2008

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

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

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

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

Carole L. Brown
Appointing Authority:
Chicago Transit Authority

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

James Buchanan
Appointing Authority:
City of Chicago

Michael Rosenberg
Appointing Authority:
City of Chicago

William R. Coulson
Appointing Authority:
Suburban Board Members of Cook County

Judy Baar Topinka
Appointing Authority:
Suburban Board Members of Cook County

Patrick J. Durante
Appointing Authority:
DuPage County

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

Armando Gomez, Sr.
Appointing Authority:
City of Chicago

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

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

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

Illinois

For the Fiscal Year Beginning

January 1, 2007

President Executive Director


The Government Finance Officers Association of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

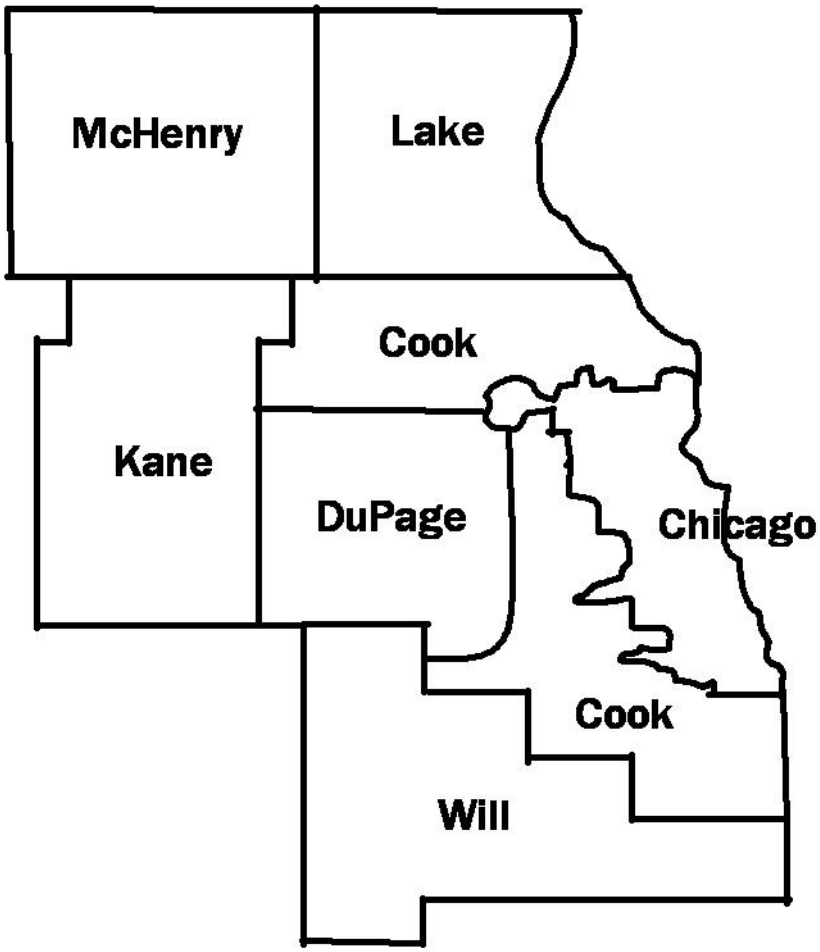
Financial Planning & Analysis Division
Regional Transportation Authority, Illinois

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 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**

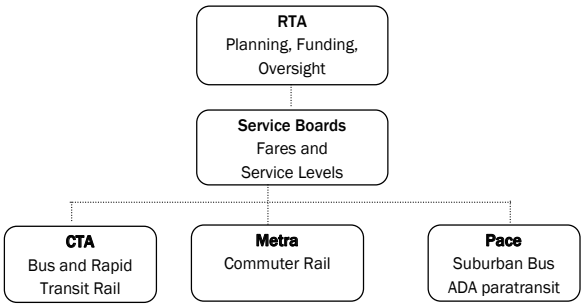
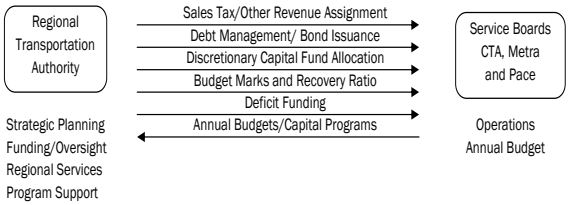


Exhibit 2-2: **Financial Relationship and Responsibilities of the RTA and Service Boards**



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

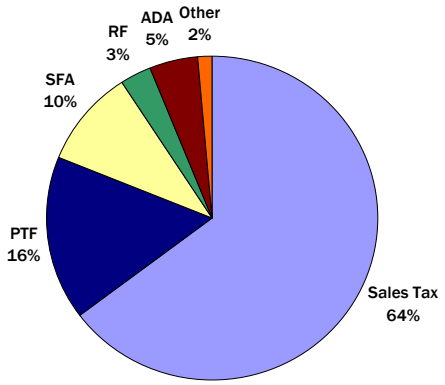
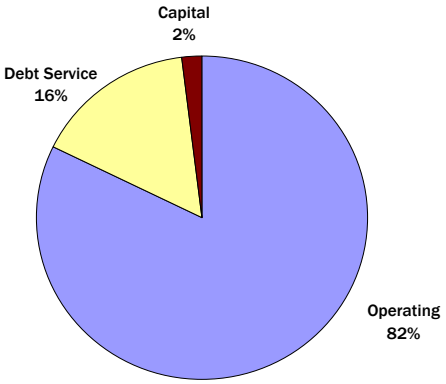


Exhibit 2-5: **2008 RTA Expenditures** - $1,161 million



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.

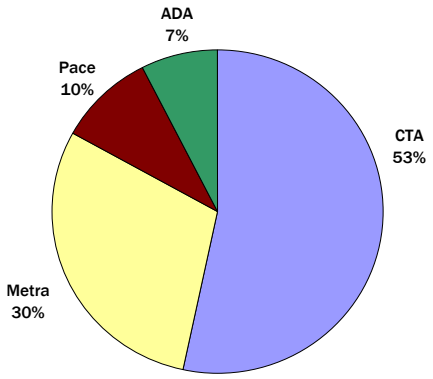
ADA Paratransit Funds

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

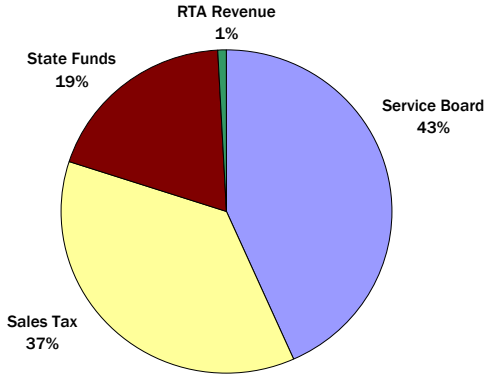
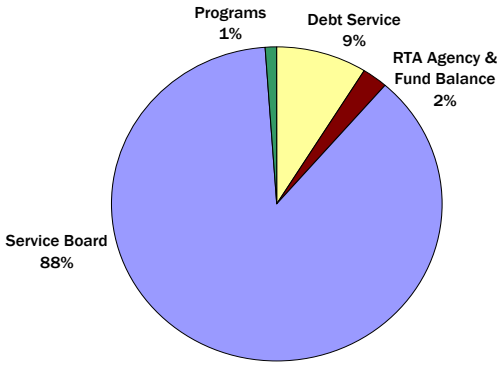


Exhibit 2-9: **2008 Use of Funds** - $2,090 million



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.

