



**Regional
Transportation
Authority**

2007

Proposed Budget,
Two-Year Financial Plan and
Five-Year Capital Program

MOVING BEYOND
CONGESTION





Regional Transportation Authority

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RTA Board of Directors

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Stephen E. Schlickman

Executive Director

Index

Letter from the Executive Director	1
Executive Summary	2
RTA Operating Plan	5
Service Board Operating Plans	15
Capital Program	25
Appendices	41

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

Traffic congestion in the Chicago area is the second worst in the nation. For the average commuter, that's the equivalent of an extra workweek every year sitting behind the wheel wasting gas—and your precious time. The financial cost of traffic congestion is estimated at over \$4.2 billion annually. That's why the Regional Transportation Authority, joined by the CTA, Metra and Pace, are partnering to combat this growing gridlock problem that's threatening our region's economic vitality and quality of life.

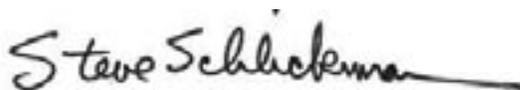
Letter from the Executive Director

The *Moving Beyond Congestion* strategic planning project kicked off in July and is supported by over 300 Partners for Transit that represent business, labor, municipalities, planning and community groups along with educational and cultural institutions. Our vision is to create a world class, convenient, affordable, reliable and safe transit system that is the keystone of the region's growing business opportunities, thriving job market, clean air and livable communities. The transit system already saves our region approximately \$1.8 billion each year and generates more than \$12 billion in annual economic benefits.

Informed by substantial input from stakeholders throughout the region, the RTA and the Service Boards released a draft report on November 9 that lays out a plan to maintain, enhance and expand transit. A financial investment totaling \$57 billion over 30 years is needed to both improve our system and to ease traffic congestion. The funding would also enable new service projects to get the green light in the region's counties of Cook, DuPage, Kane, Lake, McHenry and Will.

In the meantime though, current funding allocations for the CTA, Metra and Pace cannot be sustained. Without a major investment, the region can expect a painful decline from what we have today, marked by less frequent and less reliable service, fewer buses on the streets, even worse traffic congestion, diminished air quality and an inability to meet growing transit demand. We can't emphasize enough how the increasing costs of expenditures such as insurance, pensions, post 9-11 security, fuel and paratransit have depleted transit budgets.

We all have an exciting opportunity to chart a bold new course for our economy and quality of life by leveraging our status as America's Transportation Hub. As we prepare to present a formal proposal to the state legislature early next year, join us as we pursue a bipartisan region-wide consensus to take us where we all need to go... and to get there on time. Supporting *Moving Beyond Congestion* stands to benefit both transit users and the personal vehicle dependent. Community meetings will be held throughout the region from December 4th through the 14th. For more information log on to www.movingbeyondcongestion.org or call 312-913-3200.



Stephen E. Schlickman

Executive Director, Regional Transportation Authority

Executive Summary

The upcoming budget and two-year financial planning period will prove to be extremely difficult years to achieve balanced operating budgets for all bus, rail and ADA paratransit service in the region. In total, overall cost pressures, particularly relating to fuel, security, labor, health care, and electricity, increase the system's operating expenses from \$1.9 billion in 2007 to \$2.2 billion in 2009, and increase total Service Board funding (operating deficit) from \$1.0 billion in 2007 to \$1.3 billion in 2009. Included in these figures are the funding needs for ADA paratransit service. This rapidly growing service requires \$82 million in 2007, \$92 million in 2008, and \$100 million in 2009. Funding needs for 2007 through 2009 are presented in Exhibit A. Details are shown in the schedules found in the operating sections.

From a funding standpoint, the projected growth in sales tax, the RTA's largest source of funding, does not keep pace with the additional costs. In 2007 RTA Sales Tax provides 61 percent (Exhibit B) of the overall funding requirement but only 51 percent in 2009 (Exhibit C).

To address this dire situation and make the case for public transportation, the RTA, CTA, Metra, and Pace have joined forces in *Moving Beyond Congestion*—a forward-looking view of what transit can do to improve mobility in America's transportation hub. We expect this effort to have the result of providing us with the resources we need not only to balance our operating budgets, but also to keep our valuable public transportation system in good repair and to address the growing needs and changing demographics of the region. To achieve these goals, during the 2007-2009 planning period, the RTA is seeking New Transit Funding and Additional State Funding for ADA Paratransit in the respective combined amounts of \$225 million, \$316 million and \$430 million (Exhibit D).

The Capital Program does not achieve the desired level of investment needed to maintain, enhance, and expand our public transportation system. The \$2.8 billion five-year Capital Program is based on the funding sources available at this time. Details of the program are provided in the capital section of this document.

Exhibit A: 2007–2009 Financial Plan Summary (dollars in millions)

	2007					2008	2009
	CTA	Metra	Pace	ADAPT*	Total	Total	Total
Revenue	553	\$ 284	\$ 53	\$ 10	\$ 900	\$ 912	\$ 935
Expense	\$ 1,133	552	166	91	1,942	2,047	2,210
Operating Deficit	580	268	113	82	1,043	1,135	1,275
Current Funding	470	257	90	—	818	843	869
ADA Paratransit Funding	—	—	—	82	82	92	100
New Transit Funding	110	11	23	—	143	224	330
Total Funding	\$ 580	\$ 268	\$ 113	\$ 82	\$ 1,043	\$ 1,159	\$ 1,299

*Regional ADA paratransit

Exhibit B: 2007 Funding Summary—\$1.0 billion

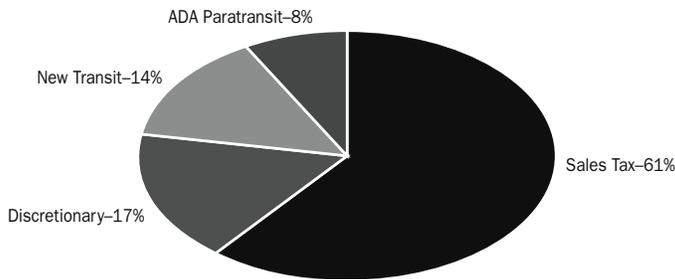


Exhibit C: 2009 Funding Summary—\$1.3 billion

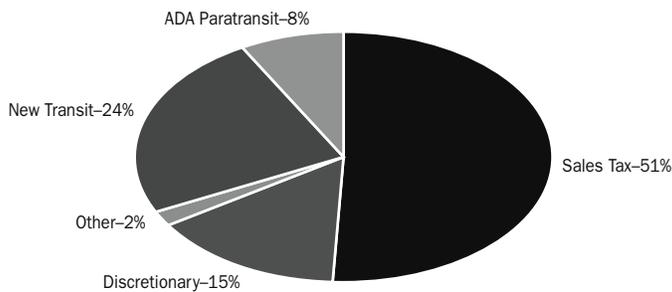
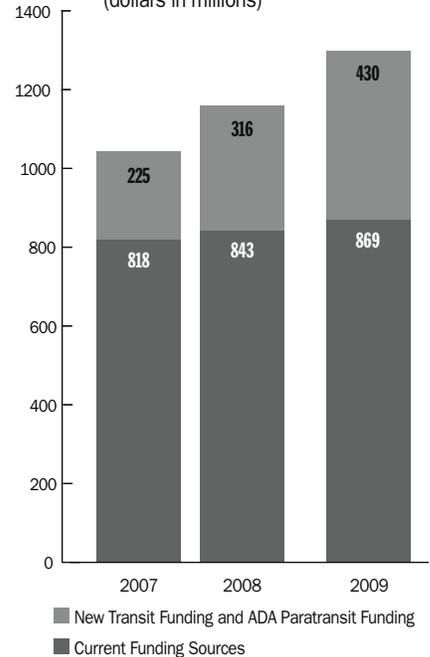


Exhibit D: Current and New Funding (dollars in millions)



1 RTA Operating Plan

Overview

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

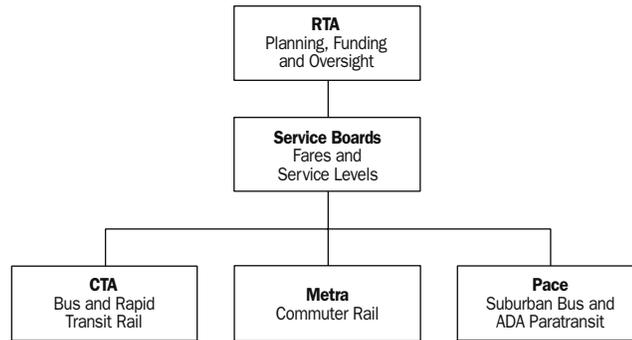
The RTA Board of Directors governs the Agency. Three independent Service Boards, the Chicago Transit Authority (CTA), Metra commuter rail, and Pace suburban bus have operational responsibility (set fares and provide service) for public transportation within the six-county region and are governed by their own boards of directors. The CTA provides bus and rapid transit rail service in the City of Chicago and neighboring suburbs. Metra provides commuter rail service throughout the six-county region. Pace provides bus service in the suburbs and from the suburbs to the City of Chicago. As of July 1, 2006, Pace now provides all ADA paratransit service in the six-county region. (Exhibit 1-1).

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

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

The marks guide the Service Boards' budgetary process. Each Service Board

Exhibit 1-1: RTA Organization Structure



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.

Service Characteristics

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

575 million trips and carried passengers roughly 3.6 billion miles.

The system represents a valuable investment, delivering a very positive impact on the region. It supports job creation, income growth and reduces traffic congestion, fuel consumption and air pollution. Likewise, the system provides mobility to the disabled and access to jobs for those without other means to get to work. Exhibit 1-2 illustrates the principal responsibilities and interactions between the Agency and Service Boards in the annual budget and capital program process.

Budget and Financial Plan

A consolidated RTA statement of revenue and expenditures from 2005 through 2009 is presented in Exhibit 1-3. The discussions that follow correspond to each line item on this schedule. Throughout this document, 2005 is actual data, 2006

Exhibit 1-2: Financial Relationship and Responsibilities of RTA and Service Boards

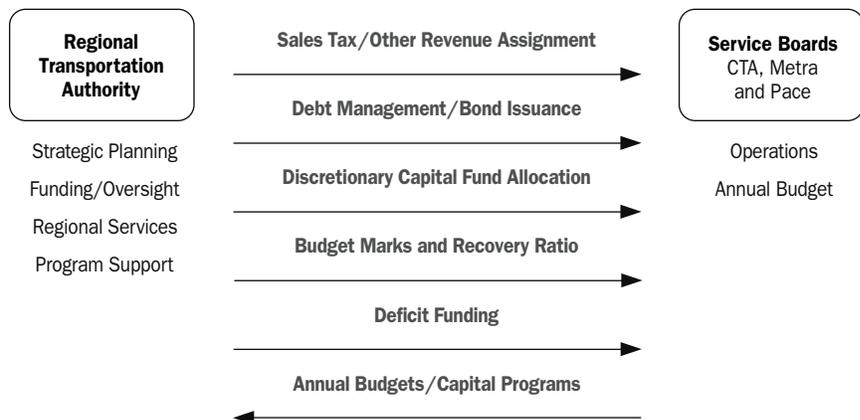


Exhibit 1-3: RTA Statement of Revenue and Expenditures General and Agency Funds (dollars in thousands)

System-Generated Revenue	2005 Actual	2006 Estimate	2007 Proposed	2008 Plan	2009 Plan
Sales Tax	\$ 700,395	\$ 722,808	\$ 745,937	\$ 769,807	\$ 794,440
Public Transportation Fund	175,668	180,702	186,484	192,452	198,610
State Financial Assistance	111,419	119,001	122,836	125,180	127,500
Reduced Fare	37,127	36,275	36,275	36,275	36,275
Other Revenue	17,196	14,869	13,538	13,214	13,166
Subtotal	\$ 1,041,805	\$ 1,073,655	\$ 1,105,070	\$ 1,136,928	\$ 1,169,991
Additional State Funding for ADA Paratransit	54,252	54,252	81,810	91,627	99,893
New Transit Funding (1)	—	—	143,426	223,953	329,797
Subtotal	54,252	54,252	225,236	315,580	429,690
Total Revenue	\$ 1,096,057	\$ 1,127,907	\$ 1,330,306	\$ 1,452,508	\$ 1,599,681
<u>Operating Expenditures</u>					
RTA Operations Funding to Service Boards	\$ 762,412	\$ 786,072	\$ 811,915	\$ 837,880	\$ 864,648
RTA Discretionary Funds to Pace	3,000	3,592	4,000	4,000	4,000
Additional State Funding-RTA Discretionary	54,252	42,451	81,810	91,627	99,893
New Transit Funding	—	—	143,426	200,308	306,152
Reduced Fare and Sales Tax Interest	37,900	37,125	37,125	37,125	37,125
Agency Operations	26,338	30,759	31,779	32,796	33,846
Total Operating Expenditures	\$ 883,902	\$ 899,999	\$ 1,110,055	\$ 1,203,736	\$ 1,345,664
<u>Debt Service and Capital Expenditures</u>					
Principal and Interest	\$ 188,211	\$ 182,102	\$ 186,218	\$ 195,157	\$ 196,305
Regional Technology and Agency Capital	8,739	7,270	7,499	7,735	7,980
Transfer Capital	27,136	33,992	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	\$ 224,086	\$ 223,364	\$ 214,070	\$ 223,245	\$ 224,638
Total Expenditures	\$ 1,107,988	\$ 1,123,363	\$ 1,324,125	\$ 1,426,981	\$ 1,570,302
Beginning Fund Balance	\$ 12,507	\$ 1,654	\$ 6,198	\$ 12,378	\$ 37,905
Change in Fund Balance	(10,853)	4,544	6,181	25,526	29,379
Ending Unreserved/Undesignated Fund Balance	\$ 1,654	\$ 6,198	\$ 12,378	\$ 37,905	\$ 67,284
Total Operating Expenditures %	0.2	0.7	1.1	3.1	5.0
Recovery Ratio %	52.6	52.7	50.4	N/A	N/A

(1) The figures for 2008 and 2009 include \$23,645 to achieve an RTA fund balance of 5 percent by the end of the planning period.

is the estimate of year-end results, 2007 is the operating budget, and 2008-2009 is the two-year financial plan.

Total Revenue

As identified in Exhibit 1-3, total revenue is projected to grow from \$1,096.1 million in 2005 to \$1,599.7 million in 2009. Of note is the significant change in revenue during the 2007-2009 planning period where unappropriated funding sources for ADA paratransit and New Transit Funding were used to balance operating deficits. For instance, in 2007, funding from these two sources totals \$225.2 million or 17 percent of total revenue. In 2008 the two sources totaling \$315.6 million are 22 percent of all revenue. In 2009, the figure climbs to \$429.7

million or 27 percent of total revenue. Without these sources, which are discussed later in this section, the system will be smaller and service options trimmed. Exhibit 1-4 illustrates the distribution of revenue sources budgeted in 2007. The amount is \$1,330.3 million.

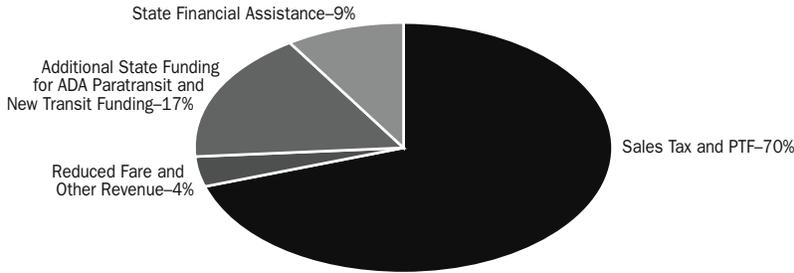
Sales Tax

RTA Sales Tax is the primary source of revenue for the Agency. The tax is authorized by Illinois statute, imposed by the RTA in the six-county region of north-eastern Illinois and collected by the state. The sales tax is the equivalent of 1 percent on sales in Cook County and 0.25 percent on sales in the collar counties of DuPage, Kane, Lake, McHenry and Will. The 1 percent sales tax in Cook County is

comprised of 1 percent on food and drugs and 0.75 percent from all other sales, with the state then providing a "replacement" amount to the RTA equivalent to 0.25 percent of all other sales.

