



**Regional
Transportation
Authority**

The six-county public
transportation system
serving northeastern Illinois

2011 POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2011





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 (<i>in millions</i>)	2011–2015 FIVE-YEAR CAPITAL PROGRAM (<i>in millions</i>)
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. <i>RTA Board Chairman</i>	Dwight A. Magalis <i>Lake County</i>
Carole Brown <i>City of Chicago (Appointed December 2011)</i>	Sam Mencoff <i>City of Chicago (Appointed December 2011)</i>
James Buchanan <i>City of Chicago</i>	André Rice <i>City of Chicago</i>
Jan Carlson <i>Kane County</i>	Michael Rosenberg <i>City of Chicago (October 1995 - December 2011)</i>
William R. Coulson <i>Suburban Cook County</i>	J.D. Ross <i>Will County</i>
Rev. L. Tyrone Crider, Sr. <i>Suburban Cook County</i>	Dr. Horace E. Smith <i>City of Chicago (February 2009 - December 2011)</i>
Patrick Durante <i>DuPage County</i>	Donald L. Totten <i>Suburban Cook County</i>
John V. Frega <i>Suburban Cook County</i>	Douglas M. Troiani <i>Suburban Cook County</i>
Phil Fuentes <i>City of Chicago</i>	Joseph G. Costello <i>Executive Director</i>
Al Jourdan <i>McHenry County</i>	

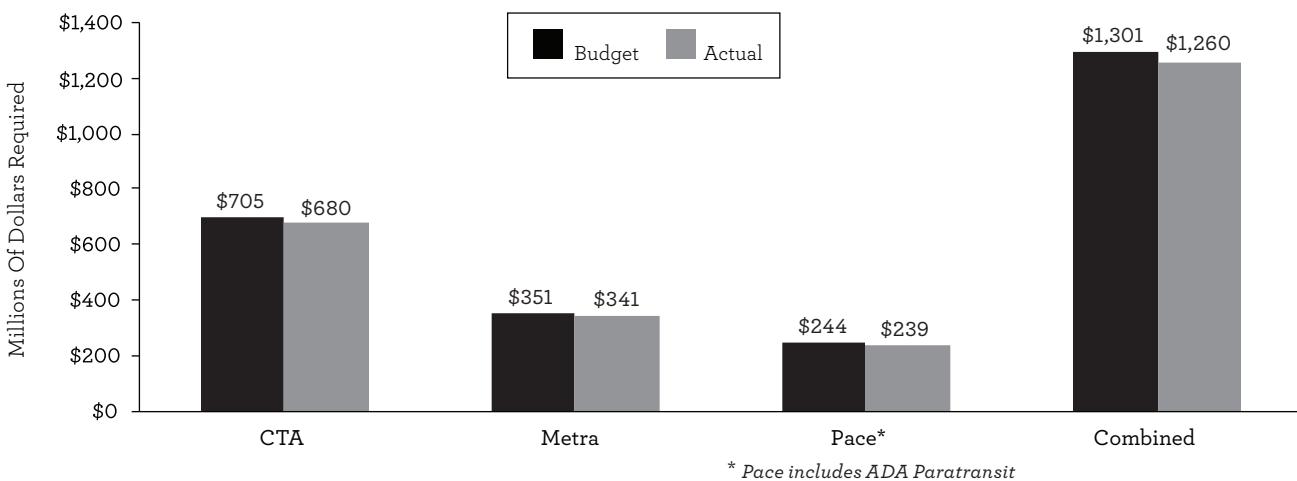
RTA'S FISCAL RESPONSIBILITY

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.

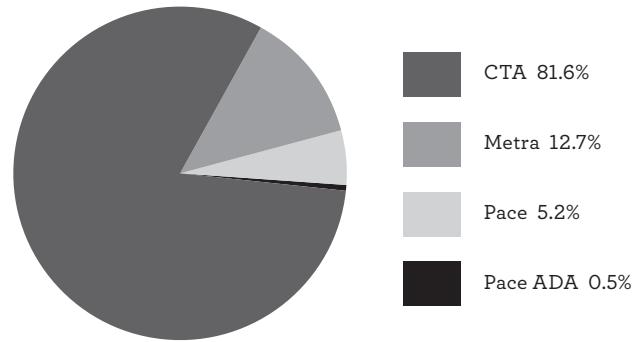
The Service Boards develop, adopt, and submit to the RTA their own individual annual budgets, which the RTA Board must review, approve, and adopt. The RTA then monitors the financial and operational performance of each Service Board on a monthly and quarterly basis to ensure compliance with their adopted 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)



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.

