in conducting the engagement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the RTA's financial statements for the year ended December 31, 2010 are presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first part of the financial section of this report.

A separately issued Single Audit report contains a schedule of expenditures of federal awards, the independent auditor's report on internal controls and compliance with applicable laws, regulations, contracts and grants, a schedule of findings and questioned costs, and other information related to the Single Audit.

Accounting principles generally accepted in the United States of America require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal complements management's discussion and analysis, and should be read in conjunction with it. The RTA management's discussion and analysis ("MD&A") can be found immediately following the report of the independent auditors.

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

Illinois State law (the RTA Act, as amended) created the RTA as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system for Northeastern Illinois.

> "It is the purpose of [the RTA] Act to provide for, aid and assist public transportation in the northeastern area of the State without impairing the overall quality of existing public transportation by providing for the creation of a single authority responsive to the people and elected officials of the area and with the power and the competence to provide financial review of the providers of public transportation in the metropolitan region and facilitate public transportation provided by Service Boards which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and State plans."

History

In 1974, upon approval of a referendum in the six counties of metropolitan Chicago (Cook, DuPage, Kane, Lake, McHenry, and Will), the Act created the RTA as a unit of local government, body politic, political subdivision, and municipal corporation. Initially, the RTA provided financial assistance to the then existing public transportation operators. Subsequently, the role of the RTA expanded to include the acquisition and operation of such public transportation providers, as well as contract with operators to provide service through the purchase of service agreements.

In 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The Act placed operating responsibilities with the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"). These three entities are defined in the Act as the "Service Boards."

The CTA provides bus and rail transportation services within Chicago and 38 adjacent suburbs. Illinois State law (the Metropolitan Transportation Authority Act) created the CTA in 1945. The law established the CTA as an Illinois municipal corporation "separate and apart from all other government agencies" to consolidate Chicago's public and private transportation carriers. The CTA commenced operations in 1947 and completed the consolidation of public transportation in 1952 upon purchasing the Chicago Motor Coach System.

The Northeast Illinois Regional Commuter Railroad Corporation ("NIRCRC"), a public corporation created in 1980 and operating under the service name of Metra, provides public transportation by commuter rail. The 1983 RTA restructuring formed a Commuter Rail Division, "responsible for providing public transportation by commuter rail." The Commuter Rail Division continued the operation of NIRCRC to provide this transportation. Metra contracts with the Union Pacific Railroad, Burlington Northern Santa Fe, and Northern Indiana Commuter Transportation District to provide service through the purchase of service agreements. In addition, Metra operates the services provided on its North Central Service and South West Service rail lines, as well as the services formerly provided by Rock Island, Milwaukee Road, and Illinois Central Gulf.

The 1983 RTA restructuring also formed a Suburban Bus Division, "responsible for providing public transportation by bus and as may be provided in [the RTA] Act." As such, the Division - operating under the service name Pace - provides non-rail public transportation throughout DuPage, Kane, Lake, McHenry, and Will counties, as well as the suburban area of Cook County.

Collectively, we refer to the RTA, the CTA, Metra, and Pace as the "RTA System."

Mission

The Act sets forth the responsibilities of the RTA. These responsibilities encompass planning, funding, and oversight duties. The Board of Directors has developed the following goals to carry out the RTA legislative mandates:

Plan—Ensure an integrated regional public transportation system through comprehensive planning and coordination with the service providers.

Fund—Develop and allocate resources among the Service Boards to ensure they provide quality and cost-effective service.

Oversee—Monitor and evaluate Service Boards' performance to ensure that service is provided efficiently and effectively.

The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program. This obligation incorporates planning, funding, and oversight duties. The Act enumerates a number of requirements with respect to the budget, plan, and program. These include a requirement that the budget and plan reflect operating revenues of at least 50% of operating costs (a farebox recovery ratio of at least 50%). In addition, the budget and plan must show a balance between revenues, including subsidies, and costs (a balanced budget).

Other responsibilities include establishing policies regarding the allocation of public transportation funding in the Chicago metropolitan region, developing system-wide plans and service standards, coordinating services among different modes of transportation, and ensuring compliance with Federal and State mandates.

Budget

The Act establishes budgetary controls. The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program.

> "Each year the Authority shall prepare and publish a comprehensive annual budget and program document describing the state of the Authority and presenting for the forthcoming fiscal year the Authority's plans for such operations and capital expenditures as the Authority intends to undertake and the means by which it intends to finance them."

The Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the Five-Year Capital Program must specify each capital improvement undertaken by or on behalf of the service boards. The budget calendar as adopted as part of the RTA Business Plan Call and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.

Budget Calendar

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 the next two following years, the times when the amounts will be available, and the cost recovery ratio for the next year. The recovery ratio for the region must meet a minimum standard of 50%.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document, and a financial plan for the two following years. "The proposed budget and financial plan shall be based on the RTA's estimate of funds that will 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 its budget to the RTA, each Service Board must hold at least one public hearing in each of the counties in which it provides service, and at least one meeting with each respective county board. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA. "Not later than... November 15 prior to the commencement of such fiscal year, each Service Board shall submit to the Authority its proposed budget for the fiscal year and its proposed financial plan for the two following years."

The RTA must also hold at least one public hearing in the metropolitan region and one meeting with each county board on its own proposed budget. After conducting these hearings and taking into consideration the comments, the RTA must adopt its budget and the budgets submitted by the service boards, each of which meets the statutory criteria summarized below. Unless the RTA passes a budget and financial plan for a Service Board, "the Board shall not release to that Service Board any funds for the periods covered by such budget and financial plan," except for the sales tax directly allocated to the Service Board by statute.

Statutory Requirements

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

- *Balanced Budget*: A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services 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*: Cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenditures as incurred;

- *Recovery Ratio*: A level of fares or charges, and operating or administrative costs, to allow the Service Board to meet its required recovery ratio;

- *Assumptions*: Employ assumptions and projections which are reasonable and prudent;

- *Financial Practices*: Prepared in accordance with sound financial practices as determined by the Board;

- *Strategic Plan:* Maintain consistency with the goals and objectives adopted by the RTA in the Strategic Plan; and

- *Other Requirements*: Other financial, budgetary, or fiscal requirements that the Board may establish by rule or regulation.

Oversight

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

- 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 such quarter. If in compliance, the 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 such period as adopted by the RTA, the Board shall so advise the Service Board and the service board "shall, within the period specified by the Board, submit a revised budget incorporating such results."

- Once a Service Board submits a revised budget, the RTA must determine if it meets the seven statutory budget criteria necessary to pass an annual budget. If not, the RTA must withhold from the Service Board (i) 25% of the cash proceeds of taxes imposed by the RTA and (ii) 25% of any state matching funds that are allocated to each Service Board.

- If a Service Board then submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period, the RTA "shall release any such withheld funds to the Service Board."

Amendment

When prudent, the RTA Board may revise estimates of amounts of funds available to the Service Boards during a fiscal year due to shifts in the economic climate, governmental funding programs, or new projects. Upon receiving notice of such a revision, the Service Boards must submit amended budgets to the RTA Board within 30 days. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budget.

Reporting Entity

As defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government (the RTA, as legally defined), as well as its component units—legally separate entities for which the primary government has financial accountability.

Although part of the RTA System, the CTA, Metra, and Pace do not represent component units of the RTA under GASB Statement No. 14. Accordingly, the Comprehensive Annual Financial Report of the Regional Transportation Authority does not include the financial statements of the Service Boards. However, a Combining Annual Financial Report does combine the financial statements of the RTA, the CTA, Metra, and Pace as required by the RTA Act.

RTA System Characteristics

The six-county area served by the RTA system covers 3,700 square miles. According to the Census Bureau, the population of the region was 8.4 million in 2009. The Illinois Department of Employment Security reported a regional labor force of 4.3 million during the same year. The RTA system carried 634.2 million riders in 2010 decline of 0.8% from the prior year.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of fifteen appointed members and a Chairman. The Mayor of the City of Chicago appoints five directors. The suburban members of the Cook County Board appoint five directors. The chairman or executive of the County Boards of DuPage, Kane, Lake, McHenry and Will counties, each appoint a director. These fifteen directors, with a minimum concurrence of eleven directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of approximately one hundred and ten employees. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit was set at $5 million for 1985 and increases at a rate of 5% per year. The RTA has always held its administrative expenses under the prescribed limit.

The Chicago Transit Board, consisting of seven members, governs the CTA. Its members are appointed pursuant to the Metropolitan Transit Authority Act. The Governor of Illinois appoints three members, subject to the approval of the Illinois Senate and the Mayor of Chicago. The Mayor of Chicago, with the consent of the Chicago City Council and the Governor of Illinois, appoints four members, including the CTA Chairman.

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of eleven members, governs Metra. The suburban members of the Cook County Board appoint four members. The Chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry and Will counties each appoint one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These eleven directors, with a minimum concurrence of eight directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of thirteen members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairman or executive of the County Boards of DuPage, Kane, Lake, McHenry, and Will counties each appoint one director. The RTA Act requires that each of these directors must be a current or former "chief executive officer of a municipality" from the area that appoints the member. One director is the Commissioner of the Mayor's Office for People with Disabilities for the City of Chicago. The Chairman or executive of each of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board.

Financing

The RTA Act specifies the funding responsibilities of the RTA, appointing the RTA as the primary public body in the metropolitan region to secure funds for public transportation.

Sections 4.03 and 4.03.1 of the Regional Transportation Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

Sales Taxes

The Act authorizes the RTA to impose a retailers' occupation tax "ROT," a service occupation tax "SOT," and a use tax "UT." The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook County and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result, the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, and .75% in collar counties.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas for the privilege of using a vehicle purchased outside the six county area that must be registered with the State. Unlike the state use tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes, may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above.

Off-Street Parking Tax

The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax

The Act authorizes the RTA to impose a $50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

As indicated above, the RTA imposes a sales tax in the six-county Northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

FACTORS AFFECTING ECONOMIC CONDITION

Financing

The RTA's primary source of operating funding is a regional (occupation and use) sales tax and a sales tax match from the State of Illinois. Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region (from the equivalent of 1.0% in Cook County and 0.25% in the remainder of the region to the equivalent of 1.25% in Cook County and 0.5% in the remainder of the region) beginning on April 1, 2008, created a real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25 percent to 30 percent the portion of RTA tax revenues matched by the State Public Transportation Fund (PTF). In 2010, RTA sales tax receipts of $931 million increased 4.2% from prior year and exceeded budget by 4.6%. In 2009, RTA sales tax receipts declined 2.9% from prior year.

The RTA 2011 operating budget approved by the Board of Directors on December 16, 2010, assumes sales tax revenues of $916 million, an increase of 2.9% over the 2010 budget but a decline of 1.6% from 2010 actual receipts. In addition to the 30% tax match from the PTF, the budget recognizes these funds from the State of Illinois: $123 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds, $33.6 million as partial reimbursement to the Service Boards for discounted and free fares (mandated by law) for student, elderly, and disabled riders, and grant proceeds from the Illinois Department of Transportation totaling $18.7 million.

Regional and Illinois Economy

The Chicago region is the home to one of the most economically diversified economies in the United States. The region is home to more than 400 major corporate headquarters, including 28 Fortune 500 companies. A global leader in options, futures, and derivatives trading, the Chicago area economy's strengths includes business and financial services, manufacturing, information technology, health services, and transportation & distribution. Chicago is not only a leader in sustainable business but also ranks as one of the most sustainable cities in the country.The unemployment rate in the Chicago region increased from 4.5% in 2006 to 10.2% in 2010. Similarly, the unemployment rate in Illinois increased from 4.6% in 2006 to 10.3% in 2010.

The March 2011 Monthly Revenue Briefing issued by the State Commission on Government Forecasting and Accountability noted that during the first nine months of the State's 2011 fiscal year, sales tax receipts of $5.1 billion increased $414 million or 8.9% compared to the same period during the State's previous fiscal year.

National Economy

Annual growth of the real gross domestic product (GDP), the output of goods and services produced in the United States, declined from 3.6% in 2004 to 1.9% in 2007. Real GDP was unchanged in 2008 and contracted 2.6% in 2009. In 2010, real GDP grew 2.9%. The Congressional Budget Office (CBO) predicts annual real GDP growth of 2.7% in 2011 and 3.1% in 2012.

Rising from 4.6% in 2006 to 9.3% in 2009, the national unemployment rate averaged 9.6% in 2010, the highest average annual rate since 1983. The national unemployment rate average 8.9% during the first quarter of 2010, declining from 9.0% during January to 8.8% in March. The CBO forecasts national unemployment rates of 9.4% in 2011 and 8.4% in 2012.

In 2010, the consumer price index (CPI), a measure of the pace of inflation, rose 1.6%. Following increases of 2.8% in 2007 and 3.8% in 2008, the CPI declined 0.4% in 2009. The CBO expects the CPI to increase 1.6% in 2011 and 1.3% in 2012.

Risk Management

The RTA, CTA, Metra, and Pace established a Loss Financing Plan in 1986. The Plan operates as a self-insurance program to provide a source from which to temporarily finance catastrophic losses and other claims incurred by the RTA and the Service Boards, arising out of personal injuries, property damage, and certain other losses. The participating entities (RTA, CTA, Metra, and Pace) administer the Plan, with a representative from the RTA acting as the Fund Manager and representatives from the CTA, Metra, and Pace acting as Fund Advisors.

The Plan required the creation of a Joint Self-Insurance Fund. The Fund has entered into a multi-year, claims-paid insurance agreement to insure against certain losses in excess of $5 million. The Fund pays premiums for this coverage. The participating entities must repay the Fund for submitted claims paid by the Fund that are not covered by the insurance agreement.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2009. This was the sixteenth consecutive year that the RTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the RTA received the GFOA Award for Distinguished Budget Presentation for its annual budget for the year ending December 31, 2010. This marks the fourteenth consecutive year that the RTA has achieved this accomplishment. The Distinguished Budget Presentation Award requires that the GFOA judge the budget document as proficient in several categories, including policy documentation, financial planning, and organization.

I would like to express my appreciation to the RTA staff for their efforts in preparing this report.