The RTA retains 15 percent of the total sales tax and passes the remaining 85 percent to the Service Boards according to the following formula that is specified in the *RTA Act*. The CTA receives all of the tax collected in the City of Chicago and 30 percent of the tax collected in suburban Cook County. Metra receives 55 percent of suburban Cook County sales tax and 70 percent of the RTA Sales Tax collected in the collar counties. Pace receives 15 percent of suburban Cook County sales tax and 30 percent of the sales tax in the collar counties.

Exhibit 1-4: 2007 RTA Revenue Sources — \$1,330 million



Sales tax is estimated to grow from \$700.4 million in 2005 to \$794.4 million in 2009. The increase of \$94.0 million represents an annual growth rate of 3.2 percent.

Public Transportation Funds (PTF)

State Public Transportation Funds (PTF) are based on a formula tied to sales tax results and are, therefore, projected to increase at the same growth rate as the sales tax. For every \$4 collected in sales tax, the RTA receives an additional dollar for PTF. Estimated receipts in the 2007 budget are \$186.5 million.

State Financial Assistance

This revenue source is state-authorized assistance to reimburse the debt service expenditures for RTA Strategic Capital Improvement Program (SCIP) bonds. Subject to the appropriation of funds by the state, the RTA will continue to be eligible to receive State Financial Assistance payments. Budgeted receipts for 2007 are \$122.8 million.

Reduced Fare

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

In calendar year 2004, the RTA received \$40 million in funds from the state. However, in recent years the state has re-

duced its fiscal year (July to June) amount and applied an administration fee to the fund. As a result, available funds are projected to be \$36.3 million in 2006 and remain constant at that level from 2007 through 2009.

Other Revenue

This revenue category includes sales tax interest, investment income, financial transaction receipts, miscellaneous revenue, and grant funds from state and local agencies for regional coordination and technology initiatives. Total receipts in 2005 were \$17.2 million. Estimates from 2006 (\$14.9 million) through 2009 (\$13.2 million) reflect reduced opportunities for financial transaction gains.

Additional State Funding for ADA Paratransit

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

New Transit Funding

The upcoming year will be an extremely difficult year to achieve a balanced budget, as increases in security, labor, health care, fuel, and electricity costs have out-paced the growth in sales tax, the Agency's largest source of funding.

To address this crucial situation, the RTA and the Service Boards have joined forces in *Moving Beyond Congestion* with the expectation that this effort will result in the resources needed—not just to balance the operating budgets—but to invest, to maintain, enhance and expand the system to meet the growing needs and changing demographics of the region.

The Service Board budgets and financial plans were prepared with the expectation that New Transit Funding would be made available through upcoming legislation. However, there is no guarantee that such funds will be forthcoming. In that event, focus must shift to a constrained system which provides fewer service options. Unappropriated funds balance the Service Boards proposed 2007-2009 budget and financial plans, the amount (excluding ADA paratransit) in 2007 totals \$143.4 million.

Total Operating Expenditures

Total operating expenditures are projected to grow from \$883.9 million in 2005 to \$1,345.7 million in 2009.

RTA Operations Funding to Service Boards

The RTA's primary expenditure is the funding of the Service Boards' operating deficits. An operating deficit is the difference between a Service Board's system-generated revenue (farebox and other revenue) and system operating expenditures. The funds provided to the Service Boards by the RTA for their operating deficits are funded at budget. This policy encourages cost efficiencies and allows the Service Boards to retain any budgeted funds that are not expended. Such

funds are generally referred to as a positive budget variance, or PBV. This PBV becomes Service Board funds (retained earnings) to be used for capital program initiatives unless otherwise approved by the RTA Board.

The RTA funding amount to the Service Boards (Exhibit 1-3) in 2005 was \$762.4 million. RTA funding for the 2007 budget and 2008-2009 financial plan is \$811.9 million, \$837.9 million and \$864.6 million, respectively.

RTA funding sources for this expenditure category include the formula sales tax allocation that each Service Board receives, as discussed earlier, and discretionary funds from the RTA that include its own sales tax allocation receipts, public transportation funds, and other RTA revenue.

Exhibit 1-5 isolates the source of all funds and the amounts needed to balance the deficit of each Service Board as set by RTA marks for the 2007 budget and 2008-2009 financial planning period. The Service Board section offers a review of operating results and the respective deficit shown on this schedule.

RTA Discretionary Funds to Pace

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

In July 2006, Pace became responsible for all ADA paratransit operations in the region. To assist Pace with pre-start-up transition costs, the RTA provided Pace with additional funding of \$1 million in 2005 and \$1.6 million in 2006.

Additional State Funding-RTA Discretionary

As previously discussed, the State of Illinois appropriated additional funds to the RTA in the amount of \$54.3 million for ADA paratransit service and other costs and services in 2005 and 2006. In 2005, the CTA received the full appropriation. In 2006, the CTA and Pace shared the appropriation because Pace became responsible for all ADA paratransit service in the region beginning July 1, 2006. Although not yet appropriated by the State, the RTA used Pace's deficit amount to build the 2007 budget and two-year (2008-2009) financial plan. The amounts shown on Exhibit 1-3 represent the funds needed to operate ADA paratransit service during the next three-year planning period.

New Transit Funding

As discussed earlier, additional funding resources are needed to balance the operating budgets, and maintain, enhance and expand the system to meet the changing service needs across the region. The Service Board budgets and financial plans were prepared with the expectation that New Transit Funding would be made available during upcoming legislative sessions.

Reduced Fare and Sales Tax Interest

State reduced fare reimbursements are received as revenue by the RTA, as previously described, and all funds flow directly to the Service Boards to help defray program costs. From 2007 through 2009, the total amount provided by the state is planned at \$36.3 million.

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 back to the Service Boards using the same formula as the sales tax distribution. Payments in 2005 were \$0.8 million. Estimates for 2006 through 2009 are \$0.9 million annually.

Agency Operations

Agency operations represent on-going RTA functions to execute its planning, funding, financial oversight, and other regional service and coordination responsibilities. Total operating expenditures for the 2007 proposed budget are \$31.8 million with a year-on-increase of 3.2 percent for the 2008 and 2009 financial planning period.

Total Debt Service and Capital Expenditures

Total expenditures in this category are projected to remain relatively constant with 2005 actual results of \$224.1 million. In 2006, the RTA issued the remaining balance of bonds authorized by *Illinois First* legislation, and the state has not released additional bonding authority to the RTA.

Principal and Interest

Principal and interest expenditures increase from \$188.2 million in 2005 to \$196.3 million in 2009. Since the RTA has issued the remaining balance of bonds authorized by *Illinois FIRST*, debt service costs have increased.

Regional Technology and Agency Capital

The 2007 budget continues to fund region-wide capital-driven technology initiatives and Agency programs. Proposed expenditure of \$7.5 million next year includes funds for the Universal Fare Card, Transit Hub, Parking Management, ATSS expansion, Bus-Info, and information system enhancements for the Agency.

Exhibit 1-5: **Service Board Deficit Funding** (dollars in thousands)

CTA	2007 Budget	2008 Plan	2009 Plan
System–Generated Revenue	\$ 552,694	\$ 560,970	\$ 569,980
System–Generated Expenditures	1,133,043	1,215,865	1,341,903
Total Deficit	\$ 580,349	\$ 654,895	\$ 771,923
Percent Change %	16.8	12.8	17.9
Deficit Funding			
RTA Sales Tax	\$ 295,098	\$ 304,469	\$ 314,165
RTA Discretionary Funds	175,251	180,931	186,768
RTA Operations Funding	470,349	485,400	500,933
New Transit Funding	110,000	169,495	270,990
Total Deficit Funding	\$ 580,349	\$ 654,895	\$ 771,923
Metra			
System–Generated Revenue	\$ 283,772	\$ 286,031	\$ 295,567
System–Generated Expenditures	551,696	556,284	574,115
Total Deficit	\$ 267,924	\$ 270,253	\$ 278,548
Percent Change %	4.6	0.9	3.1
Deficit Funding			
RTA Sales Tax	257,374	265,594	274,049
New Transit Funding	10,550	4,659	4,499
Total Deficit Funding	\$ 267,924	\$ 270,253	\$ 278,548
Pace			
System–Generated Revenue	\$ 53,433	\$ 54,363	\$ 55,369
System–Generated Expenditures	166,124	172,640	180,046
Total Deficit	\$ 112,691	\$ 118,277	\$ 124,677
Percent Change %	5.9	5.0	5.4
Deficit Funding			
RTA Sales Tax	\$ 81,574	\$ 84,272	\$ 87,060
RTA Discretionary Funds	2,618	2,614	2,607
RTA Operations Funding	84,192	86,886	89,667
RTA Discretionary Funds for Passes	4,000	4,000	4,000
CMAQ/JARC Funds	1,623	1,237	347
New Transit Funding	22,876	26,154	30,663
Total Deficit Funding	\$ 112,691	\$ 118,277	\$ 124,677
Service Board Total			
Total System–Generated Revenue	\$ 889,899	\$ 901,364	\$ 920,916
Total System–Generated Expenditures	1,850,863	1,944,789	2,096,064
Total Service Board Deficit	\$ 960,964	\$ 1,043,425	\$ 1,175,148
Percent Change %	11.8	8.6	12.6
Deficit Funding			
RTA Sales Tax	\$ 634,046	\$ 654,335	\$ 675,274
RTA Discretionary Funds	177,869	183,545	189,375
RTA Operations Funding	811,915	837,880	864,649
RTA Discretionary Funds for Passes	4,000	4,000	4,000
CMAQ/JARC Funds	1,623	1,237	347
New Transit Funding	143,426	200,308	306,152
Total Deficit Funding	\$ 960,964	\$ 1,043,425	\$ 1,175,148
ADA Paratransit			
System–Generated Revenue	\$ 9,653	\$ 10,547	\$ 14,504
System–Generated Expenditure	91,463	102,174	114,397
Total Deficit	\$ 81,810	\$ 91,627	\$ 99,893
Percent Change %	16.2	12.0	9.0
Deficit Funding			
Additional State Funding–			
RTA Discretionary	\$ 81,810	\$ 91,627	\$ 99,893
Total Deficit Funding	\$ 81,810	\$ 91,627	\$ 99,893

Transfer Capital

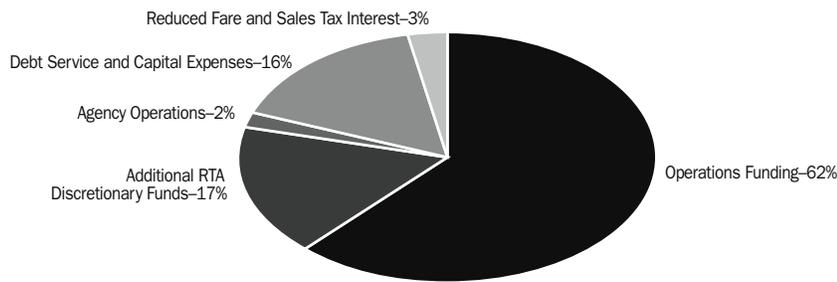
Two funding sources cover this category of expenditures: statutory and RTA discretionary. If the statutory apportionment of sales tax to a Service Board exceeds its operating budget, the funds are transferred to their capital program. No statutory transfers take place from 2005 through 2009 because sales tax receipts are not sufficient to cover the operating deficits of the Service Boards.

Since 1995, the RTA has transferred a portion of its discretionary funds, available for operations, to the CTA for capital investment. RTA discretionary funding for this program from 2005 through 2009 is \$20.4 million. Included in the CTA amount in 2006 is \$11.8 million from Additional State Funding for ADA paratransit. In 2005 and 2006, the State of Illinois appropriated \$54.3 million for ADA paratransit services and other costs and services. In 2006, \$42.5 million of this same amount is used to fund operating expenditures and \$11.8 million is appropriated for transfer capital, and the \$11.8 million is replaced by the transfer of Federal Section 5307 funds. In 2005 and 2006 Pace received RTA discretionary program funding to assist Pace with pre-transition start-up costs for ADA paratransit service in the respective amounts of \$6.8 million and \$1.2 million.

Total Expenditures

Total RTA expenditures (operating, debt service and capital) in 2005 were \$1,108.0 million (Exhibit 1-3). From 2006 through 2009, expenditures are projected to grow from \$1,123.4 million to \$1,570.3 million. Exhibit 1-6 illustrates the distribution of all 2007 expenditures totaling \$1,324.1 million.

Exhibit 1-6: 2007 RTA Expenditures — \$1,324 million



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 1-3). The purpose of the ordinance was to formalize a practice of maintaining a level of available financial resources for funding during unfavorable economic periods.

Beginning Fund 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 records are closed. The statements in this document reflect 2004 actual results for the 2005 beginning balance. This amount is \$12.5 million.

Change in Fund Balance

Total RTA revenue less total RTA expenditures produce an annual change to the fund balance. When revenue exceeds expenditures, the remainder is added to the fund balance; when expenditures exceed revenue, the fund balance is reduced

by the deficit amount. Total revenue in 2005 was less than total expenditures, reducing the balance by \$11.9 million. Other small changes occur during year-end closing. They are primarily entries for the de-obligation and/or re-obligation of RTA multi-year program expenditures and annual changes that occur in prepaid liabilities. The change in 2005 increased available funds \$1.0 million.

Ending Unreserved/Undesignated Fund Balance

The ending balance of \$1.7 million in 2005 was 0.2 percent of the total operating expenditures of \$883.9 million. To replenish the undesignated/unreserved fund balance and reach a 5 percent minimum level by the end of the 2009 planning period requires a balance of \$67.3 million, which this plan achieves.

Recovery Ratio

The *RTA Act* requires the RTA Board to set a recovery ratio for the next fiscal (calendar) year for each Service Board. The *RTA Act* further requires that the combined revenue from RTA operations cover at least 50 percent of the system operating cost. The RTA’s system-generated revenue recovery ratio for 2007 is 50.4 percent (Exhibit 1-7).

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

Statutory Compliance

The *RTA Act* requires that the CTA, Metra and Pace each have a balanced budget; the region’s recovery ratio is at least 50 percent; and the RTA (Agency) administrative expenditures do not exceed an established statutory cap. The Act also requires that prudent fiscal practice be followed such as proper cash management, use of reasonable assumptions, and sound accounting and financial practices. Each Service Board, the Agency and the combined transit system have budgets presented as a whole in this document, which comply with these stipulations.