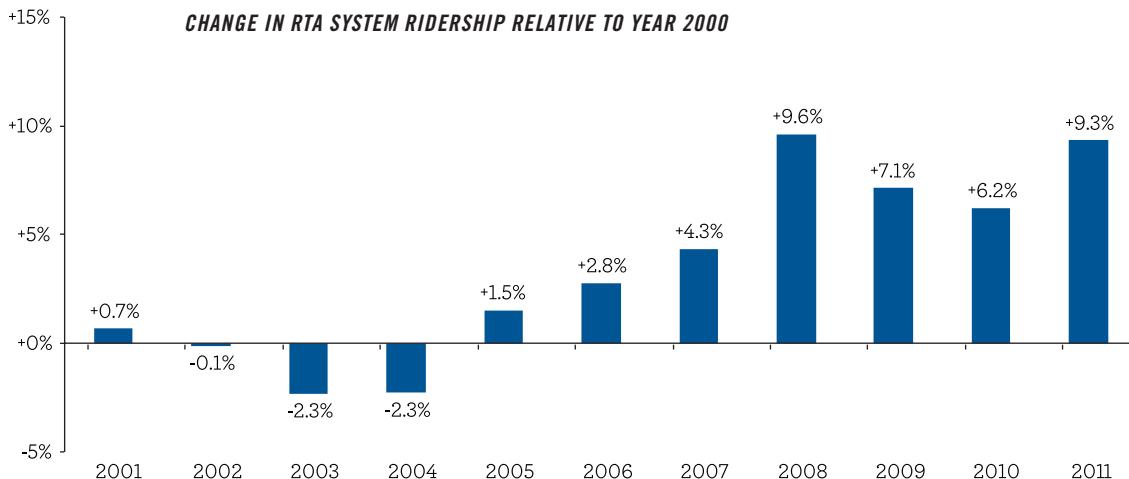
The CTA, with weekday ridership of more than 1.6 million, carries the largest number of customers in the RTA system, but on relatively short urban trips. Its bus and rail operations comprise the nation's second largest transit agency, with service to the City of Chicago and 40 surrounding suburbs. The 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.



OPERATING CHARACTERISTICS

CHICAGO TRANSIT AUTHORITY	METRA COMMUTER RAIL DIVISION*	PACE SUBURBAN BUS DIVISION
Rapid Transit		
8 rail routes	11 rail routes	Fixed Route Bus
143 stations served	487.7 route miles	137 regular routes
1,142 rapid transit cars	1,155 miles of track	35 feeder routes
221.6 million riders per year	241 stations	15 shuttle routes
1,598 STO* positions	157 locomotives	579 vehicles in use at peak
Motor Bus	1,086 passenger cars	30.6 million riders per year
140 bus routes	191 electric cars	7 seasonal routes
1,780 buses	703 weekday trains operated	589 Pace-owned buses
310.4 million riders per year	95.9% on-time performance	1,416 full-time employees
3,710 STO* positions	82.7 million riders per year	ADA Paratransit
CTA Totals	4,380 full-time employees	212 vehicles in service
1.4 billion rail passenger miles per year	1.6 billion passenger miles per year	3.4 million riders per year
712.9 million bus passenger miles per year	42.9 million vehicle miles per year	36 full-time employees
116.7 million vehicle revenue miles per year		Dial-A-Ride
3,784 without STO* positions		68 local services
<i>*STO is Scheduled Transit Operators. This classification includes bus operators, motormen, conductors and customer assistants.</i>	<i>*All data excludes NICTD South Shore</i>	157 vehicles in service
		210 communities served
		1.2 million riders per year
		Vanpool
		696 vanpools in operation
		1.8 million riders per year



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.



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.

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.

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.