Grace Gallucci
Chief Financial Officer and
Senior Deputy Executive Director,
Finance and Performance Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Regional Transportation Authority

Illinois

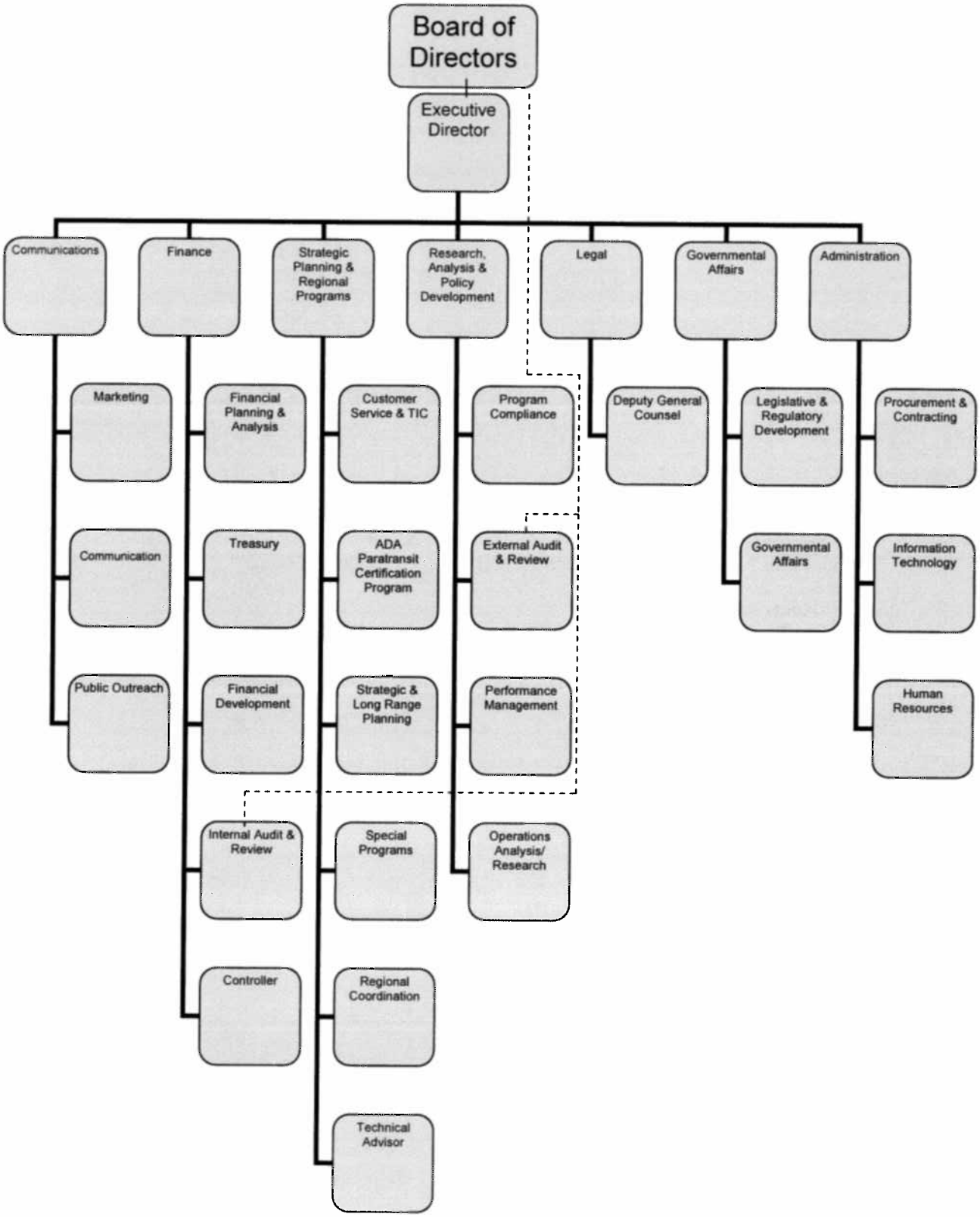
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

REGIONAL TRANSPORTATION AUTHORITY
ORGANIZATION CHART
December 31, 2010



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2010

Board of Directors	
Chairman	John S. Gates, Jr.
Directors	James Buchanan Jan Carlson William R. Coulson Rev. L. Tyrone Crider, Sr Patrick J. Durante Phil Fuentes Al Jourdan Dwight A. Magalis Andre Rice Michael Rosenberg J.D. Ross Bishop Horace E. Smith M.D. Judy Baar Topinka Douglas M. Troiani
Administration	
Executive Director	Joseph G. Costello
Senior Deputy Executive Director Finance and Performance Management, CFO	Grace Gallucci*
Senior Deputy Executive Director Strategic Planning and Regional Programs	Leanne P. Redden
Acting General Counsel	Clinton S. McHugh
Director of Communications	Diane J. Palmer
Director of Government Affairs	Vacant

*This position change was effective as of January 31, 2011.

INDEPENDENT AUDITOR'S REPORT

McGladrey

Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Transportation Authority ("RTA") as of and for the year ended December 31, 2010, which collectively comprise the RTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Transportation Authority as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the December 31, 2009 net assets for the government activities and fund balance for the General Fund have been restated to reflect the implementation of Governmental Accounting Standards Board Statement No. 53 relating to derivatives.

The Required Supplementary Information which includes Management's Discussion and Analysis (pages 16-23), budgetary comparison information (pages 73-75) and pension related information (pages 76-77) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey is the brand under which RSM McGladrey, Inc. and McGladrey & Pullen, LLP serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure.

Member of RSM International network, a network of independent accounting, tax and consulting firms.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTA's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial activity affecting the operation of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2010. Please read it in conjunction with the RTA's basic financial statements which follow this section.

Financial Highlights

- For the year ended December 31, 2010, the RTA statement of activities for the governmental activities shows expenses increasing $12 million to $411 million from $399 million for the same period in 2009. This increase is due to an increase in financial assistance to the CTA, Metra, and Pace ("Service Boards") by $4 million. Also, the interest expense and the Regional and Technology Program expenses were higher by $4 million and $2 million, respectively. Conversely, the PTF and the State Assistance Revenues increased by $21 million from 2009.

- The government-wide statement of net assets shows assets of $1,141 million for the governmental activities, a net increase of $351 million. The increase is mainly due to an increase in cash and investments. The increase in cash and investments was due to the timing of receipts. In the government-wide statement of net assets, bond-related liabilities increased by $208 million, which reflects the increase in general-obligation bonds payable in 2010.

- At the end of 2010, the government-wide statement of net assets shows a deficit of $1.9 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of $924 million. There is a $2.8 billion difference between the fund balance and the net deficit. This does not in any way represent a precarious financial position for the RTA. Rather, it is how GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires RTA's general obligation bonds to be presented in the government-wide statement of net assets.

- The RTA has the obligation to pay the bonds it has issued to fund the Service Boards' capital expenditures. These expenditures and the related assets appear in the Service Boards' financial statements. The sales taxes imposed by the RTA in the region represent the primary source of payment for the bond obligations.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Overview of the CAFR—The RTA CAFR consists of three parts:

1. Introductory Section—This section includes the letter of transmittal, the GFOA Certificate of Achievement, the organizational chart, and the list of principal officials.

2. Financial Section—This section is comprised of the independent auditor's report, the management's discussion and analysis, the basic financial statements, and the required supplementary information and combining and individual fund schedules.

3. Statistical Section (Unaudited)—This section provides additional analysis and is not a required part of the basic financial statements of the RTA.

The basic financial statements contain three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. A discussion of the basic financial statements is included in this CAFR as follows:

Government-wide Financial Statements—The government-wide financial statements provide a broad overview of the RTA's finances in a manner similar to those of a private-sector business. The statements are prepared following the full accrual basis of accounting.

- ***Statement of Net Assets***—The statement of net assets presents information on all of the RTA's assets and liabilities. The statement subtracts liabilities from assets to compute—in the case of the RTA—a net deficit. This net deficit reflects the recording of bonds issued by the RTA for capital grants to the Service Boards to acquire and construct assets used to provide public transportation. These assets appear in the financial statements of the Service Boards. The bonds represent general obligations of the RTA to which the RTA has pledged its full faith and credit.

  The size of the net deficit will increase as the RTA continues to issue bonds to fund the RTA System's capital program.

- ***Statement of Activities***—The statement of activities shows the change in net assets of the governmental and business-type activities. Governmental activities include operating and capital asset funding (capital grants) to the Service Boards, RTA administrative expenses, the RTA Travel Information Center, certification of riders for paratransit service under the Americans with Disabilities Act (regional expenses), and interest expense on bonds issued by the RTA. Business-type activities consist of the RTA Joint Self-Insurance Fund.

  The government-wide financial statements include only the RTA (the "primary government"). There are no "component units" (separate legal entities for which the RTA is financially accountable) that the RTA government-wide financial statements are required to include.

  The RTA does not consider the CTA, Metra, or Pace to be component units, therefore, the RTA government-wide financial statements do not incorporate the financial data of the Service Boards. (See Letter of Transmittal and Note 1 to the financial statements for further details.)

Fund Financial Statements—A fund refers to a set of related self-balancing accounts used to maintain control over resources segregated for specific activities or objectives. The RTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The RTA's funds are accounted for in three fund types: governmental funds, proprietary

funds, and fiduciary funds. These financial statements are prepared following the modified accrual basis of accounting.

- ***Governmental Funds***—Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year.

  Unlike the information presented for governmental funds, information presented for governmental activities in the government-wide financial statements includes the long-term impact of near-term financing decisions. The governmental funds financial statements provide reconciliations to facilitate comparison between governmental funds and government-wide financial statements.

  In the fund level basic financial statements, the RTA presents three major governmental funds: a general fund, a debt service fund, and a capital projects fund. The governmental funds financial statements present information for each major fund separately. Individual fund data for each of the RTA governmental funds is presented in this CAFR in the section labeled "Combining and Individual Fund Schedules."

  The RTA adopts an annual appropriated budget for its general fund. The Required Supplementary Information and Combining and Individual Fund Schedules include a budgetary comparison.

- ***Proprietary Funds***—The RTA maintains a proprietary fund to account for the RTA Joint Self-Insurance Fund. This type of proprietary fund, referred to as an enterprise fund, reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. As required by Article II of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separate annual audited financial statements.

- ***Fiduciary Funds***—Fiduciary funds account for resources held for the benefit of parties outside the government activity. In the case of the RTA, the fiduciary fund accounts for the assets of the RTA defined-benefit Pension Plan and the Sales Tax Agency Fund. The government-wide financial statements do not reflect fiduciary funds as these funds are not available to support the programs and operations of the RTA. The RTA Pension Plan issues annual audited financial statements separately.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Assets:

SUMMARY OF NET ASSETS
DECEMBER 31, 2010 AND 2009
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2010	2009	Variance	2010	2009	Variance	2010	2009	Variance
Assets:									
Cash and investments	$ 753,522	$ 494,670	$ 258,852	$ 16,010	$ 20,612	$ (4,602)	$ 769,532	$ 515,282	$ 254,250
Other assets	299,504	283,137	16,367	6,786	6,347	439	306,290	289,484	16,806
Noncurrent assets	73,316	-	73,316	6,167	2,108	4,059	79,483	2,108	77,375
Capital assets—net	15,265	12,660	2,605	-	-	-	15,265	12,660	2,605
Total assets	1,141,607	790,467	351,140	28,963	29,067	(104)	1,170,570	819,534	351,036
Liabilities:									
Current non bond-related liabilities	80,409	123,927	(43,518)	-	-	-	80,409	123,927	(43,518)
Current bond related liabilities	345,124	69,827	275,297	-	-	-	345,124	69,827	275,297
Long-term non-bond-related liabilities	154,352	49,133	105,219	-	-	-	154,352	49,133	105,219
Long-term bond-related liabilities	2,435,370	2,502,199	(66,829)	-	-	-	2,435,370	2,502,199	(66,829)
Total liabilities	3,015,255	2,745,086	270,169	-	-	-	3,015,255	2,745,086	270,169
Net assets (deficit):									
Invested in capital assets	15,265	12,660	2,605	-	-	-	15,265	12,660	2,605
Restricted	83,277	270,019	(186,742)	-	-	-	83,277	270,019	(186,742)
Unrestricted (deficit)	(1,972,190)	(2,234,127)	261,937	28,963	29,067	(104)	(1,859,950)	(1,938,212)	78,262
Total net assets (deficit)	$(1,873,648)	$(1,954,619)	$ 80,971	$ 28,963	$ 29,067	$ (104)	$(1,844,685)	$(1,925,552)	$ 80,867

As of December 31, 2010, cash and investments for governmental activities increased by $259 million over the previous year. The RTA's cash balance increased significantly from last year due to a partial catch up by the State of Illinois on unpaid RTA requisitions. During 2010, the Capital Projects Fund increased by $124 million, and the Debt Service Fund increased by $164 million mainly due to 2010 cash note borrowings.

As of December 31, 2010, the current bond & non bond-related liabilities increased by $232 million from the previous year due primarily to the 2010 cash note borrowings.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition in the statements of net assets of $2.8 billion in current and long-term general obligation bonds payable. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation within the RTA region.

The RTA net deficit at December 31, 2010 will not affect the availability of RTA fund resources for future use. In fact, the RTA maintains its operations funding levels for 2011 as established in September 2010 during the 2011 budget process.