Exhibit 1-7: **Recovery Ratio** (dollars in thousands)

<u>CTA</u>	2005 Actual	2006 Estimate	2007 Budget
Operating Revenue (1)	\$ 525,804	\$ 566,142	\$ 560,694
In-Kind Revenue	21,000	22,000	22,000
Total Revenue	\$ 546,804	\$ 588,142	\$ 582,694
Operating Expenditures	\$ 1,021,446	\$ 1,082,198	\$ 1,133,043
In-Kind Expenditures	21,000	22,000	22,000
Less Security Exclusion	(31,221)	(31,000)	(35,334)
Total Expenditures	\$ 1,011,225	\$ 1,073,198	\$ 1,119,709
CTA Recovery Ratio %	54.1	54.8	52.0
<u>Metra</u>			
Operating Revenue (1)	\$ 251,702	\$ 263,424	\$ 273,202
Metra Capital Farebox Revenue	9,392	10,281	10,570
Total Revenue	\$ 261,094	\$ 273,705	\$ 283,772
Operating Expenditures	\$ 503,638	\$ 529,957	\$ 551,696
Less Security Exemption	(13,292)	(14,470)	(17,500)
Less Depreciation Expenditure	(2,709)	(2,706)	(2,706)
Less Transportation Facility Leases	(14,051)	(15,135)	(15,541)
Total Expenditures	\$ 473,586	\$ 497,646	\$ 515,949
Metra Recovery Ratio %	55.1	55.0	55.0
<u>Pace</u>			
Operating Revenue	\$ 55,783	\$ 51,219	\$ 53,433
CCC for Paratransit Contract Services	4,750	3,995	—
RTA Discretionary Funds to Pace for Passes	—	2,000	4,000
In-Kind Revenue	4,693	4,758	4,758
Total Revenue	\$ 65,226	\$ 61,972	\$ 62,191
Operating Expenditures	\$ 159,624	\$ 157,602	\$ 166,124
In-Kind Expenditures	4,693	4,758	4,758
Total Expenditures	\$ 164,316	\$ 162,360	\$ 170,882
Pace Recovery Ratio %	39.7	38.2	36.4
<u>RTA System–Generated Recovery Ratio</u>			
Revenue			
Total Service Board Revenue	\$ 873,123	\$ 923,819	\$ 928,657
CTA Lease Transaction	4,262	4,262	4,262
Agency	16,587	14,869	13,538
Less Pace Pass Revenue	—	—	(4,000)
Total Revenue	\$ 893,972	\$ 942,950	\$ 942,457
Expenditures			
Total Service Board Expenditures	\$ 1,649,127	\$ 1,733,204	\$ 1,806,540
Add Back RTA Security Provision	24,519	25,470	32,834
Agency	25,602	30,773	31,779
Total Expenditures	\$ 1,699,248	\$ 1,789,447	\$ 1,871,153
Recovery Ratio %	52.6	52.7	50.4

(1) The 2006 and 2007 figures for the CTA include \$8 million in Federal 5307 funds. The Pace figure in 2005 includes \$33,000 in other revenue based on audited results.

2 Service Board Operating Plans

CTA 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. A seven-member Chicago Transit Board governs the CTA.

System-Generated Revenue

Total system-generated revenue is expected to increase from \$526 million in 2005 to \$570 million in 2009. This is an increase of \$44 million over the four-year period, which is a 2.0 percent average annual increase. System-generated revenue includes passenger revenue, reduced fare reimbursement, and other revenue (Exhibit 2-1).

Passenger revenue is expected to increase from \$417 million in 2005 to \$483 million by 2009, a \$66 million increase, or

a 3.7 percent, annual growth rate. Higher ridership and the new fare plan implemented in January are the reasons for the projected increase in fare revenue for 2006 compared to 2005 results. It is estimated that an additional 5.0 million trips will be provided, which is 1.0 percent higher than 2005 actual ridership. Revenue from fares is estimated at \$468.3 million in 2007, which is \$4.5 million higher than the 2006 forecast.

The Illinois General Assembly passed legislation in 1989 that provided funds to reimburse the CTA for the cost of providing reduced fares for the elderly, students, and the disabled. The fare reimbursement is included as revenue and became available in July 1989. In the state's 2007 fiscal year budget, the appropriation for reduced fare for the RTA region is \$36.3 million. These funds are split between the three Service Boards based on their reduced fare revenue. The CTA estimates its share at \$32.0 million per year from 2007-2009.

The Other Revenue category includes advertising, charters, concessions, contributions from local governments, investment income, and other revenue. Revenue for this category was approximately \$76 million in 2005, and is expected at \$55 million in 2009. One of the main reasons for this decrease is funding for paratransit services under contract will no longer be a revenue source because all paratransit service was transferred to Pace on July 1, 2006.

Operating Expenditures

Total operating expenditures are forecast to increase from \$1,021 million in 2005 to \$1,342 million in 2009. This \$321 million increase equals a 7.1 percent annual compound growth rate (Exhibit 2-1). Calendar year 2006 operating expenditures are estimated at \$1,082.2 million. This is 5.9 percent more than the 2005 actual expenditure of \$1,021.4 million. The increase is due mainly to higher labor, fuel, provision for damages and litigation

Exhibit 2-1: CTA 2007 Budget and 2008-2009 Financial Plan (dollars in thousands)

System-Generated Revenue	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Passenger Revenue	\$ 417,424	\$ 463,808	\$ 468,334	\$ 475,524	\$ 483,398
Reduced Fare Subsidy	31,961	32,000	32,000	32,000	32,000
Other Revenue	76,419	62,334	52,360	53,446	54,582
Total Revenue	525,804	558,142	552,694	560,970	569,980
Operating Expenditures					
Labor	\$ 714,336	\$ 769,163	\$ 850,332	\$ 915,648	\$ 1,037,780
Material	71,366	75,337	77,894	79,000	80,000
Fuel	45,788	55,003	61,233	72,000	72,000
Power	22,909	21,582	28,057	29,000	30,000
Insurance and Claims	31,500	53,000	25,000	28,000	28,000
Purchase of Security Services	31,221	31,000	35,334	36,217	37,123
Purchase of Paratransit Services	53,257	27,369	—	—	—
All Other (1)	51,069	49,744	55,193	56,000	57,000
Total Operating Expenditures	\$ 1,021,446	\$ 1,082,198	\$ 1,133,043	\$ 1,215,865	\$ 1,341,903
Operating Deficit	\$ 495,642	\$ 524,056	\$ 580,349	\$ 654,895	\$ 771,923
Deficit Funding					
RTA Sales Tax	276,307	284,636	295,098	304,469	314,165
RTA Discretionary Funds	165,325	171,128	175,251	180,931	186,768
Additional State Funding-RTA Discretionary	54,252	27,126	—	—	—
New Transit Funding	—	41,166	110,000	169,495	270,990
Total Deficit Funding	\$ 495,884	\$ 524,056	\$ 580,349	\$ 654,895	\$ 771,923
Recovery Ratio % (2)	54.1	54.8	52.0	N/A	N/A

(1) The 2007 budget figure includes a budget adjustment of \$108 and lowers costs to achieve the RTA funding marks. (2) Items excluded from expenditures are for security. Grant revenue of \$8,000 and in-kind revenue and expenditures from the CPD of \$22,000 are included in the recovery ratio.

costs. Fuel expenditure for revenue equipment is expected to finish the year at \$55.0 million. This is \$7.0 million, or 14.6 percent, higher than budget. The 2006 budget assumed an average price of \$2.00 per gallon for 24 million gallons. Fuel prices have been running above budget and are estimated to end the year at an average price of \$2.27. The average price was lowered through the savings achieved from a fuel hedge program and charging the cost differential of switching to an ultra low sulfur fuel to a federal grant (CMAQ) for part of the year.

The provision for injuries and damages represents the expenditure for claims and litigation for injuries and damages that occur on the CTA's property, or with the CTA's vehicles. The 2006 forecast is \$53.0 million or \$20.0 million higher than budget. This is due to the CTA's work on funding actuarially determined outstanding liabilities. The 2005 actuarial report shows the damage reserve fund as under funded by \$20.0 million.

The purchase of paratransit expenditure is estimated at \$27.4 million, \$2.2 million, or 7.5 percent lower than budget. ADA paratransit trips are projected to finish the year at 1.2 million trips, 40,628 trips, or 3.3 percent over the 2006 budget. This curbside service is provided by three carriers and taxicab companies. ADA paratransit services will be managed by Pace effective July 1, 2006

The 2007 expenditure budget of \$1,133.1 million is 4.7 percent higher than the 2006 projected results. The 2008 and 2009 financial projections show operating expenditures of \$1,215.9 million and \$1,341.9 million, respectively. The 2008 financial projection represents an increase of 7.3 percent over the 2007 operating budget. The 2009 financial projection represents an increase of 10.3 percent over the 2008 plan.

Deficit and Funding

System-generated revenue (fares and other revenue) generally total slightly more than one-half of the CTA's operating budget, with the remainder (operating deficit) covered by public funding from the RTA. The deficit for the budget and two-year financial plan is \$580 million, \$655 million, and \$772 million, respectively (Exhibit 2-1).

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

The RTA Sales Tax is a primary source of the CTA's operating funding. The RTA retains 15 percent of the sales tax funds, and passes on the remaining 85 percent to the Service Boards. The CTA receives 100 percent of the RTA Sales Tax dollars collected in Chicago and 30 percent of the sales tax dollars collected in suburban Cook County. RTA discretionary funds for the CTA are expected to range between \$165 million and \$187 million from 2005 to 2009. Apportionments from the RTA's 15 percent share of the sales tax revenue and the state's public transportation fund (PTF) are the primary source of RTA discretionary funds.

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. In 2007, the CTA recovery ratio is 52.0 percent. Exhibit 1-7 provides the detail used in this calculation.

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

Budget and Financial Plan

Metra's 2007 operating budget was build with the expectation that New Transit Funding will be forthcoming. However, there is no guarantee such funding will be available for operations next year, therefore Metra identified specific capital projects that will be deferred if such funds are not provided. Although Metra does plan to defer capital projects if it does not receive this new source of funds, there are no plans for service cuts or fare increases in 2007.

Metra also partnered with the RTA, the CTA, and Pace in 2006 on the development of a Strategic Plan for transit in the region. The ultimate goal of the Strategic Plan is to provide more quality travel choices and reduce the region's dependence on the automobile. At the same time, Metra plans to identify the actions and funding necessary to maintain the current system, while growing to meet future needs.

Exhibit 2-2: **Metra 2007 Budget and 2008-2009 Financial Plan** (dollars in thousands)

<u>System-Generated Revenue</u>	2005 Actual	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
Passenger Revenue	\$ 198,494	\$ 219,300	\$ 224,800	\$ 227,048	\$ 230,454
Reduced Fare Subsidy	2,812	3,000	3,050	3,100	3,150
Other Revenue (1)	59,788	51,405	57,212	58,076	64,252
Budget Adjustment (2)	—	—	(1,290)	(2,193)	(2,289)
Total Revenue	\$ 261,094	\$ 273,705	\$ 283,772	\$ 286,031	\$ 295,567
<u>Operating Expenditures</u>					
Transportation	\$ 137,714	\$ 140,637	\$ 143,051	\$ 147,321	\$ 151,705
Maintenance	176,072	179,718	183,192	188,121	193,572
Administration	32,195	31,997	32,317	33,150	34,051
Risk Management and Claims	16,721	16,510	16,700	17,090	17,598
Regional Services	11,256	12,038	12,082	12,396	12,716
Downtown Stations	11,675	12,670	13,040	13,372	13,818
Diesel Fuel	40,815	55,200	59,581	51,814	54,403
Security	13,292	13,970	17,000	17,000	17,000
Health Insurance	48,197	49,011	52,125	54,210	56,378
Pension	3,478	3,736	4,840	5,340	5,607
Electricity	12,223	14,470	20,058	20,458	21,686
Budget Adjustment (2)	—	—	(2,290)	(3,988)	(4,419)
Total Expenditures	\$ 503,638	\$ 529,957	\$ 551,696	\$ 556,284	\$ 574,115
Operating Deficit	\$ 242,544	\$ 256,252	\$ 267,924	\$ 270,253	\$ 278,548
<u>Deficit Funding</u>					
Sales Tax	\$ 241,727	\$ 249,410	\$ 257,374	\$ 265,594	\$ 274,049
PBV and Federal 5307 Funds (3)	817	6,842	—	—	—
New Transit Funding	—	—	10,550	4,659	4,499
Total Deficit Funding	\$ 242,544	\$ 256,252	\$ 267,924	\$ 270,253	\$ 278,548
Recovery Ratio %	55.1	55.0	55.0	N/A	N/A

(1) Other revenue includes capital credits, leases, investment income, and advertising. (2) After the RTA marks were issued, in the course of reviewing its budget and financial plans, Metra determined that certain costs such as electricity would be higher, due to market forces, than initially established. Metra also subsequently determined additional revenue sources would be available to support, in part, the added cost. The budget and financial plan adjustments, which are under review, align the 2007 budget and 2008-2009 financial plans with the marks set by the RTA. (3) Metra used internal funds (PBV) from prior years in 2005. In 2006, Metra used Federal 5307 Capital Funds to fund operations.

System-Generated Revenue

Total system-generated revenue is expected to increase from \$261.1 million in 2005 to \$295.6 million in 2009. This represents an increase of \$34.5 million or an annual compound growth of 3.1 percent (Exhibit 2-2).

Metra's system-generated revenue has three major components: passenger revenue, reduced fare subsidy, and other revenue. Passenger (or farebox) revenue of \$224.8 million comprises 79 percent of the total revenue planned for 2007. This represents a 2.5 percent increase over the 2006 estimate, and a 13.3 percent increase over 2005 actual results. On February 1, 2006, Metra increased its fares across the board by 5 percent. Passenger revenue is estimated to increase from \$198.5 million in 2005 to \$230.5 million by 2009.

This increase of \$32.0 million represents a 3.8 percent annual growth rate. Metra's passenger revenue is expected to increase over the 2006 estimate as the result of continued strength in the local economy, the higher cost of gasoline, continued major road construction projects, and continued growth for the lines which had service expansions or extensions in 2006. Ridership on the entire Metra system continues to grow. Through August, ridership is up by 5.8 percent over the same period in 2005, and for the year is estimated to exceed the record of 82.3 million rides recorded in 2001, which is seven percent higher than in 2005. The estimated passenger trips for 2007 are 84.4 million, which is 2.5 percent higher than the 2006 estimate.

The Illinois General Assembly passed legislation in 1989 providing funds to re-

imburse 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 recent years the state has reduced the amount of funding it provides for this program to the region. This aid, which totals approximately \$3.1 million in 2007, is expected to stay constant during this planning cycle.

The other revenue category represents 20 percent of Metra's total revenue for 2007. The components of this category are: investment income, joint facility and lease revenue, advertising income, capital grant project reimbursements, miscellaneous non fare-generated income, and 2007-2009 budget and financial plan adjustments. The total other revenue cat-

egory is expected to grow from \$59.8 million in 2005 to \$62.0 million in 2009, which is a 0.9 percent annual growth rate.

Operating Expenditures

Total operating expenditures are forecast to increase from \$503.6 million in 2005 to \$574.1 million in 2009. This \$70.5 million increase represents a 3.3 percent annual compound growth rate (Exhibit 2-2). Several factors have placed cost pressures on Metra's budget. These include: higher diesel fuel, security, health insurance, RTA pension, and electricity costs. Diesel fuel is one of the most volatile components of the operating expenditures. Diesel fuel averaged \$1.69 per gallon in 2005 totaling to \$40.8 million and was budgeted at \$1.90 in 2006 to total \$49.2 million. Metra is estimating an average of \$2.17 in 2006 for a total cost of \$55.2 million, \$6.0 million more than the 2006 budget. Metra is projecting an average price of \$2.30 per gallon for 2007 for a total of \$59.6 million or 21 percent over the 2006 budget. Metra is projecting diesel fuel prices to decline to \$2.00 per gallon on average in 2008, then rise to \$2.10 in 2009. Security has become a significant concern for Metra as it seeks to safeguard riders and employees alike. This expenditure category includes police and contract security services as well as planning, coordination, and training with other agencies. For 2007, the budget is \$17.0 million, which is 22 percent above the 2006 estimate of \$14.0 million. Security expenditures are not expected to exceed 2007 levels in 2008 and 2009. Metra's health insurance costs for 2006 were lower than budgeted due to lower cost plans and lower than anticipated premiums. Health insurance costs for 2007 of \$52.1 million are assumed to increase significantly (6.4 percent) over 2006, with more moderate annual growth in 2008 and 2009. The

RTA pension contribution of \$4.8 million for 2007 is \$1.1 million higher than for 2006. In 2007, electric power will be deregulated and Metra and the CTA are jointly negotiating power supply contracts. For 2007, Metra estimated motive power and electric utility costs to increase by \$5.6 million or 39 percent over the 2006 estimate. Cost increases are expected to moderate in 2008 and 2009. Metra's 2007 operating expenditures of \$551.7 million are projected to grow by 4.1 percent from the 2006 estimate. In 2008 and 2009, total expenditures will increase by 0.8 percent and 3.2 percent respectively compared to the previous year.