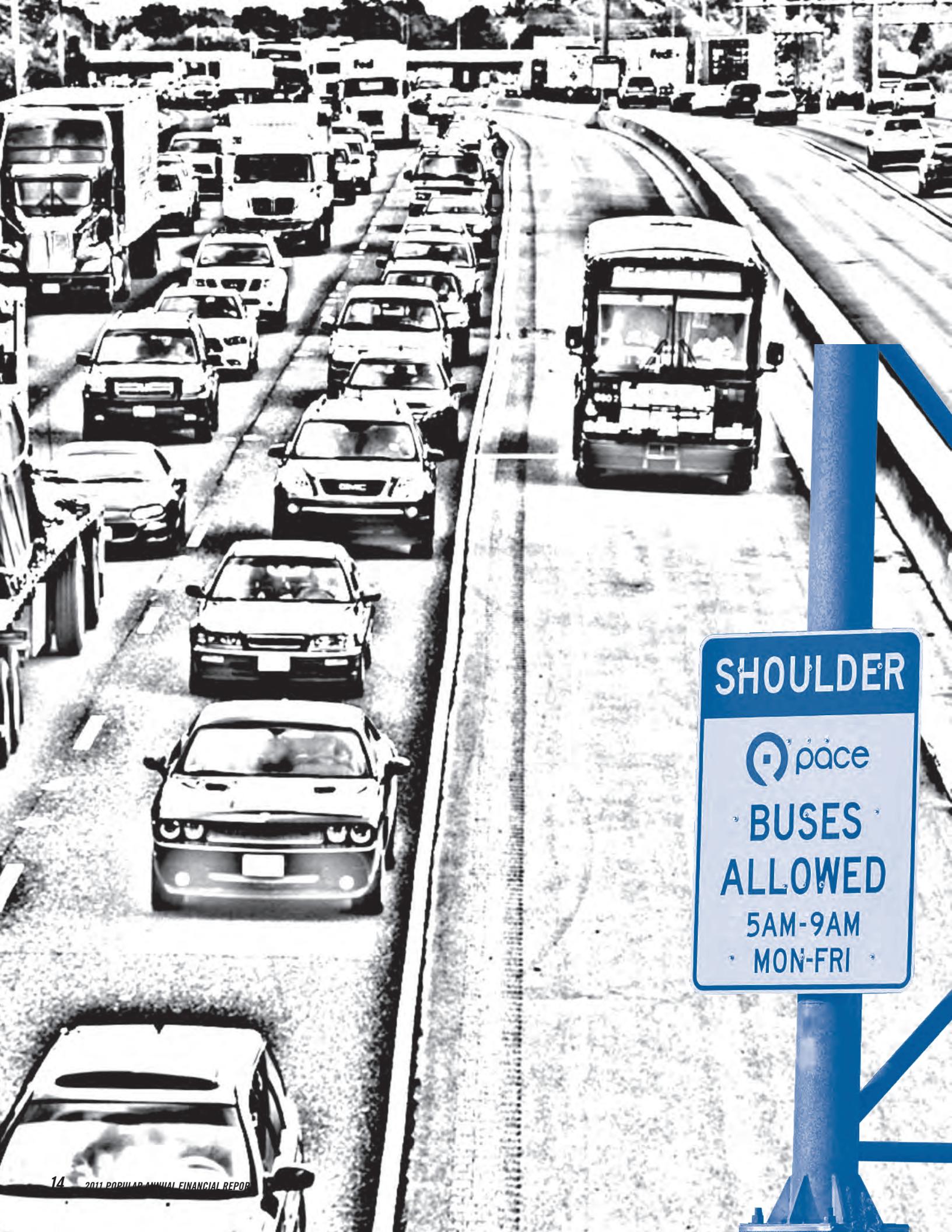
RTA, in collaboration with the Service Boards, made significant strides in meeting the requirements of the legislation in 2011.

- 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.