The following table summarizes the RTA Statement of Activities presented in this CAFR:

SUMMARY OF ACTIVITIES
DECEMBER 31, 2010 AND 2009
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2010	2009	Variance	2010	2009	Variance	2010	2009	Variance
Expenses:									
Financial assistance to Service Boards	$ 97,648	$ 93,453	$ 4,195	$ -	$ -	$ -	$ 97,648	$ 93,453	$ 4,195
Administration of capital grants	118,766	67,123	51,643	-	-	-	118,766	67,123	51,643
Administration of operating grant	27,230	74,138	(46,908)	-	-	-	27,230	74,138	(46,908)
Administrative expenses	8,551	12,014	(3,463)	4,740	3,827	912	13,291	15,841	(2,551)
Regional and technology program expenses	23,555	21,209	2,346	-	-	-	23,555	21,209	2,346
Interest expense	135,530	131,775	3,755	-	-	-	135,530	131,775	3,755
						-			
Total expenses	411,280	399,712	11,568	4,740	3,827	912	416,020	403,539	12,480
Revenues and transfers:									
Sales taxes	103,168	99,027	4,141	-	-	-	103,168	99,027	4,141
PTF and state assistance	372,434	351,509	20,925	-	-	-	372,434	351,509	20,925
Note interest	-	-	-	47	58	(11)	47	58	(11)
Operating grant - CTA/PACE	9,480	9,101	379	-	-	-	9,480	9,101	379
Regional expenses	582	2,904	(2,322)	-	-	-	582	2,904	(2,322)
Investment income and other	11,012	37,749	(26,737)	164	402	(238)	11,176	38,151	(26,975)
Transfers	(4,425)	(3,575)	(850)	4,425	3,575	850	-	-	-
Total revenues and transfers	492,251	496,715	(4,464)	4,636	4,035	601	496,887	500,750	(3,863)
Change in net assets	80,971	97,003	(16,032)	(104)	208	(312)	80,867	97,211	(16,344)
Net assets—beginning of year, as restated	(1,954,619)	(2,051,622)	97,003	29,067	28,859	208	(1,925,552)	(2,022,763)	97,211
Net assets—end of year	$ (1,873,648)	$ (1,954,619)	$ 80,971	$ 28,963	$ 29,067	$ (104)	$ (1,844,685)	$ (1,925,552)	$ 80,867

In 2010, financial assistance to the Service Boards increased by $4 million from 2009. Also, the capital grants to the Service Boards increased by $52 million from 2009 to $119 million in 2010, which reflects the activity in capital expenses to the Service Boards during 2010. Furthermore, the amount of bond interest expense increased by $4 million from $132 million to $136 million in 2010. PTF and state assistance increased by $21 million and the sales tax also increased by $4 million, a decrease in investment income and other of $30 million was mainly due to a decrease in swap investments market value and the market value of investments.

During 2010, $4 million was transferred to the Joint Self-Insurance Fund for excess liability. Insurance premiums representing the only major expense, and investment income represents the only revenue for the Business-type activities (insurance financing).

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the RTA employs three fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. See the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances on pages 26 and 28, respectively, for further details.

General Fund—Assets in the General Fund primarily represent the amounts for Service Boards' operations and capital projects. Assets increased by $219 million from $348 million in 2009 to $567 million in 2010, mainly due to timing differences. The RTA's cash balance increased significantly from last year due to a partial catch up by the State of Illinois on unpaid RTA requisitions. Also, intergovernmental receivables increased by $2 million due to timing differences.

At December 31, 2010, the majority of RTA's liabilities of $399 million are comprised of intergovernmental payables and due to other funds, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and deferred revenue and notes payable.

The total fund balance of the General Fund equals $168 million at December 31, 2010. The General Fund balance increased by $45 million primarily due to timing and increase in financial assistance to the Service Boards.

Reserved for other includes $59 million in unfavorable investment changes, $30 million in capital, $47 million in Debt Service Deposit Agreement ("DSDA"), and $261 thousand in prepaid items. The amount reserved for RTA capital projects is for projects focusing on the application of advanced technology on transportation systems to improve the efficiency of such systems. The transit industry views such technology as having the potential for increasing ridership and revenues by making transit systems more attractive to customers.

These applications include the following:

- A regional open fare payment system to promote seamless regional mobility, making it easier for transit customers to pay for travel on different segments of the RTA system with a simple single payment method. Key components of this initiative include development of an interagency fare model, demonstration and deployment of handheld fare collection onboard Metra trains, and extension of the CTA's open fare payment system.

- A regional real-time information system that integrates CTA's BusTracker and TrainTracker, Pace's WebWatch, and Metra's future next train information system. This initiative includes online delivery of the integrated information on desktop and mobile channels, the RTA's Travel Information Center, and the installation of electronic displays at bus stops and train stations that provide real-time "next train" or "next bus" service information.

- A five-year program of Transit Signal Priority (TSP) implementation along priority corridors and strategic CTA and Pace bus routes. TSP gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs.

- A comprehensive Chicago-land Commute Options Management System that utilizes social networking and employer outreach to shift commute trips away from single-occupancy vehicle (SOV) use toward sustainable transportation modes like transit and vanpools.

- Interagency Transit Passenger Information Display (ITPID) that utilizes regional wayfinding and static information sign standards to promote seamless travel on multi-agency transit facilities.

- Multi-Modal Trip Planner System (MMTPS) to provide side by side comparisons of trip itineraries using transit, driving, or any combination of non-motorized modes such as biking and walking. It will give customers a comprehensive decision support tool for choosing travel options that incorporate convenience, efficiency, and cost – from the traveler's perspective.

- Transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections).

- Parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities).

The remaining unreserved and undesignated fund balances total $7 million.

Debt Service Fund—The RTA establishes a Debt Service Fund to account for transfers received from the General Fund, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2010, the RTA has twenty-four series of general obligation bonds/notes outstanding. Each respective bond/note agreement sets forth the debt service funding requirements. The 2010 Debt Service Fund balance increased by $163 million from 2009 to $500 million.

Capital Projects Fund—The RTA has established a Capital Projects Fund to account for bond proceeds, earnings on the investment of such proceeds, and the expenditure of such monies for capital assets of the Service Boards. In addition, the RTA can use a portion of these funds to pay for debt service on the related bonds. During 2010, the Capital Projects Fund increased by $124 million. The increase reflects the proceeds of the new bond, offset by the increased activities in bond capital expenditure during 2010.

Proprietary Fund—The RTA has established a proprietary fund to account 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 fund which relates to the activities of the Joint Self-Insurance Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2010 the actual change in revenues over expenditures of $40 million, including other financing (debt service) use, was $7 million higher than the budget figure of $33 million. In the General Fund total revenues exceeded budget by $84 million and the Agency Fund exceeded budget by $35 million for a combined excess of $119 million. The positive variance in the General Fund is essentially due to the receipt of state funding for progress payments regarding Metra's purchase of 160 rail cars totaling $56 million, the increase in RTA formula sales tax receipt of $6 million as the economy rebounded, a $6 million fund recovery from prior year ADA Paratransit operating assistance, investment income of $8 million and $8 million in state financial assistance (AFA and ASA) to reimburse the debt service expenses on bonds issued for the RTA's Strategic Capital Improvement Program. The gain in Agency Fund receipts of $35 million is the direct result of an improved economy as sales tax receipts that are supplemented with a 30% match in state Public Transportation Funds (PTF) exceeded budget by 4.6%.

Total Expenditures in the General Fund, before transfers out exceeded the budget by $70 million. When combined with the debt service costs the total exceeded budget by $76 million. This variance includes: a $61 million overage in capital grants that takes in the $56 million payment for Metra's rail cars, total debt related costs of $12 million, the remaining balance of $3 million resulting in differences for Pace ADA Paratransit and other changes in expenditures including the Joint Self Insurance Fund, and the Innovation, Coordination and Enhancement (ICE) Fund. The additional expenditures in the Agency Fund compared to Budget of $35

million correlate to the 4.6% increase in sales tax and PTF formula funds the Service Boards (The CTA, Metra and Pace) receive statutorily.

SERVICE BOARDS CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The financial statements of the Service Boards reflect the capital assets discussed in this section. The statement of net assets for the RTA reflects the RTA bonds issued to provide a portion of the funding for these assets. The details of the RTA bond program are discussed further in Note 10 of this report.

Service Boards Capital Assets—The RTA System provides 634 million unlinked passenger trips annually. This has the beneficial impact of reducing road congestion, improving the flow of goods and services, and enhancing air quality. In addition, the RTA System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with replacement cost estimated at more than $42 billion for the entire region. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order. The RTA Five-Year Capital Program report contains the details of this investment. The Five-Year Capital Program report is updated and adopted annually by the RTA Board, as required by the RTA Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of capital funding from Federal as well as State programs has risen, reflecting the increasing recognition of the importance of public transportation. In recent years, the RTA and the Service Boards have also been able to direct funds to capital projects by successfully constraining operating costs.

RTA Capital Assets—For more detailed information on capital asset activity, please see Note 9 in the notes to the financial statements.

Long-Term Debt Activity—Under the RTA Act, the RTA has authority to issue General Obligation Bonds for the improvement and expansion of the RTA System. This authority resulted from successful RTA efforts to demonstrate to the State legislature the need for capital reinvestment. The authorization identified two types of bonds: Strategic Capital Improvement Program ("SCIP") bonds and RTA ("Non-SCIP") bonds.

Prior to January 1, 2000, the RTA had the authority to issue up to $500 million in SCIP bonds and to have up to $500 million in Non-SCIP bonds outstanding. Effective January 1, 2000, the RTA Act was amended to increase the RTA authorization by an additional $260 million of SCIP bonds in each year for the period of 2000 through 2004, and to issue and have outstanding up to $800 million of Non-SCIP bonds. As of year-end 2010, the RTA has issued $1.790 billion in SCIP bonds, with total SCIP bonds outstanding of $1.497 billion. The remaining $763.0 million of bonds outstanding are Non-SCIP bonds.

For 2010, the bonds issued by the RTA carried a rating of "AA" from Standard & Poor's, Aa3 by Moody's Investors Service, Inc. and AA- by Fitch, Inc.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the RTA. Users of the CAFR should address questions concerning the information, or requests for additional financial information, to the Regional Transportation Authority, c/o Senior Deputy Executive Director, Finance and Administration 175 West Jackson Blvd., Suite 1650, Chicago, Illinois 60604 or visit our website at www.rtachicago.org.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(In Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current portion of:			
Cash and investments:			
Cash and cash equivalents	$ -	$ 10,460	$ 10,460
Restricted—investments	428,401	-	428,401
Unrestricted—investments	325,121	5,550	330,671
Intergovernmental receivables	240,944	-	240,944
Unamortized bond issue costs	1,387	-	1,387
Accrued interest on investments	160	61	221
Loan to SB-Note and interest	-	4,547	4,547
Internal balances	64	(64)	-
Prepaid expenses and other assets	56,949	2,242	59,191
Total Current Assets	1,053,026	22,796	1,075,822
Non-current portion of:			
Unamortized bond issue costs	12,365	-	12,365
Note receivable	-	6,167	6,167
Derivative instrument - asset	34,970	-	34,970
Deferred outflows of resources	25,981	-	25,981
Capital assets—net of accumulated depreciation	2,767	-	2,767
Capital assets—non-depreciable	12,498	-	12,498
Total Non-current assets	88,581	6,167	94,748
Total assets	1,141,607	28,963	1,170,570
LIABILITIES:			
Current portion of:			
Vouchers payable	7	-	7
General obligation bonds payable plus unamortized bond premium of $6,014	345,124	-	345,124
Unearned revenue	1,701	-	1,701
Due to fiduciary funds	1,276	-	1,276
Intergovernmental payables	75,531	-	75,531
Accrued other expenses	1,894	-	1,894
Total Current liabilities	425,533	-	425,533
Non-current portion of:			
Deferred rent	2,163	-	2,163
Accrued interest payable	39,196	-	39,196
Unearned revenue	45,346	-	45,346
Derivative instrument-liability	32,677	-	32,677
Deferred inflows of resources	34,970	-	34,970
General obligation bonds payable plus unamortized bond premium of $114,320	2,435,370	-	2,435,370
Total Non-current liabilities	2,589,722	-	2,589,722
Total liabilities	3,015,255	-	3,015,255
NET ASSETS (DEFICIT):			
Invested in capital assets	15,265	-	15,265
Restricted	83,277	-	83,277
Unrestricted (deficit)	(1,972,190)	28,963	(1,943,227)
TOTAL NET ASSETS (DEFICIT)	$ (1,873,648)	$ 28,963	$(1,844,685)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010
(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense (Revenue) and Changes in Net Assets Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	$ 97,648	$ -	$ 97,648	$ -	$ 97,648
Administration of capital grants					
Discretionary	15,310	-	15,310	-	15,310
Bonds	103,456	-	103,456	-	103,456
Administration of operating grant					
CTA/PACE	27,230	9,480	17,750	-	17,750
Administrative expenses	8,551	-	8,551	-	8,551
Regional expenses	21,576	582	20,994	-	20,994
Technology program expenses	1,979	-	1,979	-	1,979
Interest expense	135,530	-	135,530	-	135,530
Total governmental activities	411,280	10,062	401,218	-	401,218
Business-type activities—					
Insurance financing	4,740	-	-	4,740	4,740
TOTAL PRIMARY GOVERNMENT	$ 416,020	$ 10,062	401,218	4,740	405,958
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
Sales taxes			103,168	-	103,168
Interest on sales taxes			137	-	137
State assistance (PTF)			242,318	-	242,318
State assistance (ASA/AFA)			130,116	-	130,116
Investment income			8,606	164	8,770
Other revenues			2,269	47	2,316
Transfers			(4,425)	4,425	-
Total general revenues and transfers			482,189	4,636	486,825
CHANGES IN NET ASSETS (DEFICIT)			80,971	(104)	80,867
NET ASSETS (DEFICIT):					
Beginning of year, as restated			(1,954,619)	29,067	(1,925,552)
End of year			$(1,873,648)	$ 28,963	$(1,844,685)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Investments:				
Restricted investments	$ -	$162,822	$ 265,579	$ 428,401
Unrestricted—investments	325,121	-	-	325,121
Due from other funds	85	281,113	-	281,198
Intergovernmental receivables	240,944	-	-	240,944
Accrued interest on investments	122	26	12	160
Other receivable	519	56,147	-	56,666
Prepaid items and other assets	261	-	-	261
TOTAL ASSETS	$567,052	$500,108	$ 265,591	$ 1,332,751
LIABILITIES:				
Vouchers payable	$ 7	$ -	$ -	$ 7
Due to other funds	282,389	-	-	282,389
Intergovernmental payables	66,065	-	9,466	75,531
Accrued items				
Deferred revenue	47,047	-	-	47,047
Other accrued items	3,331	-	-	3,331
Total liabilities	398,839	-	9,466	408,305
FUND BALANCES:				
Reserved for:				
General Fund				
Service boards capital projects	17,186	-	-	17,186
CTA operating assistance ADA	2,368	-	-	2,368
Prepaid items	261	-	-	261
RTA Non-Cap Tech	3,782	-	-	3,782
CTAP Capital	7,175	-	-	7,175
Debt Svc Deposit Agrmt Reserve (DSDA)	46,987	-	-	46,987
RTA capital projects	5,655	-	-	5,655
Investment changes	58,816	-	-	58,816
ICE Reserve	18,665	-	-	18,665
Debt service	-	500,108	-	500,108
Bond Capital Projects	-	-	256,125	256,125
Unreserved, undesignated	7,318	-	-	7,318
Total fund balances	168,213	500,108	256,125	924,446
TOTAL LIABILITIES AND FUND BALANCES	$567,052	$500,108	$ 265,591	$ 1,332,751