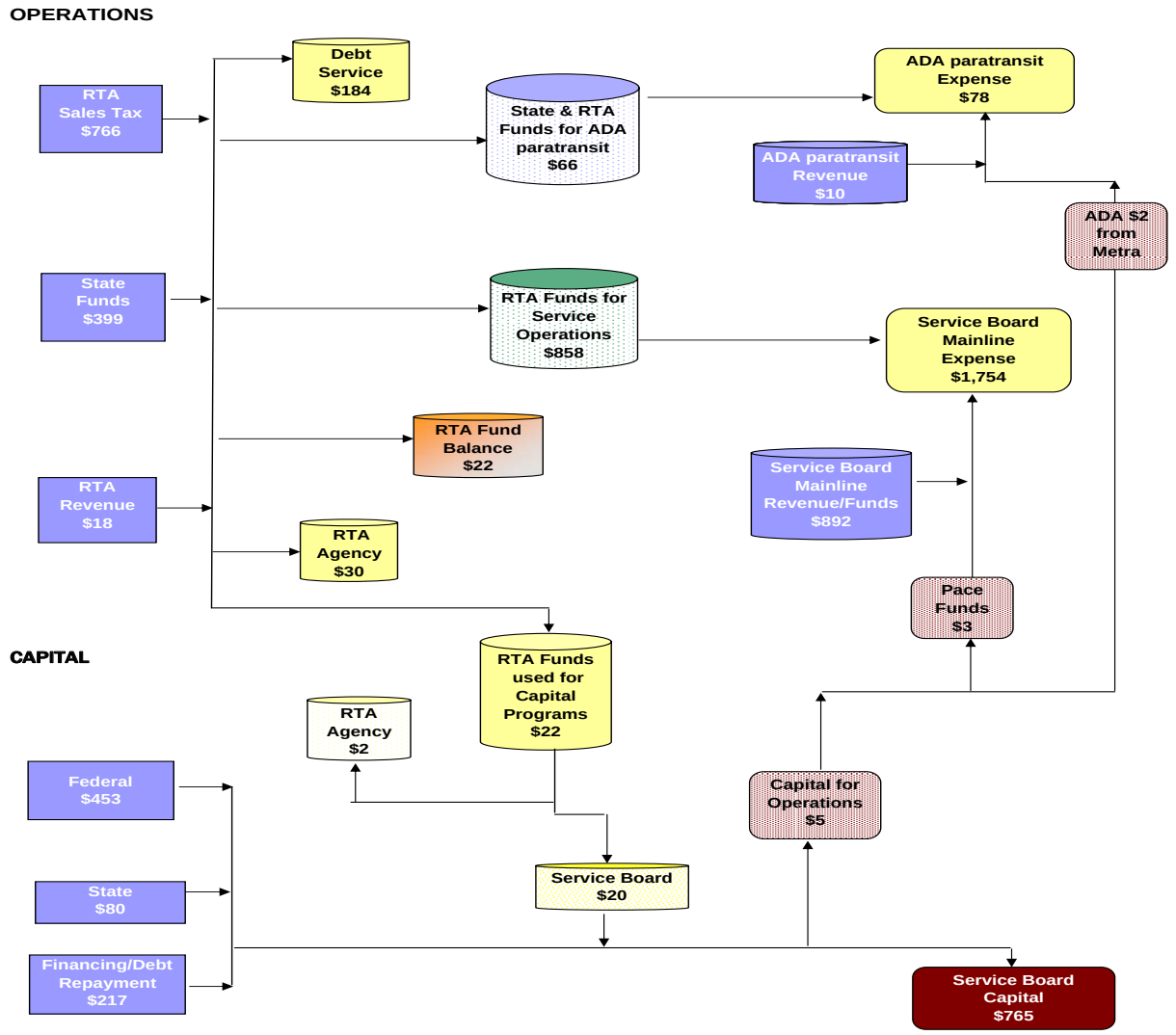
Principal and Interest

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

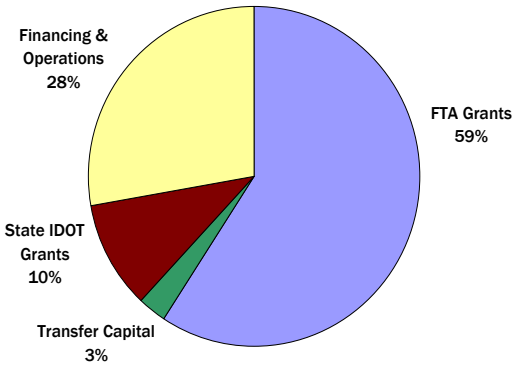
The capital program "marks" set by the RTA Board in September (Capital section) include estimated figures that the Service Boards use in the budget and program documents that they present for public hearing. When final federal appropriations numbers are determined and local funds revised, the RTA Board 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

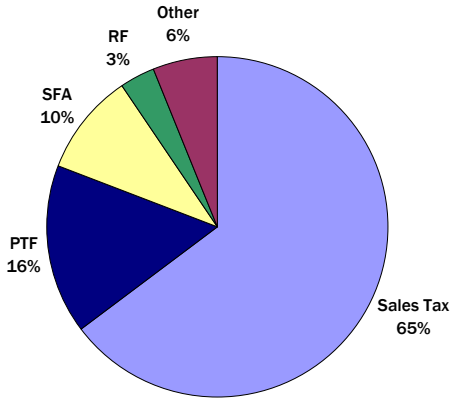
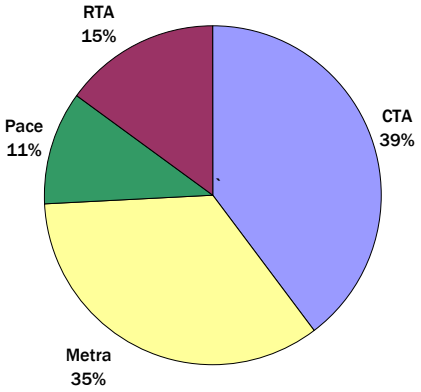


Exhibit 3-3: **RTA Sales Tax Collected** (in percent)

	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



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

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

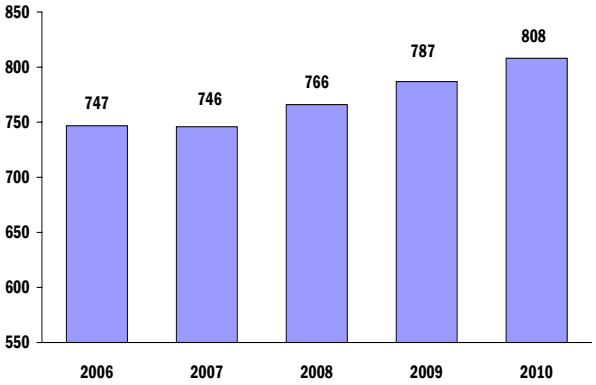
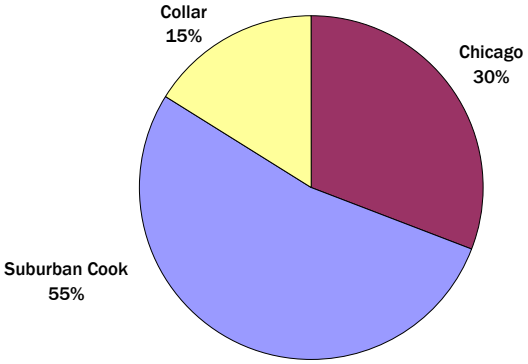


Exhibit 3-6: **2006 RTA Sales Tax Collection by Area** - $747 million



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)

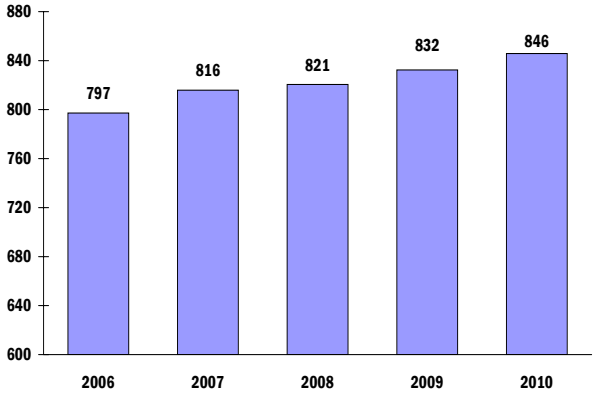
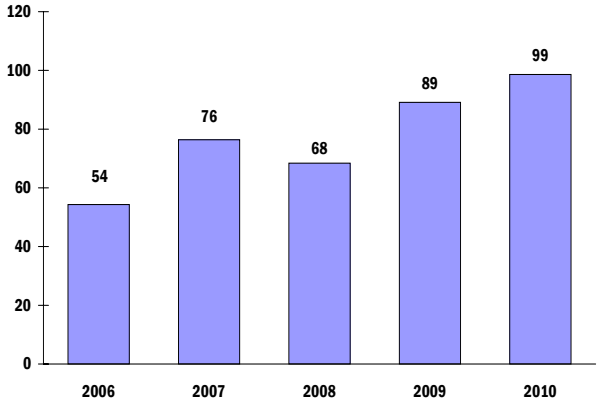


Exhibit 3-8: **Additional Funding Needs - ADA Paratransit** (dollars in millions)



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.

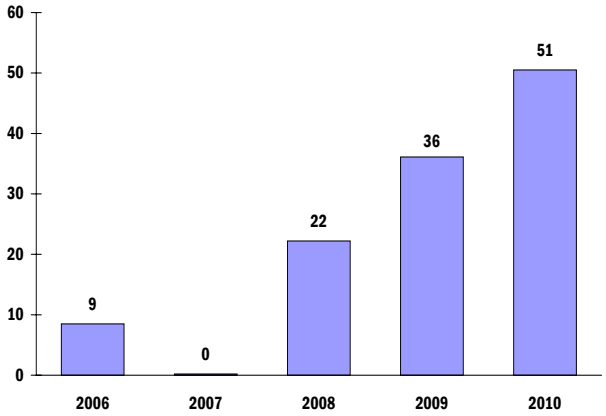
Transfer Capital

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)

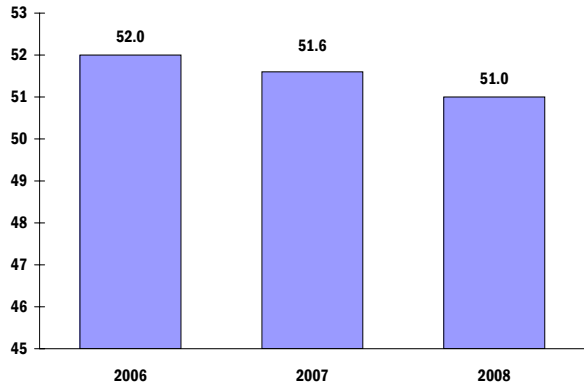


Exhibit 3-11: **RTA 2007 Statement of Revenues and Expenditures - General and Agency Fund** (dollars in thousands)

	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.

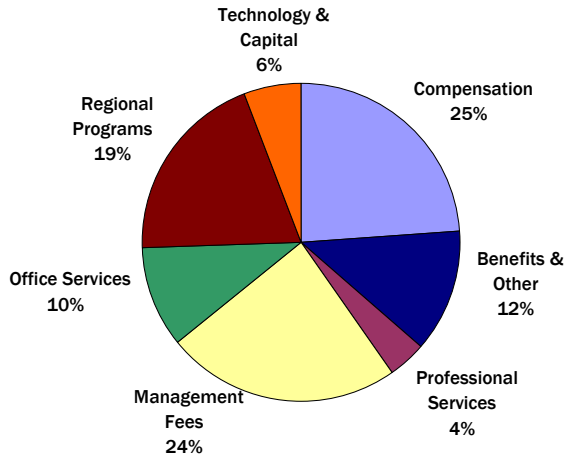
Other Personnel

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).