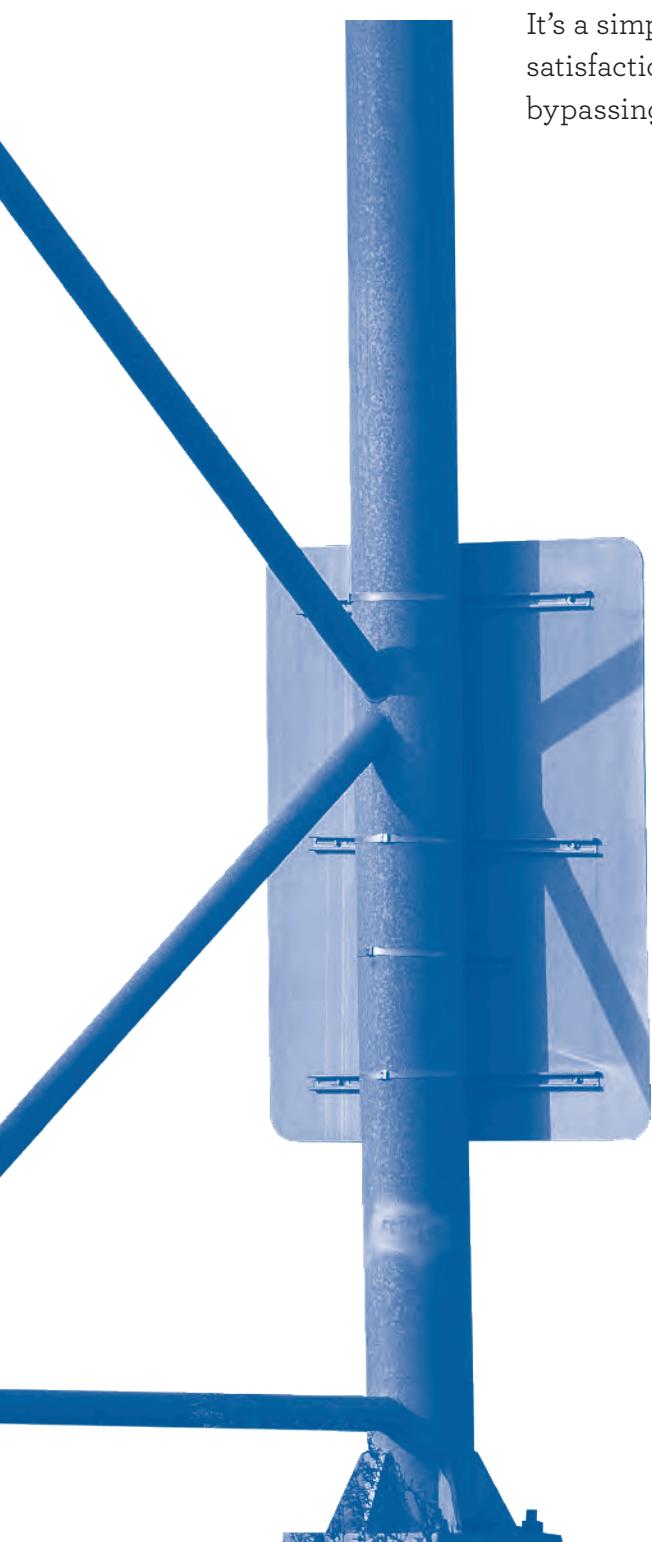


SHOULDER

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.

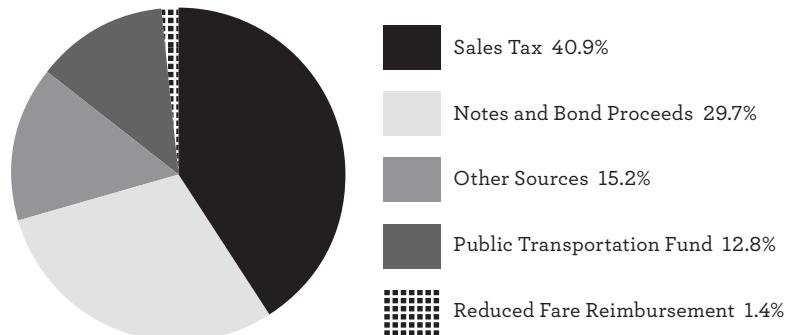


The RTA led a planning effort for Bus On Shoulder operations on the I-55/Stevenson Expressway operated by Pace. Following the completion of that planning study, on November 14, 2011, the RTA, IDOT, and Pace, in coordination with the Illinois State Police (ISP), launched a two-year pilot demonstration 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.