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010
(In Thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS	$ 924,446
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net assets.	15,265
Bond issue costs are paid in the current year and, therefore, are reported in the funds. This asset represents the unamortized portion recognized in the statement of net assets.	13,752
General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net assets.	(2,660,160)
Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net assets.	(120,334)
Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net assets.	(39,196)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(725)
Derivative instruments do not provide or use current financial resources and are not reported in the fund statements. This is the amount by which derivative related liabilities exceeded assets at year-end.	(6,696)
TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES	$ (1,873,648)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	$ 103,168	$ -	$ -	$ 103,168
Interest on sales taxes	137	-	-	137
Public Transportation Fund	171,169	-	-	171,169
General State Revenue	65,149	-	-	65,149
Innovation, Coordination & Enhancement (ICE)	9,480	-	-	9,480
PACE Loan PTF Advance Recovery	6,000	-	-	6,000
State assistance	130,116	-	-	130,116
Investment income	16,273	392	134	16,799
Other revenues	2,851	-	-	2,851
Total revenues	504,343	392	134	504,869
EXPENDITURES:				
Financial assistance to Service Boards	97,648	-	-	97,648
Capital grants-discretionary	15,310	-	-	15,310
South Suburban Job Access Program (PACE)	7,500	-	-	7,500
Innovation, Coordination & Enhancement (ICE)	9,480	-	-	9,480
PACE expenditures (MOU & ADA)	10,250	-	-	10,250
Capital grants-bonds	60,862	-	42,594	103,456
Administrative	7,699	-	-	7,699
Regional	25,689	-	-	25,689
Capital outlay	1,323	-	-	1,323
Debt service:				
Principal	-	74,060	-	74,060
Interest	6,187	127,934	-	134,121
Debt related costs	-	2,982	-	2,982
Total expenditures	241,948	204,976	42,594	489,518
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	262,395	(204,584)	(42,460)	15,351
OTHER FINANCING SOURCES (USES):				
Debt issuance - bonds	-	140,000	175,100	315,100
Bond premium	-	-	6,846	6,846
Transfers out	(217,174)	-	(15,316)	(232,490)
Transfers in	-	228,065	-	228,065
Total other financing sources (uses)	(217,174)	368,065	166,630	317,521
NET CHANGE IN FUND BALANCES	45,221	163,481	124,170	332,872
FUND BALANCES:				
Beginning of year, as restated	122,992	336,627	131,955	591,574
End of year	$ 168,213	$ 500,108	$ 256,125	$ 924,446

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010
(In Thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS	$	332,872
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($3,559) exceeded depreciation expense ($954) in the current period.		2,605
The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets.		(321,946)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net assets.		74,060
Accrued interest on bonds reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		(5,792)
Governmental funds report bond premiums as an other financing source. However, in the statement of activities, the premiums are amortized over the life of the bonds and recorded as a reduction of bond interest expense.		6,014
Unamortized bond issue costs reported in the statement of activities require the use of current financial resources and therefore, are fully recognized in the governmental funds.		2,073
Compensated absenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		(725)
Increases (decreases) in the fair values of investment derivative instruments do not provide (use) financial resources and are not reported in the fund financial statements.		(8,190)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	80,971

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
DECEMBER 31, 2010
(In Thousands)

ASSETS:	
Current:	
Cash and cash equivalents	$ 10,460
Investments	5,550
Note receivable	4,500
Note accrued interest	47
Accrued interest on investments	61
Prepaid insurance	2,242
Total current assets	22,860
Noncurrent assets:	
Note receivable non-current	6,167
Total noncurrent assets	6,167
Total assets	29,027
LIABILITIES:	
Current:	
Due to General Fund	64
Total current liabilities	64
NET ASSETS—Unrestricted	$ 28,963

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2010
(In Thousands)

OPERATING REVENUES:	
Note interest	$ 47
OPERATING EXPENSES:	
Insurance expense	4,628
Professional services	111
Bank charges and miscellaneous	1
Total operating expenses	4,740
OPERATING LOSS	(4,693)
NON-OPERATING REVENUES	
Investment income	164
Total nonoperating revenues	164
Transfer from General Fund	4,425
CHANGE IN NET ASSETS	(104)
NET ASSETS:	
Beginning of year	29,067
End of year	$ 28,963

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2010
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to insurance vendor	$ (5,380)
Payments to other vendors	(68)
Net cash flows from operating activities	(5,448)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Note interest received	58
Payments to indemnity	(8,500)
Payments received - PACE loan	942
Purchases of investments	(34,081)
Sales of investments	36,281
Investment income	346
Net cash flows from investing activities	(4,954)
CASH FLOWS FROM NON-CAPTIAL FINANCING ACTIVITIES:	
Contributions received from RTA	8,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,402)
CASH AND CASH EQUIVALENTS:	
Beginning of year	12,862
End of year	$ 10,460
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (4,693)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Notes interest	(47)
Changes in:	
Prepaid insurance	(753)
Due to General Fund	45
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (5,448)

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:
There were no investing, capital, or financing activities that did not result in cash flows.

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010
(In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	$ 12,266	$ -
Investments, at fair value:		
Corporate fixed income mutual fund	36,949	-
Equity mutual funds and common stocks	39,292	-
Common stocks	24,653	-
Balanced funds	10,827	-
Total Investments	111,721	-
Intergovernmental receivables:		
Sales taxes	-	159,794
New sales tax	-	65,894
Reduced fare reimbursement	-	33,570
PTF (New Sales Tax/RETT)	-	50,389
Advances to Service Boards	-	66,384
Pension contribution from Service Boards	10,012	-
Due from General Fund	1,276	-
Accrued dividends and interest	70	-
Total Receivables	11,358	376,031
Total assets	135,345	376,031
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards	-	159,794
New sales tax due to Service Boards	-	60,503
Reduced fare reimbursement	-	33,570
PTF (New Sales Tax/RETT)	-	50,389
Advances from State	-	66,384
Paratransit Funding PACE	-	4,493
Suburban Community Mobility Fund-SBD	-	898
Due to the RTA	21	-
Accrued other items	228	-
Total liabilities	249	376,031
Net assets held in trust for pension benefits	$ 135,096	$ -

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2010
(In Thousands)

	Pension Trust Fund
ADDITIONS:	
Investment gain:	
Net appreciation in fair value of investments	$ 10,401
Interest and dividends	1,962
	12,363
Less investment expenses:	
Investment managers	278
Trust fees	46
Investment advisor	71
Total investment expenses	395
Net investment gain	11,968
Contributions:	
Metra pension contributions	5,802
Pace pension contributions	4,210
RTA pension contributions	1,276
Total contributions	11,288
Total net additions	23,256
DEDUCTIONS:	
Benefit payments	7,449
Administrative expenses	629
Total deductions	8,078
NET INCREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	15,178
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	119,918
End of year	$ 135,096

The notes to financial statements are an integral part of this statement.

NOTE 1. REPORTING ENTITY

The Regional Transportation Authority ("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 ("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. However, on November 9, 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"), each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Service Boards provide services to different geographic areas within the six-county region. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace's primary service area is the suburban communities, with limited services to areas within the City of Chicago. The CTA provides service to the City of Chicago and 38 neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a minority of those taken.

The 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 System as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity,* the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

> Appointment of a voting majority of the component unit's board, and either: (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government; or fiscal dependency on the primary government.

In addition, a component unit also includes certain organizations that the primary government is not financially accountable for if the nature and significance of their relationship, including ongoing financial support are such that exclusion from the financial reporting entity would render the entity's financial statements incomplete or misleading.

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with generally accepted accounting principles in the United States.

In arriving at this conclusion, the following factors were considered:

- 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 that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.

- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.

- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios and other requirements as defined by the Act.

- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficits.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management of the RTA does not consider the Service Boards to be component units and, accordingly, the financial data of the Service Boards have been excluded from the RTA reporting entity. The RTA is not aware of any entity which is financially accountable for the RTA that would result in the RTA's being considered a component unit of such entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the RTA conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting—The accounts of the RTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing 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 as follows:

Governmental Fund Types—The RTA's Governmental Fund Types consist of the General Fund, Debt Service Fund, and Capital Projects Fund.

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.

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.

Capital Projects Fund—In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of $500 million of Strategic Capital Improvement Program ("SCIP") bonds, and to have a maximum of $500 million RTA bonds outstanding. The Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of the bond issues. The Capital Projects Fund was first established in 1990 with the issuance of $100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly's authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. 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.

In 1999, the Illinois General Assembly passed additional bonding authorization, thereby increasing the RTA bond authority to $800 million outstanding effective January 1, 2000. It also increased SCIP bond issues by $260 million each year for five years from 2000 to 2006 for a total of $1.5 billion additional bond issues.

Proprietary Fund Type—Proprietary Funds are used to account 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 Fund which relates to the activities of the Joint Self-Insurance Fund.

Joint Self-Insurance Fund—The Joint Self-Insurance Fund ("Fund") is used to account for the financing of claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The Fund is essentially a financing mechanism providing a source from which to borrow or to pay for the first $5 million of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage, and certain other losses. This Fund is reported as an Enterprise Fund since the predominant participants are outside of the RTA.

Fiduciary Fund Type—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 one Agency (Sales Tax) Fund and a Pension Trust Fund.

Agency Fund—The Sales Tax Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, and reduced fare reimbursement grants. For RTA budgetary purposes, sales tax receipts are recorded in the Sales Tax Agency Fund and are equally offset by amounts recorded as disbursements reflecting the pass-through to the Service Boards.

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

Government-wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of interfund activities have been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards. Likewise, the fiduciary fund type - RTA Pension Trust Fund and Sales Tax Agency Fund are presented separately and are not included in the government-wide financial statements of the RTA.

The statement of activities shows certain direct program expenses which are offset by program revenues. Governmental program activities include expenses such as financial assistance and capital asset funding (capital grants) to CTA, Metra, and Pace; administrative expenses; operating the RTA Travel Information Center, certifying riders for paratransit service under the Americans with Disabilities Act ("ADA") and other services (regional expenses); and payment of debt service on bonds issued by the RTA. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of a particular program (i.e., technology and non-technology programs). Sales taxes, Public Transportation Fund ("PTF"), state assistance ("ASA/AFA"), investment income and other items properly excluded from program revenues are reported instead as general revenues.

Fund level financial statements are provided for governmental funds, proprietary fund, and fiduciary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (Joint Self-Insurance Fund) and the Pension Trust Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues if collected by the retailers by year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

The Joint Self-Insurance Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues (interest charged to Service Boards) and expenses (administrative expenses including insurance premium and professional services) generally result from providing services in connection with the proprietary fund's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sales Tax Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Governmental fund financial statements use the current financial resources measurement focus. The funds are accounted for using the modified accrual basis of accounting; i.e., revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or shortly thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. ASA/AFA is considered measurable and available if billed and received within 180 days after year-end. Sales taxes and ASA/AFA are susceptible to full accrual. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The RTA reports three major governmental funds—General Fund, Debt Service Fund, and Capital Projects Fund; one major proprietary fund—Joint Self-Insurance Fund; and two fiduciary funds—Pension Trust Fund and Sales Tax Agency Fund.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Assets, Liabilities and Fund Equity

Cash and Investments—All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. Most investments are reported at fair value which is determined using various sources. Short-term investments are reported at cost, which approximates fair value due to their short-term nature. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Intergovernmental Receivables—Receivables include amounts due from State and local governments for sales taxes, specific programs or projects, and services.

Capital Assets—The RTA sets a capitalization threshold of no less than $5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation. The RTA uses the straight-line method for computing depreciation expense. Leasehold improvements made to RTA's office facilities are capitalized, and their costs amortized during the life of the lease. Leasehold improvements and major equipment repairs, if any, are also capitalized during the remaining life of the lease or the extended useful life of the equipment. The Capital-Technology Program's capitalized assets are for projects in progress; therefore, the assets are non-depreciable.

Description	Useful Life
Furniture and equipment	5 years
Computer equipment and software	5 years
Leasehold improvements	Life of the lease

Restricted Assets—Bond proceeds and amounts set aside for general obligation debt service are classified as restricted assets since their use is limited by the bond indentures. When both restricted and unrestricted resources are available for use, it is RTA's policy to use restricted resources first, then unrestricted resources as needed.

Compensated Absences—Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest. The RTA accounts for compensated absences under GASB No. 16, entitled "Accounting for Compensated Absences", whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. Compensated absences are recorded in the General Fund only if they have matured (i.e., unused leave still outstanding at time of an employee's resignation or retirement). Compensated absences are recorded in the governmental activities as current liabilities. The RTA's policy is compensated absences have to be used by the end of the following fiscal year.

Intergovernmental Payables—These amounts include accrued financial assistance, sales taxes, capital and other grants due to the Service Boards.

Fund Balances—Portions of the fund balances of the Governmental Funds are reserved by the RTA for specific purposes as follows:

Reserved for Service Boards Capital Projects represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source. It also includes the remaining bond proceeds, investment income committed for capital projects of the Service Boards, and any interest rate swap proceeds for capital projects of the Service Boards.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for RTA Capital Projects represents the portion of the RTA fund balance for the unspent portion of capital authorized by the RTA's current and prior years' budgets and the portion of the interest rate swap proceeds for RTA funded capital projects.

Revenues—The RTA has four principal sources of revenue: (1) retailer's occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Tax); (2) funds appropriated to the RTA by statute through the PTF established under the Act; (3) State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (4) investment income on unexpended funds held by the RTA, and other miscellaneous revenue.