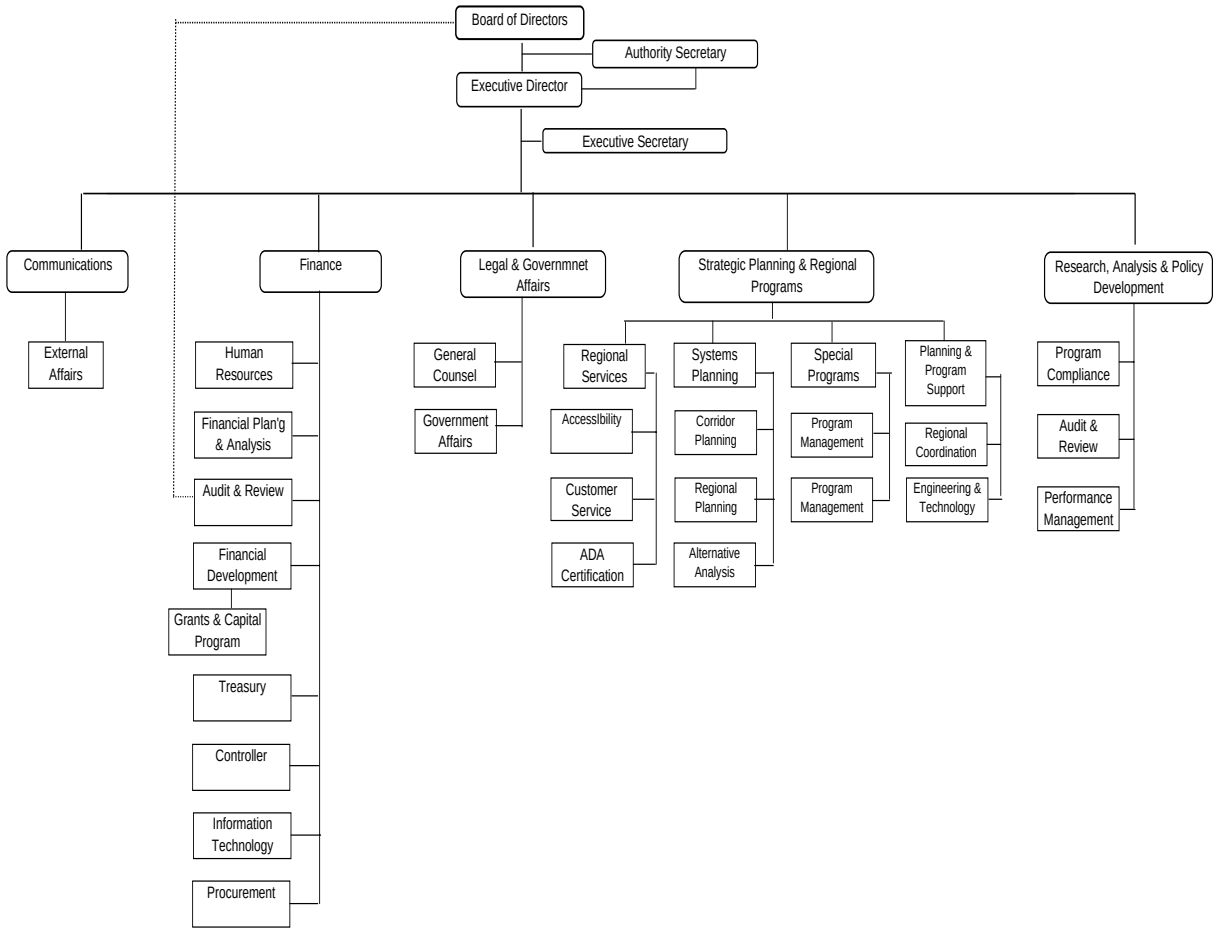
The Executive Director executes the policy decisions of the RTA Board and staffs the agency to administer its statutory mission and implement Board policy. The Executive Director informs and assists the RTA Chairman and the Board in the development of policy, and is the principal contact with executive 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

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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.

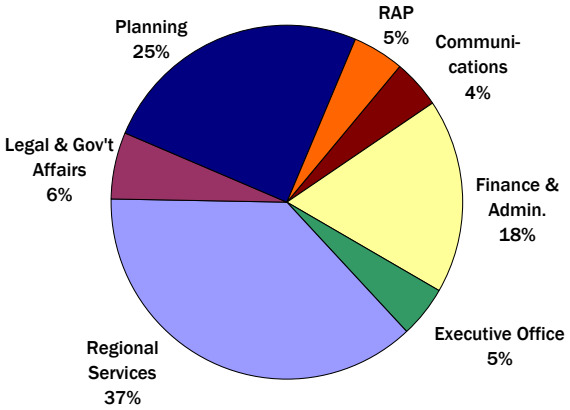
Audit and Review

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

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

New Customer Service Center at 165 N. Jefferson Street (at Lake Street)

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

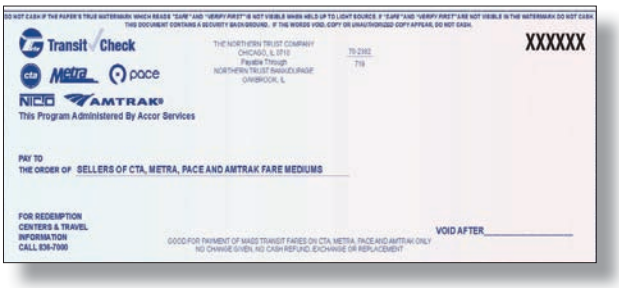


Exhibit 3-22: **Fare Check Program**

	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

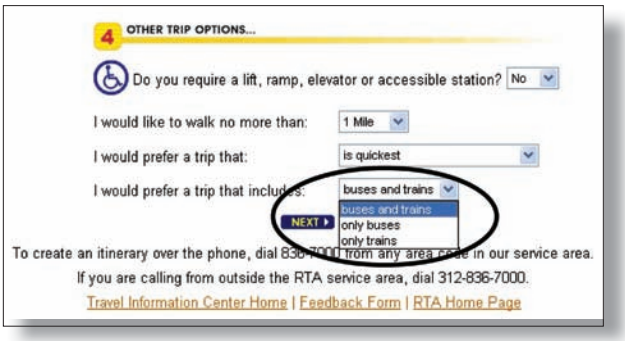
The Engineering and Technology area is responsible for conducting research and development studies of emerging transit technologies. It manages

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

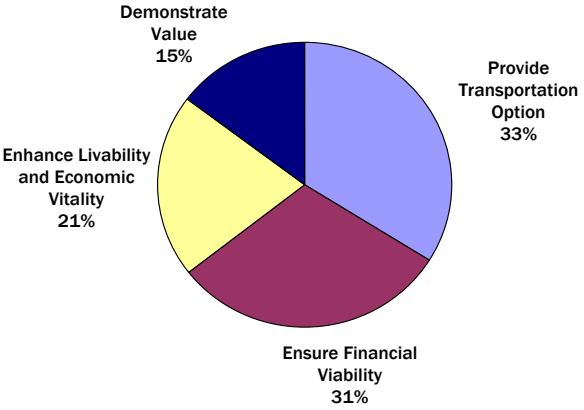
The 2008 Agency budget was developed by utilizing a zero-based budgeting approach. Each department submitted budget requests to reflect key initiatives and action plans that linked to the *Moving Beyond Congestion (MBC)* Strategic Plan.

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.	Finance and Administration
	• Improve the capital program to reflect RTA reform legislation mandates and OAG recommendations • Measure, analyze, and critique performance of all transit agencies.	Research, Analysis, and Policy Development (RAP)
	• 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	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.	Research, Analysis, and Policy Development (RAP)
	• Create an integrated marketing program. • Develop and manage an on-going public participation on the Partners for Transit Program.	Communications
	• Manage departments' implementation of new RTA Act mandates • Oversee departments' achievement of their 2008 Program Goals • Ensure effective Board involvement in the program.	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)

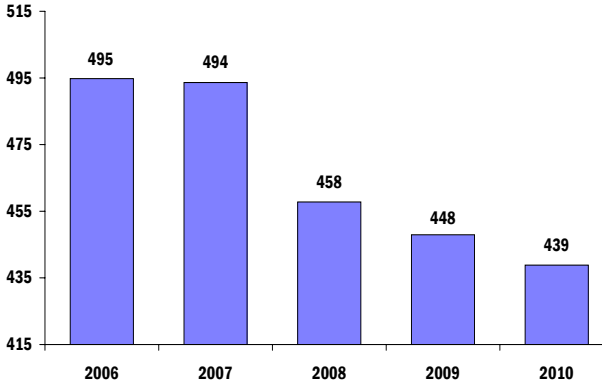


Exhibit 4-2: **CTA Annual Ridership by Mode** (in millions)

	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)

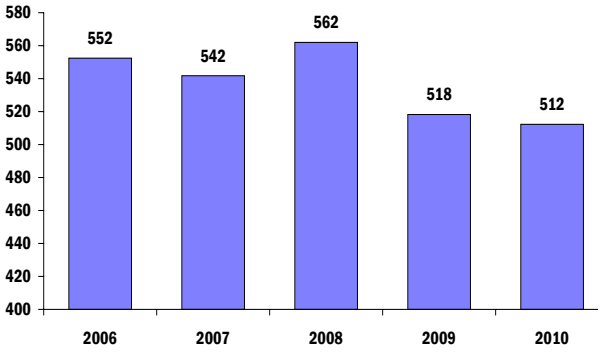


Exhibit 4-8: **2008 CTA Revenue** - $562 million

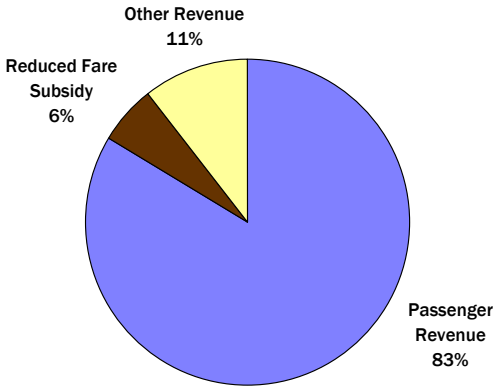


Exhibit 4-9: **CTA Average Fare Calculation** (revenue and ridership in thousands)

	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
Chicago 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)