Deficit and Funding

The operating deficit is derived from total system-generated revenue minus total operating expenditures. Metra's 2007 budget deficit is \$267.9 million (Exhibit 2-2). This deficit is offset by public funding to reach a balanced budget. RTA Sales Tax is the major source of public funds to Metra and is used, in part, to fund the 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 from suburban Cook County, and 70 percent RTA Sales Tax collected from the collar counties. Metra's budgeted statutory sales tax receipts in 2007 are \$257.4 million. Metra's 2007 budget was prepared with the expectation that New Transit Funding would be made available. Although such funding is essential, there is no guarantee that it will be forthcoming. Therefore, Metra's 2007 budget identifies the capital projects that will not go forward in the coming year without New Transit Funding.

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. In 2007, Metra's recovery ratio is 55.0 percent. Exhibit 1-7 provides the detail used in this calculation.

Pace 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 twelve-member board of directors made up of current and former village presidents and mayors governs Pace. Through 2005, Pace operated bus, Vanpool, Dial-A-Ride, and ADA paratransit service in suburban Cook County and the collar counties. Effective July 1, 2006, Pace has provided all ADA paratransit service in the RTA region, including the service previously provided by the CTA in the City of Chicago and adjacent suburbs. Beginning in 2006, Pace's revenue and expenditures have been separated into suburban service and regional ADA paratransit service. Pace's regional ADA paratransit service is discussed in a separate section.

System-Generated Revenue

In 2005, Pace's suburban service and suburban ADA paratransit service system-generated revenue of \$51.2 million and \$1.6 million, respectively, totaled \$53.8 million. Pace projects that in 2006 suburban service system-generated revenue will again reach \$51.2 million. System-generated revenue remained steady because many passengers switched from paying cash to using the CTA 7-day pass in response to the CTA's fare restructuring effective January 1, 2006. Including ADA paratransit service revenue of \$3.8 million results in total system-generated revenue of \$55.0 million in 2006. Pace

Exhibit 2-3: Pace Suburban Service 2007 Budget and 2008–2009 Financial Plan* (dollars in thousands)

	2005 Actual	2006 Estimate Suburban Service	2006 Estimate Regional ADAPTS	2006 Estimate Total	2007 Budget	2008 Plan	2009 Plan
<u>System-Generated Revenue</u>							
Farebox Revenue (1)	\$ 31,726	\$ 28,435	\$ 3,553	\$ 31,988	\$ 29,791	\$ 30,941	\$ 31,765
Local Share/Other	13,738	13,958	221	14,179	14,783	14,830	15,153
Advertising/Investment	5,050	5,448	—	5,448	5,532	5,265	5,124
Reduced Fare Subsidy	3,236	3,378	—	3,378	3,327	3,327	3,327
Total Revenue (2)	\$ 53,750	\$ 51,219	\$ 3,774	\$ 54,993	\$ 53,433	\$ 54,363	\$ 55,369
<u>Expenditures</u>							
Labor/Fringes	\$ 72,996	\$ 76,982	\$ 1,229	\$ 78,211	\$ 80,989	\$ 84,144	\$ 86,228
Health Insurance	13,400	14,727	194	14,921	15,299	17,204	19,340
Parts/Supplies	4,390	4,717	—	4,717	4,950	5,115	5,276
Utilities	1,620	1,744	—	1,744	1,868	1,908	1,950
Fuel	11,738	12,951	1,295	14,246	15,026	15,417	16,025
Insurance	9,611	9,743	50	9,793	9,925	9,689	9,902
Other	7,911	8,770	705	9,475	9,659	10,398	10,877
Public/Private Contract	9,287	9,564	—	9,564	10,307	10,760	11,234
Dial-A-Ride	12,287	12,781	—	12,781	13,296	13,881	14,492
Vanpool	2,531	3,015	—	3,015	3,567	3,981	4,477
Ride DuPage	1,382	1,471	—	1,471	1,570	1,733	1,899
Restructuring Initiative	209	1,137	—	1,137	1,197	—	—
ADA Paratransit Service	12,261	—	43,556	43,556	—	—	—
Regional ADA Support Credit	—	—	—	—	(1,529)	(1,590)	(1,654)
Total Expenditures	\$ 159,623	\$ 157,602	\$ 47,029	\$ 204,631	\$ 166,124	\$ 172,640	\$ 180,046
Operating Deficit	\$ 105,873	\$ 106,383	\$ 43,255	\$ 149,638	\$ 112,691	\$ 118,277	\$ 124,677
<u>Deficit Funding</u>							
RTA Operating	\$ 79,052	\$ 81,582	—	\$ 81,582	\$ 84,192	\$ 86,886	\$ 89,667
RTA Regional ADA Funding	1,000	—	—	—	—	—	—
RTA/State ADA Paratransit Funds	—	—	16,918	16,918	—	—	—
Federal CMAQ and JARC Funds	262	677	—	677	1,623	1,237	347
Funding for Paratransit (3)	7,783	3,995	—	3,995	—	—	—
RTA Pass Reimbursement (4)	2,000	2,000	—	2,000	4,000	4,000	4,000
Federal 5307 Funds (5)	16,491	16,463	18,707	35,170	—	—	—
New Transit Funding (6)	—	—	—	—	22,876	26,154	30,663
Total Deficit Funding	\$ 106,588	\$ 104,717	\$ 35,625	\$ 140,342	\$ 112,691	\$ 118,277	\$ 124,677
Recovery Ratio % (7)	39.7	38.2	20.7	34.2	36.4	N/A	N/A

*2005 Actual includes both suburban service and suburban ADA paratransit service (ADAPTS). 2006 Estimate Regional ADAPTS 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) Suburban service includes Vanpool, Municipal Vanpool, Ride DuPage, and other services. (2) Excludes ADvAntage Program (in-kind) revenue and expenditures (of equal amount) that are included in Pace's recovery ratio calculation. The amount in 2005 was \$4.7 million. The figure for 2006, 2007, 2008, and 2009 is \$4.8 million. (3) Since the capital-related costs of paratransit service under contract are characterized as operating expenditures under GAAP, this funding is recognized as operating revenue. In 2005 and 2006, this amount is divided between funding for suburban service (Dial-A-Ride) and funding for ADA paratransit. The amounts applied to the recovery ratio calculation were \$4.8 million in 2005, \$4.0 million for suburban service in 2006, and \$5.9 million for regional ADA paratransit Service in 2006. (4) Pass reimbursement is considered revenue for purposes of the recovery ratio calculation. (5) Federal Section 5307 funding (preventive maintenance and ADA complementary) transferred from the capital program to operations. (6) If these funds do not materialize, corresponding amounts from the capital program must be transferred (as permissible under federal guidelines) to operations. (7) The recovery ratio in 2007 meets the 36 percent mark set for Pace by the RTA Board on September 14, 2006.

projects suburban service system-generated revenue of \$53.4 million in 2007, \$54.4 million in 2008, and \$55.4 million in 2009, corresponding to a compound annual growth rate of 1.8 percent.

Operating Expenditures

Total Pace operating expenditures of \$159.6 million in 2005 comprised both suburban service and suburban ADA

paratransit service. In 2006, Pace projects suburban service and ADA paratransit service operating expenditures of \$157.6 million and \$47.0 million, respectively, totaling \$204.6 million. Pace projects suburban service operating expenditures of \$166.1 million, \$172.6 million, and \$180.0 million in 2007, 2008, and 2009, respectively, corresponding to a compound annual growth rate of 4.1 per-

cent. These expenditure totals include a regional ADA support credit of approximately \$1.6 million annually that reflects many of the administrative and overhead costs to be incurred throughout Pace in support of ADA paratransit. Growth in labor/fringes and health care are the primary factors behind these increases in operating expenditures. From 2007 to 2009, labor/fringes and health care are projected

to increase 5.2 million (6.5 percent) and 4.0 million (26.4 percent), respectively. Fuel, which will account for \$15.0 million or 9 percent of operating expenditures in 2007, is projected to increase by \$1.0 million or 6.6 percent from 2007 to 2009. In 2007, Pace will complete its restructuring initiatives with an expenditure of \$1.2 million.

Deficit and Funding

The operating deficits are derived from total system-generated revenue minus total operating expenditures. In 2005, Pace ended the year with a net funding surplus of \$0.7 million that increased its funding balance (cumulative positive budget variance) from \$12.2 million to \$12.9 million. In 2006, Pace projects a net funding deficit of \$1.7 million for suburban service and \$7.6 million for ADA paratransit service, totaling \$9.3 million and resulting in an ending fund balance of \$3.6 million. From 2007 to 2009, Pace projects deficit funding to match the operating deficit, and, therefore, no changes to the fund balance. The RTA Sales Tax is the primary source of funding for Pace suburban service. The RTA retains 15 percent of the sales tax funds for discretionary funding and allocates the remainder to the Service Boards by statutory formula. Of this remaining amount, Pace receives 15 percent of the sales tax collected within suburban Cook County and 30 percent of the sales tax collected in the collar counties. In 2005, Pace's portion of RTA Sales Tax and discretionary funding totaled \$79.1 million. This amount is expected to grow 3.2 percent per year to \$89.7 million in 2009. In 2005, the RTA Board provided Pace with an additional \$1.0 million to assist with the cost of start-up activities related to the transition to Pace of all of the ADA paratransit services in the RTA region. In both 2005 and 2006, the RTA funded Pace \$2 million to accept the CTA's 7-day Pass, U-Pass, and Visi-

tor Fun Passes. In 2007 through 2009, the RTA plans fund Pace up to \$4 million in each of these years to accept these passes. The Pace budget and financial plan presented in Exhibit 2-3 satisfy the funding marks set by the RTA on September 14, 2006. The marks set the total RTA funding levels (excluding Federal CMAQ and JARC funds) at \$112.4 million for 2007, \$117.0 million for 2008, and \$124.3 million for 2009.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. In 2007 Pace's recovery ratio is 36.4 percent. Exhibit 2-3 provides the detail used in this calculation.

ADA Paratransit Overview

Effective July 1, 2006, Pace has provided all ADA paratransit service in the RTA region. Beginning in 2006, Pace's revenue and expenditures are separated into suburban service and regional ADA paratransit service. In Exhibit 2-4, the estimates for 2006 farebox revenue and the expenditures for labor/fringes, and CTA service area ADA purchased transportation represent the full year of regional ADA paratransit service, including services provided by the CTA during the first six months of 2006.

System-Generated Revenue

During the ADA paratransit transition year of 2006, Pace expects regional ADA paratransit passenger revenue to reach \$5.6 million. With the addition of ADA paratransit local share contributions and reimbursements from the RTA for transporting paratransit applicants to assessment sites, total regional ADA paratransit revenue is projected to reach \$5.8 million in 2006. In 2007, the first full year in which Pace will provide ADA

paratransit service throughout the RTA region, total ADA paratransit revenue is projected to reach \$9.7 million. In order to meet the 10 percent recovery ratio required by the amended *RTA Act* for ADA paratransit service in 2007, 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 January 1, 2007. Pace projects total ADA paratransit revenue of \$10.5 million in 2008, an increase of 9.3 percent. The amended *RTA Act* also requires that regional ADA paratransit service meet a recovery ratio of 12 percent beginning in 2009. To meet this requirement, Pace projects total ADA paratransit revenue of \$14.5 million in 2009, an increase of 37.5 percent over the prior year.

Operating Expenditures

Total ADA paratransit service operating expenditures of \$78.1 million in 2006 reflect Pace expenditures for suburban ADA paratransit service for the entire year, ADA paratransit expenditures incurred by the CTA during the first half of the year, and Pace expenditures for ADA paratransit service in the CTA service area during the second half of the year. Total ADA paratransit service operating expenditures are projected to increase \$13.4 million (17.1 percent) to \$91.5 million in 2007. Purchased transportation will account for \$83.6 million or 91.4 percent of this amount. In 2007, the costs of purchased transportation for the CTA and suburban service areas are expected to increase \$8.4 million (13.9 percent) and \$1.4 million (10.8 percent), respectively, for a total increase of \$9.9 million (13.4 percent), reflecting higher contractor and fuel costs and an increase in ridership of 0.3 million (9.3 percent). In 2007, Pace will also begin charging approximately \$1.6 million of its administrative and overhead expenditures to the

regional ADA paratransit budget. In 2008 and 2009, total operating expenditures are projected to increase \$10.7 million (11.7 percent) and \$12.2 million (12.0 percent), respectively, reflecting annual increases in ridership of 9.4 percent.

Deficit and Funding

The operating deficits are derived from total system-generated revenue minus total operating expenditures. Pace projects that regional ADA paratransit service will end 2006 with a net funding deficit of \$9.5 million. Of this amount, \$7.6 million, attributable to the service provided by Pace during 2006, comprises the majority of Pace's total funding deficit of \$9.3 million. In 2007 through 2009, Pace projects that public funding from the RTA and the State of Illinois will match the corresponding operating deficits. The Pace budget and financial plan for ADA paratransit service presented in Exhibit 2-4 meet the funding marks set by the RTA on September 14, 2006. The marks set the total funding levels at \$81.8 million for 2007, \$91.6 million for 2008, and \$99.9 million for 2009.

Recovery Ratio

The recovery ratio equals total (system-generated) revenue, with statutory and approved adjustments, divided by total operating expenditures, with statutory and approved adjustments. The amended *RTA Act* requires that regional ADA paratransit service meet a recovery ratio of 10 percent in 2007 and 2008 and 12 percent beginning in 2009. In 2007, 2008, and 2009, Pace's projected recovery ratio for regional ADA paratransit service is 10.6 percent, 10.3 percent, and 12.7 percent, respectively. Exhibit 2-4 provides the detail used in this calculation.

Exhibit 2-4: **Pace Regional ADA Paratransit Service 2007 Budget and 2008–2009 Financial Plan** (dollars in thousands)

	2006 Estimate	2007 Budget	2008 Plan	2009 Plan
System-Generated Revenue				
Farebox Revenue (1)	\$ 5,627	\$ 8,995	\$ 9,832	\$ 13,727
Local Share/Reimbursement	221	658	715	777
Total Revenue	\$ 5,848	\$ 9,653	\$ 10,547	\$ 14,504
Operating Expenditures				
Labor/Fringes (1)	\$ 2,077	\$ 2,168	\$ 2,255	\$ 2,345
Health Insurance	195	341	384	432
Administrative Expenditure	484	1,003	1,024	1,046
Fuel	1,295	1,503	1,542	1,588
Insurance/Claims	50	625	638	651
RTA Certification	221	658	715	777
Suburban ADA Purchased Transportation	13,330	14,770	16,277	17,969
CTA Service Area ADA				
Purchased Transportation (1)	60,452	68,866	77,749	87,935
Indirect Overhead Allocation	—	1,529	1,590	1,654
Total Expenditures	\$ 78,104	\$ 91,463	\$ 102,174	\$ 114,397
Operating Deficit	\$ 72,256	\$ 81,810	\$ 91,627	\$ 99,893
Deficit Funding				
Federal 5307 Funds (CTA/Pace)	18,707	—	—	—
RTA ADA Discretionary	1,592	—	—	—
Additional State Funding-RTA Discretionary	42,452	—	—	—
New Transit Funding	—	81,810	91,627	99,893
Total Deficit Funding	\$ 62,751	\$ 81,810	\$ 91,627	\$ 99,893
Funding Surplus/Deficit (revenue less expenditures)	\$ (9,505)	—	—	—
Recovery Ratio % (2)	7.5	10.6	10.3	12.7

(1) As required by the 2005 amendment to the *RTA Act*, Pace assumed operating responsibility for ADA paratransit service throughout the RTA region on July 1, 2006. The 2006 Estimate includes revenue and expenditure estimates for the full year of service, including service provided by the CTA during the first half of the year. (2) The recovery ratio in 2007 corresponds to the marks set for Pace by the RTA Board on September 14, 2006. The recovery ratios in 2007, 2008, and 2009 correspond to those set in the amended *RTA Act*.