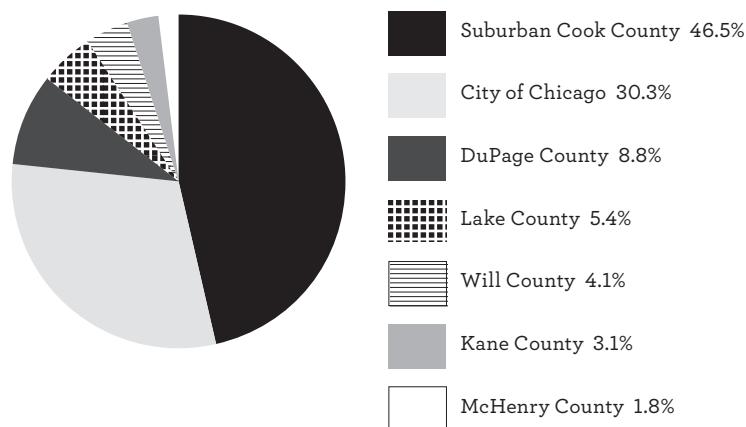
Over the last 5 years, the RTA has experienced a steady increase in total revenues, driven by the increase in sales tax funding for public transit which took effect in 2008. This tax increase was necessary to ensure the sustainability of the RTA

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.

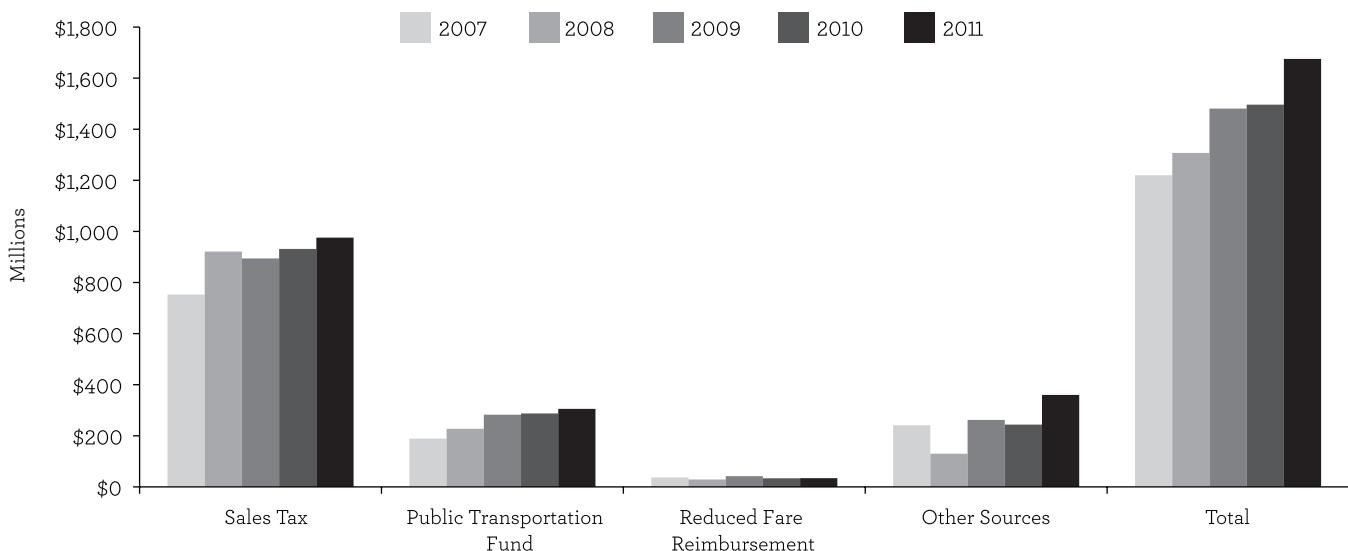
SALES TAX BY COUNTY

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.