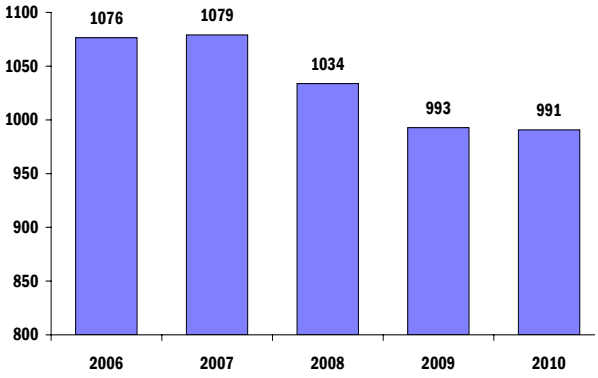
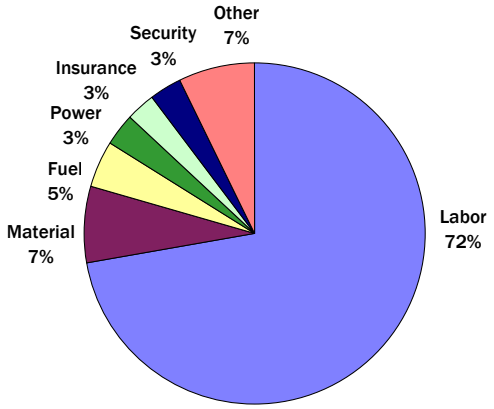


Exhibit 4-13: **CTA Operating Expenditures** - $1,034 million



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)

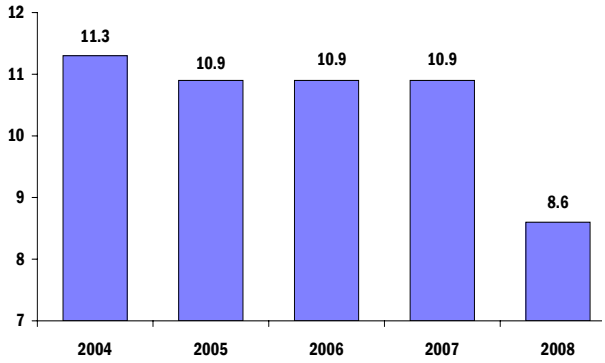


Exhibit 4-14: **CTA Labor Expense Growth** (in thousands)

	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.

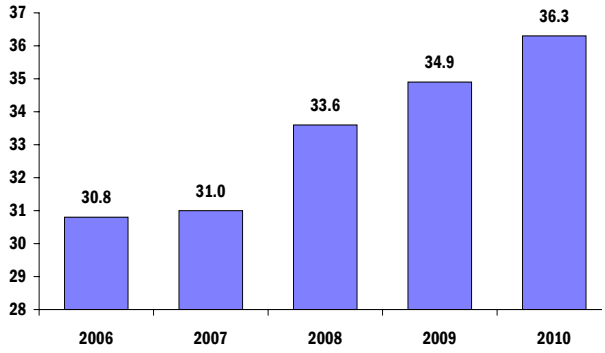
Exhibit 4-17: **CTA Claims and Safety Statistics** (dollars in thousands)

	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.

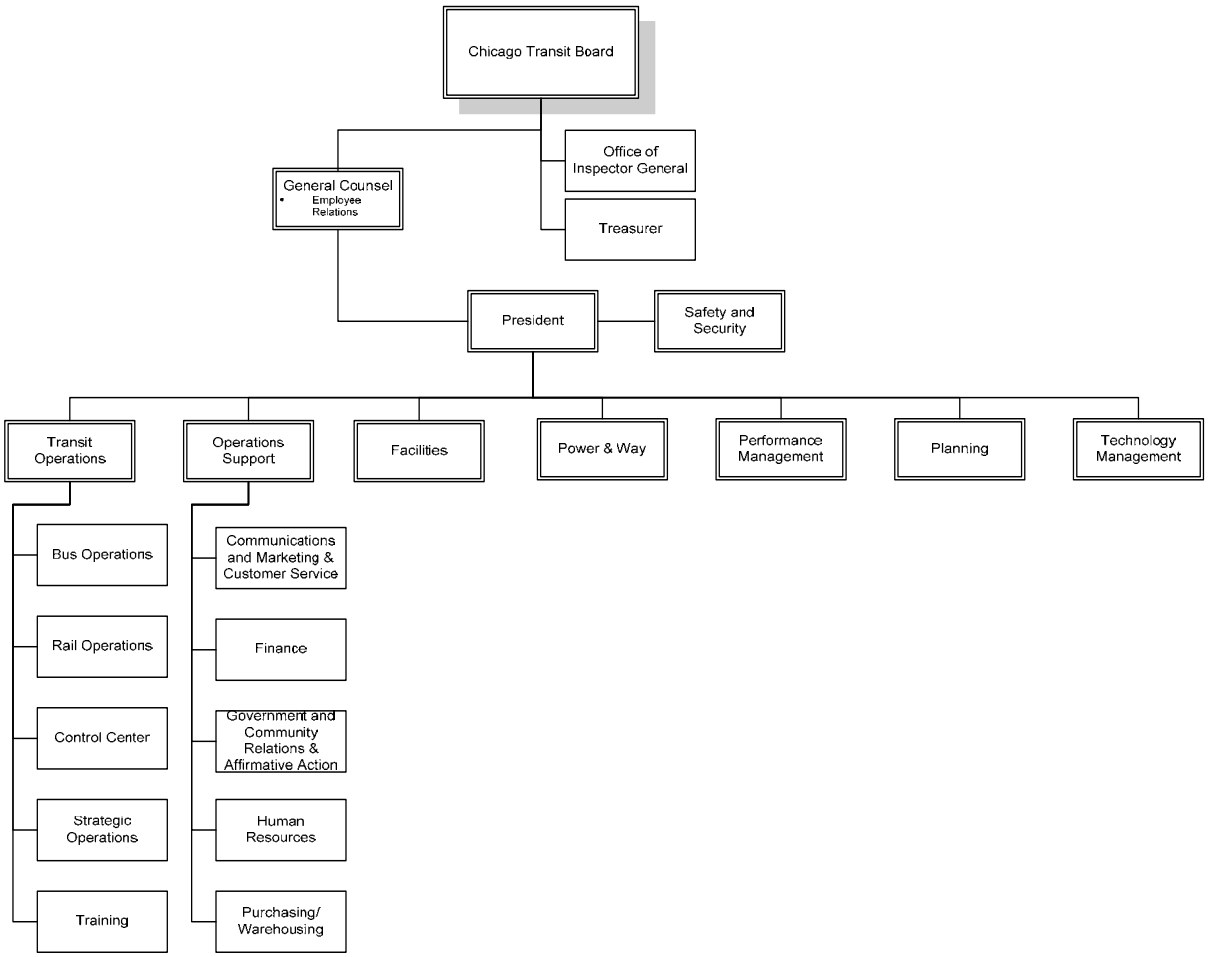
The Human Resources department includes recruiting, hiring, benefit services, medical services, and program compliance.

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)

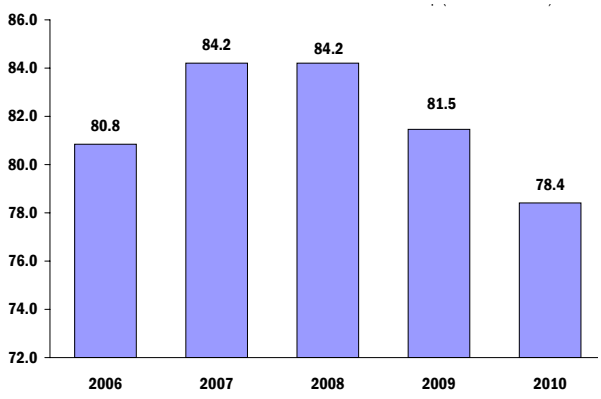


Exhibit 5-2: **Riders and Miles** (in thousands)

	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)

Service Period	July 2002-June 2003	July 2006-June 2007	Change	% Change
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)

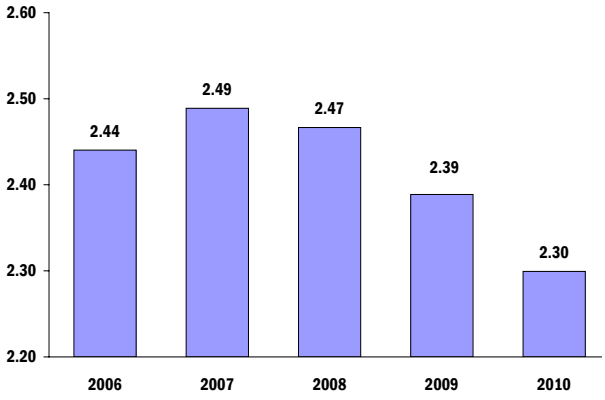
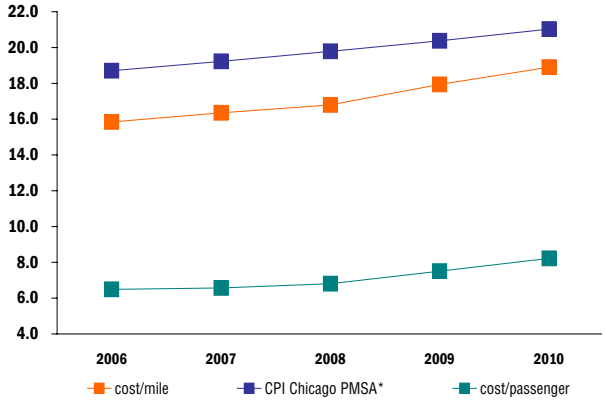


Exhibit 5-6: **Metra Cost Efficiency**



* 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)