Sales Tax—Prior to 2008, the RTA Sales Tax consisted of (i) in Cook County, (a) a tax of 1 % of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

The RTA Sales Tax is collected by the Illinois Department of Revenue (the "Department of Revenue"), and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasurer on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax, and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed that portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax, and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State, but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the "Replacement Fund"). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax, and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the "Reform Fund"). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The Act provides that the RTA withhold 15% of these tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected Within Chicago	Collected within Cook County Outside Chicago	Collected in DuPage, Kane, Lake McHenry and Will Counties
CTA	100 %	30 %	
Metra		55 %	70 %
Pace		15 %	30 %

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of this portion of the total sales taxes collected to which it is entitled by the amended Act. The remaining 85% of this portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the rate at which RTA sales tax revenues are matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008, the real estate transfer tax (RETT) in the City of Chicago was increased 0.3% (i.e. for every $500 in sales price $1.50 in tax is collected).

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 30% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes) and RETT. These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2011 fiscal year which will end June 30, 2012.

In February 2008, the PTF match of the pre-2008 RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. In January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase rose from 5% to 30%.

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

None of the revenues from the PTF are payable to the RTA unless and until the RTA certifies to the Governor, State Comptroller, and Mayor of the City of Chicago that it has adopted a budget and financial plan as called for by the Act. This certification has been submitted.

The amounts allocable to each of the Service Boards from funding received by the RTA from a portion of the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. This portion corresponds to 25% of the pre-2008 sales tax receipts. The remaining portion of the State's PTF is combined with the sales tax resulting from the 2008 rate increase and allocated by statute first to the ADA Paratransit Fund, ICE Fund, and SCMF, with the remainder distributed 48% to the CTA, 39% to Metra, an 13% to Pace.

The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2011, which ends June 30, 2011, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2010 and June 30, 2011, the grants were in the amount of $42 million and $33.6 million, respectively.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the unspent bond proceeds, or (ii) $55 million per year. The RTA recognized $39.7 million of ASA in 2010.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million in the State's fiscal years 2010 and 2011, per year. The RTA recognized $90 million of AFA in 2010.

Expenditures and Expenses—Operating grants consist of financial assistance to the Service Boards. The RTA provides operating assistance to the Service Boards to fund, in part, their RTA-approved budgets.

Capital grants consist of the RTA local match of Federal Transit Administration ("FTA") and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA, SCIP bonds, and investment income on bonds. Capital payments of approximately $10 million for sales tax funding are due to Metra based on a statutory formula. This formula consists of the budgeted sales tax revenues in excess of Metra's budgeted operating deficit. This amount is presented in the Sales Tax Agency Fund.

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to $16,931,639 for the year ended December 31, 2010.

Non-administration, listed as regional and technology program expenses in the statement of activities, consists of those costs of the RTA which are exempt from the statutory limit defined in the RTA Act. These costs include the operation of the Travel Information Center, Transit Check Program, Americans with Disabilities Act ("ADA"), reduced fare registration, capital development and other program costs incurred on behalf of the Service Boards and not for the benefit of RTA itself.

Cash Flows—For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated $10.5 million at December 31, 2010 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining $5.6 million constitutes investments in the Joint Self-Insurance Fund with original maturities in excess of three months.

Management's Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements—In September 1993, the GASB released Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.* The statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinions and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure. The RTA has elected to apply only FASB, APB and ARB statements and interpretations issued on or before November 30, 1989.

Interfund Transactions—The governmental fund's balance sheet reports all outstanding balances between funds, as "due to/from other funds." The government-wide financial statements report any residual balances outstanding between the governmental activities and business-type activities as "internal balances." Government-wide financial statements and the Statement of Fiduciary Net Assets report a "due to/from general fund" outstanding for pension contributions.

New Accounting Pronouncements—Statement No. 53, *Accounting and Financial Reporting for Derivatives,* addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The Authority implemented this Statement in the current fiscal year (see Note 4 for more information).

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* was issued to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The Authority is required to implement this Statement for the fiscal year ending December 31, 2011.

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued to update standards related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. The Authority is required to implement this Statement for the year ending December 31, 2012.

Statement No. 59, *Financial Instruments Omnibus*, was issued to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complex information by improving consistency of measurements and by providing clarifications of existing standards. The Authority is required to implement this Statement for the fiscal year ending December 31, 2011.

Statement No. 61, *The Financial Reporting Omnibus, An Amendment of GASB Statements No. 14 and No. 34*, was issued to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The Authority is required to implement this Statement for the year ending December 31, 2013.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 1989 FASB and AICPA Pronouncements*, was established to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Authority is required to implement this Statement for the year ending December 31, 2013.

Management has not currently determined what impact, if any, these Statements may have on its financial statements.

Reclassifications: Certain amounts previously reported in the 2009 financial statements have been reclassified to conform to the current year presentation.

***Subsequent Events*:** The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 29, 2011, the date the financial statements were available to be issued.

NOTE 3. BUDGETARY INFORMATION

Excess of Expenditures over Appropriations

For the year ended December 31, 2010, expenditures and transfers exceeded appropriations in the General Fund as follows:

Budget	Actual	Variance
$ 387,876,000	$ 463,973,000	$ (76,097,000)

NOTE 4. CASH AND INVESTMENTS

Governmental and Joint Self-Insurance Fund Investments

Cash and investments in the statement of net assets may be restricted by bond covenants or through action of the RTA board as to their use. Unrestricted cash and investments may be used for any purpose.

Deposits and Investments—Section 2.20(a)(ii) of the RTA Act authorizes the RTA to invest any funds or monies not required for immediate use or disbursement. The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq.

The RTA investment policy is in accordance with the Illinois statutes and allows the RTA to invest in:

- Certain obligations of the U.S. Government and its agencies.
- Interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any FDIC insured bank as defined by the Illinois Banking Act.
- Short-term obligations of corporations organized in the United States with assets exceeding $500 million and rated within the highest classification established by at least two standard rating services.
- Certain money market mutual funds.
- The Illinois Funds.
- Repurchase agreements.

Custodial Credit Risk — Custodial credit risk is the risk that in the event of a bank failure, the RTA's deposits may not be returned to it. The RTA's policy for custodial credit risk states collateral will be valued at market value (excluding accrued interest) on the trade date. Collateral required will be 100% of the investment or such greater percentage as may be appropriate based upon the financial stability of the institution and the term of the collateral (i.e., maturity), less any insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Investments

Interest Rate Risk — To mitigate losses caused by changing interest rates, the maturities of the RTA's investments is limited. Per the RTA's investment policy, investments in corporations are limited to maturities of 180 days or less. Other investment maturities can not exceed three years.

As of December 31, 2010, the RTA's investments were as follows:

Investment Type	Fair Value
Commercial paper	$ 98,983,184
Money market & fixed-income securities	313,404,056
Illinois Funds	64,452,096
Money market fund	8,750,256
Fixed Income securities	9,994,567
U.S. Agency securities	37,511,221
Total	$ 533,095,379

The weighted average maturity of the above investments is less than 90 days, for each investment type.

Credit Risk — The RTA's policy for credit risk states no investment shall be made in short-term obligations of corporations unless such obligations are rated at the time of purchase within the highest classification established by at least two standard rating services, the investment matures no later than 180 days from the date of purchase and the issuer is domiciled in the United States.

As of December 31, 2010, the RTA's investments were as follows:

Investment Type	Fair Value	Credit Rating Moody's	Credit Rating Standard & Poor's	Credit Rating Fitch
Commercial paper	$ 98,983,184	P-1	A-1	F1
Money market & fixed-income securities	313,404,056	Aaa	AAAm	*
Illinois Funds	64,452,096	*	AAAm	*
Money market fund	8,750,256	Aaa	AAAm	AAA
Fixed Income securities	9,994,567	Aaa	AAAm	*
U.S. Agency securities	37,511,221	Aaa	AAA	AAA
Total	$ 533,095,379			

* Rating not available

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Except for commercial paper, the RTA's investment policy does not specifically address a limitation of investments in a single issuer; instead the policy addresses credit risk using broad categories of investments. The RTA's policy states the maximum percentage of the portfolio invested in commercial paper should not exceed 33.3%, money market mutual funds should not exceed 20.0%, U.S. Government Agency obligations should not exceed 20.0%, The Illinois Funds should not exceed 20% and Repurchase Agreements should not exceed 50.0%.

The RTA has investments in the following issuers that exceed 5% of the total investments:

In the Governmental fund, there is no single investment that exceeds 5% of the total investments.

Joint Self-Insurance Fund Investment	Amount	% of Portfolio
ABN AMRO Funding (Commercial Paper)	$ 2,999,948	30%
Ciesco (Commercial Paper)	999,899	10%
Concord Minuteman (Commercial Paper)	999,863	10%

The RTA's investments in money market funds are for liquidity and offer an alternative to other investment vehicles. Management has reviewed the investments in the money market funds and has determined that the types of investments included in the money market funds are consistent with the RTA's investment policy. These funds consist of U.S. Treasury Securities and Agencies.

The Illinois Funds investment pool is managed by the Treasurer of the State of Illinois and is not registered with the SEC. The Illinois Funds targets maintaining a $1 per share net asset value (NAV) at all times. The fair market of the investment pool is equal to the number of pool shares owned.

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows (debit (credit)):

	Changes in Fair Value		December 31, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Fair value hedges:					
Receive-fixed interest rate swap	Deferred inflow	$ 1,432,434	Debt	$ 11,425,734	$ 93,305,000
Receive-fixed interest rate swap	Deferred inflow	3,185,108	Debt	9,417,656	99,684,000
Receive-fixed interest rate swap	Deferred inflow	4,306,914	Debt	14,126,484	149,526,000
Cash flow hedge:					
Pay-fixed interest rate swap	Deferred outflow	(3,107,284)	Debt	(25,981,297)	126,445,000
Investment derivatives:					
Basis swap	Investment revenue	(3,486,980)	Investment	(2,754,543)	188,771,500
Basis swap	Investment revenue	(3,324,007)	Investment	(2,748,472)	188,771,500
Basis swap	Investment revenue	(1,379,408)	Investment	(1,081,757)	52,000,000

Objective, Terms, Fair Value and Accounting of Derivative Instruments

The RTA engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, the required tests, and evaluation of all the swaps for compliance with GASB 53. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The table below displays the objectives, terms, and fair values of the RTA's derivative instruments outstanding as of December 31, 2010, along with the counterparties and their credit ratings.

Type of Swap	Objective	RTA Pays	RTA Receives	Effective Date	Maturity Date	Current Notional	Counterparty	Ratings	Fair Value
Receive-fixed	Hedge of fair value changes in the Series 1990 A, 1994 B, and 1994 D bonds	SIFMA Swap Index	4.30200%	11/20/2001	06/01/2020	$93,305,000	UBS AG	Aa3/A+/A+	$ 11,425,734
Pay-fixed	Hedge of changes in cash flows on the Series 2005 B bonds	4.95200%	70% of USD-LIBI	06/01/2005	06/01/2025	$126,445,000	JPMorgan Chase Bank, N.A	Aa1/AA-/AA-	$ (25,981,297)
Basis	Reduce interest expense (investment instrument under GASB 53)	SIFMA Swap Index	78.25% of USD-LIBOR (One Month)	08/11/2003	06/01/2024	$188,771,500	Merrill Lynch Capital Services, Inc. (Bank of America)	A2/A/A+	$ (2,754,543)
Basis	Reduce interest expense (investment instrument under GASB 53)	SIFMA Swap Index	78.25% of USD-LIBOR (One Month)	08/11/2003	06/01/2024	$188,771,500	UBS AG	Aa3/A+/A+	$ (2,748,472)
Basis	Reduce interest expense (investment instrument under GASB 53)	SIFMA Swap Index	79% of USD-LIBOR (One Month)	03/29/2005	07/01/2023	$52,000,000	JPMorgan Chase Bank, N.A	Aa1/AA-/AA-	$ (1,081,757)
Receive-fixed	Hedge of fair value changes in the Series 2000 A and 2006 A	SIFMA Swap Index	4.36700%	06/11/2007	07/01/2030 Put Option 7/01/16	$99,684,000	JPMorgan Chase Bank, N.A	Aa1/AA-/AA-	$ 9,417,656
Receive-fixed	Hedge of fair value changes in the Series 2000 A and 2006 A	SIFMA Swap Index	4.36700%	06/11/2007	07/01/2030 Put Option 7/01/16	$149,526,000	Goldman Sachs Bank USA	Aa3/A/A+	$ 14,126,484

The receive-fixed swap transactions are associated with fixed rate debt. Combining a receive-fixed pay-variable rate swap with fixed rate debt results in what is termed "synthetic" variable-rate debt. It is called synthetic because the economics are similar to floating-rate debt, but an additional instrument is involved unlike traditional floating-rate debt. When the RTA created synthetic floating-rate debt, it had very little unhedged variable-rate exposure in its overall debt profile. A comparison and determination was made that the terms and costs of issuing traditional floating-rate debt, which would involve ongoing liquidity, credit, and maintenance fees, would have been higher and involved greater risk than by creating synthetic variable-rate debt through the receive-fixed swap.

The three swaps where the RTA receives a fixed rate and pays a floating rate are considered fair value hedges. They all qualify for hedge accounting under GASB 53, therefore all cumulative changes in fair value as of December 31, 2010, which were all assets, were offset by a corresponding deferred inflow liability on the statement of net assets.

The one swap where the RTA pays a fixed rate and receives a floating rate is considered a cash flow hedge. The swap exceeds the underlying $125.9 mm bond principal by approximately $0.5 mm of notional. This pay-

fixed swap transaction is associated with variable debt. Combining a pay-fixed/receive-variable rate swap with variable debt results in what is termed "synthetic" fixed-rate debt. It is called synthetic because the economics are similar to fixed-rate debt, but an additional instrument is involved unlike traditional fixed-rate debt. When the RTA created synthetic fixed-rate debt, a comparison and determination was made that the fixed rate on traditional debt would have been higher than the all-in fixed rate on the swap, inclusive of credit support costs for the underlying variable-rate demand bonds. The RTA received a payment of $11.7 million when the swap agreement was entered into.