3 Capital Program

Regional Overview

The *RTA Act* requires that the capital expenditures of the CTA, Metra and Pace be subjected to continuing review so that the RTA may budget and expend funds available to the region with maximum efficiency. The RTA Board must adopt a five-year capital program every year. The RTA's five-year capital program describes the nature, location, and budget by project and by fiscal year of all anticipated

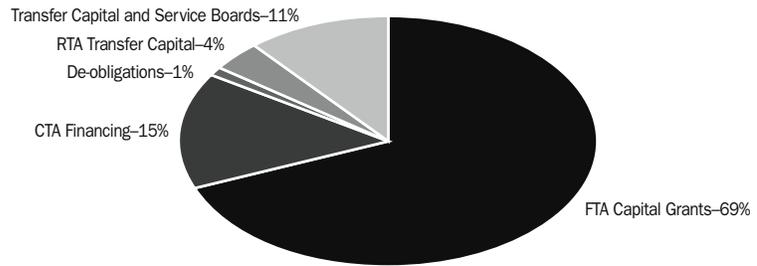
Service Board capital improvements. Public hearings are held in each county in the northeastern Illinois region to inform the public and government officials of the Authority's capital development plans.

The RTA emphasizes the need to preserve and enhance the RTA system's valuable infrastructure. This includes bringing the system's \$27 billion in assets (as measured in terms of replacement value) to good condition and extending or expanding service when demand is justified and funding available. This translates into a need of approximately \$1 billion per year just to maintain and preserve the existing system.

In 2005, Congress passed a reauthorization of federal funding for transportation projects. Although this legislation provided an increase over previous levels of funding, it will still leave a substantial shortfall.

The region still faces a need of more than \$500 million per year in additional funding to properly maintain our resources.

Exhibit 3-1: 2007-2011 Capital Program Marks



With funding needs for capital improvements and rehabilitation greatly exceeding expected resources, the RTA and the Service Boards must actively pursue additional funding opportunities to preserve and enhance the economic viability of the RTA system. It is critical that the RTA allocate our available capital resources consistent with long-range plans and short-range needs.

2007-2011 Capital Program Marks Issues

Continued financial support for public transportation is vital to the region's economic health. However, the region's current transit needs, which are based upon bringing the entire system to a state of good repair, continue to outpace projected funding levels. For the 2007 budget, we face a large operating and capital shortfall, because there has not been any new state capital funding for transit since *Illinois FIRST*, and because operating funding has not kept pace with 21st century demand. The \$27 billion asset of trains and buses and vans and stations and tracks belongs to the people of

Northeastern Illinois. And together, we all need to decide whether we are going to invest in this asset or shrink it.

Source of Funds

The funding sources for the RTA capital program include the U.S. Department of Transportation's Federal Transit Administration (FTA), the RTA, and the Service Boards. The total estimated new capital funds available for 2007 are projected at \$700.6 million. After deducting \$30.3 million to provide for the CTA's repayment of principal and interest and adding the CTA and Metra de-obligations of \$26.6 million, \$696.8 million is available for capital projects. At this time, the final federal appropriation figures for 2007 have not been determined. Once this amount has been established, the capital program will be adjusted to reflect the available funding.

On September 14, 2006, the RTA adopted preliminary capital funding marks. Since then, the RTA received proposals to change to the estimates for funds controlled by the Service Boards. When the RTA adopts its budget on December 14, 2006, these marks will be revised to incorporate various federal and local funding source changes proposed by the Service Boards and the RTA (Exhibits 3-1 and 3-2). Of the estimated \$696.8 million of new and de-obligated funding sources for 2007, federal funding after reduction for the CTA repayment of principal and interest, accounts for \$471 million or 67 percent, RTA funds account for \$20.3

Exhibit 3-2: RTA 2007-2011 Capital Program Marks (dollars in millions)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	\$ 1,381	\$ 771	\$ 187	\$ 2,339
RTA Transfer Capital	102	—	—	102
Transfer Capital and Service Boards	—	312	—	312
CTA Financing	425	—	—	425
Total New Service Board Capital Funding	\$ 1,908	\$ 1,083	\$ 187	\$ 3,178
De-obligations	1	25	—	26
CTA Principal and Interest	(385)	—	—	(385)
Total Service Board Available	\$ 1,524	\$ 1,108	\$ 187	\$ 2,819

Exhibit 3-3: **Capital Funding in 2007** (dollars in thousands)

Service Board Capital Funding	CTA	Metra	Pace	Total
FTA Capital Grants	\$ 289,344	\$ 177,473	\$ 34,468	\$ 501,285
IDOT Grants	—	—	—	—
Service Board/ Other Funds	—	53,919	—	53,919
RTA Transfer Capital	20,353	—	—	20,353
CTA Financing	125,000	—	—	125,000
Total New Service Board Capital Funding	\$ 434,697	\$ 231,392	\$ 34,468	\$ 700,557
De-obligations	1,554	25,000	—	26,554
CTA Principal and Interest	(30,336)	—	—	(30,336)
Total Service Board Available	\$ 405,915	\$ 256,392	\$ 34,468	\$ 696,775

million or 3 percent, Service Board and other funds account for \$53.9 million or 8 percent, and CTA financing funds account for \$125 million or 18 percent (Exhibits 3-3 and 3-4).

Federal

The RTA receives federal funds authorized under federal sections 5307, 5340 and 5309 of the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)*. *SAFETEA-LU* provides funding for federal surface transportation programs, including transit through federal fiscal year 2009. For planning purposes, the RTA preliminary marks assume the continued availability of federal funds in 2010 and 2011. On June 14, 2006, the House passed its version of the FFY 2007 Transportation Appropriations bill; and, on July 20, 2006, the Senate Committee on Appropriations approved its version of the FFY 2007 Transportation, Treasury, and Housing and Urban Development, the Judiciary, and Related Agencies Appropriations bill. The Senate bill funds Federal Transit Administration (FTA) programs at an \$8.875 billion level, a 4.4 percent increase over the final amount appropriated for FFY 2006. At present, Congress has not approved a FFY2007 Transportation Appropriation bill for the fiscal year starting October 1st. The Federal Transit Administration is currently operating under a continuing resolution. Once federal 2007 funds are appropri-

ated and local funding decisions are finalized, the 2007-2011 capital program marks will be revised.

Certain federal funding programs are allocated to urbanized areas based on legislatively defined formulas. The RTA region receives federal Section 5307 Urbanized Area Formula funds and federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds in this fashion. *SAFETEA-LU* included a new program, the federal Section 5340 Growing and High Density States, also distributed by formula that will provide funds to north-eastern Illinois.

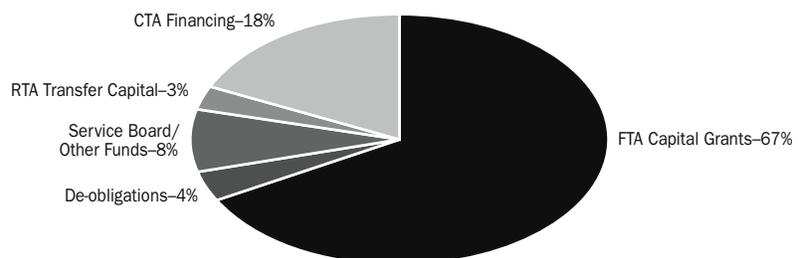
Other federal funds are available to the region on a competitive basis. The RTA, with substantial input from the Service Boards, estimates annual funding levels based on staff analysis of national funding levels, past performance, project readiness and existing legislative or contractual commitments. 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 feder-

al legislation. The RTA 2007-2011 federal Section 5309 (m)(2)(A) New Starts funding marks includes monies to complete the two CTA projects currently underway as earmarked in *SAFETEA-LU*. The RTA marks includes federal 2007 Section 5309 New Start funding of \$41.6 million for the CTA’s Douglas and Ravenswood lines; and \$105.9 million for the completion of the CTA’s Ravenswood project in 2008 and 2009. Further, the CTA and Metra marks include \$23.4 million and \$49 million respectively in 2007 for future New Start capital projects consistent with their earmark requests for 2007 federal funds.

It is expected that the Federal New Starts monies for system expansion will be available in 2008-2011. However, without matching funds, the region will not be able to access these funds. Therefore, no additional New Start funding is programmed in 2008-2011.

In addition, flexible funds are another source of federal funding for the RTA 2007-2011 capital program. Flexible funds are certain legislatively-specified funds that may be used either for transit or highway purposes. This provision was first included in the *Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)* and is continued with *SAFETEA-LU*. Flexible funds include Federal Highway Administration (FHWA) Surface Transportation Program (STP) funds and Congestion Mitigation and

Exhibit 3-4: **2007 Capital Funding**—\$696,775 million



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 the 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. When FHWA funds are transferred to the FTA, they are transferred to one of the following three programs: Urbanized Area Formula program (federal Section 5307), Non-urbanized Area Formula program (federal Section 5311), and Elderly and Persons with Disabilities program (federal Section 5310).

Once they are transferred to the FTA for a transit project, the funds are administered as FTA funds and take on all the requirements of the FTA program. The transferred funds may use the same non-federal matching share that the funds would have been subject to if they were used for highway purposes and administered by FHWA.

In urbanized areas of more than 200,000 population, the decision on the transfer of flexible funds is made by the Metropolitan Planning Organization (MPO). In the RTA region, the MPO is the Chicago Area Transportation Study (CATS) Policy Committee. The Service

Boards' proposed capital programs include projects that could be funded by these flexible programs.

All of these federal funds must be matched by local funding sources. The federal government provides 80 percent of the cost of capital projects funded with federal Section 5307 combined with Section 5340 along with federal Section 5309 funds. Local funding sources provide the remaining 20 percent match. However, due to the lack of Strategic Capital Improvement Program (SCIP) funding and IDOT Bonds, the Service Boards are left with no local funds available to provide a local match for federal funding in 2007. Therefore, the Service Boards, as a temporary solution, will exercise the toll revenue credit provision that was established in the *Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)*, incorporated in *Transportation Equity Act for the 21st Century (TEA-21)* and continued in *SAFETEA-LU*. The toll revenue credit provision permits states to use certain expenditures of toll revenue as a "credit" toward the required local match for certain highway and transit programs. These credits are not actually funds that can be used; rather they are a mechanism to count toll revenue already spent for tollway capital projects as local matching dollars for federal capital funds for transit.

In addition, other federal funds 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 the federal Section 5317-New Freedom program (for services supplemental to ADA requirements). Since projects using funds for these programs will be selected in 2007 based on a competitive selection process coordinated by the RTA and the CATS, no funding marks are pro-

posed 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 2007 RTA preliminary federal estimates reflecting the SAFETEA-LU legislation are \$150.7 million for federal Section 5309 (m)(2)(B) Fixed Guideway Modernization funds, \$211.9 million for federal Section 5307 Urbanized Area Formula funds combined with Section 5340 Growing and High Density States, \$114 million for federal Section 5309 (m)(2)(A) New Start funds, \$7 million for federal Section 5309 (m)(2)(C) Bus and Bus Facility funds, \$15.3 million for federal Section 5339 Alternative Analysis funds, and \$2.4 million for federal flexible and other funds. Furthermore, the CTA requested to reduce their federal funding by \$30.3 million for the payment of debt principal and interest for 2007 and \$354.7 million for this purpose in the out years.

The RTA

In 1999, the *RTA Act* was amended as part of the *Illinois FIRST* legislation. The legislation increased the RTA borrowing authority by \$1.6 billion for capital infrastructure improvements. This amount included \$1.3 billion in authorization for Strategic Capital Improvement Program (SCIP) bonds. The State of Illinois reimburses the RTA for the principal and interest expenditure on these bonds. The remaining \$300 million represented the RTA bonds for which the RTA does not receive state reimbursement. All of these funds (SCIP and RTA bonds) were programmed to the Service Boards since 2004. Also, since the RTA bond authorization represents a cap on outstanding bonds, additional bonds can be programmed when existing bonds are retired.

The RTA's five-year capital marks contain no additional SCIP or RTA bond funds since there is no legislation passed

Exhibit 3-5: RTA Capital Program Obligations (dollars in millions)

	CTA	Metra	Pace	Total
Average 1995–1999	\$ 240	\$ 154	\$ 24	\$ 418
2000	320	202	55	577
2001	322	500	61	883
2002	489	473	53	1,015
2003	599	365	25	989
2004	414	351	41	806
2005	494	216	37	747
2006 Estimate	375	200	20	595

Exhibit 3-6: RTA Capital Program Expenditures (dollars in millions)

	CTA	Metra	Pace	Total
Average 1995–1999	\$ 234	\$ 166	\$ 20	\$ 420
2000	277	182	31	490
2001	351	316	55	722
2002	486	340	35	861
2003	477	468	81	1,026
2004	450	402	26	878
2005	351	354	33	738
2006 Estimate	400	375	15	790

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 2007-2011 capital program includes \$101.8 million for the CTA from Transfer Capital funds.

The RTA discretionary funds are yet another source of capital funding. Discretionary funds, which are the portion of the 15 percent of the RTA Sales Tax receipts that remain after funding the 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.

State

State funds historically are awarded to the Service Boards on a discretionary basis and are used primarily for federal match purposes to ensure sufficient local funds are made available for critical transit projects in the region. No additional state funds for capital projects were included in State Fiscal Year (SFY) 2007 appropriations. Therefore, no IDOT funding is included in the Capital Marks for 2007 and beyond.

Service Boards

In addition to the funding sources described above, the 2007 capital program submitted by Metra includes \$48.8 million of Transfer Capital funds. Transfer Capital funds are monies that can be used for operations but have, through cost containment, been reallocated for use on capital improvement projects. Also, five-year funding for this category includes \$5.1 million of local community and other funding primarily Homeland Security monies to be secured by Metra.

CTA Financing

The CTA is proposing to borrow funds of \$125 million in 2007 and an additional \$300 million in the out-years. These funds will enable the acceleration of rail car and bus purchases, the construction of the Washington Intermodal Stations and the timely repair of track and structure by the CTA. The CTA will secure all funds and pay for all borrowings from their federal Section 5307 formula funds and federal Section 5309 Fixed Guideway Modernization funds.

Transfer to Operating

The capital marks were not reduced to reflect the Service Boards’ use of Section 5307 Urbanized Area Formula and Section 5309 Fixed Guideway Modernization funds for their operating budgets. However, these funds may have to be reduced in the future if additional operations funding or deficit reductions are not obtained.