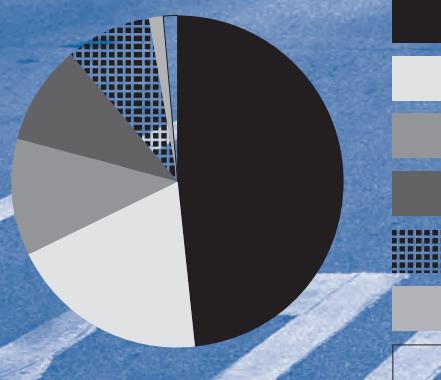
After funding the RTA's own administrative costs, regional services, special programs, and debt servicing, the remainder of the retained sales tax and PTF is distributed to the Service Boards on a discretionary basis and within the context of their annual budgets. The Service Boards also generate fare 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



Regional Debt Service and Other 48.6%

CTA 19.2%

Metra 11.5%

Capital Grants 9.6%

Pace 8.4%

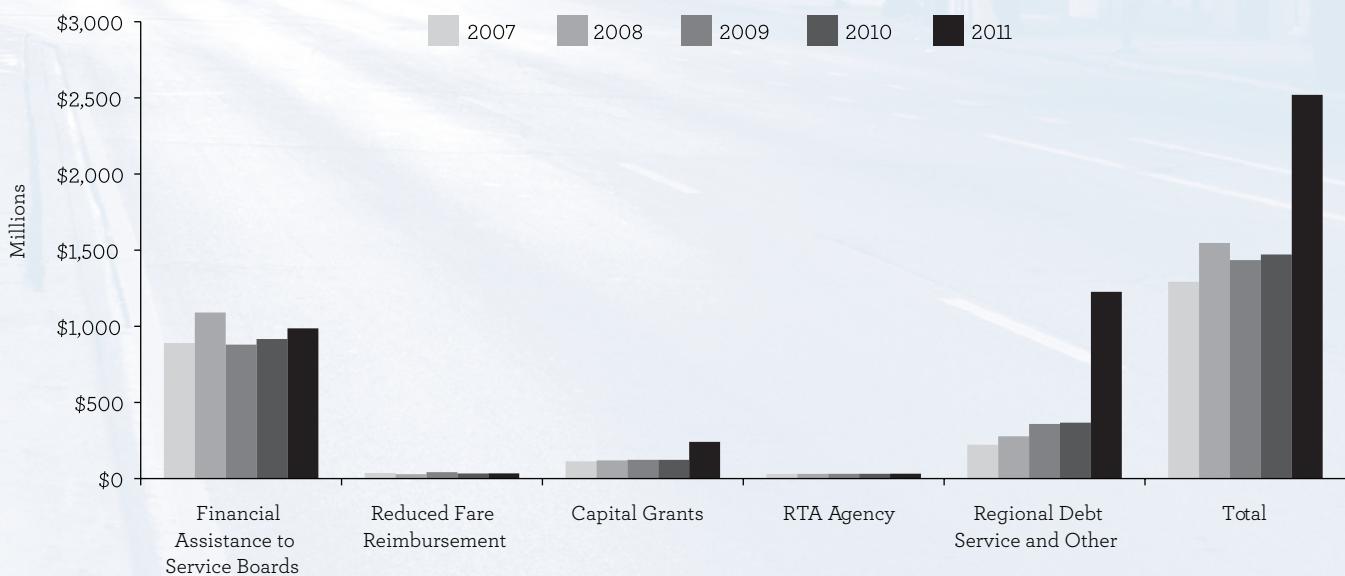
Reduced Fare 1.4%

RTA Agency 1.3%

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

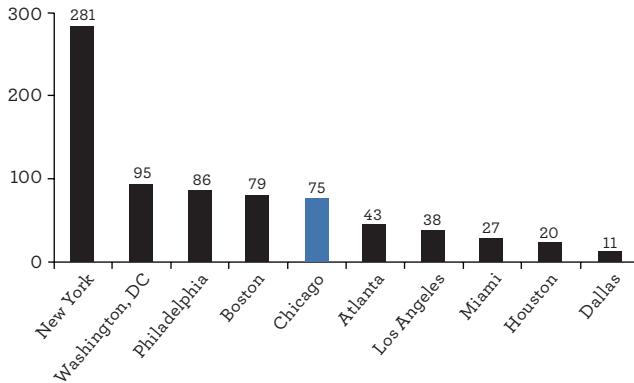


PERFORMANCE MEASUREMENT AND PEER COMPARISONS

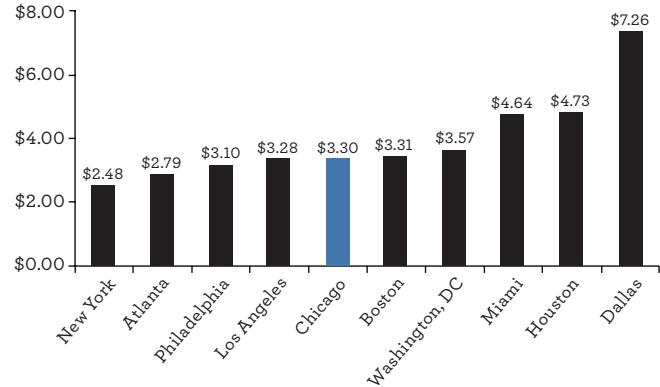