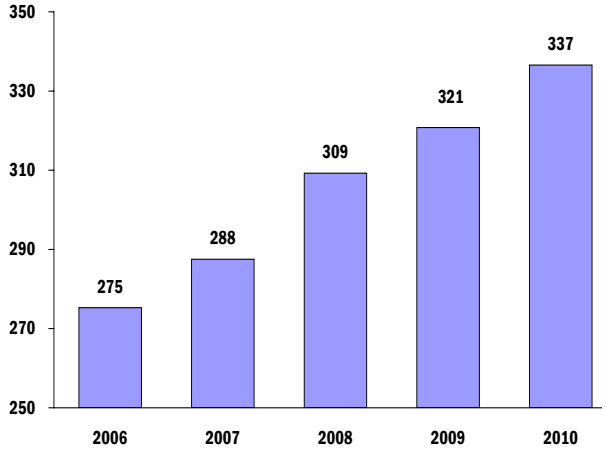


Exhibit 5-9: **2008 Metra Revenue** - $309.3 million

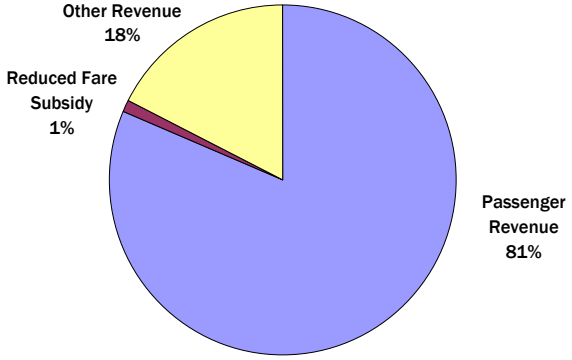


Exhibit 5-10: **Ticket Sales by Ticket Type** (in thousands)

	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)

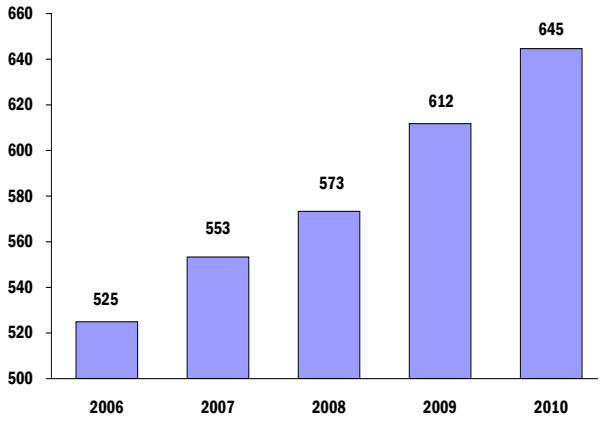
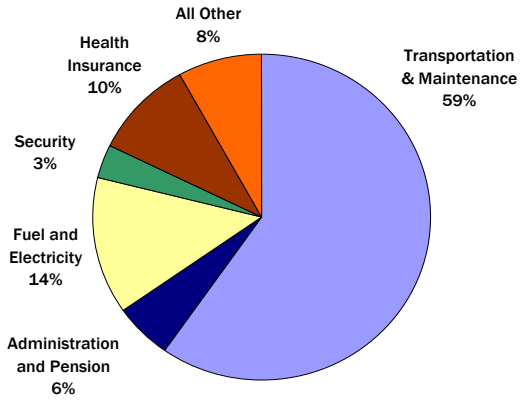


Exhibit 5-12: **Metra Operating Expenditures** - $573.3 million



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**

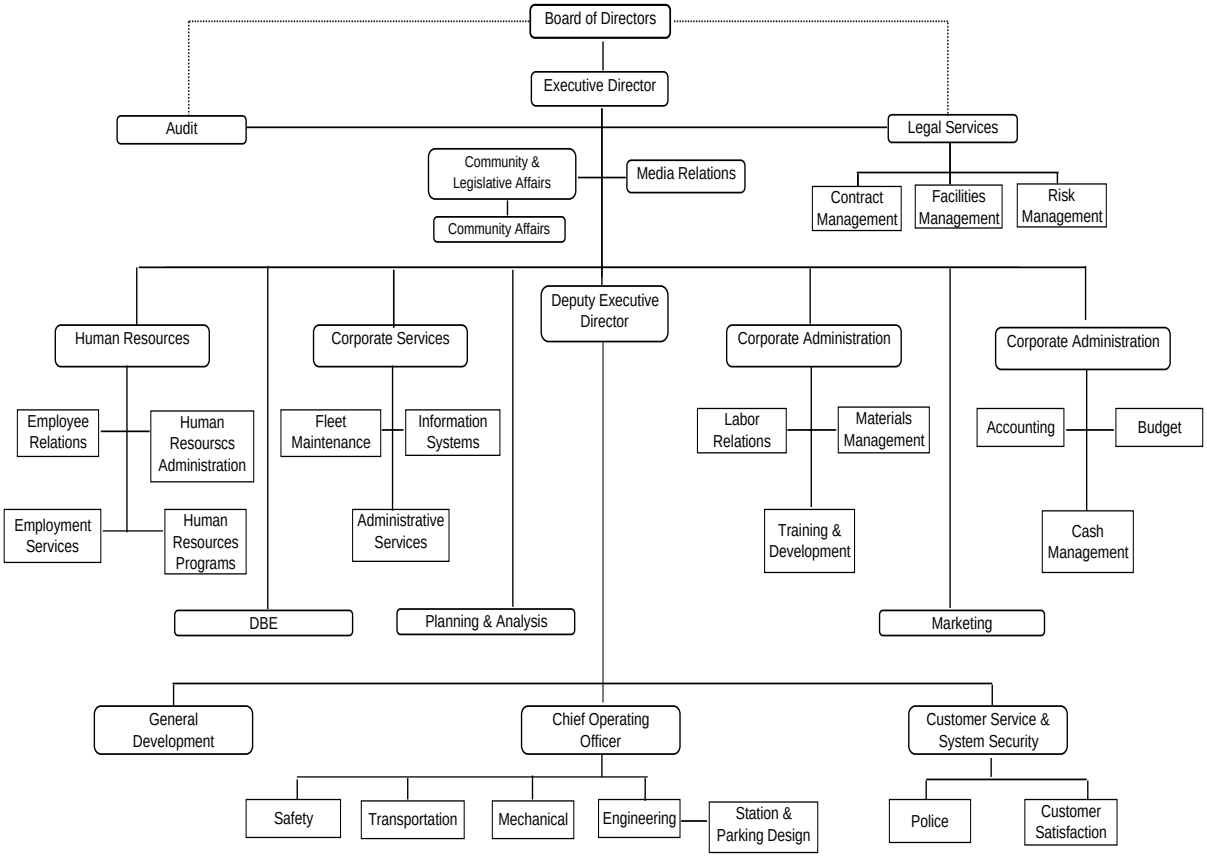
Ticket Type	Period of Validity	Number of Rides	Pricing Basis
Monthly*	Calendar Month	Unlimited	27 times one-way fare
10-Ride*	One Year	Ten	8.5 times one-way fare
One-Way*	One Year	One	Base fare plus increments
Weekend	Saturday/ Sunday	Unlimited	Flat rate $7/day

*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.

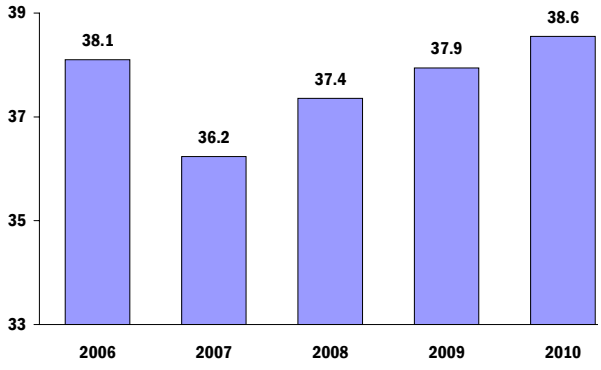
Pace is seeking to implement a regional Transit Signal Priority (TSP) program along major arterial routes. Implementation of the Harvey Transportation Center TSP initiative will improve the operation of the transit terminal and increase the reliability of Pace routes traveling along nearby 154th Street, 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

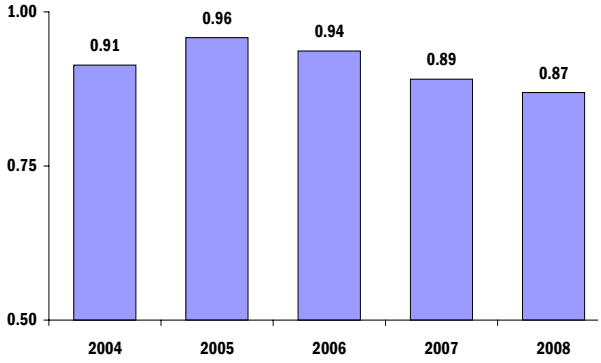
on their commuting, demographic, and psychographic characteristics, campaigns will promote the features and benefits of Pace services to these sub-groups on a local or county level.

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.

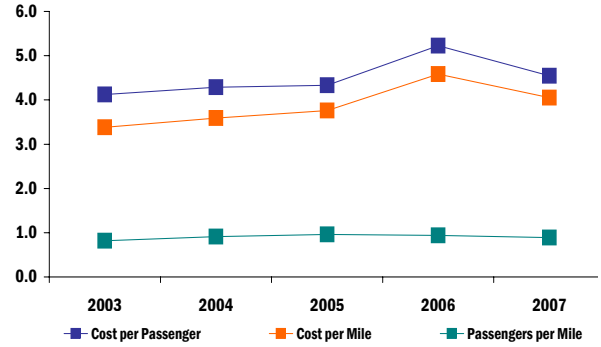
The cost per mile measurement recognizes that expenditures tend to vary with the amount of service provided (Exhibit 6-3). Cost per mile has increased from $3.38 in 2003 to $4.58 in 2006 with the addition of CTA service area ADA paratransit service during the second half of 2006. Pace estimates suburban 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%

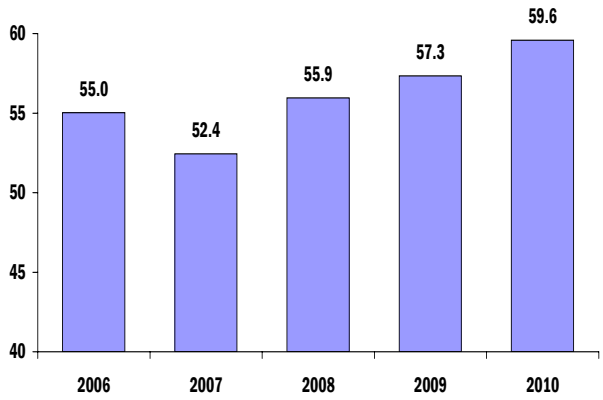
Exhibit 6-4: **Pace Suburban Service 2008 Budget and 2009-2010 Financial Plan*** (dollars in thousands)

	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.