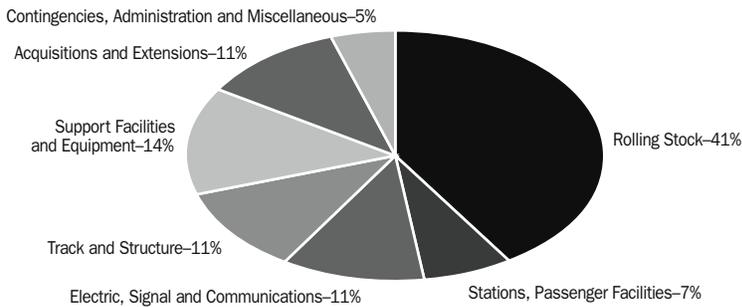
Use of Funds

The RTA capital program increased dramatically in 2000 primarily as a result of the increased funding included in the *Illinois FIRST* program. The 1999 program totaled \$552.7 million. The average funding level 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 2006 (projected), the Service Boards awarded an annual average of \$807 million in contracts. Project spending also increased substantially, from an average of \$420 million per year from 1995 thru 1999 to \$795 million from 2000 thru 2006

Exhibit 3-7: 2007–2011 Capital Program Uses (dollars in millions)

Asset Category	CTA	Metra	Pace	Total
Rolling Stock	\$ 856	\$ 208	\$ 100	\$ 1,164
Track and Structure	62	240	—	302
Electric, Signal and Communications	106	183	23	312
Support Facilities and Equipment	109	230	62	401
Stations and Passenger Facilities	134	65	1	200
Miscellaneous	—	60	—	60
Acquisitions and Extensions	257	49	—	306
Contingencies and Administration	—	73	1	74
Totals	\$ 1,524	\$ 1,108	\$ 187	\$ 2,819

Exhibit 3-8: Regional Five-Year Assets by Category—\$2,819 million



(projected). Exhibits 3-5 and 3-6 illustrate these trends. These results show that the Service Boards are putting the monies available to good use, providing benefits to public transportation riders.

The primary emphasis of the 2007 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.

Investments in the capital program can also be broken down by various asset categories. Exhibits 3-7 and 3-8 show that \$1.4 billion or 48 percent of the program is spent on rolling stock and stations and passenger facilities which are considered to have the greatest direct impact on transit users. Substantial investment in other infrastructure is also critical to maintaining safe, reliable transportation services.

The 2007-2011 capital programs for the CTA, Metra, and Pace are presented by major asset categories in Exhibits 3-9 through 3-12. Some of the more significant projects included in the proposed 2007-2011 capital program are:

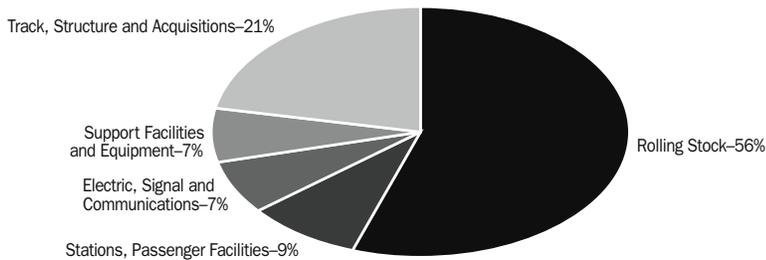
- \$319.1 million toward the purchase of 406 CTA rail cars;
- \$267.6 million for the rehabilitation and overhaul of the CTA rapid transit cars;
- \$217.8 million for the expansion of the CTA’s Ravenswood Brown Line;
- \$141.1 million toward the purchase of 426 CTA buses;
- \$127.9 million for the rehabilitation and overhaul of the CTA buses;
- \$106.2 million for the replacement and upgrade of the CTA power distribution and signals;
- \$37.5 million for the alternative analysis, preliminary engineering and construction for four proposed CTA New Start projects;
- \$143.6 million for the construction of new Metra yards and shops;

- \$97.0 million for the rehabilitation and improvement of Metra locomotives;
- \$110.8 million for the bridge rehabilitation and renewal;
- \$55.5 million for the rehabilitation of Metra commuter rail cars;
- \$78.8 million for the upgrade of signal systems and installation of Communication-Based Train control systems;
- \$49.0 million for the New Start alternative analysis, engineering and construction;
- \$61.6 million for the purchase of 176 Pace buses;
- \$16.6 million for the purchase of 460 Pace vans and community vehicles;
- \$11.2 million for the purchase of 137 Pace paratransit vehicles;
- \$18.1 million for the purchase of a replacement fixed route radio system;
- \$23.0 million for the purchase of a replacement farebox system;
- \$15.4 million for the purchase of the replacement for the HPe3000 computer system;
- \$14.6 million for the construction, expansion and improvements to Pace garages; and
- \$4.4 million for the implementation of Transit Signal Priority projects.

CTA Overview

The proposed projects in the CTA’s portion of the 2007-2011 capital program total \$1.5 billion. The CTA’s portion of the capital program continues the rehabilitation and replacement of their capital assets. The percentage for the general categories of capital improvements of the total program are: rolling stock at 56 percent, track and structure at 21 percent, electric, signal and communications at 7 percent, support facilities and equipment

Exhibit 3-9: CTA Five-Year Assets by Category—\$1,524



at 7 percent, and stations and passenger facilities at 9 percent. The general categories of capital improvements comprising the CTA's portion of the capital program are illustrated in Exhibit 3-9.

Highlights of the CTA's portion of the 2007-2011 capital program are as follows:

Rolling Stock

The CTA's portion of the 2007-2011 capital program includes \$269.2 million in the bus rolling stock category. The CTA's bus fleet consists of approximately 2,100 vehicles. The five-year program contains \$141.1 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 2007, on-going bus purchases totaling \$29.9 million are planned.

In addition, \$127.9 million is budgeted for capital-eligible bus maintenance activities and life extending overhauls over the five-year program with \$23.1 million planned in 2007. The CTA will continue its aggressive Bus Preventive Maintenance Program to schedule the replacement of parts nearing the end of their useful life. This program will improve the comfort, quality and reliability of the CTA's bus

service and will reduce operating expenditures by avoiding service disruptions and unscheduled maintenance of buses.

The rail rolling stock category includes \$586.7 million in 2007-2011 to rehabilitate or purchase CTA rail cars. The CTA's rail fleet consists of approximately 1,190 CTA cars. The five-year program includes \$319.1 million for the replacement of 2200 and 2400 Series rail cars and the purchase of additional cars to meet the service requirements associated with the Brown Line capacity expansion. The CTA is proposing \$57.5 million for the purchase of new rail cars in 2007. Also, this capital program contains \$267.6 million for the CTA systematic maintenance and upgrade of rapid transit rolling stock including the overhaul and mid-life rehabilitation for the 2200 and 2400 Series rail cars. This mid-life rehabilitation will enable the cars to reach original useful life estimates of 25 years.

Track and Structure/ Acquisitions and Extensions

The track and structure category includes \$319.6 million in 2007-2011 to rehabilitate and expand existing rail lines with \$144.1 million programmed in 2007. The CTA rail system contains 287.8 total track miles, including yard track. Of these, 63.2 miles are at grade, with exclusive right-of-way; 32.1 miles are at grade with cross traffic; 111.1 miles are on elevated structure; 55.2 miles elevated are on fill; 2.9 are open cut miles; and 23.3 miles are subway.

The highlights of the CTA's five-year track and structure program are:

1) The final funding of \$1.6 million in 2007 for the reconstruction of the Douglas Branch of the Blue Line from 54th and Cermak in Cicero through the incline connection to the Congress Branch completed in 2005;

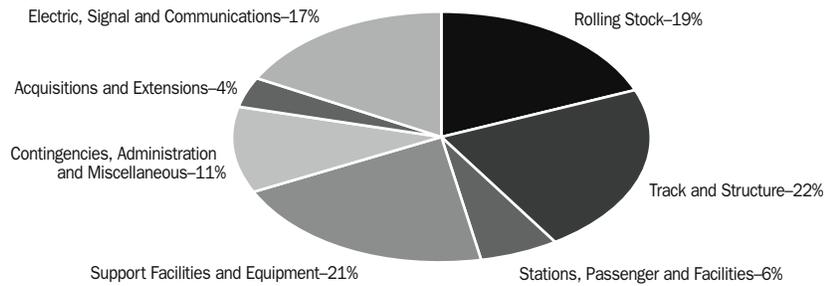
2) The capacity expansion of the Ravenswood Brown Line from Kimball Terminal to Tower 18 in the Loop by extending platforms to accommodate eight-car trains and making selected yard improvements, at a cost of \$217.8 million over the next five years, with \$64 million programmed in 2007;

3) The repair of track and structure, at a cost of \$62.7 million, with \$41.1 million programmed in 2007; and

4) New Start projects to extend and expand the CTA rail system at a cost \$37.5 million in 2007 for engineering, construction and alternative analysis. This includes extending the Red Line from the 95th Street Station to 130th Street, extending the Orange Line from Midway Airport to the Ford City Mall, and extending the Yellow Line from the Dempster Station to Old Orchard Mall. It also includes funds for expansions for the Circle Line that would link all of the CTA's rail lines in the City of Chicago to Metra rail lines and for the Ogden Avenue Transitway project from central Chicago to the North Riverside Park shopping center. The CTA has requested earmarks for these projects in the pending federal FY 2007 budget.

Electrical, Signal and Communications

The electrical, signal and communications category totals \$106.2 million for the CTA's portion of the proposed five-year program, with \$37.6 million programmed in 2007. The CTA's five-year plan includes the replacement and upgrade of the train control and track interlocking on the Loop Elevated Line

Exhibit 3-10: **Metra Five-Year Assets by Category**—\$1,108 million

with modern equipment providing increased reliability for customers at a cost of \$34.6 million. It also includes the upgrade and replacement of the signal system for the entire Dearborn Subway, the Congress Branch and a portion of the O'Hare Branch on the Blue Line at a cost of \$71.6 million.

Support Facilities and Equipment

The CTA's portion of the 2007-2011 capital program includes \$108.8 million in the support facilities and equipment category with 2007 funding of \$19.4 million.

The CTA's five-year program includes upgrades and improvements to various CTA facilities that need repair and require security enhancements, upgrades to bus turnarounds, rail stations and bus garages, and the rehabilitation of elevators and escalators. Various escalators and elevators throughout the system are beyond their service life, require continual maintenance work and need to be replaced. Other escalators and elevators are in poor condition and need to be rehabilitated.

Stations and Passenger Facilities

The stations and passenger facilities category totals \$133.8 million for the CTA's portion of the proposed five-year program with \$50.3 million programmed for 2007. The CTA operates 144 rapid transit stations serving eight routes. Sixty-five of these stations are wheelchair

accessible via elevator or ramp. The CTA will use the funding in the capital program to reconstruct the Howard Station on the Red Line including the reconstruction of the bus terminal and parking lot. The station will be made fully compliant with the *Americans with Disabilities Act*. The CTA proposes to program funds in the five-year capital program to complete the design and begin construction of the Wilson Station on the Howard Branch of the Red Line and continue construction of the Washington Street Station/Block 37 project connecting the State Street and Dearborn subways in downtown Chicago.

Metra Overview

The Metra's portion of the proposed 2007-2011 capital program totals \$1.1 billion. During this five-year period, Metra will continue the process of renewing its extensive commuter rail infrastructure, while preparing to expand its system. The percentage for the general categories of capital improvements of the total program are: rolling stock at 19 percent; track and structure at 22 percent; electric, signal, and communications at 17 percent; support facilities and equipment at 21 percent; stations and passenger facilities at 6 percent; acquisitions, extensions and expansions at 4 percent; and miscellaneous at 11 percent (Exhibit 3-10).

Highlights of Metra's 2007-2011 capital program are as follows:

Rolling Stock

The five-year rolling stock program totals \$207.9 million, with \$61.5 million planned for 2007. Metra's fleet includes 144 locomotives, 821 non-electric cars and 191 self-propelled electric cars. The 2007-2011 capital program includes \$97 million for the rehabilitation and improvements of locomotives, \$59.3 million for the rehabilitation and improvements of commuter cars, \$3 million for the rehabilitation of electric cars and \$39.6 million for the overhaul of rolling stock fleet components.

Track and Structure

The track and structure category totals \$239.4 million over the five years of the program, with \$33.3 million planned for 2007.

The Metra system operates on approximately 475 route miles with over 1,100 miles of track and 800 bridges. Metra is continuing a program of System-wide rehabilitation and preventive maintenance that includes bridge rehabilitation, grade separation, retaining wall rehabilitation, continuous-welded rail installation, ties and ballast replacement, rail grinding, fence installation, grade crossing replacement, and track undercutting.

Bridge rehabilitation and replacement projects, totaling \$110.8 million, are planned over the five-year program and includes \$46 million on the Milwaukee District-West Line, \$24.5 million for the Metra Electric Line, \$17.1 million for the Rock Island Line, \$13.5 million for the Milwaukee District-North Line, \$3.5 million for the BNSF Railway, \$1 million for the Union Pacific West Line, and \$1.5 million for the Union Pacific Northwest Line.

Electrical, Signal and Communications

A total of \$183.4 million is planned for the five-year program for electric, signal and communications projects that include upgrades and improvements to existing facilities such as interlockers, switches, signal systems, and electrical power control facilities. The 2007 program provides \$27.8 million for numerous projects throughout the system.

Improvements to the Lake Street interlocker, located at Lake and Clinton Streets in Chicago, are planned at a cost of \$2 million in 2007 and \$17 million in the program's out years. As part of this project, a new interlocking control machine will be purchased and installed at the Lake Street Tower.

Metra has also programmed \$7 million in 2007 for the renewal of the Gresham interlocker on the Rock Island District. Metra's portion of the out-year capital program also includes \$5 million for the completion of this renewal. The capital program contains \$4.6 million in 2007 with \$14 million in the out-years for the installation of fiber optic cable on the BNSF Railway, to increase the effectiveness and reliability of signal and control system communications at interlockers and crossings. In addition, Metra is proposing \$28 million in the out-year program to install a communications-based train control system on the Metra Electric District and the Milwaukee District lines.

Support Facilities and Equipment

The support facilities and equipment category totals \$229.7 million for the 2007-2011 planning period, with \$32.8 million in the 2007 capital program. Support facilities and equipment includes rail car and locomotive maintenance buildings, storage yards, work crew headquarters, maintenance vehicles and equipment, office buildings, and associated computer hardware and software.

Metra's portion of 2007 capital program includes \$1.5 million toward land acquisition for a new coach yard on the Metra Electric District and two new coach yards on the Union Pacific Northwest Line. One of these new yards on the Union Pacific Northwest Line would be in Woodstock and the other new yard would be in Johnsburg. Metra is proposing \$14.9 million in 2007 with \$113.2 million in the out-years for engineering, construction and right-of-way purchases for new coach yards and support facilities as well as various capacity upgrades planned for the Chicago Regional Environmental and Transportation Efficiency (CREATE) Project. Metra also proposes \$14 million in the five-year capital program to expand the Joliet Yard on the Rock Island District.

Over the life of the five-year program, Metra plans to spend \$86.2 million on support facilities, yards, shops, and substations.

Stations and Passenger Facilities

There are 231 stations in the Metra system, including four major terminals in downtown Chicago. In Metra's portion of the five-year capital program, a total of \$65.1 million is programmed for stations and parking. In 2007, \$21.2 million is programmed for these projects.

The 2007 program contains several major station projects:

- 1) \$3.4 million for the improvements to the concourse of Ogilvie Transportation Center serving the Union Pacific Lines in downtown Chicago;
- 2) \$2.3 million for the rehabilitation of the Winnetka Station on the Union Pacific North Line;
- 3) \$1.5 million for the replacement of the Bartlett Station on the Milwaukee District West Line;

- 4) \$1 million for the construction of the 35th Street Intermodal Station on the Rock Island District;

- 5) \$0.5 million for rehabilitation of the 99th Street Beverly Station on the Rock Island District; and

- 6) \$0.5 million to replace the Robbins Station facilities on the Rock Island District.