The three swaps where the RTA pays and receives floating rates, basis swaps, are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

Tthere are three main strategies the RTA pursues with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates in each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of all the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swap. The RTA pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which the RTA is fixed, the swap would result in a positive value to the RTA. Correspondingly, a lower rate environment than the fixed rate would result in a negative value to the RTA. The value primarily depends on the overall level of interest rates on the reporting date compared to what the RTA pays. The overall level of long-term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where the RTA pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay-fixed swap, therefore, the mark-to-market value is generally more negative to the RTA.

(ii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of the swap where the RTA receives a percentage of 1-Month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus tax-exempt rates, a direct function of tax rates, is approximately 70%, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than the percentage received by the RTA on the fixed-rate swap. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR plus applicable spread will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit, the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on the RTA's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates, with no reference to tax-exempt interest rates.

For the three basis swaps, the RTA receives 78.25% and 79% of 1-Month LIBOR which is significantly higher than the historical average ratio of 70% stated above. This additional receipt to the RTA is the expected benefit and reduction to interest expense for the life of the basis swap transaction. The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

(iii) Converting a portion of fixed-rate debt to variable in an environment of higher long term fixed rates and lower variable interest rates, with no ongoing liquidity fees. This is the function of the swaps where the RTA receives fixed and pays the SIFMA Swap Index. The cancellation option in the two swaps mirror the RTA's call option on the underlying bonds. Including this option in the receive-fixed swap increased the fixed-rate receivable to the RTA. If either counterparty exercises their option and cancels the swap, interest rates will likely have declined, also allowing the RTA to refund the underlying fixed rate bonds for savings. The value of each swap is determined by the prevailing level of interest rates, and if applicable, the value of the cancellation option which is an asset to the counterparty. Interest rates have trended lower since inception of the receive-fixed swaps, therefore, the mark-to-market value is generally more positive to the RTA.

Risks

Credit risk. This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the sum fair value of swaps netting, or aggregating under a contract between the RTA and each counterparty. The RTA would be exposed to credit risk on derivative instruments under a netting agreement that would sum to an asset position. As of December 31, 2010, the RTA has credit risk exposure to Goldman Sachs Bank USA and UBS AG. This is because the transactions associated with each counterparty net to a positive fair value, meaning the RTA is exposed to the counterparty in the amount of the derivative contracts' fair values. However, should interest rates change and the fair values become negative, the RTA would not be exposed to credit risk.

The RTA has no credit risk exposure on the rest of the swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the RTA in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the swaps become positive, the RTA would be exposed to credit risk.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest rate risk. The RTA is exposed to interest rate risk on its interest rate swaps. On the receive fix/pay variable, as interest rates increase, the risk increases. On pay fix/receive variable, as interest rates decrease, the risk increases.

Basis risk. Basis risk is the risk that the interest rate paid by the RTA on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The RTA bears basis risk on its fixed rate swap. The swap has basis risk since the RTA receives a percentage of LIBOR to offset the actual variable bond rate the RTA pays on its bonds. The RTA is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the RTA pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination risk. The RTA or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If the fixed-rate swap is terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swaps have a negative fair value, the RTA would be liable to the counterparty for a payment equal to the swap's fair value.

Hedging derivative instrument payments and hedged debt. As of December 31, 2010, aggregate debt service requirements of the RTA's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Year Ending December 31,	Principal	Interest	Hedging Derivatives, Net	Total
2011	$ 7,210	$ 1,712	$ (5,856)	$ 3,066
2012	7,590	1,609	(5,532)	3,667
2013	7,960	1,500	(5,118)	4,342
2014	8,425	1,385	(4,728)	5,082
2015	3,910	1,299	(4,447)	762
2016-2020	23,650	5,922	(20,265)	9,307
2021-2025	67,175	2,286	(7,836)	61,625
Total	$ 125,920	$ 15,713	$ (53,782)	$ 87,851

Pension Fund Investments

Cash and investments in the Pension Fund provide sufficient funds to meet the obligations promised to the current and future beneficiaries of RTA's defined benefit pension plan.

Risk Posture **-** The RTA evaluated the assets and liabilities of the Pension Plan in order to determine an asset allocation that provides a high likelihood of achieving the responsibilities noted above. The obligations of current and future beneficiaries were evaluated under various market scenarios to develop an allocation that can be expected to generate a solid rate of return without incurring undue risk. In general, the risk posture of the Pension Plan is such that the portfolio is structured to maintain funding requirements and modestly grow assets through a low to moderate level of risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the RTA's pension deposits may not be returned to it. The RTA's Pension Plan policy does not explicitly indicate custodial credit risk. As of December 31, 2010, none of the Plan's cash and investments was at risk.

Interest Rate Risk — Per the RTA's Pension Plan investment policy, the duration of the fixed income portfolio should be within 20% of the duration of the benchmark index.

As of December 31, 2010, the RTA's pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	$ 36,948,820	54
Money market fund	12,266,185	1
Total fair value	$ 49,215,005	
Portfolio weighted average maturity		53

Credit Risk — The RTA's pension policy for credit risk states at least 85% of the fixed income investments should be limited to securities with ratings of at least investment grade as defined by both Moody's and Standard & Poor's. Split rated bonds are to be governed by the lower rating. Unrated securities of the U.S. Treasury and government agencies are a permissible investment. No more than 15% of the portfolio may be invested in investment-grade securities of foreign entities domiciled in countries included in the Salomon Brothers World Government Bond Index.

As of December 31, 2010, the credit ratings for RTA pension investments were as follows:

		Credit Rating (where available)		
Investment Type	Total Fair Value	Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	$ 36,948,820	NR	NR	NR
Money market fund	12,266,185	Aa2	*	AA
Total	$ 49,215,005			

* Not available

NR - not rated

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The RTA's pension investment policy states that fixed income securities of a single issuer (excluding obligations of the United States Government and its agencies) should be limited to 5% of the fixed income portfolio, measured at market value. The RTA's pension policy states the asset allocation policy has been developed based on the objectives and characteristics of the pension liabilities, capital market expectations, and asset-liability projections. This policy is long-term oriented and consistent with the risk posture. The pension fund did not have any investments in a single issuer which were greater than 5% of the total plan's net assets.

NOTE 5. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The intergovernmental receivables and payables in the statement of net assets comprise the following:

Receivable	**Amount**
General Fund:	
Sales taxes	$ 28,245,086
ICE	449,611
State assistance (ASA & AFA)	108,161,447
Local Match Receivable (CTA)	1,119,206
PTF	98,293,593
MOA-Pace	4,250,000
Illinois Department of Transportation (IDOT) grants and others	424,316
Total Intergovernmental Receivables	$ 240,943,259
Payable	
General Fund:	
Financial assistance	$ 59,351,945
State bond payable	4,250,000
Capital assistance	94,497
CTA Operating Assistance (ADA)	2,368,289
Total General Fund	66,064,731
Capital Projects Fund:	
Capital grants, (CTA, METRA, PACE)	9,466,465
Total Intergovernmental Payables	$ 75,531,196

NOTE 6. DUE TO/FROM OTHER FUNDS

Various transactions result in "due to/from other funds" balances. In most cases, the General Fund advances payments on behalf of other funds.

The General Fund makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. The General Fund owes the Pension Trust Fund for its share of contributions during the period. Cash receipts and payments on behalf of the Sales Tax Agency Fund originate in the General Fund.

On December 31, 2010, the amounts due to/from other funds presented in the Governmental Funds Balance Sheet, the Joint Self-Insurance Fund Statement of Net Assets, and the Fiduciary Funds Statement of Fiduciary Net Assets are as follows:

Receivable Fund	Payable Fund	Amount
General	Pension	$ 21,000
General	Joint Self-Insurance	64,305
Pension Trust	General	1,276,000
Debt Service	General	281,112,924
Capital Projects	Capital Projects	6,933,000

NOTE 7. INTERFUND TRANSFERS

Various transactions result in "transfer in/out" balances from funds. Transfer in/out balances presented on the Governmental Fund's Statement of Revenues, Expenditures and Changes in Fund Balances and the Business Type Activities Fund's Statement of Revenues, Expenses and Changes in Net Assets are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Debt Service	$ 212,748,782
Capital Projects	Debt Service	15,316,114
General	Joint Self-Insurance	4,425,379

The purpose of Interfund transfers from the General Fund to Debt Service is to satisfy the RTA's obligations to bondholders for principal and interest. The purpose of the Interfund transfer from the General Fund to the Joint Self-Insurance Fund is to make a capital contribution to the fund to purchase insurance.

NOTE 8. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue ("IDOR") sends a "13th month" sales tax advance to compensate for the delayed processing of sales tax payments to the RTA. Each year, IDOR calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	$ 30,820,742
Metra	27,034,224
Pace	8,529,377
Total Service Board Advances	$ 66,384,344

Sales tax advances have also been reported as current liabilities in the Agency Sales Tax Fund.

NOTE 9. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance at January 1, 2010	Additions	Retirements	Balance at December 31, 2010
Depreciable:				
Office furniture and equipment	$ 313,020	$ 599,390	$ -	$ 912,410
Computer equipment	3,320,170	620,169	-	3,940,339
Leasehold improvements	1,438,744	499,459	-	1,938,203
Subtotal	5,071,934	1,719,018	-	6,790,952
Less accumulated depreciation:				
Office furniture and equipment	266,741	312,175	-	578,916
Computer equipment	2,156,147	487,541	-	2,643,688
Leasehold improvements	647,228	154,557	-	801,785
Subtotal	3,070,116	954,274	-	4,024,389
Total Depreciable	2,001,818	764,744	-	2,766,563
Non-depreciable:				
Capital -Technology Program	10,658,061	1,840,126	-	12,498,187
Total Capital assets—net of accumulated depreciation	$ 12,659,879	$ 2,604,870	$ -	$ 15,264,750

All capital assets are associated with governmental activities.

During 2010, total depreciation expense of $954,274 was allocated between two functions; $103,178 to regional expenditures and $851,096 to administrative expenditures.

NOTE 10. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2010	New Issues	Current Retirements	December 31, 2010	Due Within One Year
1990A	$ 60,795,000	$ -	$ 3,810,000	$ 56,985,000	$ 4,085,000
1991A	55,745,000	-	-	55,745,000	-
1992A* & 1992B	25,865,000	-	8,075,000	17,790,000	8,610,000
1994A* & 1994B	24,395,000	-	-	24,395,000	-
1994C* & 1994D	56,285,000	-	1,620,000	54,665,000	1,750,000
1997 Refunding	60,800,000	-	5,445,000	55,355,000	5,750,000
1999* Refunding	266,775,000	-	8,065,000	258,710,000	8,525,000
2000A*	224,790,000	-	5,575,000	219,215,000	5,900,000
2001A*	86,650,000	-	2,090,000	84,560,000	2,200,000
2001B* Refunding	29,800,000	-	-	29,800,000	-
2002A*	141,940,000	-	3,150,000	138,790,000	3,315,000
2002B	133,635,000	-	10,870,000	122,765,000	11,325,000
2003A*	237,630,000	-	5,045,000	232,585,000	5,310,000
2003B	137,180,000	-	2,955,000	134,225,000	3,105,000
2004A*	241,775,000	-	4,870,000	236,905,000	5,120,000
2005B Refunding	132,770,000	-	6,850,000	125,920,000	7,210,000
2006A*	242,290,000	-	3,780,000	238,510,000	3,955,000
2009B Cash Note	260,000,000	-	-	260,000,000	260,000,000
2010A	-	62,175,000	1,860,000	60,315,000	2,950,000
2010B	-	112,925,000	-	112,925,000	-
2010C Cash Note	-	140,000,000	-	140,000,000	-
Subtotal	2,419,120,000	315,100,000	74,060,000	2,660,160,000	339,110,000
Unamortized bond premium	119,502,000	6,846,000	6,014,000	120,334,000	6,014,000
Total	$2,538,622,000	$321,946,000	$ 80,074,000	$ 2,780,494,000	$345,124,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2010, the total general obligation bonds payable of $2,660,160,000 are classified as current and long-term in the Statement of Net Assets in the amounts of $339,110,000 and $ 2,321,050,000, respectively.

Debt Service Requirements—The "debt service requirements" set forth in the following tables represent payments due the bondholders, as required by the respective bond agreements. The amounts do not represent sinking fund payments the RTA must deposit with the trustee.

1990 General Obligation Bonds—In May 1990, the RTA issued $100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the Service Boards.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 4,085,000	$ 4,102,920	$ 8,187,920
2012	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014	5,035,000	3,155,400	8,190,400
2015	5,395,000	2,792,880	8,187,880
2016-2020	33,395,000	7,547,040	40,942,040
Total	$ 56,985,000	$ 24,900,480	$ 81,885,480

1991 General Obligation Bonds—In November 1991, the RTA issued $100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the Service Boards.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ -	$ 3,734,914	$ 3,734,914
2012	4,090,000	3,734,915	7,824,915
2013	4,365,000	3,460,885	7,825,885
2014	4,660,000	3,168,430	7,828,430
2015	4,970,000	2,856,210	7,826,210
2016-2020	30,325,000	8,815,525	39,140,525
2021	7,335,000	491,445	7,826,445
Total	$ 55,745,000	$ 26,262,324	$ 82,007,324

1992 General Obligation Bonds—In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 8,610,000	$ 863,040	$ 9,473,040
2012	9,180,000	293,760	9,473,760
Total	$ 17,790,000	$ 1,156,800	$ 18,946,800

1994 General Obligation Bonds—In May 1994, the RTA issued $195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued $80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1994A and 1994B Bonds mature on June 1, over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ -	$ 1,951,601	$ 1,951,601
2012	-	1,951,600	1,951,600
2013	-	1,951,600	1,951,600
2014	-	1,951,600	1,951,600
2015	-	1,951,600	1,951,600
2016-2024	24,395,000	1,989,399	26,384,399
Total	$ 24,395,000	$ 11,747,400	$ 36,142,400

In December 1994, the RTA issued $62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued $130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 1,750,000	$ 4,168,725	$ 5,918,725
2012	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014	2,210,000	3,710,313	5,920,313
2015	7,360,000	3,339,475	10,699,475
2016-2025	39,410,000	7,059,863	46,469,863
Total	$ 54,665,000	$ 26,181,245	$ 80,846,245