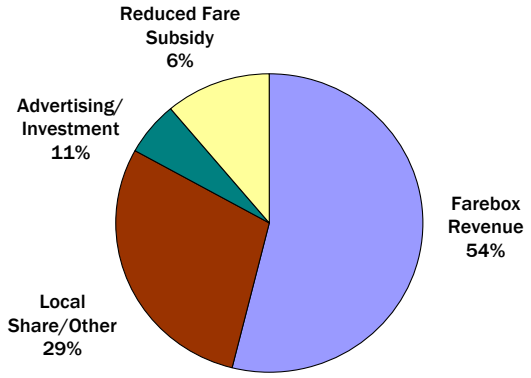
(1) Includes fixed route, vanpool, municipal vanpool, Ride DuPage, and other services. (2) Excludes ADvAntage Program--in-kind revenue and expense (of equal amount) that are included in Pace's recovery ratio calculation. (3) Pass reimbursement is considered revenue for Pace's recovery ratio calculation. (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)



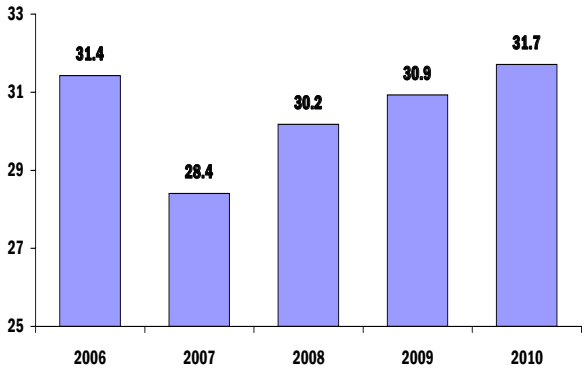
(1) In 2006, revenue includes ADA paratransit service. In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases. (2) Revenue excludes RTA pass reimbursement, funding for paratransit for ADA paratransit or Dial-A-Ride services, and ADvAntage Program–in-kind 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.

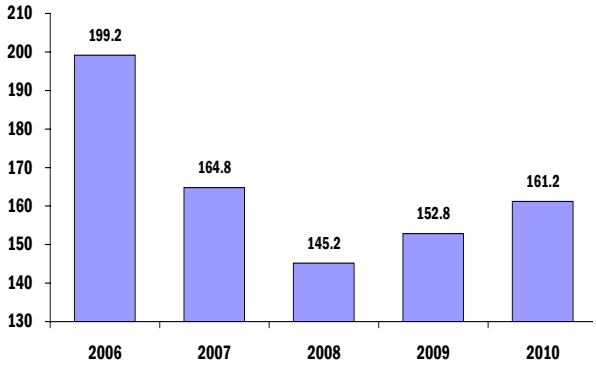
Expenditure Elements

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.

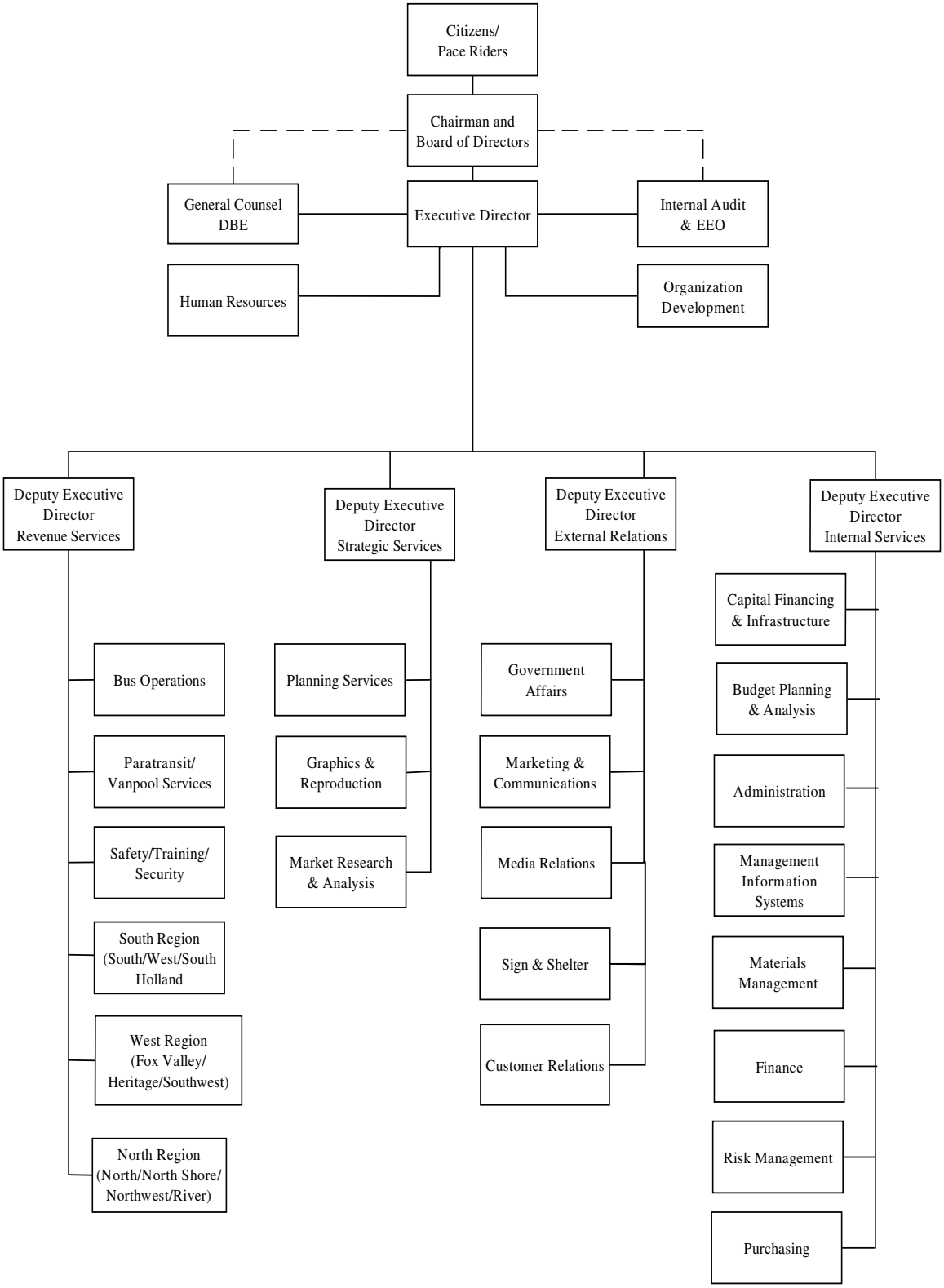
Statutory Compliance

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

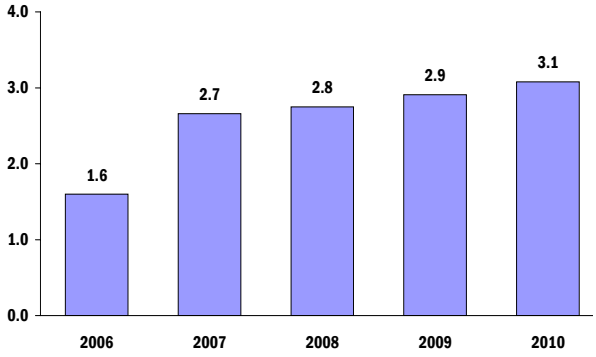
The RTA administers a regional certification program that determines if individuals with physical or cognitive disabilities are eligible for ADA paratransit service. If eligible, passengers can arrange for travel within three quarters of a mile of Pace or CTA bus routes or CTA or Metra rail stations, 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.

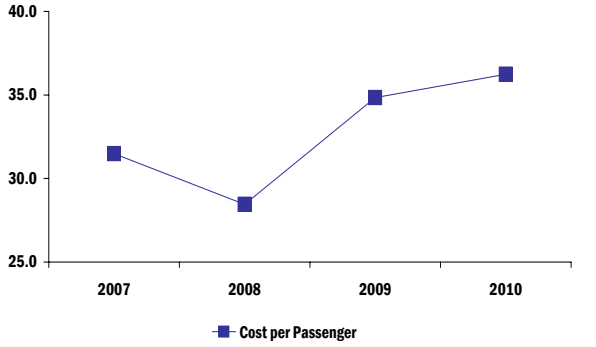
Ridership

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.