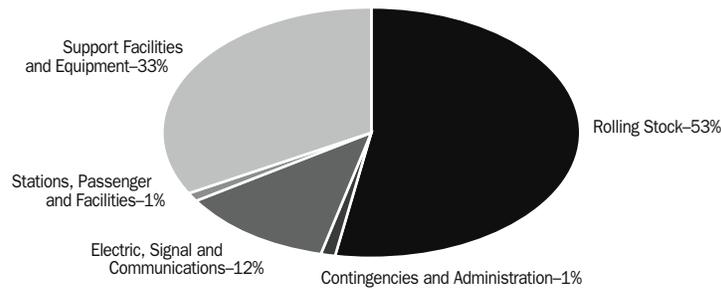
Furthermore, the 2007-2011 capital program includes \$15.2 million to improve platforms and ramps at Metra stations for compliance with the *Americans with Disability Act* (ADA), \$14.2 million for engineering for stations and parking, \$8.3 million for commuter parking lots, and \$5.4 million to construct commuter parking decks in Geneva and St. Charles.

Acquisitions, Extensions and Expansions

For the 2007 capital program, Metra is proposing to spend \$49 million for engineering for four proposed new start projects. These projects include two new lines: the Suburban Transit Access Route (STAR) Line and Southeast Service. In addition, these new start projects also include upgrades to the Union Pacific West and Northwest lines. All of these projects are eligible for federal funding under the *SAFETEA-LU* legislation. Metra has requested earmarks for these projects in the pending federal FY 2007 budget.

Miscellaneous, Contingencies and Administration

Metra's portion of 2007-2011 capital program includes \$133.2 million for station studies, project management and oversight, security improvements, advertising, material additives, insurance, support engineering, unanticipated capital, administration and contingencies, with \$30.7 million programmed in 2007.

Exhibit 3-11: **Pace Five-Year Assets by Category**—\$187 million

Pace Overview

Pace's portion of the 2007-2011 capital program includes \$186.7 million. This funding primarily provides for the replacement and expansion of rolling stock. The percentage for the general categories of capital improvements of the total program are: rolling stock 53 percent; electric, signal and communications 12 percent; support facilities and equipment 33 percent; and stations and passenger facilities and miscellaneous 2 percent. These allocations are illustrated in Exhibit 3-11.

Highlights of Pace's 2007-2011 capital program are as follows:

Rolling Stock

In the five-year capital program, Pace plans to purchase up to 771 transit vehicles for replacement and expansion at a cost of \$89.5 million. Pace's fleet consists of 680 fixed-route buses, 364 paratransit vehicles and 719 Vanpool vehicles. Pace's 2007 fixed route bus purchase budget of \$13.3 million includes the replacement of 38 fixed route buses purchased in 1992 and 1993. All the buses to be replaced have exceeded their useful life; and the new vehicles will be 30 feet in length.

In 2007, Pace also plans to spend \$2.8 million to purchase up to 35 paratransit vehicles to replace vehicles that have exceeded their useful lives. These vehicles will be a combination of buses and vans.

In addition to other rolling stock purchases, Pace's portion of 2007 capital program includes \$2.2 million for the purchase of two buses for Oak Park and 58 vans for Vanpool services throughout Pace's territory. The funds for the Vanpool programs are for the replacement of the vanpool vehicles which have exceeded their useful life and for the expansion of service. Pace's Vanpool program is composed of the Vanpool Incentive Program (VIP), the Corporate Shuttle Program and the ADvAntage Program in addition to the Municipal Vehicle Program.

This program includes a bus overhaul program including the replacement of bus components such as air conditioning condensers, alternators, regulators, drive shafts, transmission coolers, fan motors, steering shafts, and other items. Under the rolling stock category, Pace proposes \$1 million for bus overhaul in 2007, with \$4 million programmed in the out-years. In addition, the 2007 program includes the \$1.5 million for the purchase and installation of associated capital items such as engines, transmissions and other parts for fixed route and paratransit vehicles. The 2008-2011 capital program includes \$3.8 million for associated capital purchases.

Electrical, Signal and Communications

Pace's portion of the 2007 capital program includes \$2.6 million to implement seven Transit Signal Priority (TSP) projects contained in the federal *Safe, Accountable, Flexible, and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU)* legislation. 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, South Suburban, Grand Avenue, Lincoln Highway and Roosevelt Road. Additional funding is included in SAFETEA-LU for some of the TSP projects through 2009.

Also, Pace proposes \$18.1 million in the five-year capital program for the purchase and installation of a new system-wide radio system to replace Pace's existing radio system with \$3.5 million planned for 2007. The existing system is 13 years old and has exceeded its useful life, and parts are becoming difficult to find. The new radio system will not only save operating money, the technology will provide Pace with better communication coverage.

Support Facilities and Equipment

Pace proposes to program \$61.8 million over five years for support facilities and equipment. Of the \$8.6 million for support facilities and equipment projects planned in 2007, Pace's portion of the capital program includes \$3.5 million for improvements to garages and facilities. 2007 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 \$12.1 million for improvements and upgrades at various garages. The capital program also includes \$15.4 million in 2007-2011 for the

purchase and installation of a replacement computer system for the HPe3000 system. This program provides for the continuation of funding for the HPe3000 migration project, an integrated system of financial, purchasing and other business processes.

The 2007 program includes \$0.5 million for the purchase of miscellaneous maintenance and office equipment and replacement of non-revenue vehicles with \$1.6 million programmed through 2011 for maintenance equipment and support vehicles. Also, \$2.2 million is programmed in the out-year for office equipment and furniture.

Pace's out-year program provides \$23.0 million for a system-wide farebox replacement project. The existing farebox system was installed in 1994. In addition, Pace's out-year program includes \$2.9 million for the purchase of software and hardware and associated design and installation services for computers, printers, computer systems, network, communications, and presentation needs.

Additionally, in 2007, Pace's capital program proposes \$250,000 for the purchase and installation of the Interactive Voice Response System (Phase I) software to permit Pace customers to get next bus arrival times and \$400,000 to purchase 200 Mobile Data Terminals (MDT) for paratransit vehicles used in the expanded ADA service.

Stations and Passenger Facilities

The five-year program includes \$1.4 million for Pace stations and passenger facilities. This funding will provide for upgrades of numerous passenger facilities as well as the purchase of bus stop signs, shelters and other passenger amenities.

Administration

This category provides funding for project administration associated with capital projects. A total of \$1.2 million is proposed for 2008 through 2010. Pace project administration covers the in-house staff salaries associated with undertaking and completing capital projects.

Exhibit 3-12: **Five-Year Capital Program**—Schedule II (in dollars)

CTA	2007	2008	2009	2010	2011	Total
Rolling Stock—Bus						
21.032 Provide for Bus Associated Capital Maintenance Items—System-wide	176,642	—	—	—	—	176,642
21.803 Perform Bus Overhaul and Maintenance Activities—System-wide	6,376,341	5,088,250	5,088,250	5,088,250	5,088,250	26,729,341
21.806 Perform Mid-Life Bus Overhaul—System-wide	16,700,000	36,800,000	30,900,000	16,800,000	—	101,200,000
31.054 Purchase a Minimum of 426 Replacement Buses (Partial \$)—System-wide	29,899,470	39,620,451	—	49,253,009	22,287,895	141,060,825
Subtotal Rolling Stock	53,152,453	81,508,701	35,988,250	71,141,259	27,376,145	269,166,808
Total Bus	53,152,453	81,508,701	35,988,250	71,141,259	27,376,145	269,166,808
Rolling Stock—Rail						
22.903 Perform Rail Car Overhaul and Mid-Life Rehabilitation (2200, 2400, 2600, and 3200 Series, Partial \$)—System-wide	37,922,091	42,695,000	59,100,000	57,545,815	40,538,789	237,801,695
22.906 Perform Rail Car Overhaul Activities—System-wide	5,959,670	5,959,670	5,959,670	5,959,670	5,959,670	29,798,350
132.056 Replace a Minimum of 406 Rail Cars (2200 and 2400 Series, Partial \$)—System-wide	57,549,739	69,938,639	19,502,138	172,062,818	—	319,053,334
Subtotal Rolling Stock	101,431,500	118,593,309	84,561,808	235,568,303	46,498,459	586,653,379
Track and Structure—Rail						
171.133 Repair Track and Structure Defects—System-wide	5,400,804	5,400,804	5,400,804	5,400,804	5,400,804	27,004,020
181.5 Repair Track and Structure—System-wide	35,704,327	—	—	—	—	35,704,327
Subtotal Track and Structure	41,105,131	5,400,804	5,400,804	5,400,804	5,400,804	62,708,347
Electrical, Signal and Communications—Rail						
121.5 Replace/Upgrade Power Distribution and Signals—System-wide	37,558,486	68,633,246	—	—	—	106,191,732
Subtotal Electrical, Signal and Communications	37,558,486	68,633,246	—	—	—	106,191,732
Stations and Passenger Facilities—Rail						
141.273 Reconstruct Rail Stations—System-wide	50,257,050	27,715,000	—	—	55,873,298	133,845,348
Subtotal Stations and Passenger Facilities	50,257,050	27,715,000	—	—	55,873,298	133,845,348
Acquisitions and Extensions—Rail						
194.006 Perform Alternative Analysis for New Start Projects	14,100,000	—	—	—	—	14,100,000
194.007 Provide for New Starts Engineering and Construction—Circle, Red, Orange and Yellow Lines	23,380,000	—	—	—	—	23,380,000
194.115 Expand CAT Ravenswood Line/ Design, Land Acquisition, and Construction/ Ravenswood (Partial \$)—Brown Line	63,954,712	63,954,712	89,903,320	—	—	217,812,744
194.117 Reconstruct Douglas Branch (Partial \$)—Blue Line	1,573,675	—	—	—	—	1,573,675
Subtotal Acquisitions and Extensions	103,008,387	63,954,712	89,903,320	—	—	256,866,419
Total Rail	333,360,554	284,297,071	179,865,932	240,969,107	107,772,561	1,146,265,225
Support Facilities and Equipment—System						
073.50 Improve Facilities—System-wide	19,401,526	13,718,526	13,858,026	16,367,054	45,502,591	108,847,723
Subtotal Support Facilities and Equipment	19,401,526	13,718,526	13,858,026	16,367,054	45,502,591	108,847,723
Total System	19,401,526	13,718,526	13,858,026	16,367,054	45,502,591	108,847,723
TOTAL CTA	405,914,533	379,524,298	229,712,208	328,477,420	180,651,297	1,524,279,756

METRA	2007	2008	2009	2010	2011	Total
Rolling Stock—Rail						
01.21 Rehabilitate and Improve Locomotives—MET	33,900,000	18,000,000	18,000,000	12,600,000	8,400,000	90,900,000
01.31 Improve Locomotives—MET	1,450,000	1,600,000	1,400,000	950,000	650,000	6,050,000
01.51 Rehabilitate and Improve Commuter Cars—MET	8,500,000	5,600,000	9,975,000	6,250,000	25,200,000	55,525,000
01.61 Improve Locomotives and Commuter Cars—MET	500,000	500,000	675,000	1,050,000	1,050,000	3,775,000
01.81 Rehabilitate and Improve MU Electric Cars—MED	—	750,000	750,000	750,000	750,000	3,000,000
01.91 Overhaul Rolling Stock Fleet Components—MET	8,100,000	7,650,000	7,800,000	7,950,000	8,100,000	39,600,000
01.95 Enhance Cars and Locomotives—MET	9,000,000	—	—	—	—	9,000,000
Subtotal Rolling Stock	61,450,000	34,100,000	38,600,000	29,550,000	44,150,000	207,850,000
Track and Structure—Rail						
02.11 Replace Ties and Ballast—BNS, MED, MWD, RID, SWS, UPR	3,450,000	3,500,000	11,600,000	14,400,000	13,000,000	45,950,000
02.21 Provide for Maintenance-of-Way Work—BNSF, UPR, MET	2,090,000	1,090,000	1,090,000	990,000	1,140,000	6,400,000
02.25 Replace and Upgrade Grade Crossings—MET	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000	9,000,000
02.31 Provide for Track Undercutting and Surfacing—MED, MWD, SWS, UPR	1,250,000	852,000	—	1,133,000	—	3,235,000
02.41 Replace Rail—BNSF, MED, MWD, NCS, RID, UPR	4,500,000	10,400,000	10,218,000	4,936,000	5,156,000	35,210,000
02.42 Provide for Rail Capacity Initiative—BNSF	1,250,000	—	—	—	—	1,250,000
02.51 Rehabilitate and Renew Bridges—BNSF, MED, MWD, RID, UPR, MET	12,500,000	15,850,000	23,050,000	23,450,000	35,950,000	110,800,000
02.55 Fill Bridges—BNSF	200,000	200,000	—	200,000	—	600,000
02.61 Rehabilitate Embankments and Retaining Walls—BNSF, MWD, RID, UPR, MET	3,780,000	1,750,000	1,900,000	6,100,000	6,050,000	19,580,000
02.71 Install Right-of-way Fencing—UPR, MET	300,000	300,000	300,000	300,000	200,000	1,400,000
02.81 Construct Belmont Road Grade Separation—BNSF	3,000,000	—	—	—	—	3,000,000
02.95 Rehabilitate Catenary Structures—MED	—	750,000	750,000	750,000	750,000	3,000,000
Subtotal Track and Structure	33,320,000	36,692,000	50,908,000	54,259,000	64,246,000	239,425,000
Electrical, Signal and Communications—Rail						
03.01 Upgrade Signal Systems—BNSF, MED, MWD, UPR, MET	10,200,000	23,600,000	18,000,000	18,700,000	8,300,000	78,800,000
03.11 Rehabilitate and Renew Grade Crossings—BNSF, MWD, MED, UPR, MET	600,000	2,800,000	2,400,000	2,700,000	1,800,000	10,300,000
03.21 Install and Upgrade Interlockers and Crossovers—CUS, MWD, RID, UPR	11,000,000	10,400,000	12,300,000	18,800,000	3,100,000	55,600,000
03.31 Provide for Signal Improvements—BNSF, UPR	230,000	150,000	380,000	150,000	150,000	1,060,000
03.41 Provide for Electrical Distribution—MED	600,000	750,000	750,000	4,750,000	2,550,000	9,400,000
03.48 Upgrade Electric Service—UPR	—	100,000	100,000	100,000	—	300,000
03.51 Replace Catenary Wire and AC-DC Transmission Lines—MED	850,000	1,850,000	1,850,000	2,350,000	—	6,900,000
03.61 Install Standby Power Systems—UPR, MET	—	—	1,000,000	—	—	1,000,000
03.71 Provide for Electrical Improvements—MED, MWD, MET	800,000	450,000	450,000	800,000	750,000	3,250,000
03.81 Replace and Upgrade Communications Equipment/Systems—MET	3,400,000	5,200,000	550,000	780,000	6,130,000	16,060,000
03.92 Miscellaneous Electric, Signal and Communications—UPR	150,000	150,000	150,000	150,000	150,000	750,000
Subtotal Electrical, Signal and Communications	27,830,000	45,450,000	37,930,000	49,280,000	22,930,000	183,420,000
Support Facilities and Equipment—Rail						
04.01 Construct New Yards and Shops—RID, MED, UPR	1,500,000	—	5,000,000	5,000,000	4,000,000	15,500,000
04.02 Provide for Facility Acquisition, Engineering and Construction—MET	14,853,000	25,834,000	27,175,000	29,516,000	30,702,000	128,080,000
04.11 Upgrade Yards and Shops—BNSF, MWD, NCS, RID, UPR	2,100,000	3,000,000	1,000,000	4,800,000	9,200,000	20,100,000
04.21 Upgrade Buildings—MED, RID, MET	1,500,000	2,500,000	2,500,000	2,500,000	2,000,000	11,000,000
04.22 Upgrade Headquarters Building—547 W. Jackson Boulevard	3,800,000	100,000	700,000	100,000	700,000	5,400,000
04.31 Improve Tanks and Fueling Facilities—MET	—	500,000	500,000	500,000	500,000	2,000,000
04.41 Install Field Support Equipment—MET	3,305,000	2,952,381	2,616,344	3,154,685	3,521,932	15,550,342
04.51 Install Office Support Equipment—MET	4,270,000	6,435,000	1,785,000	1,335,000	8,785,000	22,610,000
04.71 Renewal of Facilities—MET	1,500,000	2,500,000	2,500,000	2,000,000	1,000,000	9,500,000
Subtotal Support Facilities and Equipment	32,828,000	43,821,381	43,776,344	48,905,685	60,408,932	229,740,342