The 2008 legislation which increased funding for public transit in northeastern Illinois also required the RTA to evaluate the impact and effectiveness of public transit in the region. A performance measurement system has been developed which includes a regional peer report card, in which the RTA compares 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.

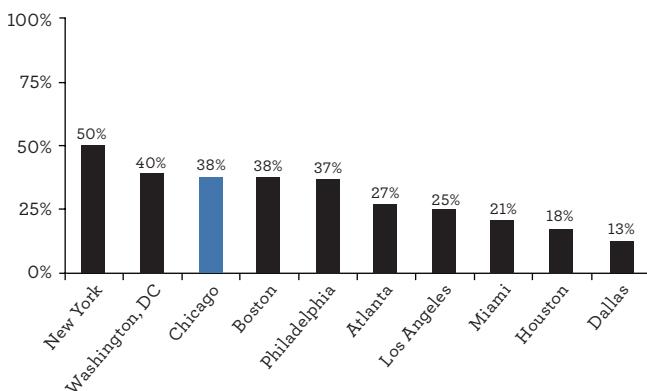
ANNUAL PASSENGER TRIPS PER AREA RESIDENT – 2010



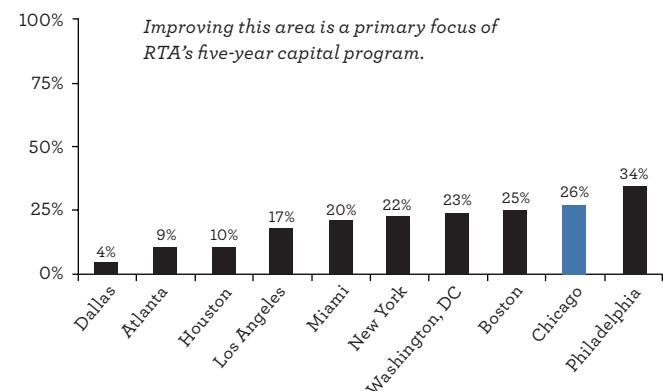
OPERATING COST PER PASSENGER TRIP – 2010



FARE RECOVERY RATIO – 2010



PERCENT OF VEHICLES BEYOND USEFUL LIFE – 2010



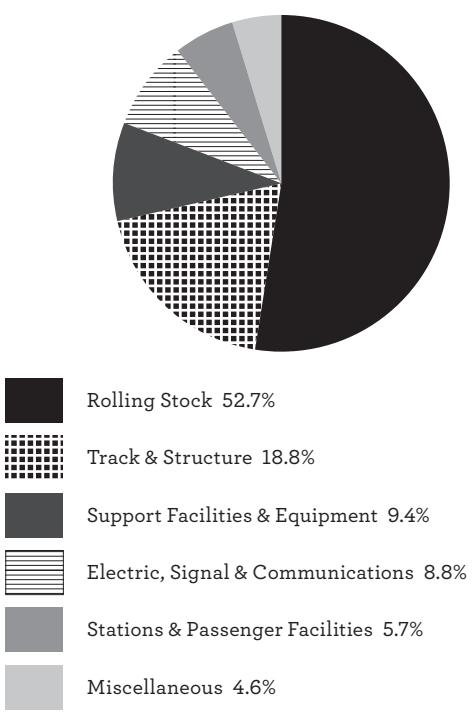


CAPITAL PLAN

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.

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.



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



Linda C. Dawson
President
Jeffrey L. Eaver
Executive Director

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



FOLLOW US ON FACEBOOK AND TWITTER