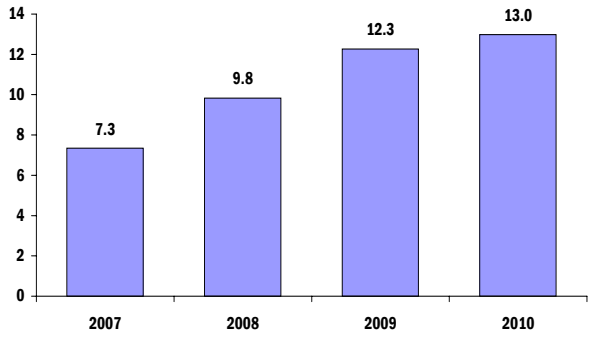
Budget and Financial Plan

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

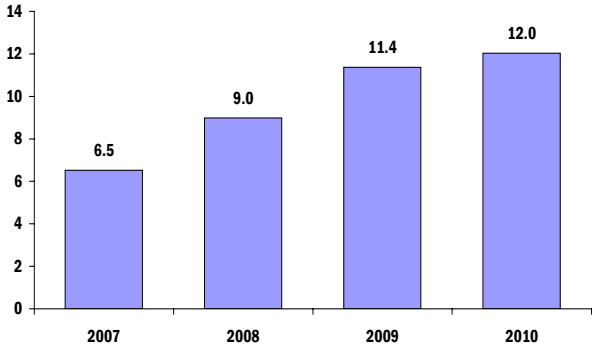
In 2006, the Pace Board voted to increase the ADA paratransit fare in the CTA service area from $1.75 to $2.25 and the fare for the Taxi Access Program (TAP) from $1.75 to $5.00 effective

Exhibit 6-15: **Pace ADA Paratransit Service System-Generated Revenue** (dollars in millions) (1)



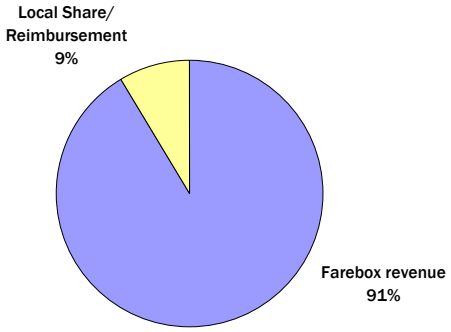
(1) In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases.

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)



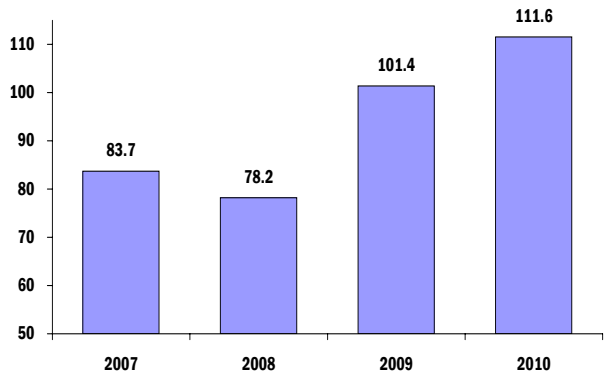
(1) In 2008, revenue reflects fare increases and service reductions. In 2009 and 2010, revenue reflects fare increases.

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

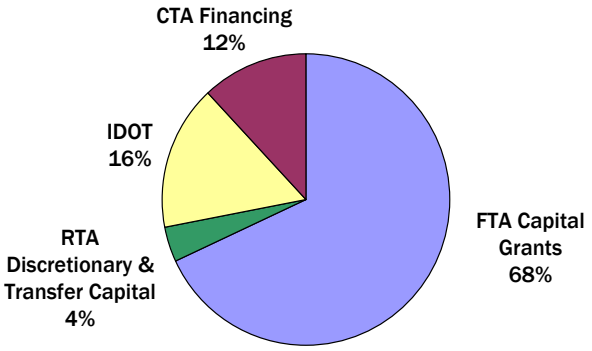
Regional Overview

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.

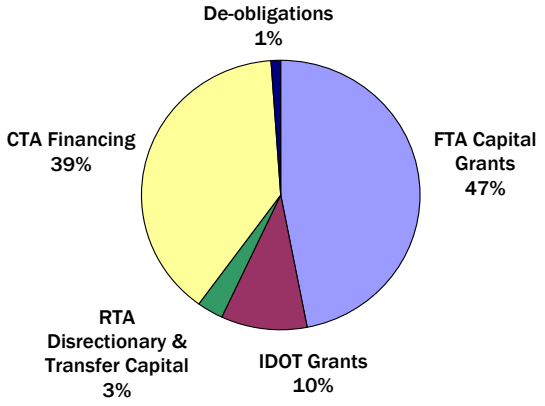
On September 14, 2007, the RTA adopted preliminary capital funding marks. Since then, the RTA received proposals for funds controlled by the Service Boards. When the RTA adopts its budget on December 14, 2007, these marks will be revised to update various federal and local funding sources based on the 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.

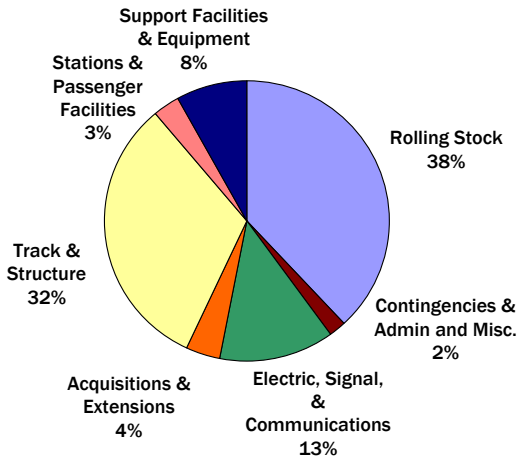
Transfer to Operating

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.

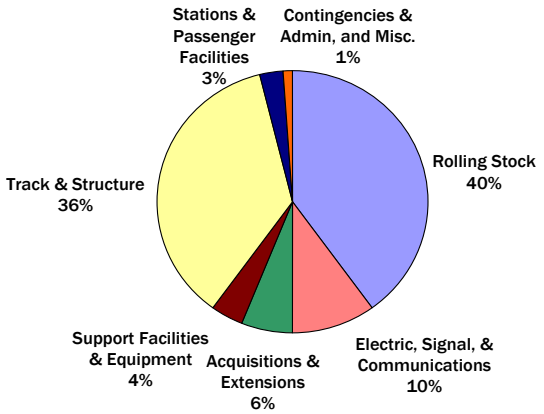
Highlights of the CTA's portion of the 2008-2012 capital program are as follows:

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

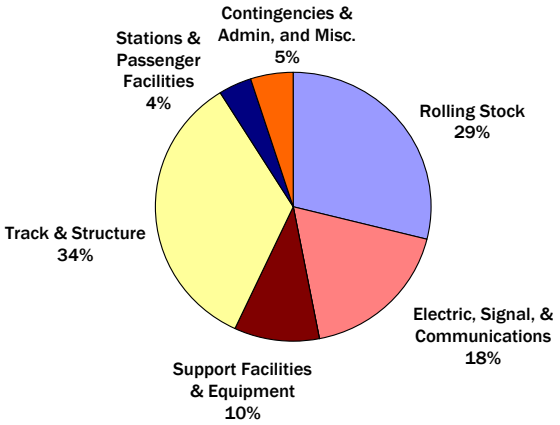
Metra's portion of the proposed 2008-2012 capital program totals $894 million. During this five-year period, Metra will continue the process of renewing its extensive commuter rail infrastructure. The percentage for the general categories of capital improvements of the total program are: rolling stock 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

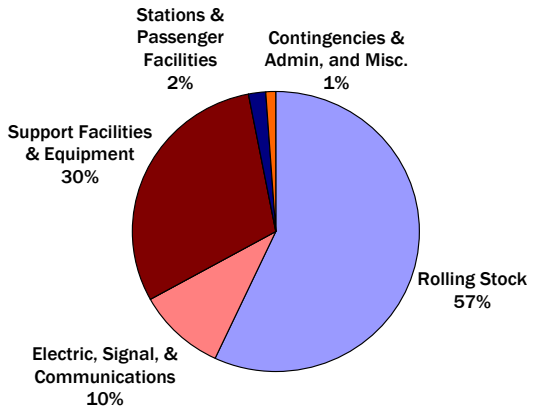
Metra's portion of 2008-2011 capital program includes $47 million for station studies, project management and oversight, security improvements, advertising, material additives, insurance, support engineering, unanticipated capital, administration and contingencies, with $18.2 million programmed in 2008.

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

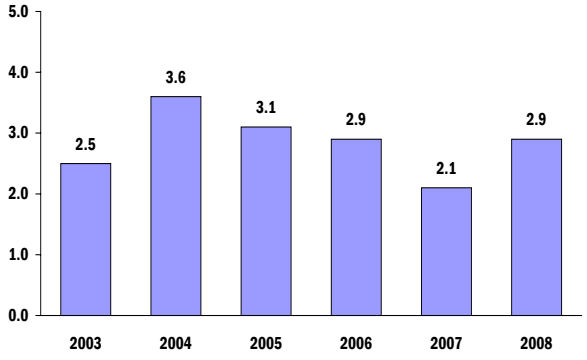
National Economic Projections

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.

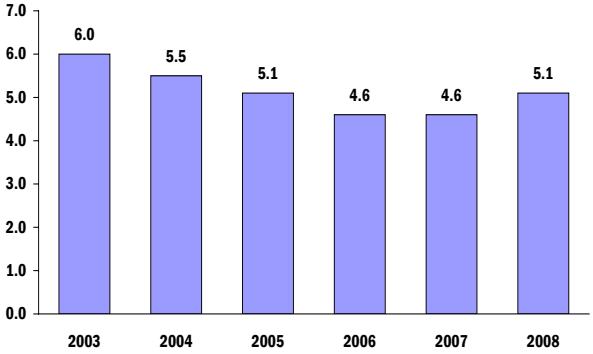
Exhibit 8-5 shows the annual trend in the growth of the U.S. Consumer Price Index (CPI) from 2003 through 2008. Improving overall economic activity resulted in increases in CPI annual growth from 2.3 percent in 2003 to 3.4 percent in 2005, followed by declines to 2.8 percent in 2007. CPI annual growth is expected to decline to 2.3 percent in 2008.

Exhibit 8-3: **2003-2008 U.S. Real Gross Domestic Product** (percent change)



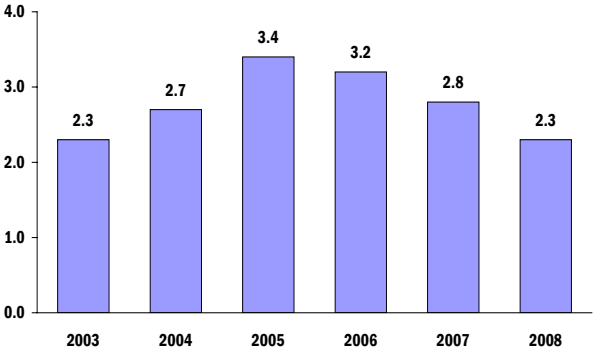
Source: US Department of Commerce, Congressional Budget Office

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.