	2007	2008	2009	2010	2011	Total
Stations and Passenger Facilities—Rail						
05.02 Rehabilitate Stations for ADA Compliance—MET	1,750,000	3,350,000	3,350,000	3,350,000	3,350,000	15,150,000
05.11 Rehabilitate Stone Avenue Station—BNSF	—	500,000	—	—	—	500,000
05.12 Rehabilitate and Improve Stations—MED	500,000	600,000	600,000	600,000	600,000	2,900,000
05.14 Improve Bartlett Station—MWD-West Line	1,500,000	—	—	—	—	1,500,000
05.16 Construct Tinley Park 80th Avenue Station—RID	160,512	173,888	180,576	—	—	514,976
05.16 Rehabilitate 115th Street - Morgan Park Station—RID	—	—	—	1,400,000	1,600,000	3,000,000
05.16 Replace Robbins Station and Parking—RID	500,000	—	—	—	—	500,000
05.16 Restore 99th Street Beverly Station—RID	500,000	—	—	—	—	500,000
05.18 Improve OTC Concourse—UPR	3,420,000	—	—	—	—	3,420,000
05.18 Rehabilitate Winnetka Station—UP-North Line	2,300,000	2,300,000	—	—	—	4,600,000
05.21 Construct New Station at 35th Street—RID	1,003,200	1,086,800	1,128,600	—	—	3,218,600
05.51 Expand Joliet Station Parking—RID	400,000	—	—	—	—	400,000
05.51 Expand Mont Clare, Mars, Galewood and Hanson Park Station Parking—MWD-West Line	500,000	—	—	—	—	500,000
05.52 Construct Commuter Parking Decks—Geneva and St. Charles	1,705,440	1,847,560	1,918,620	—	—	5,471,620
05.53 Expand Aurora Station Parking—BNSF	554,400	—	—	—	—	554,400
05.53 Expand Joliet Station Parking—RID	576,840	624,910	648,945	—	—	1,850,695
05.54 Improve Downers Grove Station Parking—BNSF	565,000	440,000	—	—	—	1,005,000
05.56 Provide for Commute Parking System Improvement - MET	1,000,000	1,000,000	2,000,000	—	—	4,000,000
05.91 Provide for Property Acquisition and Appraisal Services—MET	1,300,000	—	—	—	—	1,300,000
05.95 Conduct Engineering for Stations and Parking—MET	3,000,000	2,800,000	2,800,000	2,800,000	2,800,000	14,200,000
Subtotal Stations and Passenger Facilities	21,235,392	14,723,158	12,626,741	8,150,000	8,350,000	65,085,291
Miscellaneous—Rail						
06.01 Provide for Kennedy-King and Auburn Park Stations Station Study—RID	60,192	65,208	67,716	—	—	193,116
06.21 Improve Metra System Security—MET	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
06.42 Provide Advertising, Material Additives and Insurance—MET	1,600,000	2,100,000	2,100,000	2,100,000	2,100,000	10,000,000
06.43 Provide for Capital Project Oversight and Security—MET	500,000	500,000	500,000	500,000	500,000	2,500,000
06.43 Provide for Miscellaneous General Activities—MET	—	100,000	100,000	100,000	100,000	400,000
06.94 Provide for Support Engineering—MET	4,000,000	3,000,000	3,000,000	3,000,000	3,000,000	16,000,000
06.96 Provide for Unanticipated Capital—MET	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	6,000,000
Subtotal Miscellaneous	12,360,192	11,965,208	11,967,716	11,900,000	11,900,000	60,093,116
Acquisitions and Extensions—Rail						
07.51 Provide for Engineering and Construction for SAFETEA-LU New Starts Projects—MET	49,000,000	—	—	—	—	49,000,000
Subtotal Acquisitions and Extensions	49,000,000	—	—	—	—	49,000,000
Contingencies and Administration—Rail						
08.90 Provide for Project Management—MET	12,750,000	13,110,000	13,481,000	13,863,000	14,256,000	67,460,000
08.99 Provide for Contingencies—MET	5,618,850	—	—	—	—	5,618,850
Subtotal Contingencies and Administration	18,368,850	13,110,000	13,481,000	13,863,000	14,256,000	73,078,850
Total Rail	256,392,434	199,861,747	209,289,801	215,907,685	226,240,932	1,107,692,599
TOTAL METRA	256,392,434	199,861,747	209,289,801	215,907,685	226,240,932	1,107,692,599

P A C E	2007	2008	2009	2010	2011	Total
Rolling Stock—Bus						
4201 Purchase a Minimum of 176 Fixed Route Accessible Buses—System-wide	13,300,000	8,750,000	7,700,000	18,200,000	13,650,000	61,600,000
4202 Purchase a Minimum of 137 Paratransit Vehicles—System-wide	2,800,000	3,600,000	1,615,000	1,700,000	1,530,000	11,245,000
4204 Purchase a Minimum of 452 Vanpool Vans (256 Replacement and 196 Expansion)—System-wide	2,000,000	3,500,000	3,500,000	3,500,000	3,500,000	16,000,000
4205 Purchase a Minimum of 6 Community Vehicles—Oak Park	200,640	217,360	225,720	—	—	643,720
4206 Provide for Associated Capital Items—System-wide	1,500,000	1,000,000	1,000,000	1,000,000	750,000	5,250,000
4207 Provide for Bus Overhaul—System-wide	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Subtotal Rolling Stock	20,800,640	18,067,360	15,040,720	25,400,000	20,430,000	99,738,720
Electrical, Signal and Communications—Bus						
4126 Implement Transit Signal Priority Project—Cermak Road	250,000	300,000	500,000	—	—	1,050,000
4127 Implement Transit Signal Priority Project—Rand Road	160,512	173,888	180,576	—	—	514,976
4128 Implement Transit Signal Priority Project—Cicero Avenue	200,640	217,360	225,720	—	—	643,720
4129 Implement Transit Signal Priority Projects—South Suburbs	900,320	108,680	112,860	—	—	1,121,860
4209 Purchase Replacement Radio System—System-wide	2,500,000	6,300,000	9,300,000	—	—	18,100,000
4230 Implement Transit Signal Priority Project—Grand Avenue	320,000	—	—	—	—	320,000
4231 Implement Transit Signal Priority Project—Lincoln Highway	480,000	—	—	—	—	480,000
4231 Implement Transit Signal Priority Project—Roosevelt Road	300,000	—	—	—	—	300,000
Subtotal Electrical, Signal and Communications	5,111,472	7,099,928	10,319,156	—	—	22,530,556
Support Facilities and Equipment—Bus						
3614 Purchase and Installation of Replacement for HPe3000 Computer System-Phase II (Partial \$)—System-wide	3,900,000	3,000,000	1,900,000	1,000,000	5,600,000	15,400,000
4210 Purchase Replacement Farebox System—System-wide	—	4,000,000	8,000,000	6,000,000	5,000,000	23,000,000
4211 Purchase Maintenance/ Support Equipment and Vehicles—System-wide	500,000	300,000	300,000	500,000	500,000	2,100,000
4212 Purchase and Installation of Interactive Voice Response System (Partial \$)—System-wide	250,000	—	—	—	—	250,000
4213 Purchase Computer Hardware and Software Systems—System-wide	—	300,000	500,000	850,000	1,220,000	2,870,000
4215 Purchase Office Equipment/Furniture—System-wide	—	100,000	100,000	1,000,000	1,000,000	2,200,000
4216 Improve Garages/ Facilities—System-wide	3,505,611	2,500,000	1,130,000	3,300,000	5,200,000	15,635,611
4217 Purchase up to 200 Mobile Data Terminals for Chicago ADA Paratransit Vehicles	400,000	—	—	—	—	400,000
Subtotal Support Facilities and Equipment	8,555,611	10,200,000	11,930,000	12,650,000	18,520,000	61,855,611
Stations and Passenger Facilities—Bus						
4219 Construct Passenger and Transfer Facilities—System-wide	—	—	—	—	1,000,000	1,000,000
4220 Install Shelters/ Signs/ Passenger Amenities—System-wide	—	100,000	100,000	100,000	100,000	400,000
Subtotal Stations and Passenger Facilities	—	100,000	100,000	100,000	1,100,000	1,400,000
Contingencies and Administration—Bus						
4225 Provide for Project Administration	—	222,795	281,199	305,456	365,750	1,175,200
Subtotal Contingencies and Administration	—	222,795	281,199	305,456	365,750	1,175,200
Total Bus	34,467,723	35,690,083	37,671,075	38,455,456	40,415,750	186,700,087
TOTAL PACE	34,467,723	35,690,083	37,671,075	38,455,456	40,415,750	186,700,087
GRAND TOTAL	696,774,690	615,076,128	476,673,084	582,840,561	447,307,979	2,818,672,442

4 Appendices

Sales Tax Collections (dollars in thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Chicago	160,301	165,051	163,366	176,816	187,966	199,056	197,370	195,417	198,383	205,355	214,134
Suburban Cook	282,898	292,319	313,113	314,886	333,513	354,307	357,522	353,999	356,386	363,792	373,317
Total Cook	443,199	457,370	476,479	491,702	521,479	553,363	554,892	549,416	554,770	569,147	587,451
DuPage	32,230	34,370	36,482	39,278	41,764	42,741	42,498	40,961	40,916	42,785	44,495
Kane	8,546	9,044	9,301	10,011	10,761	11,589	11,796	12,256	12,828	13,954	15,328
Lake	16,770	17,929	18,980	20,413	22,238	23,985	25,017	24,913	24,969	26,150	27,348
McHenry	4,735	5,096	5,329	5,760	6,528	6,942	7,122	7,373	7,599	8,160	8,635
Will	7,821	8,495	8,925	9,540	10,744	11,664	12,197	12,766	13,906	15,432	17,138
Total Collar	70,102	74,934	79,017	85,002	92,035	96,921	98,630	98,269	100,218	106,482	112,944
Total	513,301	532,304	555,496	576,704	613,514	650,284	653,522	647,685	654,988	675,629	700,395

Passenger Ridership (in millions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CTA Bus	307.3	303.3	289.2	291.7	300.2	303.3	303.1	304.8	293.7	296.2	305.6
CTA Rail	119.3	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3	148.8	155.0
Total CTA	426.6	427.3	419.2	424.1	441.9	450.5	454.8	457.2	444.0	445.0	460.6
Metra	70.4	70.6	72.3	74.5	76.6	78.8	79.2	76.8	74.8	74.4	77.0
Pace	37.2	37.5	37.9	39.3	40.2	38.6	37.0	34.8	33.7	34.1	36.9
Total RTA	534.2	535.4	529.4	537.9	558.7	567.9	571.0	568.8	552.5	553.5	574.5

Unemployment Rates (in percent)

	2001	2002	2003	2004	2005
United States	4.7	5.8	6.0	5.5	5.1
Illinois	5.4	6.5	6.7	6.2	5.7
Cook County	6.1	7.4	7.4	6.6	6.5
DuPage County	4.4	5.5	5.5	4.9	4.7
Kane County	5.3	6.5	6.7	5.9	5.7
Lake County	4.4	5.5	5.7	5.5	4.5
McHenry County	4.6	5.7	6.0	5.2	5.1
Will County	4.9	6.1	6.2	5.9	5.5

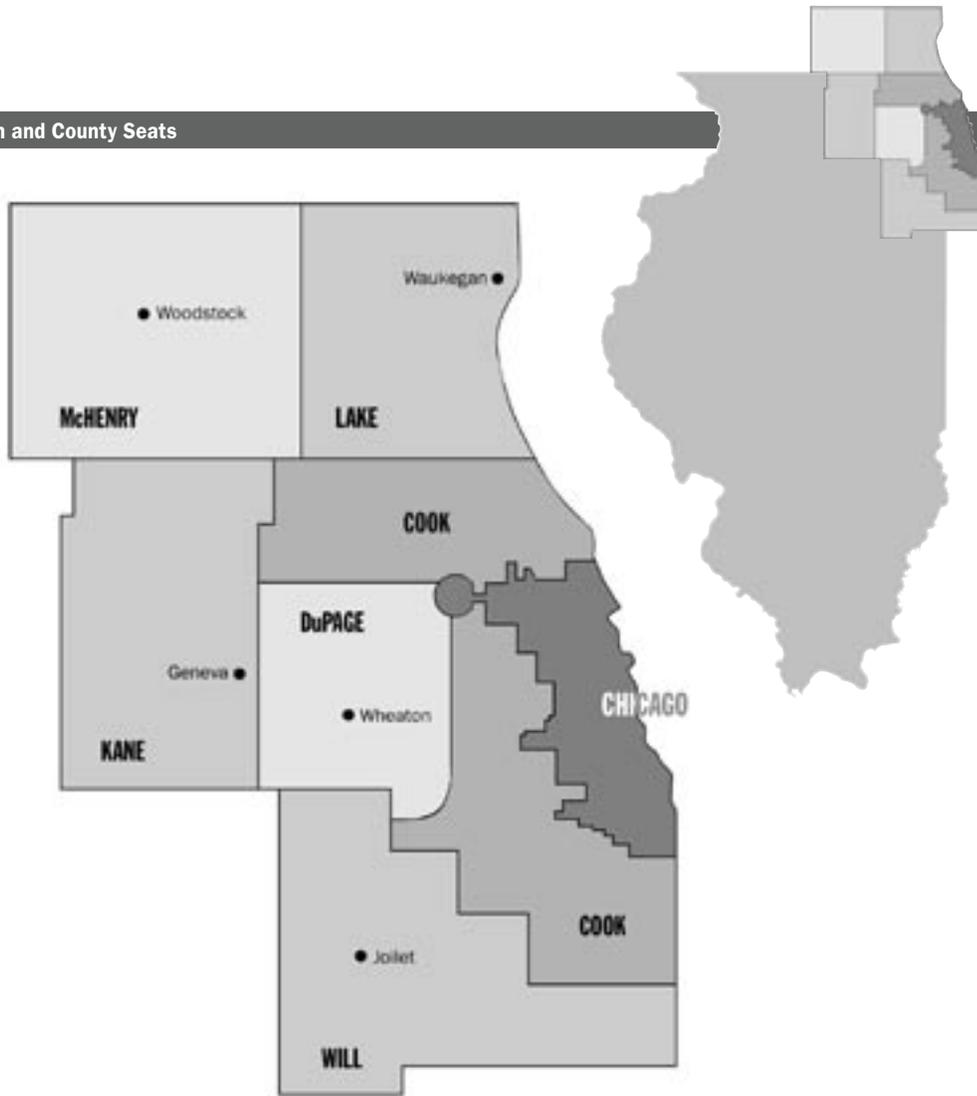
Source: Northern Illinois Planning Commission (NIPC)

Population Trend by County (in thousands)

	1990	2000	2005	% Change
Cook	5,104	5,377	5,304	(1.4)
DuPage	786	904	929	2.8
Kane	320	404	482	19.3
Lake	520	644	703	9.2
McHenry	185	260	304	16.9
Will	359	502	643	28.1
Total	7,274	8,091	8,365	3.4

Source: United States Census Bureau

Six-County Region and County Seats





Regional Transportation Authority

RTA Main Office

175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service

175 West Jackson Boulevard, Suite 250
Chicago, Illinois 60604
(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 Check

(800) 531-2828



Chicago Transit Authority

567 West Lake Street
Chicago, Illinois 60661
(312) 681-4510
www.transitchicago.com



Metra

547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6760
www.metrarail.com



Pace

550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 228-4261
www.pacebus.com



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