1997 General Obligation Refunding Bonds—In September 1997, the RTA issued $98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of $4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of $29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of $47 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997 Refunding bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 5,750,000	$ 3,125,100	$ 8,875,100
2012	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014	3,530,000	2,559,300	6,089,300
2015	3,750,000	2,340,900	6,090,900
2016-2020	22,515,000	7,925,850	30,440,850
2021-2023	14,625,000	1,206,750	15,831,750
Total	$ 55,355,000	$ 22,838,388	$ 78,193,388

1999 General Obligation Refunding Bonds—In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding

Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 8,525,000	$ 14,686,182	$ 23,211,182
2012	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014	16,735,000	12,406,594	29,141,594
2015	17,720,000	11,416,012	29,136,012
2016-2020	89,500,000	43,893,301	133,393,301
2021-2025	99,215,000	10,854,056	110,059,056
Total	$ 258,710,000	$ 120,842,702	$ 379,552,702

2000 General Obligation Bonds—In June 2000, the RTA issued $260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 5,900,000	$ 13,955,475	$ 19,855,475
2012	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014	7,005,000	12,798,038	19,803,038
2015	7,425,000	12,360,225	19,785,225
2016-2020	44,465,000	54,253,314	98,718,314
2021-2025	60,095,000	38,497,126	98,592,126
2026-2030	81,470,000	16,531,775	98,001,775
Total	$ 219,215,000	$ 175,208,591	$ 394,423,591

2001 General Obligation Bonds—In April 2001, the RTA issued $100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 2,200,000	$ 5,017,563	$ 7,217,563
2012	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014	2,595,000	4,597,813	7,192,813
2015	2,740,000	4,435,625	7,175,625
2016-2020	16,210,000	19,533,150	35,743,150
2021-2025	21,335,000	14,372,250	35,707,250
2026-2030	28,095,000	7,224,000	35,319,000
2031	6,605,000	396,300	7,001,300
Total	$ 84,560,000	$ 65,224,514	$ 149,784,514

In March 2001, the RTA issued $38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of $38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ -	$ 1,639,000	$ 1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014	2,295,000	1,575,888	3,870,888
2015	2,425,000	1,446,088	3,871,088
2016-2020	14,355,000	5,010,364	19,365,364
2021-2023	10,725,000	906,538	11,631,538
Total	$ 29,800,000	$ 13,855,878	$ 43,655,878

2002 General Obligation Bonds—In March 2002, the RTA issued $160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 3,315,000	$ 8,250,438	$ 11,565,438
2012	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014	3,900,000	7,654,975	11,554,975
2015	4,120,000	7,430,725	11,550,725
2016-2020	24,390,000	33,283,525	57,673,525
2021-2025	32,300,000	25,105,800	57,405,800
2026-2030	42,795,000	14,227,200	57,022,200
2031-2032	20,785,000	1,888,200	22,673,200
Total	$ 138,790,000	$ 113,776,126	$ 252,566,126

In June 2002, the RTA issued $200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 11,325,000	$ 6,331,525	$ 17,656,525
2012	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014	12,900,000	4,345,150	17,245,150
2015	13,500,000	3,635,650	17,135,650
2016-2019	60,890,000	6,744,013	67,634,013
Total	$ 122,765,000	$ 31,782,563	$ 154,547,563

2003 General Obligation Bonds—In May 2003, the RTA issued $260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 5,310,000	$ 13,276,325	$ 18,586,325
2012	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014	6,235,000	12,435,325	18,670,325
2015	6,575,000	12,092,400	18,667,400
2016-2020	38,720,000	54,622,100	93,342,100
2021-2025	50,585,000	42,736,050	93,321,050
2026-2030	65,505,000	26,636,400	92,141,400
2031-2033	48,145,000	5,875,800	54,020,800
Total	$ 232,585,000	$ 193,416,050	$ 426,001,050

In January 2003, the RTA issued $150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 3,105,000	$ 7,402,200	$ 10,507,200
2012	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014	3,610,000	6,873,125	10,483,125
2015	3,805,000	6,669,213	10,474,213
2016-2020	22,330,000	29,881,202	52,211,202
2021-2025	29,030,000	22,857,426	51,887,426
2026-2030	37,750,000	13,638,233	51,388,233
2031-2033	27,895,000	2,462,007	30,357,007
Total	$ 134,225,000	$ 104,093,219	$ 238,318,219

2004 General Obligation Bonds—In October 2004, the RTA issued $260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 5,120,000	$ 13,037,788	$ 18,157,788
2012	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014	5,950,000	12,208,788	18,158,788
2015	6,255,000	11,880,206	18,135,206
2016-2020	36,575,000	53,502,526	90,077,526
2021-2025	47,555,000	42,029,169	89,584,169
2026-2030	61,820,000	27,194,951	89,014,951
2031-2034	62,585,000	7,433,456	70,018,456
Total	$ 236,905,000	$ 192,561,085	$ 429,466,085

2005 General Obligation Bonds— In May 2005, the RTA issued $148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of $147 million.

The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly based on current market rates.

Debt service requirements on the Series 2005B Refunding Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2011	$ 7,210,000	$ 4,036,395	$ 11,246,395
2012	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014	8,425,000	3,265,268	11,690,268
2015	3,910,000	3,061,740	6,971,740
2016-2020	23,650,000	13,958,177	37,608,177
2021-2025	67,175,000	5,387,664	72,562,664
Total	$ 125,920,000	$ 37,037,059	$ 162,957,059

** Interest was calculated using a rate of 3.3%.*

2006 General Obligation Bonds—In October 2006, the RTA issued $250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 3,955,000	$ 11,671,031	$ 15,626,031
2012	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014	4,630,000	11,046,281	15,676,281
2015	4,970,000	10,814,781	15,784,781
2016-2020	29,815,000	50,020,406	79,835,406
2021-2025	68,285,000	39,851,406	108,136,406
2026-2030	74,105,000	18,460,313	92,565,313
2031-2035	44,210,000	7,568,863	51,778,863
Total	$ 238,510,000	$ 172,172,144	$ 410,682,144

2009 Working Cash Notes—In June 2009, the RTA issued $260 million in General Obligation Working Cash Notes, Series 2009B, to provide funds to be used to manage the cash flow needs of the RTA and the Service Boards, including if necessary, the refinancing of any existing Authority obligations for such purpose and pay the costs of issuance.

The Series 2009B Working Cash Notes mature on April 1, 2011 and June 1, 2011 and interest is payable at 2.879% and 2.979%, respectively.

Debt service requirements on the Series 2009B Working Cash Notes to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 260,000,000	$ 3,183,917	$ 263,183,917

General Obligation Bonds—In January 2010, the RTA issued $62.2 million in General Obligation Bonds, Series 2010A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2010A Bonds mature on July 1, over a thirteen year period and interest is payable at rates ranging from 4.00% to 5.00% on July 1, 2010 and annually thereafter on July 1 in each remaining year.

Debt service requirements on the Series 2010A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ 2,950,000	$ 2,945,500	$ 5,895,500
2012	4,075,000	2,827,500	6,902,500
2013	4,235,000	2,664,500	6,899,500
2014	4,450,000	2,452,750	6,902,750
2015	4,670,000	2,230,250	6,900,250
2016-2020	27,100,000	7,405,750	34,505,750
2021-2022	12,835,000	970,500	13,805,500
Total	$ 60,315,000	$ 21,496,750	$ 81,811,750

General Obligation Bonds—In January 2010, the RTA issued $112.9 million in General Obligation Bonds, Series 2010B, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2010B Bonds mature on July 1, over a twenty-five year period and interest is payable at rates ranging from 5.40% to 5.90% on July 1, 2010 and annually thereafter on July 1 in each remaining year.

Debt service requirements on the Series 2010B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ -	$ 6,621,635	$ 6,621,635
2012	-	6,621,635	6,621,635
2013	-	6,621,635	6,621,635
2014	-	6,621,635	6,621,635
2015	-	6,621,635	6,621,635
2016-2020	-	33,108,175	33,108,175
2021-2025	21,425,000	31,971,895	53,396,895
2026-2030	41,435,000	22,584,055	64,019,055
2031-2035	50,065,000	9,242,100	59,307,100
Total	$ 112,925,000	$ 130,014,400	$ 242,939,400

2010 Working Cash Notes—In July 2009, the RTA issued $140 million in General Obligation Working Cash Notes, Series 2010C, to provide funds to be used to manage the cash flow needs of the RTA and the Service Boards, including if necessary, the refinancing of any existing Authority obligations for such purpose and pay the costs of issuance.

The Series 2010C Working Cash Notes mature on July 1, 2012 and interest is payable at 2.843%.

Debt service requirements on the Series 2010C Working Cash Notes to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2011	$ -	$ 3,980,200	$ 3,980,200
2012	140,000,000	1,990,100	141,990,100
Total	$ 140,000,000	$ 5,970,300	$ 145,970,300

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the sales tax receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, $162,822,114 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2010.

NOTE 11. OTHER LONG-TERM OBLIGATIONS

Changes in other long-term obligations for the year ended December 31, 2010 were as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010	Due Within One Year
Compensated absences payable	$ -	$ 725,000	$ -	$ 725,000	$ -
Deferred rent	2,160,000	3,000	-	2,163,000	-
Accrued interest payable	33,404,000	39,196,000	33,404,000	39,196,000	-
Unearned revenue	48,674,000	524,000	1,701,000	47,497,000	1,701,000

The long-term liabilities will be paid by the General Fund.

NOTE 12. PENSION

Plan Description—Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a cost-sharing multi-employer noncontributory defined benefit pension plan, the Regional Transportation Authority Pension Plan ("Plan"), covering substantially all employees not otherwise covered by a union pension plan. The responsibilities for establishing, administering, and amending the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors ("Plan Administrators").

The Plan is classified as a "governmental plan" and is, therefore, generally exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Internal Revenue Service has issued a letter of determination dated September 30, 1988 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code ("Code") and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan operates on a calendar fiscal year.

Pension Benefits—Participants are entitled to annual pension benefits upon normal retirement at age 65. Such benefits are generally based on a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

The Plan provides that, upon retirement, benefits payable will be reduced by a defined percentage of pension benefits payable to participants who received credit for prior service with an eligible employer. Because information with respect to these benefits is not readily available until retirement, the information included in the accumulated plan benefits and changes in accumulated plan benefits with respect to active and terminated participants does not reflect a reduction of these benefits.

The Plan permits early retirement at age 55 after completing ten years of credited service with reduced benefits. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age and credited years of service equals 85 or higher.

The Plan provides for benefit payments to beneficiaries equal to or reduced from the participant's monthly benefit payment subject to the election of the participant.

Disability Benefits—An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2010, the RTA Board approved a resolution that a contribution of $11,288,000 be made to the Plan. The contribution is allocated as follows: Metra - $5,802,000; Pace - $ 4,210,000; RTA - $1,276,000. As of December 31, 2010, $11,288,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2010 contribution levels were within the actuarially determined ranges for the respective years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to determine the actuarial accrued liability presented in the note to the Required Supplementary Information.

Participating employees do not contribute to the Plan. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

The complete Plan financial report, including all required disclosures can be obtained from the Plan Administrators at the following address:

Regional Transportation Authority Pension Plan
175 West Jackson Boulevard, Suite 1650
Chicago, IL 60604

Funding Policy—Prior to July 1, 1979, contributions were made on the basis of non-actuarial estimates. The Plan's initial actuarial study found that those estimates were in excess of actuarial requirements. As a result, pension expense is being reduced by amortization of the excess over 30 years.

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

Related-Party Transactions—There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

Annual Pension Cost and Net Pension Obligation—For 2008, 2009 and 2010 the RTA's annual pension costs equal the required contributions which were, $9,195,000, $10,827,000 and $11,288,000, respectively. The required contributions were determined as part of the January 1, 2008, 2009 and 2010 actuarial valuations.

In accordance with the GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the RTA determined its net pension obligation at transition (January 1, 1997). There was no net pension obligation for the Plan at transition or at year-end.

Significant Actuarial Assumptions—The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	January 1, 2010	January 1, 2009	January 1, 2008
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	8.5%	8.5%	8.5%
Projected salary increases:			
Age graded scale	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47% at age 20 to 0.39% at age 60 for males.

Funded Status and Funding Progress – As of December 31, 2010, the most recent actuarial valuation date, the plan was 71.28 percent funded. The actuarial accrued liability for benefits was $166,663,123 and the actuarial value of assets was $118,805,281, resulting in an underfunded actuarial accrued liability (UAAL) of $(47,857,842). The covered payroll (annual payroll of active employees covered by the Plan) was $68,389,409 and the ratio of the UAAL to the covered payroll was 70.0 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 13. OTHER POSTEMPLOYMENT BENEFITS

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with 10 years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with 10 years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan, depending on their age (providing they were covered as dependents immediately prior to the employee's retirement).

Election to participate is voluntary with the RTA incurring no additional obligations, except that the RTA will pay each eligible retiree the sum of up to $78 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expenses as they are paid and are not material in amount at the present time.

For 2010, the RTA incurred $19,188 in other post employment benefit expenditures. There are 24 participants eligible to receive benefits as of December 31, 2010.

NOTE 14. RISK MANAGEMENT

The RTA is exposed to various risks including, but not limited to, losses from workers' compensation, employee health insurance, and general liability/property. Commercial insurance coverage is procured to limit the RTA's exposure to such losses.

The Workers' Compensation and Employers' Liability Insurance Policy is procured through RTA's insurance policy with The Hartford. The RTA is insured for $500,000 each accident for bodily injury by accident, $500,000 each employee for bodily injury by disease and $500,000 policy limit. The RTA property is insured through Pace's Property Insurance with Mesirow Insurance Services, Inc. The RTA's portion of insurance premiums is paid to Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years. There have been no significant reductions in the amount of coverage from the prior year.

In addition, the RTA is a participant in RTA's Joint Self-Insurance Fund. The Fund was created as required by Article Two of the Loss Financing Plan (Plan) of the RTA and the three Service Boards. The Plan is intended primarily to serve as a mechanism for funding catastrophic losses and, by capitalizing the Fund in advance of such losses, to smooth their impact over time. The Fund is essentially a self-insurance program that provides a means for financing losses that are normally insured, and is included in the RTA's reporting entity as a proprietary fund type (enterprise fund). The Plan is administered by the RTA, CTA, Metra, and Pace (Participating Entities) utilizing a Fund Manager appointed by the RTA and three Fund Advisors, one appointed by each of the Service Boards.