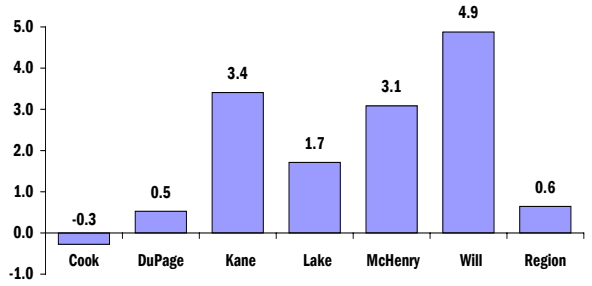
Since 1990, most of the region's population growth has occurred in the suburbs. Exhibit 8-7 illustrates the annualized population growth rates for each of the region's six counties between 2000 to 2006. The highest growth rate occurred in Will

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%**

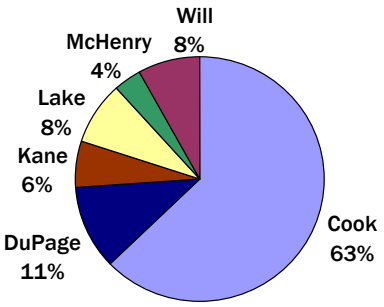
Source: United States Census Bureau

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)

	1980	% of Total	1990	% of Total	2000	% of Total
Area						
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

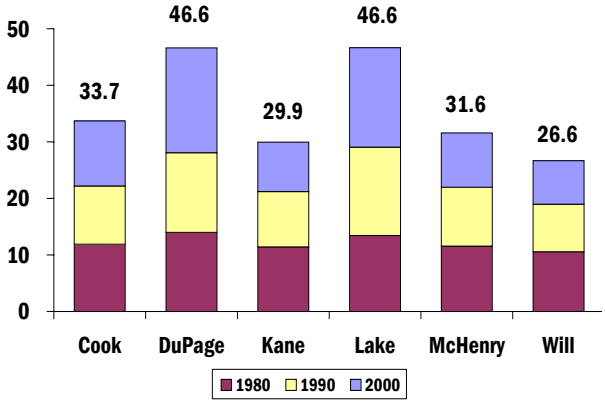
3.7 percent was the lowest in the region, while Cook County's rate of 5.1 percent was the highest in the region.

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)

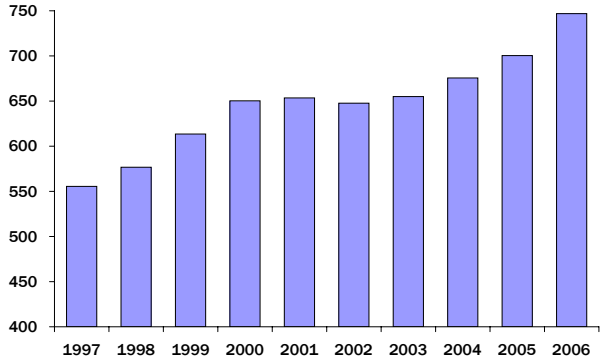


Source: U.S. Department of Commerce, Bureau of Economic Analysis

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)

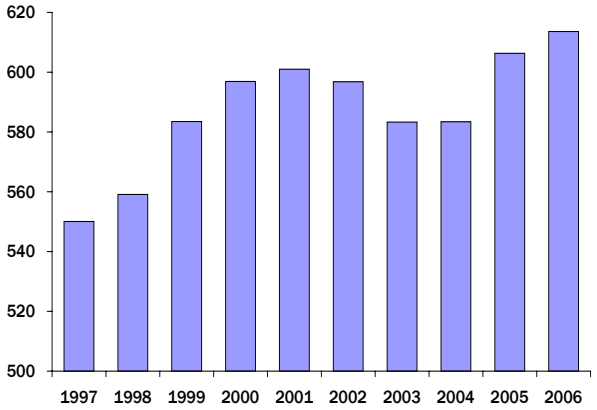


Exhibit 8-16: **Service Board Ridership** (millions)

	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)

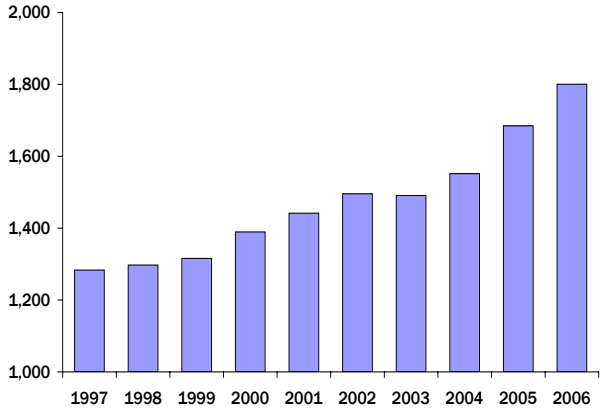


Exhibit 8-20: **Service Board Farebox Revenue** (dollars in millions)

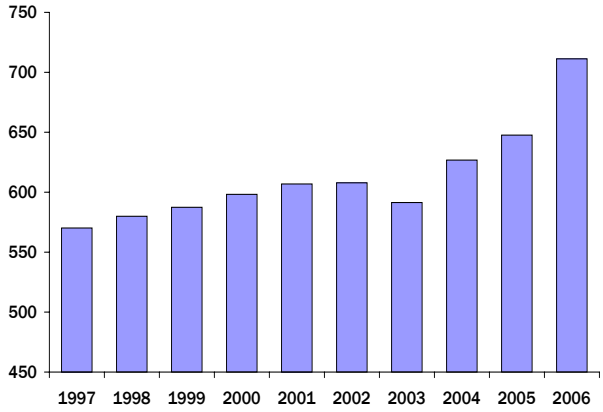
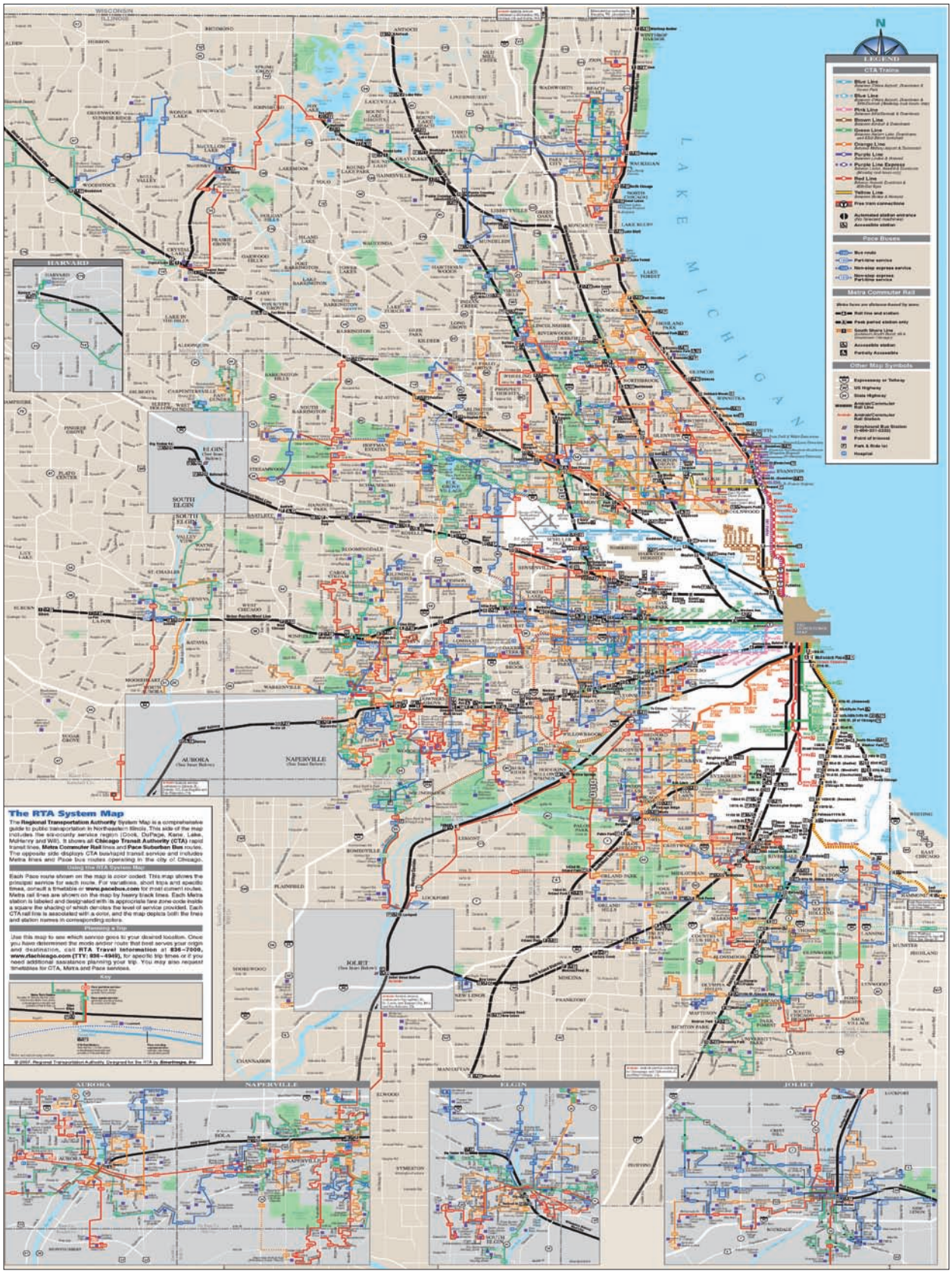


Exhibit 8-21: **System Characteristics** (2006)

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
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