Each participating entity (RTA, CTA, Metra, and Pace) is only responsible to repay the Fund for submitted claims paid by the Fund. The Fund acts exclusively as a claims-service, and financing mechanism, not an insurer, with respect to claims presented.

The limit of liability to the Fund is established at $50 million less the retained limit (deductible portion) as described below:

General Liability—The categories of general liability that are covered, with certain defined exclusions, by the joint agreement are:

- Personal injury

- Property damage
- Advertising injury
- Evacuation, evacuation expenses and loss of use

The retained limit (deductible portion) for each Participating Entity is:

CTA	$ 2,500,000
Metra	2,500,000
Pace	250,000
RTA	100,000

Officer and Employee Liability—All directors, officers or employees of each Participating Entity are covered, with certain defined exclusions, by the Plan. The retained limits are $100,000 for each covered person. If a loss is covered under both types of liability, then the retained limit for general liability will apply.

NOTE 15. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. In 2010, the total rent paid by the RTA was $1,698,152. Minimum required annual rental payments by the RTA are as follows:

Year Ending December 31	Amount
2011	$ 1,979,670
2012	1,982,815
2013	1,972,587
2014	1,818,595
2015	1,857,549
2016-2020	9,569,953
2021-2024	6,598,424
Total	$ 25,779,593

NOTE 16. RESTATEMENT

In order to comply with the provisions of Governmental Accounting Standards Board Statement (GASB) 53, *Accounting and Financial Reporting for Derivative Instruments,* the December 31, 2009 Net Assets for Governmental Activities and Fund Balance for the General Fund have been restated as follows.

	General Fund Increase (Decrease) Fund Balance/ (Deficit)	Statement of Net Assets Increase (Decrease) Net Assets
December 31, 2009 balance/(deficit) as previously reported	$ 127,658	$ (1,951,448)
Restatement to reflect GASB 53 valuations of derivative instruments	(4,666)	(3,171)
December 31, 2009 balance/(deficit) as restated	$ 122,992	$ (1,954,619)

NOTE 17. SUBSEQUENT EVENTS

Beginning in January 2011, the RTA began drawing on a newly authorized commercial paper facility that authorizes the RTA to borrow up to $260 million. Note holders are fully secured by a letter of credit and a subordinate lien on sales taxes levied by the RTA.

In July 2011, the RTA anticipates issuing advance refunding bonds to pre-refund $99.6 million of RTA bonds scheduled to mature between 2013 and 2019. The refunding action will not significantly change the RTA's outstanding debt but will reduce interest expense over the refunding period.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—(BUDGETARY BASIS)—GENERAL FUND
YEAR ENDED DECEMBER 31, 2010
(in thousands)

	General Fund		
	Budget Original and Final	Actual	Variance
REVENUES:			
Sales taxes	$ 103,580	$ 103,168	$ (412)
Interest on sales taxes	300	137	(163)
Public Transportation Fund	165,290	171,169	5,879
Innovation, Coordination & Enhancement (ICE)	-	9,480	9,480
State assistance (AFA & ASA)	122,000	130,116	8,116
General State Revenue	13,900	65,149	51,249
Investment income	14,600	16,273	1,673
Other revenues	1,000	2,851	1,851
Total revenues	420,670	504,343	83,673
EXPENDITURES:			
Financial assistance to Service Boards	97,648	97,648	-
Capital grants-current year	20,353	20,353	-
PACE Operating Assistant Grant (ADA)	-	18	(18)
South Suburban Job Access Program PACE	7,500	7,500	-
Innovation, Coordination & Enhancement	9,030	9,480	(450)
PACE (PTF) expenditures	-	6,000	(6,000)
State Funding MOU Pace (ADA)	8,500	4,250	4,250
Cap Grants - State Bonds	-	60,862	(60,862)
Administration	8,127	7,699	428
Non-Administration:			
Regional Services and Coordination Programs	19,293	20,296	(1,003)
Regional Technical Assistance Program	4,026	3,414	612
Capital outlay	1,113	1,113	-
Technology program	1,166	1,979	(813)
Debt related costs	-	6,187	(6,187)
Total expenditures	176,756	246,799	(70,043)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	243,914	257,544	13,630
OTHER FINANCING USES—			
Transfers out-debt related costs and JSIF	(211,120)	(217,174)	(6,054)
Total other financing uses	(211,120)	(217,174)	(6,054)
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 32,794	40,370	$ 7,576
Budgetary basis to GAAP basis adjustments		4,851	
NET CHANGE IN FUND BALANCE—GAAP BASIS		45,221	
FUND BALANCE:			
Beginning of year		122,992	
End of year		$ 168,213	

Note 1. BUDGET AND BUDGETARY ACCOUNTING

The budgetary basis of the General Fund's budget and actual presentation is included as required supplementary information. For comparison of the combined budgets as required for board presentation, the combined schedule of revenues, expenditures, and changes in fund balance—budget and actual—general and the sales tax agency funds are presented in the combining and individual fund schedules section of the CAFR. Additional budget detail is used by management for monitoring purposes which is provided in this section as the schedule of expenditures—budget and actual—General Fund.

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the General Fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to the Service Boards. The RTA capital expenditures and capital grants to the Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the General Fund. Budgets for RTA capital expenditures and capital grants to the Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is generally the policy of the RTA (ordinance 91-9) to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. However, unfavorable economic conditions created the need to waive this policy for purposes of the adoption of the 2010 budget and 2011-2012 financial plan and the 2011 budget and 2012-2013 financial plan. Also waived for the purpose of the adoption of the 2010 budget and 2011-2012 financial plan was the provision of the RTA funding policy adopted by Ordinance 98-15 that requires that the RTA annual budget and two-year financial plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period.

The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from Service Board sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from unallocated RTA sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, unallocated RTA sale tax receipts and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

Note 2. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

The accompanying schedule of revenues, expenditures, and changes in fund balance, budget and actual-general fund (this section), and combining schedule of revenues, expenditures and changes in fund balance-budget and actual-general and agency funds (in combining and individual fund schedules section) present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ with accounting principles generally accepted in the United States of America, a reconciliation of timing differences in the excess of revenues over expenditures and other financing uses is presented below:

	General Fund
Excess of expenditures over revenues and other financing use-budgetary basis	$ 40,369,607
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(6,660,069)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	11,721,044
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	(209,516)
Budgetary basis to GAAP basis adjustments	4,851,459
Net change in fund balance - GAAP basis	$ 45,221,066

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2005	$90,334,371	$105,976,209	$(15,641,838)	85.24%	$ 56,417,461	27.7%
January 1, 2006	94,697,937	124,521,129	(29,823,192)	76.05%	58,883,678	50.6%
January 1, 2007	102,523,735	133,905,851	(31,382,116)	76.56%	61,357,214	51.1%
January 1, 2008	114,031,540	146,417,404	(32,385,864)	77.88%	61,364,198	52.8%
January 1, 2009	106,021,198	153,284,576	(47,263,378)	69.17%	66,010,613	71.6%
January 1, 2010	118,805,281	166,663,123	(47,857,842)	71.28%	68,389,409	70.0%

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2010

Year Ended:	Annual Required Contribution		Percentage Contributed
2005	$ 6,800,000		100%
2006	8,777,000		100%
2007	9,137,000		100%
2008	9,195,000		100%
2009	10,827,000		100%
2010	11,288,000	(1)	100%

(1) Contributions for the plan year ended December 31, 2010 will be paid during 2011.

COMBINING AND INDIVIDUAL FUND SCHEDULES

A. GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund. A budget and actual schedule of general fund expenditures is presented in this section.

The RTA Board approves a comprehensive budget which includes the activity in the general fund and the Sales Tax Agency Fund. For comparison of the combined budgets, the combined budget and actual schedule of revenues, expenditures and changes in fund balance for both funds is also presented in this section.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES—
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED DECEMBER 31, 2010
(in thousands)

	General Fund		
	Budget Original and Final	Actual	Variance
EXPENDITURES:			
Financial assistance to Service Boards	$ 97,648	$ 97,648	$ -
Capital grants-current year	20,353	20,353	-
PACE Operating Assistant Grant (ADA)	-	18	(18)
South Suburban Job Access Program PACE	7,500	7,500	-
Innovation, Coordination & Enhancement (ICE)	9,030	9,480	(450)
PACE (PTF) expenditures	-	6,000	(6,000)
State Funding MOU Pace (ADA)	8,500	4,250	4,250
Cap Grants - State Bonds	-	60,862	(60,862)
Administration	8,127	7,699	428
Non-Administration:			
Regional Services and Coordination Programs	19,293	20,296	(1,003)
Regional Technical Assistance Program	4,026	3,414	612
Capital outlay	1,113	1,113	-
Technology program	1,166	1,979	(813)
Debt related costs	-	6,187	(6,187)
TOTAL EXPENDITURES	$ 176,756	$ 246,799	$ (70,043)

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2010
(in thousands)

	General Fund		
	Budget	Actual	Variance
REVENUES:			
Sales taxes	$ 103,580	$ 103,168	$ (412)
Interest on sales taxes	300	137	(163)
Public Transportation Fund	165,290	171,169	5,879
Innovation, Coordination & Enhancement (ICE)	-	9,480	9,480
PACE Operating Assistance (ADA)	-	6,000	6,000
State assistance (AFA & ASA)	122,000	130,116	8,116
Reduced fare reimbursement	-	-	-
General State Revenue	13,900	65,149	51,249
Investment income	14,600	16,273	1,673
Other revenue	1,000	2,851	1,851
Total revenues	420,670	504,343	83,673
EXPENDITURES:			
Financial assistance to Service Boards	97,648	97,648	-
Capital grants-current year	20,353	20,353	-
PTF (New Sales Tax/RETT)	-	-	-
Pace Operating Assistance Grant (ADA)	-	18	(18)
Paratransit funding -PACE	-	-	-
Suburban Community Mobility Fund	-	-	-
South Suburban Job Access Program	7,500	7,500	-
Innovation, Coordination and Enhancement (ICE)	9,030	9,480	(450)
Reduced fare reimbursement	-	-	-
State Funding MOU Pace (ADA)	8,500	4,250	4,250
Cap Grants - State Bonds	-	60,862	(60,862)
PACE (PTF) expenditures	-	6,000	(6,000)
Administration	8,127	7,699	428
Non-Administration:			
Regional Services and Coordination Programs	19,293	20,296	(1,003)
Regional Technical Assistance Program	4,026	3,414	612
Interest on sales taxes to Service Boards	-	-	-
Capital outlay	1,113	1,113	-
Technology program	1,166	1,979	(813)
Debt related costs	-	6,187	(6,187)
Total expenditures	176,756	246,799	(70,043)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	243,914	257,544	13,630
OTHER FINANCING USES—			
Transfers out-debt related costs and JSIF	(211,120)	(217,174)	(6,054)
Total other financing uses	(211,120)	(217,174)	(6,054)
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 32,794	40,370	$ 7,576
Budgetary basis to GAAP basis adjustments		4,851	
NET CHANGE IN FUND BALANCE—GAAP BASIS		45,221	
FUND BALANCE:			
Beginning of year		122,992	
End of year		$ 168,213	

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
$ 786,895	$ 818,788	$ 31,893	$ 890,475	$ 921,956	$ 31,481
1,700	210	(1,490)	2,000	347	(1,653)
108,453	116,235	7,782	273,743	287,404	13,661
-	-	-	-	9,480	9,480
-	-	-	-	6,000	6,000
-	-	-	122,000	130,116	8,116
36,800	33,570	(3,230)	36,800	33,570	(3,230)
-	-	-	13,900	65,149	51,249
-	-	-	14,600	16,273	1,673
-	-	-	1,000	2,851	1,851
933,848	968,803	34,955	1,354,518	1,473,146	118,628
786,984	705,033	81,951	884,632	802,681	81,951
-	-	-	20,353	20,353	-
-	116,235	(116,235)	-	116,235	(116,235)
-	-	-	-	18	(18)
90,303	94,796	(4,493)	90,303	94,796	(4,493)
18,061	18,959	(898)	18,061	18,959	(898)
-	-	-	7,500	7,500	-
-	-	-	9,030	9,480	(450)
36,800	33,570	3,230	36,800	33,570	3,230
-	-	-	8,500	4,250	4,250
-	-	-	-	60,862	(60,862)
-	-	-	-	6,000	(6,000)
-	-	-	8,127	7,699	428
	-				
-	-	-	19,293	20,296	(1,003)
-	-	-	4,026	3,414	612
1,700	210	1,490	1,700	210	1,490
-	-	-	1,113	1,113	-
-	-	-	1,166	1,979	(813)
-	-	-	-	6,187	(6,187)
933,848	968,803	(34,955)	1,110,604	1,215,602	(104,998)
-	-	-	243,914	257,544	13,630
-	-	-	(211,120)	(217,174)	(6,054)
-	-	-	(211,120)	(217,174)	(6,054)
$ -	-	$ -	$ 32,794	40,370	$ 7,576
	-			4,851	
	-			45,221	
	-			122,992	
	$ -			$ 168,213	

B. DEBT SERVICE FUND

Debt Service Fund Accounts:

1990A—to account for transfers received, investment income and principal and interest payments made for 1990A general obligation bonds.

1991A—to account for transfers received, investment income and principal and interest payments made for 1991A general obligation bonds.

1992A and B*—to account for transfers received, investment income and principal and interest payments made for 1992A & B general obligation bonds.

1994A and B*—to account for transfers received, investment income and principal and interest payments made for 1994A & B general obligation bonds.

*1994C * and D*—to account for transfers received, investment income and principal and interest payments made for 1994C & D general obligation bonds.

1997—to account for transfers received, investment income and principal and interest payments made for 1997 refunding general obligation bonds.

1999—to account for transfers received, investment income and principal and interest payments made for 1999 refunding general obligation bonds.

*2000A**—to account for transfers received, investment income and principal and interest payments made for 2000A general obligation bonds.

*2001A**—to account for transfers received, investment income and principal and interest payments made for 2001A general obligation bonds.

*2001B**—to account for transfers received, investment income and principal and interest payments made for 2001B refunding general obligation bonds.

*2002A**—to account for transfers received, investment income and principal and interest payments made for 2002A general obligation bonds.